



# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

City of Los Altos



**CITY OF LOS ALTOS, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

**Prepared by  
ADMINISTRATIVE SERVICES DEPARTMENT**





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**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2016**

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

November 30, 2016

**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, 2016 with the Independent Auditors' Report. The CAFR was prepared by the City's Administrative Services Department. The information contained in this CAFR is based on a comprehensive framework of internal control established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of material misstatements. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that the presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds, and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) section of the CAFR and should be read in conjunction with it. The MD&A provides 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 30,000 served by seven small retail areas. The seven square mile residential city is developed with small businesses, schools, libraries and churches. Incorporated on December 1, 1952, Los Altos is a general law city operating under the Council-Manager form of government. There are five Council members elected at large, serving four-year overlapping terms. Municipal services provided include police, street maintenance, engineering, community development, parks, recreation and sewer. Fire protection is contracted with the Santa Clara County Central Fire Protection District.

## SERVICE EFFORTS AND MAJOR INITIATIVES

### Service Efforts

In FY 2015/16, the City continued to provide a high level of service to its residents and citizens, and adhered to its adopted financial plan as evidenced by the budget-to-actual reporting presented within this document. Budgetary limits were met with the General Fund reporting a healthy operating surplus again this year while contingency reserves were strengthened. All major funds performed as expected and reflect continued cost-saving efforts during these times of economic recovery.

### Major Initiatives

**Capital Improvements:** FY 2015/16 marked yet another year of capital investment into the community with substantial resources applied to City-wide improvements. Some of the key capital expenditures of note during FY 2015/16 include the following:

- \$2,228,000 – Fremont Avenue Bridge Replacement
- \$557,000 – Redwood Grove Bank Stabilization
- \$426,000 – Intersection Bicycle Loops
- \$363,000 – Traffic Signal Improvements
- \$210,000 – Sewer Root Foaming
- \$179,000 – Miramonte Avenue and Covington Road Intersection Improvements
- \$150,000 – Grant Park Classroom Wing Roof Replacement
- \$116,000 – Street Slurry Seal
- \$55,000 – Street Striping
- \$48,000 – Storm Drain Master Plan

**Fremont Avenue Bridge Replacement:** In May of 2016, the City re-opened the newly constructed Fremont Avenue Bridge. This long-standing project began in 2001, when the City Council authorized staff to submit a grant application for rehabilitating the structure. Over time, the scope changed to today's project which includes a new structure with two 12' traffic lanes, two 5' bike lanes, a concrete pedestrian sidewalk with overlook area, and decorative stone texture and metal railing. The roughly \$3M project took 11 months to construct. The City is also working on a feasibility study to review the possibility of rehabilitating or replacing the adjacent pedestrian bridge.

**Civic Facilities:** Addressing the City's aging facilities and buildings has long been a priority of the City Council. In FY 2014/15, the City completed the Civic Center Master Plan Update and Hillview Community Center and Park Conceptual Design and in November 2015, placed a ballot measure to finance the majority of the Community Center. While the ballot measure failed to garner the necessary two-thirds votes needed for approval, redevelopment of the City's facilities remains a priority. During the first part of 2016, the City conducted a comprehensive facilities condition assessment, the purpose of which was to determine both the deferred and needed maintenance for each of the City's facilities. This information will be used to help the City determine scheduling and prioritization of future maintenance and construction of City facilities.

**Commercial Districts:** The City has seven commercial districts which provide retail centers for City residents. Each of these districts are vital to the economic well-being of the City. The City Council has made long-term planning for two of these districts, Downtown Los Altos and Loyola Corners, a priority. A comprehensive update to the Loyola Corners Neighborhood Commercial Center Specific Plan is underway and will provide planning strategies for this area. In summer 2016, the City hired a consultant to help draft

a Downtown Vision which will look at various economic scenarios for the Downtown and help the community shape its desires for the Downtown.

**Silicon Valley Clean Energy Authority (SVCEA):** In early 2016, the City joined the Silicon Valley Clean Energy Authority Joint Powers Authority to implement a Community Choice Aggregation program within the City. Once the Authority is operational, residents of Los Altos will begin to receive energy from renewable energy sources at rates which are competitive to existing rates. The City's participation will reduce greenhouse gas emissions arising from electricity use in the City and will help to increase energy conservation and efficiency projects and programs.

## **FINANCIAL CONTROLS AND PROCEDURES**

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

**Internal Control Structure:** City management is responsible for establishing and maintaining fiscal internal controls designed to safeguard the assets of the government from loss, theft or misuse, and to ensure that accounting data is accurately compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. A new purchasing policy will be implemented in Fiscal 2016/17.

**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 LAIF earnings rates below 1%. This condition was, and is expected to persist. Staff acted on the Council's direction to engage investment advisory services and will continue to diversify the City's investment portfolio as a means of mitigating the impact of interest rate swings. As always, the emphasis remains on preserving the safety of principal.

**Strengthening Key Fund Reserves:** This financial report reflects the attainment of judicious fiscal reserves noting increases in both capital and economic safety fund balances. As projected in the budget process, the results herein place the City in a position to maintain its 20% General Fund reserve goal.

**Risk Management:** The City is insured for general liability through the Bay Cities Joint Powers Insurance Authority that covers claims in an amount up to \$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. Effective July 1, 2010, the deductible for Workers' Compensation was lowered to \$250,000 to further enhance risk protection. The City updated its actuarial valuations in FY 2013/14 resulting in a notable increase in Workers' Compensation and general liability obligations. The City continues to maintain adequate funding levels to cover the cost of its actuarial obligations, but these rising cost areas will require continued attention in the coming years.

**GASB 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 account for post employee benefit liabilities that exist. This reporting requirement is described in financial note 11 of the CAFR and the related liabilities reflected in the statements. As of June 30, 2016, the City's net OPEB obligation was valued at \$518,562, an amount reflected in the government-wide statements. The City has set aside \$1,500,000 in reserves to address this liability funding. In FY 2015/16, the City moved this set aside to an irrevocable trust for OPEB with CalPERS.

## EXECUTIVE FINANCIAL OVERVIEW

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

### General Fund

The General Fund, the primary operating fund of the City, favorably exceeded expectations with an operating surplus of \$3.3 million for Fiscal Year 2015/16. This year's surplus can be attributed to the City's continuing commitment to sound financial planning, conservative budgeting and faithful stewardship. At year end, the total General Fund balance equaled \$38.1 million with an unreserved fund balance of \$8.5 million after commitments and assignments. As planned for in the budget process, some of this surplus margin has been allocated to maintaining the City's Operating Reserve at 20%, allocating funding to capital improvements and further funding Other Post-Employment Benefits (OPEB) and California Public Employee Retirement System (PERS) retirement costs as directed by Council.

Considering the transfer and use of reserve activity listed below, the final General Fund balance still increased by \$3.3 million. This non-operating and transfer activity is as follows:

- \$137,515 transfer in from public safety grant funds
- \$ 20,735 transfer in from safety vehicle impound fees
- \$168,568 transfer out for general debt service payments

The General Fund revenue stream continues its strong recovery from the recent recession, with significant growth in several key areas. Property tax, which accounts for nearly 50% of the City's revenues, continues to be the City's strong point with an increase of 7.43% in Fiscal Year 2015/16.

<i>Revenue (millions)</i>	<i>2016 Actual</i>	<i>2015 Actual</i>	<i>Variance \$</i>	<i>Variance %</i>
<i>Property Tax</i>	\$18.78	\$17.48	\$1.30	7.43%
<i>Sales Tax</i>	3.20	2.94	0.26	8.84%
<i>Transient Occupancy Tax (TOT)</i>	2.61	2.45	0.16	6.53%
<i>Utility Users Tax</i>	2.67	2.52	0.15	5.95%
<i>Other Taxes</i>	1.31	1.29	0.02	1.55%
<i>Franchise Fees</i>	2.03	1.80	0.23	12.78%
<i>Interest</i>	0.33	0.20	0.16	65.00%
<i>Recreation</i>	2.14	2.17	-0.03	-1.39%
<i>License and Permits</i>	4.12	3.60	0.51	14.17%
<i>Other</i>	0.43	0.09	0.34	477.78%
<b>Total</b>	<b>\$37.62</b>	<b>\$34.54</b>	<b>\$3.08</b>	<b>8.92%</b>



General Fund revenues increased by nearly 9% overall in contrast to an 8.7% increase in the prior year. Revenues came in at 105% of our annual budget estimates with property tax, license and permit fees, transient occupancy tax (TOT) and utility users tax being the front runners. Sales tax showed significant growth at 8.84% further demonstrating a strong recovery from the recent economic downturn. TOT showed a 6.53% increase, though a portion of this can be attributed to Santa Clara County hosting the Super Bowl in February 2016. Interest income continues to remain low despite an increase of 65% in the last year. The City's other taxes, such as real estate transfer tax and documentary transfer tax, remained relatively stable. License and permit fees came in at 14.17% above the prior year continuing the recent trend of increased development activity. Recreation programs came in slightly below last year.

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

### **Other Funds**

**Capital Project Funds:** The Capital Projects Fund was very active, with expenditure levels reaching \$5.54 million, ending the year with a total fund balance of \$2.3 million. These funds are available to be applied to the funding of future projects as identified in the City's five-year capital plan.

**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 \$7.7 million while Enterprise funds ended the year with combined balances of \$19.8 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 (NCLA). The long-standing Raymundo and Avalon curb and gutter special assessment districts and the Blue Oak Lane Sewer special assessment district are classified in the trust and agency group in recognition of the limited nature of this debt which is fully collateralized by homeowner assessments without City obligation.

### **ECONOMIC TRENDS**

Although the City has performed relatively well since the recession and continues to maintain its target reserve levels, we exist in an economic climate and time replete with financial uncertainty and marked with historic nationwide and global challenges. As we navigate FY 2016/17 and beyond, we remain constantly aware of the financial threats that face all local municipalities such as rising pension and healthcare costs. We remain ever vigilant in monitoring economic trends and long-term financial issues.

### **INDEPENDENT AUDIT**

The public accounting firm of Maze and Associates performed the annual independent audit. The auditors' report on the City's financial statements is included in the financial section of this report.

### **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2015. This was the tenth 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 Division staff, most notably Sarina Revillar. We would like to express our appreciation to all members of the division who contributed to the final product. We also want to thank Maze and Associates, our independent auditors, for their professionalism in performing this year-end financial audit, as well as the members of the City Council for their leadership and support, without which the preparation of this report would not have been possible.

Respectfully submitted,



Jon Maginot  
Interim Administrative Services Director

# City of Los Altos

List of Principal Officials

As of June 30, 2016

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## ELECTED OFFICIALS

Mayor .....	Jeannie Bruins
Mayor Pro Tem .....	Mary Prochnow
City Council .....	Jean Mordo
City Council .....	Jan Pepper
City Council .....	Megan Satterlee

## APPOINTED OFFICIALS

City Manager .....	Christopher Jordan
City Attorney .....	Jolie Houston

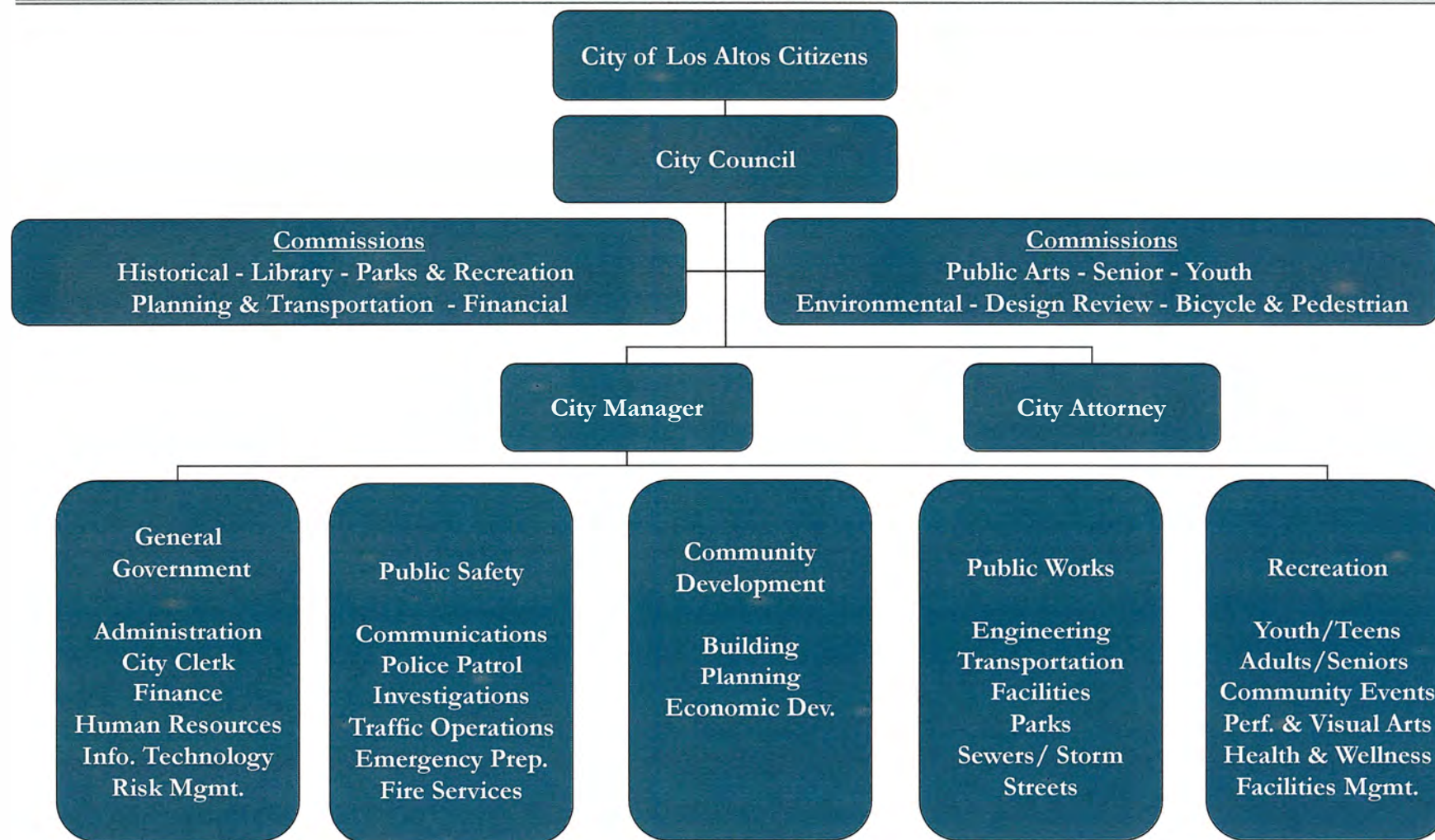
## EXECUTIVE TEAM

Community Development.....	Jon Biggs
Assistant City Manager .....	J Logan
Chief of Police .....	Tuck Younis
Administrative Services Director .....	Kim Juran-Karageorgiou
Public Works Director .....	Susanna Chan
Community Services & Recreation Director .....	Manuel Hernandez

# City of Los Altos

## Organizational Chart

### June 30, 2016



**A Great Place to Live & Raise a Family**



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Los Altos  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO





## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Altos, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

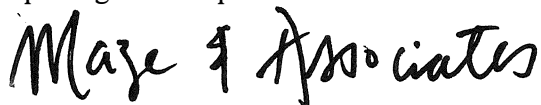
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional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

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California  
November 6, 2016

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**City of Los Altos**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2016**

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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, 2016. Readers are encouraged to consider this information in conjunction with the executive summary provided in the letter of transmittal that can be found on pages i to v of this report.

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

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

Both 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 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, In-Lieu Park Land Special Revenue Fund, and Capital Project Fund, each of which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund financial statements section of this report.

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

The basic governmental fund financial statements can be found on pages 26 to 29 of this report.

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

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

The combining statements referred to earlier in relation to non-major governmental funds, proprietary and internal service funds, are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 84 to 113 of this report.

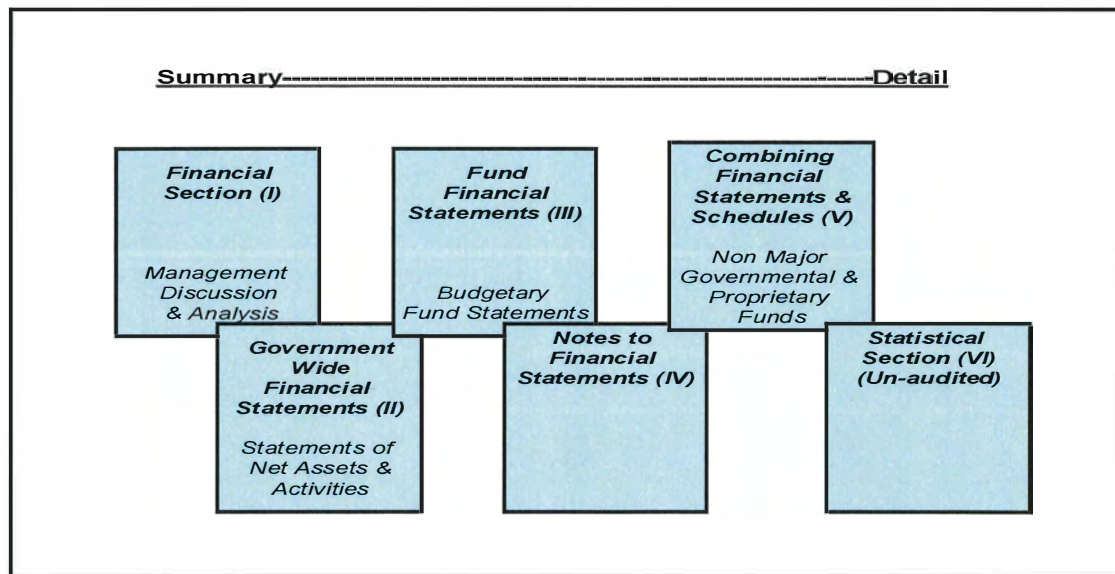
**Notes to the Basic Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 37 to 69 of this report.

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

### The City as Trustee

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

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



### FINANCIAL HIGHLIGHTS

The City ended its fiscal year on a government-wide basis with total revenues of \$48.7M, a 6% increase from the prior year, and expenses of \$40M, an increase of .08%. The results represent combined government and business operations, with an overall increase in net position of \$8.6M due to continuing strong revenues combined with contained expenditures City-wide. These favorable fiscal results have continued to strengthen the City's reserves and allow the City to continue proactive capital project plans.

Operational revenue gains were noted in property tax, hotel occupancy, and sales tax. The Capital Grants and Contributions increased by \$1.02M due to an increase in grant revenues in the Public Works department. The community development fees in 2016 continue to decrease due to fewer development projects. Sewer revenues increased as part of a multi-year rate increase program to facilitate future operational and capital needs.

