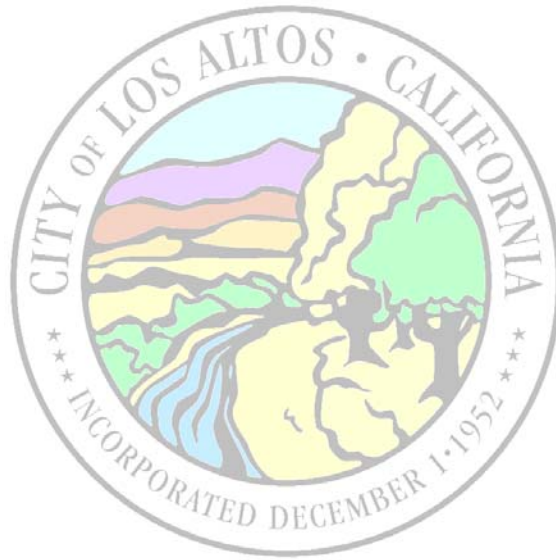


# **City of Los Altos California**



## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2008**



# **CITY OF LOS ALTOS CALIFORNIA**

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## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008**

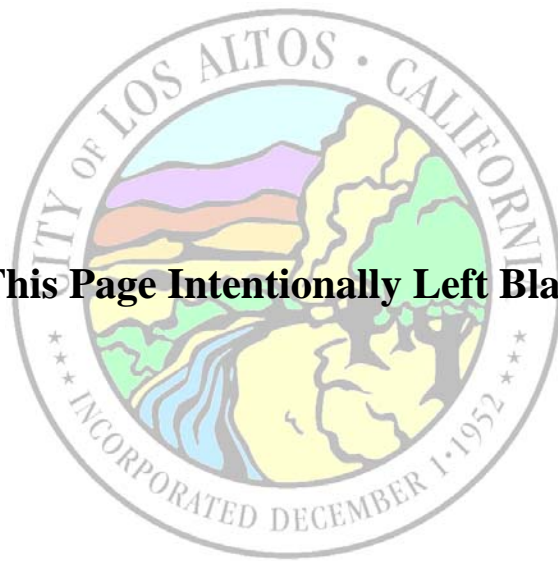
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***Prepared by the Finance Department***

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# CITY OF LOS ALTOS

## Comprehensive Annual Financial Report For The Year Ended June 30, 2008

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# CITY OF LOS ALTOS

## Comprehensive Annual Financial Report For The Year Ended June 30, 2008

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# CITY OF LOS ALTOS

## Comprehensive Annual Financial Report For The Year Ended June 30, 2008

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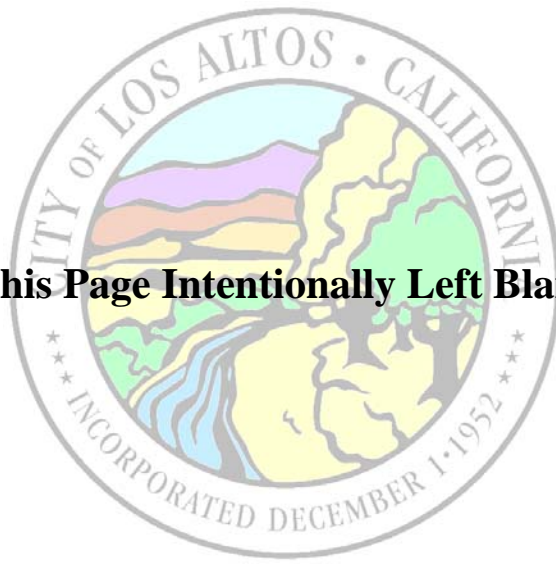
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## *INTRODUCTORY SECTION*

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

December 20, 2008

**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, 2008 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 small retail areas. The seven square mile residential city is developed with small businesses, schools, libraries and churches. Incorporated on December 1, 1952, Los Altos is a general law city operating under the Council-Manager form of government. There are five council members elected at large, serving four-year overlapping terms. Municipal services provided include police, street maintenance, engineering, community development, parks, recreation, and sewer. Fire protection is through the Santa Clara County Central Fire Protection District.

## SERVICE EFFORTS AND MAJOR INITIATIVES

### Service Efforts

In FY 2008, the City of Los Altos continued to provide a high level of service to its residents and citizens. The City adhered to its adopted financial plan as evidenced by the budget-to-actual reporting presented within this document. Budgetary limits were adhered to on a citywide basis with the General Fund reporting a healthy operating surplus again this year. All funds performed as expected and reserves have been increased and/or maintained.

### Major Initiatives

**Capital Improvements:** FY 2008 has marked a year of progress in terms of infrastructure maintenance. Some of the key capital improvements expenditures of note in this 2008 financial report include the following:

- \$1,200,000 in annual street resurfacing projects.
- \$ 200,000 of improvements to the Grant & Montclair Playground
- \$ 199,000 rehabilitation of the Fremont Bridge
- \$ 190,000 of landscaping improvements to the El Camino Real Median
- \$ 200,000 in pedestrian improvements and safety systems
- \$ 134,000 to develop the Community Center Project Master Plan
- \$ 112,000 in accessibility improvements

**Community Center Master Plan:** In FY 2008, the City of Los Altos made significant progress in furthering the Community Center Master Plan. With workshops beginning in December 2007, the process of civic engagement and visioning has progressed in full force during the year. Key stakeholders have been engaged and a comprehensive needs analysis completed, including a very thorough and informative community survey. The scope of the project involves the complete redevelopment of the civic center campus and includes several key service elements including, city services, safety facilities, recreation facilities, community and senior centers, library services, athletic fields, and community gathering points.

FY 2008 represented a year of fact gathering and analysis. At the current time, final design options are being considered to be followed by an analysis of financing options. The scope of this project will take several years to complete as the City remains true to its commitment to prudent and careful planning of such major improvements.

## FINANCIAL CONTROLS AND PROCEDURES

**Financial Policies:** Throughout the years, the City of Los Altos has followed a fiscally conservative philosophy of building and maintaining healthy financial reserves. This practice has allowed the City to continue providing quality services to its residents in a time when many local agencies were being forced to cut back due to fiscal constraints. On an annual basis, the City Council approves the City's first set of financial policies, designed to promote sound financial management and ensure that the City's fiscal integrity remains intact over time. This Comprehensive Annual Financial Report reflects the

implementation of these financial guidelines and presents all fund reserves and designations in an effort to define fund balance commitments and obligations as of the financial report date.

**Internal Control Structure:** City management is responsible for establishing and maintaining fiscal internal controls designed to safeguard the assets of the government from loss, theft or misuse, and to ensure that accounting data is accurately compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

**Cash management Policies:** In order to maximize investment leverage, it is the City's practice to "pool" available cash from all Funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the first priority, insuring adequate liquidity as the second priority, and maximizing yield as the third priority. This past year has been one that has displayed great changes in interest rates. FY 2007-2008 saw a drop in LAIF earnings rates from 5.25% to 2.78%. Further decreases are expected in the months ahead. That being said, increased reserve balances this past year have nearly offset the impact of lower rates. As we look forward, the City will continue to emphasize principal safety while looking for investment opportunities and strategies that will mitigate the affect of interest rate swings.

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

## **EXECUTIVE FINANCIAL OVERVIEW**

This executive financial overview is presented as a supplement to the more detailed and comprehensive analysis presented in the MD&A. This section serves to highlight key financial performance indicators for our major funds and we encourage all readers to review the MD&A for a further analysis of the City's financial condition.

### **General Fund**

The General fund is the primary operating fund of the City of Los Altos and the 2008 year reflects very healthy results in a time when few Cities can make such a claim. The General Fund again met expectations coming in with an operating surplus of \$3.9 million. We attribute this performance to our commitment to prudent financial planning, conservative budgeting, and faithful stewardship by all city staff. At the end of the current fiscal year the total General Fund balance equaled \$6.7 million before \$3.5 million of net transfers out primarily to the Capital project Fund. This fund reports an unreserved fund balance of \$300,000 after policy and City Council designations of \$6.4 million.

During the current fiscal year, General Fund revenues exceeded expenses by approximately \$3.9 million before transfer activity. After transfer activity, the fund balance increased by \$431,752. The transfer activity included:

- \$2,661,257 of transfers out to the Capital Projects Fund to support the existing Capital Improvement Plan (CIP) and support future infrastructure needs.
- \$402,949 to the City's equipment replacement fund to support current and future replacements.
- \$193,981 to the City's Storm Drain Fund to subsidize the non-tax supported Storm Drain Systems.
- With the remaining related to general debt service payments.

The City's General Fund revenue base continues to do well with property tax leading the way. This can be noted by the following trends:

<b>Revenue (millions)</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>Var. \$</b>	<b>Var. %</b>
Property Tax	\$10.90	\$11.88	\$0.98	9.0%
Sales Tax	2.75	2.87	0.12	4.4%
Hotel Tax	1.47	1.53	0.06	4.1%
Utility Users Tax	2.27	2.19	(0.08)	-3.5%
Other taxes	1.08	1.25	0.17	15.7%
Franchise Fees	1.16	1.28	0.12	10.3%
Interest	1.40	1.31	(0.09)	-6.4%
Recreation Programs	1.67	1.65	(0.02)	-1.2%
License & Permits	2.42	2.56	0.14	5.8%
Other	2.02	1.98	(0.04)	-2.0%
<b>Total</b>	<b>\$27.14</b>	<b>\$28.50</b>	<b>\$1.36</b>	<b>5.0%</b>

On an overall basis, General Fund revenues increased by 5%, and came in at 102% of our annual budget estimates with property tax being the clear front runner. Sales tax performed well with a 4% increase over last year in a retail climate that remains challenging. Hotel Tax showed a similar gain of 4% while Utility Users Tax displayed a slight slow down. Construction license and Permits came in at a 5% increase given further credence to the strong real estate market in Los Altos. Revenue clearly performed well contributing 1.4 million of the \$3.90 million dollar operating surplus realized.

General Fund expenditures came in 8% below budget resulting in the bulk of the surplus noted above. On the other hand, compared to last year, expenses have risen by 11%, or \$2.5 million, mostly driven by salary and contract costs. Clearly, rising costs are a significant challenge that reinforces the need to maintain prudent, proactive and conservative planning while maintaining tight budgetary controls.

## **Other Funds**

### **Capital Project Funds**

In FY 2008, the Capital project Fund performed as expected ending the year with a total fund balance of \$15.9 million. As of June 30, 2008, \$9.3 million of this fund balance remains unreserved and available to be applied to the funding of future planned Capital projects. Such projects are scheduled and defined within the City's capital improvement plan. This fund accepted transfers in of \$3.5 million, the bulk of which came from the General Fund residual surplus.

At year end the City's Facility Fund, a fund designed to support citywide facility improvements, had a balance of \$3.4 million of which \$2.4 million is undesignated. In FY 2008-2009, Council approved the dissolution of this Fund with the funds to be reassigned to a newly created "Community Center Renewal Fund" along with those funds existing within the Community Improvement Fund.

### **Special Revenue, Internal, and Enterprise Funds**

All other Governmental and Business Type funds performed as expected. This particular year, a new Special Revenue Fund was created – the "Los Altos Treatment Plant Sales Proceeds Fund". As the name implies, this fund was created as a placeholder for sale proceeds from the recent sale of the City's sewer treatment plant to the City of Palo Alto. This transaction arises as the single most material fiscal event of the year and exists as a one-time special event.

### **Trust and Agency Funds**

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relate to the administration of a special assessment collections for the North County Library Authority.

## **Economic Trends**

Although the City has performed favorably over this past year and has positioned itself well for coming years, we exist in an economic climate and time replete with financial turbulence and marked with historic nationwide and global challenges. As we navigate FY 2008-2009 and beyond, we remain constantly aware of the financial threats that face all local municipalities. The existence of significant housing and credit pressures, the threat of the California State budget crisis, deepening national deficits, and anemic retail activity, prompt us to remain resourceful, effective, and efficient as we develop our strategic and fiscal plans.

## **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**

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, 2007. This was the third consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## **ACKNOWLEDGEMENTS**

Preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Department staff. We would like to express our appreciation to all members of the department who contributed to the final product. We also want to thank Vavrinek, Trine, Day & Co., our independent auditors, for their professionalism in performing this year end financial audit. As well as the Mayor, members of the City Council, and the City Manager for their leadership and support, without which the preparation of this report would not have been possible.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'J. Morreale', with a stylized, flowing script.

Russell J. Morreale  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Los Altos  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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.



*Chae S. Cox*

President

*Jeffrey R. Emer*

Executive Director



# **CITY OF LOS ALTOS**

## **LIST OF PRINCIPAL OFFICIALS AS OF JUNE 30, 2008**

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### **ELECTED OFFICIALS**

Mayor.....	Val Carpenter
Mayor Pro Tem.....	Megan Satterlee
City Council.....	David Casas
City Council.....	Ron Packard
City Council.....	Lou Becker

### **APPOINTED OFFICIALS**

City Manager.....	Douglas J. Schmitz
City Attorney.....	Jolie Houston

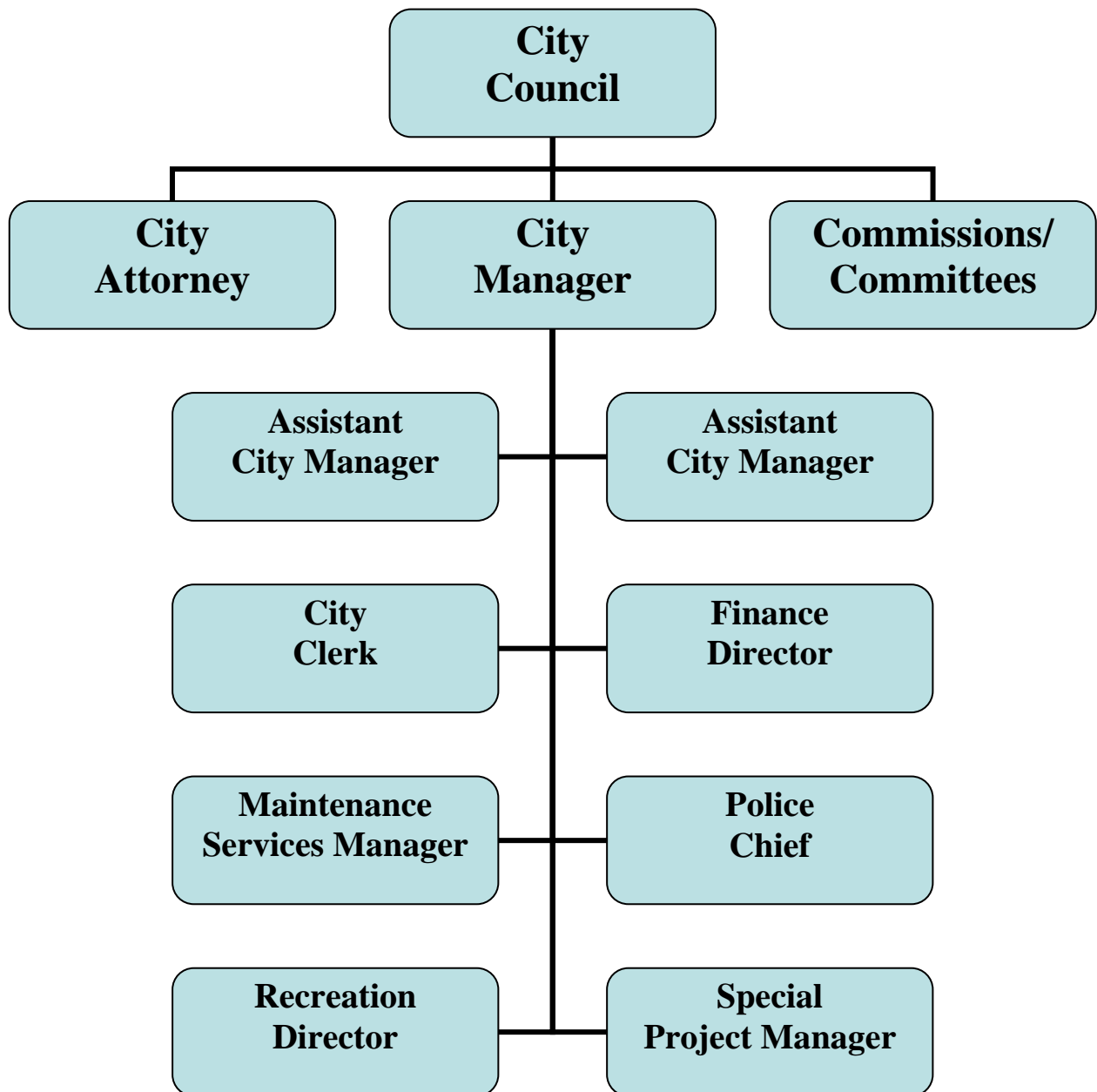
### **DEPARTMENTS**

Assistant City Manager.....	Starla Jerome-Robinson
Assistant City Manager.....	James Walgren
City Clerk.....	Susan Kitchens
Finance Director.....	Russell Morreale (hired 09/15/08)
Maintenance Services Manager.....	Brian McCarthy
Police Chief.....	Tuck Younis
Acting Recreation Director.....	Beverly Tucker
Special Project Manager.....	Dave Brees

# **CITY OF LOS ALTOS**

## **ORGANIZATIONAL CHART**

**AS OF JUNE 30, 2008**



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***FINANCIAL SECTION***

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Vavrinek, Trine, Day & Co., LLP  
Certified Public Accountants

VALUE THE DIFFERENCE

## 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, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2008, 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 December 20, 2008, 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 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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 Fax: 925.734.6611 [www.vtdcpa.com](http://www.vtdcpa.com)

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financials statements. The supplemental information, such as the combining and individual fund financial statements as listed in the table of contents is 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. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects when considered in relation to the basic financials statements taken as a whole.

