

# **CITY OF LOS ALTOS CALIFORNIA**

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## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007**

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**Prepared by:  
Finance Department**

# CITY OF LOS ALTOS

## Comprehensive Annual Financial Report For The Year Ended June 30, 2007

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# CITY OF LOS ALTOS

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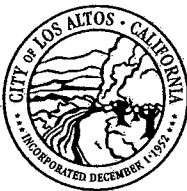
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***INTRODUCTORY SECTION***

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

November 8, 2007

**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, 2007 with the Independent Auditors' Report. The CAFR was prepared by the City's Finance Department. The information contained in this CAFR is based on a comprehensive framework of internal control established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of material misstatements. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, are accurate in all material respects; that the presentation fairly shows the financial position and the results of the City's operations as measure by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

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

**PROFILE OF THE CITY AND ITS SERVICES**

Tree lined streets and a small village atmosphere characterize Los Altos, which is located in the heart of world famous Silicon Valley. Just 40 miles south of San Francisco, Los Altos is a residential community with a population of approximately 28,000 served by seven 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 through the Santa Clara County Central Fire Protection District.

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

We estimate the property tax revenue, the City's major general fund revenue source, for the fiscal year 2007-08 to increase by approximately 5% from the prior year budget due mainly to the continuing growth of the local real estate values. The overall general fund revenue growth for the next fiscal year is estimated to be approximately 9%. Unemployment is expected to remain stable. Santa Clara County as a whole has an estimated unemployment rate of 4.7% while the unemployment rate of the City is estimated to remain the same as in the previous year at 2.3%.

With the completion of the Marymeade Park and the McKenzie Park playground renovation, the City will continue its playground renovation projects in this upcoming year at Heritage Oak Park, Whistle Stop Park, Grant Park, and Montclair Park. The estimated total cost of these four projects is over \$400,000. The City will also focus on completing the outstanding capital projects relating to pedestrian and traffic safety such as pedestrian safety improvements at various schools and San Antonio Road yellow flashing pedestrian warning system. Additionally, sewer related capital projects identified in the Sewer Master Plan will also be underway.

The Los Altos City Council proposed a ballot measure for the November 2007 election changing the Utility User Tax (UUT) ordinance language with respect to telecommunications and video services. The ballot measure passed with an affirmative vote of 84.3%. The new ordinance clarifies the language, specifically identifying which telecommunications and video services are taxable. The former language was based on outdated technology, potentially generating confusion regarding which services were taxable. Since a broader range of services will be taxed, the tax rate was reduced from 3.5% to 3.2% for telecommunications and video services to keep the financial impact revenue neutral.

The Community Development Department continues to work with key citizens on development opportunities, especially in the downtown area. Specifically the work originated by the Downtown Zoning Committee in 2005 continues to move forward. Consultants recently completed a Downtown Traffic and Parking Impact Analysis. The City Council will be moving forward with public hearings to consider downtown zoning changes, involving an allowance for increased Floor Area Ratio with the provision of additional parking to encourage redevelopment of properties outside of the parking district and allow some redevelopment within the district. Once the rezoning effort is completed, staff anticipates recommending a follow-up study to develop a parking structure plan and parking in-lieu fee program for the Commercial Retail Services district.

Finally, staff will continue working with the City Council in setting priorities to ensure that the City maintains our sound fiscal condition.

## **CASH MANAGEMENT POLICIES**

In order to maximize investment efficiency, it is the City's practice to "pool" available cash from all Funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the first priority, insuring adequate liquidity as the second priority, and maximizing yield as the third priority. The average yield on

the pooled investment portfolio during the fiscal year ended June 30, 2007 was 5.11%, an increase from the prior year yield of 3.85%.

### **RISK MANAGEMENT**

The City is insured for general liability through the Association of Bay Area Governments (ABAG) that covers claims in an amount up to \$20 million. The City has a deductible or uninsured liability of up to \$100,000 per claim. The City is self insured for the first \$1,000,000 of workers' compensation claims arising from each occurrence, and has excess workers' compensation insurance through a policy for \$25 million.

### **INDEPENDENT AUDIT**

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

### **AWARDS & ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2006. This was the second consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Starla Jerome-Robinson  
Assistant City Manager – Administration and Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Los Altos  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# **CITY OF LOS ALTOS**

## **LIST OF PRINCIPAL OFFICIALS AS OF JUNE 30, 2007**

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### **ELECTED OFFICIALS**

|                    |               |
|--------------------|---------------|
| Mayor.....         | Robert C Cole |
| Mayor Pro Tem..... | Val Carpenter |
| City Council.....  | David Casas   |
| City Council.....  | Ron Packard   |
| City Council.....  | Lou Becker    |

### **APPOINTED OFFICIALS**

|                    |                |
|--------------------|----------------|
| City Manager.....  | Philip Rose    |
| City Clerk.....    | Susan Kitchens |
| City Attorney..... | Jolie Houston  |

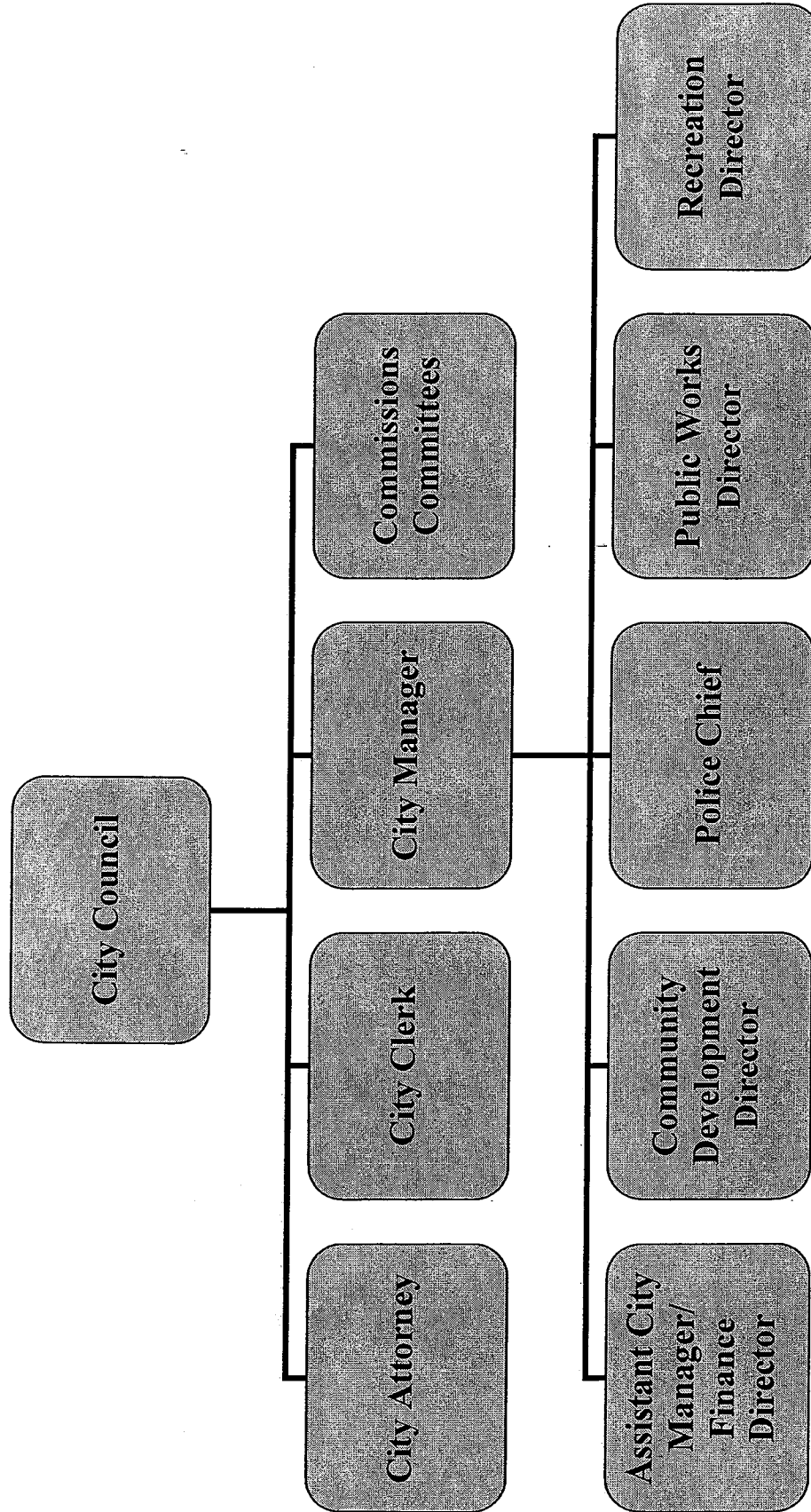
### **DEPARTMENT DIRECTORS**

|                             |                        |
|-----------------------------|------------------------|
| Assistant City Manager..... | Starla Jerome-Robinson |
| Community Development.....  | James Walgren          |
| Police Chief.....           | Bob Lacey              |
| Public Works.....           | (vacant)               |
| Recreation.....             | Dave Brees             |

# CITY OF LOS ALTOS

## ORGANIZATIONAL CHART

AS OF JUNE 30, 2007







## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Altos, California (City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Los Altos, and the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Altos, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 8, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presented of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financials statements. The introductory section, combining and individual fund financial statements, budgetary comparison schedules and statistical tables listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City. These financial statements and schedules are also the responsibility of the management of the City. The combining and individual non-major fund financial statements and the budgetary comparison schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, are fairly stated in all material respects when considered in relation to the basic financials statements taken as a whole.

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

Varrinek, Trine, Day & Co. LLP

Pleasanton, California  
November 8, 2007

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**City of Los Altos**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2007**

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The purpose of this discussion and analysis of the City's financial performance is to provide an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

**FINANCIAL HIGHLIGHTS:**

The City ended its fiscal year with total revenues of \$35.4 million, a 9.6% increase from the previous fiscal year, and expenses of \$29.4 million, an increase of 11% from the previous year. Expenditures were increased as we focused on filling vacant positions to improve community service levels, as well as the financial impact of the new fire contract. In previous years we had cautiously filled vacancies to ensure the long term affordability of those positions. This year, however, we aggressively increased recruitment to improve service levels to the community once the impact of the renegotiated contract with Santa Clara County Central Fire Protection District was known.

The Council embarked on an extensive evaluation of all funded and proposed capital projects, beginning in the Spring of 2007. The Council's endeavor resulted in a list of projects in priority order to provide clear direction to the staff regarding the order that projects should be pursued. Previously, the staff was working on projects based on criteria such as grant funding deadlines, the availability of funding, and a "first funded first worked on" approach.

Progress continued on several significant capital projects, including street resurfacing, the installation of new playground equipment at Marymeade and McKenzie Parks, the renovation of the Communications Center in the Police Department, the renovation and updating of the work space in the central area of City Hall as well as continued effort on the proposed boutique hotel at First and Main Street. Further highlights during the year include the following:

*Citywide*

- Total net assets (excess of assets over liabilities) were \$77.6 million, an increase of 8% or \$6 million in comparison to last year. Net assets are used towards future capital projects, and improving existing infrastructure.
- Unrestricted assets increased by \$5.5 million, \$4 million in Governmental Activities and \$1.5 million in Business-Type Activities.
- Governmental activities, combined, reported ending net assets of \$68.3 million, an increase of \$4.7 million or 7% growth in comparison to the prior year.
- Net assets grew primarily as a result of revenues exceeding projections.

- The growth in unrestricted assets can be found, in combination, in a \$6 million increase in Cash and Investments, a \$400,000 reduction in net Accounts Receivable and a \$100,000 increase in interest receivable.

#### Fund level

- Total governmental fund balances were \$29.8 million at fiscal year end, an increase of \$3.8 million.
- General fund revenues, including transfers, increased \$2.1 million to \$27.1 million, or 9%. Related expenditures increased from the previous year by \$2.3 million to \$22.1 million.
- Capital projects' spending was about \$2.2 million. The Capital Projects fund balance increased by approximately \$3 million due to the transfer of year-end residual general fund dollars. The net change in fund balance is not an obvious indicator since it blends the impact of expenditures, funds saved for a future use, and transfers in.
- Capital Projects cash and investments increased by \$3.8 million. This increase is the result of a sizeable year-end transfer from the general fund.
- Sewer Fund revenues of \$5.1 million were higher by \$818,000 or 19% than in the prior year, although expenditures were about \$388,000 more, totaling \$3.7 million. About half of the expenditure growth was in employee services and the other half in repairs and maintenance.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-Wide Financial Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-

type activities). The governmental activities of the City include public safety, public works, recreation, community development, and administration and community services. The business-type activities of the City include sewer services, storm drain devices, and solid waste collection management.

## **Fund Financial Statements**

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

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

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

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

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

## Notes to the Financial Statements

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

### Other Information

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

#### City of Los Altos' Net Assets

|   | Governmental Activities |                      | Business-Type Activities |                     | Total                | Total                |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|   | 2007                    | 2006                 | 2007                     | 2006                | 2007                 | 2006                 |
| Cash and Investments                            | \$ 33,176,832           | \$ 28,789,897        | \$ 7,187,862             | \$ 5,588,007        | \$ 40,364,694        | \$ 34,377,904        |
| Other Assets                                    | 1,503,860               | 1,866,293            | 319,134                  | 277,064             | 1,822,994            | 2,143,357            |
| Capital Assets                                  | 41,349,201              | 41,233,307           | 2,388,191                | 2,526,918           | 43,737,392           | 43,760,225           |
| <b>Total Assets</b>                             | <b>76,029,893</b>       | <b>71,889,497</b>    | <b>9,895,187</b>         | <b>8,391,989</b>    | <b>85,925,080</b>    | <b>80,281,486</b>    |
| Long Term<br>Outstanding Debt                   | 2,961,000               | 3,163,436            |                          |                     | 2,961,000            | 3,163,436            |
| Other Liabilities                               | 4,788,596               | 5,103,575            | 529,634                  | 354,509             | 5,318,230            | 5,458,084            |
| <b>Total Liabilities</b>                        | <b>7,749,596</b>        | <b>8,267,011</b>     | <b>529,634</b>           | <b>354,509</b>      | <b>8,279,230</b>     | <b>8,621,520</b>     |
| <b>Net Assets</b>                               |                         |                      |                          |                     |                      |                      |
| Investments in Capital -<br>Net Of Related Debt | 38,185,765              | 37,876,878           | 2,388,191                | 2,526,918           | 40,573,956           | 40,403,796           |
| Restricted                                      | 2,708,838               | 2,402,520            |                          |                     | 2,708,838            | 2,402,520            |
| Unrestricted                                    | 27,385,694              | 23,343,088           | 6,977,361                | 5,510,562           | 34,363,055           | 28,853,650           |
| <b>Total Net Assets</b>                         | <b>\$ 68,280,297</b>    | <b>\$ 63,622,486</b> | <b>\$ 9,365,552</b>      | <b>\$ 8,037,480</b> | <b>\$ 77,645,849</b> | <b>\$ 71,659,966</b> |

The largest portion of the City's net assets (56%) reflects the investment in capital assets such as land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to the citizens of the City of Los Altos; therefore, these assets are not available for future spending. An additional portion of the City's net assets (2%) represents resources subject to external restrictions on how they may be used, and resources obligated to capital projects (1%). The remaining balance of unrestricted net assets (41%) may be used to meet the City's ongoing obligations to citizens and creditors. For the City, most of these assets are designated for current or future capital projects.

- Cash and Investments increased \$4.4 million in Governmental Activities. The significant changes occurred in the Capital Projects Fund with an increase of \$3.8 million and the Non-Major Governmental Funds with an increase of \$593,000.
- Net assets grew by \$4.7 million, with most of the growth (\$3 million) occurring in the Capital Projects fund and in the Facilities fund (\$400,000).
- Business activities reported combined ending net assets of \$9.4 million, about 17% more than 2006, or about \$1.3 million. Our intention is to manage the enterprise funds to maintain solvency, provide adequate maintenance, and plan for future improvements on a pay as you go basis. This year's financials indicate that the Solid Waste revenues were less than our expenses, which requires that we carefully monitor future rates and expenditures.

## GOVERNMENTAL ACTIVITIES

The City's programs for governmental activities include General Government, Public Safety (Police services and the contract for Fire services), Public Works, Community Development and Recreation. Total revenues increased 8% or \$2.2 million while total expenses increased 10% or \$2,167,821. Net assets increased by \$4.7 million for a total fund balance of \$68.3 million.

- Property tax continues to be the City's single largest source of revenue representing about 40% of total general fund revenue. Compared to last year, property tax revenue increased \$1.1 million or about 10%. This includes additional property tax replacing most of the motor vehicle license fees, beginning in 2004-05.
- Charges for Service revenue increased about 13% or \$758,000, despite a 10% drop in Planning and Building fee revenue. While we must be watchful of the comparison of fee revenue and the cost to provide services, we anticipated a reduction in fees compared to 2005-2006, which was a high fee year due in part to substantial commercial development. Our philosophy is to set service fees at a level which provides full cost recovery, intentionally subsidizing only designated programs such as the Senior and Youth Programs.
- Interest revenues increased by \$365,000 or 26% compared to 2005-06. The City invests almost all funds in the Local Agency Investment Fund (LAIF). The portfolio size increased by \$6.2 million to \$39.8 million. Over the year the rate of return increased from 4.53% to 5.23%.
- Public Safety expenditures increased 11% or \$1.1 million dollars. About \$820,000 is related to increases resulting from the new contract with Santa Clara County Fire.

- Public Works costs were up 14% or \$574,000 due to higher staffing levels especially in Streets and Park Maintenance.
- Community Development expenditures increased about 10% due to increased staffing.

A comparison of the Governmental Activities and Business Activities program's revenues and expenses for the current year and prior year is presented below. The net increase of \$6 million, or about 8%, demonstrates the City's continued commitment to careful planning and conservative budgeting.

**City of Los Altos' Changes in Net Assets  
Fiscal Year Ending June 30, 2007**

|  | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                     | <b>Total</b>         | <b>Total</b>         |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
|  | <b>2006-07</b>                 | <b>2005-06</b>       | <b>2006-07</b>                  | <b>2005-06</b>      | <b>2006-07</b>       | <b>2005-06</b>       |
| <b>Revenues</b>                              |                                |                      |                                 |                     |                      |                      |
| Program Revenue                              |                                |                      |                                 |                     |                      |                      |
| Charges for Service                          | \$ 6,059,453                   | \$ 5,301,569         | \$ 6,304,301                    | \$ 5,719,693        | \$ 12,363,754        | \$ 11,021,262        |
| Operating Grants and Contributions           | 808,713                        | 844,410              |                                 |                     | 808,713              | 844,410              |
| Capital Grants and Contributions             | 444,458                        | 498,100              |                                 |                     | 444,458              | 498,100              |
| General Revenues                             |                                |                      |                                 |                     |                      |                      |
| Property Taxes                               | 10,902,569                     | 9,766,623            |                                 |                     | 10,902,569           | 9,766,623            |
| Sales Taxes                                  | 2,749,964                      | 2,662,313            |                                 |                     | 2,749,964            | 2,662,313            |
| Utility User Tax                             | 2,274,478                      | 2,100,663            |                                 |                     | 2,274,478            | 2,100,663            |
| Other Taxes                                  | 2,681,680                      | 2,336,307            |                                 |                     | 2,681,680            | 2,336,307            |
| Franchise Fees                               | 1,164,077                      | 1,110,369            |                                 |                     | 1,164,077            | 1,110,369            |
| Interest Income                              | 1,413,980                      | 1,048,487            | 295,627                         |                     | 1,709,607            | 1,048,487            |
| Miscellaneous                                | 323,437                        | 949,066              |                                 |                     | 323,437              | 949,066              |
| <b>Total Revenues</b>                        | <b>28,822,809</b>              | <b>26,617,907</b>    | <b>6,599,928</b>                | <b>5,719,693</b>    | <b>35,422,737</b>    | <b>32,337,600</b>    |
| <b>Expenses</b>                              |                                |                      |                                 |                     |                      |                      |
| General Government                           |                                |                      |                                 |                     |                      |                      |
| Public Safety                                | 11,033,238                     | 9,913,491            |                                 |                     | 11,033,238           | 9,913,491            |
| Public works                                 | 4,798,630                      | 4,224,330            |                                 |                     | 4,798,630            | 4,224,330            |
| Recreation                                   | 2,459,724                      | 2,405,047            |                                 |                     | 2,459,724            | 2,405,047            |
| Community development                        | 2,874,875                      | 2,604,484            |                                 |                     | 2,874,875            | 2,604,484            |
| Admin/Community Services                     | 2,655,537                      | 2,502,433            |                                 |                     | 2,655,537            | 2,502,433            |
| Interest on long-term debt                   | 146,408                        | 150,806              |                                 |                     | 146,408              | 150,806              |
| Sewer  |                                |                      | 3,712,127                       | 3,324,167           | 3,712,127            | 3,324,167            |
| Solid Waste                                  |                                |                      | 1,575,439                       | 1,263,742           | 1,575,439            | 1,263,742            |
| Storm Drain                                  |                                |                      | 180,876                         | 183,359             | 180,876              | 183,359              |
| <b>Total expenses</b>                        | <b>23,968,412</b>              | <b>21,800,591</b>    | <b>5,468,442</b>                | <b>4,771,268</b>    | <b>29,436,854</b>    | <b>26,571,859</b>    |
| <b>Change in Net Assets Before Transfers</b> | <b>4,657,811</b>               | <b>4,629,991</b>     | <b>1,328,072</b>                | <b>1,135,750</b>    | <b>5,985,883</b>     | <b>5,765,741</b>     |
| <b>Transfers</b>                             | <b>(196,586)</b>               | <b>(187,325)</b>     | <b>196,586</b>                  | <b>187,325</b>      |                      |                      |
| <b>Net Assets - at the beginning of year</b> | <b>63,622,486</b>              | <b>58,992,494</b>    | <b>8,037,480</b>                | <b>6,901,730</b>    | <b>\$ 71,659,965</b> | <b>65,894,224</b>    |
| <b>Net Assets - end of year</b>              | <b>\$ 68,280,297</b>           | <b>\$ 63,622,485</b> | <b>\$ 9,365,552</b>             | <b>\$ 8,037,480</b> | <b>\$ 77,645,849</b> | <b>\$ 71,659,965</b> |

**BUSINESS TYPE ACTIVITIES**

The programs for the business type activities include Sewer, and Solid Waste Collection Management. Currently Storm Drain and Urban Runoff Pollution Control Program (URPP) are categorized as Enterprise activities, but lacking a fee that pays for these services, we may need to reevaluate Storm Drain and URPP as a General Fund activity. The City's net assets from business-type activities increased \$1.3 million, a result of increased fees, deferred capital projects, and funding for future capital projects. Business type activities represent 12% of the total net assets. Key elements follow:

- The Joint-Sewer System Authority (JSSA) formed in 1968 by a joint exercise of powers among the cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. The City is obligated through the year 2018 under an operating agreement with the City of Palo Alto for water treatment plan and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.
- Service fees for Sewer Services increased by approximately \$818,400 or 19%. More notably, actual fees paid for the Treatment Plant services decreased slightly again, about 5% from 2005-06 to 2006-07.
- Sewer service expenditures increased about \$388,000 from 2005-06. Net assets increased by \$1.4 million, due primarily to deferred capital projects and a prolonged recruitment effort for a dedicated engineer for sewers.
- Service fee revenue for Solid Waste Collection Management increased by 4%. Net assets for the fund decreased by \$58,000 for a total fund balance of \$773,800. The existing fund balance is sufficient against future claims or issues but we should be mindful to maintain the balance between revenues and expenditures.
- The General Fund contribution to the Storm Drain fund in an amount sufficient to offset the annual expenses. For 2006-07, the transfer exceeded actual expenditures by \$15,000 resulting in a year-end fund balance of \$250,900

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$29.7 million, an increase of \$3.8 million from the prior year.