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

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

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

### **Government-Wide View**

- Net position (excess of assets over liabilities) equaled \$103.4M, an increase of \$8.6M, or 9%. This is attributed to significant grant and capital contributions with partial offsets given the use of funds for infrastructure maintenance and improvements. The City's net position represents its total net holdings, which are not necessarily unrestricted depending upon the source of the original funding.
- Unrestricted assets equaled \$26.8M. Governmental unrestricted assets totaled \$15.6M at year end, an increase of \$4.8M, while business activities-related unrestricted assets totaled \$11.3M. The unrestricted net position, as presented in the government-wide section of the CAFR, does not account for local fund restrictions, project assignments and/or policy reserves as classified with the governmental fund section of the report.
- Governmental activities reported ending net position of \$83.4M, an increase of \$5.8M. The increase in government net position arises from positive operating results, fee collections and cost containment.
- Business activities reported ending net position of \$20M, an increase of \$2.9M due to positive operating results in the Sewer and Solid Waste Funds and substantial capital investments along with partial offsets of Storm Drain activity losses.
- On a combined basis, restricted net position amounted to \$14.4M vs. \$17.8M last year and represents the extent to which funds are categorically constrained.

### **Fund Level View**

- The General Fund realized an operating surplus of \$3.3M; \$3.0M below the prior year due to the increase cost of the PERS Unfunded Liability, GASB 68 pension liability, and depositing funds into the California Employer's Retiree Benefit Trust (CERBT) an exclusive benefit for retirees. Property tax and sales tax attribute to a higher than anticipated surplus while maintaining contained spending.



- General Fund revenues, excluding transfers, increased slightly over prior year actuals by \$1.6M or 4% to \$37.7M. Current year results also exceeded budget estimates by 6%. Related expenditures increased by \$4.6M to \$34.4M, or 15%, as a result of filling positions held vacant during the economic downturn and an increase of the PERS unfunded liability.
- Total governmental fund balances equaled \$52.6M at fiscal year-end, which is the same as last year. The significant expenditures realized are in the capital improvement funds.
- General government capital spending totaled approximately \$6.3M. The level of capital reinvestment in Los Altos reflects a sustained focus on maintenance of streets, facilities, traffic calming efforts and safety. The Capital Improvements Projects Fund balance decreased by \$2.5M due to a decline in incoming grant funds and special purpose revenues to end the year at \$2.3M.
- The Traffic Impact Fee Fund ended the year with a fund balance of \$1.5M with revenues of \$60,000 offset by transfer to the Capital Projects Fund of \$518,000.
- The Gas Tax Fund balance increased by \$612,000 to \$1.6M with funds used for capital projects including surplus revenue for the year.
- Sewer operations ended the year favorably at \$7.1M, an increase in net position of \$2.3M. Operating expenses were consistent with last year at \$4.8M. A review of maintenance expenses reflects continued attention to system maintenance.
- As in the prior year, the Storm Drain Fund has exhausted available resources. These operations are now fully General Fund-subsidized and will continue to be absent until the implementation of a fee-based model.
- Both workers' compensation and general liability claim liabilities had changes from the prior year due to recognition of the City's claims liability at the 80% confidence level. The Workers' Compensation Fund ended the year with an unrestricted net position of \$699,766, an increase of \$583,156. The General Liability Fund ended the year with unrestricted net position of \$1.1M, an increase of \$493,007. Both funds cover their actuarial valuations, which coupled with a proactive risk management program, make the City well positioned to address claim liabilities.
- Other Non-major Governmental Funds ended the year with a total combined fund balance of \$7.7M, an increase of \$482,880 or 7%

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position at the City-wide level as presented in the statement of net position and statement of activities which are summarized below as of June 30, 2016. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. On a combined basis, the City experienced an increase of \$8.6M or 9% in net position.

**City of Los Altos**  
**Fiscal Year Ending June 30, 2016**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	2016	2015	2016	2015
Cash and Investments	61,451,083	59,544,062	12,522,698	10,189,988
Other Assets	1,582,006	1,413,846	60,401	252,407
Capital Assets	55,040,734	50,643,720	8,725,938	8,662,137
<b>Total Assets</b>	<b>\$ 118,073,823</b>	<b>\$ 111,601,628</b>	<b>\$ 21,309,037</b>	<b>\$ 19,104,532</b>
Deferred Outflows of Resources				
Related to Pension (note 10)	3,562,821	1,914,209	167,303	144,081
Bond Debt	1,355,000	4,983,032		
Other Liabilities	33,888,950	25,013,017	1,383,243	1,680,200
<b>Total Liabilities</b>	<b>\$ 35,243,950</b>	<b>\$ 29,996,049</b>	<b>\$ 1,383,243</b>	<b>\$ 1,680,200</b>
Deferred Inflows of Resources				
Related to Pension (note 10)	2,953,884.00	5,879,287.00	113,652.00	442,527.00
<b>Net Position</b>				
Investments in Capital	53,408,838	49,078,720	8,725,938	8,662,137
Net of Related Debt				
Restricted	14,446,668	17,815,285		
Unrestricted	15,583,304	10,746,496	11,259,402	8,471,807
<b>Total Net Position</b>	<b>\$ 83,438,810</b>	<b>\$ 77,640,501</b>	<b>\$ 19,985,340</b>	<b>\$ 17,133,944</b>

Investment in capital assets makes up the largest portion of the City's net position of sixty percent (60%). These assets reflect land, buildings, infrastructure, machinery and equipment, less any associated outstanding debt. As these assets represent foundational infrastructure used in support of basic City services, they are generally not available for future spending.

A portion of the City's net position, consisting of fourteen percent (14%), represents resources subject to external spending restrictions. The remaining twenty-six percent (26%) of net position are defined as unrestricted and generally available for future capital projects and discretionary use with the caveat these funds are a composite of several governmental funds which may include assigned project commitments and assignments specifically associated with active and ongoing projects.

Some key entity-wide observations include the following:

- Cash and investments holdings increased by 6.1%, a factor of favorable revenue collections, cost savings and collection of one-time fees, which include the City reaching new highs in both property tax and transient occupancy tax collection.
- Net position equaled \$103M, an increase of \$8.6M or 9%, largely due to the implementation of GASB 68 and the recognition of the City's \$24.5M net pension liability.
- Substantial capital improvements, approximating \$7.4M, were realized. These include pedestrian and bicycle safety enhancements, street repairs and striping, major streetscape and intersection enhancements, concrete repairs, facility maintenance, and safety technology improvements.

- Business-type activities reported net position of \$20M at year end, a \$2.9M, or 17% increase. The Sewer Master Plan has been completed along with a multi-year rate adjustment program to provide resources to address sewer infrastructure rehabilitation. Solid Waste revenues exceeded direct expenses allowing for future initiatives in this important environmental area of operations.

### **Governmental Activities**

Governmental programs, which include general public services, realized revenue increase of \$236,252, or 2.6%, while total expenditures increased by \$356,402, or 0.8%. Including all sources and uses, governmental net position increased by \$8.6M, or 9%, ending the year with a total fund balance of \$83.4M.

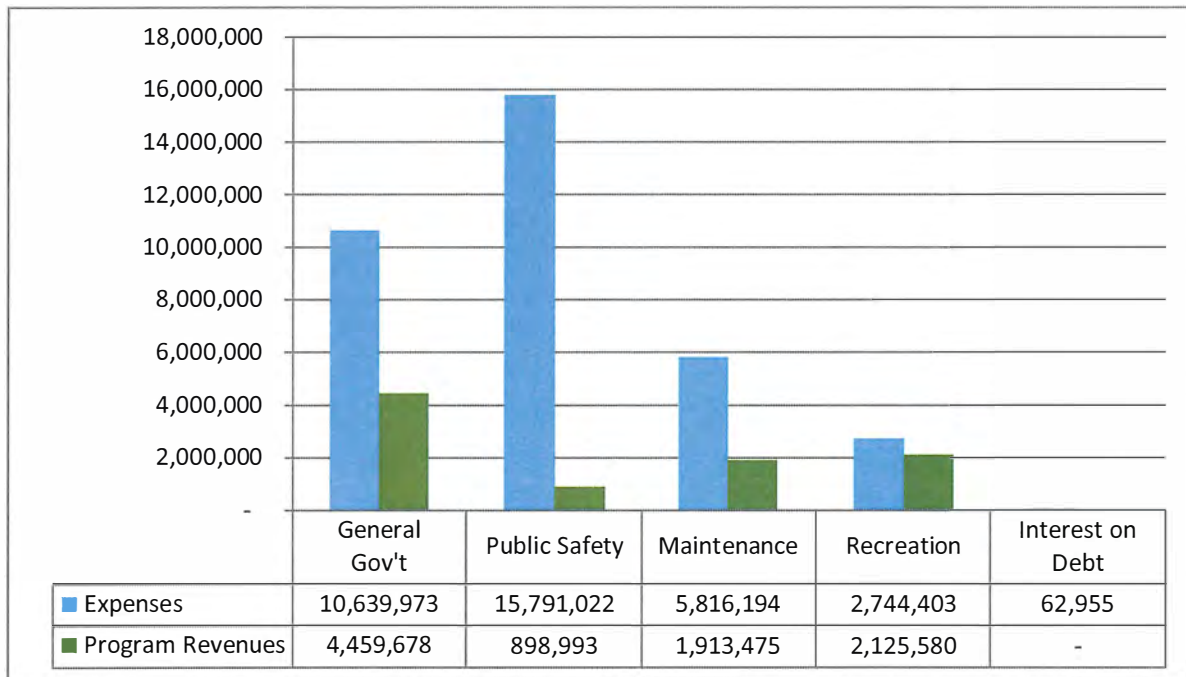
- Property tax continues to be the City's single largest source of revenue representing about 46% of general government-wide revenues. Property tax continued its aggressive growth increasing by \$1.3M, or 7%.
- Charges for services, making up 17% of government revenues, decreased as expected as community development fees declined from the prior year amount which included revenues from several significant development projects that began construction in 2014. This revenue category was again supported by gains in recreation programming and continuing strong levels in residential remodel and rebuilding activity. Both community development and recreation services continue to capitalize on their cost recovery goals.
- Other major taxes showed stability with an increase of \$580,000 or 6%, led by a 27% increase in hotel occupancy tax, resulting from the opening of a third hotel in the City and the strong regional business climate.
- Interest revenues, while still lagging as a result of historically low interest rates, increased by \$238,516 from the prior year due to growth of the City's investment portfolio and more aggressive investment strategies.
- Government expenses, including allocated capital maintenance costs, increased by \$723,456 or 2.1%. This increase is primarily the result of the City's effort to fill positions that were held vacant during the economic downturn. Interest on long-term debt remained flat, reflective of the City's low debt level.

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

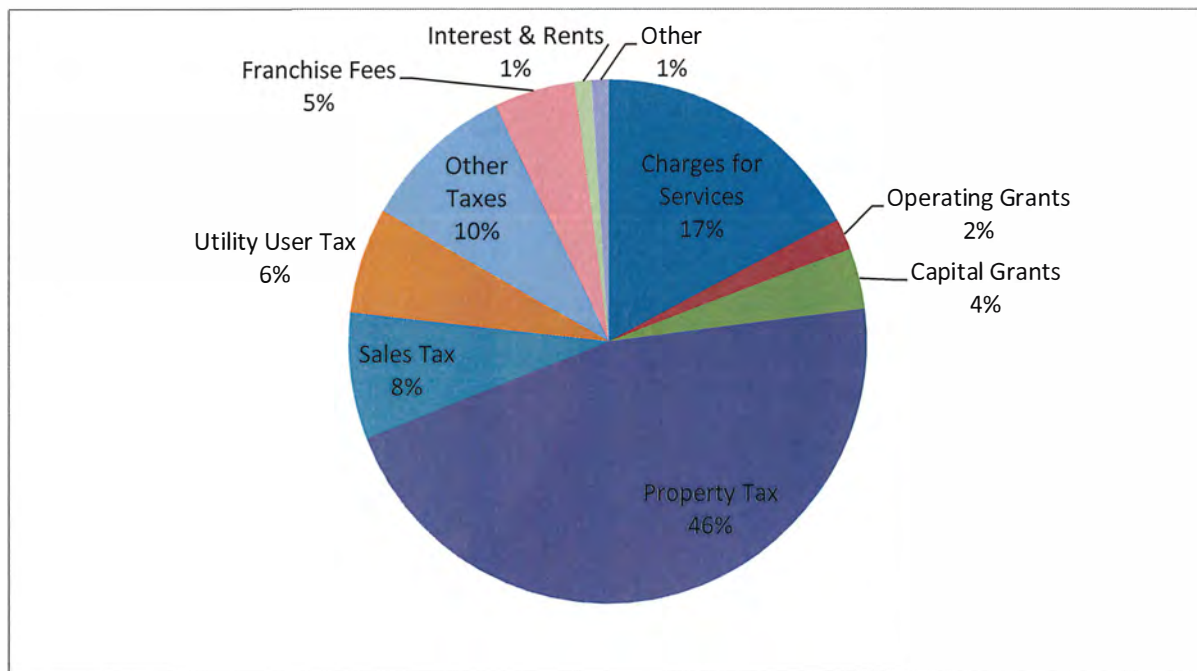
**City of Los Altos Changes in Net Position**  
**Fiscal Year Ending June 30, 2016**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>				
<b>Program Revenue</b>				
Charges for Services	\$ 7,084,514	\$ 7,677,037	\$ 7,737,915	\$ 7,116,293
Operating Grants/Contributions	783,798	956,728		
Capital Grants/Contributions	1,529,414	527,709		
<b>General Revenue</b>				
Property Tax	18,775,472	17,479,882		
Sales Tax	3,195,628	2,942,764		
Utility User Tax	2,672,236	2,522,536		
Other Taxes	3,909,391	3,732,376		
Franchise Fees	2,029,432	1,807,854		
Interest Income	438,364	199,848		
Sale of Capital Assets		-		
Miscellaneous	434,607	1,123,511	96,478	40,212
<b>Total Revenues</b>	<b>40,852,856</b>	<b>38,970,245</b>	<b>7,834,393</b>	<b>7,156,505</b>
<b>Expenses</b>				
Public Safety	15,791,022	15,636,023		
Public Works	5,816,194	7,058,443		
Recreation	2,744,403	2,976,441		
Community Development	5,758,300	4,590,094		
Admin/Community Services	4,881,673	4,001,840		
Interest on Long-Term Debt	62,955	68,250		
Sewer			4,607,189	4,788,574
Solid Waste			375,808	346,947
Storm Drain				214,530
<b>Total Expenses</b>	<b>35,054,547</b>	<b>34,331,091</b>	<b>4,982,997</b>	<b>5,350,051</b>
<b>Excess (Deficiency) before transfers</b>	<b>5,798,309</b>	<b>4,639,154</b>	<b>2,851,396</b>	<b>(5,350,051)</b>
<b>Transfers</b>		<b>(195,573)</b>		<b>195,573</b>
<b>Loss on Disposal of Assets</b>				
<b>Change in Net Assets</b>	<b>5,798,309</b>	<b>4,443,581</b>	<b>2,851,396</b>	<b>2,002,027</b>
<b>Net Assets - Beginning of Year</b>	<b>77,640,501</b>	<b>73,196,920</b>	<b>17,133,944</b>	<b>15,131,917</b>
<b>Net Assets - End of Year</b>	<b>\$ 83,438,810</b>	<b>\$ 77,640,501</b>	<b>\$ 19,985,340</b>	<b>\$ 17,133,944</b>

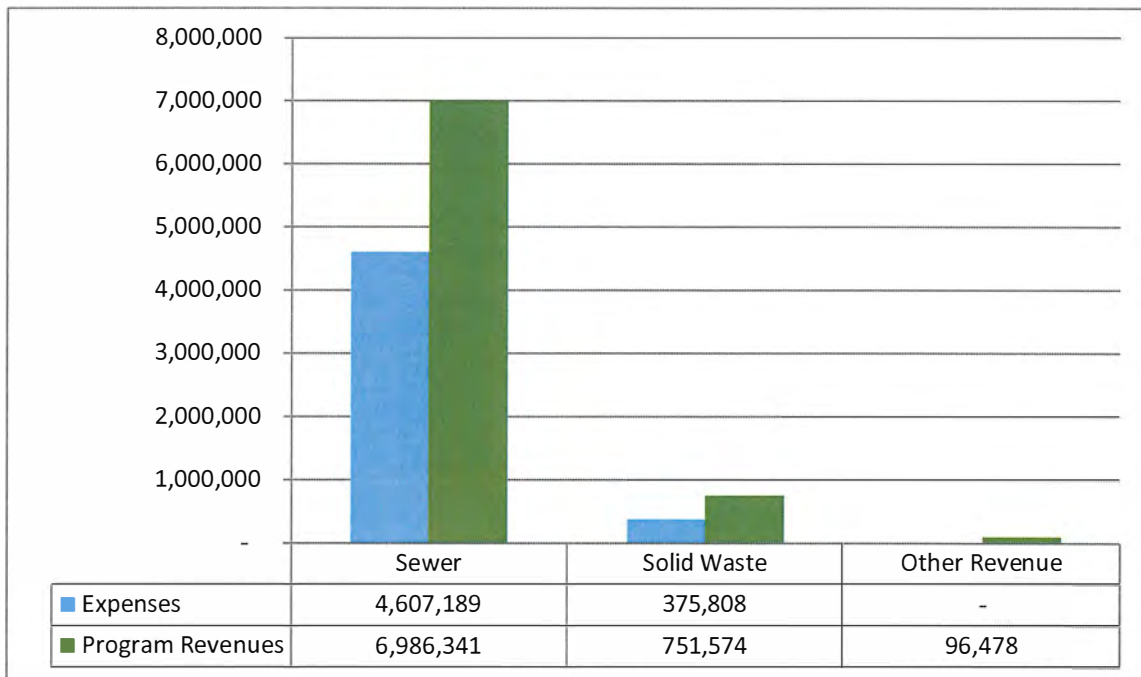
### Program Expenses and Revenues - Governmental Activities



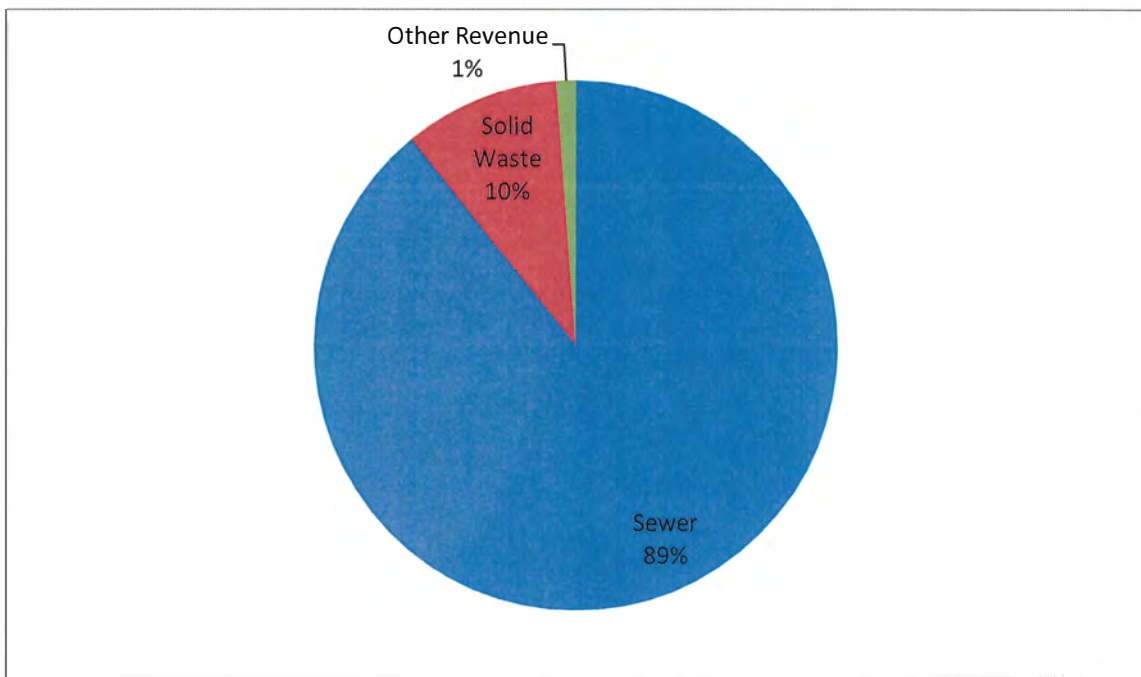
### Government Revenues - All Sources



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



### Business Revenues - All Sources



## Business-Type Activities

The programs for the business-type activities include sewer and solid waste collection management. These activities represent 19% of the total net position. The net position from the business-type activities increased by \$2.9M, or 17%, primarily due to the favorable operating results in the sewer fund.

