

City of Los Altos



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012





CITY OF LOS ALTOS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal year ended June 30, 2012

Prepared by
Finance Department



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CITY OF LOS ALTOS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2012

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INTRODUCTORY SECTION





ONE NORTH SAN ANTONIO ROAD
LOS ALTOS, CALIFORNIA 94022-3087

December 20, 2012

**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, 2012 along with the Independent Auditors' Report. The CAFR was prepared by the City's Finance Department and the information contained therein 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 information, as presented, is accurate in all material respects, that the presentation fairly shows the financial position and the results of the City's operations as measured 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 and Analysis (MDA) section of the CAFR and should be read in conjunction with it. The MDA provides a narrative introduction, overview and analysis of the Basic Financial Statements, and can be found immediately following the report of the independent auditors.

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 29,000 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. Municipal services provided include police, streets, facilities and parks maintenance, engineering, community development, recreation, solid waste and sewer. Fire protection is contracted with the Santa Clara County Central Fire Protection District.

SERVICE EFFORTS AND MAJOR INITIATIVES

Service Efforts and Budget Compliance

The City continues to provide a high level of service to its residents and citizens while adhering to its multi-year financial plan. Budget limits were met with the General Fund again reporting an operating surplus while contingency reserves were strengthened. Additional pension liability pay downs were acted on in line with the fiscal strategy set forth by Council. All major funds performed as expected and reflect cost saving efforts put in place during these times of economic recovery.

Major Initiatives

Capital Improvements: FY 2011/12 marks another year of capital re-investment into the community with substantial resources utilized for City-wide improvements. Some larger dollar capital expenditures of note this year include:

\$2,239,700	First Street Streetscape Construction
543,100	Annual Safe Routes to School
419,600	First Street Streetscape Intersection Improvements
324,700	Tri-City Safety Public Safety Virtual Consolidation
303,500	Rosita Park & Right of Way
213,900	San Antonio Road Resurfacing
147,900	Biennial Street Slurry Seal
134,000	Homestead Road Safety Improvements
96,500	Annual Concrete Repair
68,000	Community Center Project Master Plan
60,200	Annual Concrete Repair
53,300	Annual Street Striping
47,500	NPDES Compliance Design
36,900	San Antonio Club Rehabilitation
30,100	Miramonte Ave & Covington Road Traffic Signal
25,400	Traffic Sign Replacement
25,000	Fremont Avenue Bridge Replacement

Downtown Revitalization: The City continues on with a series of capital projects aimed at revitalizing its core downtown district and promoting its overall attractiveness and vitality. These include the rehabilitation of San Antonio Road, the completion of street, intersection and signal improvements, and progress on phase II of the First Street improvements. During FY 2011/12 Phase I of First Street improvements were completed including the complete renovation of the First and Main Streets intersection, installation of new signals, and core sidewalk and lighting improvements. These upgrades have enhanced the pedestrian experience complimentary to the intersection improvements completed in the prior year. They also lay a foundation for the transformative private developments currently underway.

Noteworthy Private Developments: Significant private development progress was made this year with the completion of the Packard Foundation facility, a marquis architectural building, forward progress made on the development of the commercial property at 400 Main Street, and advancement on a complete redesign and expansion of Safeway's downtown store site. These endeavors underscore the strategic posture the City has taken in supporting economic development efforts. Other important private developments downtown include construction of a new office building with two luxury townhomes at 240 Third Street and 20 new townhomes on First Street South. Considering the active and completed developments this past year, private investment dollars of more than of \$50 million have been introduced into the downtown equation.

Pedestrian Safety, Roads and Walkways: Substantial resources were expended for a variety of roadway, pedestrian and bikeway initiatives and improvements. Nearly \$1 million was applied to street resurfacing and streetscape design projects, signal improvements and bicycle transportation updates, enhanced safety lighting and street striping, neighborhood traffic calming initiatives and Safe Routes to Schools improvements. These efforts support the City's high roadway condition index while increasing overall pedestrian, bicycle and vehicular safety.

Community Parks: The prior year saw completion of the full renovation of Rosita Park with final finishing touches made in FY 2011/12. Rosita is now adorned with refreshed fields, play equipment and other amenities in a capital project that was award-winning in its application of environmental and conservation measures. This year also marked the final sign-off of the remodel and refurbishment of the San Antonio Club recreation facility.

Enhanced Safety Technology: Expenditures were applied to furthering the Silicon Valley Regional Interoperability project. This important project is designed to enhance and coordinate regional public safety data and radio communications systems, with a focus on interoperability and strategic planning. It promotes shared technology systems that will enrich the abilities of the Los Altos, and surrounding public safety agencies, to communicate with each other in both routine and emergency situations. It also allows for the sharing of information that will assist the regional enactment of safety duties. Over \$300,000 was expended this year on a project that will continue through FY 2012/13.

City Pension Reform Actions: This year of reporting marked significant progress made in implementing pension reform changes aimed at controlling future costs and minimizing risk related to this area. In FY 2011/12, the City implemented second-tier lower benefit-level plans for all newly hired employees miscellaneous and safety employees. As part of this change, all new employees are required to make their full employee pension contributions. Recent labor negotiations with existing employees have also resulted in increased employee pension contributions implemented on a phased basis.

FINANCIAL CONTROLS AND PROCEDURES

Financial Policies and Standards: The City has followed a fiscally conservative philosophy of building and maintaining healthy financial reserves. This has allowed the City to sustain quality services to its residents in a time when many local agencies have been forced to cut back due to fiscal constraints. On an annual basis, the Council approves financial policies designed to promote sound financial management and ensure fiscal integrity. This CAFR reflects implementation of these financial guidelines and presents all fund reserves and assignments that define fund balance commitments and obligations as of the financial report date. Such policies have been updated to encompass the recent requirements of GASB 54.

Internal Control Structure: City management is responsible for establishing and maintaining fiscal internal controls important in safeguarding the assets of the government from loss, theft or misuse, and to ensure that accounting data is accurately compiled in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management. This calendar year saw the final update of the City's purchasing policies, a significant attribute in the internal control model.

Cash Management Policies: 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, ensuring adequate liquidity as the second priority and maximizing yield as the third priority. This past year continued to display historic lows in interest rates with a drop in LAIF earnings rates below one half of 1%. This condition was, and is, expected to persist. Staff acted on the Council's plan to engage investment advisory services and have diversified the City's investment portfolio as a means of mitigating the impact of interest rate swings. As always, the emphasis remains on preserving the safety of principal.

Risk Management: The City has long been insured for general liability through a Joint Powers authority (JPA) that covers claims in an amount up to \$10 million with a deductible or uninsured liability of up to \$100,000 per claim. The City is self-insured for Workers' Compensation and has an excess insurance policy for such claims up to the statutory limits. The City has a \$1,000,000 deductible or self-insured liability. In the prior year, the deductible for Workers' Compensation was lowered to \$250,000 to further enhance risk protection.

GASB 45 Compliance: This report complies with the provisions of Government Accounting Standard Board Statement #45 (GASB 45). This standard pertains to Other Post Employee Benefits (OPEB) and requires the completion of an actuarial study to quantify and account for related liabilities. This recent reporting requirement is described in financial note 12 of the CAFR and the related liabilities reflected in the statements. As of June 30, 2012, the City's net OPEB obligation was valued at \$793,000, an amount reflected in the government-wide statements. Long-term unfunded liabilities equal \$2.1 million. Over the past three budget cycles, the City has earmarked and set aside \$400,000 in reserves to address this liability funding. Over the course of the next year, a variety of funding options available to the City including, but not limited to, the establishment of a trust will be evaluated. In the interim, these costs will be accounted for on a pay-as-you-go basis and included into future budgets.

EXECUTIVE FINANCIAL OVERVIEW

This executive financial overview is presented as a supplement to the more detailed and comprehensive analysis presented in the MDA. This section highlights key financial performance indicators for our major funds.

General Fund

The General Fund, the primary operating fund of the City, performed favorably realizing operating revenues over expenditures of \$1.4 million. This reflects a staunch commitment to prudent financial planning, conservative budgeting and faithful departmental stewardship. At year end, the total General Fund balance equaled \$7.5 million with an unassigned fund balance of \$1.7 million after commitments and assignments of \$5.7 million. As planned for in the budget process, a portion of this surplus margin has been allocated to funding capital improvements, increasing existing economic reserves and further funding Other Post-Employment Benefits (OPEB) as directed per Council's discretion. The fiscal results herein bring the City closer to its General Fund contingency reserve target of 20% having achieved a level of 18%.

Considering the transfer and use of reserve activity listed below, most notably \$700,000 for future Capital Improvement Program commitments and \$850,000 to further pay-down CalPERS side fund liabilities, the final General Fund balance decreased by \$399,170. This non-operating and transfer activity is summarized as follows:

- \$850,000 to further pay-down the CalPERS side-fund liabilities
- \$700,000 transfer out of operating surplus reserves to the Capital Projects Fund
- \$211,000 transfer out to fund Storm Drain Fund activities
- \$200,000 transfer out to seed future equipment replacements
- \$167,000 transfer out for general debt service payments
- \$204,000 transfer in from the Gas Tax Fund for supporting engineering operations
- \$125,000 transfer in from public safety grant funds
- \$22,000 transfer in from safety vehicle impound fees

The recovery of the General Fund revenue stream continues to be lackluster, a condition that was much discussed and planned for in recent budget cycles. The current year turnaround in Property tax trends is encouraging with 2012 realizing 4% gains in contrast to a slight decrease in the prior year. Nonetheless, all indications are that moderate growth rates are expected to persist in this revenue source area. A table of year-to-year comparisons of key General Fund revenues follows:

<i>Revenue (millions)</i>	<i>2011 Actual</i>	<i>2012 Actual</i>	<i>Variance \$</i>	<i>Variance %</i>
<i>Property Tax</i>	\$12.79	\$13.30	\$0.51	3.99%
<i>Sales Tax</i>	2.59	2.74	0.15	5.79%
<i>Hotel Tax</i>	1.52	1.78	0.26	17.11%
<i>Utility Users Tax</i>	2.54	2.54	0	0.00%
<i>Other Taxes</i>	0.93	0.91	-0.02	-2.15%
<i>Franchise Fees</i>	1.81	1.73	-0.08	-4.42%
<i>Interest</i>	0.23	0.07	-0.16	-69.57%
<i>Recreation</i>	1.76	1.81	0.05	2.84%
<i>License and Permits</i>	2.56	2.51	-0.05	-1.95%
<i>Other</i>	1.92	1.51	-0.41	-21.35%
Total	\$28.65	\$28.90	\$0.25	0.87%

General Fund revenues have increased slightly by 1% a trend that is below prior year levels. Revenues came in at 101% of our annual budget estimates with property tax, sales tax, hotel tax, franchise fees and recreation service fees being the front runners. Property tax, the City's mainstay, met budget projections and rebounded from its prior year sluggishness to comfortably evade the assessment reductions of the greater region. Sales tax came in at a 6% gain and continues its recovery coming off of double digit drops two years ago. The retail climate remains challenging and exists in a moderate recovery cycle. Tourism continues to be strong as indicated by the hotel tax gains of over 17% adding to a 13% increase last year. Interest income fell as projected in last year's report and strength in this area should not be expected given the federal government's continued easing policy. Utility users and Real Estate transfer tax performed well coming in over budget estimates. License and permit fees dropped slightly, by 2%, in contrast to last year's very strong performance. Recreation programs generated revenues of 3% above last year banner levels with enhanced programming and marketing. Franchise Fees were within budget but dropped slightly under the prior year mostly due to a decrease in solid waste contract fees. Reductions in Other Taxes and Other Income are mostly attributed to the State's shifting of Motor Vehicle Tax and the absence of one-time development fees realized in the prior year.

General Fund expenditures came in 5% below budget contributing to the net surplus mentioned above. Compared to last year, expenses increased by \$1.1 million or 4% mostly driven by labor and benefits, and professional service costs. The City's revenue base remains delicate in this cycle of recovery and rising costs in the areas of future pension rates, insurance and deferred maintenance costs remain a challenge. As such, the City's commitment to maintaining prudent, proactive and conservative fiscal planning is important.

Other Funds

Capital Project Funds: The Capital Projects Fund was very active, with expenditure levels reaching \$5 million, ending the year with a total Fund balance of \$6.4 million. \$2.2 million of this fund balance remains to be applied to the funding of future projects as identified in the City's five-year capital plan. Long-term forecasts again underscore the need to identify specific dedicated capital project funding sources as a means of eliminating this Fund's reliance on General Fund residual transfers.

The Community Facility Renewal Fund, a capital fund designed to support City-wide facility improvements, had a balance of \$7.1 million at year end, an increase of \$3.4 million as the result of Packard Foundation development fees. The Real Property Proceeds Fund ended the year with a balance of \$6.9 million with additional deposits on the conditional sale of property at 400 Main Street. Lastly, the Equipment Replacement Fund finished the year with a balance of \$3.7 million, a moderate drop from prior year levels.

Special Revenue, Internal and Enterprise Funds: All other Governmental and Business Type funds performed as expected. Non-major special revenue funds ended the year with a combined balance of \$3.9 million while Enterprise funds ended the year with combined net asset balances of \$13.5 million.

Trust and Agency Funds: The City acts as a custodian of funds held for the benefit of others including the administration of the North County Library Authority. In a change made last year, the long-standing Raymundo and Avalon curb and gutter special assessment districts were reclassified to the trust and agency group in recognition of the limited nature of this debt which is fully collateralized by homeowner assessments without City obligation. The Blue Oak Lane Sewer special assessment district is similarly treated.

ECONOMIC TRENDS

Although the City has performed relatively well this past year and maintained its target reserve levels and budget limits, an economic climate awash with financial uncertainty and historic nation-wide and global challenges continues to exist. As we navigate FY 2012/13 and beyond, we remain constantly aware of the financial threats that face all local municipalities. The existence of significant housing and credit pressures, the threat of the California State budget crisis, deepening national deficits, pension reform initiatives and sluggish retail activity, prompt us to remain resourceful, effective and efficient while developing our strategic and fiscal plans.

INDEPENDENT AUDIT

The public accounting firm of Burr Pilger Mayer (BPM) was newly selected this year to perform the annual independent audit as part of the City's rotation practice. Their first year auditors' report on the City's financial statements is included in the financial section of this report.

AWARDS

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, 2011. This was the seventh consecutive 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.

ACKNOWLEDGEMENTS

Preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Department staff notably, Shraddha Vakharia, Sarina Revillar and Courtney Makishima. We would like to express our appreciation to all members of the department who contributed in any part to the final product. We also want to thank Burr Pilger Mayer (BPM), our independent auditors, for their high level of service and professionalism in performing this year-end financial audit.

In closing, the continued leadership and support of the City Council enabled the staff to conduct the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Marcia Somers
City Manager



Russell J. Morreale
Finance Director

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, 2011

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.



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

City of Los Altos
List of Principal Officials
As of June 30, 2012

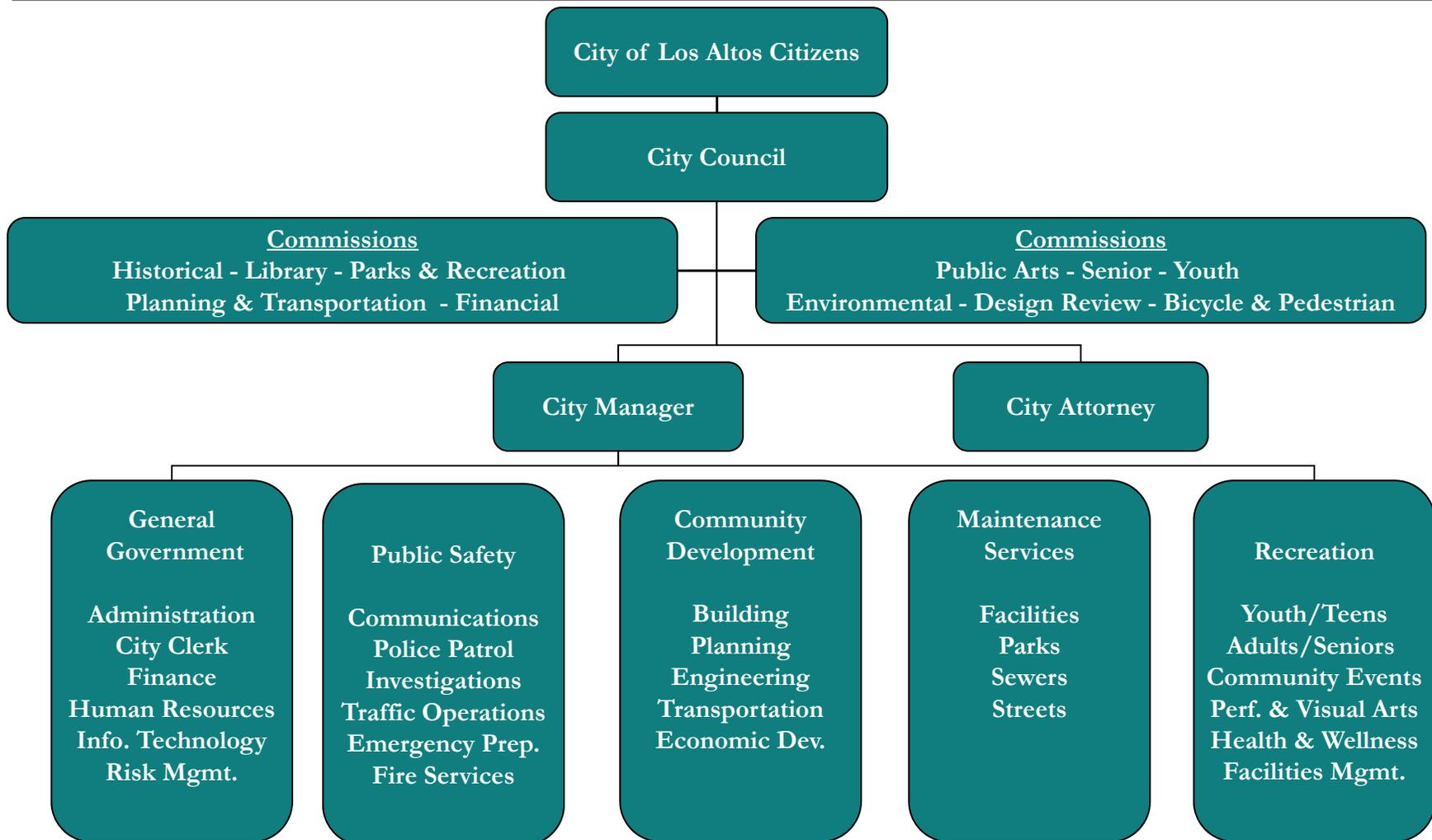
ELECTED OFFICIALS

Mayor	Valorie Cook Carpenter
Mayor Pro Tem	Jarrett Fishpaw
City Council	David Casas
City Council	Ron Packard
City Council	Megan Satterlee

APPOINTED OFFICIALS

City Manager	Marcia Somers
City Attorney	Jolie Houston
Assistant City Manager	James Walgren
Assistant City Manager	J Logan
Deputy City Clerk	Jon Maginot
Engineering Services Manager	Jim Gustafson
Finance Director	Russell Morreale
Interim Maintenance Services Manager	Gil Fletcher
Police Chief	Tuck Younis
Recreation Director	Beverly Tucker

City of Los Altos Organizational Chart June 30, 2012



A Great Place to Live & Raise a Family



FINANCIAL SECTION



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 the 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, 2012, 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'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual non major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Burr Pilger Mayer, Inc.

San Jose, California
December 20, 2012

City of Los Altos
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

The purpose of this discussion and analysis is to provide an overview of the City's financial performance and activities for the fiscal year ended June 30, 2012. We encourage readers of this report to consider this information in conjunction with the executive summary we have furnished in our letter of transmittal that can be found on pages i to viii of this report.

FINANCIAL HIGHLIGHTS

The City ended its fiscal year on a government-wide basis with total revenues of \$41 million, an 11% increase from the prior year, and operational expenses of \$34.8 million, a decrease of 2%. Operations resulted in a combined, government and business operations, increase in net assets including sizable infrastructure maintenance costs. Favorable fiscal results have again strengthen general reserves, remained within budget limits and are sufficient to sustain capital project plans.

Operational revenue gains were noted in recreation programming and general taxes including, property, sales, utility users, hotel occupancy, business license and real estate transfer taxes. Community development fees came in above projections while approximating last year's robust levels. Revenue declines were noted in the areas of franchise fees, interest income and motor vehicle license fees. Business revenues were down for the second year attributable to the impact of increased water conservation on sewer fee proceeds and the change in the solid waste disposal and recycling model.

Government-wide expenses decreased by 2% as a derivative of a moderate 1% decrease in governmental expenditures and a more substantial 9% drop in business expenses. Budget spending limits were achieved across the board with a continued focus on cost control. Over the years the City has, and continues to, mitigate cost pressures in a variety of ways including; moving forward on the further pay-down of CalPERS pension side-fund liabilities; strategically managing staffing vacancies; keeping a close eye on capital project management; the development of second-tier pension benefit plans and strict observance of budget target levels. The level of resource use reflects a concentrated emphasis on public safety, infrastructure maintenance, quality of life and community development activity.

Much progress has again been made on completing or furthering capital improvement projects, including street maintenance and resurfacing, first street streetscape and intersection improvements, citywide concrete and sidewalk repairs, pedestrian and traffic safety enhancements, bicycle transportation and parks master plan updates, street restriping and safety technology upgrades. The City made significant capital investments in the maintenance and improvement of the citywide sewer systems while progress has been made on the sewer master plan anticipated for delivery and completion in the coming months.

The City finished the year with a General Fund operating surplus, a testament to prudent budgeting, long-range forecasting and cost conscious stewardship. Although projected, the margin of revenues over expenditures came in well below prior year results and falls under pre-recession peak period levels. Budget estimates have been met for all operating and business funds yet staff remains ever diligent on containing costs, developing revenue and proactively managing reserves.

Government-Wide View

- Net assets (excess of assets over liabilities) equaled \$100 million, an increase of \$5 million, or 5%. These assets represent the City's total net holdings and are not necessarily unrestricted depending upon the source of the original funding.
- Unrestricted assets equal \$42.2 million, an increase of \$1.1 million, or 3%. Governmental unrestricted assets increased by \$1.2 million, or 4%, while business activities decreased by \$100,000, or 1%. This trend is attributed to significant grant and capital contributions with partial offsets given the use of funds for infrastructure maintenance and improvements. It is important to note that unrestricted net assets, as presented in the government-wide section of the CAFR, do not account for local fund restrictions, project assignments and/or policy reserves as classified within the governmental fund section of the report.
- Governmental activities reported ending net assets of \$87.1 million, an increase of \$4.6 million, or 6%. The increase in government arises from positive operating results, significant development fee collections, stable revenues and cost containment. These results also reflect the substantial use of resources, nearly \$750,000, for infrastructure maintenance beyond capitalized costs.
- Business activities reported ending net assets of \$13.5 million, an increase of \$700,000 or 5% due to positive operating results in the Sewer and Solid Waste Funds with partial offsets of Storm Drain activity losses.
- On a combined basis, restricted net assets amounted to \$3.9 million representing the extent to which funds are formally and categorically constrained.

Fund Level View

- The General Fund realized an operating surplus of \$1.4 million.
- General Fund revenues, excluding transfers, increased modestly by \$258,000 or 1% to \$28.9 million. Related expenditures increased by \$1.1 million to \$27.5 million, or 4%.
- The City made an additional CalPERS side fund pre-payment of \$850,000 to further mitigate pension costs pressures. This payment, combined with those made over the recent years, allows for the realization of full pay-off within the next fiscal year.
- Total governmental fund balances were \$35.5 million at fiscal year-end, an increase of \$1.2 million, or 3.5%, mainly due to the inflow of significant development grants and contributions and favorable operational results. Significant outflows were both expected and realized in the capital improvement funds.

