

City of Los Altos



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012





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

Prepared by
Finance Department



CITY OF LOS ALTOS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2012

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INTRODUCTORY SECTION





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

December 20, 2012

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Los Altos, California (the City) for the fiscal year ended June 30, 2012 along with the Independent Auditors' Report. The CAFR was prepared by the City's Finance Department and the information contained therein is based on a comprehensive framework of internal control established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of material misstatements. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the information, as presented, is accurate in all material respects, that the presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds, and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

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

PROFILE OF THE CITY AND ITS SERVICES

Tree-lined streets and a small village atmosphere characterize Los Altos, which is located in the heart of world famous Silicon Valley. Just 40 miles south of San Francisco, Los Altos is a residential community with a population of approximately 29,000 served by seven small retail areas. The seven square mile residential city is developed with small businesses, schools, libraries and churches. Incorporated on December 1, 1952, Los Altos is a general law city operating under the Council-Manager form of government. There are five Council members elected at large, serving four-year overlapping terms. Municipal services provided include police, streets, facilities and parks maintenance, engineering, community development, recreation, solid waste and sewer. Fire protection is contracted with the Santa Clara County Central Fire Protection District.

SERVICE EFFORTS AND MAJOR INITIATIVES

Service Efforts and Budget Compliance

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

Major Initiatives

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

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

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

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

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

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

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

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

FINANCIAL CONTROLS AND PROCEDURES

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

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

Cash Management Policies: It is the City's practice to "pool" available cash from all funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the first priority, ensuring adequate liquidity as the second priority and maximizing yield as the third priority. This past year continued to display historic lows in interest rates with a drop in LAIF earnings rates below one half of 1%. This condition was, and is, expected to persist. Staff acted on the Council's plan to engage investment advisory services and have diversified the City's investment portfolio as a means of mitigating the impact of interest rate swings. As always, the emphasis remains on preserving the safety of principal.

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

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

EXECUTIVE FINANCIAL OVERVIEW

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

General Fund

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

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

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

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

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

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

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

Other Funds

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

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

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

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

ECONOMIC TRENDS

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

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2011. This was the seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

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

Respectfully submitted,



Marcia Somers
City Manager



Russell J. Morreale
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Los Altos
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

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

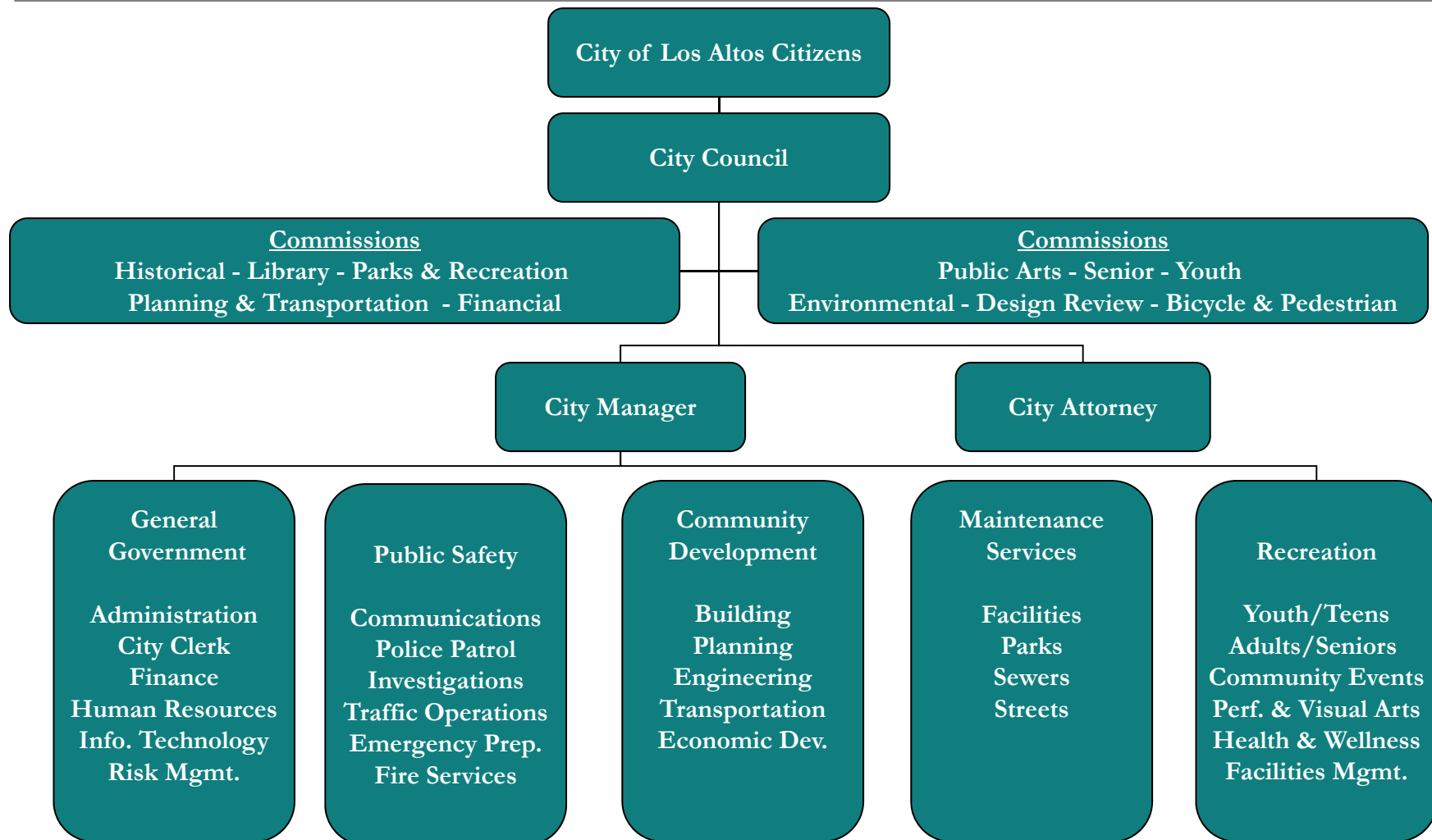
ELECTED OFFICIALS

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

APPOINTED OFFICIALS

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

**City of Los Altos
Organizational Chart
June 30, 2012**



A Great Place to Live & Raise a Family



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Altos, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Burr Pilger Mayer, Inc.