- The Joint Sewer System Authority (JSSA) formed in 1968 by a joint exercise of powers among the Cities of Palo Alto, Mountain View and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. Los Altos is obligated through the year 2018 under an operating agreement with the City of Palo Alto for water treatment plant and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.
- Sewer revenue increased by \$658,000, or 10% from the prior year as the result of a multi-year rate increase program.
- Sewer expenditures decreased by 3.9% from the prior year, decreasing by \$181,385. Net position increased by \$2.4M to bring the year end net position to \$16.7M.
- Revenue for solid waste collections decreased by \$34,000, or 5%, in accordance with the City's agreement for administrative fee support, with a slight decrease in expenditures of \$29,000. Total net position in the fund increased by \$404,000 leaving a total net position of \$3.3M.
- As projected in budgetary estimates and the prior year financial reports, this fund has exhausted its reserves. Currently, the Storm Drain and Urban Runoff Pollution Control Programs (URPP) are categorized as enterprise activities, but are lacking a fee that pays for these services.

## FUND FINANCIAL ANALYSIS

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

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

The City's governmental funds reported a combined ending fund balance of \$52.6M, which stayed constant. Of the total combined balance, 16% remains as unassigned and without commitment.

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



**General Fund Contingency Reserves****June 30, 2016**

<i>Emergency Operating</i>	\$6,705,000
<i>General Fund Capital and Equipment</i>	\$22,358,788
<b><i>Total General Fund Available Funds</i></b>	<b>\$29,063,788</b>

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

The City has set aside a total of \$1,500,000, a decrease of \$500,000 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. The City has set aside funds and deposit into the California Employer's Retiree Benefit Trust (CERBT) fund to accumulate and distribute assets for the exclusive benefit of retirees and their beneficiaries with the California Public Employee's Retirement System (CalPERS).

Overall favorable operating results have led to a total General Fund balance of \$38.1M, after transfers, and an unassigned fund balance of \$8.5M. These amounts align closely with long-term budgetary forecast and the adopted biennial operating plan.

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

**Other Key Fund Balances****June 30, 2016**

<i>Capital Projects Fund</i>	\$2,250,797
<i>In-Lieu Park Land Fund</i>	4,518,359
<b><i>Total</i></b>	<b>\$6,769,156</b>

The City continues to maintain a respectable reserve of in-lieu park funds, restricted as to parks, park land and recreation uses, at \$4.5 million; a result of the significant private development activity in Los Altos. These, and the other dollars listed above, are anticipated to apply to future capital needs.

The Capital Projects Fund balance varies materially as progress occurs on approved projects and external funding becomes available. In FY 2015/16, general government capital project spending approximated \$2.2M, a significant level commensurate with the prior year. Beyond funding previously approved projects, the City remains challenged to address the long list of identified and unfunded projects for future consideration.

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

Unrestricted net position at the end of the year in the Sewer Fund was at \$8.0M including approved capital projects. The Storm Drain Fund balance remains dependent on the General Fund while the Solid Waste Fund increased to \$3.3M. Factors concerning the changes in fund balance in these funds have already been addressed in the discussion of the City's business-type activities.

Both the Sewer and Solid Waste funds receive revenues from the City as a customer for routine service operations. In FY 2015/16 the City paid approximately \$43,940 in sewer fees and \$282,675 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 \$62.1M (net of accumulated depreciation).

Investments in capital assets include land, buildings, improvements, machinery, streets, infrastructure and equipment. Governmental capital assets totaled \$54.9M and those of business-type activities totaled \$8.7M. Assets increased by \$4.3M overall with depreciation outpacing new additions. Additional information on capital assets can be found in footnote 4 of these financial statements as part of the summary listed below:

#### Capital Assets as of June 30, 2016

	<i>Governmental Activities</i>	<i>Business Activities</i>	<i>2016 Total</i>	<i>2015 Total</i>
<i>Land</i>	\$11,642,285	0	\$11,642,285	\$10,622,285
<i>Work in Progress</i>	7,088,344	273,663	7,362,007	2,712,084
<i>Buildings</i>	12,227,273	7,977,004	20,204,277	20,911,090
<i>Improvements</i>	3,304,675	0	3,304,675	3,317,215
<i>Machinery &amp; Equip</i>	800,684	475,271	1,275,955	1,010,121
<i>Infrastructure</i>	19,805,577	0	19,805,577	20,733,062
<i>Total Assets</i>	<i>\$54,868,868</i>	<i>\$8,725,938</i>	<i>\$63,594,776</i>	<i>\$59,305,857</i>
<i>Less Related Debt</i>	<i>(1,460,000)</i>	<i>-</i>	<i>(1,460,000)</i>	<i>(1,565,000)</i>
<i>Net Investment in Capital Assets</i>	<i>\$53,408,838</i>	<i>\$8,725,938</i>	<i>\$62,1347,776</i>	<i>\$57,740,857</i>

**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 \$1.5M 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 \$1.6M, for general and business activities, a factor of accumulated balances at year-end.

Additional information on long-term obligations can be found in footnotes 5 and 6 to these financial statements.

## Long-Term Debt as of June 30, 2016

	<i>Governmental Activities</i>	<i>Business Activities</i>	<i>2016 Total</i>	<i>2015 Total</i>
<i>Certificate of Participation</i>	\$1,460,000	\$0	\$1,460,000	\$1,565,000
<i>Compensated Absences</i>	1,546,593	49,171	1,568,626	1,593,741
<b>Total</b>	<b>\$3,006,593</b>	<b>\$49,171</b>	<b>\$3,028,626</b>	<b>\$3,158,741</b>

The City also carries a year-end net Post-Retirement Health obligation (OPEB) of \$518,562. This obligation is in line with annual actuarial valuations and is a factor of benefit levels.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The FY 2015/16 General Fund budget, adopted as part of the biennial plan, equaled \$34.4M. Budget to actual results came in favorably with revenues exceeding estimates by \$2.1M or 6% and expenditures coming in at 0.1% below established limits, for year-end revenues over expenditures of \$2.1M.

## ECONOMIC FACTORS AND FY 2015-17 BIENNIAL BUDGET AND RATES

General Fund revenue is forecast to increase by 8.2%, while expenditures are budgeted to increase by 4.5%. The 2015/16 budget anticipates that the City will return to a staffing level that is currently budgeted at 131 positions. The budget also reflects increases for the City's pension costs. The City is also evaluating future funding to address aging city facilities and the fiscal impact of published and pending master plans.

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

- Revenues are expected to increase in line with current year results. The City maintains a 20% General Fund reserve as endorsed in 2008/09 by the City Council. The City continues to fund its OPEB reserve along with a PERS reserve to offset the impact of future increases in retirement costs. The City has also set aside funds for future capital investments in technology initiatives.
- The budget projects an increase of 5% in property tax receipts, noting continual improvement in property values. This projection includes secured property tax, unsecured property tax, homeowner property tax relief, property tax in lieu of vehicle license fees and supplemental property tax. Property tax makes up nearly half of all governmental funds revenue.
- Other key taxes are estimated to experience moderate increases in the 1% range. Utilizing the most recent data and regional and national trends, key City tax revenues including sales tax, hotel occupancy tax, and motor vehicle license fees are anticipated to continue prior year growth with modest increases.
- Planning and building activity has shown significant development strength and has projected a 4% increase in this revenue base. These projections still anticipate strength in local activity.

- Total authorized positions remain steady at 131 full time equivalent employees.
- The two-year budget honors existing multi-year labor contracts. Salaries for filled authorized positions remain within budget projections.
- General operational costs were held relatively flat growing by 6.2% at the end of year two. The return to full staffing along with rising pension and healthcare costs are the main contributors to the increase, with the City maintaining all other operating expenditures close to current levels.
- Overall, PERS pension rates increased but were mitigated by the pay-down of the City's side-fund liability which was fully paid down in FY 2012/13. Rates for public safety and miscellaneous employees increased from prior year levels as recent changes in legislation and assumptions continue to drive pension costs. Health insurance rates are assumed to increase by at least 7.5%.
- In 2011/12, the City successfully implemented a second-tier pension model that lowers the level of benefit for new hires. This change is anticipated to render material savings as the years evolve. The State of California also mandated pension reform effective 2013 that imposed yet another third and lower benefit plan for new prospective enrollees.
- The budget incorporates storm water-related costs into the General Fund budget while the City contemplates potential funding options for this program.

For a more current discussion of the state of the economy beyond those assumptions made in the FY 2015-17 two-year budget process, the reader should also refer to the transmittal letter included in this document.

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

This financial report is designed to provide Los Altos citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report, or request for additional financial information, should be addressed to the Administrative Services Director, 1 North San Antonio Road, Los Altos, CA 94022.



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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





CITY OF LOS ALTOS  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$61,451,083	\$12,522,698	\$73,973,781
Accounts receivable	1,506,396	60,401	1,566,797
Interest receivable	36,494		36,494
Prepaid items and inventory (Note 1H)	39,116		39,116
Total current assets	<u>63,033,089</u>	<u>12,583,099</u>	<u>75,616,188</u>
Noncurrent assets:			
Restricted cash and investments (Note 2)	171,896		171,896
Capital assets (Note 4):			
Non-depreciable	18,730,629	273,663	19,004,292
Depreciable, net of accumulated depreciation	<u>36,138,209</u>	<u>8,452,275</u>	<u>44,590,484</u>
Total noncurrent assets	<u>55,040,734</u>	<u>8,725,938</u>	<u>63,766,672</u>
Total Assets	<u>118,073,823</u>	<u>21,309,037</u>	<u>139,382,860</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 10)	<u>3,562,821</u>	<u>167,303</u>	<u>3,730,124</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,746,542	199,979	3,946,521
Interest payable	9,982		9,982
Accrued liabilities	514,732	31,240	545,972
Other payable	120,859		120,859
Compensated absences payable, due in one year (Note 6)	379,864	12,293	392,157
Claims and judgements payable, due in one year (Note 8)	650,101		650,101
Long-term debt, due in one year (Note 5)	<u>105,000</u>		<u>105,000</u>
Total current liabilities	<u>5,527,080</u>	<u>243,512</u>	<u>5,770,592</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year (Note 6)	1,139,591	36,878	1,176,469
Claims and judgments payable, due in more than one year (Note 8)	3,286,899		3,286,899
Net pension liability (Note 10)	23,548,025	971,646	24,519,671
Net OPEB obligation (Note 11)	387,355	131,207	518,562
Long-term debt, due in more than one year (Note 5)	<u>1,355,000</u>		<u>1,355,000</u>
Total noncurrent liabilities	<u>29,716,870</u>	<u>1,139,731</u>	<u>30,856,601</u>
Total Liabilities	<u>35,243,950</u>	<u>1,383,243</u>	<u>36,627,193</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 10)	<u>2,953,884</u>	<u>113,652</u>	<u>3,067,536</u>
NET POSITION (Note 7)			
Net investments in capital assets	<u>53,408,838</u>	<u>8,725,938</u>	<u>62,134,776</u>
Restricted for:			
Debt service	364,179		364,179
Special revenue programs:			
Public safety	33,334		33,334
Recreation	4,518,359		4,518,359
Streets and roads	3,654,635		3,654,635
Public education	623,056		623,056
Housing	73,228		73,228
Parking	628,353		628,353
Other	74,436		74,436
Capital projects	<u>4,477,088</u>		<u>4,477,088</u>
Total Restricted Net Position	<u>14,446,668</u>		<u>14,446,668</u>
Unrestricted	<u>15,583,304</u>	<u>11,259,402</u>	<u>26,842,706</u>
Total Net Position	<u>\$83,438,810</u>	<u>\$19,985,340</u>	<u>\$103,424,150</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities:					
Public safety	\$15,791,022	\$462,072	\$436,921		\$898,993
Public works	5,816,194	54,828	336,253	\$1,522,394	1,913,475
Recreation	2,744,403	2,123,031	2,549		2,125,580
Community development	5,758,300	3,411,531	8,075	7,020	3,426,626
Admin / community services	4,881,673	1,033,052			1,033,052
Interest on long-term debt	62,955				
Total Governmental Activities	<u>35,054,547</u>	<u>7,084,514</u>	<u>783,798</u>	<u>1,529,414</u>	<u>9,397,726</u>
Business-type Activities:					
Sewer	4,607,189	6,986,341			6,986,341
Solid waste	<u>375,808</u>	<u>751,574</u>			<u>751,574</u>
Total Business-type Activities	<u>4,982,997</u>	<u>7,737,915</u>			<u>7,737,915</u>
Total primary government	<u>\$40,037,544</u>	<u>\$14,822,429</u>	<u>\$783,798</u>	<u>\$1,529,414</u>	<u>\$17,135,641</u>
General revenues:					
Taxes:					
Property taxes					
Sales and use taxes					
Utility users' tax					
Other taxes					
Franchise fees					
Total taxes					
Interest income					
Miscellaneous					
Total general revenues and transfers					
Change in Net Position					
Net Position-Beginning					
Net Position-Ending					

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(\$14,892,029)		(\$14,892,029)
(3,902,719)		(3,902,719)
(618,823)		(618,823)
(2,331,674)		(2,331,674)
(3,848,621)		(3,848,621)
(62,955)		(62,955)
(25,656,821)		(25,656,821)
	\$2,379,152	2,379,152
	375,766	375,766
	2,754,918	2,754,918
(25,656,821)	2,754,918	(22,901,903)
18,775,472		18,775,472
3,195,628		3,195,628
2,672,236		2,672,236
3,909,391		3,909,391
2,029,432		2,029,432
30,582,159		30,582,159
438,364		438,364
434,607	96,478	531,085
31,455,130	96,478	31,551,608
5,798,309	2,851,396	8,649,705
77,640,501	17,133,944	94,774,445
<u>\$83,438,810</u>	<u>\$19,985,340</u>	<u>\$103,424,150</u>



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<b>FUND FINANCIAL STATEMENTS</b>
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The funds described below were determined to be Major Funds by the City in fiscal 2016. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND**

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

**IN-LIEU PARK LAND FUND**

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

**CAPITAL PROJECTS FUND**

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

CITY OF LOS ALTOS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016

	General	In-Lieu Park Land Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments (Note 2)	\$39,155,534	\$5,544,875	\$2,978,709	\$7,487,883	\$55,167,001
Restricted cash and investments (Note 2)				171,896	171,896
Receivables, net of allowance for uncollectibles:					
Accounts	1,422,941		13,720	40,404	1,477,065
Interest	31,322	2,832		2,340	36,494
Prepays	18,444				18,444
Inventory (Note 1H)	20,672				20,672
Total Assets	<u>\$40,648,913</u>	<u>\$5,547,707</u>	<u>\$2,992,429</u>	<u>\$7,702,523</u>	<u>\$56,891,572</u>
<b>LIABILITIES</b>					
Accounts payable	\$1,890,162	\$1,029,348	\$741,632	\$25,011	\$3,686,153
Accrued liabilities	514,732				514,732
Other payable	120,859				120,859
Total Liabilities	<u>2,525,753</u>	<u>1,029,348</u>	<u>741,632</u>	<u>25,011</u>	<u>4,321,744</u>
<b>FUND BALANCES</b>					
Fund balance (Note 7):					
Nonspendable	523,973				523,973
Restricted		4,518,359		5,451,221	9,969,580
Assigned	29,063,788		2,250,797	2,226,291	33,540,876
Unassigned	8,535,399				8,535,399
Total Fund Balances	<u>38,123,160</u>	<u>4,518,359</u>	<u>2,250,797</u>	<u>7,677,512</u>	<u>52,569,828</u>
Total Liabilities and Fund Balances	<u>\$40,648,913</u>	<u>\$5,547,707</u>	<u>\$2,992,429</u>	<u>\$7,702,523</u>	<u>\$56,891,572</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS  
Reconciliation of the  
GOVERNMENTAL FUNDS -- BALANCE SHEET  
with the  
STATEMENT OF NET POSITION  
JUNE 30, 2016

Fund balances of governmental funds	\$52,569,828
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

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

Land, buildings, property, equipment and infrastructure, net	54,868,838
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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.