- General government capital spending approximated \$5.1 million, a decrease of \$1.2 million, or 20%. This level of capital reinvestment reflects a continued focus on the maintenance of streets, facilities, traffic calming efforts and safety. Consequently, the Capital Projects Fund balance decreased by \$2.8 million net of incoming grant and special purpose revenues to end the year at \$6.4 million.
- The Real Property Proceeds Fund balance increased by \$143,089 and received an additional \$100,000 deposit on the sale of property at 400 Main increasing this fund's balance to \$6.9 million.
- The balance in the Community Facilities Renewal Fund increased substantially given \$3.4 million in development fees collected from the Packard Foundation as a condition of occupancy. At year end this fund balance approximated \$7.1 million.
- The Equipment Replacement Fund balance decreased to \$3.7 million with the use of funds for replacement purchases.
- Sewer operations ended the year favorably with an increase in net assets of \$182,581. Sewer revenues of \$4.5 million were \$300,000, or 7%, lower given a shift in water usage trends. This marks the third year of noted movement towards consumer conservation. Consequently, expenses also fell moderately below last year levels at \$4.4 million, or a 3% decrease. A review of maintenance expenses reflects continued attention to system maintenance.
- As forecast, the Storm Drain Fund has exhausted its available resources. This fund's reserve balances have been depleted and is now fully General Fund subsidized and will be so henceforth absent the advance of a fee-based model.
- Internal Service Funds, those that support shared costs, performed as expected. Workers' compensation claims have decreased in contrast to the prior year's adjustment for actuarial valuation. The Workers' Compensation Fund ended the year with an unrestricted fund balance of \$300,555, an improvement of \$168,046, while the General Liability fund remained relatively level at \$517,773.
- Other Non-major Governmental Funds ended the year with a total combined fund balance of \$3.9 million, an increase of \$1.1 million, or 40%, over the prior year with gains coming primarily from Gas Tax and Park-In-Lieu revenue streams.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which is comprised of 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.

Reporting on the City as a Whole

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 of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the 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 general government, public safety, maintenance and public works services, planning, building, engineering and recreation. The City's business-type activities include water, wastewater, storm water and parking.

The government-wide financial statements can be found on pages 21 to 23 of this report.

Reporting on the City's Most Significant Funds

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. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains twenty four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Project Fund, Equipment Replacement Fund, Real Property Proceeds Fund and the Community Facilities Renewal Fund, all of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund financial statements section of this report.

An annual appropriated budget is adopted each year for each governmental fund. A budgetary comparison statement has been provided for several key governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26 to 32 of this report.

Proprietary Funds: The City maintains two types of *proprietary funds*. Services for which the City charges customers a fee are generally reported in the City's *enterprise funds*. These proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its City dental plan, unemployment insurance, Workers' Compensation and Liability Insurance costs. Because these services predominantly benefit the governmental function, they have been included in the government-wide financial statements and related intra-fund charges have been eliminated accordingly.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The City's three enterprise funds (Sewer, Solid Waste and Storm Drain) are considered major funds and presented as such in the fund financial statements. The City follows the practice of adopting annual budgets for these operations as well.

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 78 to 98 of this report.

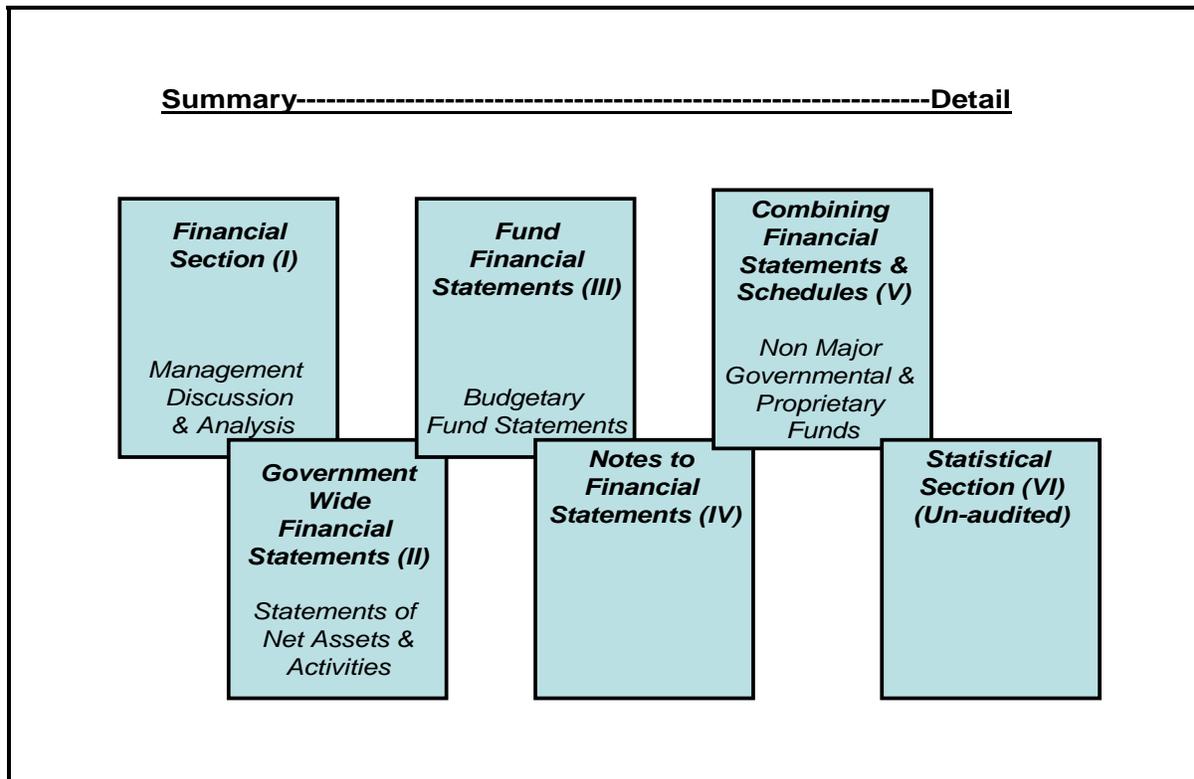
Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 39 to 68 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budget-to-actual financial comparisons for the General Fund. The City has elected to present this information within the basic financial statement and financial statement sections of the report.

The City as Trustee

Fiduciary Funds: The City is the trustee, or fiduciary, for the North County Library Authority and three special assessment districts - Raymundo and Avalon curb and gutter improvements, and Blue Oak Sewer Lane improvements. 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.

In summary the various sections of this financial report are arranged as follows:



GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net assets and changes in net assets at the city-wide level as presented in the statement of net assets and statement of activities which are summarized below as of June 30, 2012. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. On a combined basis, the City experienced a \$5.2 million, or a 5.5% increase in net assets. An analysis follows.

City of Los Altos Net Assets

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Cash and Investments	\$ 40,710,097	\$ 39,392,632	\$ 7,546,024	\$ 8,077,753
Other Assets	5,428,628	5,071,863	528,091	384,147
Capital Assets	50,270,889	47,955,812	5,951,698	5,197,408
Total Assets	96,409,614	92,420,307	14,025,813	13,659,308
Bond Debt	1,855,000	1,945,000	-	-
Other Liabilities	7,483,460	7,959,017	534,830	837,297
Total Liabilities	9,338,460	9,904,017	534,830	837,297
Net Assets				
Investments in Capital - Net of Related Debt	50,270,889	46,010,812	5,951,698	5,197,408
Restricted	3,925,741	3,061,580	-	-
Unrestricted	32,874,524	33,443,898	7,539,285	7,624,603
Total Net Assets	\$ 87,071,154	\$ 82,516,290	\$ 13,490,983	\$ 12,822,011

Investment in capital assets makes up the largest portion of the City's net assets, fifty percent (50%). These asset include reflects include land, buildings, infrastructure, and machinery and equipment, less any associated outstanding debt. As these assets represent foundational infrastructure used in support of basic City services, they are generally not available for future spending.

An additional portion of the City's net assets, three percent (3%), represent resources subject to external spending restrictions. The remaining forty seven (47%) of net asset are defined as unrestricted and generally available for future capital projects and discretionary use with the caveat these funds are a composite of several governmental funds which may include assigned project commitments and assignments especially associated with active and ongoing projects.

Some key government-wide observations include the following:

- Government-wide cash and investments holdings increased by 2% a factor of an operational and the collection of substantial developments fees, in particular \$3.4 million from the Packard Foundation development. Increased operating grant income and favorable business operating results combined with overall budget compliance has also added to this outcome.

- Government-wide net assets equaled \$100 million, an increase of \$4.7 million or 5%, due to the resource flow activity noted above and the capitalization of completed projects.
- Substantial capital improvements, approximating \$4.5 million, were realized. These include pedestrian and bicycle safety enhancements, street repairs and striping, major streetscape and intersection advances, concrete maintenance, facility maintenance, and safety technology improvements.
- Business-type activities reported net assets of \$13.5 million at year end, a \$700,000, or 6%, increase. Progress on the Sewer and Storm Water Master Plans move ahead while the City continues to maintain and plan for future improvements on a pay-as-you-go basis. Although we have noted a drop in income stream, Sewer revenue covers its expenses. The Storm Drain Fund, on the other hand, was again in need of a full General Fund subsidy with the depletion of its reserves last fiscal year. Solid Waste revenues exceeded expenses in contrast to the prior year utilization of resources associated with one-time contract renewal costs.

Governmental Activities

Governmental programs, which include general public services, displayed revenue increases of \$4.1 million, or 13%, while total expenditures remained level. Including all sources and uses, governmental net assets increased by \$4.5 million, or 6%, ending the year with a total fund balance of \$87.1 million.

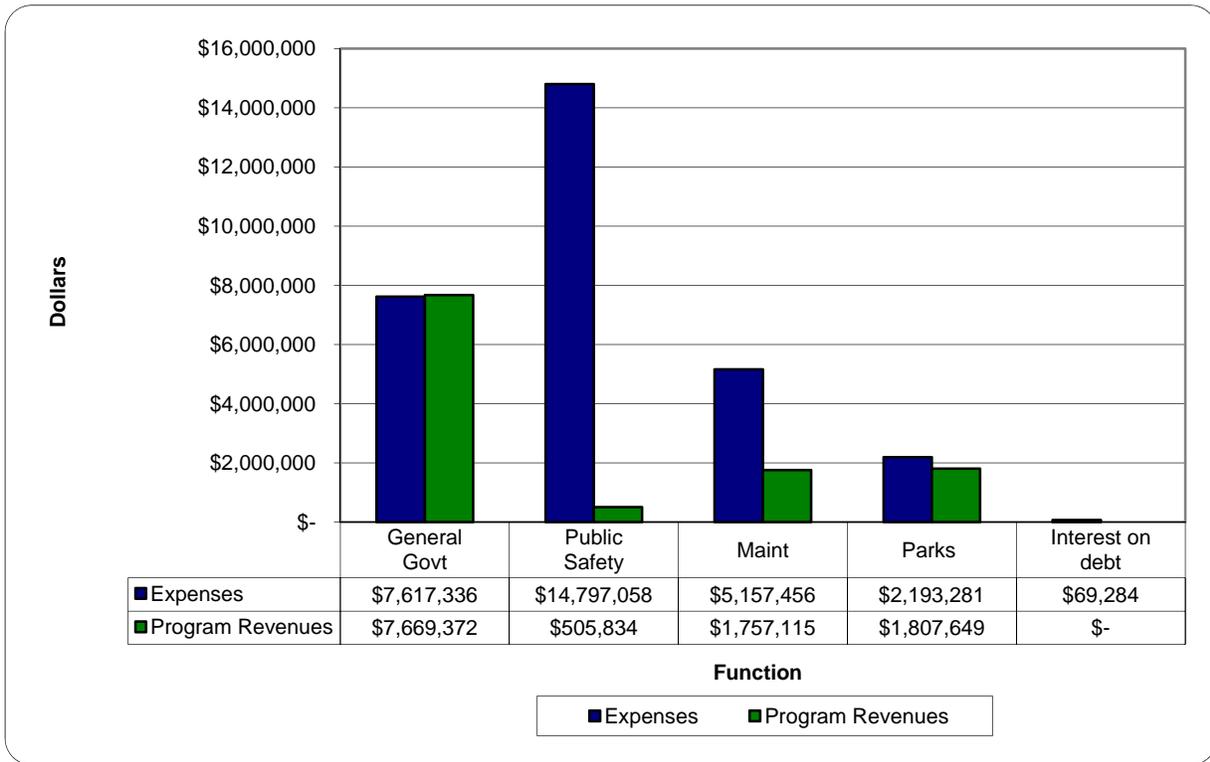
- Property tax continues to be the City's single largest source of revenue representing about 38% of general government-wide revenues. Property tax returned to its growth trend increasing by \$510,000, or 4%, a welcome change from the prior year.
- Charges for services, making up 18% of government revenues, increased by \$360,000, or 6%, from banner planning and building activity in the prior year. This revenue category was again bolstered by gains in recreation programming and marketing efforts. Both community development and recreation services continue to capitalize on their cost recovery goals.
- Other major taxes increased modestly by \$120,000, or 2%, led by a 6% increase in sales tax and a 17% increase in hotel occupancy tax. Partially offsetting decreases were noted in building development tax and motor vehicle license fee revenues pursuant to California revenue shifts in the current year.
- Interest revenues were down by \$160,000 with continued declines in interest rates. Yields remain at historic low rates in line with the current Federal Reserve posture.
- Government expenses, including allocated capital maintenance costs, increased modestly by \$195,000, or less than 1%. A closer review reveals a 5% increase in public safety expenditures, driven mostly by labor, benefits and fire service costs.
- Interest on long-term debt remained flat reflective of the City's low debt level.

A comparison of the governmental activities and business-type activities program revenues and expenses for the current year and prior year is presented below.

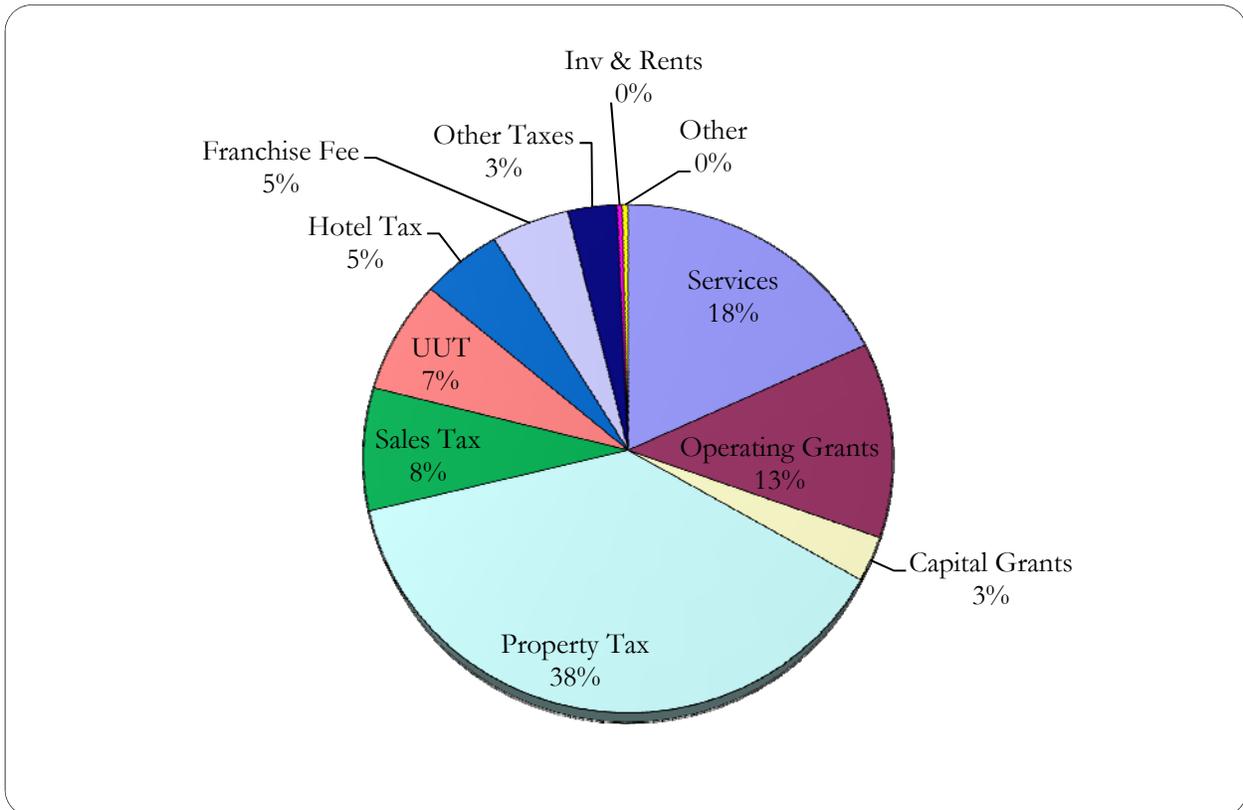
**City of Los Altos Changes in Net Assets
Fiscal Years Ending June 30, 2012 and 2011**

	Government	Government	Business	Business
	2011	2012	2011	2012
Revenues				
Program Revenue				
Charges for Services	\$ 6,012,185	\$ 6,368,897	\$ 5,804,834	\$ 5,324,514
Operating Grants and Contributions	1,014,816	998,202	-	-
Capital Grants and Contributions	788,986	4,372,871	-	-
General Revenue				
Property Tax	12,793,603	13,301,950	-	-
Sales Tax	2,587,889	2,746,374	-	-
Utility User Tax	2,543,287	2,547,777	-	-
Other Taxes	2,910,678	2,868,347	-	-
Franchise Fees	1,814,265	1,731,193	-	-
Interest Income	275,152	114,781	70,879	37,259
Sale of Capital Assets	-	-	-	-
Miscellaneous	387,716	130,833	-	-
Total Revenues	31,128,577	35,181,225	5,875,713	5,361,773
Expenses				
Public Safety	14,101,252	14,797,058	-	-
Public Works	5,450,956	5,157,456	-	-
Recreation	2,502,398	2,193,281	-	-
Community Development	4,051,892	3,583,076	-	-
Admin/Community Services	3,837,185	4,034,260	-	-
Interest on Long-Term Debt	86,452	69,284	-	-
Sewer	-	-	4,520,465	4,386,069
Solid Waste	-	-	716,599	341,449
Storm Drain	-	-	199,854	212,653
Total Expenses	30,030,135	29,834,415	5,436,918	4,940,171
Excess (Deficiency) before transfers	1,098,442	5,346,810	438,795	421,602
Transfers	(65,000)	(247,370)	65,000	247,370
Loss on Disposal of Assets		(544,576)		
Change in Net Assets	1,033,442	4,554,864	503,795	668,972
Net Assets - Beginning of Year	81,482,848	82,516,290	12,318,216	12,822,011
Net Assets - End of Year	\$ 82,516,290	\$ 87,071,154	\$ 12,822,011	\$ 13,490,983

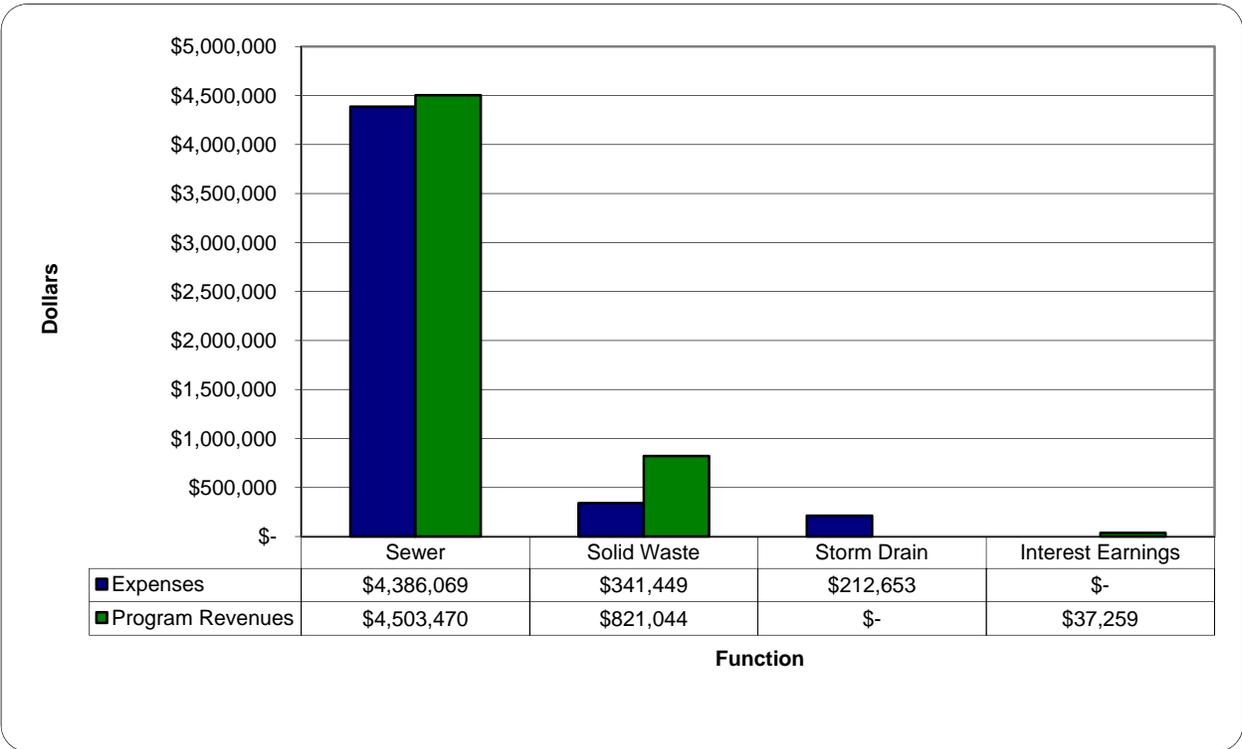
Program Expenses and Revenues - Governmental Activities



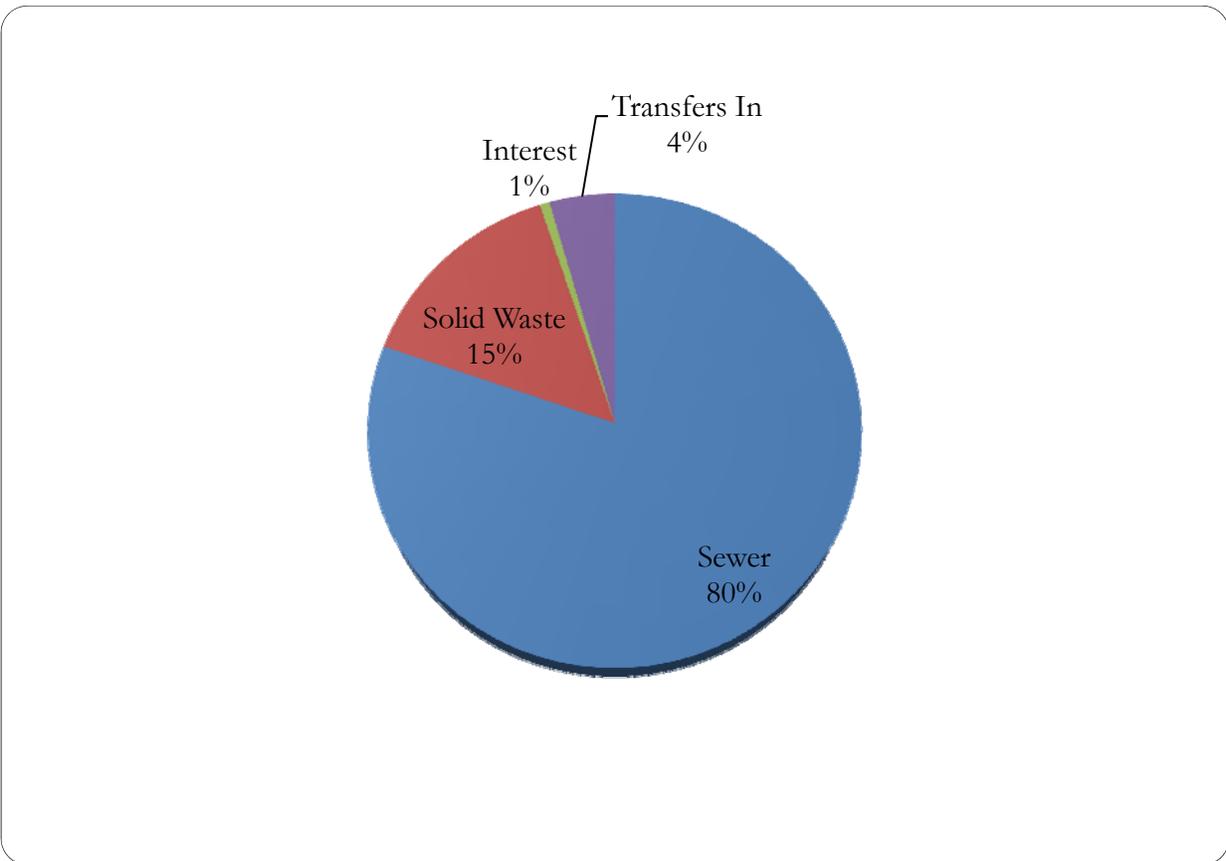
Government Revenues - All Sources



Program Expenses and Revenues - Business-Type Activities



Business Revenues - All Sources



Business-Type Activities

The programs for the business-type activities include sewer and solid waste collection management. These activities represent 13% of the total net assets. Net assets from business-type activities increased by \$668,972, or 5%, with favorable operating results augmented by Storm Drain incoming transfers.

