
CITY OF LOS ALTOS

Comprehensive Annual Financial Report

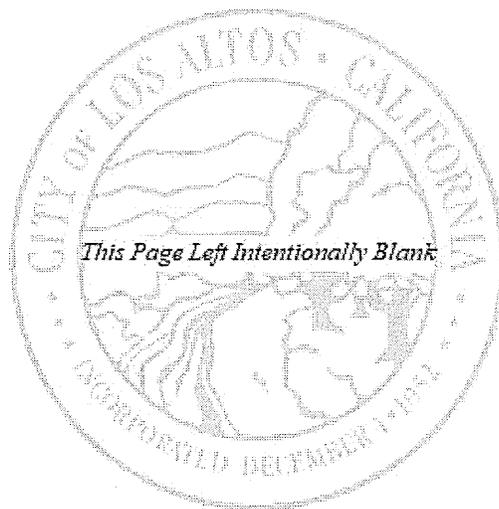
Fiscal Year Ended June 30, 2018



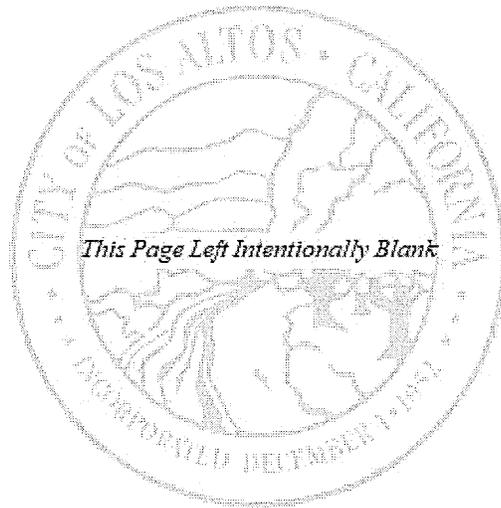
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**CITY OF LOS ALTOS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

**Prepared by
ADMINISTRATIVE SERVICES DEPARTMENT**



INTRODUCTORY SECTION



CITY OF LOS ALTOS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

INTRODUCTORY SECTION:

Letter of Transmittal..... i
List of Principal Officers..... vii
Organizational Chartviii
GFOA Certificate of Achievement ix

FINANCIAL SECTION:

Independent Auditor’s Report1
Management’s Discussion and Analysis.....5

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Position23
Statement of Activities.....24

Fund Financial Statements

Governmental Funds:

Balance Sheet28
Reconciliation of the Governmental Funds - Balance Sheet with the Statement
of Net Position29
Statement of Revenues, Expenditures, and Changes in Fund Balances30
Reconciliation of the Net Change in Fund Balances - Total Governmental
Funds with the Statement of Activities.....31

Proprietary Funds

Statement of Net Position34
Statement of Revenues, Expenses and Changes in Fund Net Position.....35
Statement of Cash Flows36

Fiduciary Funds

Statement of Fiduciary Net Position 38

Notes to Basic Financial Statements39

CITY OF LOS ALTOS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

FINANCIAL SECTION (Continued):

Required Supplementary Information:

Cost-Sharing Multiple-Employer Defined Pension Plan:

Schedule of Proportionate Share of the Net Pension Liability and Related
Ratio as of the Measurement Date.....80

Schedule of Contributions81

Agent Multiple Employer Retiree Healthcare OPEB Plan:

Schedule of Changes in the Net OPEB Liability and Related
Ratio as of the Measurement Date.....82

Schedule of Contributions83

Schedules of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual:

General Fund84

In-Lieu Park Land Special Revenue Fund.....85

Notes to Required Supplementary Information86

Other Supplementary Information

General Fund

Combining Balance Sheet90

Combining Schedule of Revenues Expenditures and Changes in Fund Balances91

Non-major Governmental Funds

Combining Balance Sheet96

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances100

Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:

Vehicle Impound Fund104

Supplemental Law Enforcement Fund105

Gas Tax Fund106

Proposition 1B Fund.....107

Community Development Block Grant Fund.....108

Downtown Parking Fund.....109

Traffic Impact Fee Fund.....110

Estate Donation Fund111

CITY OF LOS ALTOS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

FINANCIAL SECTION (Continued):

TDA Fund.....	112
PEG Fund	113
Vehicle Registration Fees Fund.....	114
SB1 Road Maintenance Rehabilitation Fund	115
Traffic Congestion Relief Program Fund	116
Equipment Replacement Capital Projects Fund	117

Internal Service Fund:

Combining Statement of Net Position	120
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	121
Combining Statement of Cash Flows	122

Fiduciary Funds:

Statement of Changes in Assets and Liabilities – Agency Funds.....	124
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STATISTICAL SECTION:

Net Position by Component - Last Ten Fiscal Years.....	131
Changes in Net Position - Last Ten Fiscal Years	132
Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	134
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	136
Tax Revenues by Source – Governmental Funds – Last Ten Fiscal Years	138
Assessed Value of Taxable Property – Last Ten Fiscal Years	139
Property Tax Dollar Breakdown.....	140
Property Tax Dollars by Recipient Group	141
Direct and Overlapping Tax Rates – Last Ten Fiscal Years.....	142
Principal Property Taxpayers – Current Year and Nine Years Ago	143
Property Tax Levies and Collections – Last Ten Fiscal Years	144
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	145
Schedule of Direct and Overlapping Bonded Debt.....	146
Legal Debt Margin – Last Ten Fiscal Years.....	147
Demographic Statistics – Last Ten Fiscal Years	148
Principal Employers – Current Year.....	149

CITY OF LOS ALTOS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

STATISTICAL SECTION (Continued):

Full-time Equivalent City Employees by Function/Program – Last Ten Fiscal Years.....	150
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	152
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	153
Trust and Agency Debt Administration – Last Ten Fiscal Years.....	154



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

November 15, 2018

**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, 2018 with the Independent Auditors' Report. The CAFR was prepared by the City's Administrative Services Department. The information contained in this CAFR is based on a comprehensive framework of internal control established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of material misstatements. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, 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 (MD&A) section of the CAFR and should be read in conjunction with it. The MD&A provides an important 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 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 32,000 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, street maintenance, engineering, community development, parks, recreation and sewer. Fire protection is contracted with the Santa Clara County Central Fire Protection District.

SERVICE EFFORTS AND MAJOR INITIATIVES

Service Efforts

In FY 2017/18, the City continued its commitment to provide a high level of service to its residents and citizens, adhered to its adopted financial plan as evidenced by the budget-to-actual reporting presented within this document. Budgetary limits again were met with the General Fund reporting a healthy reserve over expenses this year while contingency reserves were strengthened. All major funds performed as expected through proper stewardship and integrity of funds.

Major Initiatives

Capital Improvements: FY 2017/18 marked another year of capital investment into the community with further resources applied to City-wide improvements. Some of the key capital expenditures of note during FY 2017/18 include the following:

- \$2,539,582 – Street Resurfacing
- 834,825 – City Hall HVAC System Upgrade
- 460,992 – CIPP Corrosion Replacement
- 430,870 – Street Slurry Seal
- 398,584 – Covington Road Bicycle and Pedestrian Improvement
- 345,189 – Illuminated Crosswalk Replacement
- 292,466 – Univ. Ave Crosswalk Improvements
- 288,262 – W. Edith Ave and University Ave Crosswalk Improvement
- 203,052 – Street Striping
- 150,580 – Commercial Wayfinding Sign Program
- 106,616 – City Hall Roof Replacement
- 53,415 – Annual Pathway Rehabilitation
- 26,080 – Fremont Ave Pedestrian Bridge Feasibility Study

Pedestrian Safety, Roads and Walkways: Los Altos is exceptional for investing a significant amount of resources on a variety of roadway, pedestrian and bikeway initiatives and improvements. Over \$4M was applied to street resurfacing, sidewalk repairs and street lighting systems which enhanced safety lighting and street striping. These efforts support the City's highway condition index while increasing overall pedestrian, bicycle and vehicle safety.

Civic Facilities: This last fiscal year confirms the priority of the City Council to address the City's aging facilities and buildings. In FY2017/18 the City began addressing the deferred maintenance by expending over \$940K to upgrade City Hall's HVAC System and the replacement of the roof.

Downtown Revitalization: The City is currently drafting a Downtown Vision Plan which will look at various economic scenarios for the Downtown and help the community shape its desires for the downtown vision. Spending over \$150K to update Commercial Wayfinding signage is a start at revitalizing its core downtown district and promoting its overall attractiveness and vitality.

FINANCIAL CONTROLS AND PROCEDURES

Financial Policies: Throughout the years, the City has followed a fiscally conservative philosophy of building and maintaining healthy financial reserves. This practice has allowed the City to continue providing quality services to its residents while finally positioning itself to invest in the rehabilitation of its infrastructure. On an annual basis, the Council approves financial policies designed to promote sound financial management and ensure fiscal integrity over time. This CAFR reflects the implementation of these financial guidelines and presents all fund reserves and designations to define fund balance commitments and obligations as of the financial report date.

Internal Control Structure: City management is responsible for establishing and maintaining fiscal internal controls designed to safeguard the assets of the government from loss, theft or misuse, and to ensure that accounting data is accurately compiled to allow for the preparation of financial statements in conformity 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.

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 priority, ensuring adequate liquidity as the second priority and maximizing yield as the third priority. This past year continued to display moderate growth in the historically low interest rates with Local Agency Investment Fund (LAIF) earnings rates around 1%. Staff acted on the Council's direction to engage investment advisory services and will continue to diversify 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.

Strengthening Key Fund Reserves: This financial report reflects the attainment of judicious fiscal reserves noting increases in both capital and economic safety fund balances. As projected in the budget process, the results herein place the City in a position to maintain its 20% General Fund reserve goal. The City continues to prepare for the increase in the annual CalPERS payments by significantly increasing the CalPERS Reserve from \$3M to \$4M at Mid-Year of FY2017/18.

Risk Management: The City is insured for general liability through the Bay Cities Joint Powers Insurance Authority that covers claims in an amount up to \$10M 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 continues to maintain more than adequate funding levels to cover the cost of its actuarial obligations, but these rising cost areas will require continued attention in the coming years.

GASB 75 Compliance: As stated in last year's CAFR, this report complies with the provisions of Government Accounting Standard Board Statement #75 (GASB 75). This standard pertains to Other Post Employee Benefits (OPEB) and requires the completion of an actuarial study to account for post employee benefit liabilities that exist. This reporting requirement is described in financial note 12 of the CAFR and the related liabilities reflected in the statements. As of June 30, 2018, the City's net OPEB obligation was valued at \$1.5M, an amount reflected in the government-wide statements. The City has set aside \$1.5M in reserves to address this liability funding. The City has moved this set aside to an irrevocable trust for OPEB with CalPERS.

EXECUTIVE FINANCIAL OVERVIEW

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

General Fund

The General Fund, the primary operating fund of the City, favorably exceeded expectations with an operating surplus of \$5.5M for Fiscal Year 2017/18. Currently, the City is now near to being fully staffed. Through our continued commitment to sound financial planning, conservative budgeting and faithful stewardship, annual surpluses around \$2-3M dollars are expected to continue. At year end, the total General Fund balance equaled \$45.4M with an unassigned fund balance of \$4.9M after commitments and assignments. As planned for in the budget process, some of this surplus margin has been allocated to maintaining the City's Operating Reserve at 20% and allocating major funding to capital improvements, such as the new Community Center.

Considering the transfer and use of reserve activity listed below, the final General Fund balance still increased by \$1.6M. This non-operating and transfer activity are as follows:

- \$139,416 transfer in from public safety grant funds
- \$ 19,093 transfer in from safety vehicle impound fees
- \$166,060 transfer out for general debt service payments
- \$3,879,531 transfer out for capital projects

The General Fund revenue streams continues to grow at a steady pace. Property tax, which accounts for nearly 50% of the City's revenues, continues to be the City's strong point with an increase of 7.75% in FY2017/18 over the prior year.

<i>Revenue (millions)</i>	<i>2018 Actual</i>	<i>2017 Actual</i>	<i>Variance \$</i>	<i>Variance %</i>
<i>Property Tax</i>	\$21.4	\$19.86	\$1.54	7.75%
<i>Sales Tax</i>	3.24	3.28	(0.04)	-1.23%
<i>Transient Occupancy Tax (TOT)</i>	3.07	2.98	0.09	3.02%
<i>Utility Users Tax</i>	2.73	2.68	0.05	1.86%
<i>Other Taxes</i>	1.46	1.34	0.12	8.95%
<i>Franchise Fees</i>	2.21	2.08	0.13	6.25%
<i>Interest</i>	0.32	0.67	(0.35)	-209%
<i>Recreation</i>	2.03	2.07	(0.04)	-1.97%
<i>License and Permits</i>	4.05	4.12	(0.07)	-1.72%
<i>Other</i>	0.59	0.28	0.31	-211%
Total	\$41.10	\$39.36	\$1.74	4.42%

General Fund revenues increased by nearly 4.4% overall in contrast to a 4.6% increase in the prior year. Revenues came in above of our annual budget estimates with property tax, transient occupancy tax (TOT) and franchise fees being the front runners. Sales tax showed decrease of 1.23% and is expected to remain relatively flat for the upcoming year. TOT showed a 3% increase, more in line with current expectations. Interest income fell from the prior year and should remain flat in the upcoming year. The City's other taxes, such as real estate transfer tax and documentary transfer tax, remained relatively stable. License and

permit fees slightly declined based on development activity within the City. Recreation programs came in slightly below last year.

General Fund expenditures came in within target of budget. As in years past, General Fund expenditures came in significantly below General Fund revenues. Although this is continued evidence of sound fiscal management, we continue to recommend prudence and caution in future fiscal planning, as well as a continual effort to look for opportunities to improve management of City funds.

Other Funds

Capital Project Funds: The Capital Projects Fund was very active, with expenditure levels reaching \$6.5M, ending the year with a negative total fund balance of (\$823,098). This fund will be made whole through a transfer at mid-year of FY2018/19.

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 \$6.2M while Enterprise funds ended the year with combined fund balance of \$22.1M.

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 (NCLA). The long-standing Raymundo and the Blue Oak Lane Sewer special assessment district are classified in the trust and agency group in recognition of the limited nature of this debt which is fully collateralized by homeowner assessments without City obligation.

ECONOMIC TRENDS

The City has performed well financially overall and continues to maintain its target reserve levels. As we navigate FY 2017/18 and beyond, we remain constantly aware of the financial challenges that face all local municipalities such as the significant rises in pension, healthcare and construction costs. Given the reliance on property tax revenues and the rising revenues in Community Development fees and other revenue streams, we must remain ever vigilant in monitoring economic trends and long-term financial issues. Through fiscal stewardship, proper budgeting and prudent use of our reserves, the City of Los Altos is set to enhance its commitment of taking care of its capital needs and residents for years to come.

INDEPENDENT AUDIT

The public accounting firm of Maze and Associates performed the annual independent audit. The 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, 2017. In the last 12 years, 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 Division staff; Sarina Revillar Financial Services Manager and Maggie Pang, Senior Accountant. Every member of the department deserves recognition and thanks for their commitment to the City and their profession. We also want to thank Maze and Associates, our independent auditors, for their professionalism in performing this year-end financial audit, as well as the members of the Financial Commission for their dedication and expertise to help shape policies and procedures. We would also like to thank the members of the City Council and Executive Team for their leadership and oversight in managing the financial operations of the City.

Respectfully submitted,



Sharif Etman, MBA
Administrative Services Director

City of Los Altos

List of Principal Officials

As of June 30, 2018

ELECTED OFFICIALS

Mayor Jean Mordo
Mayor Pro Tem Lynette Lee Eng
City Council Jeannie Bruins
City Council Jan Pepper
City Council Mary Prochnow

APPOINTED OFFICIALS

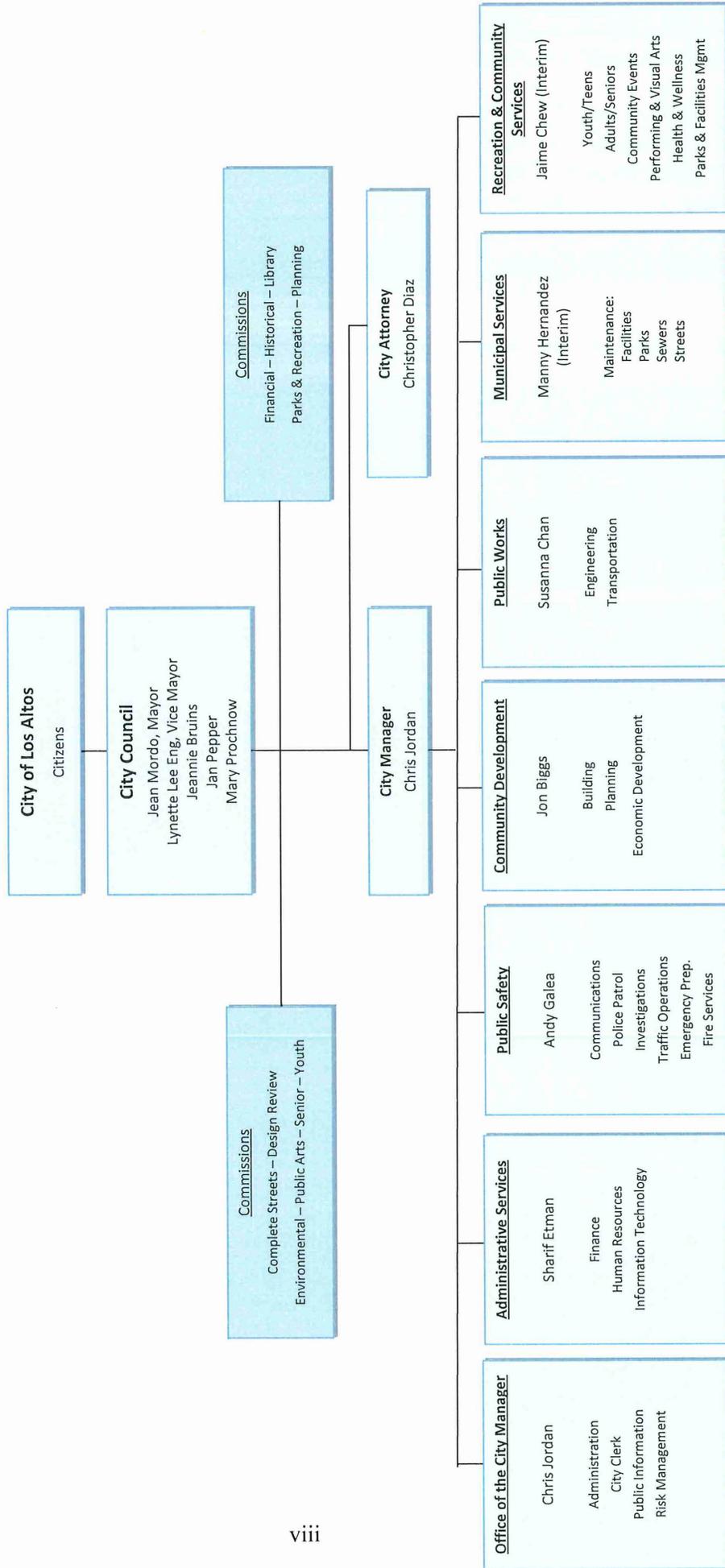
City Manager Christopher Jordan
City Attorney Christopher J. Diaz

EXECUTIVE TEAM

Community Development..... Jon Biggs
Assistant City Manager J Logan
Chief of Police Andy Galea
Administrative Services Director Sharif Etman
Public Works Director Susanna Chan
Community Services & Recreation Director Manuel Hernandez



CITY OF LOS ALTOS



November 2018



Government Finance Officers Association

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, 2017

Christopher P. Morrill

Executive Director/CEO



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of beginning net position as discussed in Note 8H to the financial statements.

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

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

Other Information

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

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

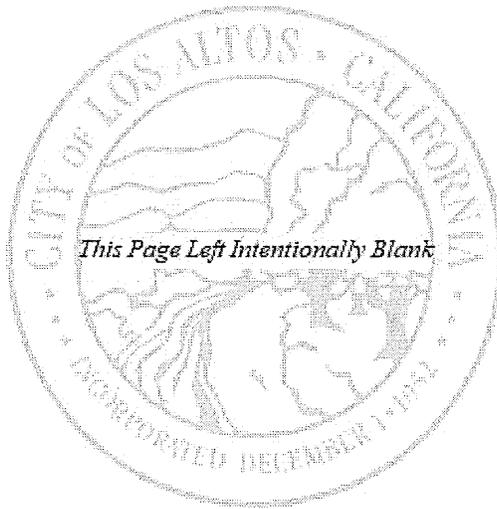
The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
November 15, 2018



City of Los Altos
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

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, 2018. Readers are encouraged to consider this information in conjunction with the executive summary provided in the letter of transmittal that can be found on pages i to vi of this report.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

This discussion and analysis are 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 position* presents information on all City assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents how the City's net position changed during the most recent fiscal year. All changes in net position 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 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 23 to 25 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 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 16 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, In-Lieu Park Land Special Revenue Fund, and Capital Project Fund, each of which are major funds. Data from the other 13 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 28 to 30 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 and unemployment insurance, as well as 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 are 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 relation to 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 96 to 125 of this report.

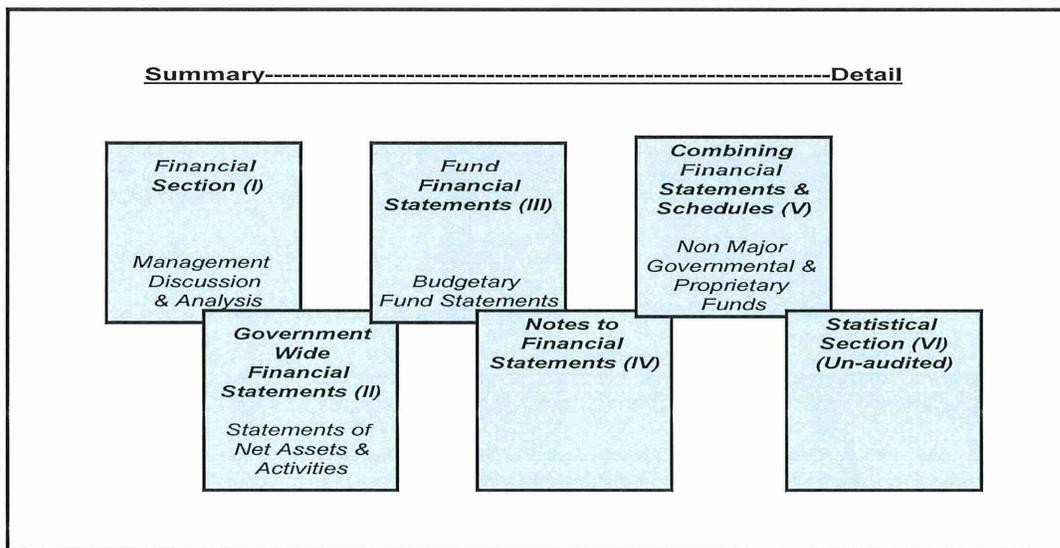
Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 40 to 75 of this report.

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 (NCLA) and two special assessment districts - Raymundo 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:



FINANCIAL HIGHLIGHTS

The City ended its fiscal year on a government-wide basis with total revenues of \$51.7M which was consistent with the prior year, and expenses of \$47.2M, an increase of 13.4%. The results represent combined government and business operations, with an overall increase in net position of \$4.5M due to continuing strong revenues combined with contained expenditures City-wide. These favorable fiscal results have continued to strengthen the City’s reserves and allow the City to continue proactive capital project plans.

Operational revenue gains were noted in property tax, hotel occupancy, and utility tax. The Capital Grants and Contributions decreased by \$105K due to a decrease in grant revenues in the Public Works department. The community development fees in 2018 increased due to more development projects starting. Sewer and solid waste revenues were stable and positioned to facilitate future operational and capital needs.

The increase in Government-wide expenses is the result of an effort to begin filling critical staff positions. Resource uses continue to reflect an emphasis on public safety, infrastructure maintenance, quality of life and community development activity.

The City has made significant progress on many capital improvement initiatives, which include maintenance and street resurfacing, streetscape and intersection improvements, and pedestrian and traffic safety enhancements throughout the City. The City has also made significant capital investments in the maintenance and improvement of the City-wide sewer systems.

The Government-wide deficiency of operating revenues over expenditures reflects increased costs in capital improvements. The capital improvement expenditures came in above what was anticipated for the year. As we continue to move forward on the capital improvement initiatives, we will begin to position ourselves in a favorable position as upcoming budgets are developed.