Less than 1% constitutes *unreserved fund balance*, which is available for spending at the City Council's discretion. The *reservation* of fund balance is to show that the funds are not available for new spending commitments. Reservations should only be for external restraints. However, the City Council has the authority to designate portion of the unreserved fund balance for certain purposes such as the Public Employees Retirement System (PERS) or operating designation.

The key unreserved fund balance designations are the emergency and operating designation of \$2.9 million, the PERS reserve for future employer payments of \$3 million, the current and future capital projects reserve of \$14.3 million, the equipment replacement reserve of \$5 million, the facility maintenance reserve of \$3.1 million and the debt service reserve of \$763,700. The growth occurred

primarily in the capital projects reserve, which increased by \$3 million or 25%. This growth is not surprising since all excess General Funds are transferred to Capital Projects.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved and undesignated fund balance of the general fund was \$299,998. The seemingly low balance results from a budget philosophy, which directs the transfer of the year end fund balance to the Capital Projects fund to pay for future capital projects. The emergency and operating reserves are reasonable safeguards in the event of an economic or financial crisis. If additional funds are needed, the Council can authorize a transfer from any of the other funds, which have available resources.

The Capital Projects fund balance will vary as progress occurs on approved projects and funding availability. The primary funding source for capital projects has been transfers from the General Fund, gas tax and one-time grants for specific projects. The City maintains a pay as you go funding philosophy, in lieu of issuing debt for capital improvements. For fiscal year 2006-07, capital project spending was approximately \$2.2 million. Significant project progress occurred in the following maintenance and renovation projects:

- Annual Street Resurfacing project (\$560,000);
- Communications Center Renovation (\$447,000);
- Marymead & McKenzie Playground equipment replacement (\$203,000);
- City Hall Office Design & Carpet replacement for the customer service and central business area of City Hall (\$160,813)
- Annual Concrete Repair (\$141,400);
- Rehabilitation of the Fremont and Portland Avenue Bridges (\$85,000),
- Consulting services for the First and Main Street projects (\$84,500); and
- Funding for neighborhood traffic impact improvements (\$68,800).

The remaining \$450,000 was spent on a broad range of miscellaneous projects primarily in design efforts as the Engineering division continues to make progress on the long list of funded capital projects. As discussed earlier, this past year the City Council undertook a prioritization of all Capital Projects to provide collectively understood direction to staff as to their top priorities.

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

Unrestricted net assets at the end of the year in the Sewer fund were \$6 million, in the Storm Drain fund were \$172,000 including the restatement of assets, and in the Solid Waste Collection Management were \$774,000. Factors concerning the changes in fund balance in these funds have already been addressed in the discussion of the City's business-type activities.

### **Capital Assets and Debt Administration**

**Capital assets:** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$43.8 million (net of accumulated depreciation).

This investment in capital assets includes land, buildings, improvements, machinery and equipment, and streets. At June 30, 2007 net capital assets of the governmental activities totaled \$41.3 million and the net capital assets of the business-type activities totaled \$2.4 million. Depreciation on capital assets is

recognized in the Government-Wide financial statements. Capital assets in this period were substantially unchanged. Additional information on capital assets can be found in footnote 5 of these financial statements.

### Capital Assets at June 30, 2007

|  | <b>Governmental<br/>Activities</b> | <b>Business -Type<br/>Activities</b> | <b>Total</b>         | <b>Total</b>         |
|--|------------------------------------|--------------------------------------|----------------------|----------------------|
|  | <b>2007</b>                        | <b>2007</b>                          | <b>2007</b>          | <b>2006</b>          |
| <b>Land</b>                              | \$ 11,928,028                      | \$ -                                 | \$ 11,928,028        | \$ 11,420,030        |
| <b>Buildings</b>                         | 16,063,266                         | 2,164,173                            | 18,227,439           | 18,468,846           |
| <b>Improvements</b>                      | 719,216                            | -                                    | 719,216              | 763,007              |
| <b>Machinery and Equipment</b>           | 1,159,988                          | 145,134                              | 1,305,122            | 1,044,233            |
| <b>Infrastructure</b>                    | 11,478,703                         | 78,884                               | 11,557,587           | 12,064,109           |
| <b>Total Assets, net of depreciation</b> | <b>\$ 41,349,201</b>               | <b>\$ 2,388,191</b>                  | <b>\$ 43,737,392</b> | <b>\$ 43,760,225</b> |

Debt Administration: At the end of the current fiscal year the City had reduced by approximately \$200,000 resulting in a total of outstanding bonded debt of \$3.2 million primarily for the purchase of Rosita Park (former known as the Saint Williams site) and the parcels of property at First and Main. Additional information on long-term obligations can be found in footnotes 6 and 7 to these financial statements.

|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>2007<br/>Total</b> | <b>2006<br/>Total</b> |
|---|------------------------------------|-------------------------------------|-----------------------|-----------------------|
| Certificate of participation                    | \$ 2,775,000                       | \$ -                                | \$ 2,775,000          | \$ 2,895,000          |
| Special assessment debt with City<br>commitment | 331,000                            | -                                   | 331,000               | 349,391               |
| Capital lease                                   | 57,436                             | -                                   | 57,436                | 112,038               |
| Compensated absences                            | 1,035,082                          | 43,701                              | 1,078,783             | 1,069,418             |
| <b>Total:</b>                                   | <b>\$ 4,198,518</b>                | <b>\$ 43,701</b>                    | <b>\$ 4,242,219</b>   | <b>\$ 4,425,847</b>   |

### GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the FY 2006-07 original General Fund budget of \$23.8 million to the final budget amount of \$24.3 million are \$539,000. Prior year encumbrances account for \$235,325. The remaining \$303,528 represents the additional appropriations authorized during the fiscal year. Most encumbrances related to large equipment purchases such as maintenance vehicles, tables and chairs for the Recreation Department, and a plotter for the Engineering Division. Key mid-year adjustments included:

- An adjustment to the Community Development Department of \$120,000 for a contract planner;
- An adjustment to the Traffic budget of \$31,000 to re-stripe Springer Road;
- An additional \$30,000 to the Legislative budget for the City Manager recruitment;
- An appropriation for \$25,700 for technical consulting assistance on issuance of a request for proposal for a single vendor for Computer Aided Dispatch system with the Cities of Mountain View and Palo Alto, and
- Various appropriations for minor budget adjustments. Overall, Community Development received 40% of the adjustments, the Police Department received 34% of the budget additions, and the remaining 26% were spread across the departments.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

General Fund revenue is forecast to increase 9.7% on a budget basis for fiscal year 2007-08. Expenditures are projected to increase 11.7% for 2007-2008. Key assumptions include:

- An increase of approximately 5% in property tax receipts including secured property tax, unsecured property tax, Homeowner Property Tax Relief, property tax in lieu of vehicle license fees and supplemental property tax. Property tax will be about 40% of all governmental funds revenue.
- Modest Utility User Tax revenue growth is anticipated. The City Council has placed a measure on the November 2007 ballot to recommend clarifying language and a reduction in certain telecommunications services from 3.5% to 3.2%. Language and tax rate changes require voter approval as a result of Proposition 218.
- Salaries are budgeted at top step, with a "revenue" offset of 5% of salary savings since not all employees are paid at top step.
- Addition of an Assistant Planner, an Information Technology Analyst, and conversion of an part time Teen Coordinator to a full time Recreation Coordinator for the Teen Programs. An Accountant position remains in the budget but is not authorized to be hired pending an evaluation of the staffing needs by the new City Manager. In addition, the two half time positions in Storm Drain and Streets are now recognized as one full time Maintenance Worker. Part time hourly assistance of \$27,000 was added to help backfill the Dispatch Center as needed for the absence of full time staff due to training, vacation and sick leave.
- The City has concluded its exclusive discussions with a local developer to explore opportunities to develop the City owned First and Main Street site as a hotel. The City Council is evaluating how best to proceed, as it considers available alternatives.
- The City Council is embarking on a Rebuilding Los Altos program including working with a group appointed by the Council to consider the redevelopment of the civic center property.

- 
- The City has a new sewer agreement with Los Altos Hills, which modifies our usage control from permit based to flow based. In addition. Los Altos Hills now has responsibility to bill their customers.
  - A sewer rate evaluation is underway to update our methodology for establishing rates, as recommended by the Sewer Master Plan, which is anticipated to be transmitted to the City Council in late fall.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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***BASIC FINANCIAL STATEMENTS***

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***GOVERNMENT-WIDE  
FINANCIAL STATEMENTS***

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# CITY OF LOS ALTOS

## STATEMENT OF NET ASSETS JUNE 30, 2007

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>  |                            |                             |                      |
| Current assets:  |                            |                             |                      |
| Cash and investments                                       | \$ 32,927,802              | \$ 7,187,862                | \$ 40,115,664        |
| Accounts receivable, net                                   | 874,706                    | 319,134                     | 1,193,840            |
| Interest receivable  | 486,206                    | -                           | 486,206              |
| Assessments receivable                                     | -                          | -                           | -                    |
| Other receivable   | 39                         | -                           | 39                   |
| Deferred charges   | 125,805                    | -                           | 125,805              |
| Prepaid items and inventory                                | 17,104                     | -                           | 17,104               |
| Total current assets                                       | <u>34,431,662</u>          | <u>7,506,996</u>            | <u>41,938,658</u>    |
| Noncurrent assets:   |                            |                             |                      |
| Restricted cash and investments                            | 249,030                    | -                           | 249,030              |
| Capital assets:  |                            |                             |                      |
| Non depreciable assets                                     | 11,928,029                 | -                           | 11,928,029           |
| Depreciable assets   | 42,381,581                 | 12,662,158                  | 55,043,739           |
| Total capital assets                                       | 54,309,610                 | 12,662,158                  | 66,971,768           |
| Less accumulated depreciation                              | (12,960,409)               | (10,273,967)                | (23,234,376)         |
| Capital assets, net  | 41,349,201                 | 2,388,191                   | 43,737,392           |
| Total noncurrent assets                                    | 41,598,231                 | 2,388,191                   | 43,986,422           |
| <b>Total assets</b>  | <u>76,029,893</u>          | <u>9,895,187</u>            | <u>85,925,080</u>    |
| <b>LIABILITIES</b>   |                            |                             |                      |
| Current liabilities:                                       |                            |                             |                      |
| Accounts payable   | 1,245,871                  | 469,459                     | 1,715,330            |
| Interest payable   | 127,416                    | -                           | 127,416              |
| Accrued liabilities  | 493,881                    | 16,475                      | 510,356              |
| Other payable  | 406,901                    | -                           | 406,901              |
| Deferred revenue   | 442,245                    | -                           | 442,245              |
| Estimated compensated absences payable-due within one year | 258,771                    | 10,925                      | 269,696              |
| Estimated claims and judgments payable-due within one year | 125,000                    | -                           | 125,000              |
| Long-term-debt-due within one year                         | 202,436                    | -                           | 202,436              |
| Total current liabilities                                  | <u>3,302,521</u>           | <u>496,859</u>              | <u>3,799,380</u>     |
| Noncurrent liabilities:                                    |                            |                             |                      |
| Compensated absences payable                               | 776,311                    | 32,776                      | 809,087              |
| Estimated claims and judgments payable                     | 709,764                    | -                           | 709,764              |
| Long-term debt - due in more than a year                   | 2,961,000                  | -                           | 2,961,000            |
| Total noncurrent liabilities                               | <u>4,447,075</u>           | <u>32,776</u>               | <u>4,479,851</u>     |
| Total liabilities  | <u>7,749,596</u>           | <u>529,635</u>              | <u>8,279,231</u>     |
| <b>NET ASSETS</b>  |                            |                             |                      |
| Invested in capital assets, net of related debt            | 38,185,765                 | 2,388,191                   | 40,573,956           |
| Restricted for:  |                            |                             |                      |
| Capital projects   | 776,552                    | -                           | 776,552              |
| Debt service   | 877,708                    | -                           | 877,708              |
| Special projects and programs                              | 1,042,578                  | -                           | 1,042,578            |
| Other purpose  | 12,000                     | -                           | 12,000               |
| Total restricted   | <u>2,708,838</u>           | <u>-</u>                    | <u>2,708,838</u>     |
| Unrestricted   | 27,385,694                 | 6,977,361                   | 34,363,055           |
| <b>Total net assets</b>                                    | <u>\$ 68,280,297</u>       | <u>\$ 9,365,552</u>         | <u>\$ 77,645,849</u> |

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

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# CITY OF LOS ALTOS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

| Functions/Programs                    | Expenses             | Program Revenues        |  |  | Total                |
|---------------------------------------|----------------------|-------------------------|--|--|----------------------|
|                                       |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                      |
| <b>Primary government:</b>            |                      |                         |  |  |                      |
| <b>Governmental activities:</b>       |                      |                         |  |  |                      |
| Public safety                         | \$ 11,033,238        | \$ 498,596              | \$ 111,628                               | \$ 121,249                             | \$ 731,473           |
| Public works                          | 4,798,630            | 228,200                 | 541,385                                  | 322,039                                | 1,091,624            |
| Recreation and culture                | 2,459,724            | 1,665,268               | 9,096                                    | 1,170                                  | 1,675,534            |
| Community development                 | 2,874,875            | 2,501,489               | 140,604                                  | -                                      | 2,642,093            |
| Admin / Community services            | 2,655,537            | 1,165,900               | 6,000                                    | -                                      | 1,171,900            |
| Interest on long-term activities      | 146,408              | -                       | -  | -                                      | -                    |
| <b>Total governmental activities</b>  | <b>23,968,412</b>    | <b>6,059,453</b>        | <b>808,713</b>                           | <b>444,458</b>                         | <b>7,312,624</b>     |
| <b>Business-type activities:</b>      |                      |                         |  |  |                      |
| Sewer                                 | 3,712,127            | 4,833,126               | -  | -                                      | 4,833,126            |
| Solid waste                           | 1,575,439            | 1,471,175               | -  | -                                      | 1,471,175            |
| Storm Drain                           | 180,876              | -                       | -  | -                                      | -                    |
| <b>Total business-type activities</b> | <b>5,468,442</b>     | <b>6,304,301</b>        | <b>-</b>                                 | <b>-</b>                               | <b>6,304,301</b>     |
| <b>Total primary government</b>       | <b>\$ 29,436,854</b> | <b>\$ 12,363,754</b>    | <b>\$ 808,713</b>                        | <b>\$ 444,458</b>                      | <b>\$ 13,616,925</b> |

### General revenues and transfers:

#### Taxes:

Property taxes

Sales taxes

Utility users taxes

Other taxes

Franchise fees

Interest income

Miscellaneous

Transfers

**Total general revenues and transfers**

**Change in net assets**

**Net assets - beginning of year**

**Net assets - end of year**

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

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Net (Expense) Revenue and Changes in Net Assets

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| Governmental<br>Activities | Business Type<br>Activities | Total                |
|----------------------------|-----------------------------|----------------------|
| \$ (10,301,765)            | \$ -                        | \$ (10,301,765)      |
| (3,707,006)                | -                           | (3,707,006)          |
| (784,190)                  | -                           | (784,190)            |
| (232,782)                  | -                           | (232,782)            |
| (1,483,637)                | -                           | (1,483,637)          |
| (146,408)                  | -                           | (146,408)            |
| <u>(16,655,788)</u>        | <u>-</u>                    | <u>(16,655,788)</u>  |
| -                          | 1,120,999                   | 1,120,999            |
| -                          | (104,264)                   | (104,264)            |
| -                          | <u>(180,876)</u>            | <u>(180,876)</u>     |
| -                          | 835,859                     | 835,859              |
| <u>(16,655,788)</u>        | <u>835,859</u>              | <u>(15,819,929)</u>  |
| 10,902,569                 | -                           | 10,902,569           |
| 2,749,964                  | -                           | 2,749,964            |
| 2,274,478                  | -                           | 2,274,478            |
| 2,681,680                  | -                           | 2,681,680            |
| 1,164,077                  | -                           | 1,164,077            |
| 1,413,980                  | 295,627                     | 1,709,607            |
| 323,437                    | -                           | 323,437              |
| <u>(196,586)</u>           | <u>196,586</u>              | <u>-</u>             |
| <u>21,313,599</u>          | <u>492,213</u>              | <u>21,805,812</u>    |
| 4,657,811                  | 1,328,072                   | 5,985,883            |
| 63,622,486                 | 8,037,480                   | 71,659,966           |
| <u>\$ 68,280,297</u>       | <u>\$ 9,365,552</u>         | <u>\$ 77,645,849</u> |

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## **FUND FINANCIAL STATEMENTS**

**Governmental Fund Financial Statements**

**Proprietary Fund Financial Statements**

**Fiduciary Fund Financial Statements**

# CITY OF LOS ALTOS

## GOVERNMENTAL FUNDS FINANCIAL STATEMENTS JUNE 30, 2007

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### MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be major funds by the City in the fiscal year 2006-07. Individual non-major funds may be found in the Other Supplementary Information section.

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

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

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

**Community Improvement Reserve Fund** - Accounts for the resources set aside for additions and improvements to the public and community facilities.

# CITY OF LOS ALTOS

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

| ASSETS  | Major Funds         |                      |   |   |                     | Non-Major<br>Governmental<br>Funds | Total |
|---|---------------------|----------------------|---|---|---------------------|------------------------------------|-------|
|   | General             | Capital<br>Projects  | Equipment<br>Replacement<br>Capital<br>Projects | Community<br>Improvement<br>Capital<br>Projects |                     |                                    |       |
| Cash and investments                                  | \$ 7,107,033        | \$ 14,670,784        | \$ 4,007,940                                    | \$ 1,235,405                                    | \$ 3,673,298        | \$ 30,694,460                      |       |
| Restricted cash and investments                       | -                   | -                    | -   | -   | 249,030             | 249,030                            |       |
| Receivables-<br>(net of allowance for uncollectible): |                     |                      |   |   |                     |                                    |       |
| Accounts  | 783,502             | 47,084               | -   | -   | 32,505              | 863,091                            |       |
| Interest  | 486,206             | -                    | -   | -   | -                   | 486,206                            |       |
| Other   | 39                  | -                    | -   | -   | -                   | 39                                 |       |
| Prepays   | 205                 | -                    | -   | -   | 6,092               | 6,297                              |       |
| Due from other funds                                  | 38,021              | 13,719               | 1,000,000                                       | -   | 1,000,000           | 2,051,740                          |       |
| Inventory   | 10,807              | -                    | -   | -   | -                   | 10,807                             |       |
| <b>Total assets</b>                                   | <b>\$ 8,425,813</b> | <b>\$ 14,731,587</b> | <b>\$ 5,007,940</b>                             | <b>\$ 1,235,405</b>                             | <b>\$ 4,960,925</b> | <b>\$ 34,361,670</b>               |       |
| <b>LIABILITIES AND FUND BALANCES</b>                  |                     |                      |   |   |                     |                                    |       |
| <b>Liabilities:</b>                                   |                     |                      |   |   |                     |                                    |       |
| Accounts payable                                      | \$ 818,978          | \$ 385,260           | \$ -  | \$ -  | \$ 23,039           | \$ 1,227,277                       |       |
| Accrued liabilities                                   | 470,213             | 23,668               | -   | -   | -                   | 493,881                            |       |
| Other payable   | 406,901             | -                    | -   | -   | -                   | 406,901                            |       |
| Deferred revenue                                      | 441,495             | 750                  | -   | -   | -                   | 442,245                            |       |
| Due to other funds                                    | -                   | -                    | -   | 2,000,000                                       | 51,740              | 2,051,740                          |       |
| <b>Total liabilities</b>                              | <b>2,137,587</b>    | <b>409,678</b>       | <b>-</b>  | <b>2,000,000</b>                                | <b>74,779</b>       | <b>4,622,044</b>                   |       |
| <b>Fund Balances:</b>                                 |                     |                      |   |   |                     |                                    |       |
| Reserved for:   |                     |                      |   |   |                     |                                    |       |
| Encumbrances  | 107,890             | -                    | -   | -   | -                   | 107,890                            |       |
| Veteran Memorial                                      | 12,000              | -                    | -   | -   | -                   | 12,000                             |       |
| Debt service  | -                   | -                    | -   | -   | 763,679             | 763,679                            |       |
| Capital projects                                      | -                   | 776,552              | 1,000,000                                       | -   | 1,000,000           | 2,776,552                          |       |
| Special programs and projects                         | -                   | -                    | -   | -   | 1,063,547           | 1,063,547                          |       |
| Inventory and prepaids                                | 11,012              | -                    | -   | -   | -                   | 11,012                             |       |
| Unreserved, designated for, reported in:              |                     |                      |   |   |                     |                                    |       |
| PERS  | 3,005,795           | -                    | -   | -   | -                   | 3,005,795                          |       |
| Emergency and operating                               | 2,851,531           | -                    | -   | -   | -                   | 2,851,531                          |       |
| Capital projects                                      | -                   | 4,834,263            | -   | -   | 494,263             | 5,328,526                          |       |
| Unreserved, undesignated reported in:                 |                     |                      |   |   |                     |                                    |       |
| General Fund  | 299,998             | -                    | -   | -   | -                   | 299,998                            |       |
| Special revenue funds                                 | -                   | -                    | -   | -   | (20,969)            | (20,969)                           |       |
| Debt service  | -                   | -                    | -   | -   | (7,585)             | (7,585)                            |       |
| Capital project funds                                 | -                   | 8,711,094            | 4,007,940                                       | (764,595)                                       | 1,593,211           | 13,547,650                         |       |
| <b>Total fund balances</b>                            | <b>6,288,226</b>    | <b>14,321,909</b>    | <b>5,007,940</b>                                | <b>(764,595)</b>                                | <b>4,886,146</b>    | <b>29,739,626</b>                  |       |
| <b>Total liabilities and fund balances</b>            | <b>\$ 8,425,813</b> | <b>\$ 14,731,587</b> | <b>\$ 5,007,940</b>                             | <b>\$ 1,235,405</b>                             | <b>\$ 4,960,925</b> | <b>\$ 34,361,670</b>               |       |