- 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 plant and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.
- Sewer revenue decreased by 7% as result of conservation utility usage trends. This will be a discussion in future master plans and rate studies.
- Sewer expenditures dropped consistent with usage trends, decreasing by 3%, or \$140,000. Net assets increased by \$183,000, a slow-down from the prior year, ending the year with a total of \$12 million.
- Revenue for solid waste collections decreased by \$170,000 or 20% as result of a change in the disposal and recycling model introduced in 2010 while expenditures decreased commensurately by \$375,000 or 52% for the same reason. Accordingly, net assets for the fund increased by \$488,000 leaving a total fund balance of \$1.4 million.
- The General Fund contributed to the Storm Drain Fund to augment annual expenses. For FY2011-12 the transfer equaled \$210,555 to cover annual operational costs. As projected in budgetary estimates and the prior year financial reports, this fund has exhausted its reserves. Currently, the Storm Drain and Urban Runoff Pollution Control Programs (URPP) are categorized as Enterprise activities, but lacking a fee that pays for these services, the City may need to reevaluate Storm Drain and URPP as General Fund activities.

FUND FINANCIAL ANALYSIS

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, unassigned or committed fund balances may serve as a useful measure of a government's net resources available for use at the end of the fiscal year. Fund balances have been re-categorized and presented in compliance with GASB 54.

The City's governmental funds reported a combined ending fund balance of \$35.5 million, an increase of \$1.2 million. Only 5% remains as unassigned and without commitment. In the past year the City has followed the practice of transferring year-end resources to the Capital Projects Fund for the maintenance and development of infrastructure. Significant capital and maintenance transfers are evident this year as the City has placed a deliberate focus on improving City infrastructure. The City also continued to fortify economic contingency reserves in anticipation of a protracted economic recovery. As the City looks ahead, we can project the need for increased services and costs necessary to maintain the current standard of living. As such, defining a dedicated source of income for infrastructure and developing short and long-term economic development initiatives, remain as critical strategic endeavors.

The City has taken the prudent path of defining and assigning establishing key fund balance reserves as called out in adopted financial policies and projected in fiscal forecasts – what some might call “rainy day funds.” These key reserves are as defined as follows:

<i>General Fund Contingency Reserves</i>	<i>June 30, 2012</i>
<i>Emergency Operating</i>	\$4,200,000
<i>State Budget Stabilization</i>	1,025,000
<i>Unreserved Fund Balance</i>	1,714,041
<i>Total General Fund Available Funds</i>	<i>\$6,939,041</i>

The emergency and operating reserves, components of the General Fund, are safeguards in the event of an economic or financial crisis. Similarly, the state budget stabilization reserve was created in response to California's delicate fiscal condition. They are certainly strategies to have in place the current financial climate.

The City has set aside \$400,000, an increase of \$200,000 over last year, for Other Post Employee Benefits (OPEB) to initiate funding of minimum post-retirement health liabilities as prescribed by CALPERS health plans. The OPEB reserve was created in response to GASB 45.

Overall favorable operating results have led to a total General Fund balance of \$7.5 million and an unassigned fund balance of \$1.7 million. These amounts align closely with long-term budgetary forecast and the adopted biennial plan.

Beyond the General Fund, surrounding and supporting funds also have key balances of importance in support of the City's fiscal plan. These are summarized as follows:

<i>Other Key Fund Balances</i>	<i>June 30, 2012</i>
<i>Ongoing Capital Projects</i>	\$4,123,943
<i>Capital Project Unreserved</i>	2,254,108
<i>Equipment Replacement</i>	3,770,575
<i>Real Property Proceeds</i>	6,910,866
<i>Community Facility Renewal</i>	7,065,592
<i>Total</i>	<i>\$24,125,084</i>

It is notable this year that the Community Facility Renewal Fund available reserves doubled with \$3.4 million in development fees resulting from the occupancy of the Packard Foundation. These dollars have been set aside for anticipated application to future capital needs.

The Capital Projects Fund balance varies materially as progress occurs on approved projects and external funding becomes available. In FY2011-12, general government capital project spending approximated \$5 million, a significant amount albeit \$1 million less than the prior year. The City continues to make progress in this area as evidenced by the following list of renovation projects expenditures noted in the preceding transmittal letter. Beyond those listed therein, the City continues to make progress on the long list of funded capital projects identified within the Capital Improvement Project Plan and tracks a tally of unfunded projects as well for future consideration.

Proprietary Funds: Proprietary funds provide the same type of information found in the government-wide financial statements, but with more detail.

Unrestricted net assets at the end of the year in the Sewer Fund decreased to \$6 million, the Storm Drain Fund balance remains dependent on the General Fund and the Solid Waste Fund increased to \$1.4 million. Factors concerning the changes in fund balance in these funds have already been addressed in the discussion of the City’s business-type activities.

Both the Sewer and Solid Waste funds receive revenues from the City as a customer for routine service operations. In FY2011-12 the City paid approximately \$18,000 in sewer fees and \$300,000 in waste hauling and disposal services. These amounts are recorded within the “Charges for Services” revenue line item in the proprietary financial statements.

Capital Assets and Debt Administration

Capital Assets: The City’s investment in capital assets for its governmental and business-type activities at year-end amounts to \$56 million (net of accumulated depreciation).

Investments in capital assets include land, buildings, improvements, machinery, streets, infrastructure and equipment. Governmental capital assets totaled \$50 million and those of business-type activities totaled \$6 million. Assets increased by \$2 million overall with the completion of several significant projects. Additional information on capital assets can be found in footnote 4 of these financial statements and a summary is listed below:

Capital Assets as of June 30, 2012

	<i>Government Activities</i>	<i>Business Activities</i>	<i>2012 Total</i>	<i>2011 Total</i>
<i>Land</i>	\$11,539,449	\$0	\$11,539,449	\$11,539,449
<i>Work in Progress</i>	4,522,348	1,047,796	5,570,144	6,810,138
<i>Buildings</i>	14,037,269	4,651,233	18,688,502	18,198,995
<i>Improvements</i>	3,733,354	0	3,733,354	1,472,263
<i>Machinery & Equip</i>	1,263,207	252,669	1,515,876	1,786,278
<i>Infrastructure</i>	15,175,262	0	15,175,262	13,346,097
<i>Total Assets</i>	\$50,270,889	\$5,951,698	\$56,222,587	\$53,153,220

Debt Administration: At the end of the current fiscal year, City bond and assessment debt decreased by approximately \$100,000. The total outstanding bond debt balance at year-end is approximately \$1.8 million and relates solely to the purchase of Rosita Park (formerly known as the Saint Williams site). No additional debt was incurred and the City has no significant capital leases.

Other debt consists of long-term employee compensated absence obligations of \$1.5 million, for general and business activities, a factor of accumulated balances at year end.

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

Long-Term Debt as of June 30, 2012

	<i>Government Activities</i>	<i>Business Activities</i>	<i>2012 Total</i>	<i>2011 Total</i>
<i>Certificate of Participation</i>	\$1,855,000	\$0	\$1,855,000	\$1,945,000
<i>Compensated Absences</i>	1,434,236	40,655	1,474,891	1,623,321
<i>Total</i>	\$3,289,236	\$40,655	\$3,329,891	\$3,568,321

The City also carries and a year-end net Post-Retirement Health obligation (OPEB) of \$793,000. This obligation increased in line with annual actuarial valuations and is a factor of benefit levels and population metrics.

GENERAL FUND BUDGETARY HIGHLIGHTS

The adopted FY2011-12 General Fund budget equaled \$28.6 million and changed modestly by \$345,000 to \$28.9 million during the year. Prior year encumbrances account for the bulk of these adjustments, leaving adjustments during the fiscal year of less than 1%. Budget to Actual results came in favorably with revenues exceeding estimates by 1% and expenditures coming in at 95% of established limits.

ECONOMIC FACTORS AND FY2011-2013 BIENNIAL BUDGET AND RATES

General Fund revenue is forecast to increase by 4% per the FY2012-13 budget while expenditures are being held to a similar level. No significant changes were made as the budget presents a continuity of a balanced equation. Several personnel positions remain frozen, although not always the same positions as in the recent past.

In full recognition of the fiscal challenges that remain, the budget was developed to maintain a sound fiscal posture, present a balanced General Fund and enhance contingency reserve levels in light of historic economic uncertainties. The budget has been crafted as a two-year, 2011-13, plan and includes a five-year strategic forecast.

- Revenues are expected to uptick slightly and the City continues building towards its operational goal of a 20% reserve as endorsed four years ago by Council. OPEB reserves as required will be added to as well as transfers proposed from the General Fund to fund Capital Projects and Equipment Replacements. In FY2012-13 the City moved to blend its Emergency Operating and State Budget Stabilization Reserves achieving a contingency reserve level of over \$5 million.
- The budget projects an increase of 5% in property tax receipts, coming off of a 4% increase in FY2011-12 and includes secured property tax, unsecured property tax, homeowner property tax relief, property tax in lieu of vehicle license fees and supplemental property tax. Property tax makes up 46% of all governmental funds revenue.
- Other key taxes are estimated to experience increases. Utilizing the most recent data and regional and national trends, sales tax revenue is projected to go up 6% while hotel occupancy tax again displays recovery with a 7% increase. Other taxes including real estate transfers, motor vehicle license fees and business license all display modest growth.
- Planning and building activity has shown strength. This trend, combined with significant planned commercial developments, has influenced a 3% projected increase in this revenue base coming off of very strong gains in the past two years.
- Franchise fees are projected to experience moderate gains now that the newly-established waste hauling contract has covered its first full fiscal year of implementation.
- No new positions were added with the number of authorized positions remaining unchanged at 130.
- The two-year budget honors existing multi-year labor contracts. Of our 130 authorized positions, seventy (70) are represented and forty-nine (49) are not represented, excluding department directors/managers. Salary levels remained within budget projections.
- General operational costs were held to a 4% increase including recently negotiated labor contracts. Materials and service expense cuts and deferrals continue and this budget also maintained several frozen positions city-wide subject to strategic and fiscal review during the budget year.
- Overall PERS pension rates increased but were mitigated by the prior year pay-down of the City's side-fund liability. This liability is expected to be fully paid down in FY2013-14. Rates for public safety and miscellaneous employees increased moderately from FY2011-12 levels but are expected to increase in the out years give assumption changes and market conditions. Health insurance rates are assumed to increase by 7.5%.
- As part of contract negotiations, the City successfully implemented a second-tier pension model that lowers the level of benefit for new hires beginning July 1, 2011. This change is anticipated to render material savings as the years evolve.
- The budget further augments the funding of OPEB through the establishment of an internal assigned reserve projected to be \$500,000 by the end of FY2012-13.

For a more current discussion of the state of the economy beyond those assumptions made in the FY2011-13, two-year, budget process, the reader should also refer to the transmittal letter included in this document.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Finance Director, One North San Antonio Road, Los Altos, CA 94022.



CITY OF LOS ALTOS, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 40,538,091	\$ 7,546,024	\$ 48,084,115
Account receivables	1,489,906	528,091	2,017,997
Interest receivable	74,653	-	74,653
Prepaid items and inventory	33,862	-	33,862
Total current assets	42,136,512	8,074,115	50,210,627
Noncurrent assets:			
Restricted cash and investments	172,006	-	172,006
Deferred charges	80,344	-	80,344
Net pension asset	3,749,863	-	3,749,863
Capital assets:			
Nondepreciable assets	16,061,797	1,047,796	17,109,593
Depreciable assets, net	34,209,092	4,903,902	39,112,994
Total assets	96,409,614	14,025,813	110,435,427
LIABILITIES			
Current liabilities:			
Accounts payable	2,187,388	459,296	2,646,684
Interest payable	11,469	-	11,469
Accrued liabilities	294,727	11,187	305,914
Other payable	123,442	-	123,442
Compensated absences payable - current portion	358,559	10,164	368,723
Claims and judgments payable - current portion	549,740	-	549,740
Long-term debt - current portion	95,000	-	95,000
Total current liabilities	3,620,325	480,647	4,100,972
Noncurrent liabilities:			
Compensated absences payable	1,075,677	30,491	1,106,168
OPEB liability	793,454	23,692	817,146
Claims and judgments payable	2,089,004	-	2,089,004
Long-term debt	1,760,000	-	1,760,000
Total noncurrent liabilities	5,718,135	54,183	5,772,318
Total liabilities	9,338,460	534,830	9,873,290
NET ASSETS			
Invested in capital assets, net of related debt	48,510,889	5,951,698	54,462,587
Restricted for:			
Debt service	368,167	-	368,167
Special revenue programs	2,467,507	-	2,467,507
Other purpose and projects	1,090,067	-	1,090,067
Total restricted	3,925,741	-	3,925,741
Unrestricted	34,634,524	7,539,285	42,173,809
Total net assets	\$ 87,071,154	\$ 13,490,983	\$ 100,562,137

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

CITY OF LOS ALTOS, CALIFORNIA

STATEMENT OF ACTIVITIES

Fiscal year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Primary government:					
Governmental activities:					
Public safety	\$ 14,797,058	\$ 393,996	\$ 111,838	\$ -	\$ 505,834
Public works	5,157,456	31,610	828,803	896,702	1,757,115
Recreation	2,193,281	1,807,649	-	-	1,807,649
Community development	3,583,076	3,260,168	21,463	3,400,000	6,681,631
Admin/community services	4,034,260	875,474	36,098	76,169	987,741
Interest on long-term debt	69,284	-	-	-	-
Total governmental activities	<u>29,834,415</u>	<u>6,368,897</u>	<u>998,202</u>	<u>4,372,871</u>	<u>11,739,970</u>
Business-type activities:					
Sewer	4,386,069	4,503,470	-	-	4,503,470
Solid waste	341,449	821,044	-	-	821,044
Storm drain	212,653	-	-	-	-
Total business-type activities	<u>4,940,171</u>	<u>5,324,514</u>	<u>-</u>	<u>-</u>	<u>5,324,514</u>
Total primary government	<u>\$ 34,774,586</u>	<u>\$ 11,693,411</u>	<u>\$ 998,202</u>	<u>\$ 4,372,871</u>	<u>\$ 17,064,484</u>

General revenues and transfers:

 Taxes:

 Property

 Sales and use

 Utility users

 Other taxes

 Franchise fees

 Total taxes

 Interest income

 Miscellaneous

 Loss on disposal of assets

 Transfers

 Total general revenues and transfers

 Change in net assets

 Net assets at beginning of year

 Net assets at end of year

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

Net (Expenses) Revenues and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (14,291,224)	\$ -	\$ (14,291,224)
(3,400,341)	-	(3,400,341)
(385,632)	-	(385,632)
3,098,555	-	3,098,555
(3,046,519)	-	(3,046,519)
(69,284)	-	(69,284)
(18,094,445)	-	(18,094,445)
-	117,401	117,401
-	479,595	479,595
-	(212,653)	(212,653)
-	384,343	384,343
(18,094,445)	384,343	(17,710,102)
13,301,950	-	13,301,950
2,746,374	-	2,746,374
2,547,777	-	2,547,777
2,868,347	-	2,868,347
1,731,193	-	1,731,193
23,195,641	-	23,195,641
114,781	37,259	152,040
130,833	-	130,833
(544,576)	-	(544,576)
(247,370)	247,370	-
22,649,309	284,629	22,933,938
4,554,864	668,972	5,223,836
82,516,290	12,822,011	95,338,301
\$ 87,071,154	\$ 13,490,983	\$ 100,562,137

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



CITY OF LOS ALTOS, CALIFORNIA
GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Governmental Funds

The funds described below were determined to be major funds by the City in the FY 2011-12. Individual nonmajor funds may be found in the Other Supplementary Information section.

General Fund

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

Real Property Proceeds Fund

Accounts for the proceeds from the sale of the property.

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 Facilities Renewal Fund

Accounts for the revenues and expenditures related to the community facilities renewal efforts.

Nonmajor Governmental Funds

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

CITY OF LOS ALTOS, CALIFORNIA

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2012

	Major Funds				
	General Fund	Real Property Proceeds	Capital Projects	Equipment Replacement Fund	Community Facilities Renewal Fund
ASSETS					
Cash and investments	\$ 8,315,225	\$ 6,910,866	\$ 6,962,103	\$ 3,780,408	\$ 7,065,592
Restricted cash and investments	-	-	-	-	-
Receivables, net of allowance for uncollectibles:					
Accounts	1,025,927	-	32,838	-	-
Interest	74,653	-	-	-	-
Prepays	18,936	-	-	-	-
Inventory	14,926	-	-	-	-
Total assets	\$ 9,449,667	\$ 6,910,866	\$ 6,994,941	\$ 3,780,408	\$ 7,065,592
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,546,596	\$ -	\$ 616,890	\$ 9,833	\$ -
Accrued liabilities	294,727	-	-	-	-
Other payable	123,442	-	-	-	-
Total liabilities	1,964,765	-	616,890	9,833	-
Fund balances:					
Nonspendable	45,861	-	-	-	-
Restricted	-	-	-	-	-
Committed	1,025,000	-	4,123,943	487,995	-
Assigned	4,700,000	6,910,866	2,254,108	3,282,580	7,065,592
Unassigned	1,714,041	-	-	-	-
Total fund balances	7,484,902	6,910,866	6,378,051	3,770,575	7,065,592
Total liabilities and fund balances	\$ 9,449,667	\$ 6,910,866	\$ 6,994,941	\$ 3,780,408	\$ 7,065,592

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

Nonmajor Governmental		
Funds	Total	
\$ 3,728,735	\$ 36,762,929	
172,006	172,006	
25,000	1,083,765	
-	74,653	
-	18,936	
-	14,926	
<u>\$ 3,925,741</u>	<u>\$ 38,127,215</u>	
\$ -	\$ 2,173,319	
-	294,727	
-	123,442	
<u>-</u>	<u>2,591,488</u>	
-	45,861	
3,925,741	3,925,741	
-	5,636,938	
-	24,213,146	
-	1,714,041	
<u>3,925,741</u>	<u>35,535,727</u>	
<u>\$ 3,925,741</u>	<u>\$ 38,127,215</u>	

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



CITY OF LOS ALTOS, CALIFORNIA

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2012

Fund balances of governmental funds \$ 35,535,727

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources. Therefore, were not reported in the governmental funds balance sheet:

Land, buildings, property, equipment and infrastructure, net 50,270,889

Long-term receivable from the sale of the Los Altos Treatment Plant is not available to pay for current period expenditures and therefore is deferred in the fund. 400,000

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. (11,469)

The cost 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 funds balance sheet. 80,344

Net pension asset was not current financial resources. Therefore, it was not reported in the governmental funds. 3,749,863

Long-term liabilities are not due and payable in the current period. Therefore, they were not report in the governmental funds balance sheet.

Long-term liabilities - current portion (95,000)

Long-term liabilities - noncurrent portion (1,760,000)

OPEB liability (793,454)

Compensated absences - current portion (358,559)

Compensated absences - noncurrent portion (1,075,677)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the governmental-wide statement of net assets. 1,128,490

Net assets of governmental activities \$ 87,071,154

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

CITY OF LOS ALTOS, CALIFORNIA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2012

	Major Funds				
	General Fund	Real Property Proceeds	Capital Projects	Equipment Replacement Fund	Community Facilities Renewal Fund
Revenues:					
Taxes	\$ 18,250,068	\$ -	\$ -	\$ -	\$ -
License, permits and fees	3,172,088	-	-	-	-
Intergovernmental	3,214,380	-	192,264	-	-
Grants and donations	41,936	-	778,374	-	3,400,000
Charges for services	3,779,611	-	-	-	-
Fines and forfeitures	209,467	-	-	-	-
Interest and rentals	94,187	43,089	-	-	-
Other	157,281	-	-	-	-
Total revenues	<u>28,919,018</u>	<u>43,089</u>	<u>970,638</u>	<u>-</u>	<u>3,400,000</u>
Expenditures:					
General government					
Public safety	14,044,925	-	790,735	127,893	-
Public works	4,308,278	-	517,467	-	-
Recreation	2,082,472	-	347,107	-	-
Community development	3,498,263	-	203,651	-	-
Admin/community services	3,587,005	-	19,453	-	-
Capital improvements	-	-	3,113,236	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>27,520,943</u>	<u>-</u>	<u>4,991,649</u>	<u>127,893</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,398,075</u>	<u>43,089</u>	<u>(4,021,011)</u>	<u>(127,893)</u>	<u>3,400,000</u>
Other financing sources (uses):					
Transfers in	356,330	-	1,150,837	212,525	-
Transfers out	(1,303,575)	-	-	(268,099)	-
Total other financing sources (uses)	<u>(947,245)</u>	<u>-</u>	<u>1,150,837</u>	<u>(55,574)</u>	<u>-</u>
Special item:					
Proceeds from sale of assets	-	100,000	-	-	-
PERS side fund prepayment	(850,000)	-	-	-	-
Total special items	<u>(850,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(399,170)</u>	<u>143,089</u>	<u>(2,870,174)</u>	<u>(183,467)</u>	<u>3,400,000</u>
Fund balances at beginning of year	<u>7,884,072</u>	<u>6,767,777</u>	<u>9,248,225</u>	<u>3,954,042</u>	<u>3,665,592</u>
Fund balances at end of year	<u>\$ 7,484,902</u>	<u>\$ 6,910,866</u>	<u>\$ 6,378,051</u>	<u>\$ 3,770,575</u>	<u>\$ 7,065,592</u>

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

Nonmajor Governmental	
Funds	Total
\$ -	\$ 18,250,068
847,704	4,019,792
926,040	4,332,684
21,463	4,241,773
-	3,779,611
21,279	230,746
31,994	169,270
-	157,281
<u>1,848,480</u>	<u>35,181,225</u>
-	14,963,553
-	4,825,745
-	2,429,579
23,651	3,725,565
17,194	3,623,652
99,051	3,212,287
90,000	90,000
77,049	77,049
<u>306,945</u>	<u>32,947,430</u>
<u>1,541,535</u>	<u>2,233,795</u>
167,049	1,886,741
<u>(562,437)</u>	<u>(2,134,111)</u>
<u>(395,388)</u>	<u>(247,370)</u>
-	100,000
<u>-</u>	<u>(850,000)</u>
<u>-</u>	<u>(750,000)</u>
1,146,147	1,236,425
<u>2,779,594</u>	<u>34,299,302</u>
<u>\$ 3,925,741</u>	<u>\$ 35,535,727</u>

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

CITY OF LOS ALTOS, CALIFORNIA

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Fiscal year ended June 30, 2012

Net change in fund balances of governmental funds \$ 1,236,425

Amounts reported for governmental activities in the statement of activities are different 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. 3,875,205

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 expense is not reported as expenditures in governmental funds. (1,560,128)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of 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 amortized over the life of the bond in the government-wide statements.