Government-Wide View

- Net position (excess of assets over liabilities) equaled \$114.7M, an increase of \$4.5M, or 3.7%. This is attributed to significant grant and capital contributions with partial offsets given the use of funds for infrastructure maintenance and improvements. The City's net position represents its total net holdings, which are not necessarily unrestricted depending upon the source of the original funding.
- Unrestricted assets equaled \$33.1M. Governmental unrestricted assets totaled \$20.4M at year end, a decrease of \$3.6M, while business activities-related unrestricted assets totaled \$12.6M. The unrestricted net position, as presented in the government-wide section of the CAFR, does not account for local fund restrictions, project assignments and/or policy reserves as classified with the governmental fund section of the report.
- Governmental activities reported ending net position of \$92.6M, an increase of \$2.3M. The increase in government net position arises from positive operating results, fee collections and cost containment.
- Business activities reported ending net position of \$22.1M, an increase of \$1.8M due to positive operating results in the Sewer and Solid Waste Funds and substantial capital investments along with partial offsets of Storm Drain activity losses.
- On a combined basis, restricted net position amounted to \$10.6M vs. \$11.5M last year and represents the extent to which funds are categorically constrained.

Fund Level View

- The General Fund realized an operating surplus of \$5.5M; \$369K slightly below the prior year due to filling vacant positions. Increase revenue from property tax and transient occupancy tax (TOT) account for higher than anticipated surplus while maintaining contained spending.
- General Fund revenues, excluding transfers, increased slightly over prior year actuals by \$2.1M or 5.3% to \$41.2M. Current year results also exceeded budget estimates by 6.8%. Related expenditures increased by \$2.4M to \$35.7M, or 7.3%, a result of decreasing staff vacancies.

- Total governmental fund balances equaled \$56M at fiscal year-end, a \$700K increase from the prior year. The increase is in the expenditures realized are in the general fund.
- General government capital spending totaled approximately \$7.3M. The level of capital reinvestment in Los Altos reflects a sustained focus on maintenance of streets, facilities, traffic calming efforts and safety. The Capital Improvements Projects Fund balance decreased by \$2.3M due to a decline incoming grant funds and special purpose revenues to end the year at \$1.5M.
- The Traffic Impact Fee Fund ended the year with a fund balance of \$581K with revenues of \$111K offset by transfer to the Capital Projects Fund of \$440K.
- The Gas Tax Fund balance decreased by \$230K to \$1.2M with funds used for capital projects including surplus revenue for the year.
- Sewer operations ended the year favorably in net position of \$18.1M. Operating expenses were consistent with last year at \$5M. A review of maintenance expenses reflects continued attention to system maintenance.
- As in the prior year, the Storm Drain Fund has exhausted available resources. These operations are now fully General Fund-subsidized and will continue to be absent until the implementation of a fee-based model.
- Both workers' compensation and general liability claim liabilities had changes from the prior year due to recognition of the City's claims liability at the 80% confidence level. The Workers' Compensation Fund ended the year with an unrestricted net position of \$1.7M, a decrease of \$158K. The General Liability Fund ended the year with unrestricted net position of \$1.9M, an increase of \$340K. Both funds cover their actuarial valuations, which coupled with a proactive risk management program, make the City well positioned to address claim liabilities.
- Other Non-Major Governmental Funds ended the year with a total combined fund balance of \$6.2M, a decrease of \$1.1M or 9%.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position at the City-wide level as presented in the statement of net position and statement of activities which are summarized below as of June 30, 2018. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. On a combined basis, the City experienced an increase of \$4.5M or 3.7% in net position.

City of Los Altos
Fiscal Year Ending June 30, 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2018	2017	2018	2017
Cash and Investments	62,893,649	61,567,878	14,442,173	12,862,007
Other Assets	3,449,368	3,698,982	81,929	308,637
Capital Assets	62,939,663	56,251,229	9,450,259	8,403,465
Total Assets	\$ 129,282,680	\$ 121,518,089	\$ 23,974,361	\$ 21,574,109
Deferred Outflows of Resources				
Related to Pension (note 11)	10,435,166	10,683,014	430,423	463,343
Related to OPEB (note 12)	132,990		10,010	
Bond Debt	1,125,000	1,245,000		
Other Liabilities	44,268,275	38,768,234	2,234,325	1,657,821
Total Liabilities	\$ 45,393,275	\$ 40,013,234	\$ 2,234,325	\$ 1,657,821
Deferred Inflows of Resources				
Related to Pension (note 11)	1,841,274	1,917,607	83,284	78,058
Related to OPEB (note 12)	42,780		3,220	
Net Position				
Net Investment in Capital Assets Net of Related Debt	61,524,823	54,724,833	9,450,259	8,403,465
Restricted	10,619,763	11,498,200		
Unrestricted	20,428,921	24,047,229	12,643,706	11,906,716
Change due to Implementation of GASB75 (NOTE 8H)		(403,249)		(35,189)
Total Net Position	\$ 92,573,507	\$ 89,867,013	\$ 22,093,965	\$ 20,274,992

Governmental Activities investment in capital assets makes up the largest portion of the City's net position of sixty-seven percent (67%). These assets reflect land, buildings, infrastructure, 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.

A portion of the City's net position, consisting of twelve percent (12%), represents resources subject to external spending restrictions. The remaining twenty-one percent (21%) of net position 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 specifically associated with active and ongoing projects.

Some key entity-wide observations include the following:

- Cash and investments have an increase of \$1.3M from last year holdings, a factor of favorable revenue collections and cost savings, which includes highs in both property tax and transient occupancy tax collection.
- Net position equaled \$114.7M, an increase of \$4.5M or 3.7%, largely due to GASB 68 and GASB 75 reporting requirements and the recognition of the City's \$36.2M net pension liability.

- Substantial capital improvements, approximating \$3.3M, were realized. These include pedestrian and bicycle safety enhancements, street repairs and striping, major streetscape and intersection enhancements, concrete repairs, facility maintenance, and safety technology improvements.
- Business-type activities reported net position of \$22.1M at year end, a \$1.8M, or 8.7% increase. The Sewer Master Plan has been completed along with a multi-year rate adjustment program to provide resources to address sewer infrastructure rehabilitation. Solid Waste revenues exceeded direct expenses allowing for future initiatives in this important environmental area of operations.

Governmental Activities

Governmental programs, which include public services, realized revenue increase by \$3.2M, or 7.8%, while total expenditures increased by \$7.4M, or 21%. Including all sources and uses, governmental net position increased by \$2.7M, or 3%, ending the year with a total fund balance of \$92.6M. The beginning Net Position has been restated according to GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). (Note 8H).

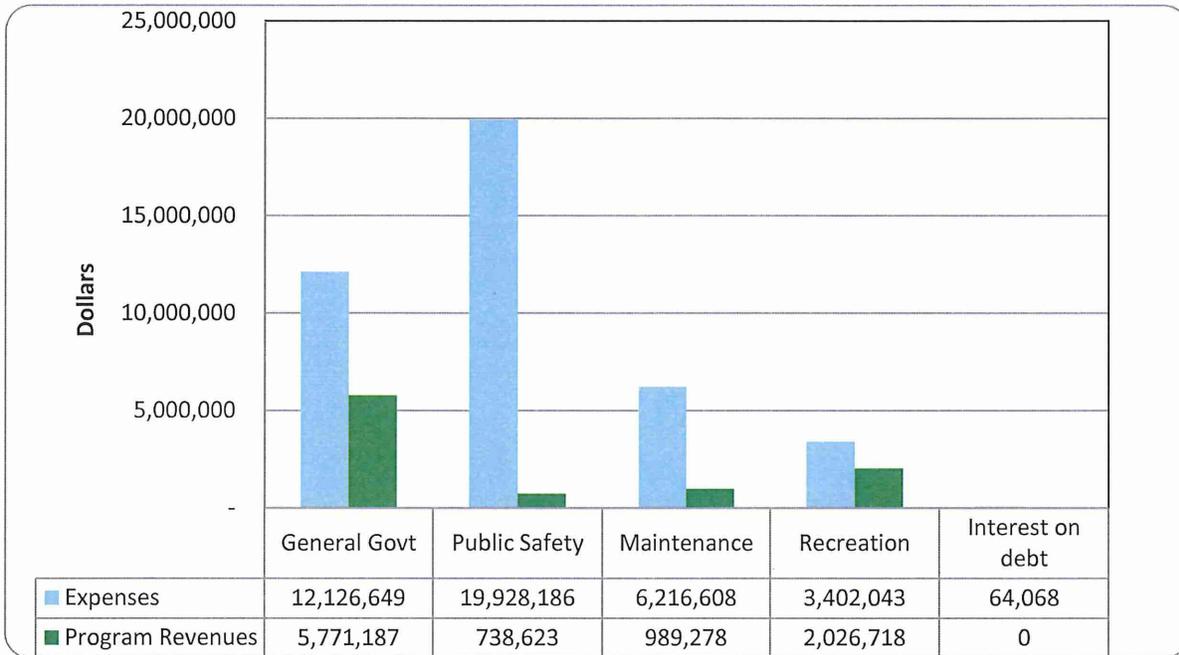
- Property tax continues to be the City's single largest source of revenue representing about 48% of general government-wide revenues. Property tax continued its aggressive growth increasing by \$1.6M, or 7.8%.
- Charges for services, make up 18% of government revenues. The community development fees increased from the prior year amount due to increased project development and supported the revenue category.
- Other major taxes showed stability with an increase of \$205K or 5%, due to hotel occupancy tax (TOT), resulting from a full year of revenue of the opening of a third hotel and the strong regional business climate.
- Interest revenues came in above the prior year actuals by \$87K given continued historically low rates in line with the current Federal Reserve.
- Government expenses, including allocated capital maintenance costs, increased by \$7.4M or 21%. This increase is primarily the result of the City's effort to fill positions that were held vacant during the economic downturn. 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:

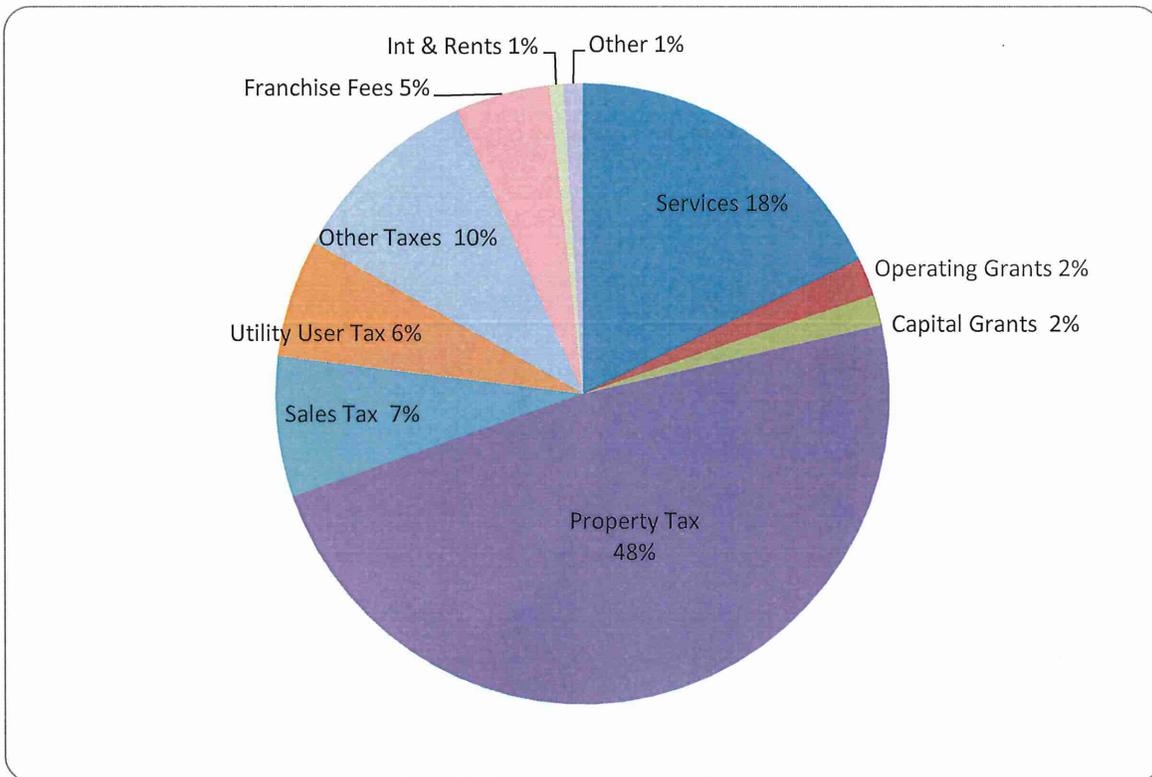
**City of Los Altos Changes in Net Position
Fiscal Year Ending June 30, 2018**

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Revenues				
Program Revenue				
Charges for Services	\$ 7,940,855	\$ 6,668,485	\$ 7,180,727	\$ 7,477,575
Operating Grants/Contributions	882,303	806,345		
Capital Grants/Contributions	702,648	807,490		
General Revenue				
Property Tax	21,428,500	19,863,197		
Sales Tax	3,243,554	3,278,430		
Utility User Tax	2,732,325	2,679,961		
Other Taxes	4,534,886	4,329,549		
Franchise Fees	2,206,735	2,082,888		
Interest Income	320,237	233,472		
Sale of Capital Assets		-		
Miscellaneous	452,005	454,438	70,907	39,740
Total Revenues	44,444,048	41,204,255	7,251,634	7,517,315
Expenses				
Public Safety	19,928,186	15,223,734		
Public Works	6,216,608	7,832,093		
Recreation	3,402,043	2,613,264		
Community Development	6,440,069	4,242,510		
Admin/Community Services	5,686,580	4,410,652		
Interest on Long-Term Debt	64,068	50,550		
Sewer			4,970,296	6,753,989
Solid Waste			461,307	437,854
Storm Drain			1,058	631
Total Expenses	41,737,554	34,372,803	5,432,661	7,192,474
Excess (Deficiency) before transfers	2,706,494	6,831,452	1,818,973	324,841
Transfers				
Loss on Disposal of Assets				
Change in Net Position	2,706,494	6,831,452	1,818,973	324,841
Net Position - Beginning of Year	89,867,013	83,438,810	20,274,992	19,985,340
Change due to implementation of GASB 75 (Note 8H)		(403,249)		(35,189)
Net Position - End of Year	\$ 92,573,507	\$ 89,867,013	\$ 22,093,965	\$ 20,274,992

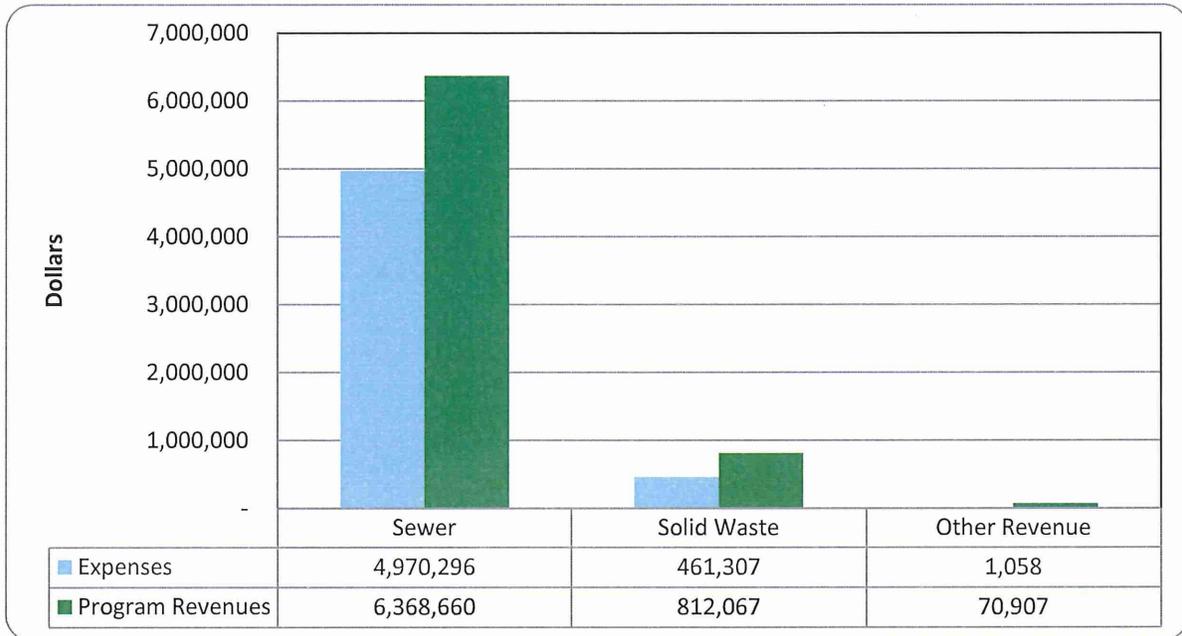
Program Expenses and Revenues - Governmental Activities



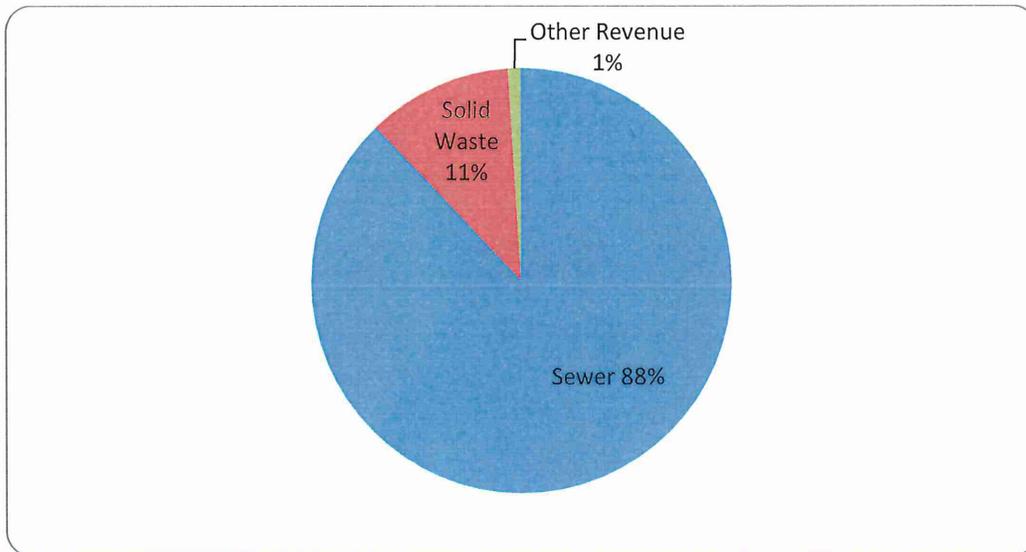
Government Revenues - All Sources



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 19% of the total net position. The net position from the business-type activities increased by \$1.8M, or 8.7%, primarily due to restating the net position according to GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). (Note 8H).

- 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. Los Altos 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 \$335K, or 5% from the prior year as the result of a five-year sewer rate program.
- Sewer expenditures decreased by 26% from the prior year, decreasing by \$1.8M due to continuing to address sewer infrastructure.
- Revenue for solid waste collections increased by \$38K, in accordance with the City's agreement for administrative fee support, with a slight increase in expenditures of \$23K. Total net position in the fund increased by \$370K.
- 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 are lacking a fee that pays for these services.

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 \$56M, which \$5.4M remains unassigned.

The City has taken the prudent path of defining and assigning established key fund balance reserves as called out in adopted financial policies and projected in fiscal forecasts. These key reserves are defined as follows:

<i>General Fund Contingency Reserves</i>	<i>June 30, 2018</i>
<i>Emergency and Operating</i>	\$7,250,645
<i>General Fund Capital and Equipment</i>	30,789,503
<i>Total General Fund Available Funds</i>	\$38,040,148

The emergency and operating reserves, components of the General Fund, are safeguards in the event of an economic or financial crisis.

Overall favorable operating results have led to a total General Fund balance of \$45M, after transfers, and an unassigned fund balance of \$5.4M. These amounts align closely with long-term budgetary forecast and the adopted biennial operating plan.

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

<i>Other Key Fund Balances</i>	<i>June 30, 2018</i>
<i>Other Governmental Funds</i>	\$6,189,333
<i>Capital Projects Fund</i>	(823,098)
<i>In-Lieu Park Land Fund</i>	5,253,528
<i>Total</i>	\$10,619,763

The City continues to maintain a respectable reserve of in-lieu park funds, restricted as to parks, park land and recreation uses, at \$5.3M; a result of the significant private development activity in Los Altos. These and the other dollars listed above, are anticipated to apply to future capital needs such as the newly approved Community Center.

The Capital Projects Fund balance varies materially as progress occurs on approved projects and external funding becomes available. In FY 2017/18, general government capital project spending approximated \$683K, a decrease from the prior year. Beyond funding previously approved projects, the City remains challenged to address the long list of identified and unfunded projects 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 position for the Sewer Fund ended the year at \$8.7M including approved capital projects. The Storm Drain Fund balance remains dependent on the General Fund while the Solid Waste Fund increased to \$4.0M. 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 FY 2017/18 the City paid approximately \$24K in sewer fees and \$350K 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 \$72.2M (net of accumulated depreciation).

Investments in capital assets include land, buildings, improvements, machinery, streets, infrastructure and equipment. Governmental capital assets totaled \$63M and those of business-type activities totaled \$9.5M. Assets increased by \$7.7M overall with depreciation outpacing new additions. Additional information on capital assets can be found in footnote 5 of these financial statements as part of the summary listed below:

Capital Assets as of June 30, 2018

	<i>Governmental Activities</i>	<i>Business Activities</i>	<i>2018 Total</i>	<i>2017 Total</i>
<i>Land</i>	\$11,642,285	0	\$11,642,285	\$11,642,285
<i>Work in Progress</i>	6,869,136	768,187	7,637,323	7,788,517
<i>Buildings</i>	11,407,221	7,724,357	19,131,578	19,907,505
<i>Improvements</i>	4,098,445	0	4,098,445	3,283,018
<i>Machinery & Equip</i>	1,743,964	395,814	2,139,778	1,717,444
<i>Infrastructure</i>	27,008,772	561,901	27,570,673	20,144,529
<i>Total Assets</i>	\$62,769,823	\$9,450,259	\$72,220,082	\$64,483,298
<i>Less Related Debt</i>	(1,245,000)	-	(1,245,000)	(1,355,000)
<i>Net Investment in Capital Assets</i>	\$61,524,823	\$9,450,259	\$70,975,082	\$63,128,298

Debt Administration: At the end of the current fiscal year, City bond and assessment debt decreased by approximately \$110,000. The total outstanding bond debt balance at year-end is approximately \$1.2M 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 \$1.7M, 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, 2018

	<i>Governmental Activities</i>	<i>Business Activities</i>	<i>2018 Total</i>	<i>2017 Total</i>
<i>Certificate of Participation</i>	\$1,245,000	\$0	\$1,245,000	\$1,355,000
<i>Compensated Absences</i>	1,644,682	84,958	1,729,640	1,568,077
Total	\$2,889,682	\$84,958	\$2,974,640	\$2,923,077

This year the City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2017. The City carries a year-end net Post-Retirement Health obligation (OPEB) of \$1.5M. This obligation is in line with annual actuarial valuations and is a factor of benefit levels.

GENERAL FUND BUDGETARY HIGHLIGHTS

The FY 2017/18 General Fund budget, adopted as part of the biennial plan, equaled \$36.3M. Budget to actual results came in favorably with revenues exceeding estimates by \$2.6M or 6% and expenditures coming in at 3% below established limits, for year-end revenues over expenditures of \$5.5M.

ECONOMIC FACTORS AND FY 2017/18 BIENNIAL BUDGET AND RATES

General Fund revenue is forecast to increase by 4%, while expenditures are budgeted to increase by 3%. The 2017/18 budget anticipates that the City will return to a staffing level that is currently budgeted at 133 positions. The City is also evaluating future funding to address aging city facilities and the fiscal impact of published and pending master plans.

The biennial budget was developed to maintain sound fiscal posture, present a balanced General Fund and enhance reserve levels to address aging infrastructure replacement. The budget continues to integrate a fully-funded comprehensive five-year Capital Improvement Program and strategic forecasts. Key budget highlights are noted below:

- Revenues are expected to increase in line with current year results. The City maintains a 20% General Fund reserve as endorsed by the City Council for the fifth consecutive year. The City continues to fund its OPEB reserve along with adding funds to the PERS reserve (currently \$4M) to offset the impact of future increases in retirement costs. The City has also set aside funds for future capital investments in technology initiatives, such as a new financial Enterprise Resource Platform or ERP system and a new permitting software system.
- The budget projects an increase of 6.5-7% in property tax receipts, noting a steady improvement in property values. This projection 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 nearly half of all governmental funds' revenue.