San Jose, California
December 20, 2012

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

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

Government-Wide View

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

Fund Level View

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

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

USING THIS ANNUAL REPORT

Overview of the Financial Statements

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

Reporting on the City as a Whole

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

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

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

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

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

Reporting on the City's Most Significant Funds

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

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

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

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

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

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

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

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

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

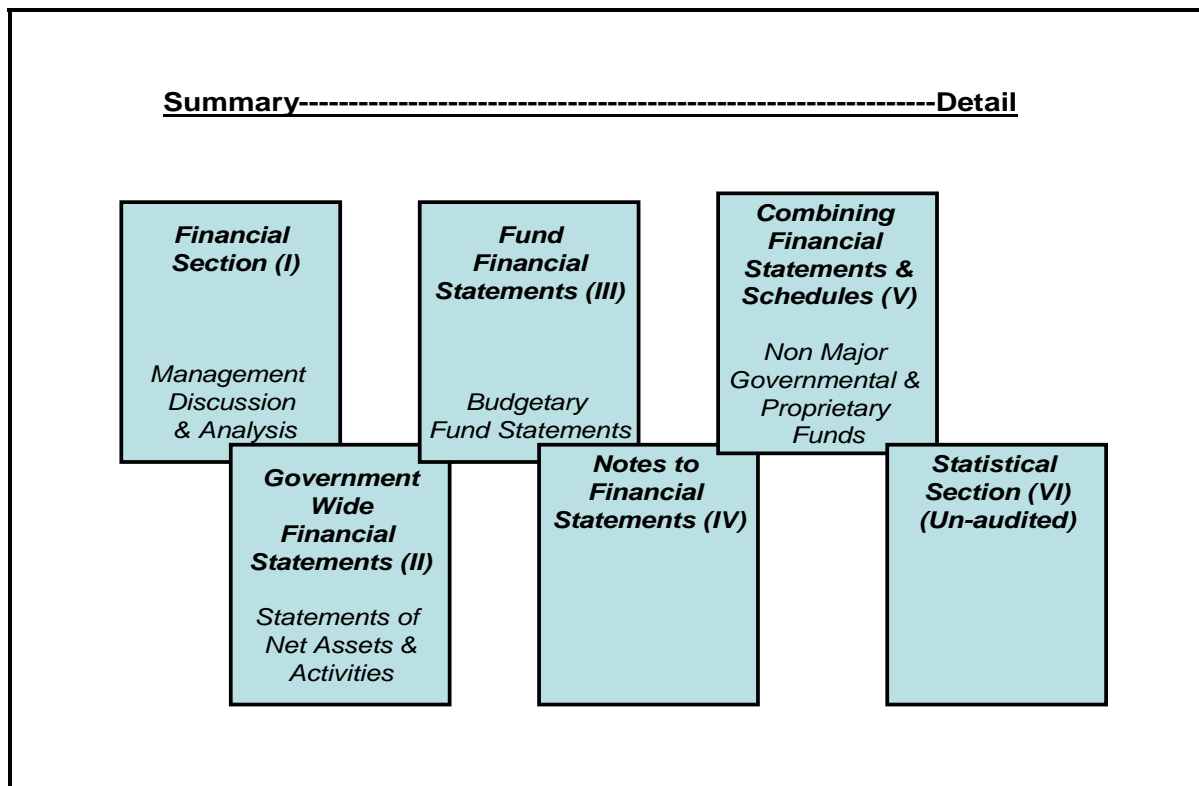
Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 39 to 68 of this report.

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

The City as Trustee

Fiduciary Funds: The City is the trustee, or fiduciary, for the North County Library Authority and three special assessment districts - Raymundo and Avalon curb and gutter improvements, and Blue Oak Sewer Lane improvements. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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



GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

City of Los Altos Net Assets

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

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

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

Some key government-wide observations include the following:

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

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

Governmental Activities

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

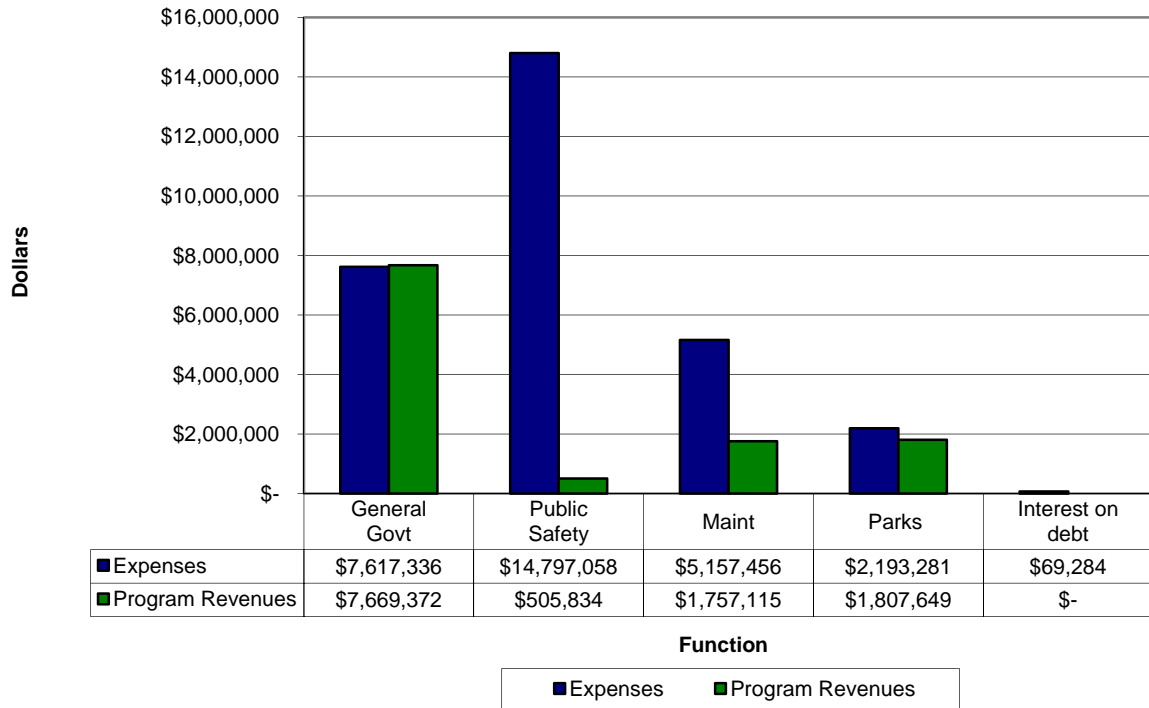
- Property tax continues to be the City's single largest source of revenue representing about 38% of general government-wide revenues. Property tax returned to its growth trend increasing by \$510,000, or 4%, a welcome change from the prior year.
- Charges for services, making up 18% of government revenues,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