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

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California  
December 20, 2008

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## City of Los Altos Management's Discussion and Analysis Fiscal Year Ended June 30, 2008

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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, 2008. We encourage readers of this report to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 to 7 of this report.

### **FINANCIAL HIGHLIGHTS:**

The City ended its fiscal year on a government-wide basis with total revenues of \$45.7 million, a 29% increase from the previous fiscal year, and expenses of \$32.6 million, an increase of 11% from the previous year. On the revenue side of the equation, this particular year, the City received a one-time payment of proceeds of \$6.5 million resulting from the sale of a capital asset – Los Altos treatment plant. When offsetting the impact of this extraordinary revenue, total government-wide revenues increased by 11% mostly lead by growth in property tax, development fees and capital grant proceeds.

Expenditures have increased as we focused on keeping vacant positions filled to improve community service levels and have absorbed 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 and last 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.

When reviewing governmental fund cash flows, this year's report reflects an increased commitment to maintaining and improving the City's infrastructure. In the prior year, Council extensively evaluated all funded and proposed capital projects providing priorities to staff and clear direction regarding the order that projects should be pursued. This impact of this direction is evident again this year again resulting in the completion of several significant capital projects, including street resurfacing, renovation of the Grant & Montclair playground, rehabilitation of the Fremont and Portland Bridges, El Camino Real Median Landscaping, and Pedestrian Safety Systems on San Antonio. As we look beyond this year, much work is being done on the design and planning phase of a new City Community/Civic Center. Further fiscal highlights follow.

In the end result the City finished up the year with a healthy General Fund surplus of \$3.9 million before transfers, certainly a testament to the City's conservative budgeting approach and stewardship in these hard times. That being said, the surplus amount has decreased compared to the prior year prompting us to pay close attention to our revenue and expense streams.

### **Government-Wide View**

- Total net assets (excess of assets over liabilities) were \$90.8 million, an increase of 17% or \$13 million in comparison to last year. Backing out the impact of the sale of the Los Altos treatment plant, the net increase came in at 9% or \$6.6 million. Net assets can be used towards future capital projects and infrastructure improvements and are not necessarily unrestricted depending upon the source of the original funding.

- 
- Unrestricted assets increased by \$10.5 million or 31%, \$9.6 million in governmental activities and \$1 million in business-type activities. Adjusting for the impact of one-time capital asset sale mentioned above, unrestricted assets increased by 12%, \$3 million in governmental activities and \$1 million in business-type activities. It is important for our readers to note that unrestricted net assets, as presented in the government-wide section of the annual financial report, do not account for local designations and/or policy reserves which become evident within the fund section of the report.
  - Excluding one-time capital asset sale proceeds, governmental activities reported ending net assets of \$74.1 million, an increase of \$5.8 million or 9% growth in comparison to the prior year. Business-type activities reported ending net assets of \$10.1 million, an increase of approximately \$775,000 or 8% growth in comparison to the prior year. Net assets grew primarily as a result of revenues exceeding projections.
  - This particular year, city-wide governmental revenues benefited from a non-routine settlement of \$750,000 related to cable services. This income stream will not be repeated in future years.
  - The growth in unrestricted assets can be found, in combination, in a \$6.6 million increase in Cash and Investments, a \$5.3 million increase in net receivables partially offset by a decrease in other receivable of approximately \$200,000.

## **Fund Level View**

- Total governmental fund balances were \$35.5 million at fiscal year end, an increase of \$5.6 million or 20%. Net of the \$1.8 million in cash proceeds of the Los Altos treatment plant sale, fund balances in this area increased by \$3.8 million of 12%.
- General Fund revenues, excluding transfers, increased \$1.3 million to \$28.5 million, or 5%. Related expenditures increased from the previous year by \$2.4 million to \$24.5 million or 11%.
- General government capital projects' spending approached \$3.2 million. The Capital Projects Fund balance increased by \$1.6 million with the transfer of year-end residual General Fund dollars and a one-time settlement benefit of \$750,000. Consequently this fund's cash and investment balance increased by \$1.6 million.
- Sewer Fund revenues of \$4.7 million were lower by \$366,000 or 8% than in the prior year, although expenditures were about \$174,000 more, approaching \$3.9 million. This revenue decrease was primarily caused by the fact that the City no longer acts as pass through for the Town of Los Altos Hills sewer billings. The majority of the growth was in employee services and depreciation.

## **USING THIS ANNUAL REPORT**

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

---

## Reporting on the City as a Whole

**Government-Wide financial statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Los Altos 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, planning, building and safety, and recreation. The City's business-type activities include water, wastewater, storm water and parking.

The government-wide financial statements can be found on pages 29 to 31 of this report.

## Reporting on the City's Most Significant Funds

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Los Altos, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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



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expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Los Altos maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Project Funds, and a newly created Los Altos Treatment Plant Sale Proceeds Funds, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund financial statements section of this report.

The City of Los Altos adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for several key governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 29 to 43 of this report.

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

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

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 74 to 81 of this report.

**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. The notes to the financial statements can be found on pages 45 to 67 of this report.

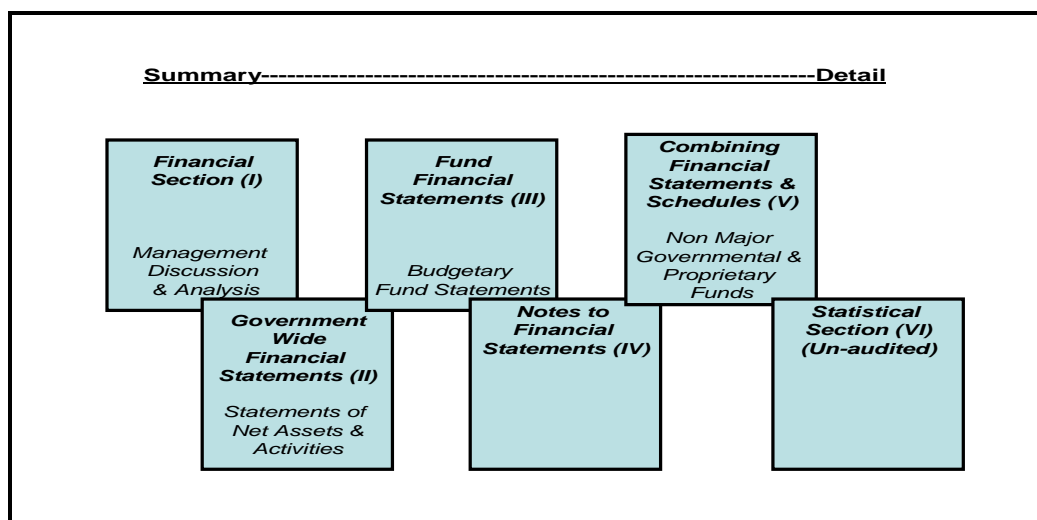
## **The City as Trustee**

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budget-to-actual

financial comparisons for the General Fund. The City has elected to present this information within the financial sections of 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.

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



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net assets and changes in net assets at the city-wide level as presented in the statement of net assets and statement of activities which are summarized below as of June 30. 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	
	2008	2007	2008	2007
Cash and Investments	\$ 39,200,165	\$ 33,176,832	\$ 7,579,615	\$ 7,187,862
Other Assets	6,427,605	1,503,860	659,804	319,134
Capital Assets	42,757,592	41,349,201	2,218,665	2,388,191
<b>Total Assets</b>	<b>88,385,362</b>	<b>76,029,893</b>	<b>10,458,084</b>	<b>9,895,187</b>
Long Term Outstanding Debt	2,405,000	2,961,000		
Other Liabilities	5,325,362	4,788,596	316,757	529,635
<b>Total Liabilities</b>	<b>7,730,362</b>	<b>7,749,596</b>	<b>316,757</b>	<b>529,635</b>
Net Assets				
Investments in Capital - Net Of Related Debt	40,251,592	38,185,765	2,218,665	2,388,191
Restricted	3,565,448	2,708,838		
Unrestricted	36,837,960	27,385,694	7,922,662	6,977,361
<b>Total Net Assets</b>	<b>\$ 80,655,000</b>	<b>\$ 68,280,297</b>	<b>\$ 10,141,327</b>	<b>\$ 9,365,552</b>

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The largest portion of the City's net assets (50%) 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 represent foundational infrastructure used to provide basic services to the citizens of the City of Los Altos; therefore, they are generally not available for future spending. An additional portion of the City's net assets (4%) represents resources subject to external restrictions on how they may be used, and resources obligated to capital projects. The remaining balance of unrestricted net assets (46%) may be used to meet the City's ongoing obligations to citizens and creditors, applied to current and/or future capital projects, and for discretionary purposes. The net asset balance presented in the government-wide financial statements is a composite of many funds several of which are restrictive in nature.

Some key government-wide observations include the following:

- City-wide cash and investments increased \$6.0 million in governmental activities. The significant changes are due to the first installment proceeds from the sale the Los Altos treatment plant, \$1.8 million, an increase in the Capital Projects Fund of \$1.8 million, and an increase in non-major governmental funds of \$1.2 million.
- City-wide Net assets grew by \$12.4 million, with most of the growth (\$6.5 million) occurring in from the sales of the Los Altos sewer treatment Plant, the General Fund Surplus (\$4.0 million), other governmental funds (\$0.1 million), and enterprise funds (\$0.1 million).
- Business-type activities reported combined ending net assets of \$10.1 million, about 8% more than 2007, or about \$775,000. 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 slightly less than our expenses, which requires that we carefully monitor future rates and expenditures.

### **Governmental Activities**

The City's functional programs for governmental activities include general government, public safety (Police services and the contract for fire services), maintenance, community development and recreation. Total revenues, net of one-time items, increased 14% or \$4.1 million while total expenditures increased 12% or \$2.9 million. Including all sources, net assets increased by \$12.4 million for a total fund balance of \$80.6 million.

- Property tax continues to be the City's single largest source of revenue representing about 39% of total ongoing general city revenues. Compared to last year, property tax revenue increased \$1 million or 9%. This includes additional property tax replacing most of the motor vehicle license fees, beginning in 2004-05.
- Charges for services revenue increased 11% or \$665,000, assisted by a strong growth in planning and building fee revenue. 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.

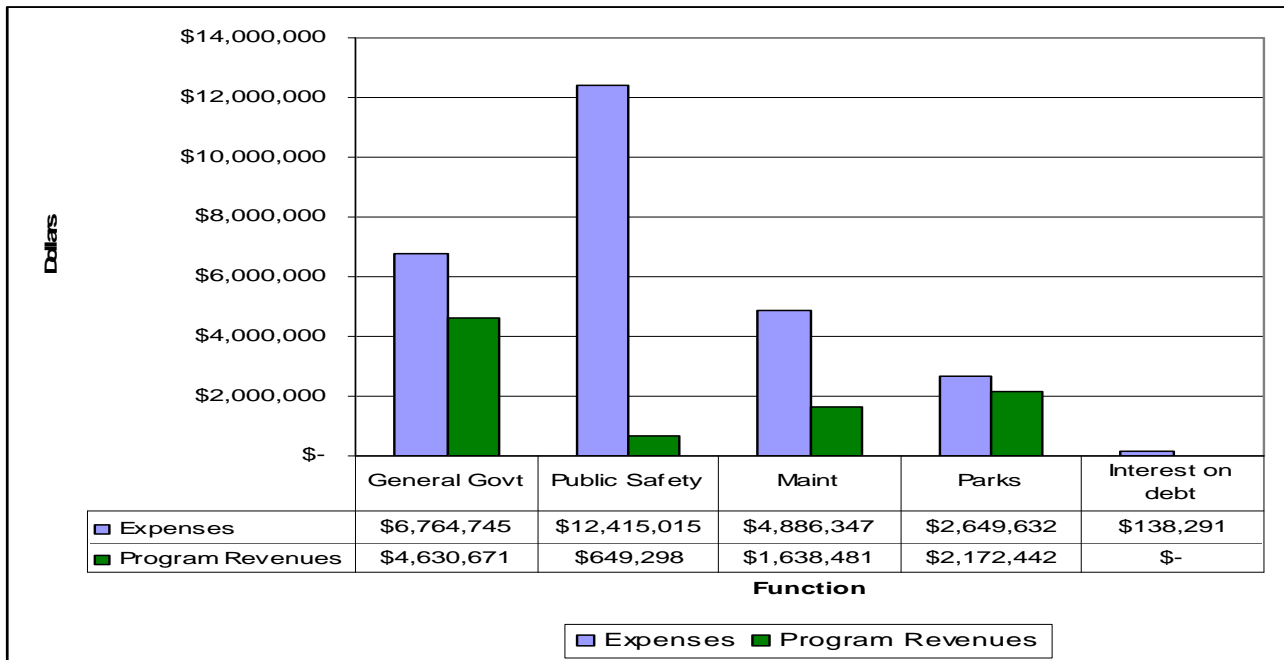
- Interest revenues decreased by \$61,000 or 4% compared to 2006-07. The City invests almost all funds in the Local Agency Investment Fund (LAIF). The City's cash position increased by \$6.5 million to \$48.1 million. In the year ahead we can expect further declines in this area as the rate of return of the City's portfolio has dropped from 5.23% to just above 3%.
- Public safety expenditures increased 13% or \$1.4 million dollars. The majority of which is due to the increases resulting from the new contract with Santa Clara County Fire.
- Maintenance costs were up 2% or \$90,000 while Community Development expenditures increased about 20% commensurate with the increases noted in service revenues.

A comparison of the governmental activities and business-type activities program revenues and expenses for the current year and prior year is presented below. The net increase of \$13 million, or about 17%, demonstrates the City's continued commitment to careful planning and conservative budgeting.

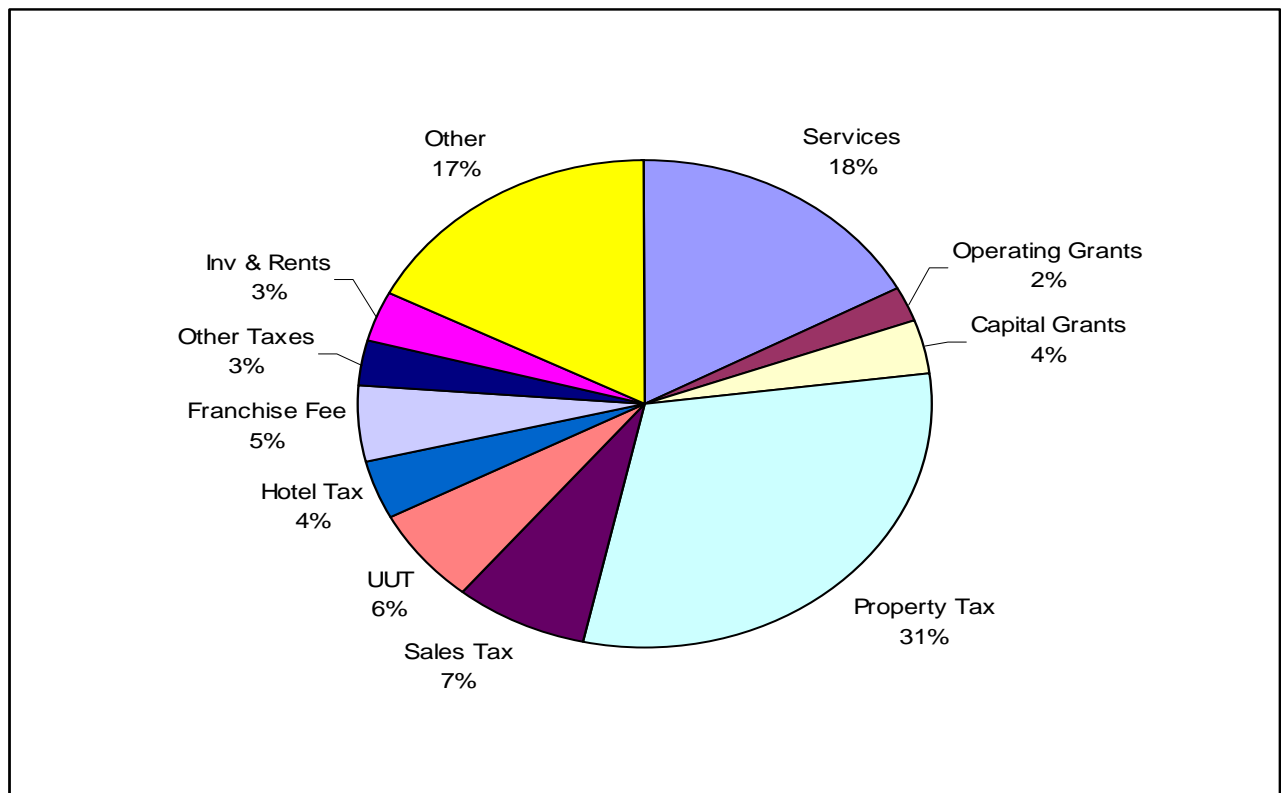
**City of Los Altos' Changes in Net Assets  
Fiscal Year Ending June 30, 2008**