- Other key taxes are estimated to experience flat to very minor increases. Utilizing the most recent data and regional and national trends, key City tax revenues including sales tax and hotel tax is expected to increase. Los Altos voters recently approved Measure D, allowing the City to increase the Transient Occupancy Tax (TOT) rate from 11% to 14%. This increase is expected to gain approximately \$700K in annual revenue.
- Planning and building activity have shown significant development strength in the past, however is it expected to ramp up and has projected an increase in this revenue base. These projections anticipate an incline growth in local activity.
- Total authorized positions are currently budgeted at 133 full time equivalent employees.
- The two-year budget honors existing and new multi-year labor contracts. A new labor group, Los Altos Municipal Employees Association (LAMEA) officially entered an MOU with the City for a term of three fiscal years. Salaries filled authorized positions remain within budget projections.
- General operational costs grew by 7% at the end of year two. The return to full staffing along with rising pension and healthcare costs are the main contributors to the increase, with the City maintaining all other operating expenditures close to current levels.
- The budget also reflects increases for the City's normal pension costs. The recent announcement by CalPERS to lower the discount rate, which in turn asks for significant increases to the City's annual unfunded liability payments is currently being addressed by City Council and Executive Team leadership. Future budget adjustments will be needed to address these increases along with utilizing the newly created PERS Reserve (currently \$4M) to help mitigate the year-over-year impact.
- Overall, PERS pension rates increased but were mitigated by the pay-down of the City's side-fund liability which was fully paid down in FY 2012/13. Rates for public safety and miscellaneous employees increased from prior year levels as recent changes in legislation and assumptions continue to drive pension costs. Health insurance rates are assumed to increase by at least 7.5%.
- The second-tier pension model (PEPRA) that lowers the level of benefit for new hires rendered material savings as the years evolve.
- The budget incorporates storm water-related costs into the General Fund budget while the City contemplates potential funding options for this program.

For a more current discussion of the state of the economy beyond those assumptions made in the FY 2017-19 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 Los Altos 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 Administrative Services Director, 1 North San Antonio Road, Los Altos, CA 94022.



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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**



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CITY OF LOS ALTOS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$62,893,649	\$14,442,173	\$77,335,822
Accounts receivable	1,425,703	71,809	1,497,512
Interest receivable	92,199	19,620	111,819
Prepaid items and inventory (Note 1H)	26,760		26,760
Note receivable (Note 4)	1,895,206		1,895,206
Internal balances	9,500	(9,500)	
Total current assets	<u>66,343,017</u>	<u>14,524,102</u>	<u>80,867,119</u>
Noncurrent assets:			
Restricted cash and investments (Note 2)	169,840		169,840
Capital assets (Note 5):			
Non-depreciable	18,511,421	768,187	19,279,608
Depreciable, net of accumulated depreciation	44,258,402	8,682,072	52,940,474
Total noncurrent assets	<u>62,939,663</u>	<u>9,450,259</u>	<u>72,389,922</u>
Total Assets	<u>129,282,680</u>	<u>23,974,361</u>	<u>153,257,041</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 11)	10,435,166	430,423	10,865,589
Related to OPEB (Note 12)	132,990	10,010	143,000
Total deferred outflows of resources	<u>10,568,156</u>	<u>440,433</u>	<u>11,008,589</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,731,097	594,168	2,325,265
Interest payable	8,647		8,647
Accrued liabilities	807,629	28,724	836,353
Other payable	177,624		177,624
Compensated absences, due in one year (Note 7)	411,171	21,240	432,411
Claims and judgements, due in one year (Note 9)	831,733		831,733
Long-term debt, due in one year (Note 6)	120,000		120,000
Total current liabilities	<u>4,087,901</u>	<u>644,132</u>	<u>4,732,033</u>
Noncurrent liabilities:			
Compensated absences, due in more than one year (Note 7)	1,233,511	63,718	1,297,229
Claims and judgments, due in more than one year (Note 9)	2,748,267		2,748,267
Net pension liability (Note 11)	34,766,462	1,418,609	36,185,071
Net OPEB liability (Note 12)	1,432,134	107,866	1,540,000
Long-term debt, due in more than one year (Note 6)	1,125,000		1,125,000
Total noncurrent liabilities	<u>41,305,374</u>	<u>1,590,193</u>	<u>42,895,567</u>
Total Liabilities	<u>45,393,275</u>	<u>2,234,325</u>	<u>47,627,600</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 11)	1,841,274	83,284	1,924,558
Related to OPEB (Note 12)	42,780	3,220	46,000
Total deferred inflows of resources	<u>1,884,054</u>	<u>86,504</u>	<u>1,970,558</u>
NET POSITION (Note 8)			
Net investments in capital assets	61,524,823	9,450,259	70,975,082
Restricted for:			
Debt service	364,179		364,179
Special revenue programs:			
Public safety	33,333		33,333
Recreation	5,253,528		5,253,528
Streets and roads	2,800,690		2,800,690
Public education	841,426		841,426
Housing	4,617		4,617
Parking	738,184		738,184
Other	71,756		71,756
Capital projects	512,050		512,050
Total Restricted Net Position	<u>10,619,763</u>		<u>10,619,763</u>
Unrestricted	20,428,921	12,643,706	33,072,627
Total Net Position	<u>\$92,573,507</u>	<u>\$22,093,965</u>	<u>\$114,667,472</u>

See accompanying notes to financial statements

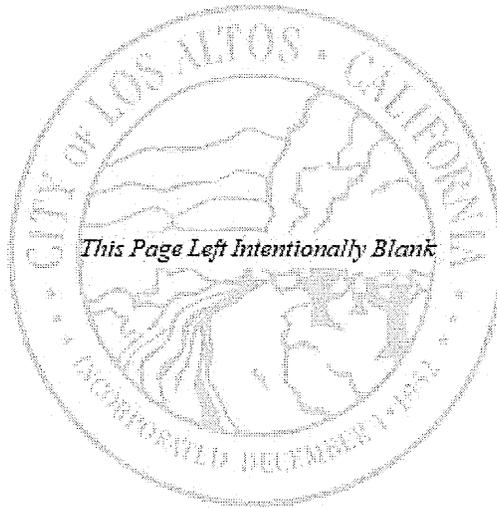
CITY OF LOS ALTOS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental Activities:				
Public safety	\$19,928,186	\$329,648	\$408,975	\$738,623
Public works	6,216,608	50,753	297,877	989,278
Recreation	3,402,043	2,021,317	5,401	2,026,718
Community development	6,440,069	4,589,246	170,050	4,821,296
Admin / community services	5,686,580	949,891		949,891
Interest on long-term debt	64,068			
Total Governmental Activities	<u>41,737,554</u>	<u>7,940,855</u>	<u>882,303</u>	<u>9,525,806</u>
Business-type Activities:				
Sewer	4,970,296	6,368,660		6,368,660
Solid waste	461,307	812,067		812,067
Storm drain	1,058			
Total Business-type Activities	<u>5,432,661</u>	<u>7,180,727</u>		<u>7,180,727</u>
Total primary government	<u>\$47,170,215</u>	<u>\$15,121,582</u>	<u>\$882,303</u>	<u>\$702,648</u>
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Utility users' tax				
Other taxes				
Franchise fees				
Total taxes				
Interest income				
Miscellaneous				
Total general revenues and transfers				
Change in Net Position				
Net Position-Beginning, As Restated (Note 8H)				
Net Position-Ending				

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$19,189,563)		(\$19,189,563)
(5,227,330)		(5,227,330)
(1,375,325)		(1,375,325)
(1,618,773)		(1,618,773)
(4,736,689)		(4,736,689)
(64,068)		(64,068)
(32,211,748)		(32,211,748)
	\$1,398,364	1,398,364
	350,760	350,760
	(1,058)	(1,058)
	1,748,066	1,748,066
(32,211,748)	1,748,066	(30,463,682)
21,428,500		21,428,500
3,243,554		3,243,554
2,732,325		2,732,325
4,534,886		4,534,886
2,206,735		2,206,735
34,146,000		34,146,000
320,237		320,237
452,005	70,907	522,912
34,918,242	70,907	34,989,149
2,706,494	1,818,973	4,525,467
89,867,013	20,274,992	110,142,005
\$92,573,507	\$22,093,965	\$114,667,472



FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal 2018. Individual non-major funds may be found in the Supplemental 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. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from the sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

IN-LIEU PARK LAND FUND

Accounts for revenues received in lieu of parkland dedications. The revenues are dedicated for purchasing or improving park or recreational facilities.

CAPITAL PROJECTS FUND

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

CITY OF LOS ALTOS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	In-Lieu Park Land Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$43,776,183	\$5,253,335	\$162,875	\$5,919,451	\$55,111,844
Restricted cash and investments (Note 2)				169,840	169,840
Receivables, net of allowance for uncollectibles:					
Accounts	1,306,049		13,720	94,394	1,414,163
Interest	78,914	7,065		6,220	92,199
Prepays	19,974				19,974
Note receivable (Note 4)	1,895,206				1,895,206
Inventory (Note 1H)	6,786				6,786
Due to other funds	569,445				569,445
Total Assets	<u>\$47,652,557</u>	<u>\$5,260,400</u>	<u>\$176,595</u>	<u>\$6,189,905</u>	<u>\$59,279,457</u>
LIABILITIES					
Accounts payable	\$1,273,521	\$6,872	\$439,748	\$572	\$1,720,713
Accrued liabilities	807,629				807,629
Other payable	177,624				177,624
Due from other funds			559,945		559,945
Total Liabilities	<u>2,258,774</u>	<u>6,872</u>	<u>999,693</u>	<u>572</u>	<u>3,265,911</u>
FUND BALANCES					
Fund balance (Note 8):					
Nonspendable	1,931,952				1,931,952
Restricted		5,253,528		4,854,185	10,107,713
Committed					
Assigned	38,040,148			1,335,148	39,375,296
Unassigned	5,421,683		(823,098)		4,598,585
Total Fund Balances	<u>45,393,783</u>	<u>5,253,528</u>	<u>(823,098)</u>	<u>6,189,333</u>	<u>56,013,546</u>
Total Liabilities and Fund Balances	<u>\$47,652,557</u>	<u>\$5,260,400</u>	<u>\$176,595</u>	<u>\$6,189,905</u>	<u>\$59,279,457</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2018

Fund balances of governmental funds \$56,013,546

Amounts reported for Governmental Activities in the Statement of Net Position 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 62,769,823

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. (8,647)

Deferred outflows below are not current assets of financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows 10,568,156
Deferred inflows (1,884,054)

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

Long-term debt - current portion (120,000)
Long-term debt - noncurrent portion (1,125,000)
Net pension liability (34,766,462)
Net OPEB obligation (1,432,134)
Compensated absences - current portion (411,171)
Compensated absences - noncurrent portion (1,233,511)

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 position. 4,202,961

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$92,573,507

See accompanying notes to financial statements

CITY OF LOS ALTOS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

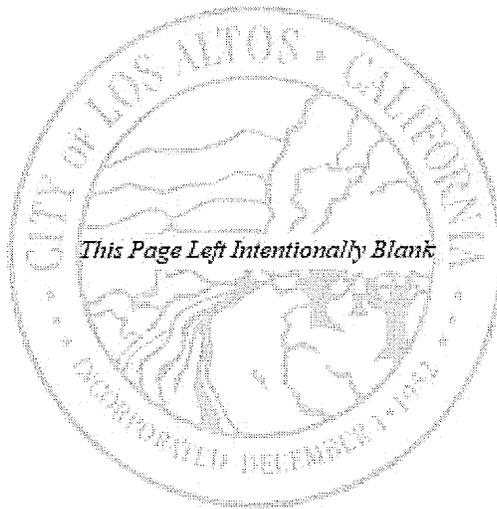
	General	In-Lieu Park Land Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$21,428,500				\$21,428,500
Sales tax	3,243,554				3,243,554
Utility users	2,732,325				2,732,325
Other tax	4,534,886				4,534,886
Licenses, permits and fees	4,055,230			\$140,377	4,195,607
Intergovernmental		\$1,092,500		994,081	2,086,581
Grants and donations	82,101		\$437,375	408,338	927,814
Charges for services	4,510,749			108,845	4,619,594
Fines and forfeitures	158,664			19,190	177,854
Interest and rentals	303,377	\$24,576		31,733	359,686
Other	128,007			9,640	137,647
Total Revenues	41,177,393	1,117,076	437,375	1,712,204	44,444,048
EXPENDITURES					
General government					
Public safety	17,465,711				17,465,711
Public works	5,783,953				5,783,953
Recreation	2,509,280				2,509,280
Community development	5,180,470			566,885	5,747,355
Admin / community development	4,772,919				4,772,919
Capital improvements		251,257	6,510,476	537,499	7,299,232
Debt service:					
Principal				110,000	110,000
Interest and fiscal charges				56,060	56,060
Total Expenditures	35,712,333	251,257	6,510,476	1,270,444	43,744,510
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,465,060	865,819	(6,073,101)	441,760	699,538
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3)	158,506		5,389,779	166,060	5,714,345
Transfers (out) (Note 3)	(4,045,591)			(1,668,754)	(5,714,345)
Total Other Financing Sources (Uses)	(3,887,085)		5,389,779	(1,502,694)	
NET CHANGE IN FUND BALANCES	1,577,975	865,819	(683,322)	(1,060,934)	699,538
BEGINNING FUND BALANCES	43,815,808	4,387,709	(139,776)	7,250,267	55,314,008
ENDING FUND BALANCES	\$45,393,783	\$5,253,528	(\$823,098)	\$6,189,333	\$56,013,546

See accompanying notes to financial statements

CITY OF LOS ALTOS
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances of governmental funds	\$699,538
Amounts reported for governmental activities in the Statement of Activities are different because:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	8,877,573
Depreciation expense on capital assets is reported in the government wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(2,187,583)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Principal payment	110,000
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	(140,897)
Interest payable	(8,008)
Net OPEB obligation	(97,636)
Net pension obligation, and related deferred outflows and inflows of resources	(4,738,565)
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.	<u>192,072</u>
Changes in net position of governmental activities	<u><u>\$2,706,494</u></u>

See accompanying notes to financial statements



MAJOR PROPRIETARY FUNDS

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

The City reported all of its Enterprise Funds as major funds in fiscal 2018.

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
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds	
	Sewer	Solid Waste	Storm Drain		Totals
ASSETS					
Current Assets:					
Cash and investments (Note 2)	\$10,511,432	\$3,930,741		\$14,442,173	\$7,781,805
Accounts receivable		71,809		71,809	11,540
Interest receivable	14,305	5,315		19,620	
Total Current Assets	10,525,737	4,007,865		14,533,602	7,793,345
Non-Current Assets:					
Capital assets (Note 5):					
Nondepreciable	768,187			768,187	
Depreciable	19,406,435		\$1,969,221	21,375,656	
Less accumulated depreciation	(10,724,364)		(1,969,220)	(12,693,584)	
Total capital assets, net	9,450,258		1	9,450,259	
Total non-current Assets	9,450,258		1	9,450,259	
Total Assets	19,975,995	4,007,865	1	23,983,861	7,793,345
DEFERRAL OUTFLOWS OF RESOURCES					
Related to pension (Note 11)	430,423			430,423	
Related to OPEB (Note 12)	7,865	715	1,430	10,010	
Total Deferred Outflows	438,288	715	1,430	440,433	
LIABILITIES					
Current Liabilities:					
Accounts payable	570,790	23,378		594,168	10,384
Accrued liabilities	26,861	1,863		28,724	
Due to other funds (Note 3)			9,500	9,500	
Compensated absences (Note 7)	21,240			21,240	
Claims and judgements (Note 9)					831,733
Total Current Liabilities	618,891	25,241	9,500	653,632	842,117
Long-Term Liabilities					
Compensated absences (Note 7)	63,718			63,718	
Claims and judgements (Note 9)					2,748,267
Net pension liabilities (Note 11)	1,418,609			1,418,609	
Net OPEB liabilities (Note 12)	84,752	7,705	15,409	107,866	
Total Noncurrent Liabilities	1,567,079	7,705	15,409	1,590,193	2,748,267
Total Liabilities	2,185,970	32,946	24,909	2,243,825	3,590,384
DEFERRAL INFLOWS OF RESOURCES					
Related to pension (Note 11)	83,284			83,284	
Related to OPEB (Note 12)	2,530	230	460	3,220	
Total Deferred Inflows	85,814	230	460	86,504	
NET POSITION (Note 8)					
Net investment in capital assets	9,450,258		1	9,450,259	
Unrestricted (deficit)	8,692,241	3,975,404	(23,939)	12,643,706	4,202,961
Total Net Position (Deficit)	\$18,142,499	\$3,975,404	(\$23,938)	\$22,093,965	\$4,202,961

See accompanying notes to financial statements

CITY OF LOS ALTOS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Business-type Activities-Enterprise Funds</u>			<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Storm Drain</u>		
OPERATING REVENUES					
Charges for services	\$6,368,660	\$812,067		\$7,180,727	\$1,716,061
Total Operating Revenues	<u>6,368,660</u>	<u>812,067</u>		<u>7,180,727</u>	<u>1,716,061</u>
OPERATING EXPENSES					
Outside services	3,250,503	294,652		3,545,155	37,138
Employee services	1,294,015	144,655	\$1,058	1,439,728	
Repairs and maintenance	21,281			21,281	928,886
Claims and reimbursements					495,265
Insurance and adjustments	73,000	22,000		95,000	
Administration					62,700
Depreciation	<u>331,497</u>			<u>331,497</u>	
Total Operating Expenses	<u>4,970,296</u>	<u>461,307</u>	<u>1,058</u>	<u>5,432,661</u>	<u>1,523,989</u>
Operating Income (Loss)	<u>1,398,364</u>	<u>350,760</u>	<u>(1,058)</u>	<u>1,748,066</u>	<u>192,072</u>
NONOPERATING REVENUES					
Interest	<u>52,055</u>	<u>18,852</u>		<u>70,907</u>	
Total Nonoperating Revenues	<u>52,055</u>	<u>18,852</u>		<u>70,907</u>	
Change in Net Position	1,450,419	369,612	(1,058)	1,818,973	192,072
BEGINNING NET POSITION, AS RESTATED (Note 8H)	<u>16,692,080</u>	<u>3,605,792</u>	<u>(22,880)</u>	<u>20,274,992</u>	<u>4,010,889</u>
ENDING NET POSITION (DEFICIT)	<u>\$18,142,499</u>	<u>\$3,975,404</u>	<u>(\$23,938)</u>	<u>\$22,093,965</u>	<u>\$4,202,961</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Storm Drain	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$6,606,784	\$799,759		\$7,406,543	\$1,885,643
Cash received from other funds			\$9,500	9,500	
Cash payments to suppliers for goods and services	(3,022,322)	(311,866)	(7,183)	(3,341,371)	
Cash payment employees for services	(1,034,419)	(143,596)	(1,687)	(1,179,702)	
Cash payments to claimants					(941,322)
Insurance premiums, settlements and rebates	(5,830)	(530)	(1,060)	(7,420)	(448,578)
Cash Flows from (used for) Operating Activities	2,544,213	343,767	(430)	2,887,550	495,743
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,378,290)		(1)	(1,378,291)	
Cash Flows (used for) Capital and Related Financing Activities	(1,378,290)		(1)	(1,378,291)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	52,055	18,852		70,907	
Cash Flows from Investing Activities	52,055	18,852		70,907	
Net Cash Flows	1,217,978	362,619	(431)	1,580,166	495,743
Cash and investments at beginning of period	9,293,454	3,568,122	431	12,862,007	7,286,062
Cash and investments at end of period	\$10,511,432	\$3,930,741		\$14,442,173	\$7,781,805
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$1,398,364	\$350,760	(\$1,058)	\$1,748,066	\$192,072
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	331,497			331,497	
Change in assets and liabilities:					
Receivables, net	238,124	(12,308)		225,816	169,582
Accounts payable and other accrued expenses	322,462	4,786	(7,183)	320,065	(12,436)
Due to other funds			9,500	9,500	
Net pension liability and deferred inflows and outflows	227,270			227,270	
Net OPEB liability and deferred inflows and outflows	5,830	529	1,060	7,419	
Compensated absences	20,666		(2,749)	17,917	
Claims and judgments					146,525
Cash Flows from (used for) Operating Activities	\$2,544,213	\$343,767	(\$430)	\$2,887,550	\$495,743

See accompanying notes to financial statements

FIDUCIARY FUNDS

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
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

	Agency Funds
ASSETS	
Cash and investments (Note 2)	\$4,258,034
Restricted cash and investments (Note 2)	39,794
Accounts receivable	16,269
Interest receivable	2,409
Total Assets	\$4,316,506
 LIABILITIES	
Accounts payable	\$295,204
Due to others	4,021,302
Total Liabilities	\$4,316,506

See accompanying notes to financial statements

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Background*

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:

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, public works, capital improvements, and general supporting administrative services. The City has no component units.

B. *Basis of Presentation*

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 within 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 such provisions and managerial requirements.

Government-wide Statements: The City's Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. 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 Position. The Statement of Activities and Changes in Net Position presents changes in the net position of the City. 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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position 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 Position 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

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 in the aggregate. An accompanying schedule is included to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-Wide financial statements.

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 City’s primary revenue sources, which have been treated as susceptible to accrual by the City, are: property tax, sales tax, hotel 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 and are accrued accordingly.

Deferred inflow of resources arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues 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 revenue is recognized.

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

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A column representing the City's internal service funds, those funds that support agency wide shared service costs, is also presented in these statements. These internal service balances and activities are 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 Position. The Statement of Revenues, Expenses and Change in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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: 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 and Avalon Drive 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 employee self-insurance dental program, unemployment insurance, workers' compensation insurance and liability insurance, all of which are funded on a cost reimbursement basis as budget projections and valuations develop.

C. Major Funds

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

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

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, public works, and community development and recreation activities. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Project Fund – Accounts for the acquisition and construction of major general government capital projects and plans that are financed by resources other than proprietary funds.

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

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 administration and support of contracted solid waste services, a self-supporting user charge for services activity.

Storm Drain Fund – Accounts for operation of the City’s urban runoff and storm drain activities.

D. *Recognition of Interest Payable*

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.

E. *Use of Restricted and Unrestricted Net Position*

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

F. *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.

The City places liquid assets in a pooled investment account with the goal of enhancing the diversity of its investment holdings. This portfolio complies with state code investment requirements and is subject to a more restrictive City adopted investment policy. Such funds are held independently in City established investment custodial accounts.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. *Fair Value Hierarchy*

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

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

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

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

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

H. *Inventories*

Inventory, mainly consisting of vehicle fuel and paper supplies, 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 and charged to departments as consumed.

I. *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.

J. *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. The General Fund is typically used to pay out compensated absences that arise in the course of any one year. Unpaid and accumulated liabilities for some compensated absences accrue to future resources. In Proprietary Funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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 acquisition value on the date contributed. 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
Machinery and Equipment	3-10 years
Infrastructure	30-100 years

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

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

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

M. 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 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.

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 Position.

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.

N. Unearned Revenue

Government-wide Financial Statements: In the Government-wide Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned.

O. Deferred Outflows/Inflows of Resources

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

P. 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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. New Funds

The SB 1 Road Maintenance Rehabilitation Special Revenue Fund was established to account for gas tax resources restricted for expenditure on basic road maintenance and rehabilitation projects on the State Highway System and the local street and road system. Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017 provides funding for local streets and roads over the next 10 years.

The Traffic Congestion Relief Program Special Revenue Fund was established to account for revenues received from the State. These revenues must be used only for maintenance or reconstruction costs on public streets or roads.

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

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

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

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2018.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2017. The City implemented this statement in current year. See additional information in Notes 8H and 12.

GASB Statement No. 81 – In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 and should be applied retroactively. This statement had no impact on the City's financial statements.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 85 – In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City implemented this statement in current year. See additional information in Note 12.