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

# CITY OF LOS ALTOS

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS JUNE 30, 2007

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|  |                             |
|--|-----------------------------|
| <b>Total Fund Balances - Total Governmental Funds</b>  | <b>\$ 29,739,626</b>        |
| Accounts reported for governmental activities in the Statement of Net Assets were reported differently because:  |                             |
| Capital assets used in governmental activities are not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.   |                             |
| Land, buildings, property, equipment and infrastructure, net of accumulated depreciation   | 41,349,201                  |
| 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.  |                             |
|  | (127,416)                   |
| Internal service funds are used by management to charge the costs of certain activities to individual-fund. The assets and liabilities of the internal service funds are included in governmental activities in the Governmental-Wide Statement of Net Assets. |                             |
|  | 1,391,599                   |
| The costs associated with the issuance of debt, net of amortization, is a use of current resources in the fund statement, therefore it was not reported as an asset in the Governmental Fund Balance.  |                             |
|  | 125,805                     |
| Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.  |                             |
| Long-term liabilities - current portion  | (202,436)                   |
| Long-term liabilities - non-current portion  | (2,961,000)                 |
| Compensated Absences - current portion   | (258,771)                   |
| Compensated Absences   | <u>(776,311)</u>            |
| Total long-term liabilities  | <u>(4,198,518)</u>          |
| Net Assets of Governmental Activities  | <u><u>\$ 68,280,297</u></u> |

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

# CITY OF LOS ALTOS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

|   | Major Funds         |                     |   |   |                                    | Total                |
|---|---------------------|---------------------|---|---|------------------------------------|----------------------|
|   | General             | Capital<br>Projects | Equipment<br>Replacement<br>Capital<br>Projects | Community<br>Improvement<br>Capital<br>Projects | Non-Major<br>Governmental<br>Funds |                      |
| <b>REVENUES:</b>                                |                     |                     |   |   |                                    |                      |
| Taxes   | \$15,164,845        | \$ -                | \$ -  | \$ -  | \$ 39,848                          | \$ 15,204,693        |
| License, permits and park-in-lieu               | 2,522,391           | -                   | -   | -   | -                                  | 2,522,391            |
| Intergovernmental                               | 3,462,304           | 241,406             | -   | -   | 619,145                            | 4,322,855            |
| Grants and donations                            | 15,445              | 203,053             | -   | -   | 140,604                            | 359,102              |
| Charges for services                            | 3,700,815           | -                   | -   | -   | -                                  | 3,700,815            |
| Fines and forfeitures                           | 226,684             | -                   | -   | -   | 37,050                             | 263,734              |
| Interest and rentals                            | 1,630,423           | -                   | -   | -   | 61,410                             | 1,691,833            |
| Other   | 417,668             | 72,830              | -   | -   | 286,972                            | 777,470              |
| <b>Total revenues</b>                           | <b>27,140,575</b>   | <b>517,289</b>      | <b>-</b>  | <b>-</b>  | <b>1,185,029</b>                   | <b>28,842,893</b>    |
| <b>EXPENDITURES:</b>                            |                     |                     |   |   |                                    |                      |
| General government:                             |                     |                     |   |   |                                    |                      |
| Public safety                                   | 11,081,314          | 1,854               | 746   | -   | -                                  | 11,083,914           |
| Public works                                    | 3,389,561           | 931,188             | -   | -   | -                                  | 4,320,749            |
| Recreation and culture                          | 2,024,683           | 77,108              | -   | -   | 942                                | 2,102,733            |
| Community development                           | 2,771,608           | 139,921             | -   | -   | 10,743                             | 2,922,272            |
| Administration/Community services               | 2,400,822           | 180,424             | 23,741  | -   | 53,611                             | 2,658,598            |
| Capital improvements                            | 418,609             | 847,033             | -   | -   | 107,962                            | 1,373,604            |
| Debt service:                                   |                     |                     |   |   |                                    |                      |
| Principal                                       | -                   | -                   | -   | -   | 192,993                            | 192,993              |
| Interest and fiscal charges                     | -                   | -                   | -   | -   | 143,085                            | 143,085              |
| <b>Total expenditures</b>                       | <b>22,086,597</b>   | <b>2,177,528</b>    | <b>24,487</b>                                   | <b>-</b>  | <b>509,336</b>                     | <b>24,797,948</b>    |
| <b>REVENUES OVER -<br/>(UNDER) EXPENDITURES</b> | <b>5,053,978</b>    | <b>(1,660,239)</b>  | <b>(24,487)</b>                                 | <b>-</b>  | <b>675,693</b>                     | <b>4,044,945</b>     |
| <b>OTHER FINANCING SOURCES (USES):</b>          |                     |                     |   |   |                                    |                      |
| Transfers in                                    | 327,050             | 4,624,366           | 497,733   | 5,000   | 699,000                            | 6,153,149            |
| Transfers out                                   | (5,170,933)         | -                   | (382,162)                                       | -   | (796,640)                          | (6,349,735)          |
| <b>Total other financing sources (uses)</b>     | <b>(4,843,883)</b>  | <b>4,624,366</b>    | <b>115,571</b>                                  | <b>5,000</b>                                    | <b>(97,640)</b>                    | <b>(196,586)</b>     |
| <b>Net change in fund balances</b>              | <b>210,095</b>      | <b>2,964,127</b>    | <b>91,084</b>                                   | <b>5,000</b>                                    | <b>578,053</b>                     | <b>3,848,359</b>     |
| <b>FUND BALANCES:</b>                           |                     |                     |   |   |                                    |                      |
| Beginning of year                               | 6,078,131           | 11,357,782          | 4,916,856                                       | (769,595)                                       | 4,308,093                          | 25,891,267           |
| End of year                                     | <u>\$ 6,288,226</u> | <u>\$14,321,909</u> | <u>\$ 5,007,940</u>                             | <u>\$ (764,595)</u>                             | <u>\$ 4,886,146</u>                | <u>\$ 29,739,626</u> |

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

## CITY OF LOS ALTOS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2007

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Net Change in Fund Balances - Total Governmental Funds \$ 3,848,359

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

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 1,373,604

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expenses is not reported as expenditures in governmental funds. (1,237,627)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. (20,084)

Long-term compensated absence were reported in the Governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. (8,417)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the entity wide financial statements. This amount is the net effect of these differences in the treatment of long term debt and related items. 182,054

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from the prior year. 7,616

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. 512,306

Change in Net Assets of Governmental Activities \$ 4,657,811

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

## **CITY OF LOS ALTOS**

### **PROPRIETARY FUND FINANCIAL STATEMENTS JUNE 30, 2007**

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#### **ENTERPRISE FUNDS**

The funds described below were the City's Enterprise funds. Individual Internal Service funds may be found in the Other Supplementary Information section.

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

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

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

# CITY OF LOS ALTOS

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2007

| ASSETS                                    | Major Funds         |                   |                   | Total               | Governmental<br>Activities<br>Internal Service<br>Funds |
|---|---------------------|-------------------|-------------------|---------------------|---|
|   | Sewer               | Solid Waste       | Storm Drain       |                     |   |
| Current assets:                           |                     |                   |                   |                     |   |
| Cash and investments                      | \$ 6,265,908        | \$ 749,970        | \$ 171,984        | \$ 7,187,862        | \$ 2,233,342  |
| Receivables                               |                     |                   |                   |                     |   |
| Accounts                                  | 180,439             | 138,695           | -                 | 319,134             | 11,615  |
| Total current assets                      | 6,446,347           | 888,665           | 171,984           | 7,506,996           | 2,244,957   |
| Noncurrent assets:                        |                     |                   |                   |                     |   |
| Capital assets:                           |                     |                   |                   |                     |   |
| Depreciable                               | 10,692,937          | -                 | 1,969,221         | 12,662,158          | -   |
| Less accumulated depreciation             | (8,383,630)         | -                 | (1,890,337)       | (10,273,967)        | -   |
| Total capital assets, net                 | 2,309,307           | -                 | 78,884            | 2,388,191           | -   |
| Total noncurrent assets                   | 2,309,307           | -                 | 78,884            | 2,388,191           | -   |
| <b>Total assets</b>                       | <b>8,755,654</b>    | <b>888,665</b>    | <b>250,868</b>    | <b>9,895,187</b>    | <b>2,244,957</b>  |
| <b>LIABILITIES</b>                        |                     |                   |                   |                     |   |
| Current liabilities                       |                     |                   |                   |                     |   |
| Accounts payable                          | 355,778             | 113,681           | -                 | 469,459             | 18,594  |
| Accrued liabilities                       | 15,278              | 1,197             | -                 | 16,475              | -   |
| Compensated absences - current portion    | 10,925              | -                 | -                 | 10,925              | -   |
| Claims and judgments - current portion    | -                   | -                 | -                 | -                   | 125,000   |
| Total current liabilities                 | 381,981             | 114,878           | -                 | 496,859             | 143,594   |
| Non current liabilities                   |                     |                   |                   |                     |   |
| Compensated absences - noncurrent portion | 32,776              | -                 | -                 | 32,776              | -   |
| Claims and judgments - noncurrent portion | -                   | -                 | -                 | -                   | 709,764   |
| Total noncurrent liabilities              | 32,776              | -                 | -                 | 32,776              | 709,764   |
| <b>Total liabilities</b>                  | <b>414,757</b>      | <b>114,878</b>    | <b>-</b>          | <b>529,635</b>      | <b>853,358</b>  |
| <b>NET ASSETS</b>                         |                     |                   |                   |                     |   |
| Net assets, invested in capital assets    | 2,309,307           | -                 | 78,884            | 2,388,191           | -   |
| Unrestricted                              | 6,031,590           | 773,787           | 171,984           | 6,977,361           | 1,391,599   |
| <b>Total net assets</b>                   | <b>\$ 8,340,897</b> | <b>\$ 773,787</b> | <b>\$ 250,868</b> | <b>\$ 9,365,552</b> | <b>\$ 1,391,599</b>                                     |

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

# CITY OF LOS ALTOS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

|  | Major Funds         |                   |                   |                     | Governmental<br>Activities<br>Internal Service<br>Funds |
|--|---------------------|-------------------|-------------------|---------------------|---|
|  | Sewer               | Solid Waste       | Storm Drain       | Total               |   |
| <b>OPERATING REVENUES:</b>                     |                     |                   |                   |                     |   |
| Charges for services                           | \$ 4,783,126        | \$ 1,471,175      | \$ -              | \$ 6,254,301        | \$ 973,552  |
| Other  | 50,000              | -                 | -                 | 50,000              | 16,840  |
| <b>Total operating revenues</b>                | <u>4,833,126</u>    | <u>1,471,175</u>  | <u>-</u>          | <u>6,304,301</u>    | <u>990,392</u>  |
| <b>OPERATING EXPENSES:</b>                     |                     |                   |                   |                     |   |
| Outside services                               | 2,212,583           | 1,524,692         | 58,604            | 3,795,879           | -   |
| Employee services                              | 501,585             | 39,466            | 79,348            | 620,399             | -   |
| Repairs and maintenance                        | 861,249             | 11,100            | 1,511             | 873,860             | -   |
| Claims reimbursement                           | -                   | -                 | -                 | -                   | 79,338  |
| Insurance                                      | -                   | -                 | -                 | -                   | 257,777   |
| Administration                                 | -                   | 181               | -                 | 181                 | 140,971   |
| Depreciation                                   | 136,710             | -                 | 41,413            | 178,123             | -   |
| <b>Total operating expenses</b>                | <u>3,712,127</u>    | <u>1,575,439</u>  | <u>180,876</u>    | <u>5,468,442</u>    | <u>478,086</u>  |
| <b>OPERATING INCOME (LOSS)</b>                 | <u>1,120,999</u>    | <u>(104,264)</u>  | <u>(180,876)</u>  | <u>835,859</u>      | <u>512,306</u>  |
| <b>NONOPERATING REVENUE:</b>                   |                     |                   |                   |                     |   |
| Interest                                       | 249,455             | 46,172            | -                 | 295,627             | -   |
| <b>TOTAL NONOPERATING REVENUE</b>              | <u>249,455</u>      | <u>46,172</u>     | <u>-</u>          | <u>295,627</u>      | <u>-</u>  |
| <b>INCOME (LOSS) BEFORE OPERATING TRANSFER</b> | <u>1,370,454</u>    | <u>(58,092)</u>   | <u>(180,876)</u>  | <u>1,131,486</u>    | <u>512,306</u>  |
| Transfers in                                   | -                   | -                 | 196,586           | 196,586             | -   |
| <b>Change in net assets</b>                    | <u>1,370,454</u>    | <u>(58,092)</u>   | <u>15,710</u>     | <u>1,328,072</u>    | <u>512,306</u>  |
| <b>NET ASSETS:</b>                             |                     |                   |                   |                     |   |
| Beginning of the year                          | 6,970,443           | 831,879           | 235,158           | 8,037,480           | 879,293   |
| End of the year                                | <u>\$ 8,340,897</u> | <u>\$ 773,787</u> | <u>\$ 250,868</u> | <u>\$ 9,365,552</u> | <u>\$ 1,391,599</u>                                     |

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

# CITY OF LOS ALTOS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

|   | Major Funds  |              |              |              | Governmental<br>Activities<br>Internal Service<br>Funds |
|---|--------------|--------------|--------------|--------------|---|
|   | Sewer        | Solid Waste  | Storm Drain  | Total        |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |              |              |              |              |   |
| Cash received from customers  | \$ 4,794,161 | \$ 1,468,070 | \$ -         | \$ 6,262,231 | \$ 979,943  |
| Cash payments to suppliers for goods and services   | (2,921,620)  | (1,513,984)  | (60,138)     | (4,495,742)  | -   |
| Cash payments to employees for services   | (500,637)    | (39,466)     | (79,348)     | (619,451)    | -   |
| Cash payments to claimants  | -            | -            | -            | -            | (370,860)   |
| Insurance premiums and administration   | -            | -            | -            | -            | (492,993)   |
| Net cash provided (used) by operating activities  | 1,371,904    | (85,380)     | (139,486)    | 1,147,038    | 116,090   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |              |              |              |              |   |
| Transfers in  | -            | -            | 196,586      | 196,586      | -   |
| Net cash provided (used) by noncapital financing activities   | -            | -            | 196,586      | 196,586      | -   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                                      |              |              |              |              |   |
| Capital asset additions   | (39,396)     | -            | -            | (39,396)     | -   |
| Net cash provided (used) by capital and related financing activities                                  | (39,396)     | -            | -            | (39,396)     | -   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |              |              |              |              |   |
| Interest  | 249,455      | 46,172       | -            | 295,627      | -   |
| Net cash provided by investing activities   | 249,455      | 46,172       | -            | 295,627      | -   |
| Net increase (decrease) in cash and cash equivalents  | 1,581,963    | (39,208)     | 57,100       | 1,599,855    | 116,090   |
| <b>CASH AND CASH EQUIVALENTS:</b>   |              |              |              |              |   |
| Beginning of year   | 4,683,945    | 789,178      | 114,884      | 5,588,007    | 2,117,252   |
| End of year   | \$ 6,265,908 | \$ 749,970   | \$ 171,984   | \$ 7,187,862 | \$ 2,233,342  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |              |              |              |              |   |
| Operating income (loss)   | \$ 1,120,999 | \$ (104,264) | \$ (180,876) | \$ 835,859   | \$ 512,306  |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |              |              |              |              |   |
| Depreciation  | 136,710      | -            | 41,413       | 178,123      | -   |
| Changes in assets and liabilities:  |              |              |              |              |   |
| Accounts receivable   | (38,965)     | (3,105)      | -            | (42,070)     | (10,449)  |
| Accounts payable  | 152,212      | 21,989       | (23)         | 174,178      | (93,996)  |
| Accrued liabilities   | 948          | -            | -            | 948          | -   |
| Claims and judgments  | -            | -            | -            | -            | (291,771)   |
| Total adjustments   | 250,905      | 18,884       | 41,390       | 311,179      | (396,216)   |
| Net Cash provided (used) by operating activities  | \$ 1,371,904 | \$ (85,380)  | \$ (139,486) | \$ 1,147,038 | \$ 116,090  |

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

## **CITY OF LOS ALTOS**

### **FIDUCIARY FUND FINANCIAL STATEMENTS JUNE 30, 2007**

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

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

**CITY OF LOS ALTOS**

**STATEMENT OF FIDUCIARY FUND NET ASSETS**  
**JUNE 30, 2007**

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|                          | <b>Agency<br/>Fund</b>     |
|--------------------------|----------------------------|
| <b>ASSETS</b>            |                            |
| Cash and investments     | \$ 1,260,799               |
| Interest receivable      | <u>16,658</u>              |
| <b>Total assets</b>      | <u><u>\$ 1,277,457</u></u> |
| <b>LIABILITIES</b>       |                            |
| Accounts payable         | \$ 102,789                 |
| Due to others            | <u>1,174,668</u>           |
| <b>Total liabilities</b> | <u><u>\$ 1,277,457</u></u> |

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

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***NOTES TO FINANCIAL STATEMENTS***

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# **CITY OF LOS ALTOS**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Financial Reporting Entity**

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

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

#### **Blended Component Unit**

##### Community Facility District (District):

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

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

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

##### Governmental-Wide Financial Statements

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### Governmental-Wide Financial Statements (Continued)

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

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

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

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

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

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

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### Governmental Fund Financial Statements

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

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

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

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

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

##### Proprietary Fund Financial Statements

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

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

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### Proprietary Fund Financial Statements (Continued)

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

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

##### Fiduciary Fund Financial Statements

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

##### Internal Service Funds

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

#### **C. Recognition of Interest Liability**

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

#### **D. Use of Restricted and Unrestricted Net Assets**

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

#### **E. Cash, Cash Equivalents and Investments**

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **E. Cash, Cash Equivalents and Investments (Continued)**

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

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

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

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

#### **F. Inventories**

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

#### **G. Restricted Assets**

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

#### **H. Compensated Absences**

##### Governmental – Wide Financial Statements

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

##### Fund Financial Statements

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Property Taxes

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

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

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

#### J. Capital Assets

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

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

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

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

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

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Capital Assets (continued)

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

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

#### K. Long-Term Debt

##### Government-Wide Financial Statements

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

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

##### Fund Financial Statements

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

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

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

#### L. Deferred Revenue

##### Government-Wide Financial Statements

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

# **CITY OF LOS ALTOS**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **L. Deferred Revenue (continued)**

##### Fund Financial Statements

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

#### **M. Net Assets and Fund Balances**

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

##### Governmental-Wide Financial Statements

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

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

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

##### Fund Financial Statements

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

#### **N. Use of Estimates**

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

#### **O. Budgetary Information**

##### General Budget Policies

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Budgetary Information (continued)

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

#### Budget Basis of Accounting

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

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Community Improvement Capital Project Fund has a deficit fund balance of \$764,595 at June 30, 2007. The original plan was to use the proceeds from the sale of the City's half interest in the former Los Altos sewage treatment plant to cover the deficit. However, the City Council subsequently took action to allocate the surplus from the sale of the treatment plant to some other purposes when the sale takes place. As a result, City Council action is needed to cure the deficit through another source. The City has sufficient resources to cure the deficit from the General Fund revenues, if necessary.

The Edith Avenue Foothill Noise Wall Debt Service Fund deficit fund balance at June 30, 2007 of \$7,585 is expected to be cured with General Fund transfers, pending City Council approval.

### NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

|   |                      |
|---|----------------------|
| Cash and Investments                      | \$ 40,115,664        |
| Cash and Investments held by bond trustee | 249,030              |
| <b>Fiduciary funds:</b>                   |                      |
| Cash and Investments                      | 1,260,799            |
| Total cash and investments                | <u>\$ 41,625,493</u> |

Cash and investments as of June 30, 2007 consist of the following:

|                                      |                      |
|--------------------------------------|----------------------|
| Cash on hand                         | \$ 1,300             |
| Deposits with financial institutions | 42,201               |
| Investments                          | 41,581,992           |
| Total Deposits and Investments       | <u>\$ 41,625,493</u> |

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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

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

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

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

#### Disclosures Relating to Interest Rate Risk

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

| Investment Type           | Fair<br>Value        | Weighted<br>Average Maturity<br>In Years |
|---------------------------|----------------------|--|
| State Investment Pool     | \$ 41,332,962        | 0.48                                     |
| Money Market Mutual Funds | 249,030              | 0.02                                     |
|                           | <u>\$ 41,581,992</u> |  |

#### Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

| Investment Type           | Fair<br>Value       | Minimum<br>Legal<br>Rating | Rating as of<br>Year End<br>Unrated |
|---------------------------|---------------------|----------------------------|-------------------------------------|
| State Investment Pool     | \$41,332,962        | NA                         | \$41,332,962                        |
| Money Market Mutual Funds | 249,030             | NA                         | 249,030                             |
| Total                     | <u>\$41,581,992</u> |                            | <u>\$41,581,992</u>                 |

#### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2007, the City's bank balance of \$671,539 with a corresponding book balance of \$42,201 was either insured or collateralized but the collateral was not held specifically in the City's name.