(9,982)

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

Deferred outflows	3,562,821
Deferred inflows	(2,953,884)

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

Long-term debt - current portion	(105,000)
Long-term debt - noncurrent portion	(1,355,000)
Net pension liability	(23,548,025)
Net OPEB obligation	(387,355)
Compensated absences - current portion	(379,864)
Compensated absences - noncurrent portion	(1,139,591)

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

2,316,024

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$83,438,810

See accompanying notes to financial statements



CITY OF LOS ALTOS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	General	In-Lieu Park Land Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$18,775,472				\$18,775,472
Sales tax	3,195,628				3,195,628
Utility users	2,672,236				2,672,236
Other tax	3,921,510				3,921,510
Licenses, permits and fees	3,699,597			\$84,284	3,783,881
Intergovernmental		\$198,500		774,891	973,391
Grants and donations	8,480		\$1,528,703	325,279	1,862,462
Charges for services	4,568,228			90,763	4,658,991
Fines and forfeitures	242,889			20,735	263,624
Interest and rentals	451,355	54,751		52,310	558,416
Other	179,405		342	7,498	187,245
Total Revenues	37,714,800	253,251	1,529,045	1,355,760	40,852,856
EXPENDITURES					
General government					
Public safety	16,195,290				16,195,290
Public works	4,858,636				4,858,636
Recreation	2,422,822				2,422,822
Community development	6,052,100			35,340	6,087,440
Admin / community development	4,851,512				4,851,512
Capital improvements		1,174,449	4,982,269	156,365	6,313,083
Debt service:					
Principal				105,000	105,000
Interest and fiscal charges				63,568	63,568
Total Expenditures	34,380,360	1,174,449	4,982,269	360,273	40,897,351
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,334,440	(921,198)	(3,453,224)	995,487	(44,495)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3)	158,250		1,207,773	385,940	1,751,963
Transfers (out) (Note 3)	(168,568)	(467,476)	(217,372)	(898,547)	(1,751,963)
Total Other Financing Sources (Uses)	(10,318)	(467,476)	990,401	(512,607)	
NET CHANGE IN FUND BALANCES	3,324,122	(1,388,674)	(2,462,823)	482,880	(44,495)
BEGINNING FUND BALANCES	34,799,038	5,907,033	4,713,620	7,194,632	52,614,323
ENDING FUND BALANCES	\$38,123,160	\$4,518,359	\$2,250,797	\$7,677,512	\$52,569,828

See accompanying notes to financial statements

CITY OF LOS ALTOS  
Reconciliation of the  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
with the  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances of governmental funds (\$44,495)

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 6,173,935

Depreciation expense on capital assets is reported in the government wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (1,948,817)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.  
Principal payment 105,000

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

Compensated absences	27,138
Interest payable	613
Net OPEB obligation	1,114,428
Net pension obligation, and related deferred outflows and inflows of resources	1,648,612

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. 1,101,283

Changes in net position of governmental activities \$8,177,697

See accompanying notes to financial statements



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

The City reported all of its Enterprise Funds as major funds in fiscal 2016.

**SEWER**

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

**SOLID WASTE**

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

**STORM DRAIN**

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

CITY OF LOS ALTOS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Storm Drain	Totals
<b>ASSETS</b>				
Current Assets:				
Cash and investments (Note 2)	\$9,283,182	\$3,233,872	\$5,644	\$12,522,698
Accounts receivable		60,401		60,401
Interest receivable	4,374	1,521		5,895
Total Current Assets	9,287,556	3,295,794	5,644	12,588,994
Non-Current Assets:				
Capital assets (Note 4):				
Nondepreciable	273,663			273,663
Depreciable	18,625,124		1,969,221	20,594,345
Less accumulated depreciation	(10,172,849)		(1,969,221)	(12,142,070)
Total capital assets, net	8,725,938			8,725,938
Total non-current Assets	8,725,938			8,725,938
Total Assets	18,013,494	3,295,794	5,644	21,314,932
<b>DEFERRAL OUTFLOWS OF RESOURCES</b>				
Related to pension (Note 10)	167,303			167,303
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	177,011	22,968		199,979
Accrued liabilities	26,003	1,914	3,323	31,240
Compensated absences (Note 6)	12,293			12,293
Claims and judgements (Note 8)				650,101
Total Current Liabilities	215,307	24,882	3,323	243,512
Long-Term Liabilities				
Compensated absences (Note 6)	36,878			36,878
Claims and judgements (Note 8)				3,286,899
Net pension liabilities (Note 10)	971,646			971,646
Net OPEB obligation (Note 11)	100,928	10,093	20,186	131,207
Total Noncurrent Liabilities	1,109,452	10,093	20,186	1,139,731
Total Liabilities	1,324,759	34,975	23,509	1,383,243
<b>DEFERRAL INFLOWS OF RESOURCES</b>				
Related to pension (Note 10)	113,652			113,652
<b>NET POSITION (Note 7)</b>				
Net investment in capital assets	8,725,938			8,725,938
Unrestricted (deficit)	8,016,448	3,260,819	(17,865)	11,259,402
Total Net Position (Deficit)	\$16,742,386	\$3,260,819	(\$17,865)	\$19,985,340

See accompanying notes to financial statements

CITY OF LOS ALTOS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Storm Drain	Totals	
OPERATING REVENUES					
Charges for services	\$6,986,341	\$751,574		\$7,737,915	\$2,053,134
Total Operating Revenues	6,986,341	751,574		7,737,915	2,053,134
OPERATING EXPENSES					
Outside services	3,566,012	294,899		3,860,911	57,541
Employee services	223,998	60,765		284,763	404,231
Repairs and maintenance	459,451			459,451	500,465
Claims					(10,386)
Insurance	69,056	20,144		89,200	
Depreciation	288,672			288,672	
Total Cost of Sales and Operating Expenses	4,607,189	375,808		4,982,997	951,851
Operating Income (Loss)	2,379,152	375,766		2,754,918	1,101,283
NONOPERATING REVENUES					
Interest	67,883	28,595		96,478	
Total Nonoperating Revenues	67,883	28,595		96,478	
Change in Net Position	2,447,035	404,361		2,851,396	1,101,283
BEGINNING NET POSITION	14,295,351	2,856,458	(\$17,865)	17,133,944	1,214,741
ENDING NET POSITION (DEFICIT)	<u>\$16,742,386</u>	<u>\$3,260,819</u>	<u>(\$17,865)</u>	<u>\$19,985,340</u>	<u>\$2,316,024</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Storm Drain	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$7,175,474	\$756,610		\$7,932,084	\$2,033,936
Cash payments to suppliers for goods and services	(4,027,222)	(308,145)		(4,335,367)	
Cash payment employees for services	(954,953)	(58,703)	\$5,644	(1,008,012)	
Cash payments to claimants					(387,855)
Insurance premiums and settlements					(756,620)
Cash Flows from (used for) Operating Activities	<u>2,193,299</u>	<u>389,762</u>	<u>5,644</u>	<u>2,588,705</u>	<u>889,461</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	<u>(352,473)</u>			<u>(352,473)</u>	
Cash Flows (used for) Capital and Related Financing Activities	<u>(352,473)</u>			<u>(352,473)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>67,883</u>	<u>28,595</u>		<u>96,478</u>	
Cash Flows from Investing Activities	<u>67,883</u>	<u>28,595</u>		<u>96,478</u>	
Net Cash Flows	1,908,709	418,357	5,644	2,332,710	889,461
Cash and investments at beginning of period	<u>7,374,473</u>	<u>2,815,515</u>		<u>10,189,988</u>	<u>5,394,621</u>
Cash and investments at end of period	<u>\$9,283,182</u>	<u>\$3,233,872</u>	<u>\$5,644</u>	<u>\$12,522,698</u>	<u>\$6,284,082</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$2,379,152	\$375,766		\$2,754,918	\$1,101,283
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	288,672			288,672	
Change in assets and liabilities:					
Receivables, net	189,133	5,036		194,169	(19,198)
Accounts payable and other accrued expenses	67,297	6,898		74,195	16,376
Net pension liability and deferred inflows and outflows	(753,597)			(753,597)	
Compensated absences	2,023		\$1,520	3,543	
OPEB obligation	20,619	2,062	4,124	26,805	
Claims and judgments					(209,000)
Cash Flows from (used for) Operating Activities	<u>\$2,193,299</u>	<u>\$389,762</u>	<u>\$5,644</u>	<u>\$2,588,705</u>	<u>\$889,461</u>

See accompanying notes to financial statements

<b>FIDUCIARY FUNDS</b>
------------------------

**AGENCY FUND**

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



CITY OF LOS ALTOS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$3,478,132
Restricted cash and investments (Note 2)	39,794
Accounts receivable	<u>7,128</u>
Total Assets	<u><u>\$3,525,054</u></u>
LIABILITIES	
Accounts payable	\$323,820
Due to others	<u>3,201,234</u>
Total Liabilities	<u><u>\$3,525,054</u></u>

See accompanying notes to financial statements

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**A. *Background***

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

***Reporting Entity***

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

**B. *Basis of Presentation***

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

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

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

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

A column representing the City's internal service funds, those funds that support agency wide shared service costs, is also presented in these statements. These internal service balances and activities are combined with the governmental activities in the Government-wide Financial Statements.

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

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

**Fiduciary Fund Financial Statements:** The City's Fiduciary Funds are comprised of agency funds used to account for the operating activities and for the special assessment collections pertaining to the North County Library Authority, Raymundo and Avalon Drive Curb and Gutter Districts, and Blue Oak Lane Sewer Improvements. Agency Funds are custodial in nature (assets equal liabilities), do not involve the measurement of results of operations, and are accounted for on the accrual basis of accounting.

**Internal Service Funds:** Internal Service Funds account for services provided to other departments pertaining to the employee self-insurance dental program, unemployment insurance, workers' compensation insurance and liability insurance, all of which are funded on a cost reimbursement basis as budget projections and valuations develop.

**C. Major Funds**

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

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**Solid Waste Fund** – Accounts for the administration and support of contracted solid waste services, a self-supporting user charge for services activity.

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

***D. Recognition of Interest Payable***

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

***E. Use of Restricted and Unrestricted Net Position***

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

***F. Cash, Cash Equivalents and Investments***

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

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

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**G. *Fair Value Hierarchy***

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

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

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

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

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

**H. *Inventories***

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

**I. *Restricted Cash***

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

**J. *Compensated Absences***

**Government-wide Financial Statements:** For governmental and business-type activities, compensated absences are recorded as expenses and liabilities as the time is earned by employees.

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Property Taxes**

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

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

**L. Capital Assets**

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated 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
Machinery and Equipment	3-10 years
Infrastructure	30-100 years

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

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

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**M. Long-Term Debt**

**Government-wide Financial Statements:** Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

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

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

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

**N. Unearned Revenue**

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

**O. Deferred Outflows/Inflows of Resources**

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

**P. Use of Estimates**

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



**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Q. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements***

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2016.

**GASB Statement No. 72 – *Fair Value Measurement and Application*.** The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

**GASB Statement No. 76 -- *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.** The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

**GASB Statement No. 79-- *Certain External Investment Pools and Pool Participants*.** This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

***A. Cash Deposits***

The City's cash and investments at June 30, 2016 are presented as follows:

Cash and investments	\$73,973,781
Restricted cash and investments	171,896
Fiduciary funds:	
Cash and investments	3,478,132
Restricted cash and investments	39,794
Total cash and investments	<u>\$77,663,603</u>

Cash and investments consist of the following as of June 30, 2016:

Cash on hand	\$2,170
Deposits with financial institutions	9,733,736
Investments:	
Liquid investments	\$28,968,210
Managed investments	38,959,487
Total cash and investments	<u>\$77,663,603</u>

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**B. Authorized Investments**

Under the provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following, with the limitations as they relate to interest rate risk, credit risk, and concentration of credit risk:

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

**C. Interest Risk**

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

Investments held in City Treasury grouped by maturity date at June 30, 2016, are shown below:

Investment Type	One Year or Less	13 months to 24 months	25 months to 36 months	Total
Money Market	\$211,965			\$211,965
Government Sponsored Enterprise Agencies:				
Federal Home Loan Bank Bonds (FHLB)		\$1,214,844	\$782,190	1,997,034
Federal National Mortgage Association Notes (FNMA)		1,831,282	2,691,789	4,523,071
Federal Home Loan Mortgage Corporation (FHLMC)		1,004,279	1,764,870	2,769,149
U.S. Treasury Notes	3,059,296	10,533,570	8,436,506	22,029,372
Corporate Notes	628,461	3,408,554	1,284,521	5,321,536
Commercial Paper	2,319,325			2,319,325
Local Agency Investment Funds (LAIF)	28,756,245			28,756,245
Total investments	<u>\$34,975,292</u>	<u>\$17,992,529</u>	<u>\$14,959,876</u>	67,927,697
Demand Deposits and Cash on Hand				<u>9,735,906</u>
Total cash and investments				<u>\$77,663,603</u>

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**D. Fair Value Hierarchy**

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

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

<i>Investments by Fair Value Level:</i>	Level 1	Level 2	Total
Government Sponsored Enterprise Agencies:			
Federal Home Loan Bank Bonds (FHLB)		\$1,997,034	\$1,997,034
Federal National Mortgage Association Notes (FNMA)		4,523,071	4,523,071
Federal Home Loan Mortgage Corporation (FHLMC)		2,769,149	2,769,149
U.S. Treasury Notes	\$22,029,372		22,029,372
Corporate Notes		5,321,536	5,321,536
Commercial Paper		2,319,325	2,319,325
California Local Agency Investment Fund		28,756,245	28,756,245
Total Investments	<u>\$22,029,372</u>	<u>\$45,686,360</u>	67,715,732
<i>Investments Measured at Amortized Cost:</i>			
Money Market Mutual Fund			211,965
Cash in banks and on hand			<u>9,735,906</u>
Total Cash and investments			<u>\$77,663,603</u>

US Treasury Notes classified in Level 1 of the fair value hierarchy are valued using a quoted price in an active market for an identical asset. Corporate Notes, Commercial Paper and Government Sponsored Enterprise Agencies are classified in Level 2 of the fair value hierarchy are valued using a quoted price in a non-active market for an identical asset. The California Local Agency Investment Fund (LAIF) classified in Level 2 is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

**E. Credit Risk**

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

At June 30, 2016, 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	\$2,170
US Bank General Checking	Not Rated	Not Rated	9,705,383
Money Market (Sweep Account)	Not Rated	Not Rated	28,353
Money Market	Aaa	AAAm	211,965
Securities of Government Sponsored Enterprise Agencies:			
Federal Home Loan Bank Bonds (FHLB)	Aaa	AA+	1,997,034
Federal Home Loan Mortgage Corporate Notes (FHLMC)	Aaa	AA+	2,769,149
Federal National Mortgage Association Notes (FNMA)	Aaa	AA+	4,523,071
U.S. Treasury Notes	Aaa	AA+	22,029,372
Commercial Paper	P-1	A-1	2,319,325
Corporate Notes:			
General Electric Corp.	A1	AA+	659,225
JP Morgan Chase	A3	A-	628,461
Wells Fargo & Co.	A2	A	628,500
Chevron Corp.	Aa2	AA-	452,471
Exxon Mobil Corp.	Aaa	AA+	503,902
Cisco Systems	A1	AA-	161,449
Toyota Motor Co.	Aa3	AA-	376,469
Apple Inc.	Aa1	AA+	626,538
John Deere	A2	A	547,793
IBM Corp.	Aa3	AA-	358,606
Pfizer Inc.	A1	AA	378,122
Local Agency Investment Funds (LAIF)	Not Rated	Not Rated	28,756,245
Total Investments			<u>\$77,663,603</u>

**F. 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.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

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

As of June 30, 2016, the City's bank balance was \$11,444,689 and the corresponding carrying book balance was \$9,705,383. Of the bank balance, \$250,000 was covered by federal depository insurance and \$11,194,689 was collateralized.

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

**G. 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, 2016, the City held \$28,756,245 in LAIF. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF and average maturity of 167 days.

**NOTE 3 – INTERFUND TRANSACTIONS**

**A. Transfers**

Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

Fund Making Transfer	Fund Receiving Transfers	Amount	
General Fund	Non-Major Governmental Funds	\$168,568	(C)
In-Lieu Park Land Special Revenue Fund	Capital Projects Fund	467,476	(A)
Capital Projects Fund	Non-Major Governmental Funds	217,372	(E)
Non-Major Governmental Funds	General Fund	158,250	(B)(D)
	Capital Projects Fund	740,297	(A)
		<u>\$1,751,963</u>	

Interfund transfers were principally used for the following purposes:

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4 – CAPITAL ASSETS**

**A. Government-wide Financial Statements**

At June 30, 2016, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Nondepreciable assets:			
Construction in progress	\$7,088,344	\$273,663	\$7,362,007
Land	11,642,285		11,642,285
Total nondepreciable assets	18,730,629	273,663	19,004,292
Depreciable assets:			
Buildings	21,637,868	17,453,176	39,091,044
Improvements	5,209,310		5,209,310
Machinery and equipment	4,986,017	1,171,948	6,157,965
Infrastructure	30,092,243	1,969,221	32,061,464
Total depreciable assets	61,925,438	20,594,345	82,519,783
Less accumulated depreciation	(25,787,229)	(12,142,070)	(37,929,299)
Total depreciable assets, net	36,138,209	8,452,275	44,590,484
Total capital assets	\$54,868,838	\$8,725,938	\$63,594,776

The following is a summary of capital assets for governmental activities for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
<b>Governmental Activities:</b>					
Capital assets, not depreciated:					
Land	\$10,622,285	\$1,020,000			\$11,642,285
Construction in progress	2,438,421	4,780,178		(\$130,255)	7,088,344
Total capital assets, not depreciated	13,060,706	5,800,178		(130,255)	18,730,629
Buildings	21,637,868				21,637,868
Improvements	5,079,055			130,255	5,209,310
Machinery and equipment	4,701,492	373,757	(\$89,232)		4,986,017
Infrastructure	30,092,243				30,092,243
Total cost of depreciable assets	61,510,658	373,757	(89,232)	130,255	61,925,438
Less accumulated depreciation:					
Buildings	(8,960,096)	(450,499)			(9,410,595)
Improvements	(1,761,840)	(142,795)			(1,904,635)
Machinery and equipment	(3,846,527)	(428,038)	89,232		(4,185,333)
Infrastructure	(9,359,181)	(927,485)			(10,286,666)
Total accumulated depreciation	(23,927,644)	(1,948,817)	89,232		(25,787,229)
Net depreciable assets	37,583,014	(1,575,060)		130,255	36,138,209
Governmental Activity Capital Assets, Net	\$50,643,720	\$4,225,118			\$54,868,838

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 4 – CAPITAL ASSETS (Continued)**

The governmental activities depreciation expenses for capital assets for the year ended June 30, 2016 are as follows:

Functions/Programs	Total
Public safety	\$192,045
Public works	1,150,766
Recreation	498,838
Community development	3,216
Admin / community services	103,952
Total depreciation expense	<u>\$1,948,817</u>

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

	Balance June 30, 2015	Additions	Balance June 30, 2016
<b>Business-Type Activities:</b>			
Capital assets, not depreciated:			
Construction in progress	\$273,663		\$273,663
Total capital assets, not depreciated:	<u>273,663</u>		<u>273,663</u>
Capital assets, being depreciated:			
Buildings	17,453,176		17,453,176
Machinery and equipment	819,475	\$352,473	1,171,948
Infrastructure	1,969,221		1,969,221
Total cost of depreciable assets	<u>20,241,872</u>	<u>352,473</u>	<u>20,594,345</u>
Less accumulated depreciation:			
Buildings	(9,219,858)	(256,314)	(9,476,172)
Machinery and equipment	(664,319)	(32,358)	(696,677)
Infrastructure	(1,969,221)		(1,969,221)
Total accumulated depreciation	<u>(11,853,398)</u>	<u>(288,672)</u>	<u>(12,142,070)</u>
Net depreciable assets	<u>8,388,474</u>	<u>63,801</u>	<u>8,452,275</u>
Business-type Activity Capital Assets, Net	<u>\$8,662,137</u>	<u>\$63,801</u>	<u>\$8,725,938</u>

Depreciation expense for business-type activities related to the Sewer Fund amounted to \$288,672 for the year ended June 30, 2016.