GASB Statement No. 86 – In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This statement had no impact on the City’s financial statements.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash Deposits

The City’s cash and investments at June 30, 2018 are presented as follows:

Cash and investments		\$77,335,822
Restricted cash and investments		169,840
Fiduciary funds:		
Cash and investments		4,258,034
Restricted cash and investments		39,794
Total cash and investments		\$81,803,490

Cash and investments consist of the following as of June 30, 2018:

Cash on hand		\$2,170
Deposits with financial institutions		6,046,449
Investments:		
Liquid investments	\$21,950,040	
Managed investments	53,804,831	75,754,871
Total cash and investments		\$81,803,490

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Authorized 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, with the limitations as they relate to interest rate risk, credit risk, and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund	N/A	100%	\$65 million
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	15%	5%
Repurchase Agreements	180 days	20%	10%
U.S. Treasury Bills, Notes and Bonds	5 years	100%	N/A
Supra-National Agency Notes and Bonds	5 years	10%	N/A
U.S. Government-Sponsored Enterprise Agencies	5 years	100%	20%
Medium-Term Corporate Notes	4 years	30%	3%
Asset-backed Securities	5 years	20%	3%

C. 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.

Investments held in City Treasury grouped by maturity date at June 30, 2018, are shown below:

Investment Type	One Year or Less	13 months to 24 months	25 months to 36 months	37 months to 60 months	Total
Money Market Mutual Fund	\$212,991				\$212,991
Government Sponsored Enterprise Agencies:					
Federal Home Loan Bank Bonds (FHLB)	568,019	\$1,872,143			2,440,162
Federal National Mortgage Association Notes (FNMA)		2,729,022	\$1,050,580	\$385,373	4,164,975
Federal Home Loan Mortgage Corporation (FHLMC)		1,328,674			1,328,674
U.S. Treasury Notes		8,690,360	5,343,912		14,034,272
Supra-National Agency Notes and Bonds		539,066	2,500,209		3,039,275
Certificate of Deposit	2,440,936	4,912,773	2,193,170		9,546,879
Corporate Notes	3,125,919	4,823,460	4,630,331		12,579,710
Asset-Backed Securities		112,840	1,398,006	5,160,038	6,670,884
Local Agency Investment Funds (LAIF)	21,737,049				21,737,049
Total investments	\$28,084,914	\$25,008,338	\$17,116,208	\$5,545,411	75,754,871
Demand Deposits and Cash on Hand					6,048,619
Total cash and investments					\$81,803,490

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

<i>Investments by Fair Value Level:</i>	Level 1	Level 2	Total
Government Sponsored Enterprise Agencies:			
Federal Home Loan Bank Bonds (FHLB)		\$2,440,162	\$2,440,162
Federal National Mortgage Association Notes (FNMA)		4,164,975	4,164,975
Federal Home Loan Mortgage Corporation (FHLMC)		1,328,674	1,328,674
U.S. Treasury Notes	\$14,034,272		14,034,272
Supra-National Agency Notes and Bonds		3,039,275	3,039,275
Corporate Notes		12,579,710	12,579,710
Asset-backed Securities		6,670,884	6,670,884
	\$14,034,272	\$30,223,680	44,257,952

Investments Measured at Amortized Cost:

Certificates of Deposit		9,546,879
Money Market Mutual Fund		212,991
California Local Agency Investment Fund (LAIF)		21,737,049
Cash in banks and on hand		6,048,619
Total Cash and investments		\$81,803,490

Investments above classified in Level 1 of the fair value hierarchy are valued using a quoted price in an active market for an identical asset. Investments above classified in Level 2 of the fair value hierarchy are valued using a quoted price in a non-active market for an identical asset. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank. Certificates of Deposit, Money Market Mutual Fund and LAIF are valued at amortized cost and therefore, exempt from being classified under GASB 72.

E. 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.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2018, the City's deposit and investments were rated as follows:

Investment Type	Credit Quality Ratings		Market Value
	Moody's	S&P	
Securities of Government Sponsored Enterprise Agencies:			
Federal Home Loan Bank Bonds (FHLB)	Aaa	AA+	\$2,440,162
Federal Home Loan Mortgage Corporate Notes (FHLMC)	Aaa	AA+	1,328,674
Federal National Mortgage Association Notes (FNMA)	Aaa	AA+	4,164,975
U.S. Treasury Notes	Aaa	AA+	14,034,272
Corporate Notes:			
Goldman Sachs Group INC	A3	BBB+	544,707
IBM Corp	A1	A+	468,998
Cisco Systems Inc	A1	AA-	197,183
Wal-Mart Stores Inc	Aa2	AA	634,271
Honeywell International Corp	A2	A	148,131
American Express	A3	A-	541,772
American Honda Finance	A2	A+	546,495
JP Morgan Chase	A3	A-	542,568
Microsoft Corp	Aaa	AAA	212,253
BNYMellon Corp	A1	A	542,740
Chevron Corp	Aa2	AA-	321,031
Walt Disney Company	A2	A+	577,341
HSBC USA Inc	A2	A	192,723
EXXON Mobil	Aaa	AA+	271,135
Toyota Motor	Aa3	AA-	616,056
Apple Inc Bonds	Aa1	AA+	540,205
Intel Corp	A1	A+	246,089
General Dynamics Corp	A2	A+	329,641
Home Depot Inc	A2	A	230,773
John Deere Capital Corp	A2	A	696,307
Branch Banking & Trust	A2	A-	542,455
Caterpillar Financing	A3	A	399,262
Johnson & Johnson Corp	Aaa	AAA	113,110
PACCAR Finance Group	A1	A+	339,624
Visa Inc	A1	A+	147,564
National Rural Util	A2	A	228,289
Unilever Capital	A1	A+	545,673
United Parcel Service	A1	A+	312,143
Morgan Stanley Corp	A3	BBB+	537,178
Hersey Company	A1	A	205,230
Charles Schwab Corp	A2	A	271,079
Bank of America Corp	A3	A-	537,684
Certificates of Deposit			
Svenska Handelsbanken NY	P-1	A-1+	871,200
Bank of Montreal Chicago	P-1	A-1	598,882
Sumitomo Mitsui Bank NY	P-1	A-1	970,854
Skandinav Enskilda Banken NY	Aa2	A+	1,065,726
MUFG Bank NY	A1	A	544,501
Credit Suisse NY	A1	A	549,980
Nordea Bank AB NY	Aa3	AA-	547,099
UBS AG Stamford CT	Aa2	A+	551,808
Credit Agricole NY	A1	A	550,608
Canadian IMP BK NY	A1	A+	549,999
Bank of Nova Scotia Houston	A1	A+	553,052
Westpac Banking Corp NY	Aa3	AA-	949,728
Swedbank NY	Aa2	AA-	538,515
Royal Bank of Canada NY	A1	AA-	704,927
Asset-backed Securities	Aaa	AAA	2,025,902
Asset-backed Securities	Aaa	Not Rated	2,936,191
Asset-backed Securities	Not Rated	AAA	1,708,791
Supra-National Agency Notes and Bonds	Aaa	AAA	3,039,275
Money Market	Aaa	AAAm	212,991
Subtotal			54,017,822
Not Rated:			
Cash on hand	Not Rated	Not Rated	2,170
US Bank General Checking	Not Rated	Not Rated	5,987,461
Money Market (Sweep Account)	Not Rated	Not Rated	58,988
Local Agency Investment Funds (LAIF)	Not Rated	Not Rated	21,737,049
Total Investments			<u>\$81,803,490</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total entity-wide investments are as follows at June 30, 2018:

Issuer	Investment Type	Amount
Federal National Mortgage Association Notes (FNMA)	Government Sponsored Enterprise Agencies	\$4,164,975

G. 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, 2018, the City's bank balance was \$7,726,501 and the corresponding carrying book balance was \$5,925,781. Of the bank balance, \$250,000 was covered by federal depository insurance and \$7,476,501 was collateralized.

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.

H. 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, 2018, the City held \$21,737,049 in LAIF. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF and average maturity of 193 days.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – INTERFUND TRANSACTIONS

A. Transfers

Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount</u>	
General Fund	Capital Projects Fund	\$3,879,531	(A)
	Non-Major Governmental Funds	166,060	(B)(D)
Non-Major Governmental Funds	General Fund	158,506	(C)
	Capital Projects Fund	<u>1,510,248</u>	(A)
		<u>\$5,714,345</u>	

Interfund transfers were principally used for the following purposes,

- (A) To fund capital projects
- (B) Maintain minimum fund balance in Debt Service
- (C) Public safety related funds paid to the General Fund
- (D) Traffic fines paid to the General Fund

B. Due to/from other funds

Current interfund balances arise in the normal course of business, to fund projects until the borrowing fund receives revenues to repay the lending fund and to assist funds with negative cash balance at the fiscal year end. The following is a summary of interfund balances as of June 30, 2018:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$559,945
	Storm Drain Enterprise Fund	<u>9,500</u>
	Total	<u>\$569,445</u>

NOTE 4 – NOTE RECEIVABLE

The City entered into a loan agreement with the City Manager on November 1, 2016, to provide the City Manager a long-term loan of up to \$2,000,000 to finance the acquisition of his personal residence located within the City. The loan is secured by a deed of trust on the property. The loan is due upon sale of the property, within six to twelve months after the termination of the City Manager’s employment with the City depending on the cause of termination, or 30 years from the date of the loan agreement execution, whichever occurs first. The loan bears an interest rate at the 5 Year Treasury Rate as of September 1, 2016 amortized over a thirty-year period and recalculated to the 5 year Treasury Rate every five years of the original date of the loan. At June 30, 2018, the outstanding balance of this loan was \$1,895,206.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS

A. Government-wide Financial Statements

At June 30, 2018, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Nondepreciable assets:			
Construction in progress	\$6,869,136	\$768,187	\$7,637,323
Land	11,642,285		11,642,285
Total nondepreciable assets	<u>18,511,421</u>	<u>768,187</u>	<u>19,279,608</u>
Depreciable assets:			
Buildings	21,637,868	17,726,839	39,364,707
Improvements	6,325,889		6,325,889
Machinery and equipment	6,208,419	1,103,287	7,311,706
Infrastructure	39,507,935	2,545,530	42,053,465
Total depreciable assets	73,680,111	21,375,656	95,055,767
Less accumulated depreciation	<u>(29,421,709)</u>	<u>(12,693,584)</u>	<u>(42,115,293)</u>
Total depreciable assets, net	<u>44,258,402</u>	<u>8,682,072</u>	<u>52,940,474</u>
Total capital assets	<u>\$62,769,823</u>	<u>\$9,450,259</u>	<u>\$72,220,082</u>

The following is a summary of capital assets for governmental activities for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Governmental Activities:					
Capital assets, not depreciated:					
Land	\$11,642,285				\$11,642,285
Construction in progress	7,788,517	\$8,181,645		(\$9,101,026)	6,869,136
Total capital assets, not depreciated	<u>19,430,802</u>	<u>8,181,645</u>		<u>(9,101,026)</u>	<u>18,511,421</u>
Depreciable assets:					
Buildings	21,637,868				21,637,868
Improvements	5,330,448			995,441	6,325,889
Machinery and equipment	5,744,498	695,928	(\$232,007)		6,208,419
Infrastructure	31,402,350			8,105,585	39,507,935
Total cost of depreciable assets	<u>64,115,164</u>	<u>695,928</u>	<u>(232,007)</u>	<u>9,101,026</u>	<u>73,680,111</u>
Less accumulated depreciation:					
Buildings	(9,829,941)	(400,706)			(10,230,647)
Improvements	(2,047,430)	(180,014)			(2,227,444)
Machinery and equipment	(4,330,941)	(365,521)	232,007		(4,464,455)
Infrastructure	(11,257,821)	(1,241,342)			(12,499,163)
Total accumulated depreciation	<u>(27,466,133)</u>	<u>(2,187,583)</u>	<u>232,007</u>		<u>(29,421,709)</u>
Net depreciable assets	<u>36,649,031</u>	<u>(1,491,655)</u>		<u>9,101,026</u>	<u>44,258,402</u>
Governmental Activity Capital Assets, Net	<u>\$56,079,833</u>	<u>\$6,689,990</u>			<u>\$62,769,823</u>

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

The governmental activities depreciation expenses for capital assets for the year ended June 30, 2018 are as follows:

Functions/Programs	Total
Public safety	\$177,513
Public works	1,294,849
Recreation	493,894
Admin / community services	221,327
Total depreciation expense	<u>\$2,187,583</u>

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

	Balance June 30, 2017	Additions	Transfers	Balance Transfers
Business-Type Activities:				
Capital assets, not depreciated:				
Construction in progress		\$1,344,496	(\$576,309)	\$768,187
Total capital assets, not depreciated:		1,344,496	(576,309)	768,187
Capital assets, being depreciated:				
Buildings	\$17,726,839			\$17,726,839
Machinery and equipment	1,069,493	33,794		1,103,287
Infrastructure	1,969,221		576,309	2,545,530
Total cost of depreciable assets	20,765,553	33,794	576,309	21,375,656
Less accumulated depreciation:				
Buildings	(9,739,327)	(263,155)		(10,002,482)
Machinery and equipment	(653,539)	(53,934)		(707,473)
Infrastructure	(1,969,221)	(14,408)		(1,983,629)
Total accumulated depreciation	(12,362,087)	(331,497)		(12,693,584)
Net depreciable assets	8,403,466	(297,703)	576,309	8,682,072
Business-type Activity Capital Assets, Net	<u>\$8,403,466</u>	<u>\$1,046,793</u>		<u>\$9,450,259</u>

Depreciation expense for business-type activities related to the Sewer Fund amounted to \$331,497 for the year ended June 30, 2018.

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 Position.

The capital assets of the Enterprise Funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-wide Financial Statements.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 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, 2018 is as follows:

	Balance at June 30, 2017	Retirements	Balance at June 30, 2018	Due Within One Year	Due in More Than One Year
Certificate of participation	\$1,355,000	(\$110,000)	\$1,245,000	\$120,000	\$1,125,000

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, 2018, future debt service requirements for the 2004 Refunding were as follows:

Year ending June 30	Principal	Interest	Total
2019	\$120,000	\$51,880	\$171,880
2020	120,000	47,200	167,200
2021	125,000	42,400	167,400
2022	130,000	37,400	167,400
2023	140,000	31,875	171,875
2024 - 2027	610,000	66,512	676,512
Total	\$1,245,000	\$277,267	\$1,522,267

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.

	Balance June 30, 2017	Retirements	Balance June 30, 2018	Due Within One Year	Due in More Than One Year
Raymundo Curb and Gutter	\$92,000	(\$21,000)	\$71,000	\$22,000	\$49,000
Blue Oak Lane	545,000	(15,000)	530,000	15,000	515,000
Total	\$637,000	(\$36,000)	\$601,000	\$37,000	\$564,000

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 – LONG-TERM OBLIGATIONS (Continued)

Raymundo Special Assessment Districts: The Raymundo Curb and Gutter Assessment District Improvement Bonds were issued on August 3, 2005 to provide financing for the street improvements in that District. The bonds are payable from a special property tax levied to those residents living within the respective 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.

NOTE 7 – COMPENSATED ABSENCES PAYABLE

The City's compensated absences at June 30, 2018, were as follows:

	Governmental Activities	Business-type Activities	Total
Balance at July 1, 2017	\$1,503,785	\$64,292	\$1,568,077
Additions	1,097,264	89,499	1,186,763
Payments	(956,367)	(68,833)	(1,025,200)
Balance at June 30, 2018	<u>\$1,644,682</u>	<u>\$84,958</u>	<u>\$1,729,640</u>
Current Portion	<u>\$411,171</u>	<u>\$21,240</u>	<u>\$432,411</u>
Long-Term Portion	<u>\$1,233,511</u>	<u>\$63,718</u>	<u>\$1,297,229</u>

NOTE 8 – NET POSITION AND 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, can commit fund balances through the adoption of a formal action in accordance with the adoption of its annual Financial Policy. This formal action includes committing funds through budget adoption or by resolution. 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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

B. General Fund Reserve

The City Council has established a General Fund 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. In fiscal year 2017/18, in line with budget approval, the City reallocated the pre-established State Budget Stabilization reserve into the aforementioned General Fund reserve. This results in the establishment of one Reserve balance to assist in periods of economic downturn or extraordinary need. The City achieved its reserve goal of 20% during fiscal year 2017/18.

C. Classifications

In the Government-wide Financial Statements, net position is classified in the following categories:

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

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

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, 2018, 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.
- *Committed Fund Balance* – Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Council's highest level of decision-making authority. The City Council can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

- *Assigned Fund Balance* – comprised of 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* – conveys 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 Use

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 by resolution 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 by resolution. The same action must be taken to modify or rescind the commitment.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

E. Fund Balances

Fund balances for all the major and non-major governmental funds as of June 30, 2018 were distributed as follows:

Fund Balance Classifications	General	In Lieu Park Land	Capital Projects	Other Governmental Funds	Total
Nonspendables:					
Inventory and prepaids	\$26,760				\$26,760
Notes receivable	1,895,206				1,895,206
Veteran Memorial	9,986				9,986
Total Nonspendable Fund Balances	1,931,952				1,931,952
Restricted for:					
Debt service				\$364,179	364,179
Special revenue programs and projects		\$5,253,528		4,490,006	9,743,534
Total Restricted Fund Balances		5,253,528		4,854,185	10,107,713
Assigned to:					
Emergency and operating	7,250,645				7,250,645
OPEB	1,500,000				1,500,000
PERS reserve	4,000,000				4,000,000
Technology reserve	1,856,769				1,856,769
Capital and equipment (Note 8I)	23,432,734			1,335,148	24,767,882
Total Assigned Fund Balances	38,040,148			1,335,148	39,375,296
Unassigned	5,421,683		(\$823,098)		4,598,585
Total Unassigned Fund Balances	5,421,683		(823,098)		4,598,585
Total Fund Balances	\$45,393,783	\$5,253,528	(\$823,098)	\$6,189,333	\$56,013,546

F. Net Deficit

The funds listed in the table below had fund balance deficits at June 30, 2018. These deficits are expected to be eliminated by future revenues.

Fund	Fund Deficit
Capital Projects Fund	\$823,098
Storm Drain Enterprise Fund	23,938

G. OPEB Reserves

As of June 30, 2018, \$1,500,000 million in General Fund reserves have been assigned in recognition of existing Post-Retirement Health Actuarial Liability noted above.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

H. Restatements of Net Position

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net positions as of July 1, 2017 of the Governmental Activities, Business-Type Activities, Sewer Enterprise Fund, Solid Waste Enterprise Fund and Storm Drain Enterprise Fund were restated and reduced by \$403,249, \$35,189, \$28,612, \$2,193 and \$4,384, respectively. See Note 12 for additional information.

I. Capital Projects Reserves

As of June 30, 2018 the City had set-aside \$23,432,734 for the construction of a new community center that is financed by resources other than proprietary funds. This amount includes \$10,520,361 from the City's Real Property Proceeds Fund and \$12,912,373 in the City's Community Facilities Renewal Fund, which are presented with the General Fund in the financial statements. While these funds are not restricted by outside funding sources, the fund balance is assigned for the new community center.

	Real Property Proceeds Fund	Community Facilities Renewal Fund
Beginning Fund Balance as of July 1, 2017	\$10,470,200	\$13,350,992
Revenues		
Interest Income	50,161	
Total Revenues	50,161	
Other Financing Sources (Uses)		
Transfers out		(438,619)
Total Other Financing Sources (Uses)		(438,619)
Ending Fund Balance as of June 30, 2018	\$10,520,361	\$12,912,373

J. Encumbrances

The City utilized an encumbrance system during fiscal year 2018 to assist in controlling expenditures. Under this system, governmental funds are encumbered when purchase orders, contracts, or other commitments are signed or approved. The General fund had an encumbrance balance at June 30, 2018, of \$256,296 that will be carried over to fiscal year 2019.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – RISK MANAGEMENT

A. *Bay Cities Joint Powers Insurance Authority*

The City is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and floods for which the City is insured through Bay Cities Joint Powers Insurance Authority (Bay Cities).

The City has joined Bay Cities for general liability, property, errors and omissions, crimes and automobile physical damage coverage in the current year. Bay Cities is a public agency created in 1986 by and among various municipalities in Northern California to provide a pooled approach to liability insurance pursuant to the California Government Code. It is governed by a Board of Directors comprised of appointed officials from the member entities. The purpose of the pool is to provide various levels of liability coverage, claims administration, and loss control support to member agencies. Annually, each member pays an actuarially determined premium based on a formula which takes into account the prior three years' loss experience, annual payroll, and population.

Bay Cities provides coverage for its Members in excess of the member's retained limit, or self-insured retention (SIR), up to \$1,000,000 per occurrence. Each Member retains the portion of every loss that falls within their SIR, ranging from \$2,500 to \$1,000,000. Bay Cities is also a member of the California Affiliated Risk Management Authorities (CARMA), a risk sharing joint powers authority. When losses exceed the \$1,000,000 per occurrence limit, CARMA provides coverage up to \$28,000,000.

The City self-insures the first \$100,000 of each liability loss. Once the City's deductible is met, Bay Cities becomes responsible for payment of all claims up to the upper limit. During the year ended June 30, 2018, the City contributed \$65,849 for current year coverage.

The City continues to carry excess insurance policy for Workers' Compensation claims through the CSAC Excess Insurance Authority JPA 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, 2018. During the year, the City contributed \$812,120 for current year coverage.

As of June 30, 2018, \$31,828 of revolving funds was held in trust on behalf of the City by the workers' compensation third-party claims administrator. \$20,000 is also being held by Bay Cities in the procurement of liability and claims coverage. The City will receive these funds upon termination of services subject to final withdrawal adjustments.

The Bay Cities financial statements may be obtained from Bay Cities Joint Powers Insurance Authority, Bickmore, 1750 Creekside Oaks Drive Suite 200, Sacramento, CA 95833. CSAC Excess Insurance Authority financial statements may be obtained from CSAC Excess Insurance Authority, 75 Iron Point Circle Suite 200, Folsom, CA 95630.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – RISK MANAGEMENT (Continued)

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. The current accounting standards require 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,		
	2018	2017	2016
Unpaid claims, beginning of year	\$3,433,475	\$3,937,000	\$4,146,000
Incurred claims and changes in estimates	779,259	463,328	106,548
Claim payments	<u>(632,734)</u>	<u>(966,853)</u>	<u>(315,548)</u>
Unpaid claims, end of year	<u>\$3,580,000</u>	<u>\$3,433,475</u>	<u>\$3,937,000</u>
Current Portion	<u>\$831,733</u>	<u>\$643,503</u>	<u>\$650,101</u>
Long-Term Portion	<u>\$2,748,267</u>	<u>\$2,789,972</u>	<u>\$3,286,899</u>

In conformance with current accounting standards the City obtained an independent actuarial valuation of all outstanding Workers Compensation and Liability claims. The Workers Compensation report presented a valuation as of June 30, 2017 and projected values through fiscal years 2018 and 2019. The fiscal year 2017-2018 values presented above reflect the estimated present value of open claims as developed in this actuarial report. The General Liability report presented a valuation as of June 30, 2017 and projected values through fiscal year 2019. The estimated amount of claims and judgments due within one year is \$831,733.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 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 \$75 per month for each fulltime budgeted position. The funds accumulated are used to reimburse full-time salaried employees and their dependents, as well as council members for covered dental claims. There are no administrative charges for this plan. The Dental Reimbursement Fund maintains a positive fund balance of \$57,161 with contributions and reimbursements for the past five fiscal years as follows:

Fiscal year ended June 30,	Contribution Amount	Reimbursement Amount
2014	\$110,284	\$119,137
2015	123,225	128,498
2016	122,400	155,793
2017	121,350	125,208
2018	127,800	177,094
Total	<u>\$605,059</u>	<u>\$705,730</u>

The dental plan year commences January 1st of each calendar year. An annual maximum dental reimbursement of \$1,804 is provided for each employee and \$1,202 for each of their dependents. 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 is increased annually based on the Consumer Price Index but not to exceed 3%.

NOTE 11 – PENSION PLAN

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

A. General Information about the Pension Plan

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

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

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

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous - Tier 1</u>
Hire date	Prior to January 1, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-67
Monthly benefits, as a % of eligible compensation	2.00% - 2.7%
Required employee contribution rates	7.951%
Required employer contribution rates	11.675%
	<u>Miscellaneous - Tier 2</u>
	January 1, 2012 - December 31, 2012
Hire date	2% @ 60
Benefit formula	5 years service
Benefit vesting schedule	monthly for life
Benefit payments	50-67
Retirement age	1.092% - 2.418%
Monthly benefits, as a % of eligible compensation	7.000%
Required employee contribution rates	7.200%
Required employer contribution rates	
	<u>Miscellaneous - PEPRA</u>
	On or after January 1, 2013
Hire date	2% @ 62
Benefit formula	5 years service
Benefit vesting schedule	monthly for life
Benefit payments	52-67
Retirement age	1.00% - 2.50%
Monthly benefits, as a % of eligible compensation	6.250%
Required employee contribution rates	6.533%
Required employer contribution rates	

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

	<u>Safety - Tiers 1 and 2</u>
Hire date	Prior to January 1, 2012
Benefit formula	3% @ 50
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-55
Monthly benefits, as a % of eligible compensation	3.00%
Required employee contribution rates	8.988%
Required employer contribution rates	19.723%

	<u>Safety- Tier 3</u>
Hire date	January 1, 2012 - December 31, 2012
Benefit formula	3% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-55
Monthly benefits, as a % of eligible compensation	2.400-3.000%
Required employee contribution rates	8.982%
Required employer contribution rates	16.842%

	<u>Safety- PEPRA</u>
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-57
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%
Required employee contribution rates	11.500%
Required employer contribution rates	11.990%

Beginning in fiscal year 2017, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$1,543,970 in fiscal year 2018.