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

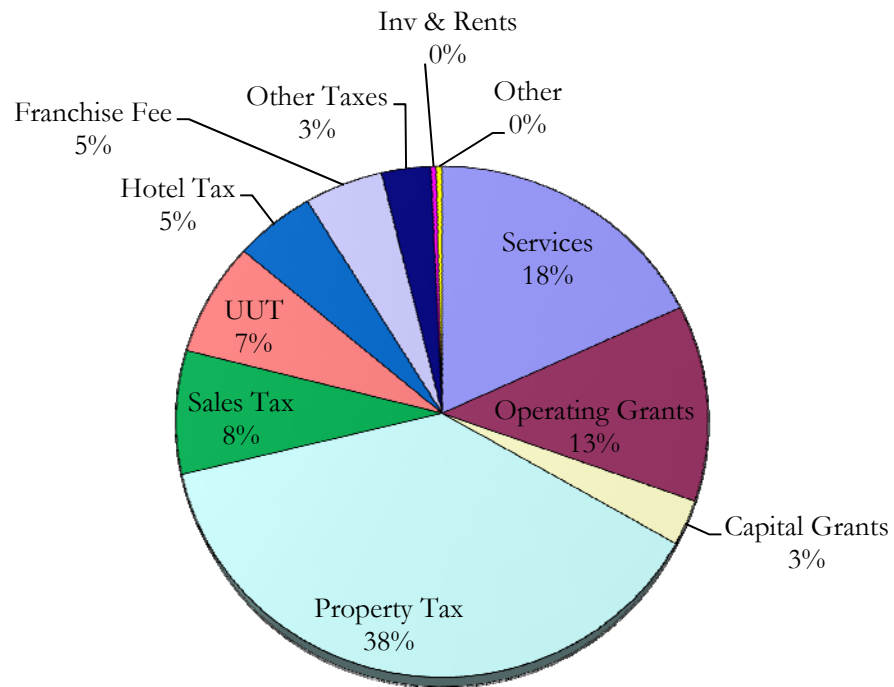
**City of Los Altos Changes in Net Assets
Fiscal Years Ending June 30, 2012 and 2011**

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

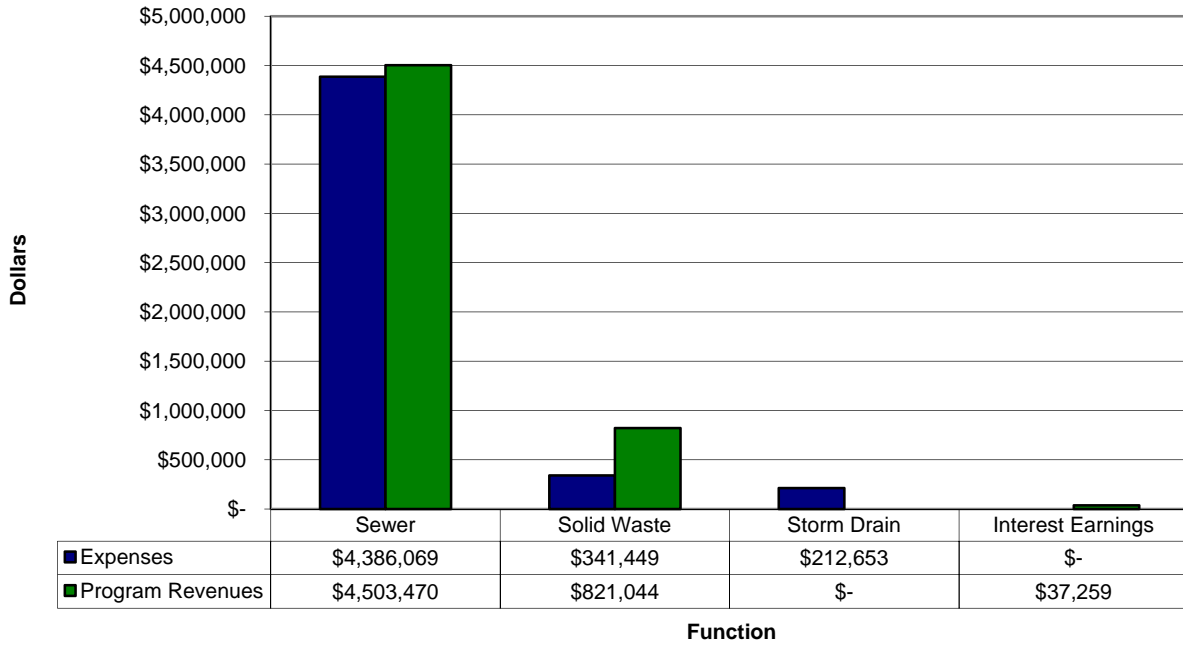
Program Expenses and Revenues - Governmental Activities



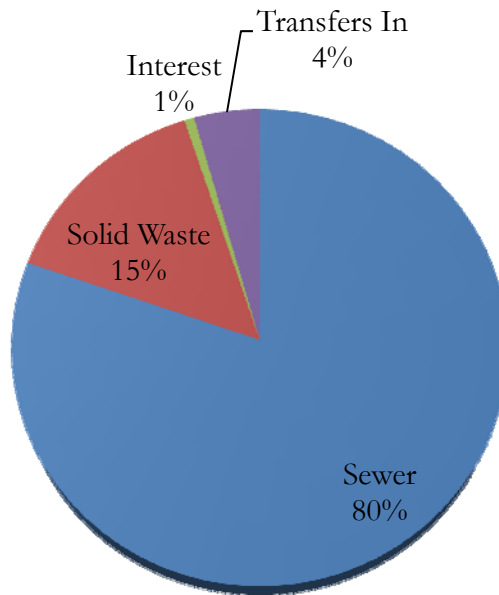
Government Revenues - All Sources



Program Expenses and Revenues - Business-Type Activities



Business Revenues - All Sources



Business-Type Activities

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

- The Joint Sewer System Authority (JSSA) formed in 1968 by a joint exercise of powers among the Cities of Palo Alto, Mountain View and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. The City is obligated through the year 2018 under an operating agreement with the City of Palo Alto for water treatment plant and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.
- Sewer revenue decreased by 7% as result of conservation utility usage trends. This will be a discussion in future master plans and rate studies.
- Sewer expenditures dropped consistent with usage trends, decreasing by 3%, or \$140,000. Net assets increased by \$183,000, a slow-down from the prior year, ending the year with a total of \$12 million.
- Revenue for solid waste collections decreased by \$170,000 or 20% as result of a change in the disposal and recycling model introduced in 2010 while expenditures decreased commensurately by \$375,000 or 52% for the same reason. Accordingly, net assets for the fund increased by \$488,000 leaving a total fund balance of \$1.4 million.
- The General Fund contributed to the Storm Drain Fund to augment annual expenses. For FY2011-12 the transfer equaled \$210,555 to cover annual operational costs. As projected in budgetary estimates and the prior year financial reports, this fund has exhausted its reserves. Currently, the Storm Drain and Urban Runoff Pollution Control Programs (URPP) are categorized as Enterprise activities, but lacking a fee that pays for these services, the City may need to reevaluate Storm Drain and URPP as General Fund activities.