#### Custodial Credit Risk – Investments

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

#### Investment in State Investment Pool

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 4 – INTERFUND TRANSACTIONS

#### Fund Financial Statements

#### A. Due to/from Other Funds

The due to/from other funds to be repaid out of future earnings or charges at June 30, 2007, consisted of:

| Due From Other Funds         | Due To Other Funds            |                       |                              |                     |
|------------------------------|-------------------------------|-----------------------|------------------------------|---------------------|
|                              | Community Improvement Reserve | Equipment Replacement | Non-major Governmental Funds | Total               |
|                              |                               |                       |                              |                     |
|                              |                               |                       |                              |                     |
| General                      | \$ -                          | \$ -                  | \$ 38,021                    | \$ 38,021           |
| Equipment Replacement        | 1,000,000                     | -                     | -                            | 1,000,000           |
| Capital Project              | -                             | -                     | 13,719                       | 13,719              |
| Non-major Governmental Funds | 1,000,000                     | -                     | -                            | 1,000,000           |
| <b>Total</b>                 | <b>\$ 2,000,000</b>           | <b>\$ -</b>           | <b>\$ 51,740</b>             | <b>\$ 2,051,740</b> |

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

#### B. Transfers

Transfers for the year ended June 30, 2007, were as follows:

| Transfers Out                | Transfers In      |                     |                       |                        |                              |                        | Total               |
|------------------------------|-------------------|---------------------|-----------------------|------------------------|------------------------------|------------------------|---------------------|
|                              | General Fund      | Capital Projects    | Equipment Replacement | Community Improvements | Non-major Governmental Funds | Enterprise Storm Drain |                     |
| General Fund                 | \$ -              | \$ 3,772,614        | \$ 497,733            | \$ 5,000               | \$ 699,000                   | \$ 196,586             | \$ 5,170,933        |
| Equipment Replacement        |                   | 382,162             | -                     | -                      | -                            | -                      | 382,162             |
| Non-major Governmental Funds | 327,050           | 469,590             | -                     | -                      | -                            | -                      | 796,640             |
| <b>Total</b>                 | <b>\$ 327,050</b> | <b>\$ 4,624,366</b> | <b>\$ 497,733</b>     | <b>\$ 5,000</b>        | <b>\$ 699,000</b>            | <b>\$ 196,586</b>      | <b>\$ 6,349,735</b> |

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 5 – CAPITAL ASSETS

#### A. Governmental – Wide Financial Statements

At June 30, 2007, the City's capital assets consisted of the following:

|                                  | Governmental<br>Activities | Business-Type<br>Activities | Total         |
|----------------------------------|----------------------------|-----------------------------|---------------|
| Non-depreciable assets:          |                            |                             |               |
| Construction in Progress         | \$ 523,162                 | \$ -                        | \$ 523,162    |
| Land                             | 11,404,867                 | -                           | 11,404,867    |
| Total non-depreciable assets     | 11,928,029                 | -                           | 11,928,029    |
| Depreciable assets:              |                            |                             |               |
| Buildings                        | 21,668,810                 | 10,151,094                  | 31,819,904    |
| Improvement other than buildings | 1,609,631                  | -                           | 1,609,631     |
| Machinery and equipment          | 3,392,467                  | 541,843                     | 3,934,310     |
| Infrastructure                   | 15,710,673                 | 1,969,221                   | 17,679,894    |
| Total depreciable assets         | 42,381,581                 | 12,662,158                  | 55,043,739    |
| Less accumulated depreciation    | (12,960,409)               | (10,273,967)                | (23,234,376)  |
| Total depreciable assets, net    | 29,421,172                 | 2,388,191                   | 31,809,363    |
| Total capital assets             | \$ 41,349,201              | \$ 2,388,191                | \$ 43,737,392 |

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 5 – CAPITAL ASSETS (CONTINUED)

#### A. Governmental – Wide Financial Statements (Continued)

The following is a summary of capital assets for governmental activities for the year ended June 30, 2007:

|   | Balance<br>July 1, 2006 | Additions   | Deletions   | Adjustments | Balance<br>June 30, 2007 |
|---|-------------------------|-------------|-------------|-------------|--------------------------|
| <b>Non-depreciable assets:</b>                    |                         |             |             |             |                          |
| Construction in progress                          | \$ 15,163               | \$ 507,999  | \$ -        | \$ -        | \$ 523,162               |
| Land  | 11,404,867              | -           | -           | -           | 11,404,867               |
| Total non-depreciable assets                      | 11,420,030              | 507,999     | -           | -           | 11,928,029               |
| <b>Depreciable assets:</b>                        |                         |             |             |             |                          |
| Buildings   | 21,352,385              | 316,425     | -           | -           | 21,668,810               |
| Improvement other than buildings                  | 1,609,631               | -           | -           | -           | 1,609,631                |
| Machinery and equipment                           | 3,600,179               | 543,778     | (751,490)   | -           | 3,392,467                |
| Infrastructure                                    | 15,705,271              | 5,402       | -           | -           | 15,710,673               |
| Total depreciable assets                          | 42,267,466              | 865,605     | (751,490)   | -           | 42,381,581               |
| <b>Accumulated depreciation:</b>                  |                         |             |             |             |                          |
| Buildings   | (5,149,926)             | (455,618)   | -           | -           | (5,605,544)              |
| Improvements                                      | (846,624)               | (43,791)    | -           | -           | (890,415)                |
| Machinery and equipment                           | (2,696,180)             | (267,706)   | 731,406     | -           | (2,232,480)              |
| Infrastructure                                    | (3,761,459)             | (470,511)   | -           | -           | (4,231,970)              |
| Total accumulated depreciation                    | (12,454,189)            | (1,237,626) | 731,406     | -           | (12,960,409)             |
| Total depreciable assets, net                     | 29,813,277              | (372,021)   | (20,084)    | -           | 29,421,172               |
| Total governmental activities capital assets, net | \$ 41,233,307           | \$ 135,978  | \$ (20,084) | \$ -        | \$ 41,349,201            |

The Governmental activities depreciation expenses for capital assets for the year ended June 30, 2007 are as follows:

|                            |              |
|----------------------------|--------------|
| Public safety              | \$ 195,101   |
| Public works               | 551,954      |
| Recreation                 | 369,981      |
| Community development      | 33,614       |
| Admin/community services   | 86,976       |
| Total depreciation expense | \$ 1,237,626 |

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 5 – CAPITAL ASSETS (CONTINUED)

#### A. Governmental – Wide Financial Statements (Continued)

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

|                                | Balance<br>July 1, 2006 | Additions    | Deletions | Balance<br>June 30, 2007 |
|--------------------------------|-------------------------|--------------|-----------|--------------------------|
| Depreciable assets:            |                         |              |           |                          |
| Buildings                      | \$ 10,151,094           | \$ -         | \$ -      | \$ 10,151,094            |
| Infrastructure                 | 1,969,221               | -            | -         | 1,969,221                |
| Machinery and equipment        | 510,561                 | 39,396       | (8,114)   | 541,843                  |
| Total depreciable assets       | 12,630,876              | 39,396       | (8,114)   | 12,662,158               |
| Accumulated depreciation:      |                         |              |           |                          |
| Buildings                      | (7,884,707)             | (102,214)    | -         | (7,986,921)              |
| Infrastructure                 | (1,848,924)             | (41,413)     | -         | (1,890,337)              |
| Machinery and equipment        | (370,327)               | (34,496)     | 8,114     | (396,709)                |
| Total accumulated depreciation | (10,103,958)            | (178,123)    | 8,114     | (10,273,967)             |
| Total depreciable assets net   | \$ 2,526,918            | \$ (138,727) | \$ -      | \$ 2,388,191             |

Depreciation expense for business-type activities for the year ended June 30, 2007 is as follows:

|             |                   |
|-------------|-------------------|
| Sewer       | \$ 136,710        |
| Storm Drain | 41,413            |
| Total       | <u>\$ 178,123</u> |

#### B. Fund Financial Statements

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

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 6 –LONG-TERM OBLIGATIONS

#### A. Governmental Activities Long-Term Obligations

Summary of changes in governmental activities long-term debt for the year ended June 30, 2007 is as follows:

|   | Balance<br>July 1, 2006 | Debt<br>Issues | Debt<br>Retired   | Balance<br>June 30, 2007 | Due in<br>one year | Due in more<br>than one year |
|---|-------------------------|----------------|-------------------|--------------------------|--------------------|------------------------------|
| Certificate of participation                      | \$ 2,895,000            | \$ -           | \$ 120,000        | \$ 2,775,000             | \$ 125,000         | \$ 2,650,000                 |
| Special Assessment Debt<br>with City Commitment   | 349,391                 | -              | 18,391            | 331,000                  | 20,000             | 311,000                      |
| Capital Lease Obligations:<br>Loyola Fire Station | 112,038                 | -              | 54,602            | 57,436                   | 57,436             | -                            |
| <b>Total</b>                                      | <b>\$ 3,356,429</b>     | <b>\$ -</b>    | <b>\$ 192,993</b> | <b>\$ 3,163,436</b>      | <b>\$ 202,436</b>  | <b>\$ 2,961,000</b>          |

#### Certificates of Participation

Certificates of participation payable at June 30, 2007, consisted of the following:

|                              | Balance<br>June 30, 2007 | Due in<br>one year | Due in more<br>than one year |
|------------------------------|--------------------------|--------------------|------------------------------|
| 1996 ABAG 36 (Land Purchase) | \$ 500,000               | \$ 45,000          | \$ 455,000                   |
| 2004 Refunding               | 2,275,000                | 80,000             | 2,195,000                    |
| <b>Total</b>                 | <b>\$ 2,775,000</b>      | <b>\$ 125,000</b>  | <b>\$ 2,650,000</b>          |

#### ABAG 36 Certificates of Participation

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 6 –LONG-TERM OBLIGATIONS (CONTINUED)

#### A. Governmental Activities Long-Term Obligations (Continued)

At June 30, 2007, future debt service requirement for the ABAG 36 COPs were as follows:

| For the Year<br>Ending June 30, | Principal         | Interest           | Total             |
|---------------------------------|-------------------|--------------------|-------------------|
| 2008                            | \$ 45,000         | \$ 27,038          | \$ 72,038         |
| 2009                            | 45,000            | 24,630             | 69,630            |
| 2010                            | 50,000            | 22,040             | 72,040            |
| 2011                            | 50,000            | 19,265             | 69,265            |
| 2012                            | 55,000            | 16,297             | 71,297            |
| 2013-2016                       | 255,000           | 30,535             | 285,535           |
| Total                           | <u>\$ 500,000</u> | <u>\$ -139,805</u> | <u>\$ 639,805</u> |

#### 2004 Refunding Certificate of Participation

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

At June 30, 2007, future debt service requirements for the 2004 Refunding were as follows:

| For the Year<br>Ending June 30, | Principal           | Interest            | Total               |
|---------------------------------|---------------------|---------------------|---------------------|
| 2008                            | \$ 80,000           | \$ 82,478           | \$ 162,478          |
| 2009                            | 80,000              | 80,878              | 160,878             |
| 2010                            | 85,000              | 79,278              | 164,278             |
| 2011                            | 85,000              | 77,366              | 162,366             |
| 2012                            | 90,000              | 75,282              | 165,282             |
| 2013-2017                       | 500,000             | 333,144             | 833,144             |
| 2018-2022                       | 605,000             | 234,940             | 839,940             |
| 2023-2027                       | 750,000             | 98,390              | 848,390             |
| Total                           | <u>\$ 2,275,000</u> | <u>\$ 1,061,756</u> | <u>\$ 3,336,756</u> |

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 6 –LONG-TERM OBLIGATIONS (CONTINUED)

#### A. Governmental Activities Long-Term Obligations (Continued)

##### Special Assessment Debt with City Commitment

Special assessment districts are established in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of improvements. These assessments are payable over the term of the debt issued to finance the improvements. The City is obligated to be the purchaser of last resort or to advance available City funds to repay this debt in the event of default by any of these districts. At June 30, 2007, all these districts were in compliance with the repayment and other requirements of their respective debt issues.

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

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

|                            | Interest<br>Rate | Maturity<br>Date | Balance<br>July 1, 2006 | Retirements      | Balance<br>June 30, 2007 |
|----------------------------|------------------|------------------|-------------------------|------------------|--------------------------|
| Avalon Drive-Curb & Gutter | 5.80%            | 2015             | \$ 75,000               | \$ 6,000         | \$ 69,000                |
| Raymundo-Curb & Gutter     | 4.65%            | 2021             | 274,391                 | 12,391           | 262,000                  |
|                            |                  |                  | <u>\$ 349,391</u>       | <u>\$ 18,391</u> | <u>\$ 331,000</u>        |

At June 30, 2007, future debt service requirements for the Special assessment debt with City commitment were as follows:

| For the Year<br>Ending June 30, | Principal         | Interest          | Total             |
|---------------------------------|-------------------|-------------------|-------------------|
| 2008                            | \$ 20,000         | \$ 15,686         | \$ 35,686         |
| 2009                            | 21,000            | 14,658            | 35,658            |
| 2010                            | 22,000            | 13,578            | 35,578            |
| 2011                            | 23,000            | 12,451            | 35,451            |
| 2012                            | 24,000            | 11,272            | 35,272            |
| 2013-2017                       | 129,000           | 36,959            | 165,959           |
| 2018-2021                       | 92,000            | 8,881             | 100,881           |
| Total                           | <u>\$ 331,000</u> | <u>\$ 113,485</u> | <u>\$ 444,485</u> |

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 6 –LONG-TERM OBLIGATIONS (CONTINUED)

#### A. Governmental Activities Long-Term Obligations (Continued)

##### Capital Lease Obligations

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

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

|           | <u>Governmental Activities</u> | <u>Accumulated Depreciation</u> |
|-----------|--------------------------------|---------------------------------|
| Buildings | \$400,340                      | \$62,726                        |

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

| <u>For the Year<br/>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2008                                    | \$ 57,436        | \$ 2,214        | \$ 59,650    |

#### B. Debt Covenants and Restrictions

For June 30, 2007, the City complied with all general and specific covenants regarding debt proceeds usage and debt repayment. In accordance with bond official statements, the City also maintained adequate reserves for all debt services.

### NOTE 7 – COMPENSATED ABSENCES

The City's compensated absences at June 30, 2007, were as follows:

|                          | <u>Balance<br/>July 1, 2006</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Balance<br/>June 30, 2007</u> | <u>Due Within One<br/>Year (Estimated)</u> |
|--------------------------|---------------------------------|-------------------|---------------------|----------------------------------|--|
| Governmental activities  | \$ 1,026,665                    | \$ 499,284        | \$ (490,867)        | \$ 1,035,082                     | \$ 258,771                                 |
| Business-type activities | 42,753                          | 24,396            | (23,448)            | 43,701                           | 10,925                                     |
| <b>Total</b>             | <u>\$ 1,069,418</u>             | <u>\$ 523,680</u> | <u>\$ (514,315)</u> | <u>\$ 1,078,783</u>              | <u>\$ 269,696</u>                          |

There is no fixed payment schedule for compensated absences.

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 8 – DEFERRED REVENUE

At June 30, 2007, the following deferred revenues were recorded in because with the revenues has not been earned or the funds were not available to financial expenditures of the current period:

|                           | Governmental<br>Activities |
|---------------------------|----------------------------|
| Fees collected in advance | \$ 442,245                 |

### NOTE 9 – RISK MANAGEMENT

#### ABAG PLAN Corporation

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

ABAG covers general liability claims in an amount up to \$20,000,000. The City has a deductible or uninsured liability of up to \$100,000 per claim. Once the City's deductible is met, ABAG becomes responsible for payment of all claims up to the limit. During the year ended June 30, 2007, the City contributed \$253,441 for current year coverage.

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

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

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

The City has an excess insurance policy for Worker's Compensation claims up to \$25,000,000. The City has a \$1,000,000 deductible or uninsured liability.

As of June 30, 2007, \$50,000 of revolving funds were held in trust on behalf of the City by the Workers' Compensation Third Party Claims Administrator (TPA). The City will receive the funds upon termination of services with the TPA.

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 9 – RISK MANAGEMENT (CONTINUED)

#### Liability for Uninsured Claims

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as expenditure in their financial statements. As discussed in the section above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portions, of these claims. GASB Statement No. 10, “*Financial Reporting for Risk Financing and Related Insurance Issues*,” requires that this amount be separately identified and recorded as liability. Settlements have not exceeded coverage for each of the past three fiscal years.

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

|  | June 30,          |                     |                     |
|--|-------------------|---------------------|---------------------|
|  | 2007              | 2006                | 2005                |
| Unpaid claims, beginning of year         | \$ 1,126,535      | \$ 1,352,349        | \$ 1,357,976        |
| Incurred claims and changes in estimates | (212,433)         | (62,920)            | 756,985             |
| Claim payments                           | (79,338)          | (162,894)           | (762,612)           |
| <b>Unpaid claims, end of year</b>        | <b>\$ 834,764</b> | <b>\$ 1,126,535</b> | <b>\$ 1,352,349</b> |

The estimated amount of claims and judgments due within one year is approximately \$125,000.

### NOTE 10 – SELF FUNDED REIMBURSEMENT DENTAL PLAN

The City of Los Altos provides a self-funded Reimbursement Dental Plan. The City’s contribution for this plan is accounted for in the Dental Reimbursement Fund. In fiscal year 2005, 2006 and 2007 the City contributed \$60 per month for each full time budgeted position. The funds accumulated are used to reimburse employees and their dependents for covered dental claims. The plan year begins on November 1 and ends on October 31. All full time salaried employees and their dependents are eligible to participate. The City Council members are also eligible to participate. However, if an employee or dependent is covered for dental costs by an insurance carrier or another dental plan, the employee is required to submit the dental claims to the insurance carrier or the other plan first. The annual maximum dental reimbursement is \$1,000 for each employee and \$600 for each dependent. Any remaining balance in the fund for each dental year is carried forward to the following year. There are no administrative charges for this plan. The contribution and reimbursements for the dental plan for the years ended October 31, 2004, 2005 and 2006 are as follows:

| Dental Year<br>Ended October 31, | Contribution<br>Amount | Reimbursement<br>Amount |
|----------------------------------|------------------------|-------------------------|
| 2004                             | \$ 88,680              | \$ 82,658               |
| 2005                             | 90,779                 | 87,907                  |
| 2006                             | 91,254                 | 75,340                  |

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 11 – PENSION PLAN

#### California Public Employees' Retirement Plan

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

**Funding Policy** – Active plan members are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$778,015 for the year ended June 30, 2007. The City was required to contribute at an actuarial determined rate of 27.947% for the period from July 1, 2006 through June 30, 2007 of annual covered payroll for safety employees and 13.868% of annual covered payroll for miscellaneous employees. The contribution rate is established annually and may be amended by PERS.

**Annual Pension Cost** – For 2006-2007, the City's annual pension cost of \$1,731,190 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a) 7.75% investment rate of return (net of administrative expenses), b) projected salary increases range from 3.25% to 14.45% for both miscellaneous employees and safety employees depending on age, service, and type of employment. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period.

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

| <u>Fiscal Year<br/>Ending</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|-------------------------------|--|--|-----------------------------------|
| 6/30/2005                     | \$ 1,157,302                             | 100%   | \$ -                              |
| 6/30/2006                     | 1,580,173                                | 100%   | -                                 |
| 6/30/2007                     | 1,731,190                                | 100%   | -                                 |

### NOTE 12 – CONTINGENCIES

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 12 – CONTINGENCIES (CONTINUED)

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

### NOTE 13 – OTHER INFORMATION

#### A. Joint Powers Agreements

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

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

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

The North County Library Authority (NCLA), formed in 1985 by a joint exercise of powers agreement between the City and the Town of Los Altos Hills, provides library services for member residents. The NCLA was created to provide financing for capital improvements and additional services by the public libraries serving the area. Although the City owns the libraries and their sites, the County of Santa Clara is responsible for all library operations. However, since 1985, the NCLA has levied a voter approved special parcel tax to compensate for service reductions due to cutbacks by the County. The special tax has been collected by the County, transferred to the City, on behalf of NCLA, and then transferred back to the County for the specifically requested services provided by the libraries within the NCLA service area. The City performs administrative and accounting services for NCLA. In 1991, NCLA issued Special Tax Bonds in the amount of \$3,645,000. As of June 30, 2007, the Special Tax Bonds outstanding debt amounted to \$1,455,000. The audited financial statements can be obtained by contacting the NCLA at One North San Antonio Road, Los Altos, California 94022.

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

# **CITY OF LOS ALTOS**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007**

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### **NOTE 13 – OTHER INFORMATION (CONTINUED)**

#### **B. Post Employment Health Care Benefits**

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

The City contributes approximately \$10 per month per retiree. This monthly amount will increase in 5% increments over time to a maximum contribution of approximately \$32. As of June 30, 2007 there were 38 retirees receiving these benefits. The total amount paid by the City of those benefits for the year ended June 30, 2007 was \$5,451.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# **CITY OF LOS ALTOS**

## **REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2007**

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### **1. BUDGET AND BUDGETARY ACCOUNTING**

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

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

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

# CITY OF LOS ALTOS

## REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED FOR THE YEAR ENDED JUNE 30, 2007

### 1. BUDGET AND BUDGETARY ACCOUNTING (CONTINUED)

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

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
|  | Original            | Final               |                     |                               |
| <b>REVENUES:</b>   |                     |                     |                     |                               |
| Taxes  | \$ 14,480,000       | \$ 14,480,000       | \$ 15,164,845       | \$ 684,845                    |
| Licenses, permits and park in-lieu   | 2,490,150           | 2,490,150           | 2,522,391           | 32,241                        |
| Intergovernmental  | 3,358,800           | 3,358,800           | 3,462,304           | 103,504                       |
| Grants and donations   | 10,000              | 10,000              | 15,445              | 5,445                         |
| Charges for services   | 3,143,800           | 3,143,800           | 3,700,815           | 557,015                       |
| Fines and forfeitures  | 219,700             | 219,700             | 226,684             | 6,984                         |
| Interest and rentals   | 1,118,000           | 1,118,000           | 1,630,423           | 512,423                       |
| Other  | 228,050             | 228,050             | 417,668             | 189,618                       |
| <b>Total revenues</b>  | <u>25,048,500</u>   | <u>25,048,500</u>   | <u>27,140,575</u>   | <u>2,092,075</u>              |
| <b>EXPENDITURES:</b>   |                     |                     |                     |                               |
| Current:   |                     |                     |                     |                               |
| Public safety  | 12,027,204          | 12,137,147          | 11,319,444          | 817,703                       |
| Public works   | 4,077,892           | 4,281,661           | 3,531,825           | 749,836                       |
| Recreation and culture   | 2,094,897           | 2,133,033           | 2,028,381           | 104,652                       |
| Community development  | 2,989,528           | 3,132,483           | 2,790,570           | 341,913                       |
| Admin / Community services   | 2,573,243           | 2,617,292           | 2,416,377           | 200,915                       |
| <b>Total expenditures</b>  | <u>23,762,764</u>   | <u>24,301,616</u>   | <u>22,086,597</u>   | <u>2,215,019</u>              |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>  | <u>1,285,736</u>    | <u>746,884</u>      | <u>5,053,978</u>    | <u>4,307,094</u>              |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                     |                     |                     |                               |
| Transfer in  | 851,200             | 791,200             | 327,050             | (464,150)                     |
| Transfer out   | (1,966,586)         | (1,966,586)         | (5,170,933)         | (3,204,347)                   |
| <b>Total other financing sources (uses)</b>  | <u>(1,115,386)</u>  | <u>(1,175,386)</u>  | <u>(4,843,883)</u>  | <u>(3,668,497)</u>            |
| <b>REVENUES AND OTHER FINANCING<br/>SOURCES OVER (UNDER) EXPENDITURES<br/>AND OTHER FINANCING USES</b> | <u>170,350</u>      | <u>(428,502)</u>    | <u>210,095</u>      | <u>638,597</u>                |
| <b>FUND BALANCES</b>   |                     |                     |                     |                               |
| Beginning of year  | 6,078,131           | 6,078,131           | 6,078,131           | -                             |
| End of year  | <u>\$ 6,248,481</u> | <u>\$ 5,649,629</u> | <u>\$ 6,288,226</u> | <u>\$ 638,597</u>             |