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

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$1,769,644	\$1,390,429

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$20,265,838
Safety	15,919,233
Total Net Pension Liability	<u>\$36,185,071</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2016	0.20%	0.16%
Proportion - June 30, 2017	0.51%	0.27%
Change - Increase (Decrease)	0.31%	0.11%

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

For the year ended June 30, 2018, the City recognized pension expense of \$7,898,638. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$3,160,073	
Differences between actual and expected experience	193,164	(\$394,413)
Changes in assumptions	5,481,482	(419,122)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(959,516)
Net differences between projected and actual earnings on plan investments	1,219,820	
Adjustments due to differences in proportion	811,050	(151,507)
Total	<u>\$10,865,589</u>	<u>(\$1,924,558)</u>

\$3,160,073 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$1,398,490
2020	3,201,804
2021	1,900,315
2022	(719,651)

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability is based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS' Membership Data for all funds (2)

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

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a January 2016 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.15% used for the June 30, 2017 measurement date was net of administrative expenses. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2017 measurement date were the same as those used for the June 30, 2016 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$30,269,560	\$24,001,906
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$20,265,838	\$15,919,233
1% Increase	8.15%	8.15%
Net Pension Liability	\$11,980,575	\$9,312,052

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

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan

Plan Description – The City’s Post Employment Benefit Plan is an agent-multiple-employer defined benefit healthcare plan administered by the California Employers’ Retiree Benefit Trust (CERBT).

Benefits Provided – The provisions and benefits of the City’s Other Post Employment Benefit Plan in effect at June 30, 2018, are summarized as follow:

<i>Eligibility</i>	All Bargaining Units									
	Retire directly from the City under CalPERS (age 50 and 5 years of service or disability)									
<i>Benefit</i>	<ul style="list-style-type: none"> - 5% of active contribution times years in PEMHCA (increase each year not greater than \$100 per month) - Joined PEMHCA in 2001 - 100% of PEMHCA minimum in 2021 - Monthly amounts: <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Year</u></th> <th style="text-align: left;"><u>Actives</u></th> <th style="text-align: left;"><u>Retirees</u></th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>\$ 128.00</td> <td>\$ 102.40</td> </tr> <tr> <td>2018</td> <td>133.00</td> <td>113.05</td> </tr> </tbody> </table>	<u>Year</u>	<u>Actives</u>	<u>Retirees</u>	2017	\$ 128.00	\$ 102.40	2018	133.00	113.05
<u>Year</u>	<u>Actives</u>	<u>Retirees</u>								
2017	\$ 128.00	\$ 102.40								
2018	133.00	113.05								
<i>Surviving Spouse Benefit</i>	Surviving spouse coverage continues based on CalPERS retirement plan election									

For the year ended June 30, 2018, the City’s contributions to the Plan were \$143,000.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2017

Active employees	125
Inactive employees or beneficiaries currently receiving benefit payments	50
Inactive employees entitled to but not yet receiving benefit payments	74
Total	249

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

B. Net OPEB Liability

Actuarial Methods and Assumptions – The City net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2017 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2017 Measurement Date
Valuation Date	• January 1, 2017
Actuarial Cost Method	• Entry Age Normal, Level Percentage of Payroll
Contribution Policy	• City contributes full Actuarial Determined Contribution through CERBT #1
Discount Rate and Long Term Expected Rate of Return on Assets	• 6.75% at June 30, 2017
	• 6.75% at June 30, 2016
	• Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	• 2.75% per annum
Termination	• CalPERS 1997-2011 Experience Study
Mortality Improvement	• Mortality Improvement Scale MP-16
Salary Increases	• Aggregate - 3%
	• Merit - CalPERS 1997-2011 Experience Study
Medical Trend	• Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years
	• Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	• 4.25% for 2019+
Healthcare participation	• 60%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	57.0%	4.9%
Fixed income	27.0%	1.5%
TIPS	5.0%	1.3%
Commodities	3.0%	0.8%
REITs	8.0%	3.8%
Total	100.0%	

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Amounts in 000's		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2016 Measurement Date	\$2,987	\$1,515	\$1,472
Changes Recognized for the Measurement Period:			
Service Cost	154		154
Interest on the total OPEB liability	207		207
Changes in benefit terms			0
Differences between expected and actual experience			0
Changes of assumptions			0
Contributions from the employer		135	(135)
Net investment income		160	(160)
Benefit payments	(134)	(134)	0
Administrative expenses		(2)	2
Net changes	227	159	68
Balance at June 30, 2017 Measurement Date	\$3,214	\$1,674	\$1,540

The City paid \$135,000 for retiree healthcare plan benefits, including \$57,000 in premium payments for retirees, \$77,000 for implied subsidies, and \$1,000 for administrative costs. The plan does not issue separate financial statements.

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

Net OPEB Liability/(Asset) (Amounts in 000's)		
Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
\$1,985	\$1,540	\$1,172

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12– OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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

The healthcare cost trend are as follows:

- Non-Medicare: 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2026 and later years.
- Medicare: 6.5% for 2018, decreasing to an ultimate rate of 4.0% in 2026 and later years.
-

Net OPEB Liability/(Asset) (Amounts in 000's)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$1,133	\$1,540	\$2,042

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$249,000. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Amounts in 000's	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$143	
Differences between actual and expected experience		
Changes of assumptions		
Net differences between projected and actual earnings on plan investments		(\$46)
Total	\$143	(\$46)

\$143,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$12)
2020	(12)
2021	(12)
2022	(10)
Total	(\$46)

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 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.

The City participates in several Federal and State grant programs. These programs are subject to the audits by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. In addition, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 14 – OTHER INFORMATION

A. *Joint Powers Agreements*

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

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

City of Palo Alto Regional Water Quality Control Plant: The City has an agreement with the City of Palo Alto to purchase treatment capacity at the Palo Alto Regional Water Quality Control Plant. It was 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 agreement provides that the City will purchase capacity for 50 years. The City of Palo Alto acts as administrator 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.

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 repaid 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.

CITY OF LOS ALTOS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 14 – OTHER INFORMATION (Continued)

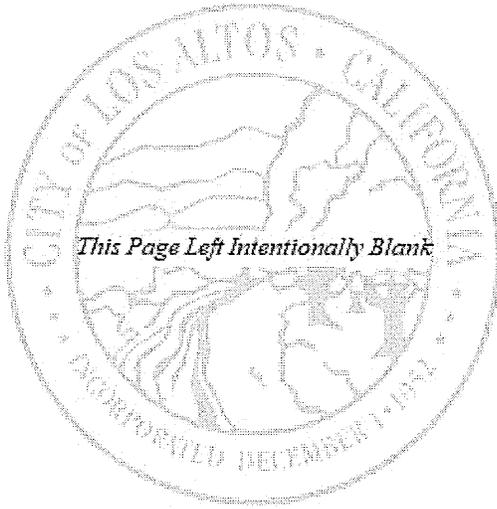
Community Health Awareness Council (CHAC): CHAC was organized as a joint powers agency between the City of Los Altos, City of Mountain View, Town of Los Altos Hills, Los Altos School District, Mountain View Whisman School District, and Mountain View-Los Altos High School District. CHAC provides prevention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

Silicon Valley Clean Energy Authority: The Silicon Valley Clean Energy Authority (SVCEA) was established in 2016 by 12 agencies in Santa Clara County including the City of Los Altos. The purpose of SVCEA is to enable the member agencies to pool the electricity demand within their jurisdictions to directly procure or generate electrical power supplies on behalf of the residents and businesses in their communities, thus allowing those agencies to provide a clean energy option for residents at a competitive price with traditional energy sources. As part of the implementation of SVCEA, the City of Los Altos paid \$100,000 for its portion of the start-up costs. These funds are to be reimbursed to the City once the Authority has achieved financial sustainability.

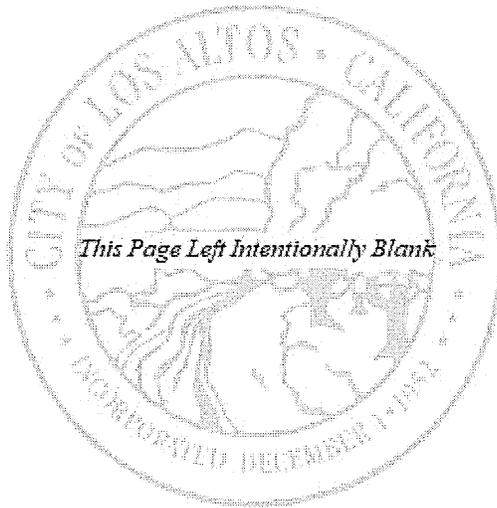
NOTE 15 – OTHER COMMITMENTS

A summary of remaining authorized CIP project balances at June 30, 2018 for all City funds by service area are as follows:

Construction in progress:	
Streets and Roadways	\$2,116,124
Pedestrian Safety	6,916,275
Infrastructure and Facilities	3,073,693
Parks	1,820,463
Sewer	4,414,498
Technology	1,208,924
Community Development	803,636
Total	<u>\$20,353,613</u>



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

COST-SHARING EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIO

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Proportionate Share of the
Net Pension Liability and Related Ratio as of the Measurement Date

Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

Measurement Date	Miscellaneous Pool			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.42907%	0.50595%	0.20298%	0.51409%
Plan's proportion share of the Net Pension Liability (Asset)	\$10,604,408	\$13,880,661	\$17,564,072	\$20,265,838
Plan's Covered Payroll	7,736,180	7,806,721	8,434,058	8,337,461
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137.08%	177.80%	208.25%	243.07%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%	78.28%	73.20%	75.39%

Measurement Date	Safety Pool			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.24026%	0.25820%	0.16023%	0.26642%
Plan's proportion share of the Net Pension Liability (Asset)	\$9,011,972	\$10,639,010	\$13,864,825	\$15,919,233
Plan's Covered Payroll	3,607,754	3,645,893	3,885,679	3,686,478
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	249.79%	291.81%	356.82%	431.83%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.46%	78.52%	73.96%	71.74%

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

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Contributions
Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

	Miscellaneous Pool			
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Actuarially determined contribution	\$1,081,811	\$1,456,475	\$1,544,680	\$1,769,644
Contributions in relation to the actuarially determined contributions	(1,081,811)	(1,456,475)	(1,544,680)	(1,769,644)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$7,806,721	\$8,434,058	\$8,337,461	\$9,734,936
Contributions as a percentage of covered payroll	13.86%	17.27%	18.53%	18.18%
Notes to Schedule				
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016

	Safety Pool			
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Actuarially determined contribution	\$924,466	\$1,134,277	\$1,205,365	\$1,390,429
Contributions in relation to the actuarially determined contributions	(1,076,741)	(1,134,277)	(1,205,365)	(1,390,429)
Contribution deficiency (excess)	<u>(\$152,275)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$3,645,893	\$3,885,679	\$3,686,478	\$4,233,297
Contributions as a percentage of covered payroll	29.53%	29.19%	32.70%	32.85%
Notes to Schedule				
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.15% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

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

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Changes in the Net Other Post-Employment Benefits Liability and Related Ratios
Retiree Healthcare OPEB Plan – Agent Multiple Employer
Last 10 fiscal years*
(Amounts in 000's)

Measurement Date	6/30/17
Total OPEB Liability	
Service Cost	\$154
Interest	207
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments	(134)
Net change in total OPEB liability	227
Total OPEB liability - beginning	2,987
Total OPEB liability - ending (a)	\$3,214
Plan fiduciary net position	
Contributions - employer	\$135
Contributions - employee	
Net investment income	160
Administrative expense	(2)
Benefit payments	(134)
Net change in plan fiduciary net position	159
Plan fiduciary net position - beginning	1,515
Plan fiduciary net position - ending (b)	\$1,674
Net OPEB liability - ending (a)-(b)	\$1,540
Plan fiduciary net position as a percentage of the total OPEB liability	52.08%
Covered-employee payroll	\$12,546
Net OPEB liability as a percentage of covered-employee payroll	12.27%

* Fiscal year 2018 was the first year of implementation.

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF CONTRIBUTIONS

Retiree Healthcare OPEB Plan - Agent Multiple Employer

Last 10 fiscal years*

(Amounts in 000's)

Fiscal Year Ended June 30,	<u>2018</u>
Actuarially determined contribution	\$304
Contributions in relation to the actuarially determined contribution	<u>143</u>
Contribution deficiency (excess)	<u>\$161</u>
Covered-employee payroll	<u>\$14,000</u>
Contributions as a percentage of covered-employee payroll	1.02%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTION
Retiree Healthcare OPEB Plan - Agent Multiple Employer
Methods and Assumptions for Actuarially Determined Contribution

Valuation Date	• 1/1/2017
Actuarial Cost Method	• Entry Age Normal, Level Percentage of Payroll
Amortization Method	• Level percent of pay
Amortization Period	• 16.3-year average fixed period for 2017/18
Asset Valuation Method	• Investment gains and losses spread over 5-year rolling period
Discount Rate	• 6.75%
General Inflation	• 2.75%
Medical Trend	• Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years • Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality, Retirement, Disability, Termination	• CalPERS 1997-2011 Experience Study
Mortality Improvement	• Mortality Improvement Scale MP-16
PEMHCA Minimum Increases	• 4.25% for 2019+
Healthcare participation	• 60%

CITY OF LOS ALTOS
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property tax	\$20,132,700	\$20,132,700	\$21,428,500	\$1,295,800
Sales tax	3,268,700	3,268,700	3,243,554	(25,146)
Utility users	2,630,000	2,630,000	2,732,325	102,325
Other tax	3,859,500	3,859,500	4,534,886	675,386
Licenses, permits and fees	8,310,700	3,623,800	4,055,230	431,430
Grants and donations			82,101	82,101
Charges for services		4,501,500	4,510,749	9,249
Fines and forfeitures		178,500	158,664	(19,836)
Interest and rentals	219,000	219,000	303,377	84,377
Other		137,300	128,007	(9,293)
Total revenues	<u>38,420,600</u>	<u>38,551,000</u>	<u>41,177,393</u>	<u>2,626,393</u>
Expenditures:				
General government:				
Public Safety	17,386,509	17,477,998	17,465,711	12,287
Public Works	8,093,793	5,859,101	5,783,953	75,148
Recreation	2,275,468	2,424,972	2,509,280	(84,308)
Community development	2,863,734	5,571,190	5,180,470	390,720
Admin/community services	5,633,718	5,605,723	4,772,919	832,804
Total expenditures	<u>36,253,222</u>	<u>36,938,984</u>	<u>35,712,333</u>	<u>1,226,651</u>
Excess of revenues over expenditures	<u>2,167,378</u>	<u>1,612,016</u>	<u>5,465,060</u>	<u>3,853,044</u>
Other financing sources (uses):				
Transfers in			158,506	158,506
Transfers out			(4,045,591)	(4,045,591)
Total other financing sources (uses)			<u>(3,887,085)</u>	<u>(3,887,085)</u>
Net change in fund balance	<u>\$2,167,378</u>	<u>\$1,612,016</u>	1,577,975	<u>(\$34,041)</u>
Fund balance at beginning of year			<u>43,815,808</u>	
Fund balance at end of year			<u>\$45,393,783</u>	

CITY OF LOS ALTOS
 IN-LIEU PARK LAND SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES:				
Interest and rentals			\$24,576	\$24,576
Intergovernmental		\$255,000	1,092,500	837,500
Total Revenues		255,000	1,117,076	862,076
EXPENDITURES:				
Capital improvement		841,400	251,257	590,143
EXCESS OF REVENUES OVER EXPENDITURES		(586,400)	865,819	271,933
NET CHANGE IN FUND BALANCE		<u>(\$586,400)</u>	865,819	<u>\$271,933</u>
Beginning fund balance			4,387,709	
Ending fund balance			<u>\$5,253,528</u>	

CITY OF LOS ALTOS
Note to Required Supplementary Information
For the Year Ended June 30, 2018

1. *Budget and Budgetary Accounting*

The City adopts a budget annually for General Fund, Special Revenue Funds, (except for the Storm Drain Deposits Fund), and Equipment Replacement Capital Projects Fund 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 amount 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.

OTHER SUPPLEMENTARY INFORMATION



GENERAL FUND

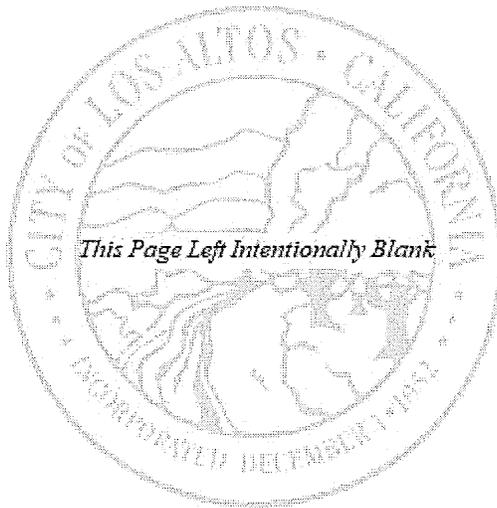
General Fund – Accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in other funds. The General Fund supports essential City services such as police, fire, street and parks maintenance, maintenance services, community development and recreation activities. The General Fund also includes the Real Property Proceeds Funds, which accounts for the proceeds from the sale of real property and the Community Facilities Renewal Fund, which accounts for the revenues and expenditures related to the community facilities renewal efforts.

CITY OF LOS ALTOS
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2018

	General	Community Facilities Renewal Fund	Real Property Proceeds	Total General Fund
ASSETS				
Cash and investments	\$20,357,551	\$12,912,373	\$10,506,259	\$43,776,183
Receivables, net of allowance for uncollectibles:				
Accounts	1,306,049			1,306,049
Interest	64,812		14,102	78,914
Prepays	19,974			19,974
Notes receivable	1,895,206			1,895,206
Inventory	6,786			6,786
Due to other funds	569,445			569,445
	<u>\$24,219,823</u>	<u>\$12,912,373</u>	<u>\$10,520,361</u>	<u>\$47,652,557</u>
LIABILITIES				
Accounts payable	\$1,273,521			\$1,273,521
Accrued liabilities	807,629			807,629
Other payable	177,624			177,624
	<u>2,258,774</u>			<u>2,258,774</u>
FUND BALANCES				
Fund balance:				
Nonspendable	1,931,952			1,931,952
Assigned	15,154,199	\$12,912,373	\$10,520,361	38,586,933
Unassigned	4,874,898			4,874,898
	<u>21,961,049</u>	<u>12,912,373</u>	<u>10,520,361</u>	<u>45,393,783</u>
Total Fund Balances	<u>\$24,219,823</u>	<u>\$12,912,373</u>	<u>\$10,520,361</u>	<u>\$47,652,557</u>
Total Liabilities and Fund Balances	<u>\$24,219,823</u>	<u>\$12,912,373</u>	<u>\$10,520,361</u>	<u>\$47,652,557</u>

CITY OF LOS ALTOS
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Community Facilities Renewa Fund	Real Property Proceeds	Intra-Fund Transaction Elimination	Total General Fund
REVENUES					
Property tax	\$21,428,500				\$21,428,500
Sales tax	3,243,554				3,243,554
Utility users	2,732,325				2,732,325
Other tax	4,534,886				4,534,886
Licenses, permits and fees	4,055,230				4,055,230
Grants and donations	82,101				82,101
Charges for services	4,510,749				4,510,749
Fines and forfeitures	158,664				158,664
Interest and rentals	253,216		\$50,161		303,377
Other	128,007				128,007
Total Revenues	41,127,232		50,161		41,177,393
EXPENDITURES					
General government					
Public safety	17,465,711				17,465,711
Public works	5,783,953				5,783,953
Recreation	2,509,280				2,509,280
Community development	5,180,470				5,180,470
Admin / community development	4,772,919				4,772,919
Total Expenditures	35,712,333				35,712,333
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,414,899		50,161		5,465,060
OTHER FINANCING SOURCES (USES)					
Transfers in	158,506				158,506
Transfers (out)	(3,606,972)	(\$438,619)			(4,045,591)
Total Other Financing Sources (Uses)	(3,448,466)	(438,619)			(3,887,085)
NET CHANGE IN FUND BALANCES	1,966,433	(438,619)	50,161		1,577,975
BEGINNING FUND BALANCES	19,994,616	13,350,992	10,470,200		43,815,808
ENDING FUND BALANCES	\$21,961,049	\$12,912,373	\$10,520,361		\$45,393,783



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NON-MAJOR 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, an 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.

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)**PEG FUND**

To account for fees collected by local Cable Television franchise. All funds are restricted for public education and government access programming.

VEHICLE REGISTRATION FEES FUND

To account for fees collected by the Department of Motor Vehicles from registrations in Santa Clara County. All funds are restricted to street projects.

SB 1 ROAD MAINTENANCE REHABILITATION FUND

To account for revenues received from the State Streets and Highways Codes. These revenues are restricted to address deferred maintenance on the State Highway System and the local street and road system.

TRAFFIC CONGESTION RELIEF PROGRAM FUND

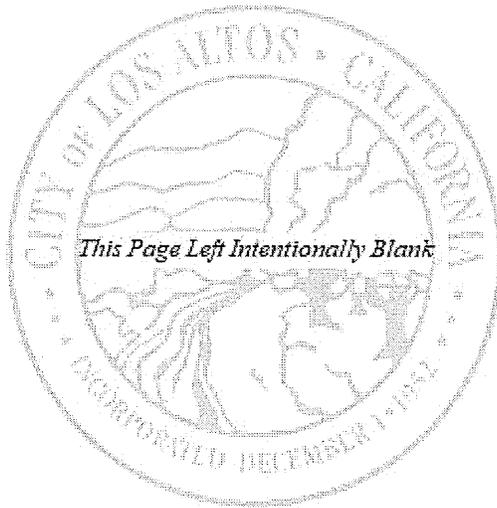
To account for revenues received from the State. These revenues must be used only for maintenance or reconstruction costs on public streets or roads.

CAPITAL PROJECTS FUND**EQUIPMENT REPLACEMENT FUND**

To account for the revenues and expenditures related to the replacement of certain City equipment and vehicles.