Principal payment 90,000
Amortization of cost issuance 6,687

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

Compensated absences 152,054
Interest payable 1,078
Other post employment healthcare benefits (213,111)

Governmental funds reported PERS Side Fund Pay Down as expenditures. However, in the government-wide statement of activities and changes in net assets, this expenditure is capitalized and allocated over the remaining amortization period. 797,034

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. 169,620

Changes in net assets of governmental activities \$ 4,554,864

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

CITY OF LOS ALTOS, CALIFORNIA
GOVERNMENTAL FUNDS
PROPRIETARY FUND FINANCIAL STATEMENTS

Enterprise Funds

Sewer

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

Solid Waste

To account for the collection and disposal of solid waste, a self supporting activity that provides service on a user charge basis.

Storm Drain

To account for the operation of the City's urban runoff and storm drain activities.

CITY OF LOS ALTOS, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2012

	Major Enterprise Funds			Total	Internal Service Funds
	Sewer	Solid Waste	Storm Drain		
ASSETS					
Current assets:					
Cash and investments	\$ 6,056,267	\$ 1,485,372	\$ 4,385	\$ 7,546,024	\$ 3,775,162
Accounts receivable	523,925	4,166	-	528,091	6,141
Total current assets	<u>6,580,192</u>	<u>1,489,538</u>	<u>4,385</u>	<u>8,074,115</u>	<u>3,781,303</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable	1,047,796	-	-	1,047,796	-
Depreciable	13,966,478	-	1,969,221	15,935,699	-
Less accumulated depreciation	(9,062,576)	-	(1,969,221)	(11,031,797)	-
Total capital assets, net	<u>5,951,698</u>	<u>-</u>	<u>-</u>	<u>5,951,698</u>	<u>-</u>
Total non-current assets	<u>5,951,698</u>	<u>-</u>	<u>-</u>	<u>5,951,698</u>	<u>-</u>
Total assets	<u>12,531,890</u>	<u>1,489,538</u>	<u>4,385</u>	<u>14,025,813</u>	<u>3,781,303</u>
LIABILITIES					
Current liabilities:					
Accounts payable	451,445	7,851	-	459,296	14,069
Accrued liabilities	8,767	690	1,730	11,187	-
Compensated absences - current portion	10,164	-	-	10,164	-
Claims and judgements - current portion	-	-	-	-	549,740
Total current liabilities	<u>470,376</u>	<u>8,541</u>	<u>1,730</u>	<u>480,647</u>	<u>563,809</u>
Noncurrent liabilities:					
Compensated absences - noncurrent portion	30,491	-	-	30,491	-
OPEB liabilities	19,420	1,594	2,678	23,692	-
Claims and judgments - noncurrent portion	-	-	-	-	2,089,004
Total noncurrent liabilities	<u>49,911</u>	<u>1,594</u>	<u>2,678</u>	<u>54,183</u>	<u>2,089,004</u>
Total liabilities	<u>520,287</u>	<u>10,135</u>	<u>4,408</u>	<u>534,830</u>	<u>2,652,813</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,951,698	-	-	5,951,698	-
Unrestricted (deficit)	6,059,905	1,479,403	(23)	7,539,285	1,128,490
Total net assets (deficit)	<u>\$ 12,011,603</u>	<u>\$ 1,479,403</u>	<u>\$ (23)</u>	<u>\$ 13,490,983</u>	<u>\$ 1,128,490</u>

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

CITY OF LOS ALTOS, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (DEFICIT)

Fiscal year ended June 30, 2012

	Major Enterprise Funds			Total	Internal Service Funds
	Sewer	Solid Waste	Storm Drain		
Operating revenues:					
Charges for services	\$ 4,503,470	\$ 821,044	\$ -	\$ 5,324,514	\$ 1,222,875
Total operating revenues	4,503,470	821,044	-	5,324,514	1,222,875
Operating expenses:					
Outside services	2,598,336	267,974	75,031	2,941,341	28,943
Employee services	719,814	49,253	137,599	906,666	-
Repairs and maintenance	896,914	24,222	-	921,136	-
Claims reimbursement	-	-	-	-	627,841
Insurance	-	-	-	-	371,656
Administration	-	-	-	-	24,815
Depreciation	171,005	-	23	171,028	-
Total operating expenses	4,386,069	341,449	212,653	4,940,171	1,053,255
Total operating income	117,401	479,595	(212,653)	384,343	169,620
Nonoperating revenues:					
Interest	28,365	8,894	-	37,259	-
Total nonoperating revenues	28,365	8,894	-	37,259	-
Income (loss) before transfers	145,766	488,489	(212,653)	421,602	169,620
Transfers:				-	
Transfers in	36,815	-	210,555	247,370	-
Total transfers	36,815	-	210,555	247,370	-
Change in net assets	182,581	488,489	(2,098)	668,972	169,620
Net assets at beginning of year	11,829,022	990,914	2,075	12,822,011	958,870
Net assets (deficit) at end of year	\$ 12,011,603	\$ 1,479,403	\$ (23)	\$ 13,490,983	\$ 1,128,490

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

CITY OF LOS ALTOS, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Fiscal year ended June 30, 2012

	Major Enterprise Funds			Total	Internal Service Funds
	Sewer	Solid Waste	Storm Drain		
Cash flows from operating activities:					
Cash received from customers	\$ 4,357,690	\$ 822,878	\$ -	\$ 5,180,568	\$ -
Cash received from other funds	-	-	-	-	1,217,982
Cash payments to suppliers for goods and services	(3,773,803)	(294,514)	(75,028)	(4,143,345)	-
Cash payments to employees for services	(737,391)	(50,395)	(140,477)	(928,263)	-
Cash payments to claimants	-	-	-	-	(625,008)
Insurance premiums and settlements	-	-	-	-	(203,155)
Net cash provided by (used for) operating activities	(153,504)	477,969	(215,505)	108,960	389,819
Cash flows from noncapital financing activities:					
Transfers in	36,815	-	210,555	247,370	-
Net cash provided by noncapital financing activities	36,815	-	210,555	247,370	-
Cash flows from capital and related financing activities:					
Capital asset additions	(925,318)	-	-	(925,318)	-
Net cash provided by (used for) capital and related financing activities	(888,503)	-	210,555	(677,948)	-
Cash flows from investing activities:					
Interest	28,365	8,894	-	37,259	-
Net cash provided by investing activities	28,365	8,894	-	37,259	-
Net increase (decrease) in cash and cash equivalents	(1,013,642)	486,863	(4,950)	(531,729)	389,819
Cash and cash equivalents at beginning of year	7,069,909	998,509	9,335	8,077,753	3,385,343
Cash and cash equivalents at end of year	<u>\$ 6,056,267</u>	<u>\$ 1,485,372</u>	<u>\$ 4,385</u>	<u>\$ 7,546,024</u>	<u>\$ 3,775,162</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 117,401	\$ 479,595	\$ (212,653)	\$ 384,343	\$ 169,620
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	171,005	-	23	171,028	-
Changes in assets and liabilities:					
Accounts receivable	(145,780)	1,834	-	(143,946)	(4,893)
Accounts payable	(285,302)	(2,318)	-	(287,620)	(6,133)
Accrued liabilities	(14,452)	(1,142)	(2,878)	(18,472)	-
Compensate absences	3,624	-	-	3,624	-
OPEB liabilities	-	-	3	3	-
Claims and judgments	-	-	-	-	231,225
Net cash provided by (used for) operating activities	<u>\$ (153,504)</u>	<u>\$ 477,969</u>	<u>\$ (215,505)</u>	<u>\$ 108,960</u>	<u>\$ 389,819</u>

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

CITY OF LOS ALTOS, CALIFORNIA
FIDUCIARY FUND FINANCIAL STATEMENT

Agency Fund

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

CITY OF LOS ALTOS, CALIFORNIA
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,429,292
Accounts receivable	<u>582</u>
Total assets	<u><u>\$ 1,429,874</u></u>
LIABILITIES	
Accounts payable	\$ 233,542
Due to others	<u>1,196,332</u>
Total liabilities	<u><u>\$ 1,429,874</u></u>

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

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

1. Summary of Significant Accounting Policies

The basic financial statements of the City of Los Altos, California (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (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) Reporting Entity

The 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, recreation, community development & engineering, public maintenance, general administrative services and capital improvements. The City has no component units.

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 which includes 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.

Government-wide and Fund 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.

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 and Changes in Net Assets 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 for goods or services is incurred.

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

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

b) Basis of Presentation, Measurement Focus and Basis of Accounting, continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, payables, 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 and Changes in Net Assets internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following inter-fund activities have been eliminated:

- Due to, due from other funds
- Transfers in, transfers out
- Internal service fund transactions

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed by the proprietary funds 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 GASB. 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.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

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 sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing 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, sales 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 revenue is removed from the balance sheet and revenue is recognized.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

b) Basis of Presentation, Measurement Focus and Basis of Accounting, continued

Governmental Fund Financial Statements, continued

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

Proprietary Fund Financial Statements

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

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 Government-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 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 for goods or services is incurred.

Proprietary Funds distinguish operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from 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 Fiduciary Net Assets. The City’s Fiduciary Funds are comprised of agency funds used to account for the operating activities and for the special assessment collections pertaining to the North County Library Authority, Raymundo & Avalon Curb and Gutter Districts, and Blue Oak Lane Sewer Improvements. Agency Funds are custodial in nature (assets equal liabilities), do not involve the measurement of results of operations, and are accounted for on the accrual basis of accounting.

Internal Service Funds

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.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

b) Basis of Presentation, Measurement Focus and Basis of Accounting, continued

Major Funds

The City reports the following major governmental funds:

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, fire, street and parks maintenance, maintenance services, community development and recreation activities.

Real Property Proceeds Fund - accounts for the proceeds from the sale of the property.

Capital Project 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 Facilities Renewal Fund - accounts for the revenues and expenditures related to the community facilities renewal efforts.

The City reports the following major proprietary funds:

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

Solid Waste Fund - accounts for the collection and disposal of solid waste, a self supporting activity that provides service on a user charge basis.

Storm Drain Fund -accounts for the operation of the City's urban runoff and storm drain activities.

c) Recognition of Interest Liability

In the Governmental Fund Financial Statements, interest expenditures on long-term debt are recognized when payment is made. 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.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

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.

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 known as the Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

Beginning this fiscal year, the City placed liquid assets in a managed investment account with the goal of enhancing the diversity of its investment holdings. This managed portfolio complies with state code investment requirements in addition to more restrictive City adopted investment policies. Such funds are held independently in City established investment custodial accounts.

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 Cash

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 and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

h) Compensated Absences

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as expenses and liabilities as the time is earned by employees.

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.

i) Property Taxes

Santa Clara County (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 County assesses properties and it bills, collects and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1 for the fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and it becomes delinquent after December 10 and April 10, respectively. The City and the County adopted the "alternative method of property tax distribution" 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. Collection of delinquent accounts is the responsibility of the County, which retains all penalties. 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 capital 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 \$5,000 for equipment, \$25,000 for Building and Facility Improvements and \$100,000 for Infrastructure.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Improvements	30-50 years
Equipment	3-10 years
Infrastructure	30-100 years

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

j) Capital Assets, continued

In accordance with GASB Statement No. 34, the City has included all infrastructures in its Statement of Net Assets.

The City defines infrastructure as basic physical assets that allow the City to function. The 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 valuation of the City's infrastructure assets are determined based on the original cost using one of the following methods:

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

Accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date, was computed on a straight-line method. 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 financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

l) Unearned Revenue

Government-Wide Financial Statements

In the Government-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 receivable and prepaid charges for services.

m) Deferred Revenue

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 revenue 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 revenue is recorded are grants received but not yet earned or available, interest on inter-fund advances receivable, long-term assessments and long-term loans receivable.

n) Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

2. Cash, Cash Equivalents, and Investments

a) Cash Deposits

The City's cash and investments at June 30, 2012 are presented as follows:

Cash and investments	\$ 48,084,115
Cash and investments held by bond trustee	172,006
Fiduciary funds:	
Cash and investments	1,429,292
Total cash and investments	\$ 49,685,413

Cash and investments consist of the following as of June 30, 2012:

Cash on hand	\$ 2,169
Deposits with financial institutions	1,778,215
Investments:	
Bond trust investments	273,713
Liquid investments	30,706,155
Managed investments	16,925,161
Total cash and investments	\$ 49,685,413

b) Investments

Under the provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Local Agency Investment Fund	N/A	N/A	\$50 M
Money Market Mutual Funds	N/A	20%	10%
Certificates of Deposit	3 years	50%	10%
Bankers' Acceptances	180 days	20%	10%
Commercial Paper	180 days	20%	10%
Repurchase Agreements	15 days	30%	N/A
U.S. Treasury Bills, Notes and Bonds	5 years	N/A	N/A
U.S. Government-Sponsored Enterprise Agencies	5 years	N/A	20%
Medium Term Corporate Notes	3 years	15%	5%

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

2. Cash, Cash Equivalents, and Investments, continued

c) Risk Disclosures

Interest Risk

Interest rate risk is the market rate changes that adversely affect the fair value of an investment. Generally, the sensitivity of an investment fair value to changes in market rates is greater when the maturity of the investment is longer.

Investment held in City Treasury grouped by maturity date at June 30, 2012, are shown below:

Investment Type	Remaining Maturity (in Years)			Total
	1 Year or Less	2 Years	3 Years	
Money Market	\$ 1,083,574	\$ -	\$ -	\$ 1,083,574
Securities of U.S. Government				
Treasury and agencies:				
Federal Home Loan Bank Bonds (FHLB)	804,553	-	-	804,553
Federal Home Loan Mrtg. Corp. Notes (FHLMC)	2,260,448	-	-	2,260,448
Federal National Mortg. Assn. Notes (FNMA)	759,210	-	1,902,554	2,661,764
U.S. Securities	2,608,118	2,009,708	3,395,614	8,013,440
U.S. Corporate Notes	2,101,382	-	-	2,101,382
Local Agency Investment Funds (LAIF)	30,706,155	-	-	30,706,155
Trust Bond Funds	273,713	-	-	273,713
Total investments	\$ 40,597,153	\$ 2,009,708	\$ 5,298,168	47,905,029
Demand Deposits and Cash on Hand				1,780,384
Total cash and investments				\$ 49,685,413

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

2. Cash, Cash Equivalents, and Investments, continued

c) Risk Disclosures, continued

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 usually measured by the assignment of a rating by a nationally recognized statistical rating organization.

At June 30, 2012, the City's deposit and investments were rated as follows:

Investment Type	Credit Quality Ratings		Market Value
	Moody's	S&P	
Cash on hand	Not Rated	Not Rated	\$ 2,169
US Bank General Checking	Not Rated	Not Rated	1,778,215
Money Market	Aaa	AA+	1,083,574
Securities of U.S. Government Agencies:			
Federal Home Loan Bank Bonds (FHLB)	Aaa	AA+	804,553
Federal Home Loan Mrtg. Corp. Notes (FHLMC)	Aaa	AA+	2,260,448
Federal National Mortg. Assn. Notes (FNMA)	Aaa	AA+	2,661,764
U.S. Securities	Aaa	AA+	8,013,440
Corporate Notes:			
General Electric Corp	Aa2	AA+	659,100
Bank of New York mellon	Aa2	A+	669,857
WalMart Stores, Inc.	Aa2	AA	772,425
Trust Bond Funds - Held by City	Not Rated	Not Rated	223,713
Trust Bond Funds - Held by Trustee	Not Rated	Not Rated	50,000
Local Agency Investment Funds (LAIF)	Not Rated	Not Rated	30,706,155
Total investments			<u>\$ 49,685,413</u>

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, 2012, the City's bank balance was \$2,180,175 and the corresponding carrying book balance was \$2,001,927. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,930,175 was collateralized.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

2. **Cash, Cash Equivalents, and Investments**, continued

c) Risk Disclosures, continued

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 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 City's investment in this pool as reported in the accompanying financial statements is 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).

As of June 30, 2012, the City held \$30,706,155 in LAIF, which had invested 2.75% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 5.01% in the previous year. The LAIF fair value factor of 1.001219643 was used to calculate the fair value of the investments in LAIF.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

3. Interfund Transactions

Transfers

Transfers between funds during the fiscal year ended June 30, 2012 were as follows:

Transfer From	Transfer To	Amount
General Fund	Capital project	\$ 700,000 (a)
	Equipment replacement	212,525 (b)
	Sewer	13,446 (h)
	Storm Drain	210,555 (d)
	Nonmajor funds	167,049 (c)
		<u>1,303,575</u>
Equipment replacement	Capital project	244,730 (a)
	Sewer	23,369 (g)
		<u>268,099</u>
Nonmajor Governmental Funds	General Fund	356,330 (e) (f)
	Capital projects	206,107 (a)
		<u>562,437</u>
		<u>\$ 2,134,111</u>

Interfund transfers were principally used for the following purposes:

- (a) Fund capital projects
- (b) Replace public safety and public works vehicles
- (c) Maintain minimum fund balance in debt service fund
- (d) Support the operations of the storm drain fund
- (e) Public safety related funds paid to the General Fund
- (f) Gas tax to support street projects
- (g) Transfer capital assets
- (h) Transfers insurance proceeds

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 also used to move revenues from the general fund to the debt service fund as principal and interest payments become due and to fund assigned and approved capital projects.

In this reporting year a substantial volume of capital projects were expended and/or completed.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

4. Capital Assets

a) Government-Wide Financial Statements

At June 30, 2012, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Nondepreciable assets:			
Construction in progress	\$ 4,522,348	\$ 1,047,796	\$ 5,570,144
Land	11,539,449	-	11,539,449
Total nondepreciable assets	<u>16,061,797</u>	<u>1,047,796</u>	<u>17,109,593</u>
Depreciable assets:			
Buildings	21,637,868	13,183,486	34,821,354
Improvements	5,079,055	-	5,079,055
Machinery and equipment	4,183,173	782,992	4,966,165
Infrastructure	22,082,803	1,969,221	24,052,024
Total depreciable assets	<u>52,982,899</u>	<u>15,935,699</u>	<u>68,918,598</u>
Less accumulated depreciation	<u>(18,773,807)</u>	<u>(11,031,797)</u>	<u>(29,805,604)</u>
Total depreciable assets, net	<u>34,209,092</u>	<u>4,903,902</u>	<u>39,112,994</u>
Total capital assets	<u>\$ 50,270,889</u>	<u>\$ 5,951,698</u>	<u>\$ 56,222,587</u>

The following is a summary of capital assets for governmental activities for the year ended June 30, 2012:

	Balances at July 1, 2011	Additions	Deletions	Transfers	Balances at June 30, 2012
Governmental activities:					
Nondepreciable assets:					
Construction in progress	\$ 5,078,113	\$ 2,837,376	\$ -	\$ (3,393,141)	\$ 4,522,348
Land	11,539,449	-	-	-	11,539,449
Total nondepreciable assets	<u>16,617,562</u>	<u>2,837,376</u>	<u>-</u>	<u>(3,393,141)</u>	<u>16,061,797</u>
Depreciable assets:					
Buildings	22,448,417	106,615	(917,164)	-	21,637,868
Improvements	2,702,861	303,497	-	2,072,697	5,079,055
Machinery and equipment	4,091,939	173,258	(82,024)	-	4,183,173
Infrastructure	19,663,324	1,099,035	-	1,320,444	22,082,803
Total depreciable assets	<u>48,906,541</u>	<u>1,682,405</u>	<u>(999,188)</u>	<u>3,393,141</u>	<u>52,982,899</u>
Less accumulated depreciation:					
Buildings	(7,421,286)	(454,462)	275,149	-	(7,600,599)
Improvements	(1,232,437)	(113,264)	-	-	(1,345,701)
Machinery and equipment	(2,597,342)	(402,087)	79,463	-	(2,919,966)
Infrastructure	(6,317,226)	(590,315)	-	-	(6,907,541)
Total accumulated depreciation	<u>(17,568,291)</u>	<u>(1,560,128)</u>	<u>354,612</u>	<u>-</u>	<u>(18,773,807)</u>
Net depreciable assets	<u>31,338,250</u>	<u>122,277</u>	<u>(644,576)</u>	<u>3,393,141</u>	<u>34,209,092</u>
Capital assets, net	<u>\$ 47,955,812</u>	<u>\$ 2,959,653</u>	<u>\$ (644,576)</u>	<u>\$ -</u>	<u>\$ 50,270,889</u>

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

4. Capital Assets, continued

a) Government-Wide Financial Statements, continued

The governmental activities depreciation expenses for capital assets for the year ended June 30, 2012 are as follows:

Public safety	\$ 206,733
Public works	711,231
Community/cultural services	463,425
Community development	17,440
General government	161,299
Total depreciation expense	\$ 1,560,128

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

	Balances at July 1, 2011	Additions	Deletions	Transfers	Balances at June 30, 2012
Business-type activities:					
Nondepreciable assets:					
Construction in progress	\$ 1,732,025	\$ 916,392	\$ -	\$ (1,600,621)	\$ 1,047,796
Total nondepreciable assets	1,732,025	916,392	-	(1,600,621)	1,047,796
Depreciable assets:					
Buildings	11,582,865	-	-	1,600,621	13,183,486
Infrastructure	1,969,221	-	-	-	1,969,221
Machinery and equipment	806,882	47,299	(71,189)	-	782,992
Total depreciable assets	14,358,968	47,299	(71,189)	1,600,621	15,935,699
Less accumulated depreciation:					
Buildings	(8,409,182)	(123,071)	-	-	(8,532,253)
Infrastructure	(1,969,199)	(22)	-	-	(1,969,221)
Machinery and equipment	(515,204)	(47,935)	32,816	-	(530,323)
Total accumulated depreciation	(10,893,585)	(171,028)	32,816	-	(11,031,797)
Net depreciable assets	3,465,383	(123,729)	(38,373)	1,600,621	4,903,902
Capital assets, net	\$ 5,197,408	\$ 792,663	\$ (38,373)	\$ -	\$ 5,951,698

Depreciation expense for business-type activities for the year ended June 30, 2012 is as follows:

Sewer	\$ 171,005
Storm drain	23
Total depreciation expense	\$ 171,028

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

4. Capital Assets, continued

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.

5. Net Pension Asset

In FY 2009-10, the City prepaid a major portion, \$3,005,795, of its unfunded CalPERS side fund liability. This prepayment is recorded on the Statement of Net Assets as a Net Pension Asset. In FY 2011-12, the City prepaid an additional \$850,000 towards its budgetary goal to pay-down all existing fund liabilities and reduce costs. Both pay down payments have been classified as “Special Item” expenditures in the governmental statements of activity for each related year.

In accordance with GASB Statement No. 27, the net pension asset will be amortized using the same amortization methodology utilized by PERS to calculate the Annual Required Contribution (ARC) each year. A summary of the methodology used is as follows:

Amortization Method	Level Percent of Payroll
Average Remaining Period (as of June 30, 2010)	15 years
Investment Rate of Return	7.50% (net of administrative expenses)
Payroll Growth	3.25%

Interest on the Net Pension Asset (NPA) is calculated as a percentage of the NPA’s balance at the beginning of each year based on the investment rate of return stated above and is added to the balance of the NPA for that year.