FUND FINANCIAL ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned or committed fund balances may serve as a useful measure of a government's net resources available for use at the end of the fiscal year. Fund balances have been re-categorized and presented in compliance with GASB 54.

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Assets and Debt Administration

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

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

Capital Assets as of June 30, 2012

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

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

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

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

Long-Term Debt as of June 30, 2012

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS AND FY2011-2013 BIENNIAL BUDGET AND RATES

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

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

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, One North San Antonio Road, Los Altos, CA 94022.



CITY OF LOS ALTOS, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2012

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

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

CITY OF LOS ALTOS, CALIFORNIA

STATEMENT OF ACTIVITIES

Fiscal year ended June 30, 2012

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

General revenues and transfers:

Taxes:

Property

Sales and use

Utility users

Other taxes

Franchise fees

Total taxes

Interest income

Miscellaneous

Loss on disposal of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

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

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

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



CITY OF LOS ALTOS, CALIFORNIA
GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Governmental Funds

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

General Fund

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

Real Property Proceeds Fund

Accounts for the proceeds from the sale of the property.

Capital Projects Fund

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

Equipment Replacement Fund

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

Community Facilities Renewal Fund

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

Nonmajor Governmental Funds

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

CITY OF LOS ALTOS, CALIFORNIA

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2012

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

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

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

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



CITY OF LOS ALTOS, CALIFORNIA

GOVERNMENTAL FUNDS

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

June 30, 2012

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

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

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

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

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

Interest payable on long-term debt does not require current financial
resources. Therefore, interest payable was not reported as a
liability in the governmental funds balance sheet. (11,469)

The cost associated with the issuance of debt, net of amortization, is
a use of current resources in the fund statement. Therefore,
it was not reported as an asset in the governmental funds
balance sheet. 80,344

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

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

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

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

OPEB liability (793,454)

Compensated absences - current portion (358,559)

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

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

1,128,490

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

CITY OF LOS ALTOS, CALIFORNIA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2012

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

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

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

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

CITY OF LOS ALTOS, CALIFORNIA

GOVERNMENTAL FUNDS

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

Fiscal year ended June 30, 2012

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

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 3,875,205

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (1,560,128)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized over the life of the bond in the government-wide statements.

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

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

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

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

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 169,620

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

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

Enterprise Funds

Sewer

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

Solid Waste

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

Storm Drain

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

CITY OF LOS ALTOS, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2012

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

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

CITY OF LOS ALTOS, CALIFORNIA

PROPRIETARY FUNDS

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

Fiscal year ended June 30, 2012

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

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

CITY OF LOS ALTOS, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Fiscal year ended June 30, 2012

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

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

CITY OF LOS ALTOS, CALIFORNIA
FIDUCIARY FUND FINANCIAL STATEMENT

Agency Fund

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

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

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

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

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

Fiscal year ended June 30, 2012

1. Summary of Significant Accounting Policies

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

a) Reporting Entity

The City incorporated in 1952. The City operates under an elected Council and appointed City Manager form of government and provides the following services: public safety, recreation, community development & engineering, public maintenance, general administrative services and capital improvements. The City has no component units.

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed by the proprietary funds in both the Government-Wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to the same limitations. The City has elected not to follow subsequent private-sector guidance.

Governmental Fund Financial Statements

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

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

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

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

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

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

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

Governmental Fund Financial Statements, continued

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

Proprietary Fund Financial Statements

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

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

Proprietary Funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability for goods or services is incurred.

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

Fiduciary Fund Financial Statements

Fiduciary Fund financial statements include a Statement of Fiduciary Net Assets. The City’s Fiduciary Funds are comprised of agency funds used to account for the operating activities and for the special assessment collections pertaining to the North County Library Authority, Raymundo & Avalon Curb and Gutter Districts, and Blue Oak Lane Sewer Improvements. Agency Funds are custodial in nature (assets equal liabilities), do not involve the measurement of results of operations, and are accounted for on the accrual basis of accounting.

Internal Service Funds

Internal Service Funds account for services provided to other departments pertaining to the self-insurance dental program, the unemployment insurance, the workers’ compensation insurance, and the liability insurance, on a cost reimbursement basis.

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

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

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

Major Funds

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

c) Recognition of Interest Liability

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

d) Use of Restricted and Unrestricted Net Assets

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

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

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

e) Cash, Cash Equivalents and Investments

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

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

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

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

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

f) Inventories

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

g) Restricted Cash

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

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

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

h) Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

i) Property Taxes

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

Secured property tax is due in two installments, on November 1 and February 1, and it becomes delinquent after December 10 and April 10, respectively. The City and the County adopted the "alternative method of property tax distribution" known as the Teeter Plan that authorizes the County to allocate 100% of the secured property tax based on levy instead of collection and to retain all delinquent penalties and interest. Unsecured property tax is due on July 1 and becomes delinquent after August 31. Distribution of the unsecured property taxes is based on collections. Collection of delinquent accounts is the responsibility of the County, which retains all penalties. The County also distributes both penalties and interest collected for delinquent unsecured property taxes.

j) Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 for equipment, \$25,000 for Building and Facility Improvements and \$100,000 for Infrastructure.

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

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

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

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

j) Capital Assets, continued

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

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

For all infrastructure systems, the City has elected to use the Basic Approach, as defined by GASB Statement No. 34, for infrastructure reporting. The valuation of the City's infrastructure assets are determined based on the original cost using one of the following methods:

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

Accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date, was computed on a straight-line method. The book value was then computed by deducting the accumulated depreciation from the original cost.

k) Long-Term Debt

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

Fiscal year ended June 30, 2012

1. Significant Accounting Policies, continued

l) Unearned Revenue

Government-Wide Financial Statements

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

m) Deferred Revenue

Fund Financial Statements

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

n) Use of Estimates

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

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

Fiscal year ended June 30, 2012

2. Cash, Cash Equivalents, and Investments

a) Cash Deposits

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

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

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

| | | |
|--------------------------------------|-------------------|-----------------------------|
| Cash on hand | | \$ 2,169 |
| Deposits with financial institutions | | 1,778,215 |
| Investments: | | |
| Bond trust investments | 273,713 | |
| Liquid investments | 30,706,155 | |
| Managed investments | <u>16,925,161</u> | <u>47,905,029</u> |
| Total cash and investments | | <u><u>\$ 49,685,413</u></u> |

b) Investments

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

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

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

Fiscal year ended June 30, 2012

2. Cash, Cash Equivalents, and Investments, continued

c) Risk Disclosures

Interest Risk

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

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

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

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

Fiscal year ended June 30, 2012

2. Cash, Cash Equivalents, and Investments, continued

c) Risk Disclosures, continued

Credit Risk

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

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

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

Custodial Credit Risk – Deposits

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

As of June 30, 2012, the City's bank balance was \$2,180,175 and the corresponding carrying book balance was \$2,001,927. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,930,175 was collateralized.