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
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Vehicle Impound	Supplemental Law Enforcement	Gas tax	Proposition 1B
ASSETS				
Cash and investments		\$33,333	\$1,244,616	\$41,042
Restricted cash and investments				
Receivables, net of allowance for uncollectibles:				
Accounts				
Interest			2,660	55
Total Assets		\$33,333	\$1,247,276	\$41,097
LIABILITIES				
Accounts payable				
Total Liabilities				
FUND BALANCES				
Restricted:				
Debt service				
Special revenue programs and projects		\$33,333	\$1,247,276	\$41,097
Assigned				
Total Fund Balances		33,333	1,247,276	41,097
Total Liabilities and Fund Balances		\$33,333	\$1,247,276	\$41,097

SPECIAL REVENUE FUNDS

Storm Drain Deposits	Community Development Block Grant	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA
\$56,086	\$4,617	\$736,394	\$579,781	\$15,649	
		1,374 988	1,405	21	
<u>\$56,086</u>	<u>\$4,617</u>	<u>\$738,756</u>	<u>\$581,186</u>	<u>\$15,670</u>	
		\$572			
		572			
\$56,086	\$4,617	\$738,184	\$581,186	\$15,670	
56,086	4,617	738,184	581,186	15,670	
<u>\$56,086</u>	<u>\$4,617</u>	<u>\$738,756</u>	<u>\$581,186</u>	<u>\$15,670</u>	

(Continued)

CITY OF LOS ALTOS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	PEG	Vehicle Registration Fees	SB1 Road Maintenance Rehabilitation	Traffic Congestion Relief Program
ASSETS				
Cash and investments	\$813,871	\$828,876		\$35,699
Restricted cash and investments				
Receivables, net of allowance for uncollectibles:				
Accounts	26,464		\$66,556	
Interest	1,091			
Total Assets	\$841,426	\$828,876	\$66,556	\$35,699
LIABILITIES				
Accounts payable				
Total Liabilities				
FUND BALANCES				
Restricted:				
Debt service				
Special revenue programs and projects	\$841,426	\$828,876	\$66,556	\$35,699
Assigned				
Total Fund Balances	841,426	828,876	66,556	35,699
Total Liabilities and Fund Balances	\$841,426	\$828,876	\$66,556	\$35,699

<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	
<u>Equipment Replacement</u>	<u>General</u>	<u>Total Non-major Governmental Funds</u>
\$1,335,148	\$194,339 169,840	\$5,919,451 169,840
		94,394 6,220
<u>\$1,335,148</u>	<u>\$364,179</u>	<u>\$6,189,905</u>
		\$572
		572
	\$364,179	364,179 4,490,006 1,335,148
<u>1,335,148</u>	<u>364,179</u>	<u>6,189,333</u>
<u>\$1,335,148</u>	<u>\$364,179</u>	<u>\$6,189,905</u>

CITY OF LOS ALTOS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Vehicle Impound	Supplemental Law Enforcement	Gas tax	Proposition 1B
REVENUES				
Charges for services				
Licenses, permits and fees				
Intergovernmental		\$139,416	\$634,964	
Grants and donations				
Fines and forfeitures	\$19,090			
Interest and rentals			8,928	\$196
Other				
Total Revenues	19,090	139,416	643,892	196
EXPENDITURES				
Current:				
Community development				
Capital improvements			132,281	
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures			132,281	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,090	139,416	511,611	196
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)	(19,090)	(139,416)	(741,940)	
Total Other Financing Sources (Uses)	(19,090)	(139,416)	(741,940)	
NET CHANGE IN FUND BALANCES			(230,329)	196
BEGINNING FUND BALANCES		33,333	1,477,605	40,901
ENDING FUND BALANCES		\$33,333	\$1,247,276	\$41,097

SPECIAL REVENUE FUNDS

Storm Drain Deposits	Community Development Block Grant	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA
		\$35,019	\$105,358		
	\$170,050				\$45,429
		13,522 9,640	5,165	\$76	
	170,050	58,181	110,523	76	45,429
		7,654			
	(4,617)		287,799		
	(4,617)	7,654	287,799		
	174,667	50,527	(177,276)	76	45,429
	(165,433)		(440,000)		(45,429)
	(165,433)		(440,000)		(45,429)
	9,234	50,527	(617,276)	76	
\$56,086	(4,617)	687,657	1,198,462	15,594	
\$56,086	\$4,617	\$738,184	\$581,186	\$15,670	

(Continued)

CITY OF LOS ALTOS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	PEG	Vehicle Registration Fees	SBI Road Maintenance Rehabilitation	Traffic Congestion Relief Program
REVENUES				
Charges for services	\$108,845			
Licenses, permits and fees				
Intergovernmental Grants and donations		\$192,859	\$184,002	\$35,699
Fines and forfeitures	100			
Interest and rentals	3,846			
Other				
Total Revenues	<u>112,791</u>	<u>192,859</u>	<u>184,002</u>	<u>35,699</u>
EXPENDITURES				
Current:				
Community development				
Capital improvements		23,367		
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures		<u>23,367</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>112,791</u>	<u>169,492</u>	<u>184,002</u>	<u>35,699</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)			(117,446)	
Total Other Financing Sources (Uses)			<u>(117,446)</u>	
NET CHANGE IN FUND BALANCES	112,791	169,492	66,556	35,699
BEGINNING FUND BALANCES	<u>728,635</u>	<u>659,384</u>		
ENDING FUND BALANCES	<u><u>\$841,426</u></u>	<u><u>\$828,876</u></u>	<u><u>\$66,556</u></u>	<u><u>\$35,699</u></u>

<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>Total Non-major Governmental Funds</u>
Equipment Replacement	General	
		\$108,845
		140,377
		994,081
		408,338
		19,190
		31,733
		9,640
		<u>1,712,204</u>
\$559,231		566,885
98,669		537,499
	\$110,000	110,000
	56,060	56,060
<u>657,900</u>	<u>166,060</u>	<u>1,270,444</u>
<u>(657,900)</u>	<u>(166,060)</u>	<u>441,760</u>
	166,060	166,060
		<u>(1,668,754)</u>
	<u>166,060</u>	<u>(1,502,694)</u>
<u>(657,900)</u>		<u>(1,060,934)</u>
<u>1,993,048</u>	<u>364,179</u>	<u>7,250,267</u>
<u>\$1,335,148</u>	<u>\$364,179</u>	<u>\$6,189,333</u>

CITY OF LOS ALTOS
VEHICLE IMPOUND FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	<u>\$20,000</u>	<u>\$19,090</u>	<u>(\$910)</u>
Total Revenues	<u>20,000</u>	<u>19,090</u>	<u>(910)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,000</u>	<u>19,090</u>	<u>(910)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u> </u>	<u>(19,090)</u>	<u>(19,090)</u>
Total other financing sources (uses)	<u> </u>	<u>(19,090)</u>	<u>(19,090)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$20,000</u></u>		<u><u>(\$20,000)</u></u>
Beginning fund balance		<u>\$0</u>	
Ending fund balance		<u><u>\$0</u></u>	

CITY OF LOS ALTOS
 SUPPLEMENTAL LAW ENFORCEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$100,000	\$139,416	\$39,416
Total Revenues	100,000	139,416	39,416
EXCESS OF REVENUES OVER EXPENDITURES	100,000	139,416	39,416
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(139,416)	(139,416)
Total other financing sources (uses)		(139,416)	(139,416)
NET CHANGE IN FUND BALANCE	<u>\$100,000</u>		<u>(\$100,000)</u>
Beginning fund balance		33,333	
Ending fund balance		<u>\$33,333</u>	

CITY OF LOS ALTOS
GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$880,719	\$634,964	(\$245,755)
Interest and rentals		8,928	8,928
Total Revenues	<u>880,719</u>	<u>643,892</u>	<u>(236,827)</u>
EXPENDITURES			
Capital improvements	350,000	132,281	217,719
Total Expenses	<u>350,000</u>	<u>132,281</u>	<u>217,719</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>530,719</u>	<u>511,611</u>	<u>(19,108)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(741,940)	(741,940)
Total other financing sources (uses)		<u>(741,940)</u>	<u>(741,940)</u>
NET CHANGE IN FUND BALANCE	<u>\$530,719</u>	<u>(230,329)</u>	<u>(\$761,048)</u>
Beginning fund balance		<u>1,477,605</u>	
Ending fund balance		<u>\$1,247,276</u>	

CITY OF LOS ALTOS
 PROPOSITION 1B FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest and rentals	<u> </u>	<u> \$196</u>	<u> \$196</u>
Total Revenues	<u> </u>	<u> 196</u>	<u> 196</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u> </u>	<u> 196</u>	<u> 196</u>
NET CHANGE IN FUND BALANCE	<u> </u>	<u> 196</u>	<u> \$196</u>
Beginning fund balance		<u> 40,901</u>	
Ending fund balance		<u> \$41,097</u>	

CITY OF LOS ALTOS
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Grants and donations	\$77,300	\$170,050	\$92,750
Total Revenues	77,300	170,050	92,750
EXPENDITURES			
Capital improvements		(4,617)	4,617
Total Expenses		(4,617)	4,617
EXCESS OF REVENUES OVER EXPENDITURES	77,300	174,667	97,367
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(165,433)	(165,433)
Total other financing sources (uses)		(165,433)	(165,433)
NET CHANGE IN FUND BALANCE	\$77,300	9,234	(\$68,066)
Beginning fund balance		(4,617)	
Ending fund balance		\$4,617	

CITY OF LOS ALTOS
DOWNTOWN PARKING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses, permits and fees	\$40,000	\$35,019	(\$4,981)
Interest and rentals		13,522	13,522
Other		9,640	9,640
Total Revenues	40,000	58,181	18,181
EXPENDITURES			
Current:			
Community development		7,654	(7,654)
Total Expenses		7,654	(7,654)
EXCESS OF REVENUES OVER EXPENDITURES	40,000	50,527	10,527
NET CHANGE IN FUND BALANCE	\$40,000	50,527	\$10,527
Beginning fund balance		687,657	
Ending fund balance		\$738,184	

CITY OF LOS ALTOS
 TRAFFIC IMPACT FEE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses, permits and fees	\$173,536	\$105,358	(\$68,178)
Interest and rentals		\$5,165	5,165
	173,536	110,523	(63,013)
Total Revenues			
EXPENDITURES			
Current:			
Capital improvements	286,000	287,799	(1,799)
	286,000	287,799	(1,799)
Total Expenses			
EXCESS OF REVENUES OVER EXPENDITURES	(112,464)	(177,276)	(64,812)
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(440,000)	(440,000)
		(440,000)	(440,000)
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	(\$112,464)	(617,276)	(\$504,812)
Beginning fund balance		1,198,462	
Ending fund balance		\$581,186	

CITY OF LOS ALTOS
 ESTATE DONATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest		\$76	\$76
Total Revenues		76	76
EXCESS OF REVENUES OVER EXPENDITURES		76	76
NET CHANGE IN FUND BALANCE		76	\$76
Beginning fund balance		15,594	
Ending fund balance		\$15,670	

CITY OF LOS ALTOS
TDA FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Grants and donations		\$45,429	\$45,429
Total expenditures		45,429	45,429
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		45,429	45,429
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(45,429)	(45,429)
Total other financing sources (uses)		(45,429)	(45,429)
NET CHANGE IN FUND BALANCE			
Beginning fund balance			
Ending fund balance			

CITY OF LOS ALTOS
 PEG FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest income		\$3,846	\$3,846
Charges for services		108,845	108,845
Fines and forfeitures		100	100
Total revenues		112,791	112,791
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		112,791	112,791
NET CHANGE IN FUND BALANCE		112,791	\$112,791
Beginning fund balance		728,635	
Ending fund balance		\$841,426	

CITY OF LOS ALTOS
 VEHICLE REGISTRATION FEES FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Grants and donations	<u>\$373,900</u>	<u>\$192,859</u>	<u>(\$181,041)</u>
Total revenues	<u>373,900</u>	<u>192,859</u>	<u>(181,041)</u>
EXPENDITURES			
Capital improvements		<u>23,367</u>	<u>(23,367)</u>
Total Expenses		<u>23,367</u>	<u>(23,367)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>373,900</u>	<u>169,492</u>	<u>(204,408)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$373,900</u></u>	<u>169,492</u>	<u><u>(\$204,408)</u></u>
Beginning fund balance		<u>659,384</u>	
Ending fund balance		<u><u>\$828,876</u></u>	

CITY OF LOS ALTOS
 SB1 ROAD MAINTENANCE REHABILITATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

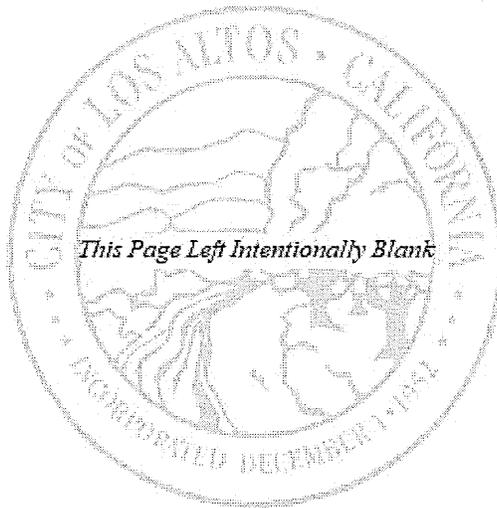
	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	<u> </u>	<u>\$184,002</u>	<u>\$184,002</u>
Total revenues	<u> </u>	<u>184,002</u>	<u>184,002</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u> </u>	<u>(117,446)</u>	<u>(117,446)</u>
Total other financing sources (uses)	<u> </u>	<u>(117,446)</u>	<u>(117,446)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u> </u>	<u>66,556</u>	<u>66,556</u>
NET CHANGE IN FUND BALANCE	<u> </u>	<u>66,556</u>	<u>\$66,556</u>
Beginning fund balance		<u> </u>	
Ending fund balance		<u>\$66,556</u>	

CITY OF LOS ALTOS
 TRAFFIC CONGESTION RELIEF PROGRAM FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental		\$35,699	\$35,699
Total revenues		35,699	35,699
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		35,699	35,699
NET CHANGE IN FUND BALANCE		35,699	\$35,699
Beginning fund balance			
Ending fund balance		\$35,699	

CITY OF LOS ALTOS
EQUIPMENT REPLACEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES			
Community development	\$821,163	\$559,231	\$261,932
Capital improvements	<u>232,402</u>	<u>98,669</u>	<u>133,733</u>
Total expenditures	<u>1,053,565</u>	<u>657,900</u>	<u>395,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,053,565)</u>	<u>(657,900)</u>	<u>395,665</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,053,565)</u>	<u>(657,900)</u>	<u>\$395,665</u>
Beginning fund balance		<u>1,993,048</u>	
Ending fund balance		<u>\$1,335,148</u>	



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
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and investments	\$57,161	\$520,473	\$4,986,621	\$2,217,550	\$7,781,805
Accounts receivable			228	11,312	11,540
	<u>57,161</u>	<u>520,473</u>	<u>4,986,849</u>	<u>2,228,862</u>	<u>7,793,345</u>
LIABILITIES					
Current Liabilities:					
Accounts payable		3,271	3,505	3,608	10,384
Claims and judgements			653,889	177,844	831,733
Noncurrent Liabilities:					
Claims and judgements			<u>2,633,111</u>	<u>115,156</u>	<u>2,748,267</u>
		<u>3,271</u>	<u>3,290,505</u>	<u>296,608</u>	<u>3,590,384</u>
NET POSITION					
Unrestricted	<u>57,161</u>	<u>517,202</u>	<u>1,696,344</u>	<u>1,932,254</u>	<u>4,202,961</u>
	<u>\$57,161</u>	<u>\$517,202</u>	<u>\$1,696,344</u>	<u>\$1,932,254</u>	<u>\$4,202,961</u>

CITY OF LOS ALTOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$127,800	\$65,145	\$879,015	\$644,101	\$1,716,061
Total Operating Revenues	<u>127,800</u>	<u>65,145</u>	<u>879,015</u>	<u>644,101</u>	<u>1,716,061</u>
OPERATING EXPENSES					
Outside services				37,138	37,138
Claims reimbursement	177,094	5,521	812,120	(65,849)	928,886
Insurance and adjustments			162,506	332,759	495,265
Administration			62,700		62,700
Total Operating Expenses	<u>177,094</u>	<u>5,521</u>	<u>1,037,326</u>	<u>304,048</u>	<u>1,523,989</u>
Operating Income (Loss)	<u>(49,294)</u>	<u>59,624</u>	<u>(158,311)</u>	<u>340,053</u>	<u>192,072</u>
Change in Net Position	(49,294)	59,624	(158,311)	340,053	192,072
BEGINNING NET POSITION	<u>106,455</u>	<u>457,578</u>	<u>1,854,655</u>	<u>1,592,201</u>	<u>4,010,889</u>
ENDING NET POSITION	<u>\$57,161</u>	<u>\$517,202</u>	<u>\$1,696,344</u>	<u>\$1,932,254</u>	<u>\$4,202,961</u>

CITY OF LOS ALTOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$127,800	\$65,145	\$1,049,869	\$642,829	\$1,885,643
Cash payments to claimants	(177,094)	(5,876)	(826,502)	68,150	(941,322)
Insurance premiums, settlements, and rebates			3,945	(452,523)	(448,578)
Cash Flows from Operating Activities	<u>(49,294)</u>	<u>59,269</u>	<u>227,312</u>	<u>258,456</u>	<u>495,743</u>
Net Cash Flows	(49,294)	59,269	227,312	258,456	495,743
Cash and investments at beginning of period	<u>106,455</u>	<u>461,204</u>	<u>4,759,309</u>	<u>1,959,094</u>	<u>7,286,062</u>
Cash and investments at end of period	<u>\$57,161</u>	<u>\$520,473</u>	<u>\$4,986,621</u>	<u>\$2,217,550</u>	<u>\$7,781,805</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$49,294)	\$59,624	(\$158,311)	\$340,053	\$192,072
Adjustments to reconcile operating income to net cash flows from operating activities:					
Change in assets and liabilities:					
Accounts receivable			170,854	(1,272)	169,582
Accounts payable		(355)	(14,382)	2,301	(12,436)
Claims and judgments payable			229,151	(82,626)	146,525
Cash Flows from Operating Activities	<u>(49,294)</u>	<u>59,269</u>	<u>227,312</u>	<u>258,456</u>	<u>495,743</u>

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.

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.

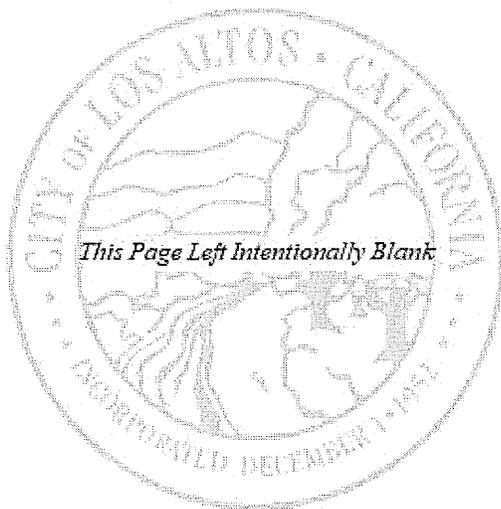
BLUE OAK LANE SEWER

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.

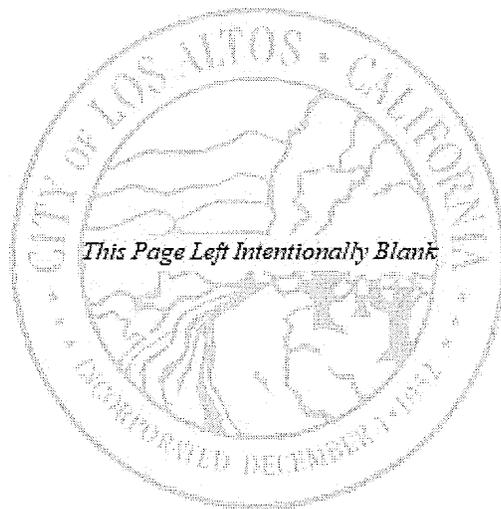
CITY OF LOS ALTOS
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
<u>North County Library Authority</u>				
<u>Assets</u>				
Cash and investments	\$3,860,083	\$620,330	\$287,601	\$4,192,812
Accounts receivable		16,105		16,105
Interest receivable	1,343	2,362	1,343	2,362
Total assets	<u>\$3,861,426</u>	<u>\$638,797</u>	<u>\$288,944</u>	<u>\$4,211,279</u>
<u>Liabilities</u>				
Accounts payable	\$287,601	\$295,204	\$287,601	\$295,204
Due to others	3,573,825	343,593	1,343	3,916,075
Total liabilities	<u>\$3,861,426</u>	<u>\$638,797</u>	<u>\$288,944</u>	<u>\$4,211,279</u>
<u>Raymundo Curb and Gutter</u>				
<u>Assets</u>				
Cash and investments	\$38,267	\$34,984	\$38,352	\$34,899
Interest receivable	85	47	85	47
Total assets	<u>\$38,352</u>	<u>\$35,031</u>	<u>\$38,437</u>	<u>\$34,946</u>
<u>Liabilities</u>				
Due to others	\$38,352	\$35,031	38,437	\$34,946
Total liabilities	<u>\$38,352</u>	<u>\$35,031</u>	<u>\$38,437</u>	<u>\$34,946</u>

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
<u>Blue Oak Lane Sewer</u>				
<u>Assets</u>				
Cash and investments	\$27,848	\$2,475		\$30,323
Restricted cash and investments	39,794			39,794
Accounts receivable	495	164	\$495	164
Total assets	<u>\$68,137</u>	<u>\$2,639</u>	<u>\$495</u>	<u>\$70,281</u>
<u>Liabilities</u>				
Due to others	<u>\$68,137</u>	<u>\$2,639</u>	<u>\$495</u>	<u>\$70,281</u>
Total liabilities	<u>\$68,137</u>	<u>\$2,639</u>	<u>\$495</u>	<u>\$70,281</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$3,926,198	\$657,789	\$325,953	\$4,258,034
Restricted cash and investments	39,794			39,794
Accounts receivable	495	16,269	495	16,269
Interest receivable	1,428	2,409	1,428	2,409
Total assets	<u>\$3,967,915</u>	<u>\$676,467</u>	<u>\$327,876</u>	<u>\$4,316,506</u>
<u>Liabilities</u>				
Accounts payable	\$287,601	\$295,204	\$287,601	\$295,204
Due to others	3,680,314	381,263	40,275	4,021,302
Total liabilities	<u>\$3,967,915</u>	<u>\$676,467</u>	<u>\$327,876</u>	<u>\$4,316,506</u>



STATISTICAL SECTION



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. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

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

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

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Tax Revenues by Source, Governmental Funds
2. Assessed Value of Taxable Property
3. Property Tax Dollar by Break Down
4. Property Tax Dollars by Recipient Group
5. Direct and Overlapping Tax Rates
6. Principal Property Taxpayers
7. Property Tax Levies and Collections

Debt Capacity

These 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. Ratios of Outstanding Debt by Type
2. Schedule of Direct and Overlapping Bonded Debt
3. Legal Debt Margin

Demographic and Economic Information

These 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

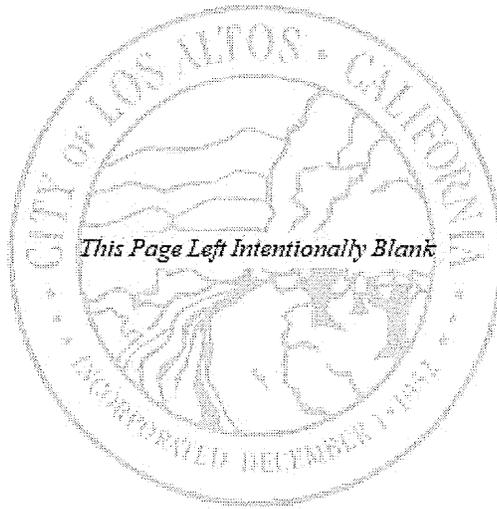
Operating Information

These schedules contain service and infrastructure 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 Employees by Function/Program
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program
4. Trust and Agency Debt Administration

Sources

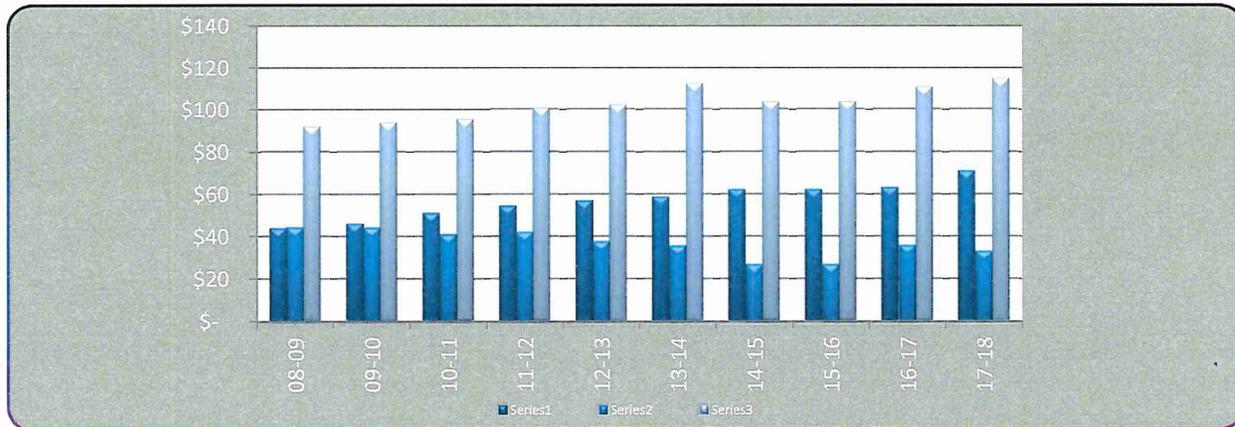
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