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***OTHER SUPPLEMENTARY INFORMATION***

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# CITY OF LOS ALTOS

## NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

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### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

### DEBT SERVICE FUND

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

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

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

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

## **CITY OF LOS ALTOS**

### **NON-MAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2007**

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#### **DEBT SERVICE FUND, (Continued)**

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

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

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

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

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

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

#### **CAPITAL PROJECTS FUNDS**

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

**CITY OF LOS ALTOS**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007**

|   | Special Revenue     |                                    |                   |                   |                   |
|---|---------------------|------------------------------------|-------------------|-------------------|-------------------|
|   | Vehicles<br>Impound | Supplemental<br>Law<br>Enforcement | Gas Tax<br>2105   | Gas Tax<br>2106   | Gas Tax<br>2107   |
| <b>ASSETS</b>                                       |                     |                                    |                   |                   |                   |
| Cash and investments                                | \$ -                | \$ -                               | \$ 100,317        | \$ 252,545        | \$ 113,123        |
| Restricted cash and investments                     | -                   | -                                  | -                 | -                 | -                 |
| Receivable (net of allowance for<br>uncollectible): |                     |                                    |                   |                   |                   |
| Accounts  | -                   | -                                  | -                 | -                 | -                 |
| Prepaid Expenses                                    | -                   | -                                  | -                 | -                 | -                 |
| Due from other funds                                | -                   | -                                  | -                 | -                 | -                 |
| <b>Total assets</b>                                 | <u>\$ -</u>         | <u>\$ -</u>                        | <u>\$ 100,317</u> | <u>\$ 252,545</u> | <u>\$ 113,123</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                |                     |                                    |                   |                   |                   |
| <b>Liabilities:</b>                                 |                     |                                    |                   |                   |                   |
| Accounts payable                                    | \$ -                | \$ -                               | \$ -              | \$ -              | \$ -              |
| Deferred revenue                                    | -                   | -                                  | -                 | -                 | -                 |
| Due to other funds                                  | -                   | -                                  | -                 | -                 | -                 |
| <b>Total liabilities</b>                            | <u>-</u>            | <u>-</u>                           | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| <b>Fund Balances:</b>                               |                     |                                    |                   |                   |                   |
| Reserved:   |                     |                                    |                   |                   |                   |
| Special programs and projects                       | -                   | -                                  | 100,317           | 252,545           | 113,123           |
| Debt service  | -                   | -                                  | -                 | -                 | -                 |
| Capital projects                                    | -                   | -                                  | -                 | -                 | -                 |
| Unreserved, designated<br>for capital projects      | -                   | -                                  | -                 | -                 | -                 |
| Unreserved, undesignated                            | -                   | -                                  | -                 | -                 | -                 |
| <b>Total fund balances</b>                          | <u>-</u>            | <u>-</u>                           | <u>100,317</u>    | <u>252,545</u>    | <u>113,123</u>    |
| <b>Total liabilities and fund balances</b>          | <u>\$ -</u>         | <u>\$ -</u>                        | <u>\$ 100,317</u> | <u>\$ 252,545</u> | <u>\$ 113,123</u> |

**CITY OF LOS ALTOS**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007**

| Special Revenue   |                         |  |             |                     |                      |                       |                    |
|-------------------|-------------------------|--|-------------|---------------------|----------------------|-----------------------|--------------------|
| Gas Tax<br>2107.5 | Storm Drain<br>Deposits | Community<br>Development<br>Block Grants | TDA         | Downtown<br>Parking | In Lieu<br>Park Land | Traffic<br>Impact Fee | Estate<br>Donation |
| \$ -              | \$ 56,086               | \$ -                                     | \$ -        | \$ 77,697           | \$ 337,632           | \$ 90,223             | \$ 35,924          |
| -                 | -                       | -  | -           | -                   | -                    | -                     | -                  |
| -                 | -                       | 32,505                                   | -           | -                   | -                    | -                     | -                  |
| -                 | -                       | -  | -           | -                   | -                    | -                     | -                  |
| -                 | -                       | -  | -           | -                   | -                    | -                     | -                  |
| <u>\$ -</u>       | <u>\$ 56,086</u>        | <u>\$ 32,505</u>                         | <u>\$ -</u> | <u>\$ 77,697</u>    | <u>\$ 337,632</u>    | <u>\$ 90,223</u>      | <u>\$ 35,924</u>   |
|                   |                         |  |             |                     |                      |                       |                    |
| \$ -              | \$ -                    | \$ 23,039                                | \$ -        | \$ -                | \$ -                 | \$ -                  | \$ -               |
| -                 | -                       | -  | -           | -                   | -                    | -                     | -                  |
| -                 | -                       | 30,435                                   | -           | -                   | -                    | -                     | -                  |
| -                 | -                       | 53,474                                   | -           | -                   | -                    | -                     | -                  |
|                   |                         |  |             |                     |                      |                       |                    |
| -                 | 56,086                  | -  | -           | 77,697              | 337,632              | 90,223                | 35,924             |
| -                 | -                       | -  | -           | -                   | -                    | -                     | -                  |
| -                 | -                       | -  | -           | -                   | -                    | -                     | -                  |
| -                 | -                       | -  | -           | -                   | -                    | -                     | -                  |
| -                 | -                       | (20,969)                                 | -           | -                   | -                    | -                     | -                  |
| -                 | 56,086                  | (20,969)                                 | -           | 77,697              | 337,632              | 90,223                | 35,924             |
| <u>\$ -</u>       | <u>\$ 56,086</u>        | <u>\$ 32,505</u>                         | <u>\$ -</u> | <u>\$ 77,697</u>    | <u>\$ 337,632</u>    | <u>\$ 90,223</u>      | <u>\$ 35,924</u>   |

# CITY OF LOS ALTOS

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

|   | Debt Service                         |                   |                           |                        |
|---|--------------------------------------|-------------------|---------------------------|------------------------|
|   | North<br>Los Altos<br>Water District | General           | Grant<br>Fremont<br>Sewer | Oak<br>Truman<br>Sewer |
| <b>ASSETS</b>                                       |                                      |                   |                           |                        |
| Cash and investments                                | \$ 104,308                           | \$ 161,716        | \$ 38,968                 | \$ 57,246              |
| Restricted cash and investments                     | -                                    | 249,030           | -                         | -                      |
| Receivable (net of allowance for<br>uncollectible): |                                      |                   |                           |                        |
| Accounts  | -                                    | -                 | -                         | -                      |
| Prepaid Expenses                                    | -                                    | -                 | -                         | -                      |
| Due from other funds                                | -                                    | -                 | -                         | -                      |
| <b>Total assets</b>                                 | <u>\$ 104,308</u>                    | <u>\$ 410,746</u> | <u>\$ 38,968</u>          | <u>\$ 57,246</u>       |
| <b>LIABILITIES AND FUND BALANCES</b>                |                                      |                   |                           |                        |
| <b>Liabilities:</b>                                 |                                      |                   |                           |                        |
| Accounts payable                                    | \$ -                                 | \$ -              | \$ -                      | \$ -                   |
| Deferred revenue                                    | -                                    | -                 | -                         | -                      |
| Due to other funds                                  | -                                    | -                 | -                         | -                      |
| <b>Total liabilities</b>                            | <u>-</u>                             | <u>-</u>          | <u>-</u>                  | <u>-</u>               |
| <b>Fund Balances:</b>                               |                                      |                   |                           |                        |
| Reserved:   |                                      |                   |                           |                        |
| Special programs and projects                       | -                                    | -                 | -                         | -                      |
| Debt service  | 104,308                              | 410,746           | 38,968                    | 57,246                 |
| Capital projects                                    | -                                    | -                 | -                         | -                      |
| Unreserved, designated<br>for capital projects      | -                                    | -                 | -                         | -                      |
| Unreserved, undesignated                            | -                                    | -                 | -                         | -                      |
| <b>Total fund balances</b>                          | <u>104,308</u>                       | <u>410,746</u>    | <u>38,968</u>             | <u>57,246</u>          |
| <b>Total liabilities and fund balances</b>          | <u>\$ 104,308</u>                    | <u>\$ 410,746</u> | <u>\$ 38,968</u>          | <u>\$ 57,246</u>       |

**CITY OF LOS ALTOS**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007**

| Debt Service              |                                |  |                                    |                                       |                                | Capital<br>Projects                     |   |
|---------------------------|--------------------------------|--|------------------------------------|---------------------------------------|--------------------------------|---|---|
| Morton<br>Alford<br>Sewer | Elmhurst<br>Curb and<br>Gutter | Edith Avenue<br>Foothill Noise<br>Wall | El Monte<br>Foothill<br>Noise Wall | Avalon<br>Drive<br>Curb and<br>Gutter | Raymundo<br>Curb and<br>Gutter | Facility<br>Fund<br>Capital<br>Projects | Total<br>Non-Major<br>Governmental<br>Funds |
| \$ 51,068                 | \$ 603                         | \$ -                                   | \$ 24,801                          | \$ 40,551                             | \$ 43,016                      | \$ 2,087,474                            | \$ 3,673,298                                |
| -                         | -                              | -                                      | -                                  | -                                     | -                              | -                                       | 249,030                                     |
| -                         | -                              | -                                      | -                                  | -                                     | -                              | -                                       | 32,505                                      |
| -                         | -                              | -                                      | -                                  | -                                     | 6,092                          | -                                       | 6,092                                       |
| -                         | -                              | -                                      | -                                  | -                                     | -                              | 1,000,000                               | 1,000,000                                   |
| <u>\$ 51,068</u>          | <u>\$ 603</u>                  | <u>\$ -</u>                            | <u>\$ 24,801</u>                   | <u>\$ 40,551</u>                      | <u>\$ 49,108</u>               | <u>\$ 3,087,474</u>                     | <u>\$ 4,960,925</u>                         |
| \$ -                      | \$ -                           | \$ -                                   | \$ -                               | \$ -                                  | \$ -                           | \$ -                                    | \$ 23,039                                   |
| -                         | -                              | -                                      | -                                  | -                                     | -                              | -                                       | -   |
| -                         | -                              | 7,585                                  | -                                  | -                                     | 13,720                         | -                                       | 51,740                                      |
| -                         | -                              | 7,585                                  | -                                  | -                                     | 13,720                         | -                                       | 74,779                                      |
| -                         | -                              | -                                      | -                                  | -                                     | -                              | -                                       | 1,063,547                                   |
| 51,068                    | 603                            | -                                      | 24,801                             | 40,551                                | 35,388                         | -                                       | 763,679                                     |
| -                         | -                              | -                                      | -                                  | -                                     | -                              | 1,000,000                               | 1,000,000                                   |
| -                         | -                              | -                                      | -                                  | -                                     | -                              | 494,263                                 | 494,263                                     |
| -                         | -                              | (7,585)                                | -                                  | -                                     | -                              | 1,593,211                               | 1,564,657                                   |
| <u>51,068</u>             | <u>603</u>                     | <u>(7,585)</u>                         | <u>24,801</u>                      | <u>40,551</u>                         | <u>35,388</u>                  | <u>3,087,474</u>                        | <u>4,886,146</u>                            |
| <u>\$ 51,068</u>          | <u>\$ 603</u>                  | <u>\$ -</u>                            | <u>\$ 24,801</u>                   | <u>\$ 40,551</u>                      | <u>\$ 49,108</u>               | <u>\$ 3,087,474</u>                     | <u>\$ 4,960,925</u>                         |

**CITY OF LOS ALTOS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

|  | Special Revenue    |                                    |                   |                   |
|--|--------------------|------------------------------------|-------------------|-------------------|
|  | Vehicle<br>Impound | Supplemental<br>Law<br>Enforcement | Gas Tax<br>2105   | Gas Tax<br>2106   |
| <b>REVENUES</b>  |                    |                                    |                   |                   |
| Taxes  | \$ -               | \$ -                               | \$ -              | \$ -              |
| Intergovernmental  | -                  | 100,000                            | 170,507           | 114,749           |
| Grants   | -                  | -                                  | -                 | -                 |
| Fines and forfeiture   | 37,050             | -                                  | -                 | -                 |
| Interest and rentals   | -                  | -                                  | 5,866             | 10,046            |
| Other  | -                  | -                                  | -                 | -                 |
| <b>Total revenues</b>  | <u>37,050</u>      | <u>100,000</u>                     | <u>176,373</u>    | <u>124,795</u>    |
| <b>EXPENDITURES:</b>   |                    |                                    |                   |                   |
| <b>Current:</b>  |                    |                                    |                   |                   |
| Recreation and culture   | -                  | -                                  | -                 | -                 |
| Community development  | -                  | -                                  | -                 | -                 |
| Admin / community services   | -                  | -                                  | -                 | -                 |
| Capital improvements   | -                  | -                                  | -                 | -                 |
| Debt service:  |                    |                                    |                   |                   |
| Principal  | -                  | -                                  | -                 | -                 |
| Interest and fiscal charges  | -                  | -                                  | -                 | -                 |
| <b>Total expenditures</b>  | <u>-</u>           | <u>-</u>                           | <u>-</u>          | <u>-</u>          |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>  | <u>37,050</u>      | <u>100,000</u>                     | <u>176,373</u>    | <u>124,795</u>    |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                    |                                    |                   |                   |
| Operating transfers in   | -                  | -                                  | -                 | -                 |
| Operating transfers out  | (37,050)           | (100,000)                          | (184,000)         | -                 |
| <b>Total other financing sources (uses)</b>  | <u>(37,050)</u>    | <u>(100,000)</u>                   | <u>(184,000)</u>  | <u>-</u>          |
| <b>REVENUES AND OTHER FINANCING<br/>SOURCES OVER (UNDER) EXPENDITURES<br/>AND OTHER FINANCING USES</b> | -                  | -                                  | (7,627)           | 124,795           |
| <b>FUND BALANCES:</b>  |                    |                                    |                   |                   |
| Beginning of year  | -                  | -                                  | 107,944           | 127,750           |
| End of year  | <u>\$ -</u>        | <u>\$ -</u>                        | <u>\$ 100,317</u> | <u>\$ 252,545</u> |

**CITY OF LOS ALTOS**

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

**NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

| Special Revenue |                   |                         |  |      |                     |                         |                       |                    |
|-----------------|-------------------|-------------------------|--|------|---------------------|-------------------------|-----------------------|--------------------|
| Gas Tax<br>2107 | Gas Tax<br>2107.5 | Storm Drain<br>Deposits | Community<br>Development<br>Block Grants | TDA  | Downtown<br>Parking | In Lieu<br>Park<br>Land | Traffic<br>Impact Fee | Estate<br>Donation |
| \$ -            | \$ -              | \$ -                    | \$ -                                     | \$ - | \$ -                | \$ -                    | \$ -                  | \$ -               |
| 227,889         | 6,000             | -                       | -  | -    | -                   | -                       | -                     | -                  |
| -               | -                 | -                       | 140,604                                  | -    | -                   | -                       | -                     | -                  |
| -               | -                 | -                       | -  | -    | -                   | -                       | -                     | -                  |
| 12,328          | -                 | -                       | -  | -    | 3,564               | 7,705                   | 4,467                 | 1,779              |
| -               | -                 | -                       | -  | -    | 36,472              | 243,000                 | -                     | 3,500              |
| 240,217         | 6,000             | -                       | 140,604                                  | -    | 40,036              | 250,705                 | 4,467                 | 5,279              |
| -               | -                 | -                       | -  | -    | -                   | -                       | -                     | -                  |
| -               | -                 | -                       | -  | -    | 10,743              | -                       | -                     | -                  |
| -               | -                 | -                       | 53,611                                   | -    | -                   | -                       | -                     | -                  |
| -               | -                 | -                       | 107,962                                  | -    | -                   | -                       | -                     | -                  |
| -               | -                 | -                       | -  | -    | -                   | -                       | -                     | -                  |
| -               | -                 | -                       | -  | -    | -                   | -                       | -                     | -                  |
| -               | -                 | -                       | 161,573                                  | -    | 10,743              | -                       | -                     | -                  |
| 240,217         | 6,000             | -                       | (20,969)                                 | -    | 29,293              | 250,705                 | 4,467                 | 5,279              |
| -               | -                 | -                       | -  | -    | -                   | -                       | -                     | -                  |
| (469,590)       | (6,000)           | -                       | -  | -    | -                   | -                       | -                     | -                  |
| (469,590)       | (6,000)           | -                       | -  | -    | -                   | -                       | -                     | -                  |
| (229,373)       | -                 | -                       | (20,969)                                 | -    | 29,293              | 250,705                 | 4,467                 | 5,279              |
| 342,496         | -                 | 56,086                  | -  | -    | 48,404              | 86,927                  | 85,756                | 30,645             |
| \$ 113,123      | \$ -              | \$ 56,086               | \$ (20,969)                              | \$ - | \$ 77,697           | \$ 337,632              | \$ 90,223             | \$ 35,924          |

**CITY OF LOS ALTOS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

|  | Debt Service                         |            |                           |                        |                           |
|--|--------------------------------------|------------|---------------------------|------------------------|---------------------------|
|  | North<br>Los Altos<br>Water District | General    | Grant<br>Fremont<br>Sewer | Oak<br>Truman<br>Sewer | Morton<br>Alford<br>Sewer |
| <b>REVENUES</b>  |                                      |            |                           |                        |                           |
| Taxes  | \$ -                                 | \$ -       | \$ -                      | \$ -                   | \$ -                      |
| Intergovernmental  | -                                    | -          | -                         | -                      | -                         |
| Grants   | -                                    | -          | -                         | -                      | -                         |
| Fines and forfeiture   | -                                    | -          | -                         | -                      | -                         |
| Interest and rentals   | -                                    | 12,316     | -                         | -                      | -                         |
| Other  | -                                    | -          | -                         | -                      | -                         |
| <b>Total revenues</b>  | -                                    | 12,316     | -                         | -                      | -                         |
| <b>EXPENDITURES:</b>   |                                      |            |                           |                        |                           |
| Current:   |                                      |            |                           |                        |                           |
| Recreation and culture   | -                                    | -          | -                         | -                      | -                         |
| Community development  | -                                    | -          | -                         | -                      | -                         |
| Admin / community services   | -                                    | -          | -                         | -                      | -                         |
| Capital improvements   | -                                    | -          | -                         | -                      | -                         |
| Debt service:  |                                      |            |                           |                        |                           |
| Principal  | -                                    | 174,602    | -                         | -                      | -                         |
| Interest and fiscal charges  | -                                    | 123,308    | -                         | -                      | -                         |
| <b>Total expenditures</b>  | -                                    | 297,910    | -                         | -                      | -                         |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>  | -                                    | (285,594)  | -                         | -                      | -                         |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                                      |            |                           |                        |                           |
| Operating transfers in   | -                                    | 294,000    | -                         | -                      | -                         |
| Operating transfers out  | -                                    | -          | -                         | -                      | -                         |
| <b>Total other financing sources (uses)</b>  | -                                    | 294,000    | -                         | -                      | -                         |
| <b>REVENUES AND OTHER FINANCING<br/>SOURCES OVER (UNDER) EXPENDITURES<br/>AND OTHER FINANCING USES</b> | -                                    | 8,406      | -                         | -                      | -                         |
| <b>FUND BALANCES:</b>  |                                      |            |                           |                        |                           |
| Beginning of year  | 104,308                              | 402,340    | 38,968                    | 57,246                 | 51,068                    |
| End of year  | \$ 104,308                           | \$ 410,746 | \$ 38,968                 | \$ 57,246              | \$ 51,068                 |

# CITY OF LOS ALTOS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

### NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

| Debt Service             |                            |                              |                              |                          | Capital Projects               | Total Non-major Governmental Funds |
|--------------------------|----------------------------|------------------------------|------------------------------|--------------------------|--------------------------------|------------------------------------|
| Elmhurst Curb and Gutter | Edith Avenue Foothill Wall | El Monte Foothill Noise Wall | Avalon Drive Curb and Gutter | Raymundo Curb and Gutter | Facility Fund Capital Projects |                                    |
| \$ -                     | \$ -                       | \$ -                         | \$ 13,599                    | \$ 26,249                | \$ -                           | \$ 39,848                          |
| -                        | -                          | -                            | -                            | -                        | -                              | 619,145                            |
| -                        | -                          | -                            | -                            | -                        | -                              | 140,604                            |
| -                        | -                          | -                            | -                            | -                        | -                              | 37,050                             |
| -                        | -                          | -                            | 1,708                        | 1,631                    | -                              | 61,410                             |
| -                        | -                          | -                            | -                            | -                        | 4,000                          | 286,972                            |
| -                        | -                          | -                            | 15,307                       | 27,880                   | 4,000                          | 1,185,029                          |
| -                        | -                          | -                            | -                            | -                        | 942                            | 942                                |
| -                        | -                          | -                            | -                            | -                        | -                              | 10,743                             |
| -                        | -                          | -                            | -                            | -                        | -                              | 53,611                             |
| -                        | -                          | -                            | -                            | -                        | -                              | 107,962                            |
| -                        | -                          | -                            | 6,000                        | 12,391                   | -                              | 192,993                            |
| -                        | -                          | -                            | 7,306                        | 12,471                   | -                              | 143,085                            |
| -                        | -                          | -                            | 13,306                       | 24,862                   | 942                            | 509,336                            |
| -                        | -                          | -                            | 2,001                        | 3,018                    | 3,058                          | 675,693                            |
| -                        | -                          | -                            | -                            | -                        | 405,000                        | 699,000                            |
| -                        | -                          | -                            | -                            | -                        | -                              | (796,640)                          |
| -                        | -                          | -                            | -                            | -                        | 405,000                        | (97,640)                           |
| -                        | -                          | -                            | 2,001                        | 3,018                    | 408,058                        | 578,053                            |
| 603                      | (7,585)                    | 24,801                       | 38,550                       | 32,370                   | 2,679,416                      | 4,308,093                          |
| \$ 603                   | \$ (7,585)                 | \$ 24,801                    | \$ 40,551                    | \$ 35,388                | \$ 3,087,474                   | \$ 4,886,146                       |