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

Fiscal year ended June 30, 2012

2. Cash, Cash Equivalents, and Investments, continued

c) Risk Disclosures, continued

Custodial Credit Risk – Investments

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

Investment in State Investment Pool

The City is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool as reported in the accompanying financial statements is based upon the Entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

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

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

Fiscal year ended June 30, 2012

3. Interfund Transactions

Transfers

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

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

Interfund transfers were principally used for the following purposes:

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

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

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

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

Fiscal year ended June 30, 2012

4. Capital Assets

a) Government-Wide Financial Statements

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

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

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

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

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

Fiscal year ended June 30, 2012

4. Capital Assets, continued

a) Government-Wide Financial Statements, continued

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

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

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

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

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

| | |
|----------------------------|-------------------|
| Sewer | \$ 171,005 |
| Storm drain | 23 |
| Total depreciation expense | <u>\$ 171,028</u> |

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

Fiscal year ended June 30, 2012

4. Capital Assets, continued

b) Fund Financial Statements

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

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

5. Net Pension Asset

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

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

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

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

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

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

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

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

Fiscal year ended June 30, 2012

6. Long-Term Obligations

a) Governmental Activities Long-Term Debt

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

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

2004 Refunding Certificate of Participation

On November 1, 1996, the City issued \$2,630,000 principal amount of Certificates of Participation (ABAG 38 COPs). The purpose of the ABAG 38 COPs was to finance the partial purchase of the 5.5 acre Saint William School site for public purposes and uses. During 2004 the City issued \$2,500,000 of 2004 Refunding Certificates of Participation to advance refund \$2,390,000 of outstanding principal on the ABAG 38 Certificates of Participation, set up reserve funds, and to pay related issuance costs. The entire ABAG 38 Certificates of Participation had been paid off by June 30, 2004. This advance refunding was undertaken to reduce total future debt service payments.

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

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

b) Non-City Obligations

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

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

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

Fiscal year ended June 30, 2012

6. Long-Term Obligations

b) Non-City Obligations, continued

Raymundo & Avalon Special Assessment Districts

The Raymundo Curb & Gutter Assessment District (District) Improvement Bond was issued on August 3, 2005 to provide financing for the street improvements in that District. Avalon Drive improvement bonds were issued for a similar purpose in 2000. The bonds are payable from a special property tax levied to those residents living within the District.

Blue Oak Lane Special Assessment District

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

7. Compensated Absences Payable

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

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

8. Net Assets/Fund Balances

a) Fund Balances

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

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

Fiscal year ended June 30, 2012

8. Net Assets/Fund Balances, continued

b) Stabilization Arrangement

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

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

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

c) Classifications

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

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

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

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

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

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

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

Fiscal year ended June 30, 2012

8. Net Assets/Fund Balances, continued

c) Classifications, continued

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

d) Policies

Order of Utilization

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

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

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

Assignment and Commitment Authority

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

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

Fiscal year ended June 30, 2012

8. Net Assets/Fund Balances, continued

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

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

9. Risk Management

a) ABAG Plan Corporation

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

ABAG covers general liability claims in an amount up to \$10,000,000. The City has a deductible or uninsured liability of up to \$100,000 per claim. Once the City's deductible is met, ABAG becomes responsible for payment of all claims up to the upper limit. During the year ended June 30, 2012, the City contributed \$270,210 for current year coverage.

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

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

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

Fiscal year ended June 30, 2012

9. Risk Management, continued

a) ABAG Plan Corporation, continued

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

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

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

As of June 30, 2012, \$50,000 of revolving funds was held in trust on behalf of the City by the workers' compensation third party claims administrator (TPA). The City will receive the funds upon termination of services with the TPA.

b) Liability for Uninsured Claims

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

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

| | June 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2010 |
| Unpaid claims, beginning of year | \$ 2,407,519 | \$ 2,107,901 | \$ 1,205,455 |
| Incurred claims and changes in estimates | 744,540 | 458,940 | 1,363,751 |
| Claim payments | (513,315) | (159,322) | (461,305) |
| Unpaid claims, end of year | <u>\$ 2,638,744</u> | <u>\$ 2,407,519</u> | <u>\$ 2,107,901</u> |

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

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

Fiscal year ended June 30, 2012

10. Self-Funded Reimbursement Dental Plan

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

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

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

11. Pension Plans

California Public Employees' Retirement System Plan

Plan Description

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

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

Fiscal year ended June 30, 2012

11. Pension Plans, continued

California Public Employees' Retirement System Plan, continued

Funding Policy

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

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

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

Annual Pension Cost

For FY 2011-12, the City's annual required employer contributions pension was equal to \$2,018,601. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions utilized by PERS include (a) 7.75% investment rate of return (net of administrative expenses and (b) projected salary increases range from 3.25% to 14.45%. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period.

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

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

Fiscal year ended June 30, 2012

11. Pension Plans, continued

California Public Employees' Retirement System Plan, continued

Funding Status as of the Most Recent Actuarial Date

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

12. Other Post Employment Benefits (OPEB)

Plan Description

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

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

City's Funding Policy

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

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

Fiscal year ended June 30, 2012

12. Other Post Employment Benefits (OPEB), continued

Annual OPEB Cost and Net OPEB Obligation, continued

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

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

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

Funded Status and Funding Progress

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

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

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

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

Fiscal year ended June 30, 2012

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

Actuarial Methods and Assumptions

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

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

13. Contingencies

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are reasonably sufficient to cover any potential losses should an unfavorable outcome materialize.