**B. Fund Financial Statements**

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 5 – LONG-TERM OBLIGATIONS**

**A. Governmental Activities Long-Term Debt**

Summary of changes in governmental activities long-term debt for the year ended June 30, 2016 is as follows:

	Balance at June 30, 2015	Retirements	Balance at June 30, 2016	Due Within One Year	Due in More Than One Year
Certificate of participation	<u>\$1,565,000</u>	<u>(\$105,000)</u>	<u>\$1,460,000</u>	<u>\$105,000</u>	<u>\$1,355,000</u>

**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, 2016, future debt service requirements for the 2004 Refunding were as follows:

Year ending June 30	Principal	Interest	Total
2017	\$105,000	\$59,892	\$164,892
2018	110,000	56,060	166,060
2019	120,000	51,880	171,880
2020	120,000	47,200	167,200
2021	125,000	42,400	167,400
2022 - 2026	715,000	128,775	843,775
2027 - 2027	165,000	7,012	172,012
Total	<u>\$1,460,000</u>	<u>\$393,219</u>	<u>\$1,853,219</u>



**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 5 – LONG-TERM OBLIGATIONS (Continued)**

**B. Non-City Obligations**

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

	Balance June 30, 2015	Retirements	Balance June 30, 2016	Due Within One Year	Due in More Than One Year
Raymundo Curb and Gutter	\$133,000	(\$20,000)	\$113,000	\$21,000	\$92,000
Blue Oak Lane	575,000	(15,000)	560,000	15,000	545,000
Total	<u>\$708,000</u>	<u>(\$35,000)</u>	<u>\$673,000</u>	<u>\$36,000</u>	<u>\$637,000</u>

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

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

**NOTE 6 – COMPENSATED ABSENCES PAYABLE**

The City's compensated absences at June 30, 2016, were as follows:

	Governmental Activities	Business-type Activities	Total
Balance at July 1, 2015	\$1,546,593	\$47,148	\$1,593,741
Additions	1,033,634	71,609	1,105,243
Payments	<u>(1,060,772)</u>	<u>(69,586)</u>	<u>(1,130,358)</u>
Balance at June 30, 2016	<u>\$1,519,455</u>	<u>\$49,171</u>	<u>\$1,568,626</u>
Current Portion	<u>\$379,864</u>	<u>\$12,293</u>	<u>\$392,157</u>
Long-Term Portion	<u>\$1,139,591</u>	<u>\$36,878</u>	<u>\$1,176,469</u>

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – NET POSITION AND FUND BALANCES**

**A. *Fund Balances***

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

**B. *General Fund Reserve***

The City Council has established a General Fund Reserve goal level of 20% of annual operating expenditures has set funds aside accordingly through its annual budgetary actions. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts or State takeaways and can be activated within any one budget cycle through Council action. An economic downturn would entail a projected and/or sudden drop in core revenues (major tax and service revenue loss) of equal to or greater than 5% (including the impact of inflation) and/or a change in economic parameters (such as interest rates, debt service rates, commodity prices, pension rates) that cause a material change in expenditures of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances. In fiscal year 2015/16, in line with budget approval, the City reallocated the pre-established State Budget Stabilization reserve into the aforementioned General Fund reserve. This results in the establishment of one Reserve balance to assist in periods of economic downturn or extraordinary need. The City achieved its reserve goal of 20% during fiscal year 2015/16.

**C. *Classifications***

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

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

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

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

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2016, fund balances for government funds are made up of the following:

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – NET POSITION AND FUND BALANCES (Continued)**

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Council's highest level of decision-making authority. The City Council can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- *Assigned Fund Balance* – comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – conveys the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

**D. Policies**

*Order of Use*

The standard also requires governments to disclose the accounting policies that indicate the order in which restricted, committed, assigned and unassigned amounts are spent. The City considers restricted amounts to have been spent first when expenditures are incurred and both restricted and unrestricted fund balances are available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

*Assignment and Commitment Authority*

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – NET POSITION AND FUND BALANCES (Continued)**

**E. Fund Balances**

Fund balances for all the major and non-major governmental funds as of June 30, 2016 were distributed as follows:

<u>Fund Balance Classifications</u>	<u>General</u>	<u>In Lieu Park Land</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Nonspendables:</b>					
Inventory and prepaids	\$14,036				\$14,036
Encumbrances	497,937				497,937
Veteran Memorial	12,000				12,000
<b>Total Nonspendable Fund Balances</b>	<u>523,973</u>				<u>523,973</u>
<b>Restricted for:</b>					
Debt service				\$364,179	364,179
Special revenue programs and projects		\$4,518,359		5,087,042	9,605,401
<b>Total Restricted Fund Balances</b>		<u>4,518,359</u>		<u>5,451,221</u>	<u>9,969,580</u>
<b>Assigned to:</b>					
Emergency and operating	6,705,000				6,705,000
OPEB	1,500,000				1,500,000
PERS reserve	600,000				600,000
Technology reserve	1,403,554				1,403,554
Capital and equipment	18,855,234		\$2,250,797	\$2,226,291	23,332,322
<b>Total Assigned Fund Balances</b>	<u>29,063,788</u>		<u>2,250,797</u>	<u>2,226,291</u>	<u>33,540,876</u>
<b>Unassigned</b>	<u>8,535,399</u>				<u>8,535,399</u>
<b>Total Unassigned Fund Balances</b>	<u>8,535,399</u>				<u>8,535,399</u>
<b>Total Fund Balances</b>	<u>\$38,123,160</u>	<u>\$4,518,359</u>	<u>\$2,250,797</u>	<u>\$7,677,512</u>	<u>\$52,569,828</u>

**F. OPEB Reserves**

A review of the City 's fund balance assignments will reveal that as of June 30, 2016, \$1.5 million in General Fund reserves have been assigned in recognition of existing Post-Retirement Health Actuarial Obligations noted above.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 7 – NET POSITION AND FUND BALANCES (Continued)**

**G. Capital Projects Reserves**

As of June 30, 2016 the City had set-aside \$18,855,233 for the acquisition and construction of major capital projects and plans that are financed by resources other than proprietary funds. This amount includes \$10,439,639 from the City's Real Property Proceeds Fund and \$8,415,594 in the City's Community Facilities Renewal Fund, which are presented with the General Fund in the financial statements. While these funds are not restricted by outside funding sources, the fund balance is assigned for future capital projects to be determined by the City Council.

	<u>Real Property Proceeds Funds</u>	<u>Community Facilities Renewal Fund</u>
<b>Beginning Fund Balance as of July 1, 2015</b>	<b>\$10,344,647</b>	<b>\$8,415,594</b>
<b>Revenues</b>		
Interest Income	<u>94,992</u>	<u>                    </u>
<b>Total Revenues</b>	<u><b>94,992</b></u>	<u>                    </u>
<b>Ending Fund Balance as of June 30, 2016</b>	<u><u><b>\$10,439,639</b></u></u>	<u><u><b>\$8,415,594</b></u></u>

**NOTE 8 – RISK MANAGEMENT**

**A. Bay Cities Joint Powers Insurance Authority**

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

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

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

The City self-insures the first \$100,000 of each liability loss. Once the City's deductible is met, Bay Cities becomes responsible for payment of all claims up to the upper limit. During the year ended June 30, 2016, the City contributed \$360,459 for current year coverage.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 8 – RISK MANAGEMENT (Continued)**

The City continues to carry excess insurance policy for Workers' Compensation claims through the CSAC Excess Insurance Authority JPA up to the statutory limits and does so using the services of a contracted third-party administrator. The City has a \$250,000 deductible as of June 30, 2016. During the year, the City contributed \$360,459 for current year coverage.

As of June 30, 2016, \$5,158 of revolving funds was held in trust on behalf of the City by the workers' compensation third-party claims administrator. \$55,000 is also being held by Bay Cities in the procurement of liability and claims coverage. The City will receive these funds upon termination of services subject to final withdrawal adjustments.

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

**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,		
	2016	2015	2014
Unpaid claims, beginning of year	\$4,146,000	\$3,248,182	\$3,277,504
Incurred claims and changes in estimates	106,548	1,407,886	666,678
Claim payments	(315,548)	(510,068)	(696,000)
Unpaid claims, end of year	<u>\$3,937,000</u>	<u>\$4,146,000</u>	<u>\$3,248,182</u>
Current Portion	<u>\$650,101</u>	<u>\$622,968</u>	<u>\$657,438</u>
Long-Term Portion	<u>\$3,286,899</u>	<u>\$3,523,032</u>	<u>\$2,590,744</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, 2015 and projected values through fiscal years 2015 and 2016. The fiscal year 2015-2016 values presented above reflect the estimated present value of open claims as developed in this actuarial report. The City changed the level used to determine its outstanding liability from the expected level to the 80% confidence level in fiscal year 2015-2016, which resulted in a significant one-time increase to its estimated liability for uninsured claims. The estimated amount of claims and judgments due within one year is \$650,101.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 9 – SELF-FUNDED REIMBURSEMENT DENTAL PLAN**

The City provides a self-funded reimbursement based dental plan. The City's contribution for this plan is accounted for in the Dental Reimbursement Fund. The City contributed \$75 per month for each fulltime budgeted position. The funds accumulated are used to reimburse full-time salaried employees and their dependents, as well as council members for covered dental claims. There are no administrative charges for this plan. The Dental Reimbursement Fund maintains a positive fund balance of \$110,313 with contributions and reimbursements for the past five fiscal years as follows:

<u>Fiscal year ended June 30,</u>	<u>Contribution Amount</u>	<u>Reimbursement Amount</u>
2012	\$112,254	\$109,632
2013	114,264	104,711
2014	110,284	119,137
2015	123,225	128,498
2016	122,400	155,793
Total	<u>\$582,427</u>	<u>\$617,771</u>

The dental plan year commences January 1st of each calendar year. An annual maximum dental reimbursement of \$1,705 is provided for each employee and \$1,136 for each of their dependents. Any remaining balance in the fund for each dental year is carried forward to the following year. In subsequent dental years, the maximum dental coverage for both employees and dependents is increased annually based on the Consumer Price Index but not to exceed 3%.

**NOTE 10 – PENSION PLAN**

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

**A. General Information about the Pension Plan**

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – PENSION PLAN (Continued)**

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

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous - Tier 1</u>
Hire date	Prior to January 1, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	2.00% - 2.7%
Required employee contribution rates	8.00%
Required employer contribution rates	10.958%
	<u>Miscellaneous - Tier 2</u>
	January 1, 2012 -
Hire date	December 31, 2012
Benefit formula	2% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	1.092% - 2.418%
Required employee contribution rates	7.000%
Required employer contribution rates	6.709%
	<u>Miscellaneous - Tier 3</u>
	On or after January 1, 2013
Hire date	
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52
Monthly benefits, as a % of eligible compensation	1.00% - 2.50%
Required employee contribution rates	6.250%
Required employer contribution rates	6.237%



**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – PENSION PLAN (Continued)**

	Safety - Tier 1
Hire date	Prior to January 1, 2012
Benefit formula	3% @ 50
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	3.00%
Required employee contribution rates	9.00%
Required employer contribution rates	18.524%

	Safety- Tier 2
Hire date	January 1, 2012 - December 31, 2012
Benefit formula	3% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	2.400-3.000%
Required employee contribution rates	9.00%
Required employer contribution rates	21.367%

	Safety- Tier 3
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%
Required employee contribution rates	50% of the Total Normal Cost
Required employer contribution rates	0.00%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$1,137,828 in fiscal year 2016.

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – PENSION PLAN (Continued)**

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$1,446,094	\$1,130,926

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

As of June 30, 2016, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$13,880,661
Safety	10,639,010
Total Net Pension Liability	<u>\$24,519,671</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2014	0.43%	0.24%
Proportion - June 30, 2015	0.51%	0.26%
Change - Increase (Decrease)	0.08%	0.02%

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – PENSION PLAN (Continued)**

For the year ended June 30, 2016, the City recognized pension expense of \$2,957,735. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$2,577,020	
Differences between actual and expected experience	71,164	(\$129,574)
Changes in assumptions		(1,269,237)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,081,940	(1,029,167)
Net differences between projected and actual earnings on plan investments		(639,558)
Adjustments due to differences in proportion		
Total	<u>\$3,730,124</u>	<u>(\$3,067,536)</u>

\$1,479,601 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	(\$1,068,851)
2018	(1,034,685)
2019	(828,928)
2020	1,018,032

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – PENSION PLAN (Continued)**

**Actuarial Assumptions** – For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability is based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75 % thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

**Change of Assumptions** – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 10 – PENSION PLAN (Continued)**

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

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

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

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

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

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$22,582,634	\$17,429,015
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$13,880,661	\$10,639,010
1% Increase	8.65%	8.65%
Net Pension Liability	\$6,696,172	\$5,071,330

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. *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. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and unions representing City employees.

The City allows eligible retirees to continue in the City medical plans, currently Kaiser and Health Net. The City contributes up to a percentage of the single or dual Kaiser Retiree premium based on years of City service. No dental, vision, or life insurance benefits are provided.

On January 14, 2016, the City established an agreement with the California Public Employees' Retirement System (CalPERS) to set aside funds and deposit into the California Employer's Retiree Benefit Trust (CERBT) fund to accumulate, and distribute assets for the exclusive benefit of retirees and their beneficiaries. Plan assets are irrevocable and may not be used for any purpose other than funding post-retirement health care. The CERBT fund is an agent multiple employer plan and in order to ensure that the CERBT fund remains compliant with all reporting requirements, the CalPERS is responsible for publishing aggregate GASB 43 compliance Financial Statements, Notes, and Required Supplementary Information (RSI). The information may be found on CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**B. *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 \$129,623 for current benefit payments. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

For fiscal year 2015-2016, the City paid \$1,629,623 for retiree healthcare plan benefits, including \$52,623 in premium payments for retirees, \$77,000 for implied subsidies and \$1,500,000 for contributions to CERBT fund.

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

**C. *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.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

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:

Annual required contribution (ARC)	\$612,000
Interest on Net OPEB Obligation	64,000
Adjustment to annual required contribution	<u>(134,000)</u>
Annual OPEB cost	542,000
Contributions made	<u>(1,629,623)</u>
Change in net OPEB obligation	(1,087,623)
Net OPEB Obligation at June 30, 2015	<u>1,606,185</u>
Net OPEB Obligation at June 30, 2016	<u><u>\$518,562</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015/16 and the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$248,000	\$37,344	15%	\$1,204,602
June 30, 2015	511,000	109,417	21%	1,606,185
June 30, 2016	542,000	1,629,623	301%	518,562

**D. Funding Status and Funding Progress**

The funded status of the Plan as of June 30, 2014, the Plan's most recent actuarial valuation date, was as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2014	\$0	\$4,394	\$4,394	0.00%	\$10,874	40.41%

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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

***E. 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, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), a 3% general inflation rate, a 3.25% projected salary increases, and a medical trend of declining annual increases from 7.5% starting 2016 to 5.0% for years 2021 and after for non-Medicare and 7.8 % starting 2016 to 5.0% for years 2021 and after for Medicare. 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 January 2009.

**NOTE 12 – CONTINGENCIES**

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

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

**NOTE 13 – OTHER INFORMATION**

***A. Joint Powers Agreements***

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



**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 13 – OTHER INFORMATION (Continued)**

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

**City of Palo Alto Regional Water Quality Control Plant:** The City has an agreement with the City of Palo Alto to purchase treatment capacity at the Palo Alto Regional Water Quality Control Plant. It was formed in 1968 by a joint exercise of powers among the cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The agreement provides that the City will purchase capacity for 50 years. The City of Palo Alto acts as administrator and bills each member its share of the operating costs. The audited financial statements can be obtained by contacting the City of Palo Alto at P.O. Box 10250, Palo Alto, CA 94303.

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

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE 14 – OTHER COMMITMENTS**

A summary of remaining authorized CIP project balances at June 30, 2016 for all City funds by service area are as follows:

Construction in progress:	
Streets and Roadways	\$3,434,925
Pedestrian Safety	3,429,283
Infrastructure and Facilities	1,128,670
Parks	599,432
Sewer	3,806,910
Technology	1,372,925
Community Development	<u>562,375</u>
Total	<u><u>\$14,334,520</u></u>



## **REQUIRED SUPPLEMENTARY INFORMATION**



<p style="text-align: center;"><b>CITY OF LOS ALTOS</b> <b>Note to Required Supplementary Information</b> <b>For the Year Ended June 30, 2016</b></p>
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**COST-SHARING EMPLOYER DEFINED PENSION PLAN:**

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

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

**SCHEDULE OF CONTRIBUTIONS**

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

**CITY OF LOS ALTOS**  
**Note to Required Supplementary Information**  
**For the Year Ended June 30, 2016**

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

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

	Miscellaneous	
	6/30/2014	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.42907%	0.50595%
Plan's proportion share of the Net Pension Liability (Asset)	\$10,604,408	\$13,880,661
Plan's Covered Employee Payroll	7,736,180	7,806,721
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	137.08%	177.80%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	78.28%

	Safety	
	6/30/2014	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.24026%	0.25820%
Plan's proportion share of the Net Pension Liability (Asset)	\$9,011,972	\$10,639,010
Plan's Covered Employee Payroll	3,607,754	3,645,893
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	249.79%	291.81%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.46%	78.52%

\*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

**CITY OF LOS ALTOS**  
**Note to Required Supplementary Information**  
**For the Year Ended June 30, 2016**

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

	Miscellaneous Plan	
	Fiscal Year 2015	Fiscal Year 2016
Actuarially determined contribution	\$1,081,811	\$786,793
Contributions in relation to the actuarially determined contributions	(1,081,811)	(786,793)
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$7,736,180	\$8,434,058
Contributions as a percentage of covered-employee payroll	13.98%	9.33%

**Notes to Schedule**

Valuation date: 6/30/2013 6/30/2014

	Safety Plan	
	Fiscal Year 2015	Fiscal Year 2016
Actuarially determined contribution	\$924,466	\$692,807
Contributions in relation to the actuarially determined contributions	(1,076,741)	(692,807)
Contribution deficiency (excess)	(\$152,275)	\$0
Covered-employee payroll	\$3,607,754	\$3,885,679
Contributions as a percentage of covered-employee payroll	29.85%	17.83%

**Notes to Schedule**

Valuation date: 6/30/2013 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.50% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

\*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown



**CITY OF LOS ALTOS**  
**Note to Required Supplementary Information**  
**For the Year Ended June 30, 2016**

Schedule of Funding Progress – Other Post-Employment Benefits  
As of the fiscal year ending June 30, 2016  
Last Three Actuarial Valuations  
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2009	\$0	\$1,662	\$1,662	0.00%	\$10,884	15.27%
6/30/2011	0	2,136	2,136	0.00%	10,369	20.60%
6/30/2014	0	4,394	4,394	0.00%	10,874	40.41%