**CITY OF LOS ALTOS**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS AND LIABILITIES  
JUNE 30, 2007**

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|                          | <b>Balance<br/>July 1, 2006</b> | <b>Additions</b>   | <b>Deductions</b>     | <b>Balance<br/>June 30, 2007</b> |
|--------------------------|---------------------------------|--------------------|-----------------------|----------------------------------|
| <b>Assets</b>            |                                 |                    |                       |                                  |
| Cash and Investments     | \$ 1,288,519                    | \$ 749,363         | \$ (777,083)          | \$ 1,260,799                     |
| Interest Receivable      | 13,737                          | 16,658             | (13,737)              | 16,658                           |
| <b>Total assets</b>      | <u>\$ 1,302,256</u>             | <u>\$ 766,021</u>  | <u>\$ (790,820)</u>   | <u>\$ 1,277,457</u>              |
| <b>Liabilities</b>       |                                 |                    |                       |                                  |
| Accounts Payable         | \$ 81,016                       | \$ 798,856         | \$ (777,083)          | \$ 102,789                       |
| Due to others            | 1,221,240                       | 752,284            | (798,856)             | 1,174,668                        |
| <b>Total liabilities</b> | <u>\$ 1,302,256</u>             | <u>\$1,551,140</u> | <u>\$ (1,575,939)</u> | <u>\$ 1,277,457</u>              |

# CITY OF LOS ALTOS

## BUDGETARY COMPARISON SCHEDULE GAS TAX - 2105 FOR THE YEAR ENDED JUNE 30, 2007

|   | Original and<br>Final Budget | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------------|--------------------|---|
| <b>REVENUES</b>                               |                              |                    |   |
| Intergovernmental                             | \$ 182,600                   | \$ 170,507         | \$ (12,093)   |
| Interest and rentals                          | 4,000                        | 5,866              | 1,866   |
| <b>Total revenues</b>                         | <u>186,600</u>               | <u>176,373</u>     | <u>(10,227)</u>   |
| <br><b>REVENUES OVER (UNDER) EXPENDITURES</b> | <br><u>186,600</u>           | <br><u>176,373</u> | <br><u>(10,227)</u>                                     |
| <br><b>OTHER FINANCING SOURCES (USES):</b>    |                              |                    |   |
| Operating transfers out                       | (284,000)                    | (184,000)          | 100,000   |
| <b>Total other financing sources (uses)</b>   | <u>(284,000)</u>             | <u>(184,000)</u>   | <u>100,000</u>  |
| <br><b>NET CHANGE IN FUND BALANCE</b>         | <br>(97,400)                 | <br>(7,627)        | <br>89,773  |
| Fund balance, beginning of year               | 107,944                      | 107,944            | -   |
| Fund balance, end of year                     | <u>\$ 10,544</u>             | <u>\$ 100,317</u>  | <u>\$ 89,773</u>  |

**CITY OF LOS ALTOS****BUDGETARY COMPARISON SCHEDULE  
GAS TAX - 2106  
FOR THE YEAR ENDED JUNE 30, 2007**

|   | Original and<br>Final Budget | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------------|-------------------|---|
| <b>REVENUES</b>                             |                              |                   |   |
| Intergovernmental                           | \$ 128,000                   | \$ 114,749        | \$ (13,251)   |
| Interest and rentals                        | 2,700                        | 10,046            | 7,346   |
| <b>Total revenues</b>                       | <u>130,700</u>               | <u>124,795</u>    | <u>(5,905)</u>  |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | <u>130,700</u>               | <u>124,795</u>    | <u>(5,905)</u>  |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                              |                   |   |
| Operating transfers out                     | (250,000)                    | -                 | 250,000   |
| <b>Total other financing sources (uses)</b> | <u>(250,000)</u>             | <u>-</u>          | <u>250,000</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>           | (119,300)                    | 124,795           | 244,095   |
| Fund balance, beginning of year             | 127,750                      | 127,750           | -   |
| Fund balance, end of year                   | <u>\$ 8,450</u>              | <u>\$ 252,545</u> | <u>\$ 244,095</u>                                       |

**CITY OF LOS ALTOS**

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX - 2107  
FOR THE YEAR ENDED JUNE 30, 2007**

|   | Original and<br>Final Budget | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------------|--------------------|---|
| <b>REVENUES</b>                               |                              |                    |   |
| Intergovernmental                             | \$ 236,050                   | \$ 227,889         | \$ (8,161)  |
| Interest and rentals                          | 6,550                        | 12,328             | 5,778   |
| <b>Total revenues</b>                         | <u>242,600</u>               | <u>240,217</u>     | <u>(2,383)</u>  |
| <br><b>REVENUES OVER (UNDER) EXPENDITURES</b> | <br><u>242,600</u>           | <br><u>240,217</u> | <br><u>(2,383)</u>                                      |
| <br><b>OTHER FINANCING SOURCES (USES):</b>    |                              |                    |   |
| Operating transfers out                       | (584,710)                    | (469,590)          | 115,120   |
| <b>Total other financing sources (uses)</b>   | <u>(584,710)</u>             | <u>(469,590)</u>   | <u>115,120</u>  |
| <br><b>NET CHANGE IN FUND BALANCE</b>         | <br>(342,110)                | <br>(229,373)      | <br>112,737   |
| Fund balance, beginning of year               | 342,496                      | 342,496            | -   |
| Fund balance, end of year                     | <u>\$ 386</u>                | <u>\$ 113,123</u>  | <u>\$ 112,737</u>                                       |

**CITY OF LOS ALTOS**

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX - 2107.5  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**CITY OF LOS ALTOS****BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
FOR THE YEAR ENDED JUNE 30, 2007**

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|                                   | Original and<br>Final Budget | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------------|------------------------------|--------------------|---|
| <b>REVENUES</b>                   |                              |                    |   |
| Grants                            | \$ 139,070                   | \$ 140,604         | \$ 1,534  |
| <b>EXPENDITURES:</b>              |                              |                    |   |
| <b>Current:</b>                   |                              |                    |   |
| Recreation and culture            | 85,459                       | -                  | 85,459  |
| Community development             | 53,611                       | 53,611             | -   |
| Capital Improvements              | -                            | 107,962            | (107,962)   |
| <b>Total expenditures</b>         | <u>139,070</u>               | <u>161,573</u>     | <u>(22,503)</u>   |
| <b>NET CHANGE IN FUND BALANCE</b> | -                            | (20,969)           | (20,969)  |
| Fund balance, beginning of year   | -                            | -                  | -   |
| Fund balance, end of year         | <u>\$ -</u>                  | <u>\$ (20,969)</u> | <u>\$ (20,969)</u>                                      |

**CITY OF LOS ALTOS**

**BUDGETARY COMPARISON SCHEDULE  
DOWNTOWN PARKING FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

|   | Original and<br>Final Budget | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------------|------------------|---|
| <b>REVENUES</b>                             |                              |                  |   |
| Interest and rentals                        | \$ -                         | \$ 3,564         | \$ 3,564  |
| Other                                       | 19,622                       | 36,472           | 16,850  |
| <b>Total revenues</b>                       | <u>19,622</u>                | <u>40,036</u>    | <u>20,414</u>   |
| <b>EXPENDITURES:</b>                        |                              |                  |   |
| <b>Current:</b>                             |                              |                  |   |
| Public Safety                               | 12,000                       | -                | 12,000  |
| Community development                       | -                            | 10,743           | (10,743)  |
| <b>Total expenditures</b>                   | <u>12,000</u>                | <u>10,743</u>    | <u>1,257</u>  |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | <u>7,622</u>                 | <u>29,293</u>    | <u>21,671</u>   |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                              |                  |   |
| Operating transfers in                      | -                            | -                | -   |
| <b>Total other financing sources (uses)</b> | <u>-</u>                     | <u>-</u>         | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>           | 7,622                        | 29,293           | 21,671  |
| Fund balance, beginning of year             | 48,404                       | 48,404           | -   |
| Fund balance, end of year                   | <u>\$ 56,026</u>             | <u>\$ 77,697</u> | <u>\$ 21,671</u>  |

## **CITY OF LOS ALTOS**

### **INTERNAL SERVICE FUNDS**

**JUNE 30, 2007**

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

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

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

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

# CITY OF LOS ALTOS

## COMBINING STATEMENT OF NET ASSETS ALL INTERNAL SERVICE FUNDS JUNE 30, 2007

|   | Dental<br>Reimbursement | Unemployment<br>Insurance | Workers'<br>Compensation<br>Insurance | Liability<br>Insurance | Total               |
|---|-------------------------|---------------------------|---------------------------------------|------------------------|---------------------|
| <b>ASSETS</b>                             |                         |                           |                                       |                        |                     |
| Current assets:                           |                         |                           |                                       |                        |                     |
| Cash and investments                      | \$ 197,277              | \$ 21,003                 | \$ 1,274,123                          | \$ 740,939             | \$ 2,233,342        |
| Accounts receivable                       | -                       | -                         | 896                                   | 10,719                 | 11,615              |
| <b>Total assets</b>                       | <u>197,277</u>          | <u>21,003</u>             | <u>1,275,019</u>                      | <u>751,658</u>         | <u>2,244,957</u>    |
| <b>LIABILITIES</b>                        |                         |                           |                                       |                        |                     |
| Current liabilities:                      |                         |                           |                                       |                        |                     |
| Accounts payable                          | 1,742                   | -                         | 16,817                                | 35                     | 18,594              |
| Claims and judgments - current portion    | -                       | -                         | 103,125                               | 21,875                 | 125,000             |
| Noncurrent liabilities:                   |                         |                           |                                       |                        |                     |
| Claims and judgments - noncurrent portion | -                       | -                         | 585,789                               | 123,975                | 709,764             |
| <b>Total liabilities</b>                  | <u>1,742</u>            | <u>-</u>                  | <u>705,731</u>                        | <u>145,885</u>         | <u>853,358</u>      |
| <b>NET ASSETS</b>                         |                         |                           |                                       |                        |                     |
| Unrestricted                              | 195,535                 | 21,003                    | 569,288                               | 605,773                | 1,391,599           |
| <b>Total net assets</b>                   | <u>\$ 195,535</u>       | <u>\$ 21,003</u>          | <u>\$ 569,288</u>                     | <u>\$ 605,773</u>      | <u>\$ 1,391,599</u> |

# CITY OF LOS ALTOS

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS ALL INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2007

|                                  | Dental<br>Reimbursement | Unemployment<br>Insurance | Workers'<br>Compensation<br>Insurance | Liability<br>Insurance | Total              |
|----------------------------------|-------------------------|---------------------------|---------------------------------------|------------------------|--------------------|
| <b>OPERATING REVENUES:</b>       |                         |                           |                                       |                        |                    |
| Charges for services             | \$ 91,440               | \$ 6,539                  | \$ 500,573                            | \$ 375,000             | \$ 973,552         |
| Other                            | 547                     | -                         | -                                     | 16,293                 | 16,840             |
| <b>Total operating revenues</b>  | <u>91,987</u>           | <u>6,539</u>              | <u>500,573</u>                        | <u>391,293</u>         | <u>990,392</u>     |
| <b>OPERATING EXPENSES</b>        |                         |                           |                                       |                        |                    |
| Claims reimbursement             | 69,371                  | 9,782                     | -                                     | 185                    | 79,338             |
| Insurance                        | -                       | -                         | 4,336                                 | 253,441                | 257,777            |
| Administration                   | -                       | -                         | 49,335                                | 91,636                 | 140,971            |
| <b>Total operating expenses</b>  | <u>69,371</u>           | <u>9,782</u>              | <u>53,671</u>                         | <u>345,262</u>         | <u>478,086</u>     |
| <b>OPERATING INCOME (LOSS) \</b> |                         |                           |                                       |                        |                    |
| <b>CHANGE IN NET ASSETS</b>      | <u>22,616</u>           | <u>(3,243)</u>            | <u>446,902</u>                        | <u>46,031</u>          | <u>512,306</u>     |
| <b>NET ASSETS:</b>               |                         |                           |                                       |                        |                    |
| Beginning of year                | 172,919                 | 24,246                    | 122,386                               | 559,742                | 879,293            |
| End of year                      | <u>\$ 195,535</u>       | <u>\$ 21,003</u>          | <u>\$ 569,288</u>                     | <u>\$ 605,773</u>      | <u>\$1,391,599</u> |

# CITY OF LOS ALTOS

## COMBINING STATEMENT OF CASH FLOWS ALL INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2007

|   | Dental<br>Reimbursement | Unemployment<br>Insurance | Workers'<br>Compensation<br>Insurance | Liability<br>Insurance | Total               |
|---|-------------------------|---------------------------|---------------------------------------|------------------------|---------------------|
| <b>CASH FLOWS FROM</b>  |                         |                           |                                       |                        |                     |
| <b>OPERATING ACTIVITIES:</b>  |                         |                           |                                       |                        |                     |
| Cash received from customers/other funds  | \$ 91,987               | \$ 6,539                  | \$ 500,843                            | \$ 380,574             | \$ 979,943          |
| Cash payments to claimants  | (69,307)                | (9,782)                   | (291,770)                             | (1)                    | (370,860)           |
| Insurance premiums and administrative   | -                       | -                         | (141,822)                             | (351,171)              | (492,993)           |
| <b>Net cash provided (used) by</b>  |                         |                           |                                       |                        |                     |
| <b>Operating activities</b>   | <u>22,680</u>           | <u>(3,243)</u>            | <u>67,251</u>                         | <u>29,402</u>          | <u>116,090</u>      |
| <b>CASH AND INVESTMENTS:</b>  |                         |                           |                                       |                        |                     |
| Beginning of year   | 174,597                 | 24,246                    | 1,206,872                             | 711,537                | 2,117,252           |
| End of year   | <u>\$ 197,277</u>       | <u>\$ 21,003</u>          | <u>\$ 1,274,123</u>                   | <u>\$ 740,939</u>      | <u>\$ 2,233,342</u> |
| <b>RECONCILIATION OF OPERATING<br/>INCOME (LOSS) TO NET CASH PROVIDED<br/>(USED) BY OPERATING ACTIVITIES:</b> |                         |                           |                                       |                        |                     |
| Operating income (loss)   | \$ 22,616               | \$ (3,243)                | \$ 446,902                            | \$ 46,031              | \$ 512,306          |
| Adjustments to reconcile operating<br>income (loss) to net cash provided<br>(used) to operating activities:   |                         |                           |                                       |                        |                     |
| Changes in assets and liabilities:  |                         |                           |                                       |                        |                     |
| Accounts receivable   | -                       | -                         | 270                                   | (10,719)               | (10,449)            |
| Accounts payable  | 64                      | -                         | (88,151)                              | (5,909)                | (93,996)            |
| Claims and judgments payable  | -                       | -                         | (291,770)                             | (1)                    | (291,771)           |
| <b>Net cash provided (used) by<br/>operating activities</b>   | <u>\$ 22,680</u>        | <u>\$ (3,243)</u>         | <u>\$ 67,251</u>                      | <u>\$ 29,402</u>       | <u>\$ 116,090</u>   |

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## ***STATISTICS***

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# **CITY OF LOS ALTOS**

## **STATISTICAL SECTION**

**JUNE 30, 2007**

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

### **Financial Trends**

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

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

### **Revenue Capacity**

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

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

### **Debt Capacity**

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

1. Ratio of Outstanding Debt by Type,
2. Schedule of Direct and Overlapping Bonded Debt,
3. Legal Debt Margin, and
4. Bonded Debt Pledged Revenue Coverage.

### **Demographic and Economic Information**

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

1. Demographic and Economic Statistics, and
2. Principal Employers.

# **CITY OF LOS ALTOS**

## **STATISTICAL SECTION**

**JUNE 30, 2007**

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### **Operating Information**

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

1. Full-Time Equivalent City Government Employees by Function,
2. Operating Indicators by Function/Program, and
3. Capital Asset Statistics by Function/Program.

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

# CITY OF LOS ALTOS

## NET ASSETS BY COMPONENT LAST FIVE FISCAL YEARS

(accrual basis of accounting; amounts expressed in thousands)

|  | Fiscal Year      |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
|  | 2002-03          | 2003-04          | 2004-05          | 2005-06          | 2006-07          |
| <b>Governmental activities</b>                   |                  |                  |                  |                  |                  |
| Invested in capital assets, net of related debt  | \$ 38,536        | \$ 38,589        | \$ 39,023        | \$ 37,877        | \$ 38,186        |
| Restricted                                       | 2,007            | 2,081            | 3,792            | 2,403            | 2,709            |
| Unrestricted                                     | 14,699           | 16,114           | 16,178           | 23,343           | 27,386           |
| <b>Total governmental activities net assets</b>  | <u>55,242</u>    | <u>56,784</u>    | <u>58,993</u>    | <u>63,623</u>    | <u>68,281</u>    |
| <b>Business-type activities</b>                  |                  |                  |                  |                  |                  |
| Invested in capital assets, net of related debt  | \$ 2,760         | \$ 2,646         | \$ 2,510         | \$ 2,527         | \$ 2,388         |
| Restricted                                       | -                | -                | -                | -                | -                |
| Unrestricted                                     | 2,751            | 2,736            | 4,228            | 5,511            | 6,977            |
| <b>Total business-type activities net assets</b> | <u>5,511</u>     | <u>5,382</u>     | <u>6,738</u>     | <u>8,038</u>     | <u>9,365</u>     |
| <b>Primary government</b>                        |                  |                  |                  |                  |                  |
| Invested in capital assets, net of related debt  | \$ 41,296        | \$ 41,235        | \$ 41,533        | \$ 40,404        | \$ 40,574        |
| Restricted                                       | 2,007            | 2,081            | 3,792            | 2,403            | 2,709            |
| Unrestricted                                     | 17,450           | 18,850           | 20,406           | 28,854           | 34,363           |
| <b>Total primary government net assets</b>       | <u>\$ 60,753</u> | <u>\$ 62,166</u> | <u>\$ 65,731</u> | <u>\$ 71,661</u> | <u>\$ 77,646</u> |

**Source:**

City of Los Altos Finance Department

**Note:**

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

# CITY OF LOS ALTOS

## CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS

(accrual basis of accounting; amounts expressed in thousands)

|   | Fiscal Year        |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | <u>2002-03</u>     | <u>2003-04</u>     | <u>2004-05</u>     | <u>2005-06</u>     | <u>2006-07</u>     |
| <b>Expenses</b>                                 |                    |                    |                    |                    |                    |
| Governmental activities:                        |                    |                    |                    |                    |                    |
| Public safety                                   | \$ 8,878           | \$ 8,853           | \$ 9,856           | \$ 9,913           | \$ 11,033          |
| Public works                                    | 3,396              | 3,594              | 4,498              | 4,224              | 4,799              |
| Recreation and culture                          | 1,898              | 2,129              | 2,212              | 2,405              | 2,460              |
| Community development                           | 2,065              | 2,042              | 2,383              | 2,604              | 2,875              |
| Admin/Community services                        | 2,309              | 2,262              | 2,313              | 2,502              | 2,655              |
| Interest on long-term activities                | 263                | 365                | 149                | 151                | 146                |
| Total governmental activities expenses          | <u>18,809</u>      | <u>19,245</u>      | <u>21,411</u>      | <u>21,799</u>      | <u>23,968</u>      |
| Business-type activities:                       |                    |                    |                    |                    |                    |
| Sewer   | 3,085              | 3,711              | 3,167              | 3,324              | 3,712              |
| Solid waste                                     | 1,833              | 1,071              | 1,125              | 1,264              | 1,575              |
| Storm drain                                     | - *                | - *                | 118                | 183                | 181                |
| Total Business-type activities expenses         | <u>4,918</u>       | <u>4,782</u>       | <u>4,410</u>       | <u>4,771</u>       | <u>5,468</u>       |
| Total primary government expenses               | <u>\$ 23,727</u>   | <u>\$ 24,027</u>   | <u>\$ 25,821</u>   | <u>\$ 26,570</u>   | <u>\$ 29,436</u>   |
| <b>Program Revenues</b>                         |                    |                    |                    |                    |                    |
| Governmental activities:                        |                    |                    |                    |                    |                    |
| Charges for services:                           |                    |                    |                    |                    |                    |
| Public safety                                   | \$ 448             | \$ 517             | \$ 508             | \$ 377             | \$ 499             |
| Public works                                    | 178                | 250                | 231                | 156                | 228                |
| Recreation and culture                          | 1,363              | 1,569              | 1,604              | 1,545              | 1,665              |
| Community development                           | 1,374              | 1,754              | 1,854              | 2,644              | 2,501              |
| Admin/Community services                        | 589                | 540                | 543                | 580                | 1,166              |
| Operating grants and contributions:             |                    |                    |                    |                    |                    |
| Public safety                                   | 151                | 131                | 123                | 136                | 112                |
| Public works                                    | 537                | 545                | 549                | 535                | 541                |
| Recreation and culture                          | -                  | 5                  | 11                 | 42                 | 9                  |
| Community development                           | 262                | 212                | 76                 | 126                | 141                |
| Admin/Community services                        | 10                 | 6                  | 6                  | 6                  | 6                  |
| Capital grants and contributions                |                    |                    |                    |                    |                    |
| Public safety                                   | -                  | -                  | -                  | -                  | 121                |
| Public works                                    | 86                 | 5                  | 588                | 498                | 322                |
| Recreation and culture                          | -                  | 139                | -                  | -                  | 1                  |
| Total governmental activities program revenues  | <u>4,998</u>       | <u>5,673</u>       | <u>6,093</u>       | <u>6,645</u>       | <u>7,312</u>       |
| Business-type activities:                       |                    |                    |                    |                    |                    |
| Charges for services:                           |                    |                    |                    |                    |                    |
| Sewer   | \$ 2,653           | \$ 3,534           | \$ 4,273           | \$ 4,264           | \$ 4,833           |
| Solid waste                                     | 1,013              | 1,155              | 1,309              | 1,455              | 1,471              |
| Storm drain                                     | - *                | - *                | -                  | -                  | -                  |
| Total business-type activities program revenues | <u>3,666</u>       | <u>4,689</u>       | <u>5,582</u>       | <u>5,719</u>       | <u>6,304</u>       |
| Total primary government program revenues       | <u>\$ 8,664</u>    | <u>\$ 10,362</u>   | <u>\$ 11,675</u>   | <u>\$ 12,364</u>   | <u>\$ 13,616</u>   |
| Net (expense)/revenue:                          |                    |                    |                    |                    |                    |
| Governmental activities                         | (13,811)           | (13,572)           | (15,318)           | (15,154)           | (16,656)           |
| Business-type activities                        | (1,252)            | (93)               | 1,172              | 948                | 836                |
| Total primary government net (expense)/revenue  | <u>\$ (15,063)</u> | <u>\$ (13,665)</u> | <u>\$ (14,146)</u> | <u>\$ (14,206)</u> | <u>\$ (15,820)</u> |

# CITY OF LOS ALTOS

## CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS

(accrual basis of accounting; amounts expressed in thousands)

|   | Fiscal Year             |                         |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | <u>2002-2003</u>        | <u>2003-2004</u>        | <u>2004-2005</u>        | <u>2005-2006</u>        | <u>2006-2007</u>        |
| <b>General Revenues and Other Changes in Net Assets</b> |                         |                         |                         |                         |                         |
| Governmental activities                                 |                         |                         |                         |                         |                         |
| Taxes:  |                         |                         |                         |                         |                         |
| Property taxes  | \$ 6,379                | \$ 6,707                | \$ 8,580                | \$ 9,767                | \$ 10,903               |
| Sales taxes   | 2,464                   | 2,331                   | 2,553                   | 2,662                   | 2,750                   |
| Utility users' taxes                                    | 1,825                   | 1,886                   | 1,970                   | 2,101                   | 2,274                   |
| Other taxes   | 3,156                   | 3,181                   | 231                     | 235                     | 2,682                   |
| Franchise fees  | 951                     | 1,012                   | 1,048                   | 1,110                   | 1,164                   |
| Interest income   | 454                     | 307                     | 495                     | 1,048                   | 1,414                   |
| Miscellaneous   | 349                     | 331                     | 2,831                   | 3,050                   | 323                     |
| Transfers   | 91                      | 35                      | (183)                   | (187)                   | (197)                   |
| Total governmental activities                           | <u>15,669</u>           | <u>15,790</u>           | <u>17,525</u>           | <u>19,786</u>           | <u>21,313</u>           |
| Business-type activities                                |                         |                         |                         |                         |                         |
| Interest income   | -                       | -                       | -                       | -                       | 296                     |
| Transfers   | (91)                    | (35)                    | 183                     | 187                     | 197                     |
| Total business-type activities                          | <u>(91)</u>             | <u>(35)</u>             | <u>183</u>              | <u>187</u>              | <u>493</u>              |
| <b>Total primary government</b>                         | <u><u>\$ 15,578</u></u> | <u><u>\$ 15,755</u></u> | <u><u>\$ 17,708</u></u> | <u><u>\$ 19,973</u></u> | <u><u>\$ 21,806</u></u> |
| <b>Change in Net Assets</b>                             |                         |                         |                         |                         |                         |
| Governmental activities                                 | 1,858                   | 2,218                   | 2,207                   | 4,632                   | 4,657                   |
| Business-type activities                                | (1,343)                 | (128)                   | 1,355                   | 1,135                   | 1,329                   |
| <b>Total primary government</b>                         | <u><u>\$ 515</u></u>    | <u><u>\$ 2,090</u></u>  | <u><u>\$ 3,562</u></u>  | <u><u>\$ 5,767</u></u>  | <u><u>\$ 5,986</u></u>  |

**Source:**

City of Los Altos Finance Department

**Note:**

The City implemented the new reporting model in the fiscal year 2002-2003.