14. Other Information

Joint Powers Agreements

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

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

Joint Sewer System Authority (JSSA)

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

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

Fiscal year ended June 30, 2012

14. Other Information, continued

Joint Powers Agreements, continued

North County Library Authority (NCLA)

The NCLA, formed in 1985 by a joint exercise of powers agreement between the City and the Town of Los Altos Hills, provides library services for member residents. The NCLA was created to provide financing for capital improvements and additional services by the public libraries serving the area. Although the City owns the libraries and their sites, the County of Santa Clara (County) is responsible for all library operations. However, since 1985, the NCLA has levied a voter approved special parcel tax to compensate for service reductions due to cutbacks by the County. The special tax has been collected by the County, transferred to the City, on behalf of NCLA, and then transferred back to the County for the specifically requested services provided by the libraries within the NCLA's service area. The City performs administrative and accounting services for NCLA. In 1991, the NCLA issued Special Tax Bonds in the amount of \$3,645,000. The Special Tax Bonds were paid off as of June 30, 2012. In 2010, NCLA successfully passed an updated twenty year parcel tax extending the assessment term to 2030. No new debt was issued in association with this election. The audited financial statements can be obtained by contacting the NCLA at One North San Antonio Road, Los Altos, CA 94022.

Community Health Awareness Council (CHAC)

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

OPEB Reserves

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

15. Excess Expenditures Over Appropriations

Expenditures exceeded budgeted appropriations in the following funds:

| | <u>Budget</u> | | <u>Actual</u> | | <u>Variance</u> |
|-------------------|---------------|--|---------------|--|-----------------|
| Debt Service Fund | \$ 85,000 | | \$ 90,000 | | \$ (5,000) |

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

Fiscal year ended June 30, 2012

16. Proposition 1A Borrowing by the State of California

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

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

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

17. Special Items

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

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

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

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

Fiscal year ended June 30, 2012

18. Developer Agreements

a) Developer Agreement

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

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

b) Land Sale/Purchase Agreement

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

19. Other Commitments

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

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

20. Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOS ALTOS, CALIFORNIA

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES –

BUDGET AND ACTUAL

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA
REAL PROPERTY PROCEEDS
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL
Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

OTHER POST EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS

Fiscal year ended June 30, 2012

(In Thousands)

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

CITY OF LOS ALTOS, CALIFORNIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Fiscal year ended June 30, 2012

1. Budget and Budgetary Accounting

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

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

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



OTHER SUPPLEMENTARY INFORMATION



CITY OF LOS ALTOS, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Vehicle Impound Fund

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

Supplemental Law Enforcement Fund

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

Gas Tax Funds

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

Proposition 1B Fund

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

Storm Drain Deposits Fund

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

Community Development Block Grant Fund

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

Downtown Parking Fund

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

In-Lieu Park Land Fund

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

Traffic Impact Fee Fund

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

Estate Donation Fund

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

TDA Fund

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

Debt Service Fund

General Debt Service

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

CITY OF LOS ALTOS, CALIFORNIA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2012

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

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

(Continued)

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

June 30, 2012

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



CITY OF LOS ALTOS, CALIFORNIA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2012

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

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

(continued)

CITY OF LOS ALTOS, CALIFORNIA

NONMAJOR GOVERNMENTAL FUNDS

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

VEHICLE IMPOUND

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

GAS TAX

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

PROPOSITION 1B

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

DOWNTOWN PARKING

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

IN-LIEU PARK LAND

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

TRAFFIC IMPACT FEE

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

ESTATE DONATION

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

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

DEBT SERVICE FUND

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

Fiscal year ended June 30, 2012

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



CITY OF LOS ALTOS, CALIFORNIA

INTERNAL SERVICE FUNDS

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

Dental Reimbursement

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

Unemployment Insurance

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

Workers' Compensation Insurance

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

Liability Insurance

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

CITY OF LOS ALTOS, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

INTERNAL SERVICE FUNDS

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

Fiscal year ended June 30, 2012

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

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

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

CITY OF LOS ALTOS, CALIFORNIA

FIDUCIARY FUNDS

Agency Funds

North County Library Authority

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

Avalon Drive Curb and Gutter

This fund accounts for the accumulation of resources for payment of the debt service related to the construction and installation of curbs and gutters. The revenue is derived from the special assessment levied to property owners within that improvement district.

Raymundo Curb and Gutter

This fund accounts for the accumulation of resources for payment of the debt service related to the construction and installation of curbs and gutters. The revenue is derived from the special assessment levied to property owners within that improvement district.

Blue Oak Lane Sewer

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

CITY OF LOS ALTOS, CALIFORNIA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Fiscal year ended June 30, 2012

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

CITY OF LOS ALTOS, CALIFORNIA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

Fiscal year ended June 30, 2012

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



STATISTICAL SECTION

CITY OF LOS ALTOS, CALIFORNIA

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic Statistics
2. Principal Employers

Operating Information

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

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

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

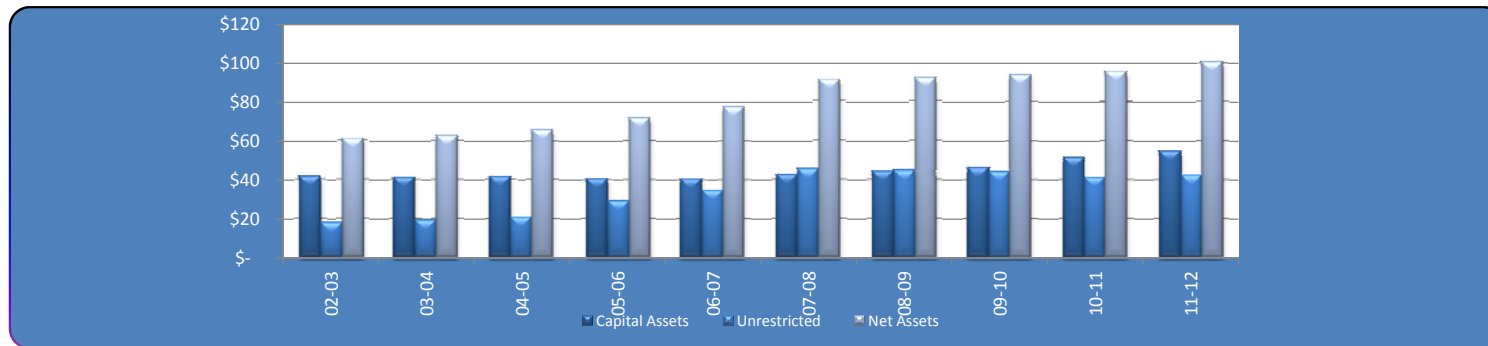
City of Los Altos

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

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



Source:

City of Los Altos Finance Department

Note:

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

City of Los Altos
Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

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

City of Los Altos
Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

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

Source:

City of Los Altos Finance Department

Note:

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

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

City of Los Altos

Fund Balances - Governmental Funds

Last Ten Fiscal Years

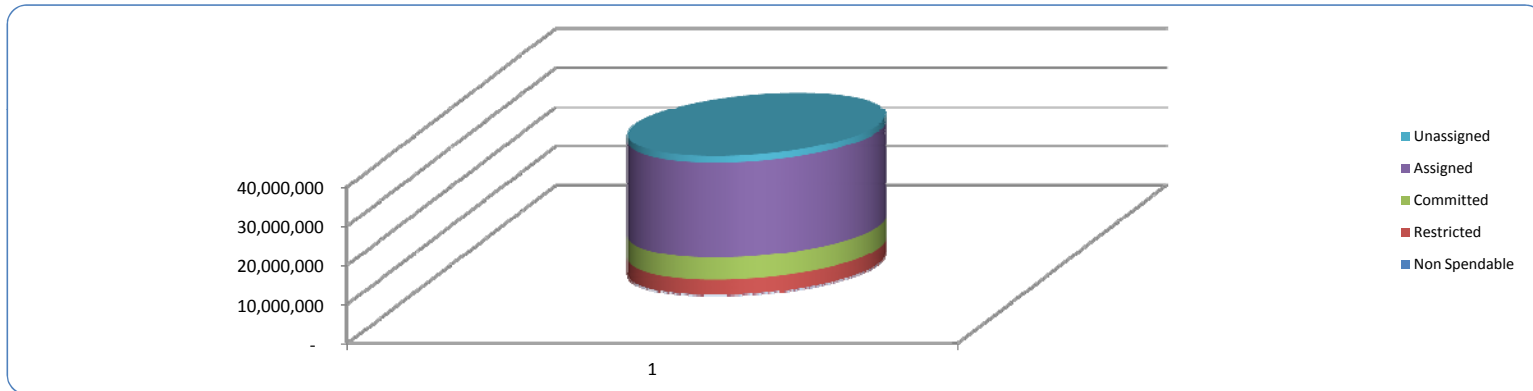
(modified accrual basis of accounting; amounts expressed in thousands)

(Pre GASB 54 Presentation - For Years Before 2011-12)

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

GASB 54 Presentation:(2011-12)

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



Source:
City of Los Altos Finance Department

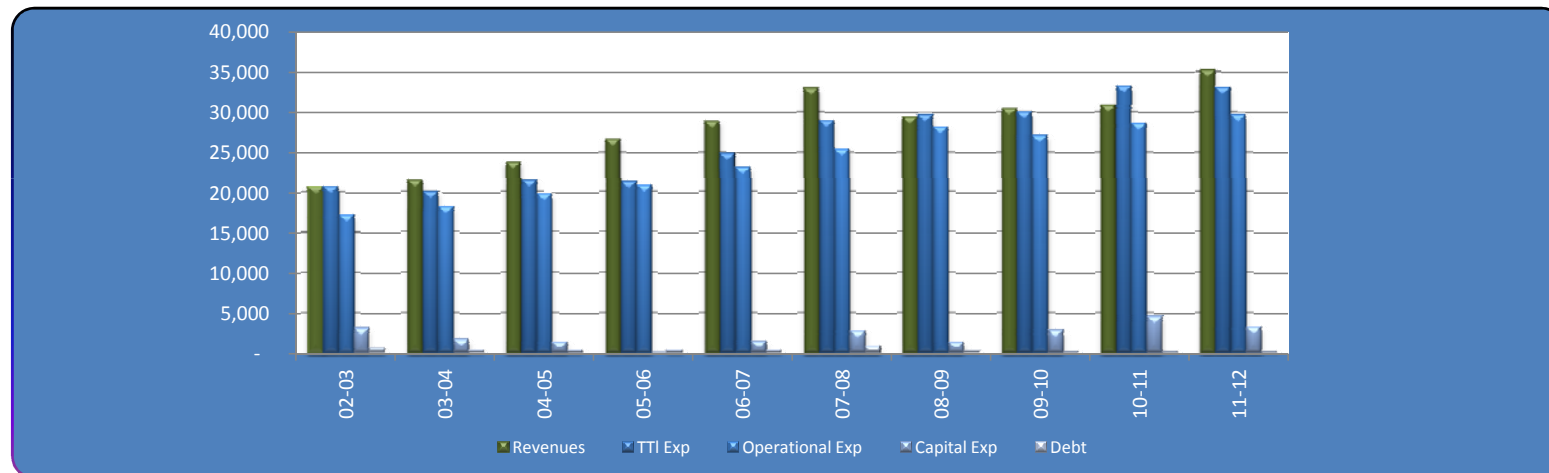
City of Los Altos
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)

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

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

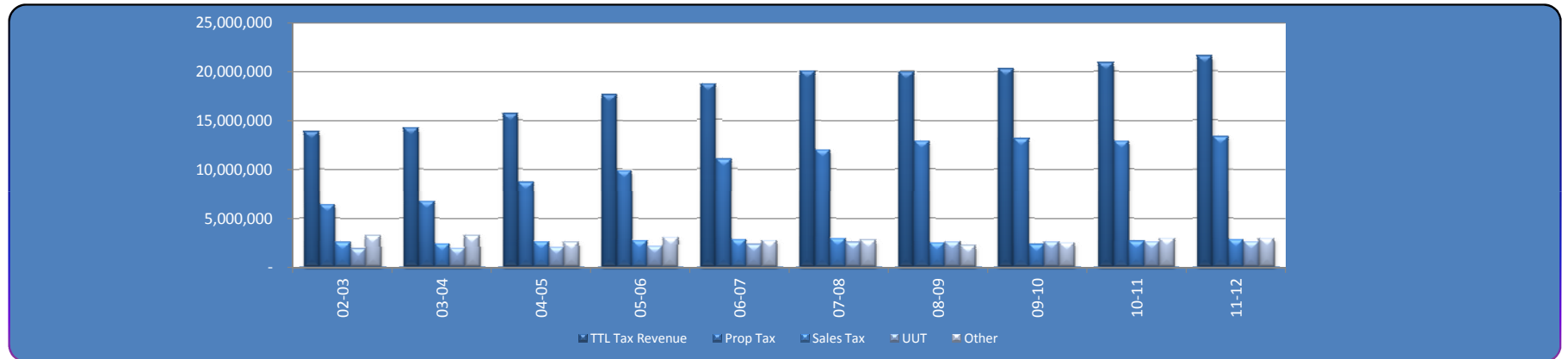
| | Fiscal Year | | | | | | | | | |
|---|-------------|----------|----------|----------|----------|----------|----------|----------|------------|----------|
| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Special items | | | | | | | | | | |
|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