A summary of the changes to the NPA for the year ended June 30, 2012 is as follows:

	Balances at July 1, 2011	Additions	Deletions	Balances at June 30, 2012
Governmental activities	\$ 2,952,829	\$ 850,000	\$ (52,966)	\$ 3,749,863

In the subsequent period, the City opted to prepay an additional \$950,000 of existing unfunded side fund liabilities reducing the remaining balances near full pay off for both miscellaneous and safety plans.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

6. Long-Term Obligations

a) Governmental Activities Long-Term Debt

Summary of changes in governmental activities long-term debt for the year ended June 30, 2012 is as follows:

	Balances at July 1, 2011	Additions	Reductions	Balances at June 30, 2012	Due in 1 Year	Due in More Than 1 Year
Certificate of participation	\$ 1,945,000	\$ -	\$ (90,000)	\$ 1,855,000	\$ 95,000	\$ 1,760,000

2004 Refunding Certificate of Participation

On November 1, 1996, the City issued \$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 acre Saint William School site for public purposes 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 future debt service payments.

At June 30, 2012, future debt service requirements for the 2004 Refunding were as follows:

Fiscal Year ending June 30,	Principal	Interest	Total
2013	\$ 95,000	\$ 72,808	\$ 167,808
2014	95,000	69,958	164,958
2015	100,000	66,918	166,918
2016	105,000	63,568	168,568
2017	105,000	59,893	164,893
2018 - 2022	605,000	234,940	839,940
2023 - 2027	750,000	98,388	848,388
Total	<u>\$ 1,855,000</u>	<u>\$ 666,470</u>	<u>\$ 2,521,470</u>

b) Non-City Obligations

The following bonds are not reported in the City's financial statements as they are special obligations payable solely from and secured by specific revenue sources as described in the resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City is pledged for payment of these obligations.

	Balances at July 1, 2011	Additions	Reductions	Balances at June 30, 2012	Due in 1 Year	Due in More Than 1 Year
Raymundo Curb & Gutter	\$ 203,000	\$ -	\$ (16,000)	\$ 187,000	\$ 17,000	\$ 170,000
Avalon Curb & Gutter	42,000	-	(8,000)	34,000	8,000	26,000
Blue Oak Lane	662,880	-	(52,880)	610,000	10,000	600,000
Total	<u>\$ 907,880</u>	<u>\$ -</u>	<u>\$ (76,880)</u>	<u>\$ 831,000</u>	<u>\$ 35,000</u>	<u>\$ 796,000</u>

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

6. Long-Term Obligations

b) Non-City Obligations, continued

Raymundo & Avalon Special Assessment Districts

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. Avalon Drive improvement bonds were issued for a similar purpose in 2000. The bonds are payable from a special property tax levied to those residents living within the District.

Blue Oak Lane Special Assessment District

On November 5, 2009, Limited Obligation Improvement Bonds were issued for a newly formed Blue Oak Lane Sewer Assessment District (series 2009) to finance the acquisition and construction, by the City, of sanitary sewer improvements serving properties within the subject assessment district. These bonds are issued upon and secured by individual parcel levied assessments to be included in the annual property tax billings annually. The Bonds mature in 2039, were issued in a principal amount of \$662,880 and are subject to semi-annual debt service payments administered by the City.

7. Compensated Absences Payable

The City's compensated absences at June 30, 2012, were as follows:

	Balances at July 1, 2011	Additions	Reductions	Balances at June 30, 2012	Due in 1 Year	Due in More Than 1 Year
Governmental	\$ 1,586,290	\$ 696,911	\$ (848,965)	\$ 1,434,236	\$ 358,559	\$ 1,075,677
Business-type activities	37,031	904,700	(901,076)	40,655	10,164	30,491
	<u>\$ 1,623,321</u>	<u>\$ 1,601,611</u>	<u>\$ (1,750,041)</u>	<u>\$ 1,474,891</u>	<u>\$ 368,723</u>	<u>\$ 1,106,168</u>

8. Net Assets/Fund Balances

a) Fund Balances

In the fund financial statements, governmental funds report the following classifications: non-spendable, restricted, committed, assigned, and unassigned. The City Council, as the highest level of decision making authority for the City, has the ability to commit fund balances through the adoption of a formal action and has done so with the adoption of its annual Financial Policy. This policy authorizes the City Manager to assign fund balances and has set the budgetary level of control at the Fund and Capital Project level for the governing body and the department level for the City Manager and assignees.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

8. Net Assets/Fund Balances, continued

b) Stabilization Arrangement

The City Council has established an Emergency and Operating Reserve goal level of 20% of annual operating expenditures has set funds aside accordingly through its annual budgetary actions. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts or State takeaways and can be activated within any one budget cycle through Council action. An economic downturn would entail a projected and/or sudden drop in core revenues (major tax and service revenue loss) of equal to or greater than 5% (including the impact of inflation) and/or a change in economic parameters (such as interest rates, debt service rates, commodity prices, pension rates) that cause a material change in expenditures of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances.

City Council has also established a State Budget Stabilization reserve, defined as committed by the City Council to mitigate the unanticipated revenue take-away or re-direction by the State legislature in the course of any one budget session. This fund balance can be activated if and when state subvention of customary revenue stream dollars are deferred or cut off at the State level.

As part of the FY 2012-13 budget adoption, the State Budget Stabilization Reserve was dissolved and combined with the Emergency and Operating Reserve in establishing one overall economic recovery reserve.

c) Classifications

In the Government-Wide Financial Statements, net assets are classified in the following categories:

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

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

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

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balances for government funds are made up of the following;

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

8. Net Assets/Fund Balances, continued

c) *Classifications, continued*

- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

d) *Policies*

Order of Utilization

The standard also requires governments to disclose the accounting policies that indicate the order in which restricted, committed, assigned and unassigned amounts are spent.

The City considers restricted amounts to have been spent first when expenditures are incurred and both restricted and unrestricted fund balances are available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Assignment and Commitment Authority

The City Council has approved a financial policy authorizing the City Manager to assign fund balances to facilitate year-end reporting requirements. The City Council, as the highest level of decision making authority for the City, has the ability to commit fund balances through the adoption of a formal policy and/or action. The same action must be taken to modify or rescind the commitment.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

8. Net Assets/Fund Balances, continued

Fund balances for all the major and non-major governmental funds as of June 30, 2012 were distributed as follows:

	General	Real Property Proceeds	Capital Projects	Equipment Replacement	Community Facilities Renewal	Nonmajor Funds	Total
Nonspendable:							
Inventory and prepaids	\$ 33,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,861
Veteran memorial	12,000	-	-	-	-	-	12,000
Total nonspendable	<u>45,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,861</u>
Restricted:							
Debt service	-	-	-	-	-	368,167	368,167
Special revenue programs and projects	-	-	-	-	-	2,467,507	2,467,507
Continuing CIPS	-	-	-	-	-	1,090,067	1,090,067
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,925,741</u>	<u>3,925,741</u>
Committed:							
State budget stabilization	1,025,000	-	-	-	-	-	1,025,000
Continuing CIP	-	-	4,123,943	487,995	-	-	4,611,938
Total committed	<u>1,025,000</u>	<u>-</u>	<u>4,123,943</u>	<u>487,995</u>	<u>-</u>	<u>-</u>	<u>5,636,938</u>
Assigned:							
Emergency and operating	4,200,000	-	-	-	-	-	4,200,000
OPEB	400,000	-	-	-	-	-	400,000
PERS Reserve	100,000	-	-	-	-	-	100,000
Capital projects	-	6,910,866	2,254,108	3,282,580	7,065,592	-	19,513,146
Total assignment	<u>4,700,000</u>	<u>6,910,866</u>	<u>2,254,108</u>	<u>3,282,580</u>	<u>7,065,592</u>	<u>-</u>	<u>24,213,146</u>
Unassigned	<u>1,714,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,714,041</u>
Total	<u>\$ 7,484,902</u>	<u>\$ 6,910,866</u>	<u>\$ 6,378,051</u>	<u>\$ 3,770,575</u>	<u>\$ 7,065,592</u>	<u>\$ 3,925,741</u>	<u>\$ 35,535,727</u>

9. Risk Management

a) 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 Plan (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 upper limit. During the year ended June 30, 2012, the City contributed \$270,210 for current year coverage.

ABAG is governed by a Board of Directors (BOD) consisting of representatives from member municipalities. The BOD controls the operations of ABAG, including selection of management and approval of operating budgets.

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

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

9. Risk Management, continued

a) ABAG Plan Corporation, continued

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

On May 22, 2012, the City Council of Los Altos approved the withdrawal from ABAG and membership to the Bay Cities Joint Powers Insurance Authority specifically for General Liability Insurance. The actual effective date of the transition fell beyond June 30, 2012 but was effective within the subsequent period. The membership to the new plan was prompted by the City's desire to manage costs and expand coverage as well as service levels.

The City continues to carry excess insurance policy for Workers' Compensation claims up to the statutory limits and does so using the services of a contracted third-party administrator. The City has a \$250,000 deductible as of June 30, 2012. During the year, the City contributed \$101,446 for current year coverage.

As of June 30, 2012, \$50,000 of revolving funds was 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.

b) Liability for Uninsured Claims

The 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 portion, 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,		
	2012	2011	2010
Unpaid claims, beginning of year	\$ 2,407,519	\$ 2,107,901	\$ 1,205,455
Incurred claims and changes in estimates	744,540	458,940	1,363,751
Claim payments	(513,315)	(159,322)	(461,305)
Unpaid claims, end of year	\$ 2,638,744	\$ 2,407,519	\$ 2,107,901

In conformance with GASB Statement No. 10, the City obtained an independent actuarial valuation of all outstanding Workers Compensation and Liability claims. The report presented a valuation as of June 30, 2011 and projected values through FY 2012-13. The FY 2011-12 values presented above reflect the estimated present value of open claims as developed in this actuarial report. The estimated amount of claims and judgments due within one year is \$596,390.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

10. Self-Funded Reimbursement Dental Plan

The City provides a self-funded reimbursement based dental plan. The City's contribution for this plan is accounted for in the Dental Reimbursement Fund. The City contributed \$60 per month for each full-time budgeted position. This amount was increased to \$75 beginning for the FY 2011-12 budget year. The funds accumulated are used to reimburse employees and their dependents for covered dental claims. 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 first submit the dental claims to the insurance carrier or other plan. There are no administrative charges for this plan. The Dental Reimbursement Fund maintains a positive fund balance of \$148,278 with contributions and reimbursements for the past four fiscal years as follows:

Fiscal year ended June 30,	Contribution Amount	Reimbursement Amount
2009	\$ 96,480	\$ 112,690
2010	92,213	111,342
2011	90,506	106,000
2012	112,254	109,632
Total	\$ 391,453	\$ 439,664

The dental plan year commences January 1st of each calendar year. Benefits were recently increased to an annual maximum dental reimbursement of \$1,500 for each employee and \$1,000 for each dependent. Any remaining balance in the fund for each dental year is carried forward to the following year. In subsequent dental years, the maximum dental coverage for both employees and dependents are increased annually based on the Consumer Price Index but not to exceed 3%.

11. Pension Plans

California Public Employees' Retirement System 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 required that retirement plans with less than 100 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 and miscellaneous retirement plans are included in these risk pools.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

11. Pension Plans, continued

California Public Employees' Retirement System Plan, continued

Funding Policy

Effective in FY 2011-12, the City enacted a two-tier plan model for both its safety and miscellaneous groups providing an alternate level of benefits for newly hired employees. Active plan members under the legacy plans are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary within the benefit levels that the City offers. Newly hired, second-tier, plan members will be required by State statute to contribute 7% for miscellaneous and remains 9% for safety. The City, as an employer, makes up a portion of the contributions required of City employees on their behalf and for their account. On a combined basis, for all plan levels in the current year, this amounted to \$790,884 for the year ended June 30, 2012 as compared to \$937,879 in the prior year.

For its legacy plans, the City was required to contribute at an actuarial determined rate of 25.337% for the period from July 1, 2011 through June 30, 2012 of annual covered payroll for safety employees and 16.119% of annual covered payroll for miscellaneous employees. For the newly adopted two-tier plans, the City was required to contribute at an actuarial determined rate of 20.308% for the period from July 1, 2011 through June 30, 2012 of annual covered payroll for safety employees and 7.733% of annual covered payroll for miscellaneous employees. The contribution rate is established annually and may be amended by PERS. Included in the employer contribution rates are the amortization of Side Funds which were created to account for the difference between the funded status of the pool and the funded status of the City plans at the time of joining the risk pool.

The City has paid down the safety Side Fund liability using planned designated reserves approximating \$4 million. Consequently, as of June 30, 2012, the estimated balance of the Side Fund for the public safety plan was reduced to approximately \$420,000. The estimated balance of the Side Fund for the miscellaneous plan has been reduced to approximately \$690,000 as of June 30, 2012. In the subsequent period an additional \$950,000 of existing side fund balances were paid off bringing the City close to full pay-down of their side fund liabilities.

Annual Pension Cost

For FY 2011-12, the City's annual required employer contributions pension was equal to \$2,018,601. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions utilized by PERS include (a) 7.75% investment rate of return (net of administrative expenses and (b) projected salary increases range from 3.25% to 14.45%. 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.

Fiscal Year Ended	Annual Pension Cost (APC)		Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous	Safety		
6/30/2010	\$ 1,172,340	\$ 670,609	262%	\$ -
6/30/2011	1,131,312	715,110	100%	-
6/30/2012	1,189,791	890,770	100%	-

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

11. Pension Plans, continued

California Public Employees' Retirement System Plan, continued

Funding Status as of the Most Recent Actuarial Date

The City retirement plans for miscellaneous and safety employees are part of the PERS risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's miscellaneous and safety employee plans is no longer available or disclosed.

12. Other Post Employment Benefits (OPEB)

Plan Description

The City Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees and their dependents through the PERS healthcare program (PEMHCA). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees and the unions representing City employees. The Plan does not issue a financial report.

The City provides a retiree medical contribution using the "5% unequal method," where the retiree contribution is increased annually until it equals the PEMHCA minimum contribution (\$108 per month for FY 2010-11 and \$112 per month for FY 2011-12). In FY 2011-12, the City's contribution averaged \$58.13 per month. The City does not provide contributions for retiree dental, vision or life insurance benefits.

City's Funding Policy

The City continues to pay for retiree healthcare benefits on a pay-as-you go basis. This reporting year the City contributed \$30,578 for current benefit payments. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

As of June 30, 2012, \$400,000 has been set aside in the General Fund as a reserve with future budgets projected to make increased annual contributions thereafter.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's Net OPEB obligation:

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

12. Other Post Employment Benefits (OPEB), continued

Annual OPEB Cost and Net OPEB Obligation, continued

Annual required contribution	\$ 239,000
Interest on net OPEB obligation	26,000
Amortization of net OPEB obligation	(45,000)
Annual OPEB cost (expense)	220,000
Contributions made (including premiums paid)	(30,578)
Increase in net OPEB obligation	189,422
Net OPEB obligation, beginning of year	604,032
Net OPEB obligation, end of year	\$ 793,454

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for FY 2011-12 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Cumulative OPEB Obligation
6/30/2010	\$ 221,000	9.0%	\$ 201,495	\$ 391,495
6/30/2011	237,000	10.0%	212,540	604,032
6/30/2012	220,000	14.0%	189,422	793,454

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2011, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 2,136,000
Actuarial value of Plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 2,136,000
Funded ratio (actuarial value of Plan assets/AAL)	0.00%
Covered payroll (active Plan participants)	\$10,369,000
UAAL as a percentage of covered payroll	20.60%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

12. Other Post Employment Healthcare Benefits (OPEB), continued

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. The PEMHCA minimum was assumed to annually increase by 4.5%. The UAAL is amortized as a level percentage of projected payrolls over 30 years on a closed basis commencing in 2009.

13. 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 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.

14. Other Information

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.

Joint Sewer System Authority (JSSA)

The 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, CA 94303.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

14. Other Information, continued

Joint Powers Agreements, continued

North County Library Authority (NCLA)

The 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 (County) 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's service area. The City performs administrative and accounting services for NCLA. In 1991, the NCLA issued Special Tax Bonds in the amount of \$3,645,000. The Special Tax Bonds were paid off as of June 30, 2012. In 2010, NCLA successfully passed an updated twenty year parcel tax extending the assessment term to 2030. No new debt was issued in association with this election. The audited financial statements can be obtained by contacting the NCLA at One North San Antonio Road, Los Altos, CA 94022.

Community Health Awareness Council (CHAC)

The 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.

OPEB Reserves

A review of the City's fund balance assignments will reveal that as of June 30, 2012, \$400,000 in General Fund reserves have been assigned in recognition of existing Post-Retirement Health Actuarial Obligations noted above.

15. Excess Expenditures Over Appropriations

Expenditures exceeded budgeted appropriations in the following funds:

	Budget	Actual	Variance
Debt Service Fund	\$ 85,000	\$ 90,000	\$ (5,000)

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

16. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the FY 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period.

The amount of this borrowing pertaining to the City was \$ 1.08 million.

Authorized with the FY 2009-10 state budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the state. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

17. Special Items

On November 30, 2007, the City entered a purchase and sale agreement with the City of Palo Alto to sell the City's share of the Los Altos Treatment Plant (LATP) to the City of Palo Alto for \$6.5 million. In 2010, the third and final regular installment and all collections have been recorded into the Real Property Proceeds Fund. Payments to the City were made net of title and escrow fees and estimated preliminary development costs of \$400,000, any unused portion of which is refundable to the City by the end of the fifth year, which is FY 2012/13.

In the current period the City made a further pay-down of its CalPERS side fund liability in the amount of \$850,000 as part of a multi-year plan to reduce pension costs. This amount appears as a special item in the General Fund and is also discussed in the pension disclosure notes above.

The Government-Wide Financial Statements reflect a loss of \$544,576 representing the disposition and write off of the capitalized and un-depreciated value of the City owned physical improvements located at 400 Main Street. This transaction reflects the demolition of said improvements. The ultimate sale of the underlying property is subject to the conditions of the agreement entered into with the developer, which, once met, will trigger the recording and receipt of the sale proceeds. The full sale is expected to be realized in FY 2012-13.

CITY OF LOS ALTOS, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

18. Developer Agreements

a) Developer Agreement

On September 14, 2010 the City approved a development agreement between the City and the David and Lucile Packard Foundation for the Downtown Headquarters Project located at 343 Second Street. The underlying project is a private development with no partnership, joint venture or other association of any kind between City and the owner.

In compliance with the terms of the agreement, the owner took occupancy of the building during FY 2011-12 and opted to pay the City a one lump sum installment of \$3.4 million as a condition of occupancy.

b) Land Sale/Purchase Agreement

On September 14, 2010 the City approved an Option to Purchase Agreement for the City owned property located at 230 First Street and 400 Main Street for price of \$3.1 million. This was part of a minimum project scope of a two-story building approximating 31,000 square feet. The agreement is contingent upon a series of milestones and feasibility phases. In the current year the City received an additional \$100,000 of initial purchase option payments marking the end of the initial feasibility term. To date a total of \$400,010 has been collected and these dollars are recorded as revenue in the Real Property Proceeds funds, the balance of which is assigned for future capital projects.

19. Other Commitments

A summary of remaining authorized CIP project balances end of year balances for all City funds by service area follows:

Streets & Roadways	\$ 2,166,323
Pedestrian Safety	1,622,777
Infrastructure & Facilities	867,846
Parks	255,615
Sewer	4,207,597
Technology	<u>789,443</u>
	<u><u>\$ 9,909,601</u></u>

20. Subsequent Events

The City evaluated subsequent events for recognition and disclosure through December 6, 2012, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2012 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOS ALTOS, CALIFORNIA

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES –

BUDGET AND ACTUAL

Fiscal year ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 17,794,000	\$ 17,794,000	\$ 18,250,068	\$ 456,068
Licenses, permits and fees	3,309,500	3,309,500	3,172,088	(137,412)
Intergovernmental	2,957,820	2,957,820	3,214,380	256,560
Grants and donations	100,000	100,000	41,936	(58,064)
Charges for services	3,709,950	3,709,950	3,779,611	69,661
Fines and forfeitures	213,700	213,700	209,467	(4,233)
Interest and rentals	364,000	364,000	94,187	(269,813)
Other	155,200	155,200	157,281	2,081
Total revenues	28,604,170	28,604,170	28,919,018	314,848
Expenditures:				
Current:				
Public safety	14,185,650	14,196,098	14,044,925	151,173
Public works	4,327,287	4,443,945	4,308,278	135,667
Recreation	2,055,182	2,056,188	2,082,472	(26,284)
Community development	3,945,259	3,980,860	3,498,263	482,597
Admin/community services	4,080,888	4,262,665	3,587,005	675,660
Total expenditures	28,594,266	28,939,756	27,520,943	1,418,813
Excess (deficiency) of revenues over (under) expenditures	9,904	(335,586)	1,398,075	1,131,973
Other financing sources (uses):				
Transfers in	255,000	255,000	356,330	101,330
Transfers (out)	(1,166,151)	(1,166,151)	(1,303,575)	(137,424)
Total other financing sources (uses)	(911,151)	(911,151)	(947,245)	(36,094)
Special item:				
PERS side fund pay down	-	(850,000)	(850,000)	-
Total special item	-	(850,000)	(850,000)	-
Net change in fund balances	(901,247)	(2,096,737)	(399,170)	1,697,567
Fund balances at beginning of year	7,884,072	7,884,072	7,884,072	-
Fund balances at end of year	\$ 6,982,825	\$ 5,787,335	\$ 7,484,902	\$ 1,697,567

CITY OF LOS ALTOS, CALIFORNIA

REAL PROPERTY PROCEEDS

SCHEDULE OF REVENUES AND EXPENDITURES –

BUDGET AND ACTUAL

Fiscal year ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rentals	\$ 73,170	\$ 73,170	\$ 43,089	\$ (30,081)
Total revenues	73,170	73,170	43,089	(30,081)
Special item:				
Proceeds from sale of asset	-	-	100,000	100,000
Total special item	-	-	100,000	100,000
Net change in fund balances	73,170	73,170	143,089	69,919
Fund balances at beginning of year	6,767,777	6,767,777	6,767,777	-
Fund balances at end of year	\$ 6,840,947	\$ 6,840,947	\$ 6,910,866	\$ 69,919

CITY OF LOS ALTOS, CALIFORNIA

OTHER POST EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS

Fiscal year ended June 30, 2012

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b)-(a)/(c)
6/30/09	\$ -	\$ 1,662	\$ 1,662	0.00%	\$ 10,884	20%
6/30/11	-	2,136	2,136	0.00%	10,369	21%
6/30/12	-	2,327	2,327	0.00%	10,706	22%

CITY OF LOS ALTOS, CALIFORNIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Fiscal year ended June 30, 2012

1. **Budget and Budgetary Accounting**

The City adopts a budget annually that 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 projects and open purchase order commitments for which appropriations endure until the project or obligation is completed.

Budgets are adopted on a basis consistent with generally accepted accounting principles 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.

No budgetary comparison is presented for the Supplemental Law Enforcement Fund, as there was no established revenue budget at the beginning of the fiscal year.



OTHER SUPPLEMENTARY INFORMATION



CITY OF LOS ALTOS, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS

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

To account for the revenues received from the State gas taxes under the provision of the Streets and Highways Codes. These revenues are restricted to uses related to construction and improvements, and maintenance and repair of local streets.

Proposition 1B Fund

To account for the allocated bond fund amount from the State under the Proposition 1B provisions.

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 funds received from the federal government specifically for the housing rehabilitation loan programs, the human services programs through local nonprofit agencies, and the accessibility improvements in compliance with the American with Disabilities Act.

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 Fund

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 Fund

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

Estate Donation Fund

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

TDA Fund

Used to account for State Transportation Development Act, Article 3 funds for bike route and pedestrian facilities improvements.