CITY OF LOS ALTOS  
GENERAL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax	\$17,718,514	\$17,718,514	\$18,775,472	\$1,056,958
Sales tax	2,993,834	2,993,834	3,195,628	201,794
Utility users	2,716,034	2,716,034	2,672,236	(43,798)
Other tax	3,620,600	3,620,600	3,921,510	300,910
Licenses, permits and fees	3,608,515	3,608,515	3,699,597	91,082
Grants and donations			8,480	8,480
Charges for services	4,314,387	4,314,387	4,568,228	253,841
Fines and forfeitures	167,500	167,500	242,889	75,389
Interest and rentals	174,000	174,000	451,355	277,355
Other	337,000	337,000	179,406	(157,594)
Total revenues	35,650,384	35,650,384	37,714,800	2,064,417
Expenditures:				
General government:				
Public Safety	16,562,764	16,628,627	16,195,290	433,337
Public Works	5,378,082	5,426,883	4,858,636	568,247
Recreation	2,474,931	2,483,692	2,422,823	60,869
Community development	4,657,377	4,740,567	6,052,100	(1,311,533)
Admin/community services	4,705,162	5,143,594	4,851,512	292,082
Total expenditures	33,778,316	34,423,363	34,380,361	43,002
Excess of revenues over expenditures	1,872,068	1,227,021	3,334,439	2,107,418
Other financing sources (uses):				
Transfers in	229,100	229,100	158,250	(70,850)
Transfers out	923,511	923,511	(168,568)	(1,092,079)
Total Other Financing Sources (Uses)	1,152,611	1,152,611	(10,318)	(1,162,929)
Net change in fund balance	<u>\$3,024,679</u>	<u>\$2,379,632</u>	3,324,121	<u>\$944,489</u>
Fund balance at beginning of year			34,799,038	
Fund balance at end of year			<u>\$38,123,159</u>	

CITY OF LOS ALTOS  
IN-LIEU PARK LAND SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Interest and rentals	\$5,000		\$54,751	\$54,751
Intergovernmental	360,000	\$500,000	198,500	(301,500)
Total Revenues	365,000	500,000	253,251	(246,749)
Expenditures:				
Capital improvement	425,000		1,174,449	(1,174,449)
EXCESS OF REVENUES OVER EXPENDITURES	(60,000)	500,000	(921,198)	927,700
OTHER FINANCING SOURCES (USES)				
Transfers (out)			(467,476)	(467,476)
Total other financing sources (uses)			(467,476)	(467,476)
NET CHANGE IN FUND BALANCE	<u>(\$60,000)</u>	<u>\$500,000</u>	(1,388,674)	<u>\$460,224</u>
Beginning fund balance			5,907,033	
Ending fund balance			<u>\$4,518,359</u>	

<p style="text-align: center;"><b>CITY OF LOS ALTOS</b>  <b>Note to Required Supplementary Information</b>  <b>For the Year Ended June 30, 2016</b></p>
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**1. Budget and Budgetary Accounting**

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

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

The following major Special Revenue Fund incurred expenditures in excess of appropriations during the fiscal year. Sufficient resources were available within the funds to support the additional expenditures:

Fund	Amount
In-Lieu Park Land Fund	\$1,174,449



## **OTHER SUPPLEMENTARY INFORMATION**



## GENERAL FUND

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

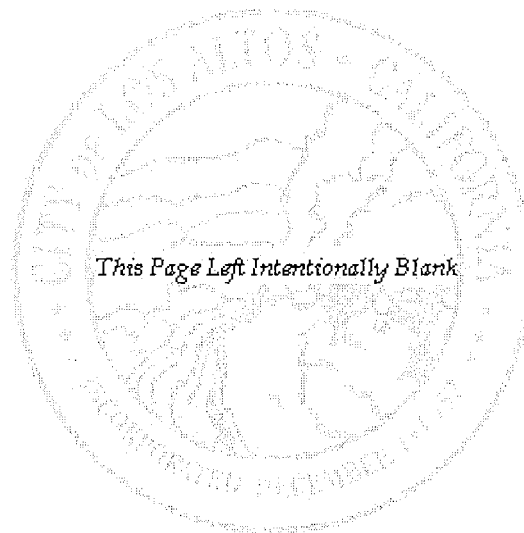


CITY OF LOS ALTOS  
GENERAL FUND  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	<u>General</u>	<u>Community Facilities Renewal Fund</u>	<u>Real Property Proceeds</u>	<u>Total General Fund</u>
<b>ASSETS</b>				
Cash and investments	\$20,305,214	\$8,415,593	\$10,434,727	\$39,155,534
Receivables, net of allowance for uncollectibles:				
Accounts	1,422,941			1,422,941
Interest	26,408		4,914	31,322
Prepays	18,444			18,444
Inventory	20,672			20,672
	<u>21,793,679</u>	<u>8,415,593</u>	<u>10,439,641</u>	<u>40,648,913</u>
Total Assets				
	<u>\$21,793,679</u>	<u>\$8,415,593</u>	<u>\$10,439,641</u>	<u>\$40,648,913</u>
<b>LIABILITIES</b>				
Accounts payable	\$1,890,162			\$1,890,162
Accrued liabilities	514,732			514,732
Other payable	120,859			120,859
	<u>2,525,753</u>			<u>2,525,753</u>
Total Liabilities				
	<u>2,525,753</u>			<u>2,525,753</u>
<b>FUND BALANCES</b>				
Fund balance:				
Nonspendable	523,973			523,973
Assigned	10,208,554	\$8,415,593	\$10,439,641	29,063,788
Unassigned	8,535,399			8,535,399
	<u>19,267,926</u>	<u>8,415,593</u>	<u>10,439,641</u>	<u>38,123,160</u>
Total Fund Balances				
	<u>19,267,926</u>	<u>8,415,593</u>	<u>10,439,641</u>	<u>38,123,160</u>
Total Liabilities and Fund Balances				
	<u>\$21,793,679</u>	<u>\$8,415,593</u>	<u>\$10,439,641</u>	<u>\$40,648,913</u>

CITY OF LOS ALTOS  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	General	Community Facilities Renewal Fund	Real Property Proceeds	Intra-Fund Transaction Elimination	Total General Fund
REVENUES					
Property tax	\$18,775,472				\$18,775,472
Sales tax	3,195,628				3,195,628
Utility users	2,672,236				2,672,236
Other tax	3,921,510				3,921,510
Licenses, permits and fees	3,699,597				3,699,597
Grants and donations	8,480				8,480
Charges for services	4,568,228				4,568,228
Fines and forfeitures	242,889				242,889
Interest and rentals	356,363		\$94,992		451,355
Other	179,405				179,405
Total Revenues	37,619,808		94,992		37,714,800
EXPENDITURES					
General government					
Public safety	16,195,290				16,195,290
Public works	4,858,636				4,858,636
Recreation	2,422,822				2,422,822
Community development	6,052,100				6,052,100
Admin / community development	4,851,512				4,851,512
Total Expenditures	34,380,360				34,380,360
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,239,448		94,992		3,334,440
OTHER FINANCING SOURCES (USES)					
Transfers in	158,250	\$1,250,000		(\$1,250,000)	1,408,250
Transfers (out)	(1,418,568)			1,250,000	(1,418,568)
Total Other Financing Sources (Uses)	(1,260,318)	1,250,000			(10,318)
NET CHANGE IN FUND BALANCES	1,979,130	1,250,000	94,992		3,324,122
BEGINNING FUND BALANCES	17,288,798	7,165,593	10,344,647		34,799,038
ENDING FUND BALANCES	<u>\$19,267,928</u>	<u>\$8,415,593</u>	<u>\$10,439,639</u>		<u>\$38,123,160</u>



<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**SPECIAL REVENUE FUNDS****VEHICLE IMPOUND FUND**

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

**SUPPLEMENTAL LAW ENFORCEMENT FUND**

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

**GAS TAX FUNDS**

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

**PROPOSITION 1B FUND**

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

**STORM DRAIN DEPOSITS FUND**

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

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

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

**DOWNTOWN PARKING FUND**

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

**TRAFFIC IMPACT FEE FUND**

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

**ESTATE DONATION FUND**

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

**TDA FUND**

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

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**SPECIAL REVENUE FUNDS (Continued)****PEG FUND**

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

**VEHICLE REGISTRATION FEES**

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

**CAPITAL PROJECTS FUND****EQUIPMENT REPLACEMENT FUND**

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

**DEBT SERVICE FUND****GENERAL DEBT SERVICE**

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



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CITY OF LOS ALTOS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	SPECIAL REVENUE FUNDS				
	Vehicle Impound	Supplemental Law Enforcement	Gas tax	Proposition 1B	Storm Drain Deposits
ASSETS					
Cash and investments		\$16,667	\$1,625,135	\$40,762	\$56,086
Restricted cash and investments					
Receivables, net of allowance for uncollectibles:					
Accounts		16,667			
Interest			795	19	
Total Assets		<u>\$33,334</u>	<u>\$1,625,930</u>	<u>\$40,781</u>	<u>\$56,086</u>
LIABILITIES					
Accounts payable			\$138		
Total Liabilities			<u>138</u>		
FUND BALANCES					
Restricted:					
Debt service					
Special revenue programs and projects		\$33,334	1,625,792	\$40,781	\$56,086
Assigned					
Total Fund Balances		<u>33,334</u>	<u>1,625,792</u>	<u>40,781</u>	<u>56,086</u>
Total Liabilities and Fund Balances		<u>\$33,334</u>	<u>\$1,625,930</u>	<u>\$40,781</u>	<u>\$56,086</u>

SPECIAL REVENUE FUNDS

Community Development Block Grant	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA	PEG	Vehicle Registration Fees
\$77,844	\$627,764	\$1,472,268	\$18,341		\$599,867	\$534,576
	831 296	938	9		22,906 283	
<u>\$77,844</u>	<u>\$628,891</u>	<u>\$1,473,206</u>	<u>\$18,350</u>		<u>\$623,056</u>	<u>\$534,576</u>
\$4,616	\$538	\$19,720				
<u>4,616</u>	<u>538</u>	<u>19,720</u>				
73,228	628,353	1,453,486	\$18,350		\$623,056	\$534,576
<u>73,228</u>	<u>628,353</u>	<u>1,453,486</u>	<u>18,350</u>		<u>623,056</u>	<u>534,576</u>
<u>\$77,844</u>	<u>\$628,891</u>	<u>\$1,473,206</u>	<u>\$18,350</u>		<u>\$623,056</u>	<u>\$534,576</u>



CITY OF LOS ALTOS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	
	<u>Equipment Replacement</u>	<u>General</u>	<u>Total Non-major Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$2,226,290	\$192,283	\$7,487,883
Restricted cash and investments		171,896	171,896
Receivables, net of allowance for uncollectibles:			
Accounts			40,404
Interest			2,340
	<u>2,226,290</u>	<u>364,179</u>	<u>7,702,523</u>
Total Assets			
	<u>\$2,226,290</u>	<u>\$364,179</u>	<u>\$7,702,523</u>
<b>LIABILITIES</b>			
Accounts payable	<u>(\$1)</u>		<u>\$25,011</u>
Total Liabilities	<u>(1)</u>		<u>25,011</u>
<b>FUND BALANCES</b>			
Restricted:			
Debt service		\$364,179	364,179
Special revenue programs and projects			5,087,042
Assigned	<u>2,226,291</u>		<u>2,226,291</u>
	<u>2,226,291</u>	<u>364,179</u>	<u>7,677,512</u>
Total Fund Balances			
	<u>2,226,291</u>	<u>364,179</u>	<u>7,677,512</u>
Total Liabilities and Fund Balance	<u>\$2,226,290</u>	<u>\$364,179</u>	<u>\$7,702,523</u>



CITY OF LOS ALTOS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS				
	Vehicle Impound	Supplemental Law Enforcement	Gas tax	Proposition 1B	Storm Drain Deposits
REVENUES					
Charges for services					
Licenses, permits and fees					
Intergovernmental		\$113,787	\$661,104		
Grants and donations					
Fines and forfeitures	\$20,735				
Interest and rentals			13,322	\$371	
Other					
Total Revenues	20,735	113,787	674,426	371	
EXPENDITURES					
Current:					
Community development					
Capital improvements			366		
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures			366		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,735	113,787	674,060	371	
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)	(20,735)	(137,515)	(62,434)		
Total Other Financing Sources (Uses)	(20,735)	(137,515)	(62,434)		
NET CHANGE IN FUND BALANCES		(23,728)	611,626	371	
BEGINNING FUND BALANCES		57,062	1,014,166	40,410	\$56,086
ENDING FUND BALANCES		\$33,334	\$1,625,792	\$40,781	\$56,086

SPECIAL REVENUE FUNDS

Community Development Block Grant	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA	PEG	Vehicle Registration Fees
					\$90,763	
\$8,075	\$42,753	\$41,531				\$317,204
	15,020 7,498	18,077	\$169		5,351	
8,075	65,271	59,608	169		96,114	317,204
14,115	35,340	26,734				
14,115	35,340	26,734				
(6,040)	29,931	32,874	169		96,114	317,204
		(518,398)		(\$13,478)		217,372
		(518,398)		(13,478)		217,372
(6,040)	29,931	(485,524)	169	(13,478)	96,114	534,576
79,268	598,422	1,939,010	18,181	13,478	526,942	
<u>\$73,228</u>	<u>\$628,353</u>	<u>\$1,453,486</u>	<u>\$18,350</u>		<u>\$623,056</u>	<u>\$534,576</u>

CITY OF LOS ALTOS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	Total Non-major Governmental Funds
	Equipment Replacement	General	
REVENUES			
Charges for services			\$90,763
Licenses, permits and fees			84,284
Intergovernmental			774,891
Grants and donations			325,279
Fines and forfeitures			20,735
Interest and rentals			52,310
Other			7,498
Total Revenues			1,355,760
EXPENDITURES			
Current:			
Community development			35,340
Capital improvements	\$115,150		156,365
Debt service:			
Principal		\$105,000	105,000
Interest and fiscal charges		63,568	63,568
Total Expenditures	115,150	168,568	360,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(115,150)	(168,568)	995,487
OTHER FINANCING SOURCES (USES)			
Transfers in		168,568	385,940
Transfers (out)	(145,987)		(898,547)
Total Other Financing Sources (Uses)	(145,987)	168,568	(512,607)
NET CHANGE IN FUND BALANCES	(261,137)		482,880
BEGINNING FUND BALANCES	2,487,428	364,179	7,194,632
ENDING FUND BALANCES	\$2,226,291	\$364,179	\$7,677,512

CITY OF LOS ALTOS  
VEHICLE IMPOUND FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Fines and forfeitures	<u>\$26,900</u>	<u>\$20,735</u>	<u>(\$6,165)</u>
Total Revenues	<u>26,900</u>	<u>20,735</u>	<u>(6,165)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>26,900</u>	<u>20,735</u>	<u>(6,165)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>                    </u>	<u>(20,735)</u>	<u>(20,735)</u>
Total other financing sources (uses)	<u>                    </u>	<u>(20,735)</u>	<u>(20,735)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$26,900</u></u>		<u><u>(\$26,900)</u></u>
Beginning fund balance		<u>                    </u>	
Ending fund balance		<u><u>                    </u></u>	

CITY OF LOS ALTOS  
SUPPLEMENTAL LAW ENFORCEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	<u>\$100,000</u>	<u>\$113,787</u>	<u>\$13,787</u>
Total Revenues	<u>100,000</u>	<u>113,787</u>	<u>13,787</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>100,000</u>	<u>113,787</u>	<u>13,787</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u></u>	<u>(137,515)</u>	<u>(137,515)</u>
Total other financing sources (uses)	<u></u>	<u>(137,515)</u>	<u>(137,515)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$100,000</u></u>	<u><u>(23,728)</u></u>	<u><u>(\$123,728)</u></u>
Beginning fund balance		<u>57,062</u>	
Ending fund balance		<u><u>\$33,334</u></u>	

CITY OF LOS ALTOS  
GAS TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$640,130	\$661,104	\$20,974
Interest and rentals		13,322	13,322
Total Revenues	<u>640,130</u>	<u>674,426</u>	<u>34,296</u>
EXPENDITURES			
Capital improvements	<u>650,000</u>	<u>366</u>	<u>649,634</u>
Total Expenses	<u>650,000</u>	<u>366</u>	<u>649,634</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(9,870)</u>	<u>674,060</u>	<u>683,930</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(62,434)</u>	<u>(62,434)</u>
Total other financing sources (uses)		<u>(62,434)</u>	<u>(62,434)</u>
NET CHANGE IN FUND BALANCE	<u>(\$9,870)</u>	611,626	<u>\$621,496</u>
Beginning fund balance		<u>1,014,166</u>	
Ending fund balance		<u>\$1,625,792</u>	



CITY OF LOS ALTOS  
PROPOSITION 1B FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest and rentals	<u>          </u>	<u>    \$371    </u>	<u>    \$371    </u>
Total Revenues	<u>          </u>	<u>      371      </u>	<u>      371      </u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>          </u>	<u>      371      </u>	<u>      371      </u>
NET CHANGE IN FUND BALANCE	<u>          </u>	<u>      371      </u>	<u>    \$371    </u>
Beginning fund balance		<u>    40,410    </u>	
Ending fund balance		<u>    \$40,781    </u>	

CITY OF LOS ALTOS  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Grants and donations	<u>\$77,952</u>	<u>\$8,075</u>	<u>(\$69,877)</u>
Total Revenues	<u>77,952</u>	<u>8,075</u>	<u>(69,877)</u>
EXPENDITURES			
Capital improvements	<u></u>	<u>14,115</u>	<u>(14,115)</u>
Total Expenses	<u></u>	<u>14,115</u>	<u>(14,115)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>77,952</u>	<u>(6,040)</u>	<u>(83,992)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$77,952</u></u>	<u>(6,040)</u>	<u><u>(\$83,992)</u></u>
Beginning fund balance		<u>79,268</u>	
Ending fund balance		<u><u>\$73,228</u></u>	

CITY OF LOS ALTOS  
DOWNTOWN PARKING FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Licenses, permits and fees	\$55,000	\$42,753	(\$12,247)
Interest and rentals		15,020	15,020
Other		7,498	7,498
	<u>55,000</u>	<u>65,271</u>	<u>10,271</u>
Total Revenues			
EXPENDITURES			
Current:			
Community development		35,340	(35,340)
		<u>35,340</u>	<u>(35,340)</u>
Total Expenses			
EXCESS OF REVENUES OVER EXPENDITURES	<u>55,000</u>	<u>29,931</u>	<u>45,611</u>
NET CHANGE IN FUND BALANCE	<u>\$55,000</u>	29,931	<u>(\$25,069)</u>
Beginning fund balance		<u>598,422</u>	
Ending fund balance		<u>\$628,353</u>	