	Governmental Activities		Business-Type Activities	
	2007-08	2006-07	2007-08	2006-07
Revenues				
Program Revenue				
Charges for Service	\$ 6,724,359	\$ 6,059,453	\$ 6,007,003	\$ 6,304,301
Operating Grants and Contributions	947,351	808,713		
Capital Grants and Contributions	1,419,182	444,458		
General Revenues				
Property Taxes	11,875,286	10,902,569		
Sales Taxes	2,872,146	2,749,964		
Utility User Tax	2,483,138	2,274,478		
Other Taxes	2,703,114	2,681,680		
Franchise Fees	2,028,727	1,164,077		
Interest Income	1,352,835	1,413,980	283,509	295,627
Sale of Capital Assets	6,498,875			
Miscellaneous	517,101	323,437		
Total Revenues	39,422,114	28,822,809	6,290,512	6,599,928
Expenses				
General Government				
Public Safety	12,415,015	11,033,238		
Public works	4,886,347	4,798,630		
Recreation	2,649,632	2,459,724		
Community development	3,447,425	2,874,875		
Admin/Community Services	3,317,320	2,655,537		
Interest on long-term debt	138,291	146,408		
Sewer			3,886,252	3,712,127
Solid Waste			1,609,295	1,575,439
Storm Drain			212,571	180,876
Total expenses	26,854,030	23,968,412	5,708,118	5,468,442
Change in Net Assets	12,568,084	4,854,397	582,394	1,131,486
Transfers	(193,381)	(196,586)	193,381	196,586
Net Assets - beginning of year	68,280,297	63,622,486	9,365,552	8,037,480
Net Assets - end of year	\$ 80,655,000	\$ 68,280,297	\$ 10,141,327	\$ 9,365,552

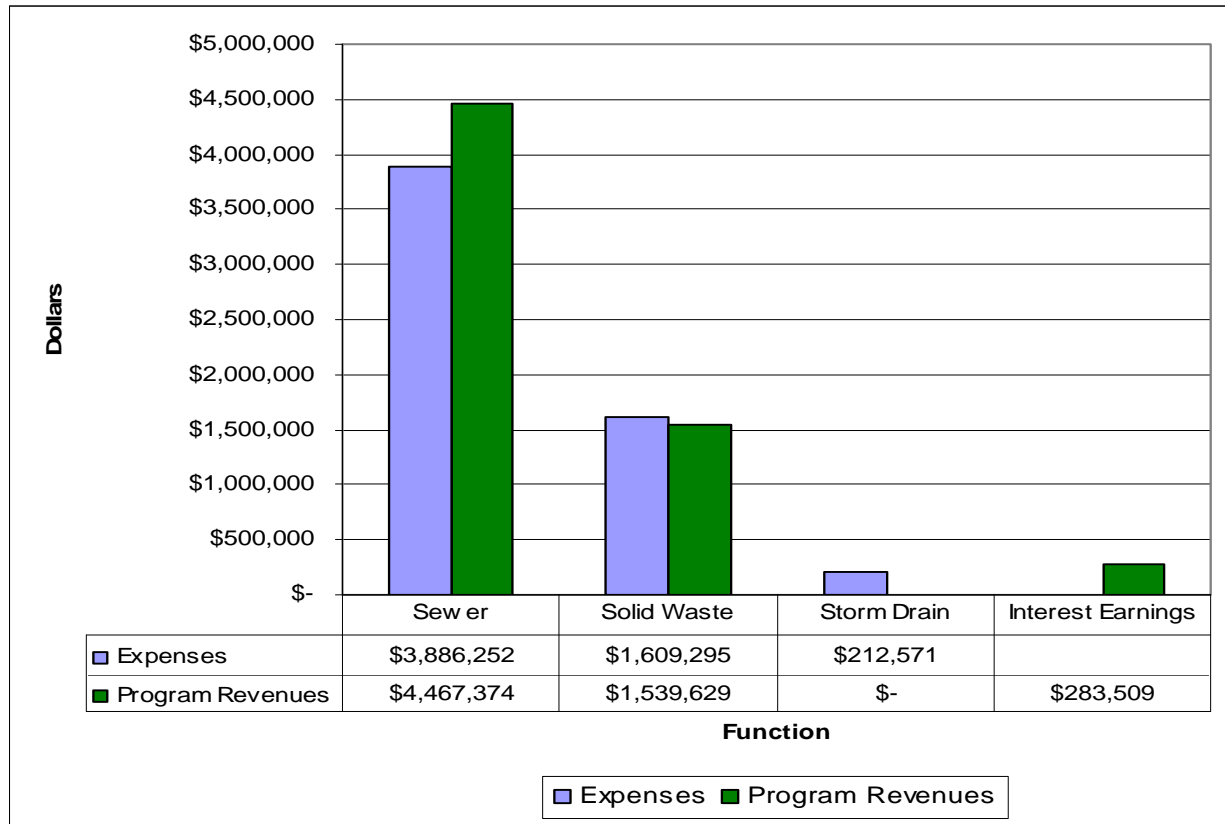
### Program Expenses and Revenues - Government Activities



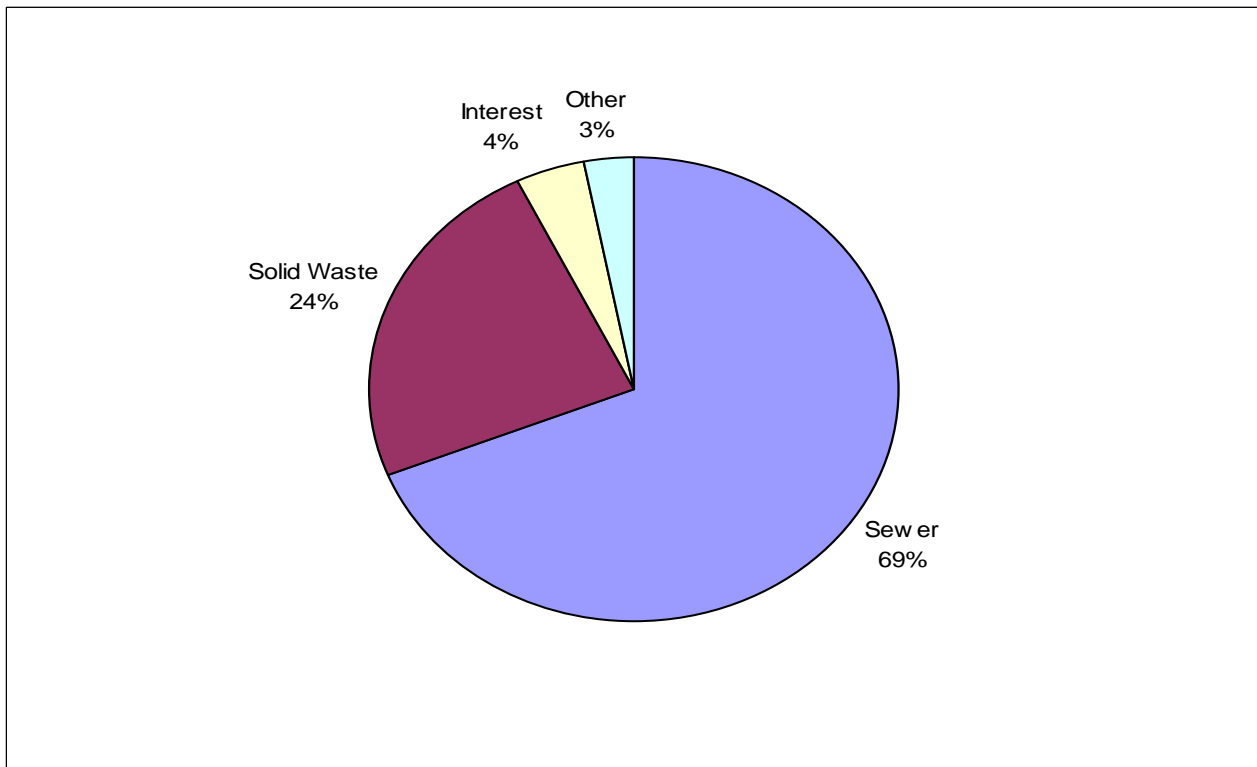
### Government Revenues – All Sources



**Program Expenses and Revenues - Business-Type Activities**



**Business Revenues – All Sources**



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## 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 by \$775,000 or 8% as result of deferred capital projects. Business type activities represent 11% of the total net assets. Key elements follow:

- The Joint-Sewer System Authority (JSSA) formed in 1968 by a joint exercise of powers among the cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. The City is obligated through the year 2018 under an operating agreement with the City of Palo Alto for water treatment plan and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.
- Sewer service fees decreased by approximately \$366,000 or 8%, mostly due to the fact that the City of Los Altos is no longer acting as a pass through for sewer assessments for the Town of Los Altos Hills.
- Sewer service expenditures increased approximately \$174,000 from 2006-07. With the revenue patterns noted above, net assets increased by \$830,000, a reduction in the rate of growth over last year's results given this 5% growth in expenses.
- Service fee revenue for solid waste collection management increased by 5%. Net assets for the fund decreased by \$35,000 for a total fund balance of \$739,000. 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 contributes to the Storm Drain Fund in an amount that nearly offsets the annual expenses. For 2007-08, the transfer equaled \$193,381 resulting in a year-end fund balance of \$231,678, a reduction from the previous year of \$19,190. In the absence of a voter approved rate assessment for this activity, the annual General Fund contribution can be expected to increase significantly as State mandated storm drain requirements continue to tap into City resources.

## FUND FINANCIAL ANALYSIS

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 use 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 \$35.5 million, an increase of \$5.6 million from the prior year.

Of the total Governmental fund balances, less than 1% remains as unreserved and undesignated within the General Fund, the city's main operating fund. This arises from the fact that the City has followed the practice of transferring year end resources to the capital projects fund for the maintenance and development of infrastructure. As Los Altos looks ahead we can project the need for increased services and increasing costs to maintain our current standard of living. With this in mind, defining a dedicated source of income for infrastructure becomes a critical strategy to develop.

Including the unreserved and undesignated General Fund balance noted above, the City has taken the prudent path of establishing key fund balance reserve designations –what some might call “rainy day funds”. These key reserves are as defined in the below listed table:

<b>General Fund Designations &amp; Reserves</b>	<b>June 30, 2008</b>
<i>Emergency Operating Designation</i>	\$3,186,762
<i>Public Employee Retirement (PERS) Designation</i>	3,005,795
<i>Payment Obligation Reserves</i>	227,421
<i>Unreserved Fund Balance</i>	300,000
<b>Total General Fund</b>	<b>\$6,719,978</b>

The General Fund is the chief operating fund of the City. The emergency and operating reserves are reasonable safeguards in the event of an economic or financial crisis. They are certainly important safeguards to have in the current financial climate we exist in. The PERS designation also is prudent given recent market conditions. Furthermore, if additional funds are needed, the Council can authorize a transfer from any of the other funds, which have available resources.

Beyond the General Fund, surrounding and supporting funds also have key balances of importance intended to support future anticipated facility maintenance and construction needs in support of a longer term infrastructure planning model:

<b>Other Key Fund Balances</b>	<b>June 30, 2008</b>
<i>Current Capital Project Reserves &amp; Designations</i>	\$6,534,118
<i>Capital Project Unreserved Balances</i>	9,341,226
<i>Equipment Replacement Fund</i>	4,388,583
<i>Facility Fund</i>	2,425,187

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 2007-08, general government capital project spending was approximately \$3.2 million. Significant project progress occurred in the following maintenance and renovation projects as presented in rounded dollar amounts:

Annual Street Resurfacing project	\$695,000
Biennial Street Slurry Seal	495,000
Grant & Montclair Playground	200,000
Rehabilitation of the Fremont Bridge	199,000
El Camino Real Median Landscape	190,000
San Antonio Flashing Pedestrian System	160,000



Community Center Project Master Plan	134,000
Annual Accessibility Improvement	112,000
Stevens Creek Trail	92,000
Rehabilitation Portland Avenue Bridge	63,000
Community Swim Center	37,000
Pedestrian Improvements S. Grant	35,000

The remaining dollars in the Capital Project Fund 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. In the prior year 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 with more detail.

Unrestricted net assets at the end of the year in the Sewer Fund approached \$7 million, in the Storm Drain Fund equaled \$192,175, and in the Solid Waste Fund \$738,545. 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 & Debt Administration

**Capital assets:** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$44.9 million (net of accumulated depreciation).

This investment in capital assets includes land, buildings, improvements, machinery and equipment, and streets. At June 30, 2008 net capital assets of the governmental activities totaled \$42.7 million and the net capital assets of the business-type activities totaled \$2.2 million. Depreciation on capital assets is recognized in the government-wide financial statements and increased by 5% based commensurate with an increased capitalized base. Additional information on capital assets can be found in footnote 5 of these financial statements.

#### Capital Assets at June 30, 2008

	<b>Governmental Activities</b>	<b>Business –Type Activities</b>	<b>Total</b>	<b>Total</b>
	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
<b>Land</b>	\$ 12,379,009	\$ -	\$ 12,379,009	\$ 11,928,028
<b>Buildings</b>	15,611,687	2,062,297	17,673,984	18,227,439
<b>Improvements</b>	1,379,330	-	1,379,330	719,216
<b>Machinery and Equipment</b>	1,151,399	116,865	1,268,264	1,305,122
<b>Infrastructure</b>	12,236,167	39,503	12,275,670	11,557,587
<b>Total Assets</b>	<u>\$ 42,757,592</u>	<u>\$ 2,218,665</u>	<u>\$ 44,976,257</u>	<u>\$ 43,737,392</u>

**Debt Administration:** At the end of the current fiscal year, City debt was reduced by approximately \$540,000 more in comparison to FY 2006-2007. The total outstanding bond debt balance at year end approximates \$2.5 million and relates primarily to the purchase of Rosita Park (formerly known as the Saint Williams site). In the current fiscal year, the City fully paid off the remaining balance related to the 1995 debt, \$500,000 in principal, issued to purchase the parcels of property at First and Main. With this pay off, bonded debt was reduced by 20%.

The remaining debt balance is made up of long term obligations for employee compensated absence accruals of \$1,192,561. This obligation increased modestly moving only with salary and benefit changes from year to year. The capital lease for the reconstruction of the Loyola Fire Station was paid in full in the current fiscal year.

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

### Long Term Debt at June 30, 2008

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>2008 Total</b>	<b>2007 Total</b>
<b>Certificate of Participation</b>	\$ 2,195,000	\$ -	\$ 2,195,000	\$ 2,775,000
<b>Special Assessment Debt – City commitment</b>	311,000		311,000	331,000
<b>Capital Lease</b>	-	-	-	57,436
<b>Compensated absences</b>	1,147,152	45,409	1,192,561	1,078,783
<b>Total:</b>	<u>\$ 3,653,152</u>	<u>\$ 45,409</u>	<u>\$ 3,698,561</u>	<u>\$ 4,242,219</u>

### GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted FY 2007-08 General Fund budget equaled \$26.6 million and changed modestly by \$141,848 to \$26.7 million in its final form. Prior year encumbrances account for the bulk of these adjustments, leaving adjustments in appropriations during the fiscal year, or less than 1% of the budget. Most encumbrances related to large equipment purchases and/or pending contract services:

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

General Fund revenue is forecast to increase 3.7% based on the budget for fiscal year 2008-09 while expenditures are projected to increase 6.6%. Key assumptions include:

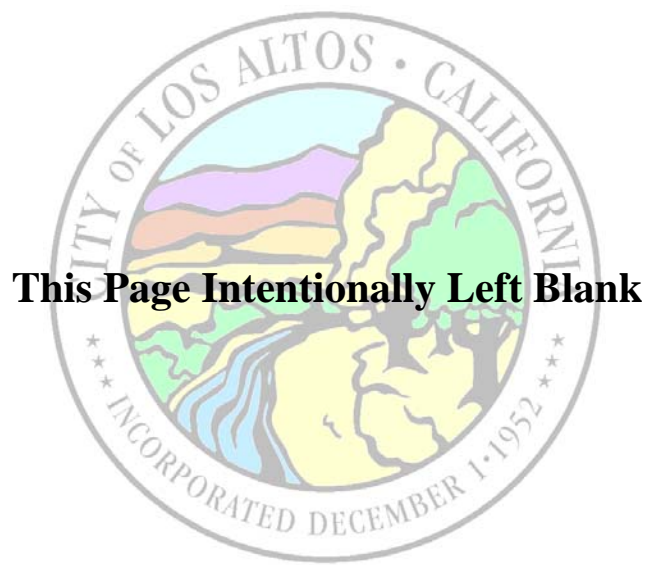
- An increase of 9% in property tax receipts including secured property tax, unsecured property tax, Homeowner Property Tax Relief, property tax in lieu of vehicle license fees and supplemental property tax. Property tax will be about 40% of all governmental funds revenue.
- Modest Utility Users' Tax revenue growth is anticipated. A measure on the November 2007 ballot successfully passed which clarified language and a reduction in certain telecommunications services from 3.5% to 3.2%.

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- Salaries are budgeted at top step, with a “revenue” offset of 5% of salary savings since not all employees are paid at top step.
  - Although several operational reassignments were made. No new positions are added to this budget with the number of authorized positions remaining unchanged at 130.
  - The City has moved beyond considering local developer opportunities to develop the City owned "First and Main Street" site as a hotel. The City has decided to market this property with the intent to reinvest the proceeds back into the community.
  - The City Council is well underway in the planning and design process for the development of the civic center property. This process is currently in the final stages of the design phase with several options being considered by the Council. An extensive outreach to the community has taken place to date and the consideration of a variety of funding options will begin in early 2009. Financing sources under consideration include the use of available City resources, the possible sale of surplus land, voter approved debt and/or assessments, and community donations/contributions. These plans will certainly shape our financial projections in the coming years.
  - The City entered into a new sewer agreement with the Town of Los Altos Hills modifying our usage control from permit based to flow based. Los Altos Hills now has responsibility to bill their customers.
  - The FY 2008-2009 budget assumed no increases in sewer rates pending the completion of a rate study that was finalized in a subsequent period.