Source: City of Los Altos Finance Department



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

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



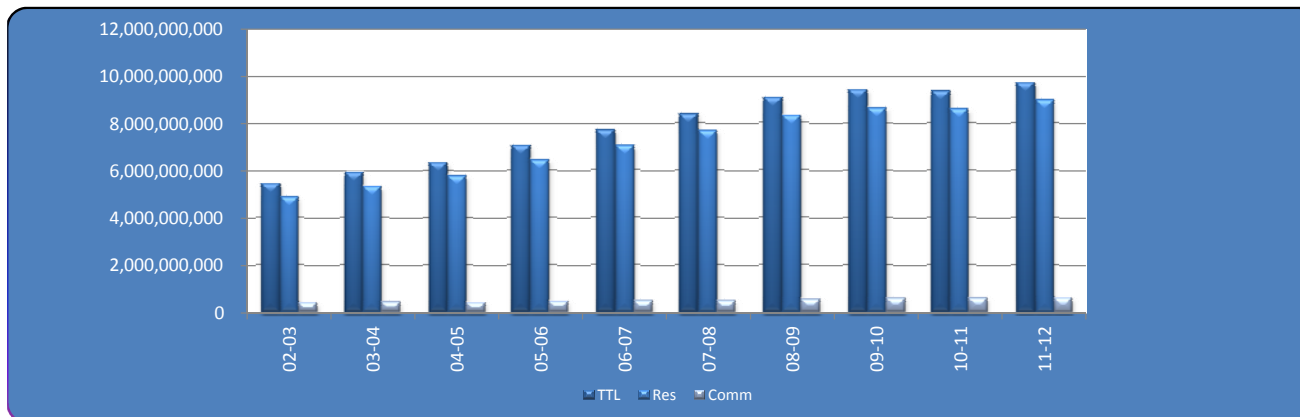
Source:
City of Los Altos Finance Department

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

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

Source:
HdL Coren & Cone

- (1) - The California State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any property improvements of substantial value to the property. These values are considered to be full market values.
- (2) - California cities do not set their own direct tax rate. The California State Constitution establishes the rate at 1% and the County of Santa Clara is responsible for allocating a portion of that amount to all the taxing entities within each of the City's tax rate areas. The City has 15 tax rate areas and receives of approximately 12% of that 1% rate.



City of Los Altos

Direct and Overlapping Tax Rates

Last Ten Fiscal Years

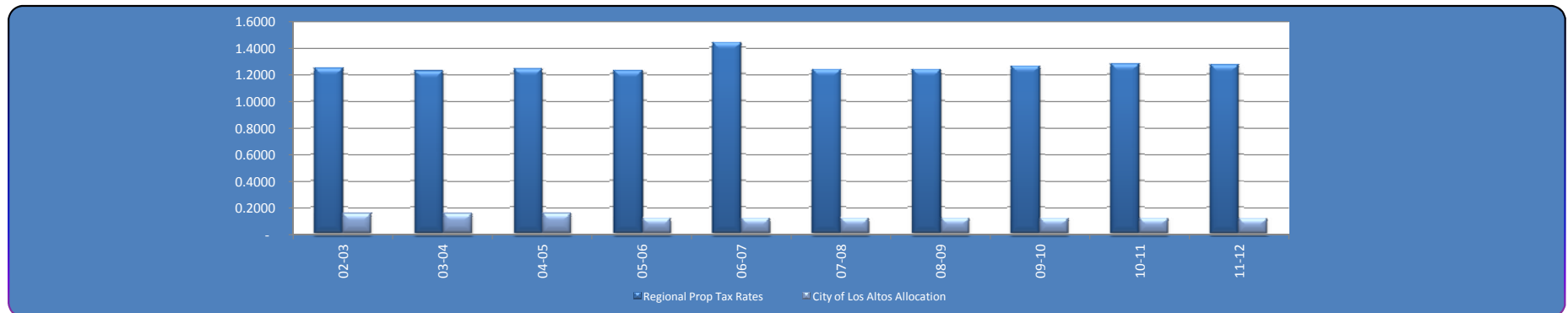
(rate per \$100 of taxable value)

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

Source:

County of Santa Clara Finance Agency

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



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

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

Source:
HdL Coren & Cone

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

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

Note:

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

Source:
County of Santa Clara

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

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

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

Source:

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

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

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

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

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

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

TOTAL DIRECT DEBT 1,855,000

TOTAL OVERLAPPING DEBT 242,979,222

COMBINED TOTAL DEBT \$ 244,834,222 (2)

- (1) Percentage of overlapping agency's assessed valuation located within the boundaries of the city.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

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

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

Source:

California Municipal Statistics, Inc.

City of Los Altos
Legal Debt Margin
Last Ten Fiscal Years

| Fiscal Year | Assessed Valuation * | Debt Limit 15% of Assessed Valuation | Debt Applicable to Limit | Legal Debt Margin |
|------------------------|---------------------------------|---|---|----------------------------------|
| 2002-03 | \$ 5,445,779,876 | \$ 816,866,981 | \$ - | \$ 816,866,981 |
| 2003-04 | 5,924,209,314 | 888,631,397 | - | 888,631,397 |
| 2004-05 | 6,373,193,405 | 955,979,011 | - | 955,979,011 |
| 2005-06 | 7,045,722,898 | 1,056,858,435 | - | 1,056,858,435 |
| 2006-07 | 7,677,060,695 | 1,151,559,104 | - | 1,151,559,104 |
| 2007-08 | 8,392,386,981 | 1,258,858,047 | - | 1,258,858,047 |
| 2008-09 | 9,064,191,075 | 1,359,628,661 | - | 1,359,628,661 |
| 2009-10 | 9,451,402,484 | 1,417,710,373 | - | 1,417,710,373 |
| 2010-11 | 9,361,963,881 | 1,404,294,582 | - | 1,404,294,582 |
| 2011-12 | 9,698,378,507 | 1,454,756,776 | - | 1,454,756,776 |

Source:

* HdL Coren & Cone

City of Los Altos
Demographic Statistics
Last Ten Fiscal Years

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

Sources:

(1) HdL Coren & Cone

(2) State of California Department of Education

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

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

Sources:

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

* - This number includes 119 substitute teachers.

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

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

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

Source:

City of Los Altos Finance Department

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

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

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

Source: City of Los Altos Quarterly Reports.

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

Note:

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

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

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

Source:
City of Los Altos

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

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

Source:
City of Los Altos Finance Department

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

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