Debt Service Fund

General Debt Service

To account for the accumulation of revenues for periodic payment of principal and interest on Certificates of Participation and related authorized costs.

CITY OF LOS ALTOS, CALIFORNIA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2012

	Special Revenue			
	Vehicle Impound	Supplemental Law Enforcement	Gas Tax	Proposition 1B
ASSETS				
Cash and investments	\$ -	\$ -	\$ 1,088,187	\$ 323,435
Restricted cash and investments	-	-	-	-
Receivables, net of allowance for uncollectibles:				
Accounts	-	25,000	-	-
Total assets	\$ -	\$ 25,000	\$ 1,088,187	\$ 323,435
FUND BALANCES				
Fund balances:				
Restricted:				
Debt service	-	-	-	-
Special revenue programs and projects	-	25,000	734,113	39,665
Continuing CIP	-	-	354,074	283,770
Total restricted	-	25,000	1,088,187	323,435
Total Fund balances	\$ -	\$ 25,000	\$ 1,088,187	\$ 323,435

Special Revenue

Storm Drain Deposits	Community Development Block Grant	Downtown Parking	In-Lieu Park Land	Traffic Impact Fee	Estate Donation
\$ 56,086	146,166	\$ 181,977	\$ 949,750	\$ 760,465	\$ 13,030
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 56,086</u>	<u>\$ 146,166</u>	<u>\$ 181,977</u>	<u>\$ 949,750</u>	<u>\$ 760,465</u>	<u>\$ 13,030</u>
-	-	-	-	-	-
56,086	124,703	181,977	847,795	431,660	13,030
-	21,463	-	101,955	328,805	-
<u>56,086</u>	<u>146,166</u>	<u>181,977</u>	<u>949,750</u>	<u>760,465</u>	<u>13,030</u>
<u>\$ 56,086</u>	<u>\$ 146,166</u>	<u>\$ 181,977</u>	<u>\$ 949,750</u>	<u>\$ 760,465</u>	<u>\$ 13,030</u>

(Continued)

CITY OF LOS ALTOS, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)

June 30, 2012

	Special Revenue Fund	Debt Service	Total Nonmajor Governmental Funds
	TDA	General	
ASSETS			
Cash and investments	\$ 13,478	\$ 196,161	\$ 3,728,735
Restricted cash and investments	-	172,006	172,006
Receivables, net of allowance for uncollectibles:			
Accounts	-	-	25,000
	-	-	25,000
Total assets	\$ 13,478	\$ 368,167	\$ 3,925,741
FUND BALANCES			
Fund balances:			
Restricted:			
Debt service	-	368,167	368,167
Special revenue programs and projects	13,478	-	2,467,507
Continuing CIP	-	-	1,090,067
Total restricted	13,478	368,167	3,925,741
Total Fund balances	\$ 13,478	\$ 368,167	\$ 3,925,741



CITY OF LOS ALTOS, CALIFORNIA

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Fiscal year ended June 30, 2012

	Special Revenue			
	Vehicle Impound	Supplemental Law Enforcement	Gas Tax	Proposition 1B
Revenues:				
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	100,000	826,040	-
Grants and donations	-	-	-	-
Fines and forfeitures	21,279	-	-	-
Interest and rentals	-	-	8,762	2,233
Total revenues	<u>\$ 21,279</u>	<u>\$ 100,000</u>	<u>\$ 834,802</u>	<u>\$ 2,233</u>
Expenditures:				
Current:				
Community development	\$ -	\$ -	\$ -	\$ -
Admin/community services	-	-	-	-
Capital improvements	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,279</u>	<u>100,000</u>	<u>834,802</u>	<u>2,233</u>
Other financing sources(uses):				
Transfers in	-	-	-	-
Transfers out	<u>(21,279)</u>	<u>(125,000)</u>	<u>(335,225)</u>	<u>(56,397)</u>
Total other financing sources(uses)	<u>(21,279)</u>	<u>(125,000)</u>	<u>(335,225)</u>	<u>(56,397)</u>
Net change in fund balances	-	(25,000)	499,577	(54,164)
Fund balances at beginning of year	<u>-</u>	<u>50,000</u>	<u>588,610</u>	<u>377,599</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 1,088,187</u>	<u>\$ 323,435</u>

Special Revenue

Storm Drain Deposits	Community Development Block Grant	Downtown Parking	In-Lieu Park Land	Traffic Impact Fee	Estate Donation
\$ -	\$ -	\$ 31,740	\$ 756,000	\$ 59,964	\$ -
-	-	-	-	-	-
-	21,463	-	-	-	-
-	-	-	-	-	-
-	-	9,783	6,027	5,108	81
<u>\$ -</u>	<u>\$ 21,463</u>	<u>\$ 41,523</u>	<u>\$ 762,027</u>	<u>\$ 65,072</u>	<u>\$ 81</u>
\$ -	\$ -	\$ 23,651	\$ -	\$ -	\$ -
-	17,194	-	-	-	-
-	-	-	99,051	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	17,194	23,651	99,051	-	-
-	4,269	17,872	662,976	65,072	81
-	-	-	-	-	-
-	-	-	(1,134)	(23,402)	-
-	-	-	(1,134)	(23,402)	-
-	4,269	17,872	661,842	41,670	81
<u>56,086</u>	<u>141,897</u>	<u>164,105</u>	<u>287,908</u>	<u>718,795</u>	<u>12,949</u>
<u>\$ 56,086</u>	<u>\$ 146,166</u>	<u>\$ 181,977</u>	<u>\$ 949,750</u>	<u>\$ 760,465</u>	<u>\$ 13,030</u>

(continued)

CITY OF LOS ALTOS, CALIFORNIA

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)**

Fiscal year ended June 30, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>TDA</u>	<u>General</u>	
Revenues:			
Licenses, permits and fees	\$ -	\$ -	\$ 847,704
Intergovernmental	-	-	926,040
Grants and donations	-	-	21,463
Fines and forfeitures	-	-	21,279
Interest and rentals	-	-	31,994
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,848,480</u>
Expenditures:			
Current:			
Community development	\$ -	\$ -	\$ 23,651
Admin/community services	-	-	17,194
Capital improvements	-	-	99,051
Debt service:			
Principal	-	90,000	90,000
Interest and fiscal charges	-	77,049	77,049
	<u>-</u>	<u>167,049</u>	<u>306,945</u>
Total expenditures	-	167,049	306,945
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(167,049)</u>	<u>1,541,535</u>
Other financing sources(uses):			
Transfers in	-	167,049	167,049
Transfers out	-	-	(562,437)
	<u>-</u>	<u>167,049</u>	<u>(395,388)</u>
Total other financing sources(uses)	-	167,049	(395,388)
Net change in fund balances	-	-	1,146,147
Fund balances at beginning of year	<u>13,478</u>	<u>368,167</u>	<u>2,779,594</u>
Fund balances at end of year	<u>\$ 13,478</u>	<u>\$ 368,167</u>	<u>\$ 3,925,741</u>

CITY OF LOS ALTOS, CALIFORNIA

VEHICLE IMPOUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Fines and forfeitures	<u>\$ 45,000</u>	<u>\$ 21,279</u>	<u>\$ (23,721)</u>
Total revenues	<u>45,000</u>	<u>21,279</u>	<u>(23,721)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,000</u>	<u>21,279</u>	<u>(23,721)</u>
Other financing sources (uses):			
Transfers out	<u>(45,000)</u>	<u>(21,279)</u>	<u>23,721</u>
Total other financing sources (uses)	<u>(45,000)</u>	<u>(21,279)</u>	<u>23,721</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF LOS ALTOS, CALIFORNIA

GAS TAX

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 491,000	\$ 826,040	\$ 335,040
Interest and rentals	2,300	8,762	6,462
	<u>493,300</u>	<u>834,802</u>	<u>341,502</u>
Total revenues			
Excess (deficiency) of revenues over (under) expenditures	<u>493,300</u>	<u>834,802</u>	<u>341,502</u>
Other financing sources (uses):			
Transfers out	<u>(459,147)</u>	<u>(335,225)</u>	<u>123,922</u>
Total other financing sources (uses)	<u>(459,147)</u>	<u>(335,225)</u>	<u>123,922</u>
Net change in fund balance	34,153	499,577	465,424
Fund balance at beginning of year	<u>588,610</u>	<u>588,610</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 622,763</u></u>	<u><u>\$ 1,088,187</u></u>	<u><u>\$ 465,424</u></u>

CITY OF LOS ALTOS, CALIFORNIA

PROPOSITION 1B

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest and rentals	<u>\$ 5,000</u>	<u>2,233</u>	<u>\$ (2,767)</u>
Total revenues	<u>5,000</u>	<u>2,233</u>	<u>(2,767)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,000</u>	<u>2,233</u>	<u>(2,767)</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(56,397)</u>	<u>(56,397)</u>
Total other financing sources (uses)	<u>-</u>	<u>(56,397)</u>	<u>(56,397)</u>
Net change in fund balance	5,000	(54,164)	(59,164)
Fund balance at beginning of year	<u>377,599</u>	<u>377,599</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 382,599</u></u>	<u><u>\$ 323,435</u></u>	<u><u>\$ (59,164)</u></u>

CITY OF LOS ALTOS, CALIFORNIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Grants and donations	<u>\$ 115,000</u>	<u>21,463</u>	<u>\$ (93,537.00)</u>
Total revenues	<u>115,000</u>	<u>21,463</u>	<u>(93,537)</u>
Expenditures:			
Current:			
Admin/community services	<u>115,000</u>	<u>17,194</u>	<u>97,806</u>
Total expenditures	<u>115,000</u>	<u>17,194</u>	<u>97,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>4,269</u>	<u>4,269</u>
Net change in fund balance	<u>-</u>	<u>4,269</u>	<u>4,269</u>
Fund balance at beginning of year	<u>141,897</u>	<u>141,897</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 141,897</u></u>	<u><u>\$ 146,166</u></u>	<u><u>\$ 4,269</u></u>

CITY OF LOS ALTOS, CALIFORNIA

DOWNTOWN PARKING

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses, permits and fees	\$ 30,000	\$ 31,740	\$ 1,740
Interest and rentals	10,200	9,783	(417)
Total revenues	<u>40,200</u>	<u>41,523</u>	<u>(417)</u>
Expenditures:			
Current:			
Community development	50,000	23,651	26,349
Total expenditures	<u>50,000</u>	<u>23,651</u>	<u>26,349</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,800)</u>	<u>17,872</u>	<u>25,932</u>
Net change in fund balance	(9,800)	17,872	25,932
Fund balance at beginning of year	<u>164,105</u>	<u>164,105</u>	-
Fund balance at end of year	<u><u>\$ 154,305</u></u>	<u><u>\$ 181,977</u></u>	<u><u>\$ 27,672</u></u>

CITY OF LOS ALTOS, CALIFORNIA

IN-LIEU PARK LAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses, permits and fees	1,524,000	756,000	\$ (768,000)
Interest and rentals	13,000	6,027	(6,973)
	<u>1,537,000</u>	<u>762,027</u>	<u>(774,973)</u>
Total revenues			
Expenditures:			
Current:			
Capital improvements	200,500	99,051	101,449
	<u>200,500</u>	<u>99,051</u>	<u>101,449</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	1,336,500	662,976	(673,524)
Other financing sources (uses):			
Transfers out	-	(1,134)	(1,134)
	<u>-</u>	<u>(1,134)</u>	<u>(1,134)</u>
Total other financing sources (uses)			
Net change in fund balance	1,336,500	661,842	(674,658)
Fund balance at beginning of year	287,908	287,908	-
Fund balance at end of year	<u>\$ 1,624,408</u>	<u>\$ 949,750</u>	<u>\$ (674,658)</u>

CITY OF LOS ALTOS, CALIFORNIA

TRAFFIC IMPACT FEE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
License, permits and fees	\$ -	\$ 59,964	\$ 59,964
Interest and rentals	3,000	5,108	2,108
	<u> </u>	<u> </u>	<u> </u>
Total revenues	3,000	65,072	62,072
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over (under) expenditures	3,000	65,072	62,072
	<u> </u>	<u> </u>	<u> </u>
Other financing sources (uses):			
Transfers out	-	(23,402)	(23,402)
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	-	(23,402)	(23,402)
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	3,000	41,670	38,670
	<u> </u>	<u> </u>	<u> </u>
Fund balance at beginning of year	718,795	718,795	-
	<u> </u>	<u> </u>	<u> </u>
Fund balance at end of year	\$ 721,795	\$ 760,465	\$ 38,670
	<u> </u>	<u> </u>	<u> </u>

CITY OF LOS ALTOS, CALIFORNIA

ESTATE DONATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest and rentals	\$ 140	\$ 81	\$ (59)
Total revenues	140	81	(59)
Excess (deficiency) of revenues over (under) expenditures	140	81	(59)
Net change in fund balance	140	81	(59)
Fund balance at beginning of year	12,949	12,949	-
Fund balance at end of year	\$ 13,089	\$ 13,030	\$ (59)

CITY OF LOS ALTOS, CALIFORNIA

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL**

Fiscal year ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Debt service:			
Principal	\$ 85,000	\$ 90,000	\$ (5,000)
Interest	79,400	77,049	2,351
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	164,400	167,049	(2,649)
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over (under) expenditures	(164,400)	(167,049)	(2,649)
	<u> </u>	<u> </u>	<u> </u>
Other financing sources (uses):			
Transfers in	165,000	167,049	2,049
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	165,000	167,049	2,049
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	600	-	(600)
	<u> </u>	<u> </u>	<u> </u>
Fund balance at beginning of year	368,167	368,167	-
	<u> </u>	<u> </u>	<u> </u>
Fund balance at end of year	\$ 368,767	\$ 368,167	\$ (600)
	<u> </u>	<u> </u>	<u> </u>



CITY OF LOS ALTOS, CALIFORNIA

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one City department or agency to other departments or agencies of the City, or to other government units on a cost-reimbursement basis (including depreciation).

Dental Reimbursement

To account for 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, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2012

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
ASSETS					
Current assets:					
Cash and investments	\$ 153,032	\$ 161,884	\$ 2,751,713	\$ 708,533	\$ 3,775,162
Accounts receivable	-	-	6,141	-	6,141
Total assets	<u>\$ 153,032</u>	<u>\$ 161,884</u>	<u>\$ 2,757,854</u>	<u>\$ 708,533</u>	<u>\$ 3,781,303</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 4,754	\$ -	\$ -	\$ 9,315	\$ 14,069
Claims and judgments - current portion	-	-	491,413	58,327	549,740
Noncurrent liabilities:					
Claims and judgments - noncurrent portion	-	-	1,965,886	123,118	2,089,004
Total liabilities	<u>4,754</u>	<u>-</u>	<u>2,457,299</u>	<u>190,760</u>	<u>2,652,813</u>
NET ASSETS					
Unrestricted	<u>148,278</u>	<u>161,884</u>	<u>300,555</u>	<u>517,773</u>	<u>1,128,490</u>
Total net assets	<u>\$ 148,278</u>	<u>\$ 161,884</u>	<u>\$ 300,555</u>	<u>\$ 517,773</u>	<u>\$ 1,128,490</u>

CITY OF LOS ALTOS, CALIFORNIA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Fiscal year ended June 30, 2012

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 112,254	\$ 75,353	\$ 660,018	\$ 375,250	\$ 1,222,875
Total operating revenues	<u>112,254</u>	<u>75,353</u>	<u>660,018</u>	<u>375,250</u>	<u>1,222,875</u>
Operating expenses:					
Outside services	-	-	1,750	27,193	28,943
Claims reimbursement	109,632	4,894	404,299	109,016	627,841
Insurance	-	-	101,446	270,210	371,656
Administration	-	-	20,014	4,801	24,815
Total expenditures	<u>109,632</u>	<u>4,894</u>	<u>527,509</u>	<u>411,220</u>	<u>1,053,255</u>
Operating income	2,622	70,459	132,509	(35,970)	169,620
Net assets at beginning of year	<u>145,656</u>	<u>91,425</u>	<u>168,046</u>	<u>553,743</u>	<u>958,870</u>
Net assets at end of year	<u>\$ 148,278</u>	<u>\$ 161,884</u>	<u>\$ 300,555</u>	<u>\$ 517,773</u>	<u>\$ 1,128,490</u>

CITY OF LOS ALTOS, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal year ended June 30, 2012

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
Cash flows from operating activities:					
Cash received from other funds	\$ 112,254	\$ 75,353	\$ 655,125	\$ 375,250	\$ 1,217,982
Cash payments to claimants	(106,799)	(4,894)	(404,299)	(109,016)	(625,008)
Insurance premiums and administration	-	-	(8,959)	(194,196)	(203,155)
Net cash provided by operating activities	<u>5,455</u>	<u>70,459</u>	<u>241,867</u>	<u>72,038</u>	<u>389,819</u>
Cash and investments at beginning of year	<u>147,577</u>	<u>91,425</u>	<u>2,509,846</u>	<u>636,495</u>	<u>3,385,343</u>
Cash and investments at end of year	<u>\$ 153,032</u>	<u>\$ 161,884</u>	<u>\$ 2,751,713</u>	<u>\$ 708,533</u>	<u>\$ 3,775,162</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 2,622	\$ 70,459	\$ 132,509	\$ (35,970)	\$ 169,620
Adjustments to reconcile operating income to net cash provided by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	-	-	(4,893)	-	(4,893)
Accounts payable	2,833	-	(13,598)	4,632	(6,133)
Claims and judgments payable	-	-	127,849	103,376	231,225
Net cash provided by (used for) operating activities	<u>\$ 5,455</u>	<u>\$ 70,459</u>	<u>\$ 241,867</u>	<u>\$ 72,038</u>	<u>\$ 389,819</u>

CITY OF LOS ALTOS, CALIFORNIA

FIDUCIARY FUNDS

Agency Funds

North County Library Authority

This fund accounts for the operating activities and the special assessment collection pertaining to the North County Library Authority.

Avalon Drive Curb and Gutter

This fund accounts 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 and Gutter

This fund accounts 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.

Blue Oak Lane Sewer

This fund accounts for the accumulation of resources for payment of the debt service, construction and installation of sanitary sewer systems on Blue Oak Lane funded via November 2009 limited obligation assessment district bonds. The revenue is derived from the special assessment levied to property owners within that improvement district.

CITY OF LOS ALTOS, CALIFORNIA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Fiscal year ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<hr/> <i>North County Library Authority</i> <hr/>				
ASSETS				
Cash and investments	\$ 1,138,027	\$ 1,034,439	\$ 896,939	\$ 1,275,527
Accounts receivable	1,392	755	1,565	582
Total assets	<u>\$ 1,139,419</u>	<u>\$ 1,035,194</u>	<u>\$ 898,504</u>	<u>\$ 1,276,109</u>
LIABILITIES				
Accounts payable	\$ 239,172	\$ 888,988	\$ 894,618	\$ 233,542
Due to others	900,247	146,206	3,886	1,042,567
Total liabilities	<u>\$ 1,139,419</u>	<u>\$ 1,035,194</u>	<u>\$ 898,504</u>	<u>\$ 1,276,109</u>
<hr/> <i>Avalon Drive Curb and Gutter</i> <hr/>				
ASSETS				
Cash and investments	\$ 47,697	\$ 13,690	\$ 15,023	\$ 46,364
Total assets	<u>\$ 47,697</u>	<u>\$ 13,690</u>	<u>\$ 15,023</u>	<u>\$ 46,364</u>
LIABILITIES				
Accounts payable	\$ 1,218	\$ 13,679	\$ 14,897	\$ -
Due to others	46,479	11	126	46,364
Total liabilities	<u>\$ 47,697</u>	<u>\$ 13,690</u>	<u>\$ 15,023</u>	<u>\$ 46,364</u>
<hr/> <i>Raymundo Curb and Gutter</i> <hr/>				
ASSETS				
Cash and investments	\$ 47,894	\$ 27,525	\$ 28,655	\$ 46,764
Total assets	<u>\$ 47,894</u>	<u>\$ 27,525</u>	<u>\$ 28,655</u>	<u>\$ 46,764</u>
LIABILITIES				
Accounts payable	\$ -	\$ 28,553	\$ 28,553	\$ -
Due to others	47,894	(1,028)	102	46,764
Total liabilities	<u>\$ 47,894</u>	<u>\$ 27,525</u>	<u>\$ 28,655</u>	<u>\$ 46,764</u>

CITY OF LOS ALTOS, CALIFORNIA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

Fiscal year ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<hr/> <i>Blue Oak Lane Sewer</i> <hr/>				
ASSETS				
Cash and investments	\$ 117,237	\$ 167,308	\$ 223,908	\$ 60,637
Total assets	<u>\$ 117,237</u>	<u>\$ 167,308</u>	<u>\$ 223,908</u>	<u>\$ 60,637</u>
LIABILITIES				
Accounts payable	\$ -	\$ 84,413	\$ 84,413	\$ -
Due to others	117,237	82,895	139,495	60,637
Total liabilities	<u>\$ 117,237</u>	<u>\$ 167,308</u>	<u>\$ 223,908</u>	<u>\$ 60,637</u>
<hr/> <i>Total Agency Funds</i> <hr/>				
ASSETS				
Cash and investments	\$ 1,350,855	\$ 1,242,962	\$ 1,164,525	\$ 1,429,292
Accounts receivable	1,392	755	1,565	582
Total assets	<u>\$ 1,352,247</u>	<u>\$ 1,243,717</u>	<u>\$ 1,166,090</u>	<u>\$ 1,429,874</u>
LIABILITIES				
Accounts payable	\$ 240,390	\$ 1,015,633	\$ 1,022,481	\$ 233,542
Due to others	1,111,857	228,084	143,609	1,196,332
Total liabilities	<u>\$ 1,352,247</u>	<u>\$ 1,243,717</u>	<u>\$ 1,166,090</u>	<u>\$ 1,429,874</u>



STATISTICAL SECTION

CITY OF LOS ALTOS, CALIFORNIA

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Financial Trends

The following schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

The following schedules contain information to help the reader assess the government's most significant local revenue source, the property tax:

1. Tax Revenues by Sources, Governmental Funds
2. Assessed Value of Taxable Property
3. Direct and Overlapping Property Tax Rates
4. Principal Property Taxpayers
5. Property Tax Levies and Collections

Debt Capacity

The following schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Schedule of Direct and Overlapping Bonded Debt
3. Legal Debt Margin

Demographic and Economic Information

The following schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic Statistics
2. Principal Employers

Operating Information

The following schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

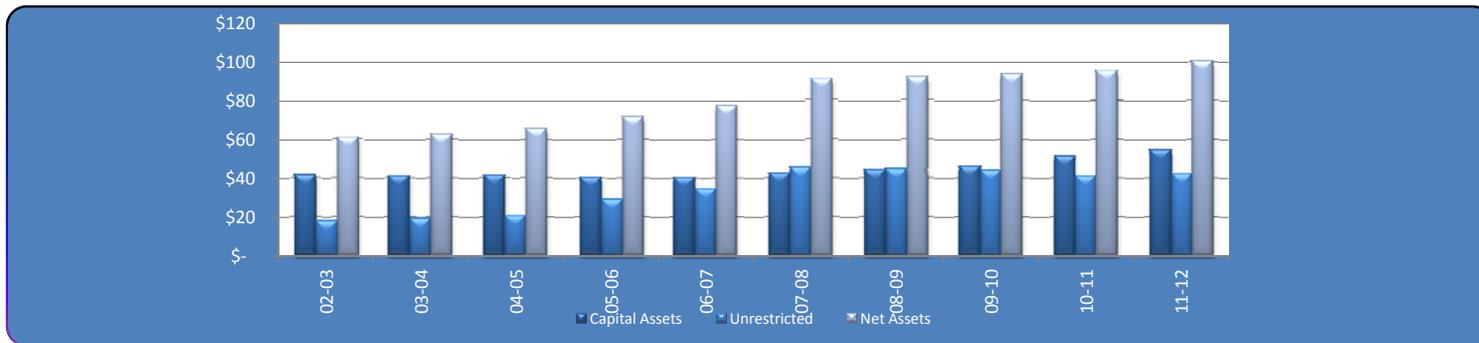
1. Full-time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Assets Statistics by Function/Program
4. Trust and Agency Debt Administration

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Los Altos
Net Assets by Component
Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Governmental activities										
Invested in capital assets, net of related debt	\$ 38,536	\$ 38,589	\$ 39,023	\$ 37,877	\$ 38,186	\$ 40,251	\$ 40,684	\$ 42,596	\$ 46,011	\$ 48,511
Restricted	2,007	2,081	3,792	2,403	2,709	3,366	3,477	3,411	3,057	3,926
Unrestricted	14,699	16,114	16,178	23,343	27,386	37,038	36,184	35,476	33,448	34,634
Total governmental activities net assets	55,242	56,784	58,993	63,623	68,281	80,655	80,345	81,483	82,516	87,071
Business-type activities										
Invested in capital assets, net of related debt	\$ 2,760	\$ 2,646	\$ 2,510	\$ 2,527	\$ 2,388	\$ 2,219	\$ 3,316	\$ 3,552	\$ 5,197	\$ 5,952
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,751	2,736	4,228	5,511	6,977	7,922	8,102	8,766	7,625	7,539
Total business-type activities net assets	\$ 5,511	\$ 5,382	\$ 6,738	\$ 8,038	\$ 9,365	\$ 10,141	\$ 11,418	\$ 12,318	\$ 12,822	\$ 13,491
Primary government										
Invested in capital assets, net of related debt	\$ 41,296	\$ 41,235	\$ 41,533	\$ 40,404	\$ 40,574	\$ 42,470	\$ 44,000	\$ 46,148	\$ 51,208	\$ 54,463
Restricted	2,007	2,081	3,792	2,403	2,709	3,366	3,477	3,411	3,057	3,926
Unrestricted	17,450	18,850	20,406	28,854	34,363	44,960	44,286	44,242	41,073	42,173
Total primary government net assets	\$ 60,753	\$ 62,166	\$ 65,731	\$ 71,661	\$ 77,646	\$ 90,796	\$ 91,763	\$ 93,801	\$ 95,338	\$ 100,562



Source:
 City of Los Altos Finance Department

Note:
 The City implemented the new reporting model in the fiscal year 2002-03.