For a more current discussion of the state of the economy beyond those assumptions made in the FY 2008-2009 budget process, the reader should also refer to the transmittal letter included in this document.

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

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



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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, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 39,200,165	\$ 7,579,615	\$ 46,779,780
Accounts receivable, net	5,829,853	659,804	6,489,657
Interest receivable	310,637	-	310,637
Assessments receivable	1,875	-	1,875
Deferred charges	93,718	-	93,718
Prepaid items and inventory	18,515	-	18,515
Total current assets	45,454,763	8,239,419	53,694,182
Noncurrent assets:			
Restricted cash and investments	173,007	-	173,007
Capital assets:			
Non depreciable assets	12,379,009	-	12,379,009
Depreciable assets	44,400,061	12,649,453	57,049,514
Total capital assets	56,779,070	12,649,453	69,428,523
Less accumulated depreciation	(14,021,478)	(10,430,788)	(24,452,266)
Capital assets, net	42,757,592	2,218,665	44,976,257
Total noncurrent assets	42,930,599	2,218,665	45,149,264
<b>Total assets</b>	<b>88,385,362</b>	<b>10,458,084</b>	<b>98,843,446</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,673,802	271,348	1,945,150
Interest payable	95,536	-	95,536
Accrued liabilities	302,260	-	302,260
Other payable	409,252	-	409,252
Unearned revenue	437,015	-	437,015
Estimated compensated absences payable - due within one year	286,788	11,352	298,140
Estimated claims and judgments payable - due within one year	173,902	-	173,902
Long-term-debt-due within one year	101,000	-	101,000
Total current liabilities	3,479,555	282,700	3,762,255
Noncurrent liabilities:			
Estimated compensated absences payable	860,364	34,057	894,421
Estimated claims and judgments payable	985,443	-	985,443
Long-term debt - due in more than a year	2,405,000	-	2,405,000
Total noncurrent liabilities	4,250,807	34,057	4,284,864
Total liabilities	7,730,362	316,757	8,047,119
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	40,251,592	2,218,665	42,470,257
Restricted for:			
Capital projects	568,618	-	568,618
Debt service	795,148	-	795,148
Special projects and programs	2,189,682	-	2,189,682
Other purpose	12,000	-	12,000
Total restricted	3,565,448	-	3,565,448
Unrestricted	36,837,960	7,922,662	44,760,622
<b>Total net assets</b>	<b>\$ 80,655,000</b>	<b>\$ 10,141,327</b>	<b>\$ 90,796,327</b>

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

# CITY OF LOS ALTOS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
Public safety	\$ 12,415,015	\$ 527,425	\$ 117,758	\$ 4,115	\$ 649,298
Public works	4,886,347	203,810	511,296	923,375	1,638,481
Recreation and culture	2,649,632	1,653,874	26,876	491,692	2,172,442
Community development	3,447,425	3,372,065	285,421	-	3,657,486
Admin / Community services	3,317,320	967,185	6,000	-	973,185
Interest on long-term activities	138,291	-	-	-	-
<b>Total governmental activities</b>	<b>26,854,030</b>	<b>6,724,359</b>	<b>947,351</b>	<b>1,419,182</b>	<b>9,090,892</b>
<b>Business-type activities:</b>					
Sewer	3,886,252	4,467,374	-	-	4,467,374
Solid waste	1,609,295	1,539,629	-	-	1,539,629
Storm drain	212,571	-	-	-	-
Total business-type activities	5,708,118	6,007,003	-	-	6,007,003
<b>Total primary government</b>	<b>\$ 32,562,148</b>	<b>\$ 12,731,362</b>	<b>\$ 947,351</b>	<b>\$ 1,419,182</b>	<b>\$ 15,097,895</b>

### General revenues and transfers:

#### Taxes:

Property taxes

Sales taxes

Utility users taxes

Other taxes

Franchise fees

Sale of capital assets-net

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**

Governmental Activities	Business Type Activities	Total
\$ (11,765,717)	\$ -	\$ (11,765,717)
(3,247,866)	-	(3,247,866)
(477,190)	-	(477,190)
210,061	-	210,061
(2,344,135)	-	(2,344,135)
(138,291)	-	(138,291)
(17,763,138)	-	(17,763,138)
-	581,122	581,122
-	(69,666)	(69,666)
-	(212,571)	(212,571)
-	298,885	298,885
(17,763,138)	298,885	(17,464,253)
11,875,286	-	11,875,286
2,872,146	-	2,872,146
2,483,138	-	2,483,138
2,703,114	-	2,703,114
2,028,727	-	2,028,727
6,498,875	-	6,498,875
1,352,835	283,509	1,636,344
517,101	-	517,101
(193,381)	193,381	-
30,137,841	476,890	30,614,731
12,374,703	775,775	13,150,478
68,280,297	9,365,552	77,645,849
<u>\$ 80,655,000</u>	<u>\$ 10,141,327</u>	<u>\$ 90,796,327</u>

## **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, 2008

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### MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be major funds by the City in the fiscal year 2007-08. 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.

**Los Altos Treatment Plant Sale Proceeds** – Accounts for the proceeds from the sale of the Los Altos treatment plant site.

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

**Community Improvement Capital Projects 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, 2008

	Major Funds						Total
	General	Los Altos Treatment Plant Sale Proceeds	Capital Projects	Equipment Replacement Capital Projects	Community Improvement Capital Projects	Non-Major Governmental Funds	
<b>ASSETS</b>							
Cash and investments	\$ 7,820,844	\$ 1,797,861	\$ 16,240,380	\$ 4,388,583	\$ 1,240,405	\$ 5,050,392	\$ 36,538,465
Restricted cash and investments	-	-	-	-	-	173,007	173,007
Receivables-							
(net of allowance for uncollectible):							
Accounts	943,221	-	-	-	-	138,233	1,081,454
Interest	310,637	-	-	-	-	-	310,637
Assessments	-	-	-	-	-	1,875	1,875
Prepays	7,752	-	-	-	-	-	7,752
Due from other funds	7,585	-	13,720	1,000,000	-	1,000,000	2,021,305
Inventory	10,763	-	-	-	-	-	10,763
<b>Total assets</b>	<u>\$ 9,100,802</u>	<u>\$ 1,797,861</u>	<u>\$ 16,254,100</u>	<u>\$ 5,388,583</u>	<u>\$ 1,240,405</u>	<u>\$ 6,363,507</u>	<u>\$ 40,145,258</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 1,259,965	\$ -	\$ 351,088	\$ -	\$ -	\$ 9,656	\$ 1,620,709
Accrued liabilities	278,592	-	23,668	-	-	-	302,260
Other payable	409,252	-	-	-	-	-	409,252
Unearned revenue	433,015	-	4,000	-	-	-	437,015
Due to other funds	-	-	-	-	2,000,000	21,305	2,021,305
<b>Total liabilities</b>	<u>2,380,824</u>	<u>-</u>	<u>378,756</u>	<u>-</u>	<u>2,000,000</u>	<u>30,961</u>	<u>4,790,541</u>
<b>Fund Balances:</b>							
Reserved for:							
Encumbrances	196,906	-	-	-	-	-	196,906
Veteran Memorial	12,000	-	-	-	-	-	12,000
Debt service	-	-	-	-	-	725,262	725,262
Capital projects	-	-	568,618	1,000,000	-	1,000,000	2,568,618
Special programs and projects	-	-	-	-	-	2,189,682	2,189,682
Inventory and prepaids	18,515	-	-	-	-	-	18,515
Unreserved, designated for, reported in:							
PERS	3,005,795	-	-	-	-	-	3,005,795
Emergency and operating	3,186,762	-	-	-	-	-	3,186,762
Capital projects	-	-	5,965,500	4,388,583	-	-	10,354,083
Unreserved, undesignated reported in:							
General fund	300,000	-	-	-	-	-	300,000
Special revenue funds	-	1,797,861	-	-	-	-	1,797,861
Debt service	-	-	-	-	-	(7,585)	(7,585)
Capital project funds	-	-	9,341,226	-	(759,595)	2,425,187	11,006,818
<b>Total fund balances</b>	<u>6,719,978</u>	<u>1,797,861</u>	<u>15,875,344</u>	<u>5,388,583</u>	<u>(759,595)</u>	<u>6,332,546</u>	<u>35,354,717</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,100,802</u>	<u>\$ 1,797,861</u>	<u>\$ 16,254,100</u>	<u>\$ 5,388,583</u>	<u>\$ 1,240,405</u>	<u>\$ 6,363,507</u>	<u>\$ 40,145,258</u>

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, 2008

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 35,354,717</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	42,757,592
Long-term receivable from the sale of the Los Altos Treatment Plant is not available to pay for current -period expenditures and therefore is deferred in the fund.	
	4,733,334
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.	
	(95,536)
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 Government-wide Statement of Net Assets.	
	1,464,327
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.	
	93,718
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	(101,000)
Long-term liabilities - non-current portion	(2,405,000)
Compensated Absences - current portion	(286,788)
Compensated Absences - non-current portion	(860,364)
Total long-term liabilities	(3,653,152)
Net Assets of Governmental Activities	<u><u>\$ 80,655,000</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, 2008

	Major Funds						
	General	Los Altos Treatment Plant Sale Proceeds	Capital Projects	Equipment Replacement Capital Projects	Community Improvement Capital Projects	Non-Major Governmental Funds	Total
<b>REVENUES:</b>							
Taxes	\$16,524,696	\$ -	\$ -	\$ -	\$ -	\$ 41,056	\$ 16,565,752
License, permits and park-in-lieu	2,625,773			-	-	867,000	3,492,773
Intergovernmental	3,408,988		-	-	-	1,060,939	4,469,927
Grants and donations	44,696		963,633	-	-	285,421	1,293,750
Charges for services	3,673,393		-	-	-	-	3,673,393
Fines and forfeitures	247,520		-	-	-	38,825	286,345
Interest and rentals	1,756,097	32,320	-	-	-	69,084	1,857,501
Other	212,711		750,000	-	-	321,086	1,283,797
<b>Total revenues</b>	<u>28,493,874</u>	<u>32,320</u>	<u>1,713,633</u>	<u>-</u>	<u>-</u>	<u>2,683,411</u>	<u>32,923,238</u>
<b>EXPENDITURES:</b>							
General government:							
Public safety	12,213,653		3,574	-	-	-	12,217,227
Public works	3,777,858		395,342	-	-	112,277	4,285,477
Recreation and culture	2,120,400		75,530	-	-	61,159	2,257,089
Community development	3,151,251		211,576	-	-	21,608	3,384,435
Administration/Community services	3,026,501		123,172	15,891	-	56,126	3,221,690
Capital improvements	234,595		2,387,374	6,415	-	90,485	2,718,869
Debt service:							
Principal	-		-	-	-	657,436	657,436
Interest and fiscal charges	-		-	-	-	138,084	138,084
<b>Total expenditures</b>	<u>24,524,258</u>	<u>-</u>	<u>3,196,568</u>	<u>22,306</u>	<u>-</u>	<u>1,137,175</u>	<u>28,880,307</u>
<b>REVENUES OVER - (UNDER) EXPENDITURES</b>	<u>3,969,616</u>	<u>32,320</u>	<u>(1,482,935)</u>	<u>(22,306)</u>	<u>-</u>	<u>1,546,236</u>	<u>4,042,931</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	364,238		3,506,370	402,949	5,000	1,109,515	5,388,072
Transfers out	(3,902,102)		(470,000)	-	-	(1,209,351)	(5,581,453)
<b>Total other financing sources (uses)</b>	<u>(3,537,864)</u>	<u>-</u>	<u>3,036,370</u>	<u>402,949</u>	<u>5,000</u>	<u>(99,836)</u>	<u>(193,381)</u>
<b>SPECIAL ITEM:</b>							
Proceeds from sale of capital assets-net	-	1,765,541	-	-	-	-	1,765,541
<b>Total special item</b>	<u>-</u>	<u>1,765,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,765,541</u>
<b>Net change in fund balances</b>	431,752	1,797,861	1,553,435	380,643	5,000	1,446,400	5,615,091
<b>FUNDBALANCES:</b>							
Beginning of year	6,288,226	-	14,321,909	5,007,940	(764,595)	4,886,146	29,739,626
End of year	<u>\$ 6,719,978</u>	<u>\$ 1,797,861</u>	<u>\$ 15,875,344</u>	<u>\$ 5,388,583</u>	<u>\$ (759,595)</u>	<u>\$ 6,332,546</u>	<u>\$ 35,354,717</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, 2008

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 5,615,091</b>
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.	
	2,718,869
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.	(1,310,478)
The installment portions of the Los Altos Treatment Plant sale proceeds do not provide current financial resources and therefore, are not reported as revenues in the funds.	4,733,334
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.	(112,070)
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.	657,436
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.	(207)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	<u>72,728</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 12,374,703</u></b>

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

## **CITY OF LOS ALTOS**

### **PROPRIETARY FUND FINANCIAL STATEMENTS JUNE 30, 2008**

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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, 2008

ASSETS	Major Funds				Governmental Activities Internal Service Funds
	Sewer	Solid Waste	Storm Drain	Total	
Current assets:					
Cash and investments	\$ 6,725,364	\$ 661,109	\$ 193,142	\$ 7,579,615	\$ 2,661,700
Receivables					
Accounts	457,224	202,580	-	659,804	15,065
Total current assets	7,182,588	863,689	193,142	8,239,419	2,676,765
Noncurrent assets:					
Capital assets:					
Depreciable	10,680,232	-	1,969,221	12,649,453	-
Less accumulated depreciation	(8,501,070)	-	(1,929,718)	(10,430,788)	-
Total capital assets, net	2,179,162	-	39,503	2,218,665	-
Total noncurrent assets	2,179,162	-	39,503	2,218,665	-
<b>Total assets</b>	<b>9,361,750</b>	<b>863,689</b>	<b>232,645</b>	<b>10,458,084</b>	<b>2,676,765</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	145,237	125,144	967	271,348	53,093
Compensated absences - current portion	11,352	-	-	11,352	-
Claims and judgments - current portion	-	-	-	-	173,902
Total current liabilities	156,589	125,144	967	282,700	226,995
Non current liabilities					
Compensated absences - noncurrent portion	34,057	-	-	34,057	-
Claims and judgments - noncurrent portion	-	-	-	-	985,443
Total noncurrent liabilities	34,057	-	-	34,057	985,443
<b>Total liabilities</b>	<b>190,646</b>	<b>125,144</b>	<b>967</b>	<b>316,757</b>	<b>1,212,438</b>
<b>NET ASSETS</b>					
Net assets, invested in capital assets	2,179,162	-	39,503	2,218,665	-
Unrestricted	6,991,942	738,545	192,175	7,922,662	1,464,327
<b>Total net assets</b>	<b>\$ 9,171,104</b>	<b>\$ 738,545</b>	<b>\$ 231,678</b>	<b>\$ 10,141,327</b>	<b>\$ 1,464,327</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, 2008

	<b>Major Funds</b>				<b>Governmental Activities Internal Service Funds</b>
<b>OPERATING REVENUES:</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Storm Drain</b>	<b>Total</b>	
Charges for services	\$ 4,437,926	\$ 1,539,629	\$ -	\$ 5,977,555	\$ 1,098,840
Other	29,448	-	-	29,448	20,344
<b>Total operating revenues</b>	<b>4,467,374</b>	<b>1,539,629</b>	<b>-</b>	<b>6,007,003</b>	<b>1,119,184</b>
<b>OPERATING EXPENSES:</b>					
Outside services	2,206,634	1,546,808	59,183	3,812,625	-
Employee services	634,253	44,073	112,639	790,965	-
Repairs and maintenance	841,668	4,497	1,368	847,533	-
Claims reimbursement	-	-	-	-	669,278
Insurance	43,000	13,190	-	56,190	324,010
Administration	-	727	-	727	53,168
Depreciation	160,697	-	39,381	200,078	-
<b>Total operating expenses</b>	<b>3,886,252</b>	<b>1,609,295</b>	<b>212,571</b>	<b>5,708,118</b>	<b>1,046,456</b>
<b>OPERATING INCOME (LOSS)</b>	<b>581,122</b>	<b>(69,666)</b>	<b>(212,571)</b>	<b>298,885</b>	<b>72,728</b>
<b>NONOPERATING REVENUE:</b>					
Interest	249,085	34,424	-	283,509	-
<b>TOTAL NONOPERATING REVENUE</b>	<b>249,085</b>	<b>34,424</b>	<b>-</b>	<b>283,509</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>830,207</b>	<b>(35,242)</b>	<b>(212,571)</b>	<b>582,394</b>	<b>72,728</b>
Transfers in	-	-	193,381	193,381	-
<b>Change in net assets</b>	<b>830,207</b>	<b>(35,242)</b>	<b>(19,190)</b>	<b>775,775</b>	<b>72,728</b>
<b>NET ASSETS:</b>					
Beginning of the year	8,340,897	773,787	250,868	9,365,552	1,391,599
End of the year	\$ 9,171,104	\$ 738,545	\$ 231,678	\$ 10,141,327	\$ 1,464,327

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, 2008

	<b>Major Funds</b>				<b>Governmental Activities Internal Service Funds</b>
	<b>Sewer</b>	<b>Solid Waste</b>	<b>Storm Drain</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 4,190,589	\$ 1,475,744	\$ -	\$ 5,666,333	\$ 1,115,734
Cash payments to suppliers for goods and services	(3,274,121)	(1,541,766)	(59,584)	(4,875,471)	-
Cash payments to employees for services	(632,545)	(44,073)	(112,639)	(789,257)	-
Cash payments to claimants	-	-	-	-	(310,581)
Insurance premiums and administration	(43,000)	(13,190)	-	(56,190)	(376,795)
<b>Net cash provided (used) by operating activities</b>	<b>240,923</b>	<b>(123,285)</b>	<b>(172,223)</b>	<b>(54,585)</b>	<b>428,358</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in	-	-	193,381	193,381	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>193,381</b>	<b>193,381</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital asset additions	(30,552)	-	-	(30,552)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(30,552)</b>	<b>-</b>	<b>-</b>	<b>(30,552)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	249,085	34,424	-	283,509	-
<b>Net cash provided by investing activities</b>	<b>249,085</b>	<b>34,424</b>	<b>-</b>	<b>283,509</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>459,456</b>	<b>(88,861)</b>	<b>21,158</b>	<b>391,753</b>	<b>428,358</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	6,265,908	749,970	171,984	7,187,862	2,233,342
End of year	<u>\$ 6,725,364</u>	<u>\$ 661,109</u>	<u>\$ 193,142</u>	<u>\$ 7,579,615</u>	<u>\$ 2,661,700</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 581,122	\$ (69,666)	\$ (212,571)	\$ 298,885	\$ 72,728
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	160,697	-	39,381	200,078	-
Changes in assets and liabilities:					
Accounts receivable	(276,785)	(63,885)	-	(340,670)	(3,450)
Accounts payable	(225,819)	10,266	967	(214,586)	34,500
Accrued liabilities	1,708	-	-	1,708	-
Claims and judgments	-	-	-	-	324,580
<b>Total adjustments</b>	<b>(340,199)</b>	<b>(53,619)</b>	<b>40,348</b>	<b>(353,470)</b>	<b>355,630</b>
<b>Net Cash provided (used) by operating activities</b>	<b>\$ 240,923</b>	<b>\$ (123,285)</b>	<b>\$ (172,223)</b>	<b>\$ (54,585)</b>	<b>\$ 428,358</b>

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

## **CITY OF LOS ALTOS**

### **FIDUCIARY FUND FINANCIAL STATEMENTS JUNE 30, 2008**

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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.