Until 10 years of data are available, only the available years will be presented.

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

# CITY OF LOS ALTOS

## FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

(modified accrual basis of accounting; amounts expressed in thousands)

|   | Fiscal Year     |                |                 |                 |                 |                 |                 |                 |                 |                  |
|---|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
|   | 1997-98         | 1998-99        | 1999-00         | 2000-01         | 2001-02         | 2002-03         | 2003-04         | 2004-05         | 2005-06         | 2006-07          |
| <b>General fund</b>                       |                 |                |                 |                 |                 |                 |                 |                 |                 |                  |
| Reserved                                  | \$ 141          | \$ 110         | \$ 84           | \$ 87           | \$ 31           | \$ 4,510        | \$ 5,225        | \$ 5,412        | \$ 5,872        | \$ 5,988         |
| Unreserved                                | 4,023           | 4,865          | 2,472           | 3,248           | 3,718           | 300             | 420             | 305             | 206             | 300              |
| <i>Total general fund</i>                 | <u>\$ 4,164</u> | <u>\$4,975</u> | <u>\$ 2,556</u> | <u>\$ 3,335</u> | <u>\$ 3,749</u> | <u>\$ 4,810</u> | <u>\$ 5,645</u> | <u>\$ 5,717</u> | <u>\$ 6,078</u> | <u>\$ 6,288</u>  |
| <b>All other governmental funds</b>       |                 |                |                 |                 |                 |                 |                 |                 |                 |                  |
| Reserved                                  | \$ 1,713        | \$1,292        | \$ 1,160        | \$ 894          | \$ 805          | \$11,520        | \$12,642        | \$15,492        | \$20,591        | \$ 24,245        |
| Unreserved, reported in:                  |                 |                |                 |                 |                 |                 |                 |                 |                 |                  |
| Special revenue funds                     | -               | -              | -               | -               | -               | 564             | 725             | -               | -               | (21)             |
| Capital projects funds                    | 6,189           | 4,746          | 9,639           | 12,470          | 12,162          | -               | (780)           | (775)           | (770)           | (765)            |
| Debt service funds                        | -               | 1,299          | 969             | 955             | 621             | -               | -               | (8)             | (8)             | (8)              |
| <i>Total all other governmental funds</i> | <u>\$ 7,902</u> | <u>\$7,337</u> | <u>\$11,768</u> | <u>\$14,319</u> | <u>\$13,588</u> | <u>\$12,084</u> | <u>\$12,587</u> | <u>\$14,709</u> | <u>\$19,813</u> | <u>\$ 23,451</u> |

Source:

City of Los Altos Finance Department

# CITY OF LOS ALTOS

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

(modified accrual basis of accounting; amounts expressed in thousands)

|  | Fiscal Year     |               |                 |                 |                 |                 |                 |                 |                 |                 |
|--|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues   | 1997-98         | 1998-99       | 1999-00         | 2000-01         | 2001-02         | 2002-03         | 2003-04         | 2004-05         | 2005-06         | 2006-07         |
| Taxes  | \$ 6,045        | \$ 6,456      | \$ 6,960        | \$ 7,792        | \$ 8,755        | \$ 9,393        | \$ 10,117       | \$ 12,263       | \$ 13,781       | \$ 15,205       |
| License, permits and park-in-lieu                                | 1,062           | 1,326         | 1,505           | 1,970           | 1,846           | 1,810           | 2,170           | 2,198           | 2,568           | 2,522           |
| Intergovernmental  | 4,373           | 4,606         | 5,989           | 6,379           | 5,227           | 5,233           | 4,790           | 4,048           | 4,515           | 4,323           |
| Grants and donations   | 269             | 250           | 611             | 1,321           | 1,274           | 301             | 392             | 701             | 549             | 359             |
| Charges for services   | 2,538           | 2,653         | 2,955           | 2,813           | 3,003           | 2,657           | 2,885           | 2,997           | 3,272           | 3,701           |
| Fines and forfeitures  | 72              | 122           | 197             | 156             | 216             | 254             | 284             | 268             | 201             | 264             |
| Interest and rentals   | 1,380           | 1,399         | 1,413           | 1,682           | 1,143           | 731             | 609             | 906             | 1,338           | 1,692           |
| Other  | 456             | 167           | 212             | 102             | 285             | 201             | 211             | 419             | 395             | 777             |
| <b>Total revenues</b>  | <b>16,195</b>   | <b>16,979</b> | <b>19,842</b>   | <b>22,215</b>   | <b>21,749</b>   | <b>20,580</b>   | <b>21,458</b>   | <b>23,800</b>   | <b>26,619</b>   | <b>28,843</b>   |
| Expenditures   |                 |               |                 |                 |                 |                 |                 |                 |                 |                 |
| General government   |                 |               |                 |                 |                 |                 |                 |                 |                 |                 |
| Public safety  | 6,460           | 7,023         | 7,127           | 7,392           | 8,142           | 8,424           | 8,813           | 9,428           | 10,067          | 11,084          |
| Public works   | 1,935           | 1,998         | 2,101           | 2,220           | 2,362           | 2,805           | 3,236           | 3,961           | 3,775           | 4,321           |
| Recreation and culture   | 1,133           | 1,217         | 1,404           | 1,786           | 1,737           | 1,685           | 1,801           | 1,820           | 1,952           | 2,103           |
| Community development  | 1,304           | 1,436         | 1,585           | 1,817           | 1,849           | 2,012           | 2,040           | 2,293           | 2,606           | 2,922           |
| Administration/Community services                                | 1,380           | 1,510         | 1,572           | 1,776           | 2,009           | 2,208           | 2,206           | 2,215           | 2,414           | 2,658           |
| Capital improvements   | 1,956           | 2,109         | 3,113           | 2,605           | 4,760           | 3,052           | 1,637           | 1,348           | 72              | 1,374           |
| Debt service   |                 |               |                 |                 |                 |                 |                 |                 |                 |                 |
| Principal  | 590             | 617           | 608             | 639             | 683             | 342             | 145             | 199             | 193             | 193             |
| Interest and fiscal charges                                      | 397             | 377           | 338             | 319             | 260             | 221             | 145             | 158             | 146             | 143             |
| <b>Total expenditures</b>  | <b>15,155</b>   | <b>16,287</b> | <b>17,848</b>   | <b>18,554</b>   | <b>21,802</b>   | <b>20,749</b>   | <b>20,023</b>   | <b>21,422</b>   | <b>21,225</b>   | <b>24,798</b>   |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>1,040</b>    | <b>692</b>    | <b>1,994</b>    | <b>3,661</b>    | <b>(53)</b>     | <b>(169)</b>    | <b>1,435</b>    | <b>2,378</b>    | <b>5,394</b>    | <b>4,045</b>    |
| Other financing sources (uses)                                   |                 |               |                 |                 |                 |                 |                 |                 |                 |                 |
| Debt issuance  | 462             | -             | -               | 101             | -               | -               | 2,372           | -               | 257             | -               |
| Payment to refunded bonded escrow agent                          | -               | -             | -               | -               | -               | -               | (2,506)         | -               | -               | -               |
| Transfers in   | 3,254           | 5,671         | 8,445           | 5,465           | 4,847           | 4,531           | 3,938           | 5,652           | 6,639           | 6,153           |
| Transfers out  | (3,279)         | (6,115)       | (8,426)         | (5,896)         | (5,107)         | (4,804)         | (3,902)         | (5,834)         | (6,827)         | (6,350)         |
| <b>Total Other financing sources (uses)</b>                      | <b>437</b>      | <b>(444)</b>  | <b>19</b>       | <b>(330)</b>    | <b>(260)</b>    | <b>(273)</b>    | <b>(98)</b>     | <b>(182)</b>    | <b>69</b>       | <b>(197)</b>    |
| <b>Net change in fund balances</b>                               | <b>\$ 1,477</b> | <b>\$ 248</b> | <b>\$ 2,013</b> | <b>\$ 3,331</b> | <b>\$ (313)</b> | <b>\$ (442)</b> | <b>\$ 1,337</b> | <b>\$ 2,196</b> | <b>\$ 5,463</b> | <b>\$ 3,848</b> |
| <b>Debt service as a percentage of non-capital expenditures</b>  | <b>7.5%</b>     | <b>7.0%</b>   | <b>6.4%</b>     | <b>6.0%</b>     | <b>5.5%</b>     | <b>3.2%</b>     | <b>1.6%</b>     | <b>1.8%</b>     | <b>1.6%</b>     | <b>1.4%</b>     |

Source:

City of Los Altos Finance Department

## CITY OF LOS ALTOS

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

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| <b>Fiscal<br/>Year</b> | <b>Property</b> | <b>Business<br/>Licenses</b> | <b>Utility<br/>Users</b> | <b>Transient<br/>Occupancy</b> | <b>Building<br/>Development</b> | <b>Special<br/>Assessments</b> | <b>Total</b> |
|------------------------|-----------------|------------------------------|--------------------------|--------------------------------|---------------------------------|--------------------------------|--------------|
| 1997-98                | \$4,152,827     | \$325,019                    | \$1,364,486              | \$ 3,307                       | \$ 80,187                       | \$ 118,715                     | \$ 6,044,541 |
| 1998-99                | 4,483,870       | 315,810                      | 1,469,515                | 2,801                          | 95,082                          | 88,868                         | 6,455,946    |
| 1999-00                | 4,800,572       | 323,505                      | 1,469,850                | 208                            | 234,573                         | 130,973                        | 6,959,681    |
| 2000-01                | 5,341,863       | 290,975                      | 1,825,109                | 0                              | 283,055                         | 50,901                         | 7,791,903    |
| 2001-02                | 6,148,343       | 312,243                      | 1,832,299                | 254,887                        | 157,526                         | 49,706                         | 8,755,004    |
| 2002-03                | 6,379,459       | 340,969                      | 1,824,795                | 633,861                        | 158,311                         | 55,229                         | 9,392,624    |
| 2003-04                | 6,707,237       | 333,668                      | 1,885,591                | 945,649                        | 117,654                         | 127,138                        | 10,116,937   |
| 2004-05                | 8,580,232       | 365,859                      | 1,969,699                | 1,057,995                      | 256,646                         | 32,149                         | 12,262,580   |
| 2005-06                | 9,766,623       | 364,602                      | 2,100,663                | 1,260,279                      | 248,349                         | 40,015                         | 13,780,530   |
| 2006-07                | 10,902,569      | 380,470                      | 2,274,478                | 1,469,867                      | 137,461                         | 39,848                         | 15,204,693   |

Source:

City of Los Altos Finance Department

# CITY OF LOS ALTOS

## ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

| Fiscal Year | Residential Property | Commercial Property | Other       | Net Unsecured | Total Taxable Assessed Value (1) | Total Direct Tax Rate (2) |
|-------------|----------------------|---------------------|-------------|---------------|----------------------------------|---------------------------|
| 1997-98     | \$ 3,091,225,411     | \$ 236,886,322      | 56,480,057  | \$ 57,534,209 | \$ 3,442,125,999                 | 1%                        |
| 1998-99     | 3,363,937,149        | 263,744,625         | 61,346,550  | 59,755,904    | 3,748,784,228                    | 1%                        |
| 1999-00     | 3,647,125,022        | 285,182,682         | 62,085,405  | 62,730,139    | 4,057,123,248                    | 1%                        |
| 2000-01     | 4,037,170,644        | 308,354,623         | 78,447,835  | 64,192,787    | 4,488,165,889                    | 1%                        |
| 2001-02     | 4,626,324,290        | 367,458,673         | 100,863,680 | 89,404,527    | 5,184,051,170                    | 1%                        |
| 2002-03     | 4,857,875,155        | 403,640,089         | 89,722,887  | 94,541,745    | 5,445,779,876                    | 1%                        |
| 2003-04     | 5,323,684,512        | 434,476,752         | 82,641,608  | 83,406,442    | 5,924,209,314                    | 1%                        |
| 2004-05     | 5,793,122,535        | 420,622,052         | 81,325,037  | 78,123,781    | 6,373,193,405                    | 1%                        |
| 2005-06     | 6,426,969,808        | 457,811,338         | 81,562,137  | 79,379,615    | 7,045,722,898                    | 1%                        |
| 2006-07     | 7,015,252,860        | 495,435,150         | 83,502,556  | 82,870,129    | 7,677,060,695                    | 1%                        |

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 condiered to be full market values.

(2) - California cities do not set their own direct tax rate. The California State Constitution establishes the rate at 1% and the County of Santa Clara is responsible for allocating a portion of that amount to all the taxing entities within each of the City's tax rate areas. In the fiscal year 2006-07, the City has 14 tax rate areas and received a total of approximately 11% of that 1% rate.

# CITY OF LOS ALTOS

## DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (rate per \$1,000 of assessed value)

| Fiscal Year | Overlapping Rates (1) |                        |                           |                             |                                 |                  |                     |                          |                                     |                           |                                   |                    |
|-------------|-----------------------|------------------------|---------------------------|-----------------------------|---------------------------------|------------------|---------------------|--------------------------|-------------------------------------|---------------------------|-----------------------------------|--------------------|
|             | Basic County-Wide     | Santa Clara Retirement | County Library Retirement | Los Altos Elementary School | Mountain View Elementary School | Cupertino School | Whisman School Bond | Foothill-De Anza College | Mountain View Los Altos High School | Fremont Union High School | Santa Clara Valley Water District | El Camino Hospital |
| 1997-98     | 1.0000                | 0.0388                 | 0.0024                    | 0.0328                      | -                               | -                | -                   | -                        | 0.0206                              | -                         | 0.0098                            | -                  |
| 1998-99     | 1.0000                | 0.0388                 | 0.0017                    | 0.0551                      | -                               | -                | -                   | -                        | 0.0229                              | -                         | 0.0082                            | -                  |
| 1999-00     | 1.0000                | 0.0319                 | 0.0024                    | 0.0506                      | -                               | -                | -                   | -                        | 0.0234                              | -                         | 0.0085                            | -                  |
| 2000-01     | 1.0000                | 0.0356                 | 0.0024                    | 0.0446                      | -                               | -                | -                   | -                        | 0.0379                              | -                         | 0.0075                            | -                  |
| 2001-02     | 1.0000                | 0.0364                 | 0.0024                    | 0.0457                      | -                               | -                | -                   | -                        | 0.0319                              | -                         | 0.0062                            | -                  |
| 2002-03     | 1.0000                | 0.0388                 | 0.0024                    | 0.0398                      | 0.0370                          | 0.0329           | 0.0328              | 0.0108                   | 0.0188                              | 0.0246                    | 0.0072                            | -                  |
| 2003-04     | 1.0000                | 0.0388                 | 0.0024                    | 0.0483                      | 0.0388                          | 0.0357           | -                   | 0.0110                   | 0.0183                              | 0.0249                    | 0.0087                            | -                  |
| 2004-05     | 1.0000                | 0.0388                 | 0.0024                    | 0.0487                      | 0.0423                          | 0.0360           | -                   | 0.0129                   | 0.0193                              | 0.0268                    | 0.0092                            | -                  |
| 2005-06     | 1.0000                | 0.0388                 | 0.0024                    | 0.0452                      | 0.0378                          | 0.0350           | -                   | 0.0119                   | 0.0179                              | 0.0260                    | 0.0078                            | -                  |
| 2006-07     | 1.0000                | 0.0388                 | 0.0024                    | 0.0551                      | 0.0340                          | 0.2098           | -                   | 0.0346                   | 0.0169                              | 0.0243                    | 0.0072                            | 0.0129             |

Source:

County of Santa Clara Finance Agency

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

# CITY OF LOS ALTOS

## PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

| Taxpayer                                | 2006-07              |      |   | 1997-98              |      |   |
|---|----------------------|------|---|----------------------|------|---|
|   | Total Assessed Value | Rank | % of City's Est. Total Property Tax Revenue | Total Assessed Value | Rank | % of City's Est. Total Property Tax Revenue |
| Peter Pau                               | \$ 37,920,661        | 1    | 0.50%                                       |                      |      |   |
| Rambus, Inc.                            | 18,490,131           | 2    | 0.32%                                       |                      |      |   |
| Kenneth T. Namimatsu, Et Al             | 25,694,304           | 3    | 0.31%                                       | \$ 20,333,171        | 1    | 0.56%                                       |
| KRC Los Altos Limited Partnership       | 19,188,797           | 4    | 0.25%                                       |                      |      |   |
| 4 Seasons Associates LLC                | 17,278,686           | 5    | 0.23%                                       |                      |      |   |
| Los Altos Hotel Associates LLC          | 16,331,604           | 6    | 0.22%                                       |                      |      |   |
| David & Lucile Packard Foundation       | 36,229,111           | 7    | 0.21%                                       |                      |      |   |
| Village Court Partners                  | 14,357,542           | 8    | 0.19%                                       | 9,824,911            | 2    | 0.29%                                       |
| Camino Altos 4300 Inc.                  | 13,770,000           | 9    | 0.18%                                       |                      |      |   |
| John T. Vidovich                        | 11,550,676           | 10   | 0.15%                                       |                      |      |   |
| Compass Grand Los Altos LLC             | 10,258,600           | 11   | 0.14%                                       |                      |      |   |
| Cornerstone Properties II               | 9,792,243            | 12   | 0.13%                                       | 7,670,400            | 4    | 0.23%                                       |
| FXSC LLC                                | 9,680,440            | 13   | 0.12%                                       |                      |      |   |
| Austiaj Limited Partnership Fund II     | 8,500,000            | 14   | 0.11%                                       |                      |      |   |
| Campi Family Trust                      | 7,919,575            | 15   | 0.10%                                       |                      |      |   |
| Tan Los Altos Gateway LLC               | 7,806,374            | 16   | 0.10%                                       |                      |      |   |
| Comcast of California X Inc.            | 6,605,633            | 17   | 0.10%                                       |                      |      |   |
| Frank M. White                          | 7,313,602            | 18   | 0.10%                                       | 4,576,672            | 13   | 0.14%                                       |
| Corland Partners I LLC                  | 7,026,632            | 19   | 0.09%                                       |                      |      |   |
| George & Lorraine A. Korpontinos Trust  | 6,995,478            | 20   | 0.09%                                       | 5,869,621            | 6    | 0.17%                                       |
| James C. & Abby C. Althoff              | 6,992,717            | 21   | 0.09%                                       |                      |      |   |
| Altos Properties                        | 7,594,711            | 22   | 0.09%                                       | 5,085,154            | 12   | 0.14%                                       |
| Robert Cole & Deborah J. Meredith       | 6,753,711            | 23   | 0.09%                                       |                      |      |   |
| John C. Shoemaker                       | 6,563,529            | 24   | 0.09%                                       |                      |      |   |
| 4410 Los Altos Limited Partnership      | 6,541,938            | 25   | 0.09%                                       |                      |      |   |
| Steve J. Vidovich, Et. Al.              |                      |      |   | 8,942,761            | 3    | 0.27%                                       |
| Ivan D. & Zoya Gerhath                  |                      |      |   | 6,941,759            | 5    | 0.21%                                       |
| Margaret & Victor C. Bellomo            |                      |      |   | 5,489,196            | 7    | 0.16%                                       |
| Griffin Investments                     |                      |      |   | 4,923,008            | 8    | 0.15%                                       |
| Rreef West V Inc.                       |                      |      |   | 5,115,657            | 9    | 0.14%                                       |
| Eugene P. Jarvis, Et. Al.               |                      |      |   | 4,640,944            | 10   | 0.14%                                       |
| Dale L. Peterson                        |                      |      |   | 4,636,454            | 11   | 0.14%                                       |
| John B. & Cynthia B. Lovewell           |                      |      |   | 4,430,000            | 14   | 0.13%                                       |
| California Water Service Company        |                      |      |   | 4,238,758            | 15   | 0.12%                                       |
| Penny M. Woolworth                      |                      |      |   | 4,014,951            | 16   | 0.12%                                       |
| Draegers Super Markets Inc              |                      |      |   | 3,988,252            | 17   | 0.12%                                       |
| 175 San Antonio Road Associates Limited |                      |      |   | 3,891,822            | 18   | 0.12%                                       |
| Distel Limited Partnership              |                      |      |   | 3,800,000            | 19   | 0.11%                                       |
| PCF Associates II                       |                      |      |   | 3,669,793            | 20   | 0.11%                                       |
| Salvatore & Stella Giovannotto Trust    |                      |      |   | 3,481,584            | 21   | 0.10%                                       |
| Earlco Sales Company                    |                      |      |   | 3,340,000            | 22   | 0.10%                                       |
| Delbert W Biddle, Et. Al.               |                      |      |   | 3,282,102            | 23   | 0.10%                                       |
| Rapp Roxy Trustee                       |                      |      |   | 4,563,336            | 24   | 0.10%                                       |
| Robert A. & Verena M. Goetz             |                      |      |   | 2,973,876            | 25   | 0.09%                                       |
| Total                                   | \$ 327,156,695       |      | 4.09%                                       | \$139,724,182        |      | 4.05%                                       |

Source:

HdL Coren & Cone

# CITY OF LOS ALTOS

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

| Fiscal<br>Year | Santa Clara County             |                                  |                                 |                                      |
|----------------|--------------------------------|----------------------------------|---------------------------------|--------------------------------------|
|                | Overall<br>Secured<br>Tax Levy | Overall<br>Unsecured<br>Tax Levy | Unsecured<br>Tax<br>Collections | Overall %<br>Delinquent<br>Unsecured |
| 1997-98        | \$ 1,462,079,530               | \$ 184,146,824                   | \$ 178,217,043                  | 1.81                                 |
| 1998-99        | 1,599,036,935                  | 198,156,600                      | 190,638,360                     | 2.86                                 |
| 1999-00        | 1,737,277,014                  | 204,083,791                      | 202,046,008                     | 1.60                                 |
| 2000-01        | 1,894,006,816                  | 227,194,023                      | 225,229,529                     | 1.62                                 |
| 2001-02        | 2,178,287,177                  | 285,796,090                      | 277,325,266                     | 2.96                                 |
| 2002-03        | 2,350,156,060                  | 294,833,129                      | 282,888,132                     | 4.05                                 |
| 2003-04        | 2,450,641,090                  | 265,954,516                      | 254,894,281                     | 4.16                                 |
| 2004-05        | 2,585,477,929                  | 246,825,818                      | 239,154,534                     | 3.11                                 |
| 2005-06        | 2,825,814,205                  | 236,149,611                      | 227,093,270                     | 3.80                                 |
| 2006-07        | 3,112,397,937                  | 246,156,802                      | 233,263,667                     | 5.23                                 |

### Note:

The actual tax levy data for the City of Los Altos is not available because the Santa Clara County uses a factor known as the AB8 factors to apportion the 1% portion of the tax levies/collections to each of the jurisdictions within the county. The City's AB8 factors ranges from 0.0029 to 0.0033 for the past 10 years. Additionally, the City and the County adopted the "alternative method of property tax distributions" that authorizes the County to allocate 100% of the secured property tax based on levy instead of collection, and to retain all delinquent penalties and interest.