City of Los Altos
Changes in Net Assets
Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Expenses										
Governmental activities:										
Public safety	\$ 8,878	\$ 8,853	\$ 9,856	\$ 9,913	\$ 11,033	\$ 12,415	\$ 13,563	\$ 13,812	\$ 14,101	\$ 14,797
Public works	3,396	3,594	4,498	4,224	4,799	4,886	5,318	5,170	5,451	5,157
Recreation	1,898	2,129	2,212	2,405	2,460	2,650	2,889	2,460	2,503	2,193
Community development	2,065	2,042	2,383	2,604	2,875	3,448	3,913	3,962	4,052	3,583
Admin/Community services	2,309	2,262	2,313	2,502	2,655	3,317	3,765	3,794	3,837	4,034
Interest on long-term activities	263	365	149	151	146	138	32	83	86	69
Total governmental activities expenses	18,809	19,245	21,411	21,799	23,968	26,854	29,480	29,281	30,030	29,833
Business-type activities:										
Sewer	3,085	3,711	3,167	3,324	3,712	3,886	4,810	4,438	4,520	4,386
Solid waste	1,833	1,071	1,125	1,264	1,575	1,609	1,574	1,826	717	341
Storm drain	-	-	118	183	181	213	188	199	200	213
Total Business-type activities expenses	4,918	4,782	4,410	4,771	5,468	5,708	6,572	6,463	5,437	4,940
Total primary government expenses	\$ 23,727	\$ 24,027	\$ 25,821	\$ 26,570	\$ 29,436	\$ 32,562	\$ 36,052	\$ 35,744	\$ 35,467	\$ 34,773
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 448	\$ 517	\$ 508	\$ 377	\$ 499	\$ 527	\$ 585	\$ 466	\$ 348	\$ 394
Public works	178	250	231	156	228	204	180	152	191	32
Recreation	1,363	1,569	1,604	1,545	1,665	1,654	1,472	1,498	1,763	1,808
Community development	1,374	1,754	1,854	2,644	2,501	3,372	1,867	2,954	2,650	3,260
Admin/Community services	589	540	543	580	1,166	967	969	1,097	1,061	875
Operating grants and contributions:										
Public safety	151	131	123	136	112	118	108	102	100	112
Public works	537	545	549	535	541	511	479	462	682	829
Recreation	-	5	11	42	9	27	4	-	-	-
Community development	262	212	76	126	141	285	48	56	168	21
Admin/Community services	10	6	6	6	6	6	6	131	64	36
Capital grants and contributions										
Public safety	-	-	-	-	121	4	-	-	-	-
Public works	86	5	588	498	322	923	978	985	711	897
Recreation	-	139	-	-	1	492	10	-	-	-
Community development	-	-	-	-	-	-	24	7	-	3,400
Admin/Community services	-	-	-	-	-	-	89	200	78	76
Total governmental activities program revenues	4,998	5,673	6,093	6,645	7,312	9,090	6,819	8,110	7,816	11,740

City of Los Altos
Changes in Net Assets
Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Business-type activities:										
Charges for services:										
Sewer	\$ 2,653	\$ 3,534	\$ 4,273	\$ 4,264	\$ 4,833	\$ 4,467	\$ 5,804	\$ 5,413	\$ 4,813	\$ 4,503
Solid waste	1,013	1,155	1,309	1,455	1,471	1,540	1,685	1,657	992	821
Storm drain	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	3,666	4,689	5,582	5,719	6,304	6,007	7,489	7,070	5,805	5,324
Total primary government program revenues	\$ 8,664	\$ 10,362	\$ 11,675	\$ 12,364	\$ 13,616	\$ 15,097	\$ 14,308	\$ 15,180	\$ 13,621	\$ 17,064
Net (expense)/revenue:										
Governmental activities	(13,811)	(13,572)	(15,318)	(15,154)	(16,656)	(17,764)	(22,661)	(21,171)	(22,214)	(18,093)
Business-type activities	(1,252)	(93)	1,172	948	836	299	917	607	368	384
Total primary government net (expense)/revenue	\$ (15,063)	\$ (13,665)	\$ (14,146)	\$ (14,206)	\$ (15,820)	\$ (17,465)	\$ (21,744)	\$ (20,564)	\$ (21,846)	\$ (17,709)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes:										
Property taxes	\$ 6,379	\$ 6,707	\$ 8,580	\$ 9,767	\$ 10,903	\$ 11,875	\$ 12,759	\$ 13,051	\$ 12,794	\$ 13,302
Sales taxes	2,464	2,331	2,553	2,662	2,750	2,872	2,697	2,255	2,588	2,746
Utility users taxes	1,825	1,886	1,970	2,101	2,274	2,483	2,530	2,515	2,543	2,548
Other taxes	3,156	3,181	231	235	2,682	2,703	2,147	2,453	2,910	2,868
Franchise fees	951	1,012	1,048	1,110	1,164	2,029	1,458	1,437	1,814	1,731
Sale of Capital Assets-net	-	-	-	-	-	6,499	-	-	-	(545)
Interest income	454	307	495	1,048	1,414	1,353	760	341	275	115
Miscellaneous	349	331	2,831	3,050	323	517	201	286	388	131
Transfers	91	35	(183)	(187)	(197)	(193)	(200)	(239)	(65)	(247)
Total governmental activities	15,669	15,790	17,525	19,786	21,313	30,138	22,352	22,099	23,247	22,649
Business-type activities										
Interest income	-	-	-	-	296	284	160	53	71	37
Transfers	(91)	(35)	183	187	197	193	200	239	65	247
Total business-type activities	(91)	(35)	183	187	493	477	360	292	136	284
Total primary government	\$ 15,578	\$ 15,755	\$ 17,708	\$ 19,973	\$ 21,806	\$ 30,615	\$ 22,712	\$ 22,391	\$ 23,383	\$ 22,933
Change in Net Assets										
Governmental activities	1,858	2,218	2,207	4,632	4,657	12,374	(309)	928	1,033	4,556
Business-type activities	(1,343)	(128)	1,355	1,135	1,329	776	1,277	899	504	668
Total primary government	\$ 515	\$ 2,090	\$ 3,562	\$ 5,767	\$ 5,986	\$ 13,150	\$ 968	\$ 1,827	\$ 1,537	\$ 5,224

Source:

City of Los Altos Finance Department

Note:

The City implemented the new reporting model in the fiscal year 2002-03.

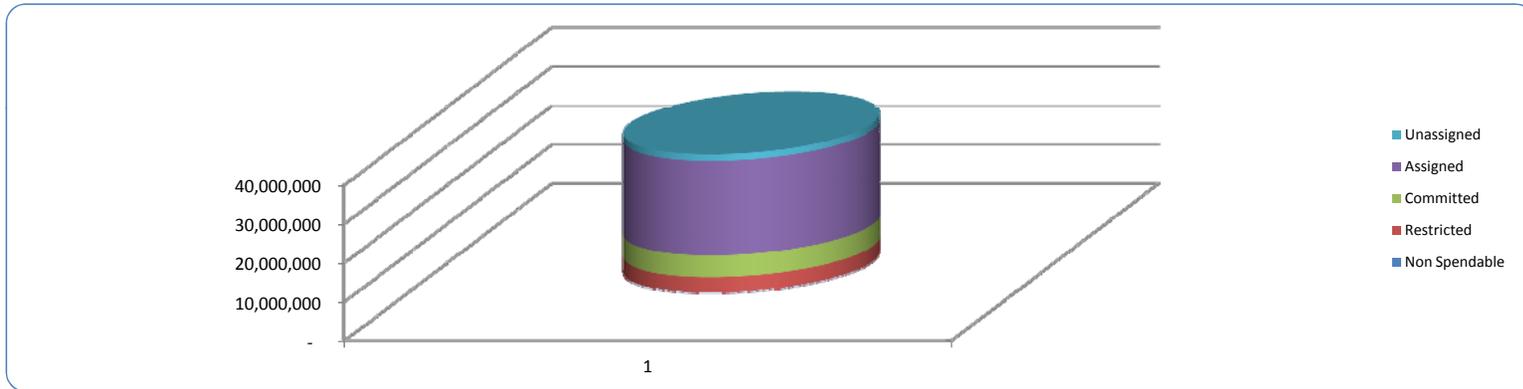
* - Storm Drain activities were included in Sewer before the fiscal year 2004-05.

City of Los Altos
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)
(Pre GASB 54 Presentation - For Years Before 2011-12)

(Pre GASB 54 Presentation)	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
General fund										
Reserved	\$ 4,510	\$ 5,225	\$ 5,412	\$ 5,872	\$ 131	\$ 228	\$ 39	\$ 143	\$ 48	\$ 46
Unreserved/Unrestricted	300	420	305	206	6,157	6,492	7,650	6,908	7,836	7,439
Total general fund	\$ 4,810	\$ 5,645	\$ 5,717	\$ 6,078	\$ 6,288	\$ 6,720	\$ 7,689	\$ 7,051	\$ 7,884	\$ 7,485
All other governmental funds										
Reserved	\$ 11,520	\$ 12,642	\$ 15,492	\$ 20,591	\$ 4,604	\$ 5,484	\$ 3,472	\$ 3,399	\$ 2,780	\$ 3,926
Unreserved, reported in:										
Special revenue funds	564	725	-	-	(21)	1,798	4,120	6,422	6,768	6,911
Capital projects funds	-	(780)	(775)	(770)	18,876	21,360	21,814	19,540	16,868	17,213
Debt service funds	-	-	(8)	(8)	(8)	(8)	(8)			
Total all other governmental funds	\$ 12,084	\$ 12,587	\$ 14,709	\$ 19,813	\$ 23,451	\$ 28,634	\$ 29,398	\$ 29,361	\$ 26,416	\$ 28,050
Total all governmental funds	\$ 16,894	\$ 18,232	\$ 20,426	\$ 25,891	\$ 29,739	\$ 35,354	\$ 37,087	\$ 36,412	\$ 34,300	\$ 35,535

GASB 54 Presentation:(2011-12)

	2011-12						Total
	General Fund	Real Prop	CIP	Equip	Facilities	Other Govt Funds	
<i>Inventory & Prepaids</i>	(33,862)						(33,862)
<i>Veteran Memorial</i>	(12,000)						(12,000)
Non Spendable	(45,862)	-	-	-	-	-	(45,862)
<i>Debt Service</i>						(368,167)	(368,167)
<i>Special Revenue Programs and Projects</i>						(2,467,506)	(2,467,506)
<i>Continuing CIPS</i>						(1,090,067)	(1,090,067)
Restricted	-	-	-	-	-	(3,925,740)	(3,925,740)
<i>State Budget Stabilization</i>	(1,025,000)						(1,025,000)
<i>Continuing CIPS</i>			(4,123,943)	(487,995)			(4,611,938)
Committed	(1,025,000)	-	(4,123,943)	(487,995)	-	-	(5,636,938)
<i>Emergency & Operating</i>	(4,200,000)						(4,200,000)
<i>OPEB</i>	(400,000)						(400,000)
<i>PERS Reserve</i>	(100,000)						(100,000)
<i>Unallocated</i>		(6,910,866)	(2,254,108)	(3,282,580)	(7,065,592)		(19,513,146)
Assigned	(4,700,000)	(6,910,866)	(2,254,108)	(3,282,580)	(7,065,592)	-	(24,213,146)
Unassigned	(1,714,041)						(1,714,041)
Unassigned	(1,714,041)	-	-	-	-	-	(1,714,041)
Total Fund Equity	(7,484,903)	(6,910,866)	(6,378,051)	(3,770,575)	(7,065,592)	(3,925,740)	(35,535,727)



Source:
City of Los Altos Finance Department

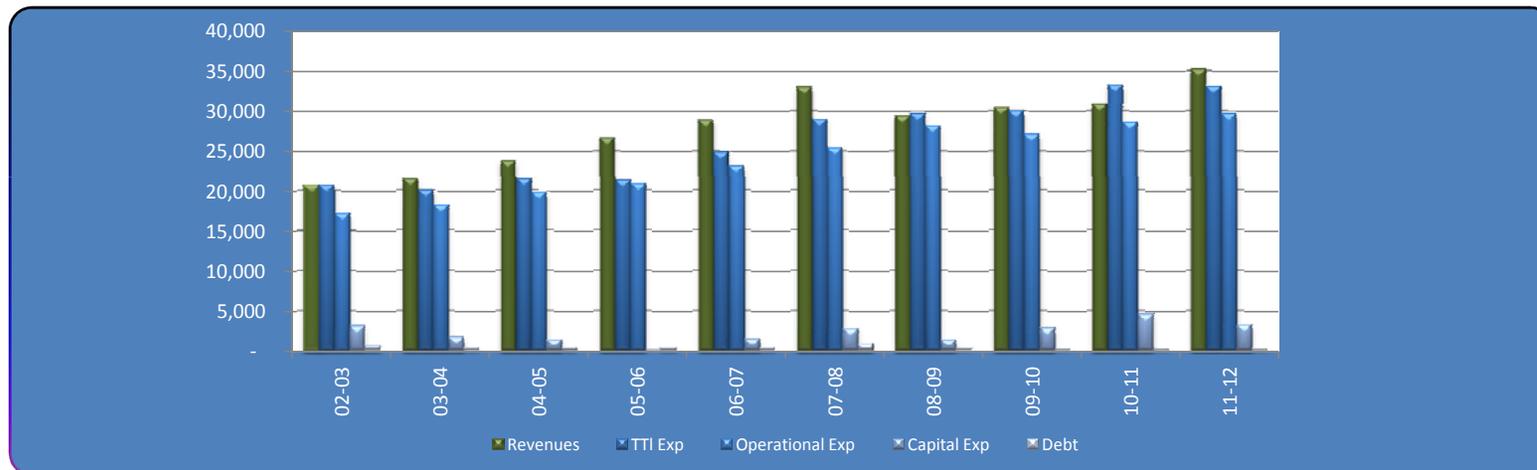
City of Los Altos
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Revenues										
Taxes	\$ 9,393	\$ 10,117	\$ 12,263	\$ 13,781	\$ 15,205	\$ 16,566	\$ 17,115	\$ 17,545	\$ 17,714	\$ 18,250
License, permits and park-in-lieu	1,810	2,170	2,198	2,568	2,522	3,493	2,532	3,025	3,187	3,204
Intergovernmental	5,233	4,790	4,048	4,515	4,323	4,470	4,365	3,680	3,988	4,333
Grants and donations	301	392	701	549	359	1,294	305	559	929	4,242
Charges for services	2,657	2,885	2,997	3,272	3,701	3,673	3,422	3,494	4,020	3,780
Fines and forfeitures	254	284	268	201	264	286	329	246	148	231
Interest and rentals	731	609	906	1,338	1,692	1,857	945	504	333	169
Other	201	211	419	395	777	1,284	359	1,394	521	973
Total revenues	20,580	21,458	23,800	26,619	28,843	32,923	29,372	30,447	30,840	35,182
Expenditures										
General government										
Public Safety										
Police	5,554	5,847	6,456	7,047	7,245	7,553	8,283	8,111	8,616	9,588
Fire Services	2,870	2,966	2,972	3,020	3,839	4,664	4,900	5,119	5,259	5,375
Public works	2,805	3,236	3,961	3,775	4,321	4,286	5,038	4,420	4,793	4,826
Recreation	1,685	1,801	1,820	1,952	2,103	2,257	2,443	1,994	2,062	2,429
Community development	2,012	2,040	2,293	2,606	2,922	3,384	3,826	3,770	3,973	3,726
Administration/Community services	2,208	2,206	2,215	2,414	2,658	3,222	3,623	3,600	3,845	3,624
Capital improvements	3,052	1,637	1,348	72	1,374	2,719	1,288	2,784	4,475	3,212
Debt service										
Principal	342	145	199	193	193	657	101	85	85	90
Interest and fiscal charges	221	145	158	146	143	138	103	81	80	77
Total expenditures	20,749	20,023	21,422	21,225	24,798	28,880	29,605	29,964	33,188	32,947
Excess (deficiency) of revenues over (under) expenditures	(169)	1,435	2,378	5,394	4,045	4,043	(233)	483	(2,348)	2,235
Other financing sources (uses)										
Debt issuance	-	2,372	-	257	-	-	-	-	-	-
Payment to refunded bonded escrow agent	-	(2,506)	-	-	-	-	-	-	-	-
Transfers in	4,531	3,938	5,652	6,639	6,153	5,388	2,396	2,781	3,509	1,887
Transfers out	(4,804)	(3,902)	(5,834)	(6,827)	(6,350)	(5,581)	(2,596)	(3,020)	(3,574)	(2,134)
Total Other financing sources (uses)	(273)	(98)	(182)	69	(197)	(193)	(200)	(239)	(65)	(247)

City of Los Altos
Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)

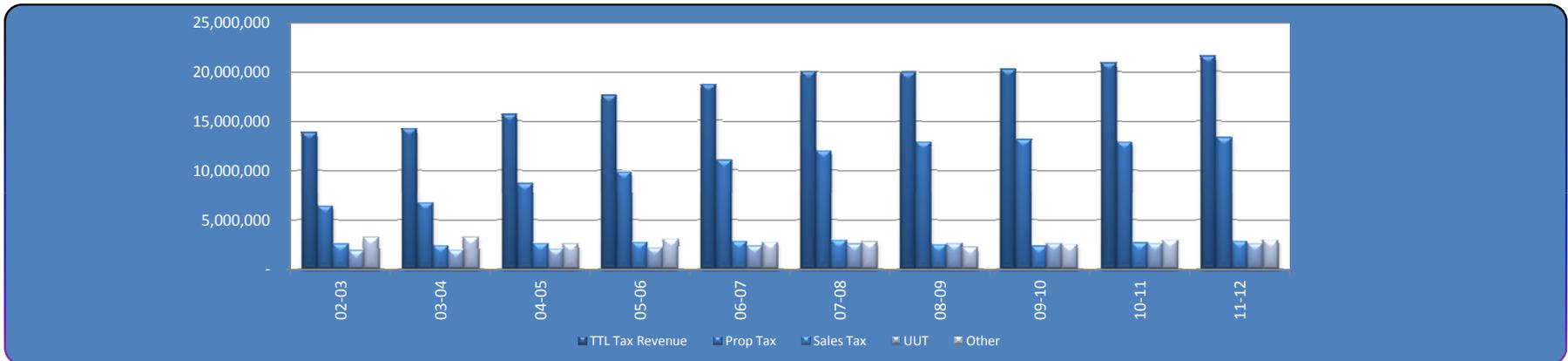
	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Special items										
CALPers Side Fund Pay Down	-	-	-	-	-	-	-	(3,005)	-	(850)
Sale of capital assets-net	-	-	-	-	-	1,765	2,167	2,167	300	100
Total special items	-	-	-	-	-	1,765	2,167	(838)	300	(750)
Net change in fund balances	\$ (442)	\$ 1,337	\$ 2,196	\$ 5,463	\$ 3,848	\$ 5,615	\$ 1,734	\$ (594)	\$ (2,113)	\$ 1,238
Debt service as a percentage of non-capital expenditures	3.2%	1.6%	1.8%	1.6%	1.4%	3.0%	0.7%	0.6%	0.6%	0.6%

Source: City of Los Altos Finance Department



City of Los Altos
 Tax Revenues by Source - Governmental Funds
 Last Ten Fiscal Years

Fiscal Year	Property	Sales Tax	Business Licenses	Utility Users	Transient Occupancy	Real Estate Transfer Tax	Motor Vehicle License Tax	Building Development	Special Assessments	Total
2002-03	\$ 6,379,459	\$ 2,463,693	\$ 340,969	\$ 1,824,795	\$ 633,861	\$ 360,217	\$ 1,663,228	\$ 158,311	\$ 55,229	\$ 13,879,762
2003-04	6,707,237	2,330,608	333,668	1,885,591	945,649	531,052	1,253,254	117,654	127,138	14,231,851
2004-05	8,580,232	2,552,530	365,859	1,969,699	1,057,995	520,702	302,756	256,646	32,149	15,638,568
2005-06	9,766,623	2,662,313	364,602	2,100,663	1,260,279	463,077	643,378	248,349	40,015	17,549,299
2006-07	10,902,569	2,749,964	380,470	2,274,478	1,469,867	505,083	188,799	137,461	39,848	18,648,539
2007-08	11,875,286	2,872,146	417,934	2,483,138	1,525,090	412,235	124,607	223,248	41,056	19,974,740
2008-09	12,758,918	2,412,220	403,338	2,530,162	1,289,722	265,493	96,264	91,648	40,918	19,888,683
2009-10	13,051,308	2,255,527	413,054	2,514,880	1,345,855	390,298	83,767	220,232	-	20,274,921
2010-11	12,793,603	2,587,889	399,461	2,543,287	1,517,579	387,905	145,798	459,935	-	20,835,457
2011-12	13,301,950	2,746,374	442,824	2,547,777	1,782,018	468,006	-	175,499		21,464,448



Source:
 City of Los Altos Finance Department

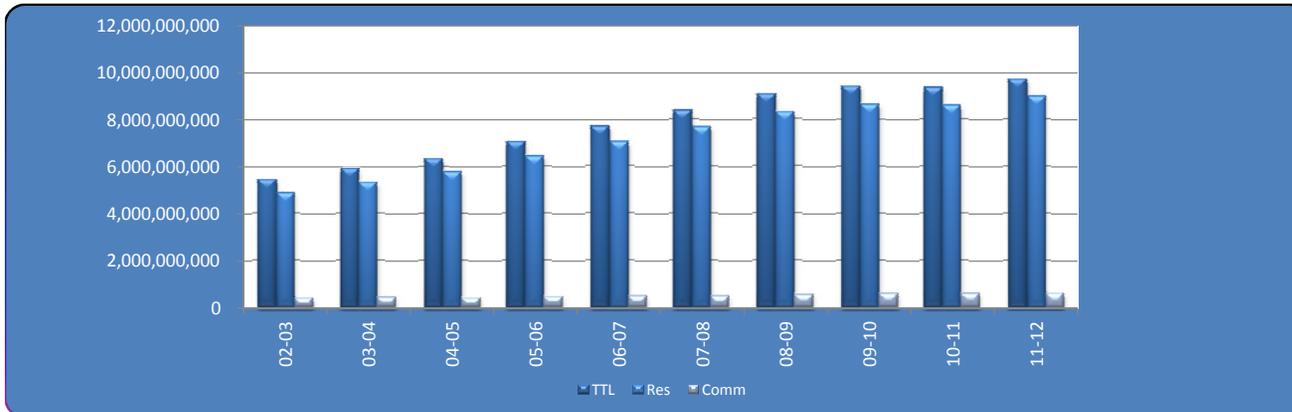
City of Los Altos
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Other	Net Unsecured	Total Taxable Assessed Value (1)	Total Direct Tax Rate (2)	% Change
2002-03	\$ 4,857,875,155	\$ 403,640,089	\$ 89,722,887	\$ 94,541,745	\$ 5,445,779,876	1%	5%
2003-04	5,323,684,512	434,476,752	82,641,608	83,406,442	5,924,209,314	1%	9%
2004-05	5,793,122,535	420,622,052	81,325,037	78,123,781	6,373,193,405	1%	8%
2005-06	6,426,969,808	457,811,338	81,562,137	79,379,615	7,045,722,898	1%	11%
2006-07	7,015,252,860	495,435,150	83,502,556	82,870,129	7,677,060,695	1%	9%
2007-08	7,682,199,728	533,699,456	84,676,730	91,811,067	8,392,386,981	1%	9%
2008-09	8,305,988,140	560,724,394	92,700,494	104,778,047	9,064,191,075	1%	8%
2009-10	8,664,368,487	601,026,893	71,365,214	114,641,890	9,451,402,484	1%	4%
2010-11	8,593,495,093	619,191,247	40,822,574	108,454,967	9,361,963,881	1%	-1%
2011-12	8,952,576,593	622,766,264	33,390,275	89,645,375	9,698,378,507	1%	4%

Source:
HdL Coren & Cone

(1) - The California State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any property improvements of substantial value to the property. These values are considered to be full market values.