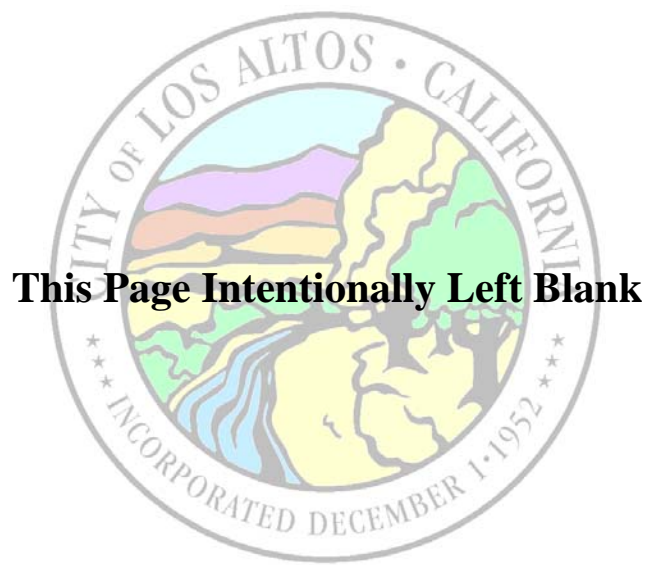
# CITY OF LOS ALTOS

## STATEMENT OF FIDUCIARY FUND NET ASSETS JUNE 30, 2008

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		<b>Agency Fund</b>
	<b>ASSETS</b>	
Cash and investments		\$ 1,220,821
Interest receivable		10,357
<b>Total assets</b>		<b>\$ 1,231,178</b>
	<b>LIABILITIES</b>	
Accounts payable		\$ 114,148
Due to others		1,117,030
<b>Total liabilities</b>		<b>\$ 1,231,178</b>

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



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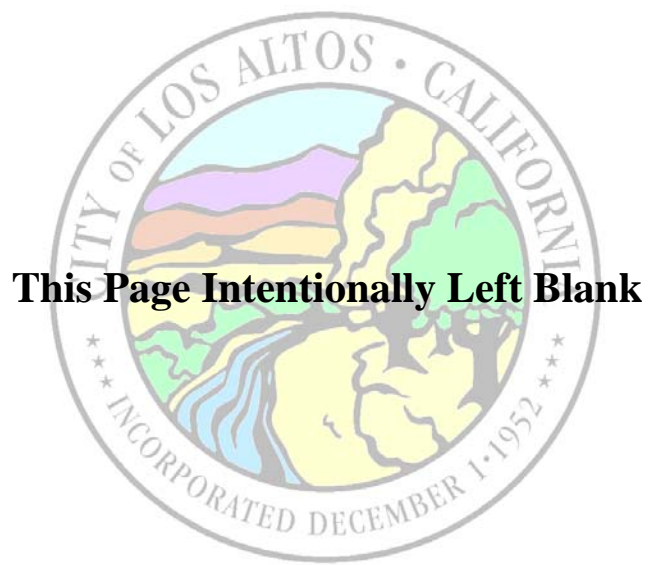
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***NOTES TO BASIC FINANCIAL STATEMENTS***

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# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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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.

##### Government-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, 2008

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

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

##### Government-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
- 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, 2008

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

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

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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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, 2008

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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**

##### Government-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, 2008

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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 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, 2008

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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 construction/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, 2008

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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:

##### Government-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, 2008

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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 Taxes, 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 \$759,595 at June 30, 2008. At the May 27, 2008 meeting, the City Council authorized the plan to address the deficit fund balance in the fiscal year 2008-09 by forgiving the debt that the Community Improvement Capital Project Fund owes to other funds.

The Edith Avenue Foothill Noise Wall Debt Service Fund deficit fund balance at June 30, 2008 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, 2008 are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 46,779,780
Cash and Investments held by bond trustee	173,007
Fiduciary funds:	
Cash and Investments	<u>1,220,821</u>
Total cash and investments	<u>\$ 48,173,608</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 1,300
Deposits with financial institutions	6,440,462
Investments	<u>41,731,846</u>
Total Deposits and Investments	<u>\$ 48,173,608</u>

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### 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 under the City's investment policy which complies with the California Government Code. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	30%	None
Banker's Acceptance	180 days	30%	30%
Commercial Paper	180 days	15%	10%
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 Value	Weighted Average Maturity In Years
State Investment Pool	\$ 41,556,770	0.58
Money Market Mutual Funds	173,007	0.02
	<u>\$ 41,729,777</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, 2008

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

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End Unrated
State Investment Pool	\$41,556,770	NA	\$ 41,556,770
Money Market Mutual Funds	173,007	NA	173,007
Total	<u>\$41,729,777</u>		<u>\$ 41,729,777</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, 2008, the City's bank balance was \$7,097,206 and the corresponding book balance was \$6,390,465. The difference between the bank balance and the book balance represents outstanding checks and deposits in transit. Of the bank balance, \$100,000 was covered by federal depository insurance and \$6,997,206 was collateralized.

#### 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, 2008

### 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, 2008, consisted of:

		Due To Other Funds		
Due From Other Funds		Community Improvement Reserve	Non-major Governmental Funds	Total
	General	\$ -	\$ 7,585	\$ 7,585
	Equipment Replacement	1,000,000	-	1,000,000
	Capital Project	-	13,720	13,720
	Non-major Governmental Funds	1,000,000	-	1,000,000
	<b>Total</b>	<u>\$ 2,000,000</u>	<u>\$ 21,305</u>	<u>\$ 2,021,305</u>

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, 2008, were as follows:

		Transfers In						
Transfers Out		General Fund	Capital Projects	Equipment Replacement	Community Improvements	Non-major Governmental Funds	Enterprise Storm Drain	Total
	General Fund	\$ -	\$ 2,661,257	\$ 402,949	\$ 5,000	\$ 639,515	\$ 193,381	\$ 3,902,102
	Capital Projects	-	-	-	-	470,000	-	470,000
	Non-major Governmental Funds	364,238	845,113	-	-	-	-	1,209,351
	<b>Total</b>	<u>\$ 364,238</u>	<u>\$ 3,506,370</u>	<u>\$ 402,949</u>	<u>\$ 5,000</u>	<u>\$ 1,109,515</u>	<u>\$ 193,381</u>	<u>\$ 5,581,453</u>

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, 2008

### NOTE 5 – CAPITAL ASSETS

#### A. Government-wide Financial Statements

At June 30, 2008, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Construction in Progress	\$ 974,142	\$ -	\$ 974,142
Land	11,404,867	-	11,404,867
Total non-depreciable assets	12,379,009	-	12,379,009
Depreciable assets:			
Buildings	21,668,810	10,151,094	31,819,904
Improvement other than buildings	2,333,630	-	2,333,630
Machinery and equipment	3,436,602	529,138	3,965,740
Infrastructure	16,961,019	1,969,221	18,930,240
Total depreciable assets	44,400,061	12,649,453	57,049,514
Less accumulated depreciation	(14,021,478)	(10,430,788)	(24,452,266)
Total depreciable assets, net	30,378,583	2,218,665	32,597,248
<b>Total capital assets</b>	<b>\$ 42,757,592</b>	<b>\$ 2,218,665</b>	<b>\$ 44,976,257</b>

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 5 – CAPITAL ASSETS (CONTINUED)

#### A. Government-wide Financial Statements (Continued)

The following is a summary of capital assets for governmental activities for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Non-depreciable assets:				
Construction in progress	\$ 523,162	\$ 824,702	\$ (373,722)	\$ 974,142
Land	11,404,867	-	-	11,404,867
Total non-depreciable assets	11,928,029	824,702	(373,722)	12,379,009
Depreciable assets:				
Buildings	21,668,810			21,668,810
Improvement other than buildings	1,609,631	723,999	-	2,333,630
Machinery and equipment	3,392,467	293,544	(249,409)	3,436,602
Infrastructure	15,710,673	1,250,346	-	16,961,019
Total depreciable assets	42,381,581	2,267,889	(249,409)	44,400,061
Accumulated depreciation:				
Buildings	(5,605,544)	(451,579)		(6,057,123)
Improvements	(890,415)	(63,885)		(954,300)
Machinery and equipment	(2,232,480)	(302,132)	249,409	(2,285,203)
Infrastructure	(4,231,970)	(492,882)		(4,724,852)
Total accumulated depreciation	(12,960,409)	(1,310,478)	249,409	(14,021,478)
Total depreciable assets, net	29,421,172	957,411	-	30,378,583
Total governmental activities capital assets, net	\$ 41,349,201	\$ 1,782,113	\$ (373,722)	\$ 42,757,592

The governmental activities depreciation expenses for capital assets for the year ended June 30, 2008 are as follows:

Public safety	\$ 209,345
Public works	582,574
Recreation	391,981
Community development	39,940
Admin/community services	86,638
Total depreciation expense	<u>\$ 1,310,478</u>

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 5 – CAPITAL ASSETS (CONTINUED)

#### A. Government-wide Financial Statements (Continued)

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

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Depreciable assets:				
Buildings	\$ 10,151,094	\$ -	\$ -	\$ 10,151,094
Infrastructure	1,969,221	-	-	1,969,221
Machinery and equipment	541,843	30,552	(43,257)	529,138
Total depreciable assets	12,662,158	30,552	(43,257)	12,649,453
Accumulated depreciation:				
Buildings	(7,986,921)	(101,876)	-	(8,088,797)
Infrastructure	(1,890,337)	(39,381)	-	(1,929,718)
Machinery and equipment	(396,709)	(58,821)	43,257	(412,273)
Total accumulated depreciation	(10,273,967)	(200,078)	43,257	(10,430,788)
Total depreciable assets net	\$ 2,388,191	\$ (169,526)	\$ -	\$ 2,218,665

Depreciation expense for business-type activities for the year ended June 30, 2008 is as follows:

Sewer	\$ 160,697
Storm Drain	39,381
Total	<u>\$ 200,078</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, 2008

### 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, 2008 is as follows:

	Balance July 1, 2007	Debt Retired	Balance June 30, 2008	Due in one year	Due in more than one year
Certificate of participation	\$ 2,775,000	\$ 580,000	\$ 2,195,000	\$ 80,000	\$ 2,115,000
Special Assessment Debt with City Commitment	331,000	20,000	311,000	21,000	290,000
Capital Lease Obligations:					
Loyola Fire Station	57,436	57,436	-	-	-
Total	<u>\$ 3,163,436</u>	<u>\$ 657,436</u>	<u>\$ 2,506,000</u>	<u>\$ 101,000</u>	<u>\$ 2,405,000</u>

#### Certificates of Participation

Certificates of Participation payable at June 30, 2008 consisted of the following:

	Balance June 30, 2008	Due in one year	Due in more than one year
2004 Refunding	<u>\$ 2,195,000</u>	<u>\$ 80,000</u>	<u>\$ 2,115,000</u>

#### ABAG 36 Certificates of Participation

On November 1, 1995, the City issued \$850,000 principal amount of Certificates of Participation (ABAG 36 COPs). The purpose of the ABAG 36 COPs was to finance the purchase of two parcels of land in the downtown area. In the fiscal year 2007-08, the City paid off the remaining principal amount of \$500,000 and no further obligation is required.

#### 2004 Refunding Certificate of Participation

On November 1, 1996, the City issued \$2,630,000 principal amount of Certificates of Participation (ABAG 38 COPs). The purpose of the ABAG 38 COPs was to finance the partial purchase of the 5.5 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.



# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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

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

##### 2004 Refunding Certificate of Participation (continued)

At June 30, 2008, future debt service requirements for the 2004 Refunding were as follows:

For the Year Ending June 30,	Principal	Interest	Total
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	95,000	72,808	167,808
2014-2018	515,000	316,396	831,396
2019-2023	635,000	210,754	845,754
2024-2027	610,000	66,514	676,514
Total	<u>\$ 2,195,000</u>	<u>\$ 979,276</u>	<u>\$ 3,174,276</u>

##### 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, 2008, all these districts were in compliance with the repayment and other requirements of their respective debt issues.

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

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

	Interest Rate	Maturity Date	Balance July 1, 2007	Retirements	Balance June 30, 2008
Avalon Drive-Curb & Gutter	5.80%	2015	\$ 69,000	\$ 6,000	\$ 63,000
Raymundo-Curb & Gutter	4.65%	2021	262,000	14,000	248,000
			<u>\$ 331,000</u>	<u>\$ 20,000</u>	<u>\$ 311,000</u>

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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

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

At June 30, 2008, future debt service requirements for the Special assessment debt with City commitment were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	25,000	10,041	35,041
2014-2018	125,000	26,918	151,918
2019-2021	71,000	8,881	79,881
Total	<u>\$ 311,000</u>	<u>\$ 97,799</u>	<u>\$ 408,799</u>

#### 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. The final lease payment was made in June 2008 and the lease obligation has been fulfilled.

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

	<u>Governmental Activities</u>	<u>Accumulated Depreciation</u>
Buildings	<u>\$400,340</u>	<u>\$70,567</u>

#### B. Debt Covenants and Restrictions

As of June 30, 2008, 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.

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 7 – COMPENSATED ABSENCES

The City's compensated absences at June 30, 2008, were as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year (Estimated)
Governmental activities	\$ 1,035,082	\$ 621,296	\$ (509,226)	\$ 1,147,152	\$ 286,788
Business-type activities	43,701	17,917	(16,209)	45,409	11,352
<b>Total</b>	<b>\$ 1,078,783</b>	<b>\$ 639,213</b>	<b>\$ (525,435)</b>	<b>\$ 1,192,561</b>	<b>\$ 298,140</b>

There is no fixed payment schedule for compensated absences.

### NOTE 8 – DEFERRED REVENUE

At June 30, 2008, the following deferred revenues were recorded because the revenues has not been earned or the funds were not available to finance the expenditures of the current period:

	Governmental Activities
Fees collected in advance	\$ 437,015

### NOTE 9 – RISK MANAGEMENT

#### ABAG PLAN Corporation

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

ABAG covers general liability claims in an amount up to \$10,000,000. The City has a deductible or uninsured liability of up to \$100,000 per claim. Once the City's deductible is met, ABAG becomes responsible for payment of all claims up to the limit. During the year ended June 30, 2008, 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 workers' compensation claims up to the statutory limits. The City has a \$1,000,000 deductible.

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 9 – RISK MANAGEMENT (CONTINUED)

As of June 30, 2008, \$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.

#### 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.

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

	June 30,		
	2008	2007	2006
Unpaid claims, beginning of year	\$ 834,764	\$ 1,126,535	\$ 1,352,349
Incurred claims and changes in estimates	993,859	(212,433)	(62,920)
Claim payments	(669,278)	(79,338)	(162,894)
<b>Unpaid claims, end of year</b>	<b>\$ 1,159,345</b>	<b>\$ 834,764</b>	<b>\$ 1,126,535</b>

The estimated amount of claims and judgments due within one year is approximately \$174,000.

### 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 the fiscal years 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, 2005, 2006 and 2007 are as follows:

Dental Year Ended October 31,	Contribution Amount	Reimbursement Amount
2005	\$ 90,779	\$ 87,907
2006	91,254	75,340
2007	93,247	88,520

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 11 – PENSION PLAN

#### California Public Employees' Retirement Plan

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

Funding Policy – Active plan members are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$830,752 for the year ended June 30, 2008. The City was required to contribute at an actuarial determined rate of 28.882% for the period from July 1, 2007 through June 30, 2008 of annual covered payroll for safety employees and 14.124% of annual covered payroll for miscellaneous employees. The contribution rate is established annually and may be amended by PERS. Included in the employer contribution rates are the amortization of Side Funds which were created to account for the difference between the funded status of the pool and the funded status of the City plans at the time of joining the risk pool. As of June 30, 2008, the estimated balance of the Side Fund for the public safety plan was approximately \$3.5 million. The estimated balance of the Side Fund for the miscellaneous plan was approximately \$1.9 million.