### Source:

County of Santa Clara

# CITY OF LOS ALTOS

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

| Fiscal<br>Year | Governmental Activities       |                                     |                                |                  | Total        | Per<br>Capita |
|----------------|-------------------------------|-------------------------------------|--------------------------------|------------------|--------------|---------------|
|                | General<br>Obligation<br>Bond | Certificates<br>of<br>Participation | Special<br>Assessment<br>Bonds | Capital<br>Lease |              |               |
| 1997-98        | \$ 774,000                    | \$ 4,770,000                        | \$ 292,000                     | \$ 462,312       | \$ 6,298,312 | \$ 222        |
| 1998-99        | 602,000                       | 4,435,000                           | 218,000                        | 425,873          | 5,680,873    | 200           |
| 1999-00        | 416,000                       | 4,080,000                           | 189,000                        | 387,545          | 5,072,545    | 177           |
| 2000-01        | 216,000                       | 3,715,000                           | 255,783                        | 347,229          | 4,534,012    | 162           |
| 2001-02        | -                             | 3,325,000                           | 221,000                        | 304,823          | 3,850,823    | 138           |
| 2002-03        | -                             | 3,040,000                           | 186,000                        | 282,802          | 3,508,802    | 127           |
| 2003-04        | -                             | 3,115,000                           | 146,000                        | 213,299          | 3,474,299    | 126           |
| 2004-05        | -                             | 3,010,000                           | 101,000                        | 163,948          | 3,274,948    | 119           |
| 2005-06        | -                             | 2,895,000                           | 349,391                        | 112,038          | 3,356,429    | 122           |
| 2006-07        | -                             | 2,775,000                           | 331,000                        | 57,436           | 3,163,436    | 113           |

Source:

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

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

# CITY OF LOS ALTOS

## SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT JUNE 30, 2007

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>   | <u>Total Debt<br/>6/30/2007</u> | <u>%<br/>Applicable (1)</u> | <u>City's Share of<br/>Debt 6/30/07</u> |
|---|---------------------------------|-----------------------------|---|
| Foothill-De Anza Community College District   | \$486,686,935                   | 10.010                      | \$48,731,963                            |
| Fremont Union High School District  | 135,495,000                     | 4.148                       | 5,620,333                               |
| Mountain View-Los Altos Union High School District                                  | 41,161,332                      | 29.275                      | 12,049,980                              |
| Cupertino Union School District   | 121,617,087                     | 6.845                       | 8,324,690                               |
| Los Altos School District   | 99,819,000                      | 52.774                      | 52,678,479                              |
| El Camino Hospital District   | 148,000,000                     | 19.64                       | 29,067,200                              |
| North County Library Authority  | 1,455,000                       | 65.12                       | 947,496                                 |
| Santa Clara Valley Water District Benefit Assessment District                       | 173,070,000                     | 3.26                        | 5,642,082                               |
| City of Los Altos 1915 Act Bonds  | 331,000                         | 100                         | 331,000                                 |
| <b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>                                    |                                 |                             | <b>\$163,393,223</b>                    |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>                                    |                                 |                             |   |
| Santa Clara County General Fund Obligations   | \$826,480,000                   | 3.260                       | \$26,943,248                            |
| Santa Clara County Board of Education Certificates of Participation                 | 16,325,000                      | 3.26                        | 532,195                                 |
| Foothill-De Anza Community College District Certificates of Participation           | 29,700,000                      | 10.013                      | 2,973,861                               |
| Mountain View-Los Altos Union High School District<br>Certificates of Participation | 7,600,000                       | 29.275                      | 2,224,900                               |
| Cupertino Union School District Certificates of Participation                       | 3,475,000                       | 6.845                       | 237,864                                 |
| City of Los Altos Certificates of Participation                                     | 2,775,000                       | 100                         | 2,775,000                               |
| Midpeninsula Regional Park District General Fund Obligations                        | 108,465,193                     | 5.751                       | 6,237,833                               |
| Santa Clara County Vector Control District Certificates of Participation            | 4,420,000                       | 3.26                        | 144,092                                 |
| <b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>                         |                                 |                             | <b>\$42,068,993</b>                     |
| <b>COMBINED TOTAL DEBT</b>  |                                 |                             | <b>\$205,462,216 (2)</b>                |

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

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

### Ratios to Assessed Valuation:

|   |              |
|---|--------------|
| <b>Combined Direct Debt (\$2,775,000)</b> | <b>0.04%</b> |
| Total Overlapping Tax and Assessment Debt | 2.13%        |
| Combined Total Debt                       | 2.68%        |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0

Source:

California Municipal Statistics, Inc.



# CITY OF LOS ALTOS

## SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT JUNE 30, 2007

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>  | <u>Total Debt<br/>6/30/2007</u> | <u>%<br/>Applicable (1)</u> | <u>City's Share of<br/>Debt 6/30/07</u> |
|--|---------------------------------|-----------------------------|---|
| Foothill-De Anza Community College District  | \$486,686,935                   | 10.010                      | \$48,731,963                            |
| Fremont Union High School District   | 135,495,000                     | 4.148                       | 5,620,333                               |
| Mountain View-Los Altos Union High School District   | 41,161,332                      | 29.275                      | 12,049,980                              |
| Cupertino Union School District  | 121,617,087                     | 6.845                       | 8,324,690                               |
| Los Altos School District  | 99,819,000                      | 52.774                      | 52,678,479                              |
| El Camino Hospital District  | 148,000,000                     | 19.64                       | 29,067,200                              |
| North County Library Authority   | 1,455,000                       | 65.12                       | 947,496                                 |
| Santa Clara Valley Water District Benefit Assessment District  | 173,070,000                     | 3.26                        | 5,642,082                               |
| City of Los Altos 1915 Act Bonds   | 331,000                         | 100                         | 331,000                                 |
| <b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>   |                                 |                             | <b>\$163,393,223</b>                    |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>   |                                 |                             |   |
| Santa Clara County General Fund Obligations  | \$826,480,000                   | 3.260                       | \$26,943,248                            |
| Santa Clara County Board of Education Certificates of Participation  | 16,325,000                      | 3.26                        | 532,195                                 |
| Foothill-De Anza Community College District Certificates of Participation  | 29,700,000                      | 10.013                      | 2,973,861                               |
| Mountain View-Los Altos Union High School District<br>Certificates of Participation  | 7,600,000                       | 29.275                      | 2,224,900                               |
| Cupertino Union School District Certificates of Participation  | 3,475,000                       | 6.845                       | 237,864                                 |
| City of Los Altos Certificates of Participation  | 2,775,000                       | 100                         | 2,775,000                               |
| Midpeninsula Regional Park District General Fund Obligations   | 108,465,193                     | 5.751                       | 6,237,833                               |
| Santa Clara County Vector Control District Certificates of Participation   | 4,420,000                       | 3.26                        | 144,092                                 |
| <b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>  |                                 |                             | <b>\$42,068,993</b>                     |
| <b>COMBINED TOTAL DEBT</b>   |                                 |                             | <b>\$205,462,216 (2)</b>                |
| (1) Percentage of overlapping agency's assessed valuation located within the boundaries of the city.   |                                 |                             |   |
| (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. |                                 |                             |   |
| <u>Ratios to Assessed Valuation:</u>   |                                 |                             |   |
| <b>Combined Direct Debt (\$2,775,000)</b>  | <b>0.04%</b>                    |                             |   |
| Total Overlapping Tax and Assessment Debt  | 2.13%                           |                             |   |
| Combined Total Debt  | 2.68%                           |                             |   |
| <b>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0</b>  |                                 |                             |   |

Source:

California Municipal Statistics, Inc.

# CITY OF LOS ALTOS

## LEGAL DEBT MARGIN LAST TEN FISCAL YEARS

---

| <b>Fiscal<br/>Year</b> | <b>Assessed<br/>Valuation *</b> | <b>Debt Limit<br/>15% of Assessed<br/>Valuation</b> | <b>Debt<br/>Applicable to<br/>Limit</b> | <b>Legal<br/>Debt<br/>Margin</b> |
|------------------------|---------------------------------|---|---|----------------------------------|
| 1997-98                | \$ 3,442,125,999                | \$ 516,318,900                                      | \$ 774,000                              | \$ 515,544,900                   |
| 1998-99                | 3,748,784,228                   | 562,317,634   | 602,000                                 | 561,715,634                      |
| 1999-00                | 4,057,123,248                   | 608,568,487   | 416,000                                 | 608,152,487                      |
| 2000-01                | 4,488,165,889                   | 673,224,883   | 216,000                                 | 673,008,883                      |
| 2001-02                | 5,184,051,170                   | 777,607,676   | -                                       | 777,607,676                      |
| 2002-03                | 5,445,779,876                   | 816,866,981   | -                                       | 816,866,981                      |
| 2003-04                | 5,924,209,314                   | 898,390,017   | -                                       | 898,390,017                      |
| 2004-05                | 6,373,193,405                   | 967,349,235   | -                                       | 967,349,235                      |
| 2005-06                | 7,045,722,898                   | 1,056,858,435                                       | -                                       | 1,056,858,435                    |
| 2006-07                | 7,677,060,695                   | 1,151,559,104                                       | -                                       | 1,151,559,104                    |

Source:

\* HdL Coren & Cone

# CITY OF LOS ALTOS

## BONDED DEBT PLEDGED-REVENUE COVERAGE LAST TEN FISCAL YEARS

---

| Fiscal Year | Special<br>Assessment | Special Assessment Debt Service |           | Coverage |
|-------------|-----------------------|---------------------------------|-----------|----------|
|             | Collected             | Principal                       | Interest  |          |
| 1997-98     | \$ 118,715            | \$ 94,000                       | \$ 31,402 | 0.95     |
| 1998-99     | 88,868                | 74,000                          | 22,576    | 0.92     |
| 1999-00     | 130,973 (1)           | 29,000                          | 15,273    | 2.96     |
| 2000-01     | 50,901                | 34,000                          | 16,438    | 1.01     |
| 2001-02     | 49,706                | 34,783                          | 16,081    | 0.98     |
| 2002-03     | 55,229                | 35,000                          | 13,718    | 1.13     |
| 2003-04     | 127,138 (2)           | 40,000                          | 10,719    | 2.51     |
| 2004-05     | 32,149                | 45,000                          | 7,778     | 0.61     |
| 2005-06     | 40,014                | 26,000                          | 12,651    | 1.04     |
| 2006-07     | 39,848                | 18,391                          | 16,647    | 1.14     |

Source:

City of Los Altos Finance Department

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

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

## CITY OF LOS ALTOS

### DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

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| <b>Fiscal Year</b> | <b>City<br/>Population (1)</b> | <b>Percentage<br/>Change</b> | <b>School<br/>Enrollment (2)</b> | <b>Percentage<br/>Change</b> | <b>Unemployment<br/>Rate (3)</b> |
|--------------------|--------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
| 1997-98            | 28,355                         | 1.20%                        | 6,518                            | 0.54%                        | 2.0%                             |
| 1998-99            | 28,391                         | 0.13%                        | 6,611                            | 1.43%                        | 1.8%                             |
| 1999-00            | 28,601                         | 0.74%                        | 6,769                            | 2.39%                        | 1.2%                             |
| 2000-01            | 27,902                         | -2.44%                       | 6,871                            | 1.51%                        | 2.8%                             |
| 2001-02            | 27,825                         | -0.28%                       | 7,009                            | 2.01%                        | 5.2%                             |
| 2002-03            | 27,722                         | -0.37%                       | 7,295                            | 4.08%                        | 4.9%                             |
| 2003-04            | 27,512                         | -0.76%                       | 7,491                            | 2.69%                        | 4.4%                             |
| 2004-05            | 27,614                         | 0.37%                        | 7,530                            | 0.52%                        | 2.7%                             |
| 2005-06            | 27,608                         | -0.02%                       | 7,719                            | 2.51%                        | 2.3%                             |
| 2006-07            | 28,104                         | 1.80%                        | 7,778                            | 0.76%                        | 2.3%                             |

Sources:

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

# CITY OF LOS ALTOS

## PRINCIPAL EMPLOYERS CURRENT YEAR

| Employer                                    | 2006-07      |      |                                  |
|---|--------------|------|----------------------------------|
|   | Employees(1) | Rank | % of<br>Total City<br>Employment |
| Los Altos School District                   | 485 (2)      | 1    | 3.94%                            |
| Rambus                                      | 290          | 2    | 2.36%                            |
| Whole Food Market                           | 226          | 3    | 1.84%                            |
| Los Altos High School                       | 209 (3)      | 4    | 1.70%                            |
| Coldwell Banker/Coldwell Banker Residential | 206          | 5    | 1.67%                            |
| City of Los Altos                           | 127          | 6    | 1.03%                            |
| Adobe Animal Hospital                       | 125          | 7    | 1.02%                            |
| Alain Pinel Realtors                        | 96           | 8    | 0.78%                            |
| The David and Lucile Packard Foundation     | 85           | 9    | 0.69%                            |
| Andronico's Market                          | 77           | 10   | 0.63%                            |
| Total                                       | 1,926        |      | 15.66%                           |

### Sources:

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

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

# CITY OF LOS ALTOS

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

### LAST TEN FISCAL YEARS

| Function/Program             | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                              | 1997-98       | 1998-99       | 1999-00       | 2000-01       | 2001-02       | 2002-03       | 2003-04       | 2004-05       | 2005-06       | 2006-07       |
| <i>Public Safety</i>         |               |               |               |               |               |               |               |               |               |               |
| Police                       | 37.50         | 37.75         | 37.25         | 37.25         | 35.50         | 35.50         | 35.50         | 35.50         | 35.50         | 36.50         |
| Police Traffic Safety        | -             | -             | 3.00          | 3.00          | 2.00          | 3.00          | 2.00          | 2.00          | 2.00          | 2.00          |
| Communications               | 8.50          | 8.50          | 8.50          | 8.50          | 8.50          | 8.50          | 8.50          | 8.50          | 8.50          | 8.50          |
| Fire                         | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <i>Public Works</i>          | 27.00         | 27.50         | 27.00         | 25.00         | 27.00         | 25.00         | 27.00         | 26.50         | 28.00         | 29.50         |
| <i>Recreation</i>            | 13.50         | 14.75         | 14.25         | 14.25         | 14.25         | 14.25         | 8.25          | 8.25          | 8.25          | 6.75          |
| <i>Community Development</i> |               |               |               |               |               |               |               |               |               |               |
| Planning & Building          | 10.00         | 11.00         | 12.00         | 12.00         | 12.00         | 12.00         | 12.00         | 12.00         | 12.00         | 12.50         |
| Engineering                  | 5.25          | 5.25          | 5.25          | 6.25          | 7.25          | 6.25          | 7.25          | 8.00          | 9.00          | 9.00          |
| Economic Development         | 1.00          | 1.00          | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          | 0.50          |
| <i>Administration</i>        |               |               |               |               |               |               |               |               |               |               |
| City Management              | 3.25          | 3.25          | 3.25          | 3.25          | 3.55          | 3.55          | 3.60          | 3.50          | 3.50          | 4.25          |
| Administration & Finance     | 8.50          | 8.50          | 8.50          | 9.00          | 9.00          | 9.00          | 9.00          | 9.00          | 9.00          | 9.00          |
| <i>Sewer</i>                 | 5.75          | 5.75          | 5.75          | 7.75          | 7.75          | 7.75          | 6.75          | 5.75          | 5.75          | 6.75          |
| <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>           | -             | -             | -             | -             | -             | 0.25          | 0.25          | 0.50          | 0.50          | 1.00          |
| <b>Total</b>                 | <u>120.50</u> | <u>123.50</u> | <u>125.50</u> | <u>127.00</u> | <u>127.55</u> | <u>125.80</u> | <u>120.85</u> | <u>120.25</u> | <u>122.75</u> | <u>126.50</u> |

Source:

City of Los Altos Finance Department

# CITY OF LOS ALTOS

## OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

| Function/Program  | Fiscal Year |         |         |         |         |         |         |         |           |         |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|-----------|---------|
|   | 1997-98     | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06   | 2006-07 |
| <b>Police:</b>  |             |         |         |         |         |         |         |         |           |         |
| Arrests   | 667         | 682     | 570     | 467     | 653     | 628     | 532     | 528     | 383       | 453     |
| Moving citations issued   | 1,925       | 3,103   | 1,868   | 2,981   | 3,819   | 4,375   | 4,236   | 3,193   | 3,306     | 3,197   |
| Parking citations issued  | *           | *       | *       | *       | *       | 1,114   | 828     | 1,197   | 1,040     | 2,295   |
| Municipal code violations issued                                      | *           | *       | *       | *       | *       | 350     | 499     | 249     | 376       | 522     |
| <b>Public Works:</b>  |             |         |         |         |         |         |         |         |           |         |
| Crack sealing in lineal feet  | *           | *       | *       | *       | *       | 188,500 | 18,400  | 41,500  | 241,000   | 55,028  |
| Street sign installed and replaced                                    | *           | *       | *       | *       | *       | 713     | 3,094   | 517     | 578       | 434     |
| <b>Recreation:</b>  |             |         |         |         |         |         |         |         |           |         |
| Classes/programs  | *           | *       | *       | *       | *       | 1,880   | 2,078   | 1,981   | 2,384     | 1,890   |
| Facility rentals  | *           | *       | *       | *       | *       | 397     | 500     | 440     | 419       | 589     |
| Field permits   | *           | *       | *       | *       | *       | 12      | 20      | 49      | 74        | 77      |
| <b>Planning:</b>  |             |         |         |         |         |         |         |         |           |         |
| Plan applications submitted   | 351         | 346     | 335     | 362     | 235     | 321     | 303     | 259     | 290       | 340     |
| <b>Building:</b>  |             |         |         |         |         |         |         |         |           |         |
| Permits issued  | 3,466       | 3,275   | 3,608   | 3,705   | 2,660   | 1,540   | 1,651   | 1,735   | 1,871     | 1,733   |
| Plan checks submitted   | *           | *       | *       | *       | *       | 234     | 322     | 284     | 461       | 335     |
| Inspections   | *           | *       | *       | *       | *       | 6,705   | 6,447   | 5,593   | 7,742     | 7,307   |
| <b>Sewer:</b>   |             |         |         |         |         |         |         |         |           |         |
| Cleaning and flushing in lineal feet                                  | *           | *       | *       | *       | *       | 515,638 | 963,683 | 928,997 | 1,380,984 | 810,261 |
| <b>Storm Drain:</b>   |             |         |         |         |         |         |         |         |           |         |
| Catch basin/storm drain cleaned<br>(measured in storm inlets cleaned) | *           | *       | *       | *       | *       | 686     | 1,825   | 2,282   | 2,111     | 1,754   |

Source:

City of Los Altos Quarterly Reports.

Note:

\* Data are not available for this period.

# CITY OF LOS ALTOS

## CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

| Function/Program               | Fiscal Year |         |         |         |         |         |         |         |         |         |
|--------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                | 1997-98     | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| <b>Police:</b>                 |             |         |         |         |         |         |         |         |         |         |
| Station                        | 1           | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       |
| <b>Culture and Recreation:</b> |             |         |         |         |         |         |         |         |         |         |
| 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       |
| <b>Public Works:</b>           |             |         |         |         |         |         |         |         |         |         |
| Miles of Streets               | 125         | 125     | 125     | 125     | 125     | 125     | 125     | 125     | 125     | 127     |
| Number of Traffic Signals      | 14          | 14      | 14      | 14      | 14      | 14      | 14      | 14      | 14      | 13      |
| <b>Sewer:</b>                  |             |         |         |         |         |         |         |         |         |         |
| Miles of Sewer Mains           | 141         | 141     | 141     | 141     | 141     | 141     | 141     | 141     | 141     | 141     |
| <b>Storm Drain:</b>            |             |         |         |         |         |         |         |         |         |         |
| Miles of Storm Drain Mains     | 58          | 58      | 58      | 58      | 58      | 58      | 58      | 58      | 58      | 58      |

Source:

City of Los Altos