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

(accrual basis of accounting; amounts expressed in thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13(a)	2013-14	2014-15	2015-16	2016-17	2017-18
Governmental activities										
Net investment in capital assets	\$ 40,684	\$ 42,596	\$ 46,011	\$ 48,511	\$ 50,102	\$ 50,164	\$ 49,079	\$ 53,409	\$ 54,725	\$ 61,525
Restricted	3,477	3,411	3,057	3,926	7,406	17,629	17,815	14,447	11,498	10,620
Unrestricted	36,184	35,476	33,448	34,634	29,883	27,624	10,746	15,583	24,047	20,429
Total governmental activities net position	\$ 80,345	\$ 81,483	\$ 82,516	\$ 87,071	\$ 87,391	\$ 95,417	\$ 77,640	\$ 83,439	\$ 90,270	\$ 92,574
Business-type activities										
Net investment in capital assets	\$ 3,316	\$ 3,552	\$ 5,197	\$ 5,952	\$ 6,773	\$ 8,718	\$ 8,662	\$ 8,726	\$ 8,403	\$ 9,450
Unrestricted	8,102	8,766	7,625	7,539	7,843	8,087	8,472	11,259	11,907	12,644
Total business-type activities net position	\$ 11,418	\$ 12,318	\$ 12,822	\$ 13,491	\$ 14,616	\$ 16,805	\$ 17,134	\$ 19,985	\$ 20,310	\$ 22,094
Primary government										
Net investment in capital assets	\$ 44,000	\$ 46,148	\$ 51,208	\$ 54,463	\$ 56,875	\$ 58,882	\$ 57,741	\$ 62,135	\$ 63,128	\$ 70,975
Restricted	3,477	3,411	3,057	3,926	7,406	17,629	17,815	14,447	11,498	10,620
Unrestricted	44,286	44,242	41,073	42,173	37,726	35,711	19,218	26,842	35,954	33,073
Total primary government net position	\$ 91,763	\$ 93,801	\$ 95,338	\$ 100,562	\$ 102,007	\$ 112,222	\$ 94,774	\$ 103,424	\$ 110,580	\$ 114,668



Source:
 City of Los Altos Finance Department

Note:
 (a) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "Net Assets" with the term "Net Position"

City of Los Altos

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Expenses										
Governmental activities:										
Public safety	\$ 13,563	\$ 13,812	\$ 14,101	\$ 14,797	\$ 15,144	\$ 14,884	\$ 15,636	\$ 15,791	\$ 15,224	\$ 19,928
Public works	5,318	5,170	5,451	5,157	5,557	6,453	7,058	5,816	7,832	6,217
Recreation	2,889	2,460	2,503	2,193	2,108	2,656	2,976	2,744	2,613	3,402
Community development	3,913	3,962	4,052	3,583	4,514	4,038	4,590	5,758	4,243	6,440
Admin/Community services	3,765	3,794	3,837	4,034	5,675	3,804	4,002	4,882	4,411	5,687
Interest on long-term activities	32	83	86	69	95	71	68	63	51	64
Total governmental activities expenses	29,480	29,281	30,030	29,833	33,093	31,906	34,330	35,054	34,374	41,738
Business-type activities:										
Sewer	4,810	4,438	4,520	4,386	4,529	4,574	4,789	4,607	6,754	4,970
Solid waste	1,574	1,826	717	341	355	366	347	376	438	461
Storm drain	188	199	200	213	232	165	215	0	1	1
Total Business-type activities expenses	6,572	6,463	5,437	4,940	5,116	5,105	5,351	4,983	7,193	5,432
Total primary government expenses	\$ 36,052	\$ 35,744	\$ 35,467	\$ 34,773	\$ 38,209	\$ 37,011	\$ 39,681	\$ 40,037	\$ 41,567	\$ 47,170
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 585	\$ 466	\$ 348	\$ 394	\$ 344	\$ 417	\$ 898	\$ 462	\$ 363	\$ 330
Public works	180	152	191	32	34	60	33	55	42	51
Recreation	1,472	1,498	1,763	1,808	1,865	1,952	2,167	2,123	2,070	2,021
Community development	1,867	2,954	2,650	3,260	7,431	5,196	3,625	3,412	3,112	4,589
Admin/Community services	969	1,097	1,061	875	947	942	954	1,033	1,082	950
Operating grants and contributions:										
Public safety	108	102	100	112	109	116	109	437	392	409
Public works	479	462	682	829	699	909	504	336	262	298
Recreation	4	-	-	-	-	-	-	2	5	5
Community development	48	56	168	21	59	36	343	8	148	170
Admin/Community services	6	131	64	36	58	6	-	-	-	-
Capital grants and contributions										
Public safety	-	-	-	-	-	-	-	-	-	-
Public works	978	985	711	897	492	747	498	1,522	807	641
Recreation	10	-	-	-	-	-	-	-	-	-
Community development	24	7	-	3,400	80	3	30	7	-	62
Admin/Community services	89	200	78	76	-	83	-	-	-	-
Total governmental activities program revenues	6,819	8,110	7,816	11,740	12,118	10,467	9,161	9,397	8,283	9,526

City of Los Altos

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Business-type activities:										
Charges for services:										
Sewer	\$ 5,804	\$ 5,413	\$ 4,813	\$ 4,503	\$ 5,121	\$ 6,347	\$ 6,328	\$ 6,986	\$ 6,703	\$ 6,369
Solid waste	1,685	1,657	992	821	879	754	786	752	774	812
Storm drain	-	-	-	-	-	12	2	-	-	-
Total business-type activities program revenues	7,489	7,070	5,805	5,324	6,000	7,113	7,116	7,738	7,477	7,181
Total primary government program revenues	\$ 14,308	\$ 15,180	\$ 13,621	\$ 17,064	\$ 18,118	\$ 17,580	\$ 16,277	\$ 17,135	\$ 15,760	\$ 16,707
Net (expense)/revenue:										
Governmental activities	\$ (22,661)	\$ (21,171)	\$ (22,214)	\$ (18,093)	\$ (20,975)	\$ (21,439)	\$ (25,170)	\$ (25,657)	\$ (26,091)	\$ (32,212)
Business-type activities	917	607	368	384	884	2,008	1,766	2,755	284	1,749
Total primary government net (expense)/revenue	\$ (21,744)	\$ (20,564)	\$ (21,846)	\$ (17,709)	\$ (20,091)	\$ (19,431)	\$ (23,404)	\$ (22,902)	\$ (25,807)	\$ (30,463)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes:										
Property taxes	\$ 12,759	\$ 13,051	\$ 12,794	\$ 13,302	\$ 14,130	\$ 15,586	\$ 17,480	\$ 18,776	\$ 19,863	\$ 21,429
Sales taxes	2,697	2,255	2,588	2,746	2,926	2,809	2,943	3,196	3,278	3,244
Utility users taxes	2,530	2,515	2,543	2,548	2,600	2,600	2,523	2,672	2,680	2,732
Other taxes	2,147	2,453	2,910	2,868	3,301	3,542	3,732	3,909	4,330	4,535
Franchise fees	1,458	1,437	1,814	1,731	1,770	1,905	1,808	2,029	2,083	2,207
Sale of Capital Assets-net	-	-	-	(545)	(8)	2,846	-	-	-	-
Interest income	760	341	275	115	174	99	200	438	233	320
Miscellaneous	201	286	388	131	382	212	1,124	435	454	452
Transfers	(200)	(239)	(65)	(247)	(232)	(152)	(196)	-	-	-
Total governmental activities	22,352	22,099	23,247	22,649	25,043	29,447	29,614	31,455	32,921	34,919
Business-type activities										
Interest income	160	53	71	37	10	-	-	-	-	-
Miscellaneous	-	-	-	-	-	28	40	96	40	70
Transfers	200	239	65	247	232	152	196	-	-	-
Total business-type activities	360	292	136	284	242	180	236	96	40	70
Total primary government	\$ 22,712	\$ 22,391	\$ 23,383	\$ 22,933	\$ 25,285	\$ 29,627	\$ 29,850	\$ 31,551	\$ 32,961	\$ 34,989
Change in Net Position										
Governmental activities	\$ (309)	\$ 928	\$ 1,033	\$ 4,556	\$ 4,068	\$ 8,008	\$ 4,444	\$ 5,798	\$ 6,830	\$ 2,707
Business-type activities	1,277	899	504	668	1,126	2,188	2,002	2,851	324	
Total primary government	\$ 968	\$ 1,827	\$ 1,537	\$ 5,224	\$ 5,194	\$ 10,196	\$ 6,446	\$ 8,649	\$ 7,154	\$ 2,707

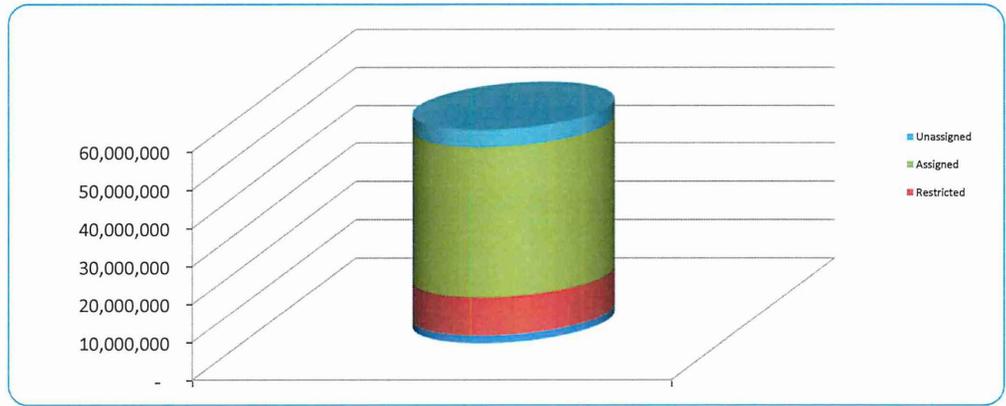
Source:

City of Los Altos Finance Department

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									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
General fund										
Reserved	\$ 39	\$ 143	\$ 48	\$ 46	\$ 49	\$ 27,195	\$ 30,010	\$ 29,588	\$ 37,637	\$ 40,519
Unreserved/Unrestricted	7,650	6,908	7,836	7,439	8,453	1,433	4,789	8,535	6,039	4,875
Total general fund	\$ 7,689	\$ 7,051	\$ 7,884	\$ 7,485	\$ 8,502	\$ 28,628	\$ 34,799	\$ 38,123	\$ 43,676	\$ 45,394
All other governmental funds										
Restricted	\$ 3,472	\$ 3,399	\$ 2,780	\$ 3,926	\$ 7,406	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
Reserved, reported in:										
Special revenue funds	4,120	6,422	6,768	6,911	7,415	9,644	12,737	9,605	9,281	9,744
Capital projects funds	21,814	19,540	16,868	17,213	15,676	7,621	4,714	4,477	1,993	512
Debt service funds	(8)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 29,398	\$ 29,361	\$ 26,416	\$ 28,050	\$ 30,497	\$ 17,629	\$ 17,815	\$ 14,446	\$ 11,638	\$ 10,620
Total all governmental funds	\$ 37,087	\$ 36,412	\$ 34,300	\$ 35,535	\$ 38,999	\$ 46,257	\$ 52,614	\$ 52,569	\$ 55,314	\$ 56,014

GASB 54 Presentation:(2017-18)	2017-18				
	General Fund	In Lieu Park Land	Capital Projects	Other Govt Funds	Total
Inventory & Prepaids	\$ (26,760)	\$ -	\$ -	\$ -	\$ (26,760)
Notes Receivable	\$ (1,895,206)				\$ (1,895,206)
Veteran Memorial	(9,986)				(9,986)
Non-Spendable	(1,931,952)	-	-	-	(1,931,952)
Debt Service				(364,179)	(364,179)
Special Revenue Programs and Projects		(5,253,528)		(4,490,006)	(9,743,534)
Restricted	-	(5,253,528)	-	(4,854,185)	(10,107,713)
Continuing CIPS					-
Committed	-	-	-	-	-
General Fund Reserve	(7,250,645)				(7,250,645)
OPEB	(1,500,000)				(1,500,000)
PERS Reserve	(4,000,000)				(4,000,000)
Technology	(1,856,769)				(1,856,769)
Capital Projects	(23,432,734)			(1,335,148)	(24,767,882)
Assigned	(38,040,148)	-	-	(1,335,148)	(39,375,296)
Unassigned	(5,421,683)		823,098		(4,598,585)
Total Fund Equity	\$ (45,393,783)	\$ (5,253,528)	\$ 823,098	\$ (6,189,333)	\$ (56,013,546)



Source:
City of Los Altos Finance Department

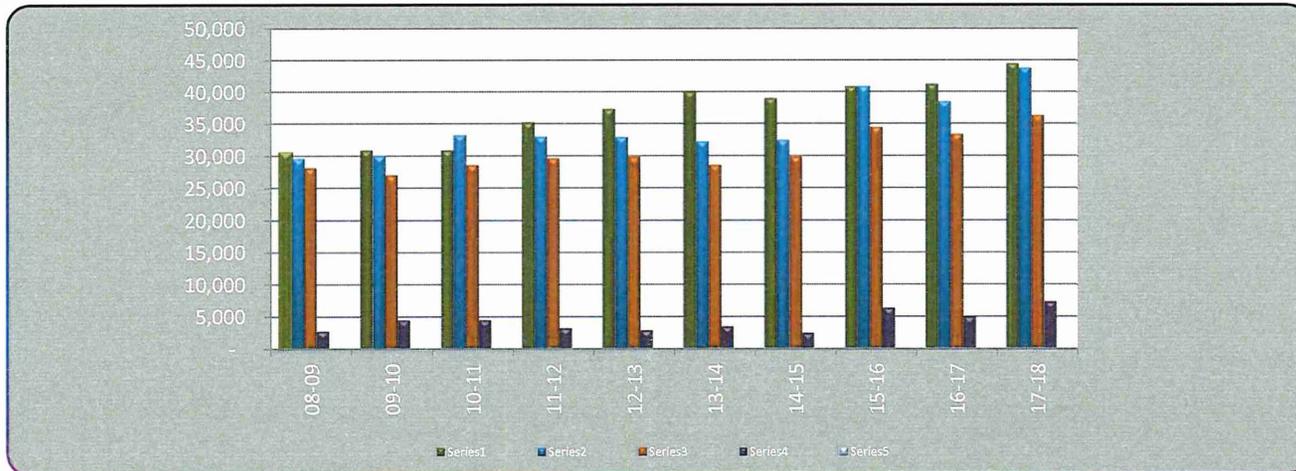
City of Los Altos
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues										
Taxes	\$ 17,115	\$ 17,545	\$ 17,714	\$ 18,250	\$ 19,444	\$ 21,950	\$ 26,690	\$ 28,565	\$ 30,151	\$ 31,939
License, permits and park-in-lieu	2,532	3,025	3,187	3,204	3,312	4,531	3,925	3,784	3,786	4,195
Intergovernmental	4,365	3,680	3,988	4,333	4,513	4,861	1,027	973	742	2,087
Grants and donations	305	559	929	4,242	650	788	873	1,863	1,214	928
Charges for services	3,422	3,494	4,020	3,780	4,480	4,572	4,698	4,659	4,577	4,620
Fines and forfeitures	329	246	148	231	171	214	161	264	213	178
Interest and rentals	945	504	333	169	135	159	291	558	230	360
Other	359	1,394	521	973	4,616	2,989	1,306	187	291	137
Total revenues	29,372	30,447	30,840	35,182	37,320	40,064	38,971	40,853	41,204	44,444
Expenditures										
General government										
Public Safety										
Police	8,283	8,111	8,616	9,588	9,178	8,891	9,167	9,976	9,968	10,744
Fire Services	4,900	5,119	5,259	5,375	5,513	5,714	5,961	6,219	6,473	6,722
Public works	5,038	4,420	4,793	4,826	4,831	4,353	4,307	4,859	5,299	5,784
Recreation	2,443	1,994	2,062	2,429	2,102	2,186	2,389	2,423	2,343	2,509
Community development	3,826	3,770	3,973	3,726	4,553	3,885	4,221	6,087	4,653	5,747
Administration/Community services	3,623	3,600	3,845	3,624	3,655	3,552	3,770	4,852	4,567	4,773
Capital improvements	1,288	2,784	4,475	3,212	2,916	3,492	2,435	6,313	4,992	7,299
Debt service										
Principal	101	85	85	90	95	95	100	105	105	110
Interest and fiscal charges	103	81	80	77	75	72	69	64	60	56
Total expenditures	29,605	29,964	33,188	32,947	32,918	32,240	32,419	40,898	38,460	43,744
Excess (deficiency) of revenues over (under) expenditures	(233)	483	(2,348)	2,235	4,402	7,824	6,552	(45)	2,744	700
Other financing sources (uses)										
Debt issuance	-	-	-	-	-	-	-	-	-	-
Payment to refunded bonded escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	2,396	2,781	3,509	1,887	2,443	2,119	3,632	1,752	760	5,714
Transfers out	(2,596)	(3,020)	(3,574)	(2,134)	(2,925)	(2,685)	(3,828)	(1,752)	(760)	(5,714)
Total Other financing sources (uses)	(200)	(239)	(65)	(247)	(482)	(566)	(196)	-	-	-

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									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Special items										
CalPERS Side Fund Pay Down	-	(3,005)	-	(850)	(950)	-	-	-	-	-
Sale of capital assets-net	2,167	2,167	300	100	492	-	-	-	-	-
Total special items	2,167	(838)	300	(750)	(458)	-	-	-	-	-
Net change in fund balances	\$ 1,734	\$ (594)	\$ (2,113)	\$ 1,238	\$ 3,463	\$ 7,258	\$ 6,356	\$ (45)	\$ 2,744	\$ 700
Debt service as a percentage of non-capital expenditures	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%

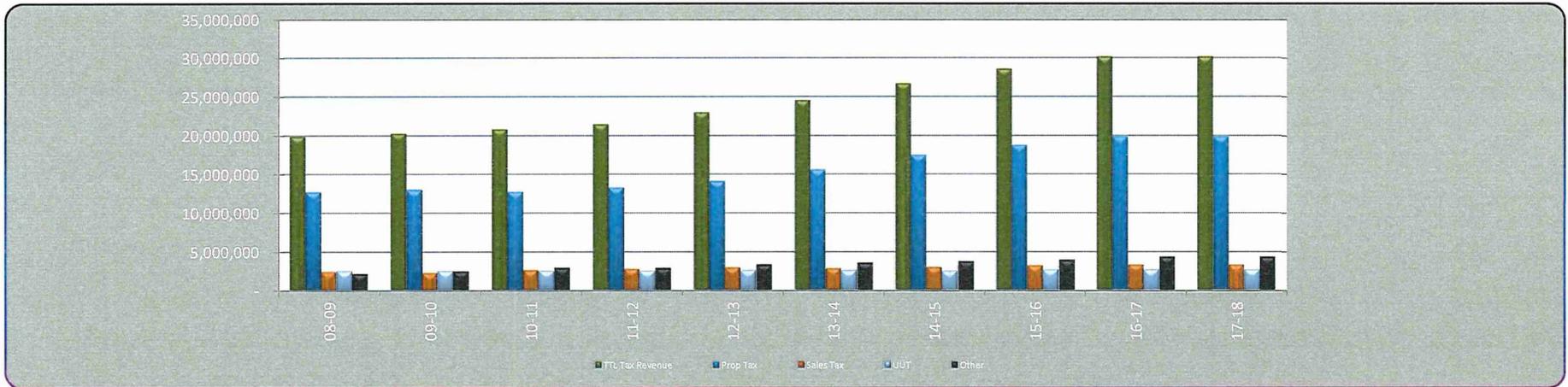
Source: City of Los Altos Finance Department



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
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
2012-13	14,130,040	2,926,441	519,828	2,600,054	1,946,484	587,422	15,102	247,992	-	22,973,363
2013-14	15,586,329	2,809,489	475,298	2,600,034	2,168,556	583,581	12,639	314,271	-	24,550,197
2014-15	17,479,882	2,942,764	453,201	2,522,536	2,450,488	616,500	12,281	212,187	-	26,689,839
2015-16	18,775,472	3,195,628	520,687	2,672,236	2,608,368	617,355	12,119	162,981	-	28,564,846
2016-17	19,863,197	3,278,430	539,989	2,679,961	2,985,201	668,242	14,046	122,071	-	30,151,137
2017-18	21,428,501	3,243,554	547,065	2,732,325	3,072,982	732,409	16,530	165,900	-	31,939,265

138



Source:
 City of Los Altos Finance Department

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

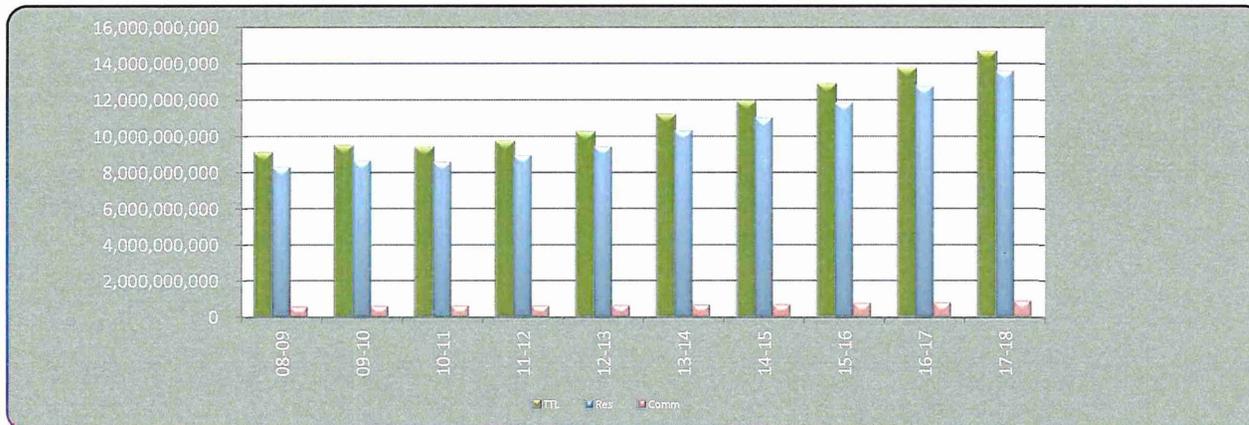
Fiscal Year	Residential Property	Commercial Property	Other	Net Unsecured	City of Los Altos Total Taxable Assessed Value (1)	Total Direct Tax Rate (2)	% Change
2008-09	\$ 8,310,720,937	\$ 560,724,394	\$ 87,967,697	\$ 104,778,047	\$ 9,064,191,075	1%	8.00%
2009-10	8,671,796,943	593,598,437	71,365,214	114,641,890	9,451,402,484	1%	4.27%
2010-11	8,593,495,093	619,191,247	40,822,574	108,454,967	9,361,963,881	1%	-0.95%
2011-12	8,952,576,593	622,766,264	33,390,275	89,645,375	9,698,378,507	1%	3.59%
2012-13	9,431,853,173	642,590,939	45,608,509	82,124,561	10,202,177,182	1%	5.19%
2013-14	10,318,249,580	676,252,209	67,682,916	97,506,301	11,159,691,006	1%	9.39%
2014-15	11,017,386,476	685,084,415	83,121,563	109,149,891	11,894,742,345	1%	6.59%
2015-16	11,848,840,720	750,708,212	106,506,870	125,355,972	12,831,411,774	1%	7.87%
2016-17	12,754,487,484	771,705,270	106,158,405	80,739,845	13,713,091,004	1%	6.87%
2017-18	13,600,334,963	880,225,920	90,338,436	83,250,683	14,654,150,002	1%	6.86%

Source:

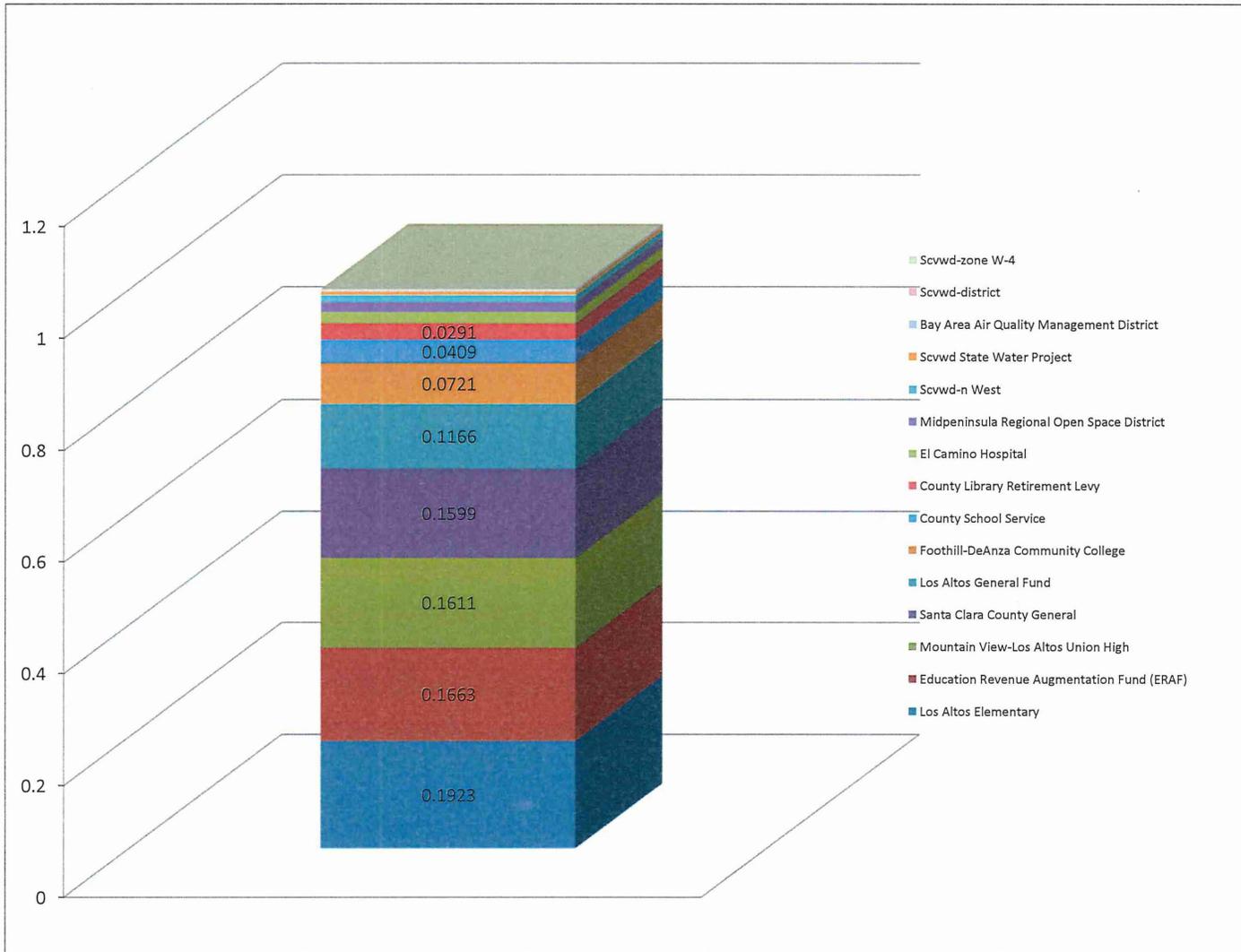
HdL Coren & Cone

(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 for the City of Los Altos.