CITY OF LOS ALTOS  
TRAFFIC IMPACT FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses, permits and fees	\$300,000	\$41,531	(\$258,469)
Interest and rentals		18,077	18,077
Total Revenues	<u>300,000</u>	<u>59,608</u>	<u>(240,392)</u>
EXPENDITURES			
Current:			
Capital improvements		26,734	(26,734)
Total Expenses		<u>26,734</u>	<u>(26,734)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>300,000</u>	<u>32,874</u>	<u>(267,126)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(518,398)	(518,398)
Total other financing sources (uses)		<u>(518,398)</u>	<u>(518,398)</u>
NET CHANGE IN FUND BALANCE	<u>\$300,000</u>	<u>(485,524)</u>	<u>(\$785,524)</u>
Beginning fund balance		<u>1,939,010</u>	
Ending fund balance		<u>\$1,453,486</u>	

CITY OF LOS ALTOS  
 ESTATE DONATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest		\$169	\$169
Grants and donations			
Total Revenues		<u>169</u>	<u>169</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>169</u>	<u>169</u>
NET CHANGE IN FUND BALANCE		<u>169</u>	<u>\$169</u>
Beginning fund balance		<u>18,181</u>	
Ending fund balance		<u><u>\$18,350</u></u>	

CITY OF LOS ALTOS  
TDA FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Grants and donations	\$45,429		(\$45,429)
Total expenditures	45,429		(45,429)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	45,429		(45,429)
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(\$13,478)	(13,478)
Total other financing sources (uses)		(13,478)	(13,478)
NET CHANGE IN FUND BALANCE	\$45,429	(13,478)	(\$58,907)
Beginning fund balance		13,478	
Ending fund balance			

CITY OF LOS ALTOS  
PEG FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest income		\$5,351	\$5,351
Charges for services	\$85,000	90,763	5,763
Total expenditures	85,000	96,114	11,114
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(85,000)	96,114	11,114
NET CHANGE IN FUND BALANCE	(\$85,000)	96,114	\$11,114
Beginning fund balance		526,942	
Ending fund balance		\$623,056	

## **INTERNAL SERVICE FUNDS**

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

### **DENTAL REIMBURSEMENT**

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

### **UNEMPLOYMENT INSURANCE**

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

### **WORKERS' COMPENSATION INSURANCE**

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

### **LIABILITY INSURANCE**

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



CITY OF LOS ALTOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$110,313	\$406,950	\$4,464,696	\$1,302,123	\$6,284,082
Accounts receivable			263	29,068	29,331
Total Assets	<u>110,313</u>	<u>406,950</u>	<u>4,464,959</u>	<u>1,331,191</u>	<u>6,313,413</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable		3,931	19,193	37,265	60,389
Claims and judgements - current portion			556,798	93,303	650,101
Noncurrent Liabilities:					
Claims and judgements - noncurrent portion			3,189,202	97,697	3,286,899
Total Liabilities		<u>3,931</u>	<u>3,765,193</u>	<u>228,265</u>	<u>3,997,389</u>
<b>NET POSITION</b>					
Unrestricted	<u>110,313</u>	<u>403,019</u>	<u>699,766</u>	<u>1,102,926</u>	<u>2,316,024</u>
Total Net Position	<u>\$110,313</u>	<u>\$403,019</u>	<u>\$699,766</u>	<u>\$1,102,926</u>	<u>\$2,316,024</u>

CITY OF LOS ALTOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	<u>\$122,400</u>	<u>\$75,353</u>	<u>\$792,046</u>	<u>\$1,063,335</u>	<u>\$2,053,134</u>
Total Operating Revenues	<u>122,400</u>	<u>75,353</u>	<u>792,046</u>	<u>1,063,335</u>	<u>2,053,134</u>
OPERATING EXPENSES					
Outside services				57,541	57,541
Claims reimbursement	155,793	16,840	79,270	152,328	404,231
Insurance and adjustments			140,006	360,459	500,465
Administration			(10,386)		(10,386)
Total Operating Expenses	<u>155,793</u>	<u>16,840</u>	<u>208,890</u>	<u>570,328</u>	<u>951,851</u>
Operating Income (Loss)	<u>(33,393)</u>	<u>58,513</u>	<u>583,156</u>	<u>493,007</u>	<u>1,101,283</u>
Change in Net Position	(33,393)	58,513	583,156	493,007	1,101,283
BEGINNING NET POSITION	<u>143,706</u>	<u>344,506</u>	<u>116,610</u>	<u>609,919</u>	<u>1,214,741</u>
ENDING NET POSITION	<u>\$110,313</u>	<u>\$403,019</u>	<u>\$699,766</u>	<u>\$1,102,926</u>	<u>\$2,316,024</u>

CITY OF LOS ALTOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$122,400	\$75,353	\$795,230	\$1,040,953	\$2,033,936
Cash payments to claimants	(165,315)	(17,793)	(81,879)	(122,868)	(387,855)
Insurance premiums, settlements, and rebates			(325,620)	(431,000)	(756,620)
Cash Flows from Operating Activities	<u>(42,915)</u>	<u>57,560</u>	<u>387,731</u>	<u>487,085</u>	<u>889,461</u>
Net Cash Flows	(42,915)	57,560	387,731	487,085	889,461
Cash and investments at beginning of period	<u>153,228</u>	<u>349,390</u>	<u>4,076,965</u>	<u>815,038</u>	<u>5,394,621</u>
Cash and investments at end of period	<u><u>\$110,313</u></u>	<u><u>\$406,950</u></u>	<u><u>\$4,464,696</u></u>	<u><u>\$1,302,123</u></u>	<u><u>\$6,284,082</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$33,393)	\$58,513	\$583,156	\$493,007	\$1,101,283
Adjustments to reconcile operating income to net cash flows from operating activities:					
Change in assets and liabilities:					
Accounts receivable			3,184	(22,382)	(19,198)
Accounts payable	(9,522)	(953)	(2,609)	29,460	16,376
Claims and judgments payable			(196,000)	(13,000)	(209,000)
Cash Flows from Operating Activities	<u><u>(\$42,915)</u></u>	<u><u>\$57,560</u></u>	<u><u>\$387,731</u></u>	<u><u>\$487,085</u></u>	<u><u>\$889,461</u></u>

<b>FIDUCIARY FUNDS</b>
------------------------

**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  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016
<u>North County Library Authority</u>				
<u>Assets</u>				
Cash and investments	\$1,941,373	\$1,451,776		\$3,393,149
Accounts receivable	956,424	5,144	\$956,424	5,144
Total assets	<u>\$2,897,797</u>	<u>\$1,456,920</u>	<u>\$956,424</u>	<u>\$3,398,293</u>
<u>Liabilities</u>				
Accounts payable	\$250,168	\$580,942	\$559,950	\$271,160
Due to others	2,647,629	875,978	396,474	3,127,133
Total liabilities	<u>\$2,897,797</u>	<u>\$1,456,920</u>	<u>\$956,424</u>	<u>\$3,398,293</u>
<u>Avalon Drive Curb Gutter</u>				
<u>Assets</u>				
Cash and investments	\$18,408	\$96		\$18,504
Total assets	<u>\$18,408</u>	<u>\$96</u>		<u>\$18,504</u>
<u>Liabilities</u>				
Accounts payable				
Due to others	\$18,408	\$96		\$18,504
Total liabilities	<u>\$18,408</u>	<u>\$96</u>		<u>\$18,504</u>
<u>Raymundo Curb and Gutter</u>				
<u>Assets</u>				
Cash and investments	\$41,052	\$33,968	\$33,788	\$41,232
Accounts receivable	914	6,789	5,885	1,818
Total assets	<u>\$41,966</u>	<u>\$40,757</u>	<u>\$39,673</u>	<u>\$43,050</u>
<u>Liabilities</u>				
Accounts payable		\$29,845	\$28,811	\$1,034
Due to others	\$41,966	10,912	10,862	42,016
Total liabilities	<u>\$41,966</u>	<u>\$40,757</u>	<u>\$39,673</u>	<u>\$43,050</u>

	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016
<hr/> Blue Oak Lane Sewer <hr/>				
<u>Assets</u>				
Cash and investments	\$25,661	\$48,193	\$48,607	\$25,247
Restricted cash and investments	39,794			39,794
Accounts receivable	335	166	335	166
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$65,790</u>	<u>\$48,359</u>	<u>\$48,942</u>	<u>\$65,207</u>
 <u>Liabilities</u>				
Accounts payable	\$50,991	\$49,241	\$48,606	\$51,626
Due to others	14,799		1,218	13,581
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$65,790</u>	<u>\$49,241</u>	<u>\$49,824</u>	<u>\$65,207</u>
 <hr/> Totals - All Agency Funds <hr/>				
<u>Assets</u>				
Cash and investments	\$2,026,494	\$1,534,033	\$82,395	\$3,478,132
Restricted cash and investments	39,794			39,794
Accounts receivable	957,673	12,099	962,644	7,128
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$3,023,961</u>	<u>\$1,546,132</u>	<u>\$1,045,039</u>	<u>\$3,525,054</u>
 <u>Liabilities</u>				
Accounts payable	\$301,159	\$660,028	\$637,367	\$323,820
Due to others	2,722,802	886,986	408,554	3,201,234
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$3,023,961</u>	<u>\$1,547,014</u>	<u>\$1,045,921</u>	<u>\$3,525,054</u>



## **STATISTICAL SECTION**





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## STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### ***Financial Trends***

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

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

### ***Revenue Capacity***

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

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

### ***Debt Capacity***

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

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

### ***Demographic and Economic Information***

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

1. Demographic Statistics
2. Principal Employers

### ***Operating Information***

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

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

### ***Sources***

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



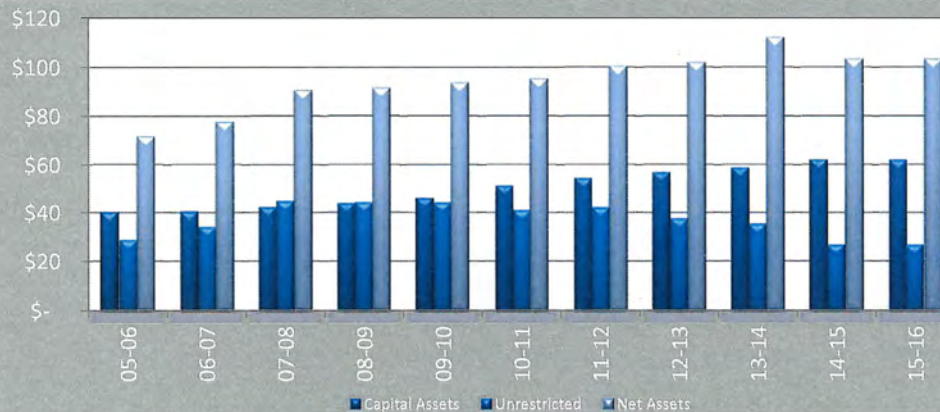
City of Los Altos

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13(a)	2013-14	2014-15	2015-16
<b>Governmental activities</b>										
Net investment in capital assets	\$ 38,186	\$ 40,251	\$ 40,684	\$ 42,596	\$ 46,011	\$ 48,511	\$ 50,102	\$ 50,164	\$ 49,079	\$ 53,409
Restricted	2,709	3,366	3,477	3,411	3,057	3,926	7,406	17,629	17,815	14,447
Unrestricted	27,386	37,038	36,184	35,476	33,448	34,634	29,883	27,624	10,746	15,583
<b>Total governmental activities net position</b>	<b>\$ 68,281</b>	<b>\$ 80,655</b>	<b>\$ 80,345</b>	<b>\$ 81,483</b>	<b>\$ 82,516</b>	<b>\$ 87,071</b>	<b>\$ 87,391</b>	<b>\$ 95,417</b>	<b>\$ 77,640</b>	<b>\$ 83,439</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 2,388	\$ 2,219	\$ 3,316	\$ 3,552	\$ 5,197	\$ 5,952	\$ 6,773	\$ 8,718	\$ 8,662	\$ 8,726
Unrestricted	6,977	7,922	8,102	8,766	7,625	7,539	7,843	8,087	8,472	11,259
<b>Total business-type activities net position</b>	<b>\$ 9,365</b>	<b>\$ 10,141</b>	<b>\$ 11,418</b>	<b>\$ 12,318</b>	<b>\$ 12,822</b>	<b>\$ 13,491</b>	<b>\$ 14,616</b>	<b>\$ 16,805</b>	<b>\$ 17,134</b>	<b>\$ 19,985</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 40,574	\$ 42,470	\$ 44,000	\$ 46,148	\$ 51,208	\$ 54,463	\$ 56,875	\$ 58,882	\$ 57,741	\$ 62,135
Restricted	2,709	3,366	3,477	3,411	3,057	3,926	7,406	17,629	17,815	14,447
Unrestricted	34,363	44,960	44,286	44,242	41,073	42,173	37,726	35,711	19,218	26,842
<b>Total primary government net position</b>	<b>\$ 77,646</b>	<b>\$ 90,796</b>	<b>\$ 91,763</b>	<b>\$ 93,801</b>	<b>\$ 95,338</b>	<b>\$ 100,562</b>	<b>\$ 102,007</b>	<b>\$ 112,222</b>	<b>\$ 94,774</b>	<b>\$ 103,424</b>



Source:

City of Los Altos Finance Department

Note:

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

City of Los Altos  
Changes in Net Position  
Last Ten Fiscal Years  
*(accrual basis of accounting; amounts expressed in thousands)*

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Expenses</b>										
Governmental activities:										
Public safety	\$ 11,033	\$ 12,415	\$ 13,563	\$ 13,812	\$ 14,101	\$ 14,797	\$ 15,144	\$ 14,884	\$ 15,636	\$ 15,791
Public works	4,799	4,886	5,318	5,170	5,451	5,157	5,557	6,453	7,058	5,816
Recreation	2,460	2,650	2,889	2,460	2,503	2,193	2,108	2,656	2,976	2,744
Community development	2,875	3,448	3,913	3,962	4,052	3,583	4,514	4,038	4,590	5,758
Admin/Community services	2,655	3,317	3,765	3,794	3,837	4,034	5,675	3,804	4,002	4,882
Interest on long-term activities	146	138	32	83	86	69	95	71	68	63
Total governmental activities expenses	23,968	26,854	29,480	29,281	30,030	29,833	33,093	31,906	34,330	35,054
Business-type activities:										
Sewer	3,712	3,886	4,810	4,438	4,520	4,386	4,529	4,574	4,789	4,607
Solid waste	1,575	1,609	1,574	1,826	717	341	355	366	347	376
Storm drain	181	213	188	199	200	213	232	165	215	0
Total Business-type activities expenses	5,468	5,708	6,572	6,463	5,437	4,940	5,116	5,105	5,351	4,983
<b>Total primary government expenses</b>	<b>\$ 29,436</b>	<b>\$ 32,562</b>	<b>\$ 36,052</b>	<b>\$ 35,744</b>	<b>\$ 35,467</b>	<b>\$ 34,773</b>	<b>\$ 38,209</b>	<b>\$ 37,011</b>	<b>\$ 39,681</b>	<b>\$ 40,037</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 499	\$ 527	\$ 585	\$ 466	\$ 348	\$ 394	\$ 344	\$ 417	\$ 898	\$ 462
Public works	228	204	180	152	191	32	34	60	33	55
Recreation	1,665	1,654	1,472	1,498	1,763	1,808	1,865	1,952	2,167	2,123
Community development	2,501	3,372	1,867	2,954	2,650	3,260	7,431	5,196	3,625	3,412
Admin/Community services	1,166	967	969	1,097	1,061	875	947	942	954	1,033
Operating grants and contributions:										
Public safety	112	118	108	102	100	112	109	116	109	437
Public works	541	511	479	462	682	829	699	909	504	336
Recreation	9	27	4	-	-	-	-	-	-	2
Community development	141	285	48	56	168	21	59	36	343	8
Admin/Community services	6	6	6	131	64	36	58	6	-	-
Capital grants and contributions										
Public safety	121	4	-	-	-	-	-	-	-	-
Public works	322	923	978	985	711	897	492	747	498	1,522
Recreation	1	492	10	-	-	-	-	-	-	-
Community development	-	-	24	7	-	3,400	80	3	30	7
Admin/Community services	-	-	89	200	78	76	-	83	-	-
Total governmental activities program revenues	7,312	9,090	6,819	8,110	7,816	11,740	12,118	10,467	9,161	9,397

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

(accrual basis of accounting; amounts expressed in thousands)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Business-type activities:										
Charges for services:										
Sewer	\$ 4,833	\$ 4,467	\$ 5,804	\$ 5,413	\$ 4,813	\$ 4,503	\$ 5,121	\$ 6,347	\$ 6,328	\$ 6,986
Solid waste	1,471	1,540	1,685	1,657	992	821	879	754	786	752
Storm drain	-	-	-	-	-	-	-	12	2	-
Total business-type activities program revenues	6,304	6,007	7,489	7,070	5,805	5,324	6,000	7,113	7,116	7,738
<b>Total primary government program revenues</b>	<b>\$ 13,616</b>	<b>\$ 15,097</b>	<b>\$ 14,308</b>	<b>\$ 15,180</b>	<b>\$ 13,621</b>	<b>\$ 17,064</b>	<b>\$ 18,118</b>	<b>\$ 17,580</b>	<b>\$ 16,277</b>	<b>\$ 17,135</b>
Net (expense)/revenue:										
Governmental activities	\$ (16,656)	\$ (17,764)	\$ (22,661)	\$ (21,171)	\$ (22,214)	\$ (18,093)	\$ (20,975)	\$ (21,439)	\$ (25,170)	\$ (25,657)
Business-type activities	836	299	917	607	368	384	884	2,008	1,766	2,755
<b>Total primary government net (expense)/revenue</b>	<b>\$ (15,820)</b>	<b>\$ (17,465)</b>	<b>\$ (21,744)</b>	<b>\$ (20,564)</b>	<b>\$ (21,846)</b>	<b>\$ (17,709)</b>	<b>\$ (20,091)</b>	<b>\$ (19,431)</b>	<b>\$ (23,404)</b>	<b>\$ (22,902)</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes:										
Property taxes	\$ 10,903	\$ 11,875	\$ 12,759	\$ 13,051	\$ 12,794	\$ 13,302	\$ 14,130	\$ 15,586	\$ 17,480	\$ 18,776
Sales taxes	2,750	2,872	2,697	2,255	2,588	2,746	2,926	2,809	2,943	3,196
Utility users taxes	2,274	2,483	2,530	2,515	2,543	2,548	2,600	2,600	2,523	2,672
Other taxes	2,682	2,703	2,147	2,453	2,910	2,868	3,301	3,542	3,732	3,909
Franchise fees	1,164	2,029	1,458	1,437	1,814	1,731	1,770	1,905	1,808	2,029
Sale of Capital Assets-net	-	6,499	-	-	-	(545)	(8)	2,846	-	-
Interest income	1,414	1,353	760	341	275	115	174	99	200	438
Miscellaneous	323	517	201	286	388	131	382	212	1,124	435
Transfers	(197)	(193)	(200)	(239)	(65)	(247)	(232)	(152)	(196)	-
Total governmental activities	21,313	30,138	22,352	22,099	23,247	22,649	25,043	29,447	29,614	31,455
Business-type activities										
Interest income	296	284	160	53	71	37	10		40	-
Transfers	197	193	200	239	65	247	232	28	196	96
Total business-type activities	493	477	360	292	136	284	242	152	236	96
<b>Total primary government</b>	<b>\$ 21,806</b>	<b>\$ 30,615</b>	<b>\$ 22,712</b>	<b>\$ 22,391</b>	<b>\$ 23,383</b>	<b>\$ 22,933</b>	<b>\$ 25,285</b>	<b>\$ 29,599</b>	<b>\$ 29,850</b>	<b>\$ 31,551</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 4,657	\$ 12,374	\$ (309)	\$ 928	\$ 1,033	\$ 4,556	\$ 4,068	\$ 8,008	\$ 4,444	\$ 5,798
Business-type activities	1,329	776	1,277	899	504	668	1,126	2,188	2,002	2,851
<b>Total primary government</b>	<b>\$ 5,986</b>	<b>\$ 13,150</b>	<b>\$ 968</b>	<b>\$ 1,827</b>	<b>\$ 1,537</b>	<b>\$ 5,224</b>	<b>\$ 5,194</b>	<b>\$ 10,196</b>	<b>\$ 6,446</b>	<b>\$ 8,649</b>