(2) - California cities do not set their own direct tax rate. The California State Constitution establishes the rate at 1% and the County of Santa Clara is responsible for allocating a portion of that amount to all the taxing entities within each of the City's tax rate areas. The City has 15 tax rate areas and receives of approximately 12% of that 1% rate.



City of Los Altos

Direct and Overlapping Tax Rates

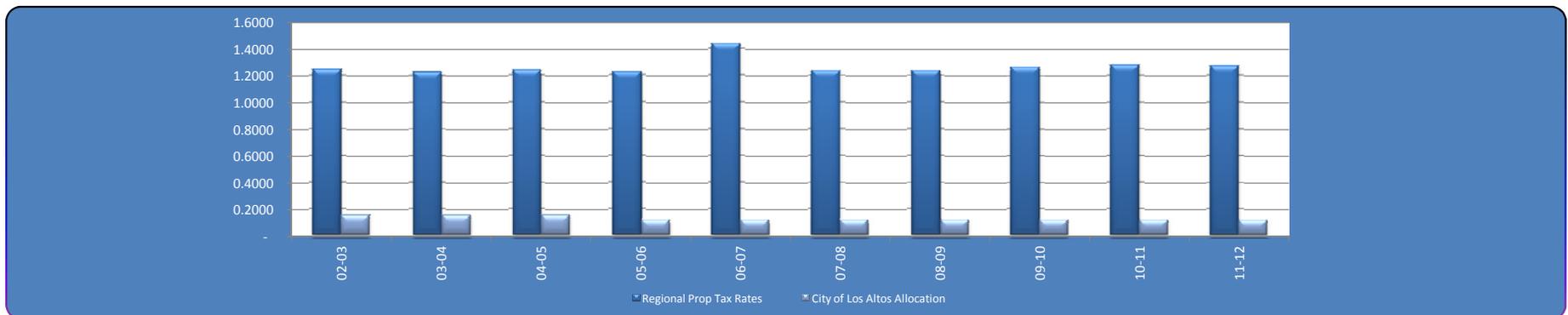
Last Ten Fiscal Years

(rate per \$100 of taxable value)

Overlapping Rates (1)														
Fiscal Year	Basic County-Wide	Santa Clara Retirement	County Library Retirement	Los Altos Elementary School	Mountain View Elementary School	Cupertino Elementary School	Whisman School Bond	Foothill-De Anza College	Mountain View Los Altos High School	Fremont Union High School	Santa Clara Valley Water District	County Hospital Bonds	El Camino Hospital	Total
2002-03	1.0000	0.0388	0.0024	0.0398	0.0370	0.0329	0.0328	0.0108	0.0188	0.0246	0.0072	-	-	1.24510
2003-04	1.0000	0.0388	0.0024	0.0483	0.0388	0.0357	-	0.0110	0.0183	0.0249	0.0087	-	-	1.22690
2004-05	1.0000	0.0388	0.0024	0.0487	0.0423	0.0360	-	0.0129	0.0193	0.0268	0.0092	-	-	1.23640
2005-06	1.0000	0.0388	0.0024	0.0452	0.0378	0.0350	-	0.0119	0.0179	0.0260	0.0078	-	-	1.22280
2006-07	1.0000	0.0388	0.0024	0.0551	0.0340	0.2098	-	0.0346	0.0169	0.0243	0.0072	-	0.0129	1.43600
2007-08	1.0000	0.0388	0.0024	0.0526	0.0294	0.0306	-	0.0123	0.0148	0.0339	0.0061	-	0.0129	1.23380
2008-09	1.0000	0.0388	0.0024	0.0526	0.0294	0.0306	-	0.0123	0.0148	0.0339	0.0061	-	0.0129	1.23380
2009-10	1.0000	0.0388	0.0024	0.0539	0.0288	0.0312	-	0.0322	0.0147	0.0306	0.0074	0.0122	0.0129	1.26510
2010-11	1.0000	0.0388	0.0024	0.0600	0.0322	0.0308	-	0.0326	0.0151	0.0365	0.0072	0.0095	0.0129	1.27800
2011-12	1.0000	0.0388	0.0024	0.0595	0.0303	0.0290	-	0.0297	0.0147	0.0415	0.0064	0.0047	0.0129	1.26990

Source:
County of Santa Clara Finance Agency

(1) - 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 Taxpayers
Current Year and Nine Years Ago

Taxpayer	2011-12			2002-03		
	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue
Behringer Harvard El Camino Real LP	\$ 40,522,807	1	0.42%			
Springwood Apartments LLC	27,002,877	2	0.28%			
Los Altos Gardens I LP	26,444,234	3	0.27%			
Palo Alto Medical Foundation	21,751,597	4	0.22%			
Compass Grand Los Altos LLC	21,411,487	5	0.22%			
KRC Los Altos Limited Partnership	20,720,000	6	0.21%	\$ 16,767,773	5	0.31%
4 Seasons Associates LLC	19,061,754	7	0.20%			
Los Altos Hotel Associates LLC	16,990,461	8	0.18%			
Village Court Partners	16,256,756	9	0.17%	13,278,303	6	0.24%
Whole Foods Market California Inc	13,770,278	10	0.14%			
Los Altos Office Associates				38,164,232	1	0.70%
David & Lucile Packard Foundation				23,892,253	2	0.44%
Kenneth T. Namimatsu, Et Al				22,414,632	3	0.41%
Rambus Inc				18,898,203	4	0.35%
Los Altos Woods LLC				10,820,160	7	0.20%
Los Altos -El Camino Associates LLC				9,950,437	8	0.18%
Steve J. Vidovich				9,859,295	9	0.18%
Thomas E. Harrington Trustee				9,486,724	10	0.17%
Total	\$ 223,932,251		2.31%	\$ 173,532,012		3.19%
City Total	9,698,378,507			5,445,779,876		

Source:
HdL Coren & Cone

City of Los Altos
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Santa Clara County			
	Overall Secured Tax Levy	Overall Unsecured Tax Levy	Unsecured Tax Collections	Overall % Delinquent Unsecured
2002-03	\$ 2,350,156,060	\$ 294,833,129	\$ 282,888,132	4.05%
2003-04	2,450,641,090	265,954,516	254,894,281	4.16%
2004-05	2,585,477,929	246,825,818	239,154,534	3.11%
2005-06	2,825,814,205	236,149,611	227,093,270	3.80%
2006-07	3,112,397,937	246,156,802	233,263,667	5.23%
2007-08	3,359,578,190	254,185,732	245,390,836	3.46%
2008-09	3,570,784,932	272,719,751	259,616,142	3.70%
2009-10	3,670,443,736	282,872,902	273,655,824	3.26%
2010-11	3,654,128,401	288,311,420	268,113,225	7.01%
2011-12	3,703,148,623	293,002,052	273,640,116	6.61%

Note:

The actual tax levy data for the City of Los Altos is not available because the Santa Clara County uses a factor known as the AB8 factors to apportion the 1% portion of the tax levies/collections to each of the jurisdictions within the county. The City's AB8 factors ranges from 0.0029 to 0.0033 for the past 10 years. Additionally, the City and the County adopted the "alternative method of property tax distributions" 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.

Source:
County of Santa Clara

City of Los Altos
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total	Population	Per Capita	Per Capita Personal Income (3)
	General Obligation Bond	Certificates of Participation	Capital Lease				
2002-03	-	3,040,000	282,802	3,322,802	27,655	120	\$ 68,159
2003-04	-	3,115,000	213,299	3,328,299	27,619	121	70,827
2004-05	-	3,010,000	163,948	3,173,948	27,513	115	76,384
2005-06	-	2,895,000	112,038	3,007,038	27,584	109	81,743
2006-07	-	2,775,000	57,436	2,832,436	27,941	101	89,706
2007-08	-	2,195,000	-	2,195,000	28,165	78	94,999
2008-09	-	2,115,000	-	2,115,000	28,457	74	96,222
2009-10	-	2,030,000	-	2,030,000	28,863	70	92,389
2010-11	-	1,945,000	-	1,945,000	28,863	67	73,414
2011-12	-	1,855,000	-	1,855,000	29,460	63	72,608

Note: Special Assessment Debt is no longer presented as they involve limited obligation bonds that are secured by ad valorem assessments and carry no city obligation.

Source:

- (1) City of Los Alto Finance Department
- (2) State of California Department of Finance for population information
- (3) HDL Statistics

City of Los Altos
 Schedule of Direct and Overlapping Bonded Debt
 June 30, 2012

2011-12 Assessed Valuation : \$ 9,698,378,507

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u>	<u>%</u>	<u>Property Tax</u>
	<u>6/30/2012</u>	<u>Applicable (1)</u>	<u>Payers Share of</u>
			<u>Debt 6/30/12</u>
Santa Clara County	\$ 316,800,000	3.614	\$ 11,449,152
Foothill-De Anza Community College District	628,424,288	10.182	63,986,161
Fremont Union High School District	260,605,108	4.348	11,331,110
Mountain View-Los Altos Union High School District	47,971,663	29.612	14,205,369
Cupertino Union School District	120,672,535	7.115	8,585,851
Los Altos School District	83,603,480	53.817	44,992,885
El Camino Hospital District	142,280,000	20.095	28,591,166
Santa Clara Valley Water District Benefit Assessment District	142,280,000	3.614	4,822,522
City of Los Altos 1915 Act Bonds (Assessment District Bonds)	871,000	100.000	871,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>188,835,216</u>

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Santa Clara County General Fund Obligations	\$ 770,947,000	3.614	27,862,025
Santa Clara County Pension Obligations	383,034,822	3.614	13,842,878
Santa Clara County Board of Education Certificates of Participation	11,540,000	3.614	417,056
Foothill-De Anza Community College District Certificates of Participation	18,890,000	10.182	1,923,380
Mountain View-Los Altos Union High School District Certificates of Participation	5,710,000	29.612	1,690,845
City of Los Altos Certificates of Participation	1,855,000	100.000	1,855,000
Midpeninsula Regional Park District General Fund Obligations	138,474,717	5.977	8,276,634
Santa Clara County Vector Control District Certificates of Participation	3,630,000	3.614	131,188
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>55,999,006</u>

TOTAL DIRECT DEBT 1,855,000

TOTAL OVERLAPPING DEBT 242,979,222

COMBINED TOTAL DEBT \$ 244,834,222 (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:

Total Direct Debt (\$ 1,855,000)	0.02%
Total Overlapping Tax and Assessment Debt	1.95%
Combined Total Debt	2.52%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Source:

California Municipal Statistics, Inc.

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
2002-03	\$ 5,445,779,876	\$ 816,866,981	\$ -	\$ 816,866,981
2003-04	5,924,209,314	888,631,397	-	888,631,397
2004-05	6,373,193,405	955,979,011	-	955,979,011
2005-06	7,045,722,898	1,056,858,435	-	1,056,858,435
2006-07	7,677,060,695	1,151,559,104	-	1,151,559,104
2007-08	8,392,386,981	1,258,858,047	-	1,258,858,047
2008-09	9,064,191,075	1,359,628,661	-	1,359,628,661
2009-10	9,451,402,484	1,417,710,373	-	1,417,710,373
2010-11	9,361,963,881	1,404,294,582	-	1,404,294,582
2011-12	9,698,378,507	1,454,756,776	-	1,454,756,776

Source:

* HdL Coren & Cone

City of Los Altos
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population (1)	Percentage Change	School Enrollment (2)	Percentage Change	Unemployment Rate (1)	Per Capita Personal Income (1)	Median Age (1)	% of H School Degree (1)	% of C School Degree (1)
2002-03	27,722	-0.37%	7,295	4.08%	4.2%	68,159			
2003-04	27,512	-0.76%	7,491	2.69%	3.2%	70,827			
2004-05	27,614	0.37%	7,530	0.52%	2.7%	76,384			
2005-06	27,608	-0.02%	7,719	2.51%	2.3%	81,743			
2006-07	28,104	1.80%	7,778	0.76%	2.3%	89,706			
2007-08	28,291	0.67%	7,890	1.44%	3.0%	94,999			
2008-09	28,458	0.59%	7,908	0.23%	5.6%	96,222			
2009-10	28,863	1.42%	7,966	0.73%	5.5%	92,389	46.9	98.10%	76.10%
2010-11	28,863	0.00%	8,035	0.87%	5.7%	73,414	45.3	98.10%	76.80%
2011-12	29,460	2.07%	8,138	1.28%	4.9%	72,608	45.4	98.50%	78.20%

Sources:

- (1) HdL Coren & Cone
- (2) State of California Department of Education

**City of Los Altos
Principal Employers
Current Year**

Employer	2009-10 (Latest Available)		
	Employees(1)	Rank	% of Total City Employment
Los Altos School District	568 * (2)	1	4.54%
Whole Food Market	198	2	1.58%
Coldwell Banker	190	3	1.52%
Covenant Care Sub Acute Rehab	163	4	1.30%
Alain Pinel Realtors	150	5	1.20%
Los Altos High School	217 (3)	6	1.74%
City of Los Altos	130	7	1.04%
Adobe Animal Hospital	125	8	1.00%
Pilgrim Haven Skilled Nursing	120	9	0.96%
The David and Lucile Packard Foundation	100	10	0.80%
Guardsman Inc	100	11	0.80%
US Post Office	100	12	0.80%
Palo Alto Medical Foundation	85	13	0.68%
Rambus			
Total	2,246		17.97%
Total City Employees	12,500 (4)		

Sources:

- (1) HDL Statistics except otherwise stated
- (2) Los Altos School District
- (3) California State Department of Education
- (4) City Finance Department

* - This number includes 119 substitute teachers.

Note: The Principal Employers information data has been newly updated for 2009 and one year is presented to initiate a comparative base

City of Los Altos
 Full-time Equivalent City Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year										
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11	2011-12
<i>Public Safety *</i>											
Police Operations	35.50	35.50	35.50	35.50	36.50	36.50	36.50	32.00	32.00	32.00	32.00
Police Traffic Safety	3.00	2.00	2.00	2.00	2.00	2.00	2.00	5.00	5.00	5.00	5.00
Communications	8.50	8.50	8.50	8.50	8.50	8.50	8.50	11.00	11.00	11.00	11.00
Fire (Contract Basis)	-	-	-	-	-	-	-	-	-	-	-
<i>Maintenance Services</i>	25.00	27.00	26.50	28.00	29.50	30.00	29.00	29.50	29.50	29.50	29.50
<i>Recreation</i>	14.25	8.25	8.25	8.25	6.75	7.00	7.00	7.00	7.00	7.00	7.00
<i>Community Development</i>											
Planning & Building	12.00	12.00	12.00	12.00	12.50	13.00	13.00	13.00	13.00	13.00	13.00
Engineering	6.25	7.25	8.00	9.00	9.00	9.00	9.00	8.00	9.00	9.00	9.00
Economic Development	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.00	1.00	1.00	1.00
<i>Administration</i>											
City Management	3.55	3.60	3.50	3.50	4.25	4.10	6.25	5.75	4.75	4.75	4.75
Administration & Finance	9.00	9.00	9.00	9.00	9.00	11.00	10.00	10.00	10.00	10.00	10.00
<i>Sewer</i>	7.75	6.75	5.75	5.75	6.75	6.75	6.75	6.25	6.25	6.25	6.25
<i>Solid Waste</i>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<i>Storm Drain</i>	0.25	0.25	0.50	0.50	1	1	1	1	1	1	1
Total	<u>125.80</u>	<u>120.85</u>	<u>120.25</u>	<u>122.75</u>	<u>126.50</u>	<u>129.60</u>	<u>129.75</u>	<u>129.75</u>	<u>129.75</u>	<u>129.75</u>	<u>129.75</u>

Source:
 City of Los Altos Finance Department

Notes: In FY09-10 Staffing assignments were recategorized in the revision of the budget process to align with functional areas.

City of Los Altos
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 *	2008-09 *	2009-10 *	2010-11 *	2011-12 *
<i>Police:</i>										
Arrests	628	532	528	383	453	449	630	634	396	301
Moving citations issued	4,375	4,236	3,193	3,306	3,197	2,435	2,926	1,879	1,437	1,385
Parking citations issued	1,114	828	1,197	1,040	2,295	2,455	2,015	1,531	960	1,938
Municipal code violations issued	350	499	249	376	522	552	458	580 (2)	21	25
<i>Public Works:</i>										
Crack sealing in lineal feet	188,500	18,400	41,500	241,000	55,028	52,000	105,600	53,326	56,984	66,290
Street sign installed and replaced	713	3,094	517	578	434	245	206	1,042	117	1,361
<i>Recreation:</i>										
Classes/programs	1,880	2,078	1,981	2,384	1,890	1,781	1,332	1,604	1,714	1,821
Facility rentals	397	500	440	419	589	583	3,154	4,010 (1)	2,462	3,106
Field/gymnasium permits	12	20	49	74	77	127	3,529	2,774 (1)	2,415	3,658
<i>Planning:</i>										
Plan applications submitted	321	303	259	290	340	331	376	318	335	404
<i>Building:</i>										
Permits issued	1,540	1,651	1,735	1,871	1,733	1,759	1,602	1,711	1,706	1,690
Plan checks submitted	234	322	284	461	335	485	522	455	537	560
Inspections	6,705	6,447	5,593	7,742	7,307	7,236	6,204	5,788	6,203	7,108
<i>Sewer:</i>										
Cleaning and flushing in lineal feet	515,638	963,683	928,997	1,380,984	810,261	1,100,150	732,162	434,250	596,006	852,453
<i>Storm Drain:</i>										
Catch basin/storm drain cleaned (measured in storm inlets cleaned)	686	1,825	2,282	2,111	1,754	1,827	1,459	2,823	3,038	1,583

Source: City of Los Altos Quarterly Reports.

* Data for this fiscal year were provided by the corresponding departments.

Note:

- (1) Data reflect uses instead of reservation.
- (2) Change in reporting from reported to issued

City of Los Altos
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<i>Public Safety</i>										
Police Station	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
<i>Recreation:</i>										
Number of Parks	10	10	10	10	10	10	10	10	10	10
Park Acreage	38	38	38	38	38	38	38	38	38	38
Number of Libraries	2	2	2	2	2	2	2	2	2	2
Number of History Museum	1	1	1	1	1	1	1	1	1	1
<i>Maintenance Services</i>										
Miles of Streets	125	125	125	125	127	127	127	127	127	127
Number of Traffic Signals	14	14	14	14	13	13	13	13	13	13
<i>Sewer:</i>										
Miles of Sewer Mains	141	141	141	141	141	141	141	141	141	141
<i>Storm Drain:</i>										
Miles of Storm Drain Mains	58	58	58	58	58	58	58	58	58	58

Source:
 City of Los Altos

City of Los Altos
Trust and Agency Debt Administration
Last Ten Fiscal Years

Fiscal Year	Non City Obligation Debt Special Assessment Debt Service													Coverage			
	Other Expired Debts			Avalon Dr. Curb & Gutter			Raymundo Curb & Gutter			Blue Oak Lne Sewer			Total Special Assessment Debt Service				
	Special	Principal	Interest	Special	Principal	Interest	Special	Principal	Interest	Special	Principal	Interest	Special		Principal	Interest	
2001-02	\$ 35,847.00	\$ 30,000.00	\$ 10,374.00	\$ 13,859.00	\$ 4,783.00	\$ 5,707.00							\$ 49,706.00	\$ 34,783.00	\$ 16,081.00	0.98	
2002-03	41,722.00	30,000.00	8,295.00	13,507.00	5,000.00	5,423.00							55,229.00	35,000.00	13,718.00	1.13	
2003-04	113,802.00 (1)	35,000.00	5,586.00	13,336.00 (1)	5,000.00	5,133.00							127,138.00	40,000.00	10,719.00	2.51	
2004-05	19,111.00	40,000.00	2,890.00	13,038.00	5,000.00	4,888.00							32,149.00	45,000.00	7,778.00	0.61	
2005-06	-	20,000.00	720.00	13,956.00	6,000.00	4,524.00	\$ 26,058.00		\$ 7,407.00				40,014.00	26,000.00	12,651.00	1.04	
2006-07				13,599.00	6,000.00	4,176.00	26,249.00	\$ 12,391.00	12,471.00				39,848.00	18,391.00	16,647.00	1.14	
2007-08				13,965.29	6,000.00	3,828.00	27,090.86	14,000.00	11,857.50				41,056.15	20,000.00	15,685.50	1.15	
2008-09				14,325.00	7,000.00	3,451.00	28,117.00	14,000.00	11,207.00				42,442.00	21,000.00	14,658.00	1.19	
2009-10				13,233.00	7,000.00	5,873.00	27,873.00	15,000.00	13,360.00				41,106.00	22,000.00	19,233.00	1.00	
2010-11				13,685.62	7,000.00	2,639.00	26,981.12	16,000.00	9,812.00	\$ 51,375.66	\$ -	\$ 34,614.49	92,042.40	23,000.00	47,065.49	1.31	
2011-12				13,328.36	8,000.00	2,204.00	27,216.28	16,000.00	9,068.00	48,104.31	12,880.00	34,490.00	88,648.95	36,880.00	45,762.00	1.07	

Source:
City of Los Altos Finance Department

Note : This chart presents Limited Obligation Debt that the City Administers on a trust and Agency Basis

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