Annual Pension Cost – For 2007-2008, the City's annual pension cost of \$1,855,048 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, 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) and 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:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 1,580,173	100%	\$ -
6/30/2007	1,731,190	100%	-
6/30/2008	1,855,048	100%	-

# CITY OF LOS ALTOS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### 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 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, 2008, the Special Tax Bonds outstanding debt amounted to \$1,200,000. 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, 2008**

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

#### Post Employment Health Care Benefits

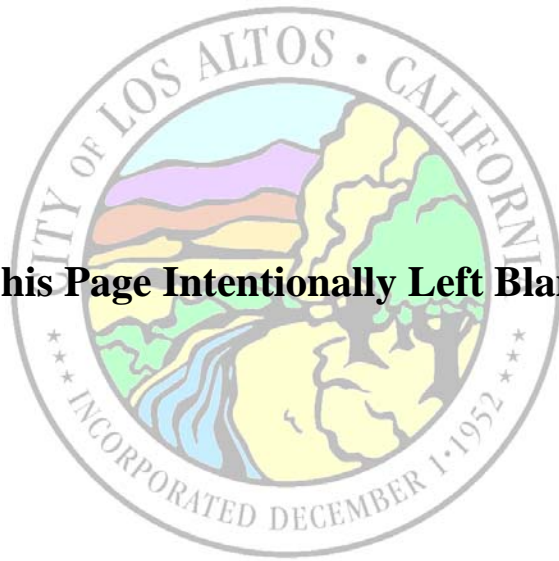
Health care benefits are available to retired employees on a pay-as-you-go basis with the retired employees paying all costs directly to CalPERS. All active health care plan participants and their spouses may become eligible upon retirement for those benefits if they reach the normal retirement age while 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 \$34 per month per retiree. This monthly amount will increase by not less than 5% of the monthly contribution for employees, until such time as the amounts are equal. As of June 30, 2008 there were 37 retirees receiving these benefits. The total amount paid by the City of those benefits for the year ended June 30, 2008 was \$10,955.

### **NOTE 14 – SPECIAL ITEM**

On November 30, 2007, the City entered a purchase and sale agreement with the City of Palo Alto to sell the City's share of the Los Altos Treatment Plant (LATP) to the City of Palo Alto for \$6.5 million. Proceeds of the sale are to be paid in three installments. The City received the first payment of \$1,765,541 at the close of escrow in January 2008. This amount represents the first installment of \$2,166,666 less the title and escrow fees of \$1,125 and the estimated preliminary development costs of \$400,000. The City of Palo Alto will refund unused portion of this \$400,000 to the City by the end of the fifth year from the date of the close of escrow. The second and third installments in the amount of \$2,166,667 each are due to the City on January 5, 2009 and 2010, respectively.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# **CITY OF LOS ALTOS**

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2008**

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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.

The Los Altos Treatment Plant Sale Proceeds Fund currently does not have an adopted budget. Pursuant to Resolution 2008-36, the sale proceeds may not be appropriated nor expended until directed by future action of the City Council.

# CITY OF LOS ALTOS

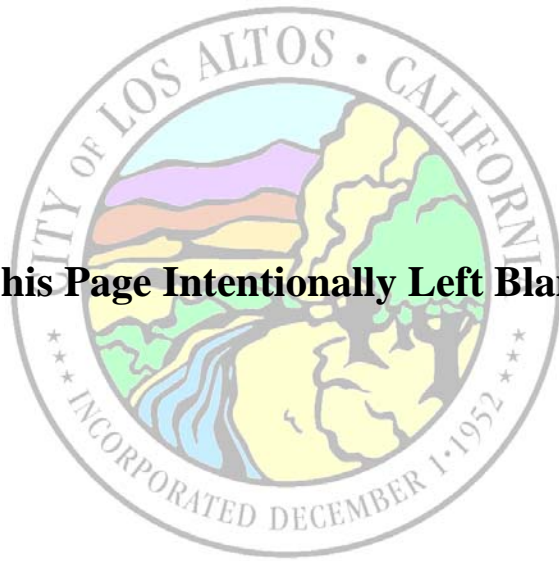
## REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED FOR THE YEAR ENDED JUNE 30, 2008

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

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 15,305,850	\$ 15,305,850	\$ 16,524,696	\$ 1,218,846
Licenses, permits and park in-lieu	2,654,680	2,658,800	2,625,773	(33,027)
Intergovernmental	3,434,090	3,434,090	3,408,988	(25,102)
Grants and donations	-	-	44,696	44,696
Charges for services	3,561,049	3,564,049	3,673,393	109,344
Fines and forfeitures	211,000	211,000	247,520	36,520
Interest and rentals	1,712,324	1,712,324	1,756,097	43,773
Other	167,585	167,585	212,711	45,126
<b>Total revenues</b>	<u>27,046,578</u>	<u>27,053,698</u>	<u>28,493,874</u>	<u>1,440,176</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	13,078,189	13,112,343	12,306,680	805,663
Public works	4,626,111	4,682,589	3,863,115	819,474
Recreation and culture	2,298,932	2,319,632	2,140,255	179,377
Community development	3,339,088	3,375,569	3,169,492	206,077
Admin / Community services	3,205,470	3,315,962	3,044,716	271,246
<b>Total expenditures</b>	<u>26,547,790</u>	<u>26,806,095</u>	<u>24,524,258</u>	<u>2,281,837</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>498,788</u>	<u>247,603</u>	<u>3,969,616</u>	<u>3,722,013</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	872,121	917,534	364,238	(553,296)
Transfer out	(1,342,581)	(1,342,581)	(3,902,102)	(2,559,521)
<b>Total other financing sources (uses)</b>	<u>(470,460)</u>	<u>(425,047)</u>	<u>(3,537,864)</u>	<u>(3,112,817)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 28,328</u>	<u>\$ (177,444)</u>	<u>431,752</u>	<u>\$ 609,196</u>
<b>FUND BALANCES</b>				
Beginning of year			6,288,226	
End of year			<u>\$ 6,719,978</u>	

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***OTHER SUPPLEMENTARY INFORMATION***

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## CITY OF LOS ALTOS

### NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

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#### SPECIAL REVENUE FUNDS

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

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

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

**Proposition 1B** - To account for the allocated bond fund amount from the State under the Proposition 1B provisions. This amount is restricted to uses related to construction and improvements, and maintenance and repair of local streets.

**Storm Drain Deposits** - 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** - 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.

**Downtown Parking** - 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, 2008**

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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, 2008

	Special Revenue			
	Vehicles Impound	Supplemental Law Enforcement	Gas Taxes	Proposition 1B
<b>ASSETS</b>				
Cash and investments	\$ -	\$ -	\$ 27,189	\$ 455,548
Restricted cash and investments	-	-	-	-
Receivable (net of allowance for uncollectible):				
Accounts	-	-	122,695	-
Assessments	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,884</u>	<u>\$ 455,548</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	-	-	-	-
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	-	-	149,884	455,548
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved:				
Undesignated	-	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>-</u>	<u>149,884</u>	<u>455,548</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,884</u>	<u>\$ 455,548</u>



# CITY OF LOS ALTOS

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2008

Special Revenue					
Storm Drain Deposits	Community Development Block Grants	Downtown Parking	In Lieu Park Land	Traffic Impact Fee	Estate Donation
\$ 56,086	\$ 9,810	\$ 100,737	\$ 1,016,741	\$ 383,026	\$ 11,968
-	-	-	-	-	-
-	15,538	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 56,086</u>	<u>\$ 25,348</u>	<u>\$ 100,737</u>	<u>\$ 1,016,741</u>	<u>\$ 383,026</u>	<u>\$ 11,968</u>
-	9,656	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>9,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
56,086	15,692	100,737	1,016,741	383,026	11,968
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>56,086</u>	<u>15,692</u>	<u>100,737</u>	<u>1,016,741</u>	<u>383,026</u>	<u>11,968</u>
<u>\$ 56,086</u>	<u>\$ 25,348</u>	<u>\$ 100,737</u>	<u>\$ 1,016,741</u>	<u>\$ 383,026</u>	<u>\$ 11,968</u>

# CITY OF LOS ALTOS

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2008

	Debt Service			
	North Los Altos Water District	General	Grant Fremont Sewer	Oak Truman Sewer
<b>ASSETS</b>				
Cash and investments	\$ 104,308	\$ 196,710	\$ 38,968	\$ 57,246
Restricted cash and investments	-	173,007	-	-
Receivable (net of allowance for uncollectible):				
Accounts	-	-	-	-
Assessments	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>\$ 104,308</u>	<u>\$ 369,717</u>	<u>\$ 38,968</u>	<u>\$ 57,246</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	-	-	-	-
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	369,717	38,968	57,246
Capital projects	-	-	-	-
Unreserved:				
Undesignated	-	-	-	-
<b>Total fund balances</b>	<u>104,308</u>	<u>369,717</u>	<u>38,968</u>	<u>57,246</u>
<b>Total liabilities and fund balances</b>	<u>\$ 104,308</u>	<u>\$ 369,717</u>	<u>\$ 38,968</u>	<u>\$ 57,246</u>

# CITY OF LOS ALTOS

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2008

Debt Service						Capital Projects	
Morton Alford Sewer	Elmhurst Curb and Gutter	Edith Avenue Foothill Noise Wall	El Monte Foothill Noise Wall	Avalon Drive Curb and Gutter	Raymundo Curb and Gutter	Facility Fund Capital Projects	Total Non-Major Governmental Funds
\$ 51,068	\$ 603	\$ -	\$ 24,801	\$ 41,806	\$ 48,590	\$ 2,425,187	\$ 5,050,392
-	-	-	-	-	-	-	173,007
-	-	-	-	-	-	-	138,233
-	-	-	-	1,226	649	-	1,875
-	-	-	-	-	-	1,000,000	1,000,000
<u>\$ 51,068</u>	<u>\$ 603</u>	<u>\$ -</u>	<u>\$ 24,801</u>	<u>\$ 43,032</u>	<u>\$ 49,239</u>	<u>\$ 3,425,187</u>	<u>\$ 6,363,507</u>
-	-	-	-	-	-	-	9,656
-	-	7,585	-	-	13,720	-	21,305
-	-	7,585	-	-	13,720	-	30,961
-	-	-	-	-	-	-	2,189,682
51,068	603	-	24,801	43,032	35,519	-	725,262
-	-	-	-	-	-	1,000,000	1,000,000
-	-	(7,585)	-	-	-	2,425,187	2,417,602
<u>51,068</u>	<u>603</u>	<u>(7,585)</u>	<u>24,801</u>	<u>43,032</u>	<u>35,519</u>	<u>3,425,187</u>	<u>6,332,546</u>
<u>\$ 51,068</u>	<u>\$ 603</u>	<u>\$ -</u>	<u>\$ 24,801</u>	<u>\$ 43,032</u>	<u>\$ 49,239</u>	<u>\$ 3,425,187</u>	<u>\$ 6,363,507</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, 2008

	Special Revenue			
	Vehicle Impound	Supplemental Law Enforcement	Gas Taxes	Proposition 1B
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	100,000	508,905	452,034
Grants	-	-	-	-
Fines and forfeiture	38,825	-	-	-
Interest and rentals	-	-	8,327	3,514
Other	-	-	-	-
<b>Total revenues</b>	<u>38,825</u>	<u>100,000</u>	<u>517,232</u>	<u>455,548</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Public works	-	-	-	-
Recreation	-	-	-	-
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>38,825</u>	<u>100,000</u>	<u>517,232</u>	<u>455,548</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(38,825)	(100,000)	(833,333)	-
<b>Total other financing sources (uses)</b>	<u>(38,825)</u>	<u>(100,000)</u>	<u>(833,333)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(316,101)	455,548
<b>FUND BALANCES:</b>				
Beginning of year	-	-	465,985	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,884</u>	<u>\$ 455,548</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, 2008

Special Revenue						Debt Service	
Storm Drain Deposits	Community Development Block Grants	Downtown Parking	In Lieu Park Land	Traffic Impact Fee	Estate Donation	North Los Altos Water District	General
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	285,421	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	12,580	23,889	7,785	1,457	-	8,539
-	-	32,068	867,000	285,018	-	-	-
-	285,421	44,648	890,889	292,803	1,457	-	8,539
-	-	-	-	-	-	-	-
-	112,277	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	21,608	-	-	-	-	-
-	50,564	-	-	-	-	-	-
-	85,919	-	-	-	-	-	-
-	-	-	-	-	-	-	637,436
-	-	-	-	-	-	-	116,647
-	248,760	21,608	-	-	-	-	754,083
-	-	-	-	-	-	-	-
-	36,661	23,040	890,889	292,803	1,457	-	(745,544)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	704,515
-	-	-	(211,780)	-	(25,413)	-	-
-	-	-	(211,780)	-	(25,413)	-	704,515
-	-	-	-	-	-	-	-
-	36,661	23,040	679,109	292,803	(23,956)	-	(41,029)
-	-	-	-	-	-	-	-
56,086	(20,969)	77,697	337,632	90,223	35,924	104,308	410,746
\$ 56,086	\$ 15,692	\$ 100,737	\$ 1,016,741	\$ 383,026	\$ 11,968	\$ 104,308	\$ 369,717

# CITY OF LOS ALTOS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	Debt Service			
	Grant Fremont Sewer	Oak Truman Sewer	Morton Alford Sewer	Elmhurst Curb and Gutter
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Grants	-	-	-	-
Fines and forfeiture	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
<b>Total revenues</b>	-	-	-	-
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Public works	-	-	-	-
Recreation	-	-	-	-
Community development	-	-	-	-
Admin / community services	-	-	-	-
Capital improvements	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES:</b>				
Beginning of year	38,968	57,246	51,068	603
End of year	\$ 38,968	\$ 57,246	\$ 51,068	\$ 603

# CITY OF LOS ALTOS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

Debt Service				Capital Projects	Total
Edith Avenue Foothill Wall	El Monte Foothill Noise Wall	Avalon Drive Curb and Gutter	Raymundo Curb and Gutter	Facility Fund Capital Projects	Non-major Governmental Funds
\$ -	\$ -	\$ 13,965	\$ 27,091	\$ -	\$ 41,056
-	-	-	-	-	1,060,939
-	-	-	-	-	285,421
-	-	-	-	-	38,825
-	-	1,521	1,472	-	69,084
-	-	-	-	4,000	1,188,086
-	-	15,486	28,563	4,000	2,683,411
-	-	-	-	-	112,277
-	-	-	-	61,159	61,159
-	-	-	-	-	21,608
-	-	-	-	5,562	56,126
-	-	-	-	4,566	90,485
-	-	6,000	14,000	-	657,436
-	-	7,005	14,432	-	138,084
-	-	13,005	28,432	71,287	1,137,175
-	-	2,481	131	(67,287)	1,546,236
-	-	-	-	405,000	1,109,515
-	-	-	-	-	(1,209,351)
-	-	-	-	405,000	(99,836)
-	-	2,481	131	337,713	1,446,400
(7,585)	24,801	40,551	35,388	3,087,474	4,886,146
\$ (7,585)	\$ 24,801	\$ 43,032	\$ 35,519	\$ 3,425,187	\$ 6,332,546

# CITY OF LOS ALTOS

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2008

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	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2008</b>
<b>Assets</b>				
Cash and Investments	\$ 1,260,799	\$ 1,093,592	\$ (1,133,570)	\$ 1,220,821
Interest Receivable	16,658	10,357	(16,658)	10,357
<b>Total assets</b>	<u>\$ 1,277,457</u>	<u>\$ 1,103,949</u>	<u>\$ (1,150,228)</u>	<u>\$ 1,231,178</u>
<b>Liabilities</b>				
Accounts Payable	\$ 102,789	\$ 811,660	\$ (800,301)	\$ 114,148
Due to others	1,174,668	292,289	(349,927)	1,117,030
<b>Total liabilities</b>	<u>\$ 1,277,457</u>	<u>\$ 1,103,949</u>	<u>\$ (1,150,228)</u>	<u>\$ 1,231,178</u>



# CITY OF LOS ALTOS

## BUDGETARY COMPARISON SCHEDULE GAS TAXES FOR THE YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 551,000	\$ 508,905	\$ (42,095)
Interest and rentals	-	8,327	8,327
<b>Total revenues</b>	<u>551,000</u>	<u>517,232</u>	<u>(33,768)</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Public works	-	-	-
Recreation	-	-	-
Admin / community services	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>551,000</u>	<u>517,232</u>	<u>(33,768)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	(200,000)	(833,333)	633,333
<b>Total other financing sources (uses)</b>	<u>(200,000)</u>	<u>(833,333)</u>	<u>633,333</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 351,000</u>	<u>(316,101)</u>	<u>\$ 599,565</u>
Fund balance, beginning of year		465,985	
Fund balance, end of year		<u>\$ 149,884</u>	