(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.

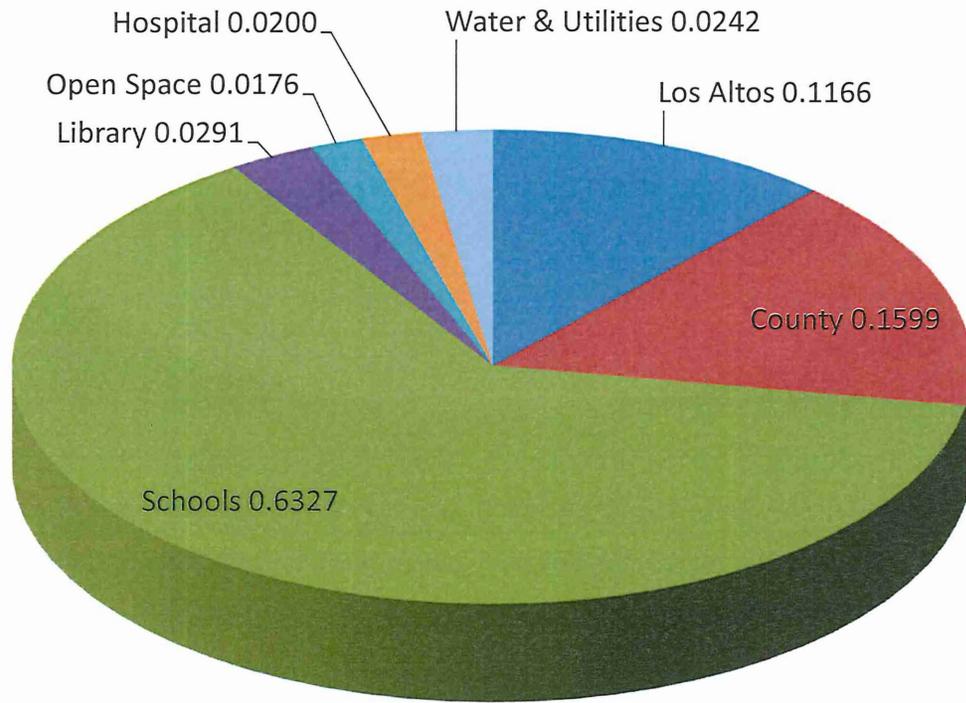


City of Los Altos
 Property Tax Dollar Breakdown
 June 30, 2018



Source:
 HdL Coren & Cone

City of Los Altos
Property Tax Dollars By Recipient Group
June 30, 2018



141

Source:
HdL Coren & Cone

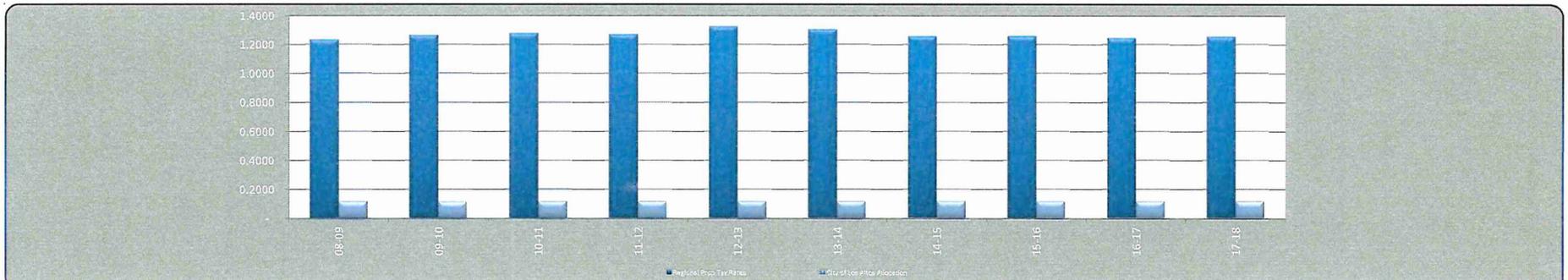
City of Los Altos
 Direct and Overlapping Tax Rates
 Last Ten Fiscal Years
 (rate per \$100 of taxable value)

Fiscal Year	Overlapping Rates (1)														Total	
	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	Mid Peninsula Open Space	County Housing Bond	County Hospital Bonds		El Camino Hospital
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
2012-13	1.0000	0.0388	0.0024	0.0579	0.0302	0.0598	0.0300	0.0287	0.0139	0.0390	0.0069	-	-	0.0051	0.0129	1.32560
2013-14	1.0000	0.0388	0.0024	0.0534	0.0276	0.0525	0.0254	0.0290	0.0121	0.0405	0.0070	-	-	0.0035	0.0129	1.30510
2014-15	1.0000	0.0388	0.0024	0.0524	-	0.0540	-	0.0276	0.0133	0.0396	0.0065	-	-	0.0091	0.0129	1.25660
2015-16	1.0000	0.0388	0.0024	0.0485	-	0.0519	-	0.0240	0.0119	0.0525	0.0057	0.0008	-	0.0088	0.0129	1.25820
2016-17	1.0000	0.0388	0.0024	0.0479	-	0.0509	-	0.0234	0.0112	0.0403	0.0086	0.0006	-	0.0086	0.0129	1.24560
2017-18	1.0000	0.0388	0.0024	0.0463	-	0.0496	-	0.0220	0.0107	0.0464	0.0062	0.0009	0.0127	0.0082	0.0100	1.25416

Source:
 HdL Coren & Cone

142

(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



City of Los Altos
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017-18			2008-09		
	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue
Board of Trustees LSJU	\$ 86,779,819	1	0.59%			
RLJ R Los Altos LP	65,906,770	2	0.45%			
Los Altos Gardens II LP	54,402,179	3	0.37%			
St Paul Fire and Marine Insurance Co	50,929,952	4	0.35%			
Richard T Spieker Trustee	37,119,404	5	0.25%			
Springwood Apartments	29,901,009	6	0.20%	\$ 26,320,996	2	0.29%
Safeway	27,228,175	7	0.19%			
Sutter Bay Medical Foundation	26,532,488	8	0.18%			
KRC Los Altos Limited Partnership	23,671,378	9	0.16%	17,455,117	8	0.19%
Compass Grand Los Altos LLC	23,636,281	10	0.16%	20,884,267	4	0.23%
Behringer Harvard El Camio Real LP				39,525,000	1	0.44%
Los Altos Gardens I LP				22,021,780	3	0.24%
Rambus Inc				18,535,210	5	0.20%
David & Lucile Packard Foundation				18,356,103	6	0.20%
4 Seasons Assocs LLC				18,018,077	7	0.20%
Los Altos Hotel Associates LLC				16,207,392	9	
Village Court Partners				15,879,664	10	0.18%
Total	\$ 339,327,636		3.18%	\$ 213,203,606		2.17%
City Total	\$ 14,654,150,002			\$ 9,064,191,075		

Source:
HdL Coren & Cone

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

Fiscal Year	Santa Clara County					
	Total Tax Levy	Current Tax Collections	Levy Collected	Levy Collected of the Total Levy	Current Collections of the Levy	Delinquent Tax Collections
2008-09	\$ 3,570,784,932	\$ 272,719,751	\$ 259,616,142	7.27%	95.20%	3.70%
2009-10	3,670,443,736	282,872,902	273,655,824	7.46%	96.74%	3.26%
2010-11	3,654,128,401	288,311,420	268,113,225	7.34%	92.99%	7.01%
2011-12	3,703,148,623	293,002,052	273,640,116	7.39%	93.39%	6.61%
2012-13	3,877,675,089	301,164,764	292,131,302	7.53%	97.00%	3.00%
2013-14	4,165,019,181	349,740,765	316,325,898	7.59%	90.45%	2.59%
2014-15	4,463,179,149	344,291,093	339,731,930	7.61%	98.68%	0.98%
2015-16	4,944,651,360	330,545,207	326,823,894	6.61%	98.87%	1.13%
2016-17	5,278,067,434	359,152,852	346,454,876	6.56%	96.46%	1.89%
2017-18	5,719,021,680	355,579,401	345,863,202	6.05%	97.27%	1.86%

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 range 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 (2)	Per Capita	Per Capita Personal Income (2)
	General Obligation Bond	Certificates of Participation (1)	Capital Lease				
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
2012-13	-	1,760,000	-	1,760,000	29,792	59	74,570
2013-14	-	1,665,000	-	1,665,000	29,969	56	79,102
2014-15	-	1,565,000	-	1,565,000	29,884	52	83,041
2015-16	-	1,460,000	-	1,460,000	31,353	47	80,407
2016-17	-	1,355,000	-	1,355,000	31,402	43	86,558
2017-18	-	1,245,000	-	1,245,000	31,361	43	93,010

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 Altos Finance Department
- (2) HdL Coren & Cone

City of Los Altos
 Schedule of Direct and Overlapping Bonded Debt
 August 6, 2018

2017-18 Assessed Valuation: \$14,654,150,002

	Total Debt		City's Share of
	6/30/2018	% Applicable (1)	Debt 6/30/18
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Santa Clara County	\$ 1,012,400,000	3.258%	\$ 32,983,992
Foothill-De Anza Community College District	633,997,978	9.407%	59,640,190
Fremont Union High School District	433,280,088	3.990%	17,287,876
Mountain View-Los Altos Union High School District	52,243,375	24.551%	12,826,271
Cupertino Union School District	270,528,688	6.915%	18,707,059
Los Altos School District	57,145,000	53.077%	30,330,852
El Camino Hospital District	127,800,000	17.370%	22,198,860
Midpeninsula Regional Park District	93,350,000	5.519%	5,151,987
Santa Clara Valley Water District Benefit Assessment District	82,285,000	3.258%	2,680,845
City of Los Altos 1915 Act Bonds	601,000	100.000%	601,000
			<u>\$ 202,408,931</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	590,242,965	3.258%	\$ 19,230,116
Santa Clara County Pension Obligation Bonds	357,547,175	3.258%	11,648,887
Santa Clara County Board of Education Certificates of Participation	4,985,000	3.258%	162,411
Foothill-De Anza Community College District Certificates of Participation	28,803,859	9.407%	2,709,579
Mountain View-Los Altos Union High School District Certificates of Participation	1,845,000	24.551%	452,966
Los Altos School District Certificates of Participation	2,616,389	53.077%	1,388,701
City of Los Altos Certificates of Participation	1,245,000	100.000%	1,245,000
Midpeninsula Regional Park District General Fund Obligations	123,040,600	5.519%	6,790,611
Santa Clara County Vector Control District Certificates of Participation	2,470,000	3.258%	<u>80,473</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 43,708,743
Less: Santa Clara County supported obligations			<u>13,256,335</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 30,452,408
 TOTAL DIRECT DEBT			 \$ 1,245,000
TOTAL GROSS OVERLAPPING DEBT			\$ 244,872,676
TOTAL NET OVERLAPPING DEBT			\$ 231,616,341
 GROSS COMBINED TOTAL DEBT			 \$ 246,117,676 (2)
NET COMBINED TOTAL DEBT			\$ 232,861,341

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

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
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
2012-13	10,202,177,182	1,530,326,577	-	1,530,326,577
2013-14	11,159,691,006	1,673,953,651	-	1,673,953,651
2014-15	11,894,742,345	1,784,211,352	-	1,784,211,352
2015-16	12,831,411,774	1,924,711,766	-	1,924,711,766
2016-17	13,713,091,004	2,056,963,651	-	2,056,963,651
2017-18	14,654,150,002	2,198,122,500	-	2,198,122,500

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)
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%
2012-13	29,792	1.13%	8,198	0.74%	3.2%	74,570	45.8	98.70%	76.70%
2013-14	29,969	0.59%	8,303	1.28%	2.6%	79,102	46.1	98.70%	77.40%
2014-15	29,884	-0.28%	8,284	-0.23%	3.4%	83,041	46.2	98.80%	78.70%
2015-16	31,353	4.92%	8,666	4.61%	2.7%	80,407	46.2	98.70%	79.00%
2016-17	31,402	0.16%	8,606	-1%	2.4%	86,558	45.7	98.70%	80.00%
2017-18	31,361	-0.13%	8,685	1%	1.6%	93,010	45.7	98.60%	80.90%

Sources:

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

**City of Los Altos
Principal Employers
Current Year and Eight Years Prior**

Employer	2017-18			2009-10		
	Employees (1)	Rank	% of Total City Employment	Employees(1)	Rank	% of Total City Employment
Los Altos School District	568 * (2)	1	4.26% (A)	568 * (2)	1	4.54%
Whole Food Market	242	2	1.81%	198	2	1.58%
Los Altos High School	217 (3)	3	1.63%	217 (3)	6	1.74%
Palo Alto Medical Foundation	135	4	1.01%	N/A		N/A
City of Los Altos	133	5	1.00%	131	7	1.05%
Coldwell Banker	130	6	0.97%	190	3	1.52%
Adobe Animal Hospital	129	7	0.97%	125	8	1.00%
Alain Pinel Realtors	107	8	0.80%	150	5	1.20%
The David and Lucile Packard Foundation	100	9	0.75%	100	10	0.80%
Trader Joes	71	10	0.53%	N/A		N/A
Total	1,832		13.73%	2,162		17.30%
Total City Employees	13,341			12,500		

Sources:

- (1) City Finance Department, except what is noted
- (2) Los Altos School District
- (3) California State Department of Education

* - This number includes 119 substitute teachers.

Note: (A) Current year information not available.

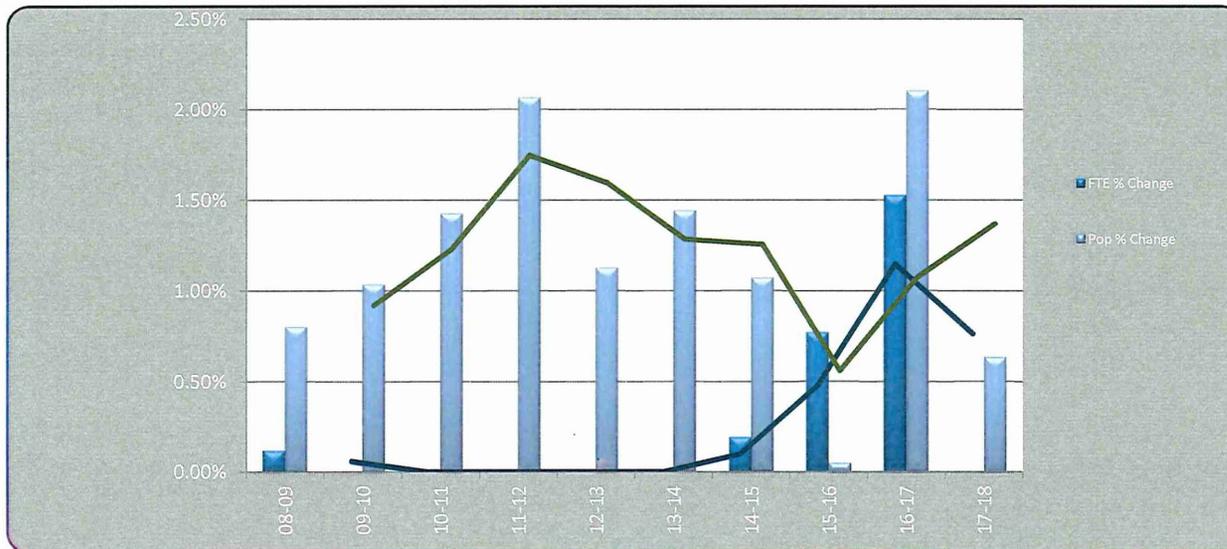
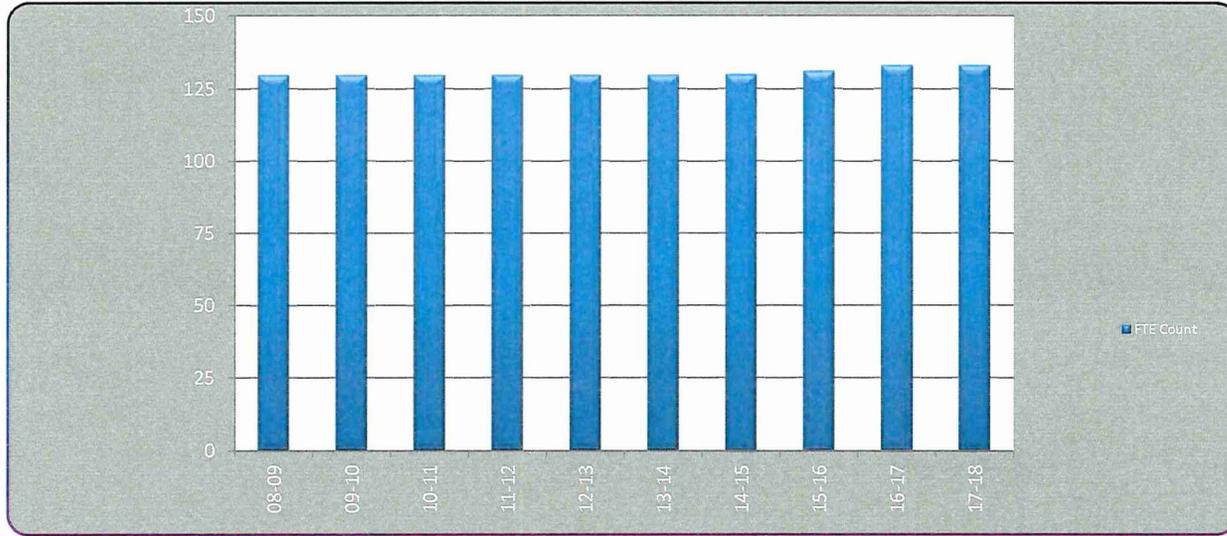
City of Los Altos
 Full-time Equivalent City Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<i>Public Safety *</i>										
Police Operations	36.50	32.00	32.00	32.00	32.00	32.00	32.00	31.00	31.00	31.00
Police Traffic Safety	2.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Communications	8.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
<i>Maintenance Services</i>	29.00	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50
<i>Recreation</i>	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00
<i>Community Development</i>										
Planning & Building	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00	15.00	15.00
Engineering	9.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00
Economic Development	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<i>Administration</i>										
City Management	6.25	5.75	4.75	4.75	4.75	5.00	5.00	5.00	5.00	5.00
Administration & Finance	10.00	10.00	10.00	10.00	10.00	10.00	10.00	12.00	12.00	12.00
<i>Sewer</i>	6.75	6.25	6.25	6.25	6.25	6.25	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
<i>Storm Drain</i>	1	1	1	1	1	1	1	0	0	0
Total	129.75	129.75	129.75	129.75	129.75	130.00	130.00	131.00	133.00	133.00

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



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

Function/Program	Fiscal Year									
	2008-09 *	2009-10 *	2010-11 *	2011-12 *	2012-13 *	2013-14 *	2014-15 *	2015-16 *	2016-17 *	2017-18 *
<i>Police:</i>										
Arrests	630	634	396	301	308	283	312	222	210	211
Moving citations issued	2,926	1,879	1,437	1,385	1,285	1,069	1,555	1,757	982	1,203
Parking citations issued	2,015	1,531	960	1,938	1,947	2,559	2,266	3,138	2,431	1,879
Municipal code violations issued	458	580	21	25	56	161	109	103	25	115
<i>Public Works:</i>										
Crack sealing in lineal feet	105,600	53,326	56,984	66,290	98,136	2,112	113,784	101,040	110,000	174,040
Street sign installed and replaced	206	1,042	117	1,361	511	949	596	457	100	320
<i>Recreation:</i>										
Classes/programs	1,332	1,604	1,714	1,821	2,675	2,738	2,713	2,107	2,349	2,724
Facility rentals	3,154	4,010	2,462	3,106	2,702	3,501	5,648	5,378	5,927	4,141
Field/gymnasium permits	3,529	2,774	2,415	3,658	3,388	2,945	4,509	2,795	3,433	3,556
<i>Planning:</i>										
Plan applications submitted	376	318	335	404	510	716	757	800	675	686
<i>Building:</i>										
Permits issued	1,602	1,711	1,706	1,690	1,817	1,757	1,751	1,927	1,769	1,795
Plan checks submitted	522	455	537	560	636	649	582	599	619	569
Inspections	6,204	5,788	6,203	7,108	6,631	7,682	7,227	7,517	6,445	6,479
<i>Sewer:</i>										
Cleaning and flushing in lineal feet	732,162	434,250	596,006	852,453	777,285	667,415	683,552	759,456	585,273	713,795
<i>Storm Drain:</i>										
Catch basin/storm drain cleaned (measured in storm inlets cleaned)	1,459	2,823	3,038	1,583	1,202	1,898	1,350	1,350	1,350	1,350

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									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Public Safety										
Police Station	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
Recreation:										
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
Maintenance Services										
Miles of Streets	127	127	127	127	127	127	127	127	127	127
Number of Traffic Signals	13	13	13	13	13	13	13	13	13	13
Sewer:										
Miles of Sewer Mains	141	141	141	141	141	141	141	141	141	141
Storm Drain:										
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

Non City Obligation Debt
Special Assessment Debt Service

Fiscal Year	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	Coverage
2008-09	\$ 14,325	\$ 7,000	\$ 3,451	\$ 28,117	\$ 14,000	\$ 11,207	\$ -	\$ -	\$ -	\$ 42,442	\$ 21,000	\$ 14,658	\$ 1
2009-10	13,233	7,000	5,873	27,873	15,000	10,532	-	-	-	41,106	22,000	16,405	1.07
2010-11	27,091	7,000	2,639	26,981	16,000	9,812	51,376	-	34,614	105,448	23,000	47,065	1.50
2011-12	27,091	8,000	2,204	27,216	16,000	9,068	48,104	12,880	34,490	102,411	36,880	45,762	1.24
2012-13	27,091	8,000	1,740	27,405	17,000	8,300	42,960	10,000	31,900	97,456	35,000	41,940	1.27
2013-14	10,044	8,000	1,276	27,341	18,000	7,487	46,491	10,000	31,629	83,876	36,000	40,392	1.10
2014-15	-	18,620	783	27,216	19,000	6,626	50,280	15,000	31,241	77,496	52,620	38,650	0.85
2015-16	-	-	-	29,592	20,000	5,719	48,024	15,000	30,741	77,616	35,000	36,460	1.09
2016-17	-	-	-	26,192	21,000	4,766	51,709	15,000	30,197	77,901	36,000	34,963	1.10
2017-18	-	-	-	26,217	21,000	3,790	49,802	15,000	29,610	76,019	36,000	33,400	1.10

154

Source:
City of Los Altos Finance Department

Note : This chart presents Limited Obligation Debt that the City Administers on a trust and Agency Basis. This debt does not represent City Obligations

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