# CITY OF LOS ALTOS

## BUDGETARY COMPARISON SCHEDULE COMMUNITY DEVELOPMENT BLOCK GRANT FOR THE YEAR ENDED JUNE 30, 2008

---

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Grants	\$ 159,059	\$ 285,421	\$ 126,362
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Public works	87,526	112,277	(24,751)
Community development		50,564	
Admin / community services	50,564	85,919	(35,355)
<b>Total expenditures</b>	<u>138,090</u>	<u>248,760</u>	<u>(60,106)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(138,090)</u>	<u>(248,760)</u>	<u>(60,106)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 20,969</u>	36,661	<u>\$ 66,256</u>
Fund balance, beginning of year		(20,969)	
Fund balance, end of year		<u>\$ 15,692</u>	

# CITY OF LOS ALTOS

## BUDGETARY COMPARISON SCHEDULE DOWNTOWN PARKING FUND FOR THE YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Interest and rentals	\$ -	\$ 12,580	\$ 12,580
Other	12,000	32,068	20,068
<b>Total revenues</b>	<u>12,000</u>	<u>44,648</u>	<u>32,648</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Public safety	10,000	-	10,000
Community development	-	21,608	(21,608)
<b>Total expenditures</b>	<u>10,000</u>	<u>21,608</u>	<u>(11,608)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,000</u>	<u>23,040</u>	<u>21,040</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 2,000</u>	<u>23,040</u>	<u>\$ 21,040</u>
Fund balance, beginning of year		77,697	
Fund balance, end of year		<u>\$ 100,737</u>	

## CITY OF LOS ALTOS

### INTERNAL SERVICE FUNDS

JUNE 30, 2008

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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, 2008

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 198,763	\$ 1,028	\$ 1,573,728	\$ 888,181	\$ 2,661,700
Accounts receivable	-	-	489	14,576	15,065
<b>Total assets</b>	<u>198,763</u>	<u>1,028</u>	<u>1,574,217</u>	<u>902,757</u>	<u>2,676,765</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	6,313	-	41,881	4,899	53,093
Claims and judgments - current portion	-	-	152,024	21,878	173,902
Noncurrent liabilities:					
Claims and judgments - noncurrent portion	-	-	861,470	123,973	985,443
<b>Total liabilities</b>	<u>6,313</u>	<u>-</u>	<u>1,055,375</u>	<u>150,750</u>	<u>1,212,438</u>
<b>NET ASSETS</b>					
Unrestricted	192,450	1,028	518,842	752,007	1,464,327
<b>Total net assets</b>	<u>\$ 192,450</u>	<u>\$ 1,028</u>	<u>\$ 518,842</u>	<u>\$ 752,007</u>	<u>\$ 1,464,327</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, 2008

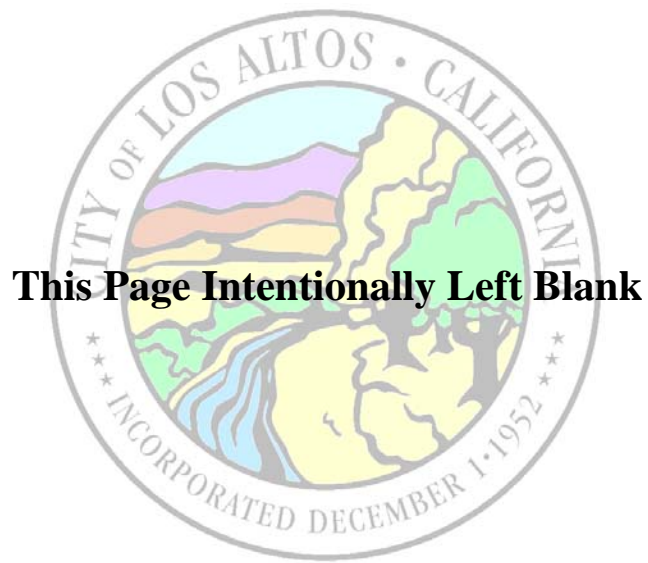
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	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 96,480	\$ 3,380	\$ 588,798	\$ 410,182	\$1,098,840
Other	301	-	170	19,873	20,344
<b>Total operating revenues</b>	<u>96,781</u>	<u>3,380</u>	<u>588,968</u>	<u>430,055</u>	<u>1,119,184</u>
<b>OPERATING EXPENSES</b>					
Claims reimbursement	99,866	23,355	516,511	29,546	669,278
Insurance	-	-	79,928	244,082	324,010
Administration	-	-	42,975	10,193	53,168
<b>Total operating expenses</b>	<u>99,866</u>	<u>23,355</u>	<u>639,414</u>	<u>283,821</u>	<u>1,046,456</u>
<b>OPERATING INCOME (LOSS) \</b>					
<b>CHANGE IN NET ASSETS</b>	<u>(3,085)</u>	<u>(19,975)</u>	<u>(50,446)</u>	<u>146,234</u>	<u>72,728</u>
<b>NET ASSETS:</b>					
Beginning of year	195,535	21,003	569,288	605,773	1,391,599
End of year	<u>\$ 192,450</u>	<u>\$ 1,028</u>	<u>\$ 518,842</u>	<u>\$ 752,007</u>	<u>\$1,464,327</u>

# CITY OF LOS ALTOS

## COMBINING STATEMENT OF CASH FLOWS ALL INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2008

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
<b>CASH FLOWS FROM</b>					
<b>OPERATING ACTIVITIES:</b>					
Cash received from customers/other funds	\$ 96,781	\$ 3,380	\$ 589,375	\$ 426,198	\$ 1,115,734
Cash payments to claimants	(95,295)	(23,355)	(191,931)	-	(310,581)
Insurance premiums and administrative	-	-	(97,839)	(278,956)	(376,795)
<b>Net cash provided (used) by</b>					
<b>Operating activities</b>	<u>1,486</u>	<u>(19,975)</u>	<u>299,605</u>	<u>147,242</u>	<u>428,358</u>
<b>CASH AND INVESTMENTS:</b>					
Beginning of year	<u>197,277</u>	<u>21,003</u>	<u>1,274,123</u>	<u>740,939</u>	<u>2,233,342</u>
End of year	<u>\$ 198,763</u>	<u>\$ 1,028</u>	<u>\$ 1,573,728</u>	<u>\$ 888,181</u>	<u>\$ 2,661,700</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (3,085)	\$ (19,975)	\$ (50,446)	\$ 146,234	\$ 72,728
Adjustments to reconcile operating income (loss) to net cash provided (used) to operating activities:					
Changes in assets and liabilities:					
Accounts receivable	-	-	407	(3,857)	(3,450)
Accounts payable	4,571	-	25,064	4,865	34,500
Claims and judgments payable	-	-	324,580	-	324,580
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,486</u>	<u>\$ (19,975)</u>	<u>\$ 299,605</u>	<u>\$ 147,242</u>	<u>\$ 428,358</u>



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## *STATISTICS*

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# **CITY OF LOS ALTOS**

## **STATISTICAL SECTION**

### **JUNE 30, 2008**

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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, 2008**

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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					
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<b><i>Governmental activities</i></b>						
Invested in capital assets, net of related debt	\$ 38,536	\$ 38,589	\$ 39,023	\$ 37,877	\$ 38,186	\$ 40,251
Restricted	2,007	2,081	3,792	2,403	2,709	3,366
Unrestricted	14,699	16,114	16,178	23,343	27,386	37,038
<b><i>Total governmental activities net assets</i></b>	<u>55,242</u>	<u>56,784</u>	<u>58,993</u>	<u>63,623</u>	<u>68,281</u>	<u>80,655</u>
<b><i>Business-type activities</i></b>						
Invested in capital assets, net of related debt	\$ 2,760	\$ 2,646	\$ 2,510	\$ 2,527	\$ 2,388	\$ 2,219
Restricted	-	-	-	-	-	-
Unrestricted	2,751	2,736	4,228	5,511	6,977	7,922
<b><i>Total business-type activities net assets</i></b>	<u>5,511</u>	<u>5,382</u>	<u>6,738</u>	<u>8,038</u>	<u>9,365</u>	<u>10,141</u>
<b><i>Primary government</i></b>						
Invested in capital assets, net of related debt	\$ 41,296	\$ 41,235	\$ 41,533	\$ 40,404	\$ 40,574	\$ 42,470
Restricted	2,007	2,081	3,792	2,403	2,709	3,366
Unrestricted	17,450	18,850	20,406	28,854	34,363	44,960
<b><i>Total primary government net assets</i></b>	<u>\$ 60,753</u>	<u>\$ 62,166</u>	<u>\$ 65,731</u>	<u>\$ 71,661</u>	<u>\$ 77,646</u>	<u>\$ 90,796</u>

Source:

City of Los Altos Finance Department

Note:

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

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>	<u>2007-08</u>
<b>Expenses</b>						
Governmental activities:						
Public safety	\$ 8,878	\$ 8,853	\$ 9,856	\$ 9,913	\$ 11,033	\$ 12,415
Public works	3,396	3,594	4,498	4,224	4,799	4,886
Recreation and culture	1,898	2,129	2,212	2,405	2,460	2,650
Community development	2,065	2,042	2,383	2,604	2,875	3,448
Admin/Community services	2,309	2,262	2,313	2,502	2,655	3,317
Interest on long-term activities	263	365	149	151	146	138
Total governmental activities expenses	<u>18,809</u>	<u>19,245</u>	<u>21,411</u>	<u>21,799</u>	<u>23,968</u>	<u>26,854</u>
Business-type activities:						
Sewer	3,085	3,711	3,167	3,324	3,712	3,886
Solid waste	1,833	1,071	1,125	1,264	1,575	1,609
Storm drain	-	-	118	183	181	213
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>	<u>5,708</u>
<b>Total primary government expenses</b>	<u><b>\$ 23,727</b></u>	<u><b>\$ 24,027</b></u>	<u><b>\$ 25,821</b></u>	<u><b>\$ 26,570</b></u>	<u><b>\$ 29,436</b></u>	<u><b>\$ 32,562</b></u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
Public safety	\$ 448	\$ 517	\$ 508	\$ 377	\$ 499	\$ 527
Public works	178	250	231	156	228	204
Recreation and culture	1,363	1,569	1,604	1,545	1,665	1,654
Community development	1,374	1,754	1,854	2,644	2,501	3,372
Admin/Community services	589	540	543	580	1,166	967
Operating grants and contributions:						
Public safety	151	131	123	136	112	118
Public works	537	545	549	535	541	511
Recreation and culture	-	5	11	42	9	27
Community development	262	212	76	126	141	285
Admin/Community services	10	6	6	6	6	6
Capital grants and contributions						
Public safety	-	-	-	-	121	4
Public works	86	5	588	498	322	923
Recreation and culture	-	139	-	-	1	492
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>	<u>9,090</u>
Business-type activities:						
Charges for services:						
Sewer	\$ 2,653	\$ 3,534	\$ 4,273	\$ 4,264	\$ 4,833	\$ 4,467
Solid waste	1,013	1,155	1,309	1,455	1,471	1,540
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>	<u>6,007</u>
<b>Total primary government program revenues</b>	<u><b>\$ 8,664</b></u>	<u><b>\$ 10,362</b></u>	<u><b>\$ 11,675</b></u>	<u><b>\$ 12,364</b></u>	<u><b>\$ 13,616</b></u>	<u><b>\$ 15,097</b></u>
Net (expense)/revenue:						
Governmental activities	(13,811)	(13,572)	(15,318)	(15,154)	(16,656)	(17,764)
Business-type activities	(1,252)	(93)	1,172	948	836	299
<b>Total primary government net (expense)/revenue</b>	<u><b>\$ (15,063)</b></u>	<u><b>\$ (13,665)</b></u>	<u><b>\$ (14,146)</b></u>	<u><b>\$ (14,206)</b></u>	<u><b>\$ (15,820)</b></u>	<u><b>\$ (17,465)</b></u>

# CITY OF LOS ALTOS

## CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS

(accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year					
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</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	\$ 11,875
Sales taxes	2,464	2,331	2,553	2,662	2,750	2,872
Utility users taxes	1,825	1,886	1,970	2,101	2,274	2,483
Other taxes	3,156	3,181	231	235	2,682	2,703
Franchise fees	951	1,012	1,048	1,110	1,164	2,029
Sale of Capital Assets-net	-	-	-	-	-	6,499
Interest income	454	307	495	1,048	1,414	1,353
Miscellaneous	349	331	2,831	3,050	323	517
Transfers	91	35	(183)	(187)	(197)	(193)
Total governmental activities	<u>15,669</u>	<u>15,790</u>	<u>17,525</u>	<u>19,786</u>	<u>21,313</u>	<u>30,138</u>
Business-type activities						
Interest income	-	-	-	-	296	284
Transfers	(91)	(35)	183	187	197	193
Total business-type activities	<u>(91)</u>	<u>(35)</u>	<u>183</u>	<u>187</u>	<u>493</u>	<u>477</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>	<u><u>\$ 30,615</u></u>
<b>Change in Net Assets</b>						
Governmental activities	1,858	2,218	2,207	4,632	4,657	12,374
Business-type activities	(1,343)	(128)	1,355	1,135	1,329	776
<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>	<u><u>\$ 13,150</u></u>

Source:

City of Los Altos Finance Department

Note:

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

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 2004-05.

# CITY OF LOS ALTOS

## FUND BALANCES OF GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS

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

	Fiscal Year									
	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<b>General fund</b>										
Reserved	\$ 110	\$ 84	\$ 87	\$ 31	\$ 4,510	\$ 5,225	\$ 5,412	\$ 5,872	\$ 131	\$ 228
Unreserved	4,865	2,472	3,248	3,718	300	420	305	206	6,157	6,492
<b>Total general fund</b>	<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>	<u>\$ 6,720</u>
<b>All other governmental funds</b>										
Reserved	\$ 1,292	\$ 1,160	\$ 894	\$ 805	\$ 11,520	\$ 12,642	\$ 15,492	\$ 20,591	\$ 4,604	\$ 5,484
Unreserved, reported in:										
Special revenue funds	-	-	-	-	564	725	-	-	(21)	1,798
Capital projects funds	4,746	9,639	12,470	12,162	-	(780)	(775)	(770)	18,876	21,360
Debt service funds	1,299	969	955	621	-	-	(8)	(8)	(8)	(8)
<b>Total all other governmental funds</b>	<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>	<u>\$ 28,634</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									
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Revenues</b>										
Taxes	\$ 6,456	\$ 6,960	\$ 7,792	\$ 8,755	\$ 9,393	\$ 10,117	\$ 12,263	\$ 13,781	\$ 15,205	\$ 16,566
License, permits and park-in-lieu	1,326	1,505	1,970	1,846	1,810	2,170	2,198	2,568	2,522	3,493
Intergovernmental	4,606	5,989	6,379	5,227	5,233	4,790	4,048	4,515	4,323	4,470
Grants and donations	250	611	1,321	1,274	301	392	701	549	359	1,294
Charges for services	2,653	2,955	2,813	3,003	2,657	2,885	2,997	3,272	3,701	3,673
Fines and forfeitures	122	197	156	216	254	284	268	201	264	286
Interest and rentals	1,399	1,413	1,682	1,143	731	609	906	1,338	1,692	1,857
Other	167	212	102	285	201	211	419	395	777	1,284
<b>Total revenues</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>	<b>32,923</b>
<b>Expenditures</b>										
General government										
Public safety	7,023	7,127	7,392	8,142	8,424	8,813	9,428	10,067	11,084	12,217
Public works	1,998	2,101	2,220	2,362	2,805	3,236	3,961	3,775	4,321	4,286
Recreation and culture	1,217	1,404	1,786	1,737	1,685	1,801	1,820	1,952	2,103	2,257
Community development	1,436	1,585	1,817	1,849	2,012	2,040	2,293	2,606	2,922	3,384
Administration/Community services	1,510	1,572	1,776	2,009	2,208	2,206	2,215	2,414	2,658	3,222
Capital improvements	2,109	3,113	2,605	4,760	3,052	1,637	1,348	72	1,374	2,719
Debt service										
Principal	617	608	639	683	342	145	199	193	193	657
Interest and fiscal charges	377	338	319	260	221	145	158	146	143	138
<b>Total expenditures</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>28,880</b>
<b>Excess (deficiency) of revenues over (under) expenditures</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>	<b>4,043</b>
<b>Other financing sources (uses)</b>										
Debt issuance	-	-	101	-	-	2,372	-	257	-	-
Payment to refunded bonded escrow agent	-	-	-	-	-	(2,506)	-	-	-	-
Transfers in	5,671	8,445	5,465	4,847	4,531	3,938	5,652	6,639	6,153	5,388
Transfers out	(6,115)	(8,426)	(5,896)	(5,107)	(4,804)	(3,902)	(5,834)	(6,827)	(6,350)	(5,581)
<b>Total Other financing sources (uses)</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>(193)</b>
<b>Special items</b>										
Sale of capital assets-net	-	-	-	-	-	-	-	-	-	1,798
<b>Total special items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,798</b>
<b>Net change in fund balances</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>\$ 5,648</b>
<b>Debt service as a percentage of non-capital expenditures</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>	<b>3.0%</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 Year</b>	<b>Property</b>	<b>Business Licenses</b>	<b>Utility Users</b>	<b>Transient Occupancy</b>	<b>Building Development</b>	<b>Special Assessments</b>	<b>Total</b>
<b>1998-99</b>	\$ 4,483,870	\$ 315,810	\$ 1,469,515	\$ 2,801	\$ 95,082	\$ 88,868	\$ 6,455,946
<b>1999-00</b>	4,800,572	323,505	1,469,850	208	234,573	130,973	6,959,681
<b>2000-01</b>	5,341,863	290,975	1,825,109	0	283,055	50,901	7,791,903
<b>2001-02</b>	6,148,343	312,243	1,832,299	254,887	157,526	49,706	8,755,004
<b>2002-03</b>	6,379,459	340,969	1,824,795	633,861	158,311	55,229	9,392,624
<b>2003-04</b>	6,707,237	333,668	1,885,591	945,649	117,654	127,138	10,116,937
<b>2004-05</b>	8,580,232	365,859	1,969,699	1,057,995	256,646	32,149	12,262,580
<b>2005-06</b>	9,766,623	364,602	2,100,663	1,260,279	248,349	40,015	13,780,530
<b>2006-07</b>	10,902,569	380,470	2,274,478	1,469,867	137,461	39,848	15,204,693
<b>2007-08</b>	11,875,286	417,934	2,483,138	1,525,090	223,248	41,056	16,565,752

Source:

City of Los Altos Finance Department

## CITY OF LOS ALTOS

### ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

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<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Other</b>	<b>Net Unsecured</b>	<b>Total Taxable Assessed Value (1)</b>	<b>Total Direct Tax Rate (2)</b>
<b>1998-99</b>	\$ 3,363,937,149	\$ 263,744,625	\$ 61,346,550	\$ 59,755,904	\$ 3,748,784,228	1%
<b>1999-00</b>	3,647,125,022	285,182,682	62,085,405	62,730,139	4,057,123,248	1%
<b>2000-01</b>	4,037,170,644	308,354,623	78,447,835	64,192,787	4,488,165,889	1%
<b>2001-02</b>	4,626,324,290	367,458,673	100,863,680	89,404,527	5,184,051,170	1%
<b>2002-03</b>	4,857,875,155	403,640,089	89,722,887	94,541,745	5,445,779,876	1%
<b>2003-04</b>	5,323,684,512	434,476,752	82,641,608	83,406,442	5,924,209,314	1%
<b>2004-05</b>	5,793,122,535	420,622,052	81,325,037	78,123,781	6,373,193,405	1%
<b>2005-06</b>	6,426,969,808	457,811,338	81,562,137	79,379,615	7,045,722,898	1%
<b>2006-07</b>	7,015,252,860	495,435,150	83,502,556	82,870,129	7,677,060,695	1%
<b>2007-08</b>	7,682,199,728	533,699,456	84,676,730	91,811,067	8,392,386,981	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 considered to be full market values.

(2) - California cities do not set their own direct tax rate. The California State Constitution establishes the rate at 1% and the County of Santa Clara is responsible for allocating a portion of that amount to all the taxing entities within each of the City's tax rate areas. In the fiscal year 2007-08, 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
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
2007-08	1.0000	0.0388	0.0024	0.0526	0.0294	0.0306	-	0.0123	0.0148	0.0339	0.0061	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	2007-08			1998-99		
	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue
Behringer Harvard El Camino Real LP	\$ 38,750,000	1	0.47%			
Springwood Apartments LLC	25,676,960	2	0.29%			
Los Altos Gardens I Limited Partnership	22,406,670	3	0.27%			
Compass Grand Los Altos LLC	20,474,772	4	0.25%			
Rambus, Inc.	18,410,407	5	0.22%			
4 Seasons Associates LLC	17,756,283	6	0.22%			
David & Lucile Packard Foundation	38,205,501	7	0.21%	\$ 5,857,662	12	0.15%
Los Altos Hotel Associates LLC	16,380,413	8	0.20%			
KRC Los Altos Limited Partnership	15,662,147	9	0.19%			
Village Court Partners	14,644,690	10	0.18%	8,603,596	3	0.24%
John T. Vidovich	13,821,259	11	0.17%			
Camino Altos 4300 Inc.	13,795,400	12	0.17%			
Tan Los Altos Gateway LLC	11,942,823	13	0.15%			
Austiaj Limited Partnership Fund II	10,500,000	14	0.13%			
Cornerstone Properties II	9,988,086	15	0.12%	7,823,808	4	0.21%
FXSC LLC	9,874,047	16	0.11%			
Bank of America Leasing & Capital	8,916,327	17	0.11%			
Olga J. Maltzer, Et. Al	8,390,596	18	0.10%			
Frank M. White	7,459,651	19	0.09%	4,667,977	14	0.13%
Bunker Hill Plaza	7,265,228	20	0.09%			
Corland Partners I LLC	7,167,164	21	0.09%			
George & Lorraine A. Korpontinos Trust	7,135,386	22	0.09%	5,987,012	8	0.16%
James C. & Abby C. Althoff	7,132,569	23	0.09%			
Altos Properties	7,746,603	24	0.09%	6,499,856	9	0.16%
Robert Cole & Deborah J. Meredith	6,888,783	25	0.08%			
Kenneth T. Namimatsu, Et Al				20,740,710	1	0.52%
Lydia & John T. Vidovich				9,732,977	2	0.27%
Ivan D. & Zoya Gerhath				7,017,526	5	0.19%
American Estate Company				6,681,000	6	0.18%
Sissu Limited Partnership				6,650,000	7	0.18%
Burnham Pacific Operating LP				6,180,000	10	0.16%
Victor C. & Margaret Bellomo				5,598,964	11	0.15%
Eugene P. Jarvis, Et. Al.				5,159,671	13	0.14%
John B. & Cynthia B. Lovewell				4,541,011	15	0.12%
Zeng Wang & Tian Zeng Partners				4,294,650	16	0.12%
California Water Service Company				4,314,615	17	0.11%
Penny M. Woolworth				4,095,249	18	0.11%
Alice P. & Richard P. Nuzzo				4,093,329	19	0.11%
Distel Limited Partnership				3,876,000	20	0.11%
Safeway Inc.				3,864,917	21	0.11%
Draegers Super Markets Inc				3,858,744	22	0.11%
PCF Associates II				3,743,188	23	0.10%
Salvatore & Stella Giovannotto Trust				3,586,980	24	0.10%
Wellington Park Investors				3,570,000	25	0.10%
Total	\$ 366,391,765		4.18%	\$ 151,039,442		4.04%

Source:

HdL Coren & Cone

# CITY OF LOS ALTOS

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Santa Clara County			
	Overall Secured Tax Levy	Overall Unsecured Tax Levy	Unsecured Tax Collections	Overall % Delinquent Unsecured
<b>1998-99</b>	\$ 1,599,036,935	\$ 198,156,600	\$ 190,638,360	2.86
<b>1999-00</b>	1,737,277,014	204,083,791	202,046,008	1.60
<b>2000-01</b>	1,894,006,816	227,194,023	225,229,529	1.62
<b>2001-02</b>	2,178,287,177	285,796,090	277,325,266	2.96
<b>2002-03</b>	2,350,156,060	294,833,129	282,888,132	4.05
<b>2003-04</b>	2,450,641,090	265,954,516	254,894,281	4.16
<b>2004-05</b>	2,585,477,929	246,825,818	239,154,534	3.11
<b>2005-06</b>	2,825,814,205	236,149,611	227,093,270	3.80
<b>2006-07</b>	3,112,397,937	246,156,802	233,263,667	5.23
<b>2007-08</b>	3,359,578,190	254,185,732	245,390,836	3.46

### 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

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Fiscal Year	Governmental Activities				Total	Per Capita
	General Obligation Bond	Certificates of Participation	Special Assessment Bonds	Capital Lease		
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
2007-08	-	2,195,000	311,000	-	2,506,000	89

Source:

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

Note: Per capita personal income is included in the Demographic and Economic Statistics.

# CITY OF LOS ALTOS

## SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT JUNE 30, 2008

<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b>Total Debt 6/30/2008</b>	<b>% Applicable (1)</b>	<b>City's Share of Debt 6/30/08</b>
Foothill-De Anza Community College District	\$484,814,288	10.151	\$49,213,498
Fremont Union High School District	132,000,000	4.345	5,735,400
Mountain View-Los Altos Union High School District	38,464,160	29.455	11,329,618
Cupertino Union School District	128,129,883	7.263	9,306,073
Los Altos School District	97,344,000	53.170	51,757,805
El Camino Hospital District	146,365,000	19.790	28,965,634
North County Library Authority	1,200,000	65.683	788,196
Santa Clara Valley Water District Benefit Assessment District	165,020,000	3.310	5,462,162
City of Los Altos 1915 Act Bonds	311,000	100	311,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$162,869,386</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Santa Clara County General Fund Obligations	\$895,655,000	3.310	\$29,646,181
Santa Clara County Pension Obligations	389,484,322	3.310	12,891,948
Santa Clara County Board of Education Certificates of Participation	15,445,000	3.310	511,230
Foothill-De Anza Community College District Certificates of Participation	27,685,000	10.151	2,810,304
Mountain View-Los Altos Union High School District Certificates of Participation	7,245,000	29.455	2,134,015
Cupertino Union School District Certificates of Participation	2,375,000	7.263	172,496
<b>City of Los Altos Certificates of Participation</b>	<b>2,650,000</b>	<b>100</b>	<b>2,650,000</b>
Midpeninsula Regional Park District General Fund Obligations	104,840,193	5.838	6,120,570
Santa Clara County Vector Control District Certificates of Participation	4,275,000	3.310	141,503
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$57,078,247</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$219,947,633 (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 (\$2,650,000)</b>	<b>0.03%</b>
Total Overlapping Tax and Assessment Debt	1.94%
Combined Total Debt	2.62%

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08:** \$0

Source:

California Municipal Statistics, Inc.

## CITY OF LOS ALTOS

### LEGAL DEBT MARGIN LAST TEN FISCAL YEARS

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<b>Fiscal Year</b>	<b>Assessed Valuation *</b>	<b>Debt Limit 15% of Assessed Valuation</b>	<b>Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>
<b>1998-99</b>	\$ 3,748,784,228	\$ 562,317,634	\$ 602,000	\$ 561,715,634
<b>1999-00</b>	4,057,123,248	608,568,487	416,000	608,152,487
<b>2000-01</b>	4,488,165,889	673,224,883	216,000	673,008,883
<b>2001-02</b>	5,184,051,170	777,607,676	-	777,607,676
<b>2002-03</b>	5,445,779,876	816,866,981	-	816,866,981
<b>2003-04</b>	5,924,209,314	898,390,017	-	898,390,017
<b>2004-05</b>	6,373,193,405	967,349,235	-	967,349,235
<b>2005-06</b>	7,045,722,898	1,056,858,435	-	1,056,858,435
<b>2006-07</b>	7,677,060,695	1,151,559,104	-	1,151,559,104
<b>2007-08</b>	8,392,386,981	1,258,858,047	-	1,258,858,047

Source:

\* HdL Coren & Cone



## CITY OF LOS ALTOS

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

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<b>Fiscal Year</b>	<b>Special Assessment</b>		<b>Special Assessment Debt Service</b>		<b>Coverage</b>
	<b>Collected</b>		<b>Principal</b>	<b>Interest</b>	
<b>1998-99</b>	\$	88,868	\$ 74,000	\$ 22,576	0.92
<b>1999-00</b>		130,973 (1)	29,000	15,273	2.96
<b>2000-01</b>		50,901	34,000	16,438	1.01
<b>2001-02</b>		49,706	34,783	16,081	0.98
<b>2002-03</b>		55,229	35,000	13,718	1.13
<b>2003-04</b>		127,138 (2)	40,000	10,719	2.51
<b>2004-05</b>		32,149	45,000	7,778	0.61
<b>2005-06</b>		40,014	26,000	12,651	1.04
<b>2006-07</b>		39,848	18,391	16,647	1.14
<b>2007-08</b>		41,056	20,000	15,686	1.15

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 Population (1)</b>	<b>Percentage Change</b>	<b>School Enrollment (2)</b>	<b>Percentage Change</b>	<b>Unemployment Rate (3)</b>	<b>Per Capita Personal Income (3)</b>
<b>1998-99</b>	28,391	0.13%	6,611	1.43%	1.8%	\$59,732
<b>1999-00</b>	28,601	0.74%	6,769	2.39%	1.2%	66,776 (4)
<b>2000-01</b>	27,902	-2.44%	6,871	1.51%	2.8%	82,793
<b>2001-02</b>	27,825	-0.28%	7,009	2.01%	5.2%	75,626
<b>2002-03</b>	27,722	-0.37%	7,295	4.08%	4.9%	70,524
<b>2003-04</b>	27,512	-0.76%	7,491	2.69%	4.4%	71,158
<b>2004-05</b>	27,614	0.37%	7,530	0.52%	2.7%	74,398
<b>2005-06</b>	27,608	-0.02%	7,719	2.51%	2.3%	79,356
<b>2006-07</b>	28,104	1.80%	7,778	0.76%	2.3%	85,164
<b>2007-08</b>	28,291	0.67%	7,890	1.44%	3.0%	88,571 *

Sources:

- (1) State of California Department of Finance
- (2) State of California Department of Education
- (3) State of California Employment Development Department
- (4) 2000 Census

\* This is an estimate.

## CITY OF LOS ALTOS

### PRINCIPAL EMPLOYERS CURRENT YEAR

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Employer	2007-08		
	Employees(1)	Rank	% of Total City Employment
Los Altos School District	616 * (2)	1	4.93%
Rambus	296	2	2.37%
Whole Food Market	226	3	1.81%
Los Altos High School	215 (3)	4	1.72%
Coldwell Banker/Coldwell Banker Residential	194	5	1.55%
City of Los Altos	130	6	1.04%
Adobe Animal Hospital	125	7	1.00%
Palo Alto Medical Foundation	102	8	0.82%
Alain Pinel Realtors	98	9	0.78%
The David and Lucile Packard Foundation	87	10	0.70%
Total	2,089		16.71%

#### Sources:

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

\* - This number includes 119 substitute teachers.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<i><b>Public Safety</b></i>										
Police	37.75	37.25	37.25	35.50	35.50	35.50	35.50	35.50	36.50	36.50
Police Traffic Safety	-	3.00	3.00	2.00	3.00	2.00	2.00	2.00	2.00	2.00
Communications	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Fire	-	-	-	-	-	-	-	-	-	-
<i><b>Public Works</b></i>	27.50	27.00	25.00	27.00	25.00	27.00	26.50	28.00	29.50	30.00
<i><b>Recreation</b></i>	14.75	14.25	14.25	14.25	14.25	8.25	8.25	8.25	6.75	7.00
<i><b>Community Development</b></i>										
Planning & Building	11.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.50	13.00
Engineering	5.25	5.25	6.25	7.25	6.25	7.25	8.00	9.00	9.00	9.00
Economic Development	1.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<i><b>Administration</b></i>										
City Management	3.25	3.25	3.25	3.55	3.55	3.60	3.50	3.50	4.25	4.10
Administration & Finance	8.50	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	11.00
<i><b>Sewer</b></i>	5.75	5.75	7.75	7.75	7.75	6.75	5.75	5.75	6.75	6.75
<i><b>Solid Waste</b></i>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<i><b>Storm Drain</b></i>	-	-	-	-	0.25	0.25	0.50	0.50	1.00	1.00
<b>Total</b>	<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>	<u>129.60</u>

Source:

City of Los Altos Finance Department

# CITY OF LOS ALTOS

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

Function/Program	Fiscal Year									
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 *
<b>Police:</b>										
Arrests	682	570	467	653	628	532	528	383	453	449
Moving citations issued	3,103	1,868	2,981	3,819	4,375	4,236	3,193	3,306	3,197	2,435
Parking citations issued	**	**	**	**	1,114	828	1,197	1,040	2,295	2,455
Municipal code violations issued	**	**	**	**	350	499	249	376	522	552
<b>Public Works:</b>										
Crack sealing in lineal feet	**	**	**	**	188,500	18,400	41,500	241,000	55,028	52,000
Street sign installed and replaced	**	**	**	**	713	3,094	517	578	434	245
<b>Recreation:</b>										
Classes/programs	**	**	**	**	1,880	2,078	1,981	2,384	1,890	1,781
Facility rentals	**	**	**	**	397	500	440	419	589	583
Field/gymnasium permits	**	**	**	**	12	20	49	74	77	127
<b>Planning:</b>										
Plan applications submitted	346	335	362	235	321	303	259	290	340	331
<b>Building:</b>										
Permits issued	3,275	3,608	3,705	2,660	1,540	1,651	1,735	1,871	1,733	1,759
Plan checks submitted	**	**	**	**	234	322	284	461	335	485
Inspections	**	**	**	**	6,705	6,447	5,593	7,742	7,307	7,236
<b>Sewer:</b>										
Cleaning and flushing in lineal feet	**	**	**	**	515,638	963,683	928,997	1,380,984	810,261	1,100,150
<b>Storm Drain:</b>										
Catch basin/storm drain cleaned (measured in storm inlets cleaned)	**	**	**	**	686	1,825	2,282	2,111	1,754	1,827

Source: City of Los Altos Quarterly Reports.

\* Data for the fiscal year 2007-08 were provided by the corresponding departments.

Note:

\*\* Data are not available for this period.

# CITY OF LOS ALTOS

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<i><b>Police:</b></i>										
Station	1	1	1	1	1	1	1	1	1	1
<i><b>Culture and Recreation:</b></i>										
Number of Parks	10	10	10	10	10	10	10	10	10	10
Park Acreage	38	38	38	38	38	38	38	38	38	38
Number of Libraries	2	2	2	2	2	2	2	2	2	2
Number of History Museum	1	1	1	1	1	1	1	1	1	1
<i><b>Public Works:</b></i>										
Miles of Streets	125	125	125	125	125	125	125	125	127	127
Number of Traffic Signals	14	14	14	14	14	14	14	14	13	13
<i><b>Sewer:</b></i>										
Miles of Sewer Mains	141	141	141	141	141	141	141	141	141	141
<i><b>Storm Drain:</b></i>										
Miles of Storm Drain Mains	58	58	58	58	58	58	58	58	58	58

Source:

City of Los Altos