Source:

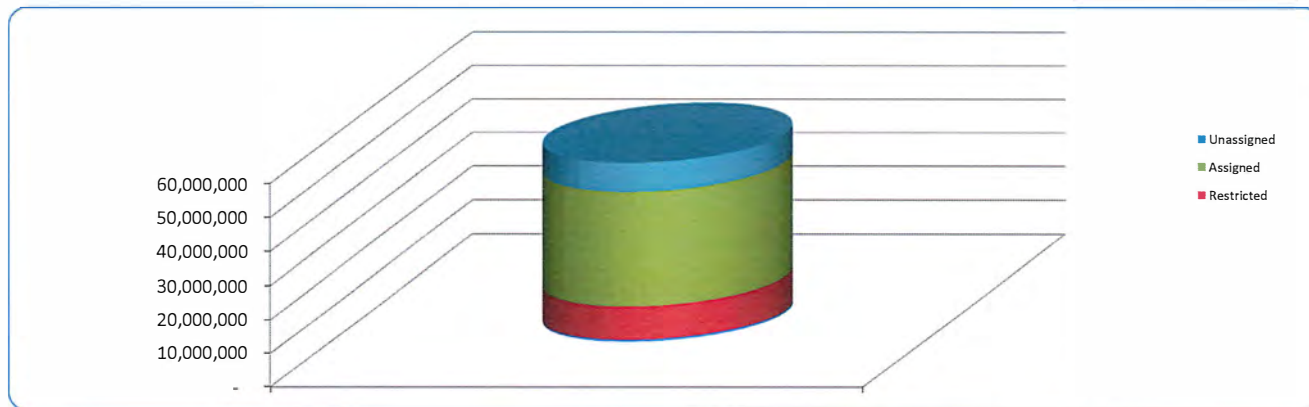
City of Los Altos Finance Department

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

(Pre GASB 54 Presentation)	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>General fund</b>										
Reserved	\$ 5,872	\$ 131	\$ 228	\$ 39	\$ 143	\$ 48	\$ 46	\$ 49	\$ 27,195	\$ 30,010
Unreserved/Unrestricted	206	6,157	6,492	7,650	6,908	7,836	7,439	8,453	1,433	4,789
<b>Total general fund</b>	<b>\$ 6,078</b>	<b>\$ 6,288</b>	<b>\$ 6,720</b>	<b>\$ 7,689</b>	<b>\$ 7,051</b>	<b>\$ 7,884</b>	<b>\$ 7,485</b>	<b>\$ 8,502</b>	<b>\$ 28,628</b>	<b>\$ 34,799</b>
<b>All other governmental funds</b>										
Restricted	\$ 20,591	\$ 4,604	\$ 5,484	\$ 3,472	\$ 3,399	\$ 2,780	\$ 3,926	\$ 7,406	\$ 364	\$ 364
Reserved, reported in:										
Special revenue funds	-	(21)	1,798	4,120	6,422	6,768	6,911	7,415	9,644	12,737
Capital projects funds	(770)	18,876	21,360	21,814	19,540	16,868	17,213	15,676	7,621	4,714
Debt service funds	(8)	(8)	(8)	(8)	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 19,813</b>	<b>\$ 23,451</b>	<b>\$ 28,634</b>	<b>\$ 29,398</b>	<b>\$ 29,361</b>	<b>\$ 26,416</b>	<b>\$ 28,050</b>	<b>\$ 30,497</b>	<b>\$ 17,629</b>	<b>\$ 17,815</b>
<b>Total all governmental funds</b>	<b>\$ 25,891</b>	<b>\$ 29,739</b>	<b>\$ 35,354</b>	<b>\$ 37,087</b>	<b>\$ 36,412</b>	<b>\$ 34,300</b>	<b>\$ 35,535</b>	<b>\$ 38,999</b>	<b>\$ 46,257</b>	<b>\$ 52,614</b>

GASB 54 Presentation:(2015-16)

	2015-16				
	General Fund	In Lieu Park Land	Capital Projects	Other Govt Funds	Total
<i>Inventory &amp; Prepaids</i>	\$ (14,036)	\$ -	\$ -	\$ -	\$ (14,036)
<i>Encumbrances</i>	(497,937)				(497,937)
<i>Veteran Memorial</i>	(12,000)				(12,000)
<b>Non-Spendable</b>	<b>(523,973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(523,973)</b>
<i>Debt Service</i>				(364,179)	(364,179)
<i>Special Revenue Programs and Projects</i>		(4,518,359)		(5,087,042)	(9,605,401)
<b>Restricted</b>	<b>-</b>	<b>(4,518,359)</b>	<b>-</b>	<b>(5,451,221)</b>	<b>(9,969,580)</b>
<i>Continuing CIPS</i>					-
<b>Committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>General Fund Reserve</i>	(6,705,000)				(6,705,000)
<i>OPEB</i>	(1,500,000)				(1,500,000)
<i>PERS Reserve</i>	(600,000)				(600,000)
<i>Technology</i>	(1,403,554)				(1,403,554)
<i>Capital Projects</i>	(18,855,234)		(2,250,797)	(2,226,291)	(23,332,322)
<b>Assigned</b>	<b>(29,063,788)</b>	<b>-</b>	<b>(2,250,797)</b>	<b>(2,226,291)</b>	<b>(33,540,876)</b>
<b>Unassigned</b>	<b>(8,535,399)</b>				<b>(8,535,399)</b>
<b>Total Fund Equity</b>	<b>\$ (38,123,160)</b>	<b>\$ (4,518,359)</b>	<b>\$ (2,250,797)</b>	<b>\$ (7,677,512)</b>	<b>\$ (52,569,828)</b>



Source:  
City of Los Altos Finance Department



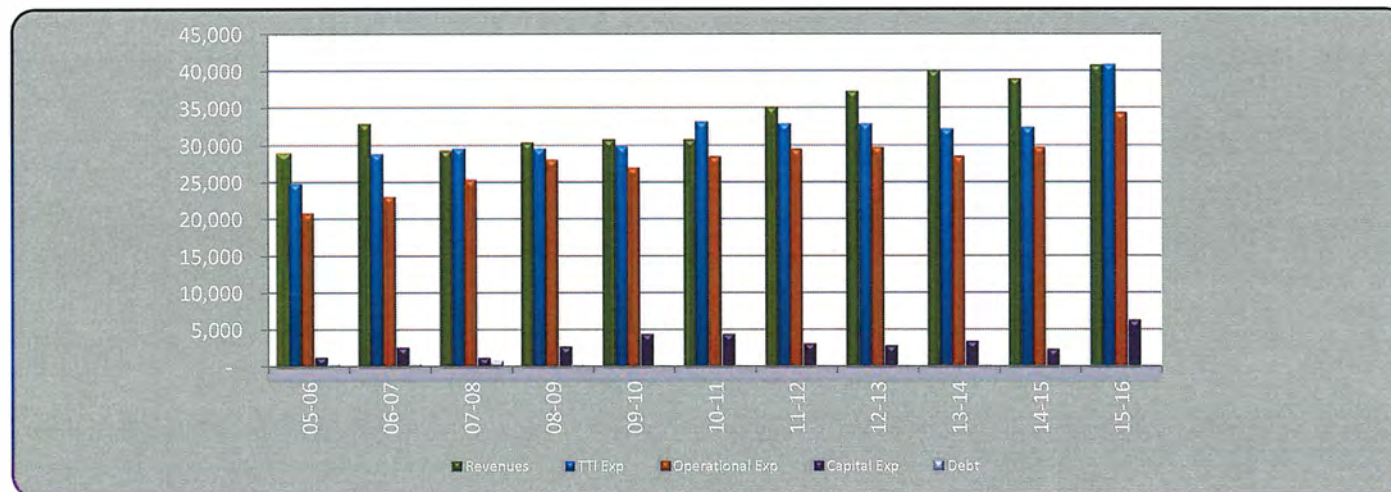
City of Los Altos  
Changes in Fund Balances - Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting; amounts expressed in thousands)

		Fiscal Year									
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Revenues											
Taxes		\$ 15,205	\$ 16,566	\$ 17,115	\$ 17,545	\$ 17,714	\$ 18,250	\$ 19,444	\$ 21,950	\$ 26,690	\$ 28,565
License, permits and park-in-lieu		2,522	3,493	2,532	3,025	3,187	3,204	3,312	4,531	3,925	3,784
Intergovernmental		4,323	4,470	4,365	3,680	3,988	4,333	4,513	4,861	1,027	973
Grants and donations		359	1,294	305	559	929	4,242	650	788	873	1,863
Charges for services		3,701	3,673	3,422	3,494	4,020	3,780	4,480	4,572	4,698	4,659
Fines and forfeitures		264	286	329	246	148	231	171	214	161	264
Interest and rentals		1,692	1,857	945	504	333	169	135	159	291	558
Other		777	1,284	359	1,394	521	973	4,616	2,989	1,306	187
Total revenues		28,843	32,923	29,372	30,447	30,840	35,182	37,320	40,064	38,971	40,853
Expenditures											
General government											
Public Safety											
Police		7,245	7,553	8,283	8,111	8,616	9,588	9,178	8,891	9,167	9,976
Fire Services		3,839	4,664	4,900	5,119	5,259	5,375	5,513	5,714	5,961	6,219
Public works		4,321	4,286	5,038	4,420	4,793	4,826	4,831	4,353	4,307	4,859
Recreation		2,103	2,257	2,443	1,994	2,062	2,429	2,102	2,186	2,389	2,423
Community development		2,922	3,384	3,826	3,770	3,973	3,726	4,553	3,885	4,221	6,087
Administration/Community services		2,658	3,222	3,623	3,600	3,845	3,624	3,655	3,552	3,770	4,852
Capital improvements		1,374	2,719	1,288	2,784	4,475	3,212	2,916	3,492	2,435	6,313
Debt service											
Principal		193	657	101	85	85	90	95	95	100	105
Interest and fiscal charges		143	138	103	81	80	77	75	72	69	64
Total expenditures		24,798	28,880	29,605	29,964	33,188	32,947	32,918	32,240	32,419	40,898
Excess (deficiency) of revenues over (under) expenditures		4,045	4,043	(233)	483	(2,348)	2,235	4,402	7,824	6,552	(45)
Other financing sources (uses)											
Debt issuance		-	-	-	-	-	-	-	-	-	-
Payment to refunded bonded escrow agent		-	-	-	-	-	-	-	-	-	-
Transfers in		6,153	5,388	2,396	2,781	3,509	1,887	2,443	2,119	3,632	1,752
Transfers out		(6,350)	(5,581)	(2,596)	(3,020)	(3,574)	(2,134)	(2,925)	(2,685)	(3,828)	(1,752)
Total Other financing sources (uses)		(197)	(193)	(200)	(239)	(65)	(247)	(482)	(566)	(196)	-

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

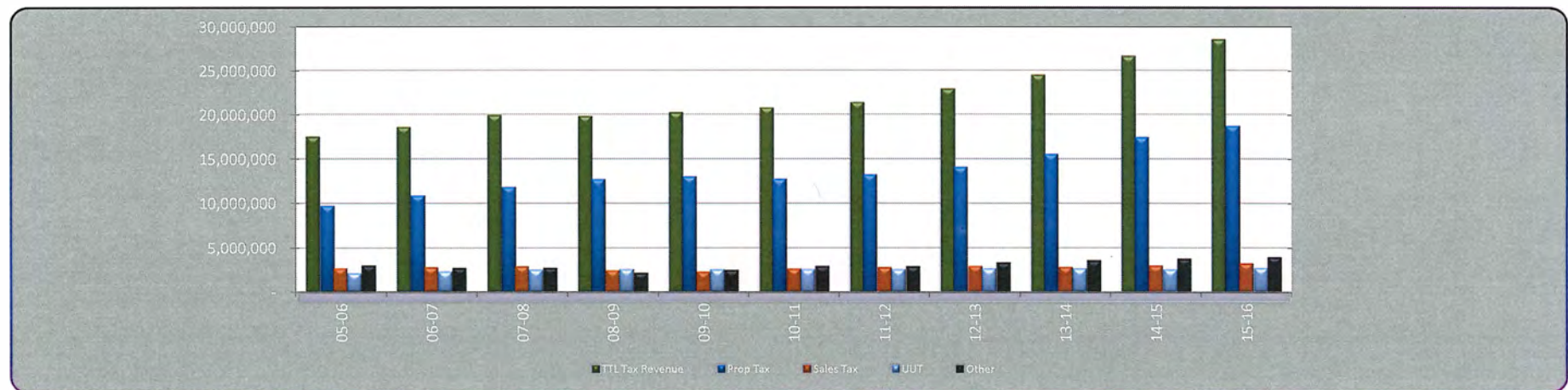
	Fiscal Year									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Special items										
CalPERS Side Fund Pay Down	-	-	-	(3,005)	-	(850)	(950)	-	-	-
Sale of capital assets-net	-	1,765	2,167	2,167	300	100	492	-	-	-
Total special items	-	1,765	2,167	(838)	300	(750)	(458)	-	-	-
Net change in fund balances	\$ 3,848	\$ 5,615	\$ 1,734	\$ (594)	\$ (2,113)	\$ 1,238	\$ 3,463	\$ 7,258	\$ 6,356	\$ (45)
Debt service as a percentage of non-capital expenditures	1.4%	3.0%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%

Source: City of Los Altos Finance Department



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

Fiscal Year	Property	Sales Tax	Business Licenses	Utility Users	Transient Occupancy	Real Estate Transfer Tax	Motor Vehicle License Tax	Building Development	Special Assessments	Total
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
2012-13	14,130,040	2,926,441	519,828	2,600,054	1,946,484	587,422	15,102	247,992	-	22,973,363
2013-14	15,586,329	2,809,489	475,298	2,600,034	2,168,556	583,581	12,639	314,271	-	24,550,197
2014-15	17,479,882	2,942,764	453,201	2,522,536	2,450,488	616,500	12,281	212,187	-	26,689,839
2015-16	18,775,472	3,195,628	520,687	2,672,236	2,608,368	617,355	12,119	162,981	-	28,564,846



Source:  
City of Los Altos Finance Department

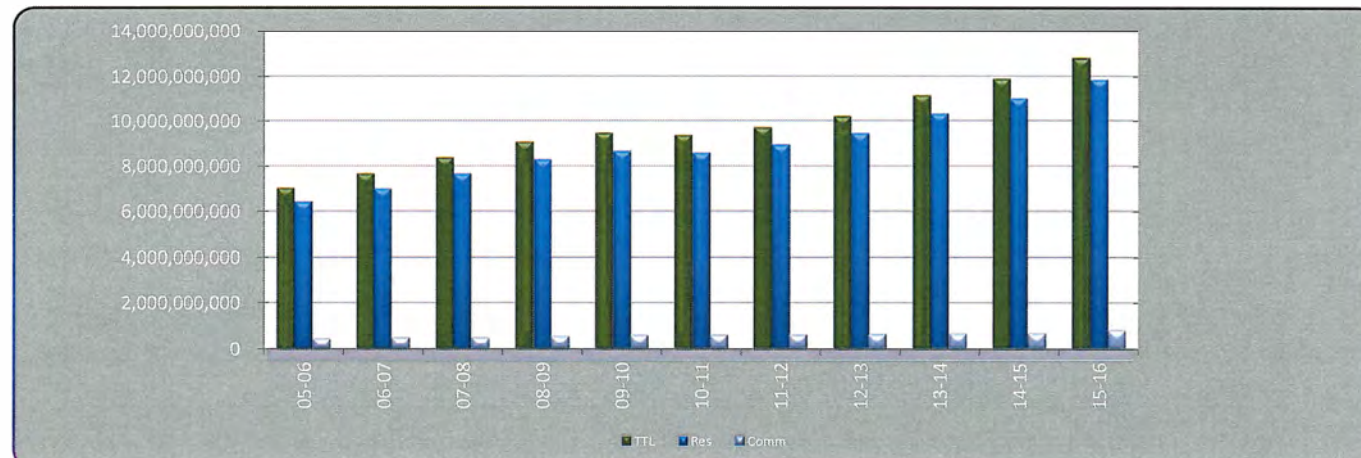
City of Los Altos  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Other	Net Unsecured	Total Taxable Assessed Value (1)	Total Direct Tax Rate (2)	% Change
2005-06	\$ 6,426,969,808	\$ 457,811,338	\$ 81,562,137	\$ 79,379,615	\$ 7,045,722,898	1%	10.55%
2006-07	7,015,252,860	495,435,150	83,502,556	82,870,129	7,677,060,695	1%	8.96%
2007-08	7,682,199,728	533,699,456	84,676,730	91,811,067	8,392,386,981	1%	9.32%
2008-09	8,305,988,140	560,724,394	92,700,494	104,778,047	9,064,191,075	1%	8.00%
2009-10	8,664,368,487	601,026,893	71,365,214	114,641,890	9,451,402,484	1%	4.27%
2010-11	8,593,495,093	619,191,247	40,822,574	108,454,967	9,361,963,881	1%	-0.95%
2011-12	8,952,576,593	622,766,264	33,390,275	89,645,375	9,698,378,507	1%	3.59%
2012-13	9,435,595,105	647,992,387	36,465,129	82,124,561	10,202,177,182	1%	5.19%
2013-14	10,318,249,580	676,782,575	67,152,550	97,506,301	11,159,691,006	1%	9.39%
2014-15	11,017,386,476	685,617,188	82,588,790	109,149,891	11,894,742,345	1%	6.59%
2015-16	11,851,346,197	829,385,503	0	131,554,151	12,812,285,851	1%	7.71%

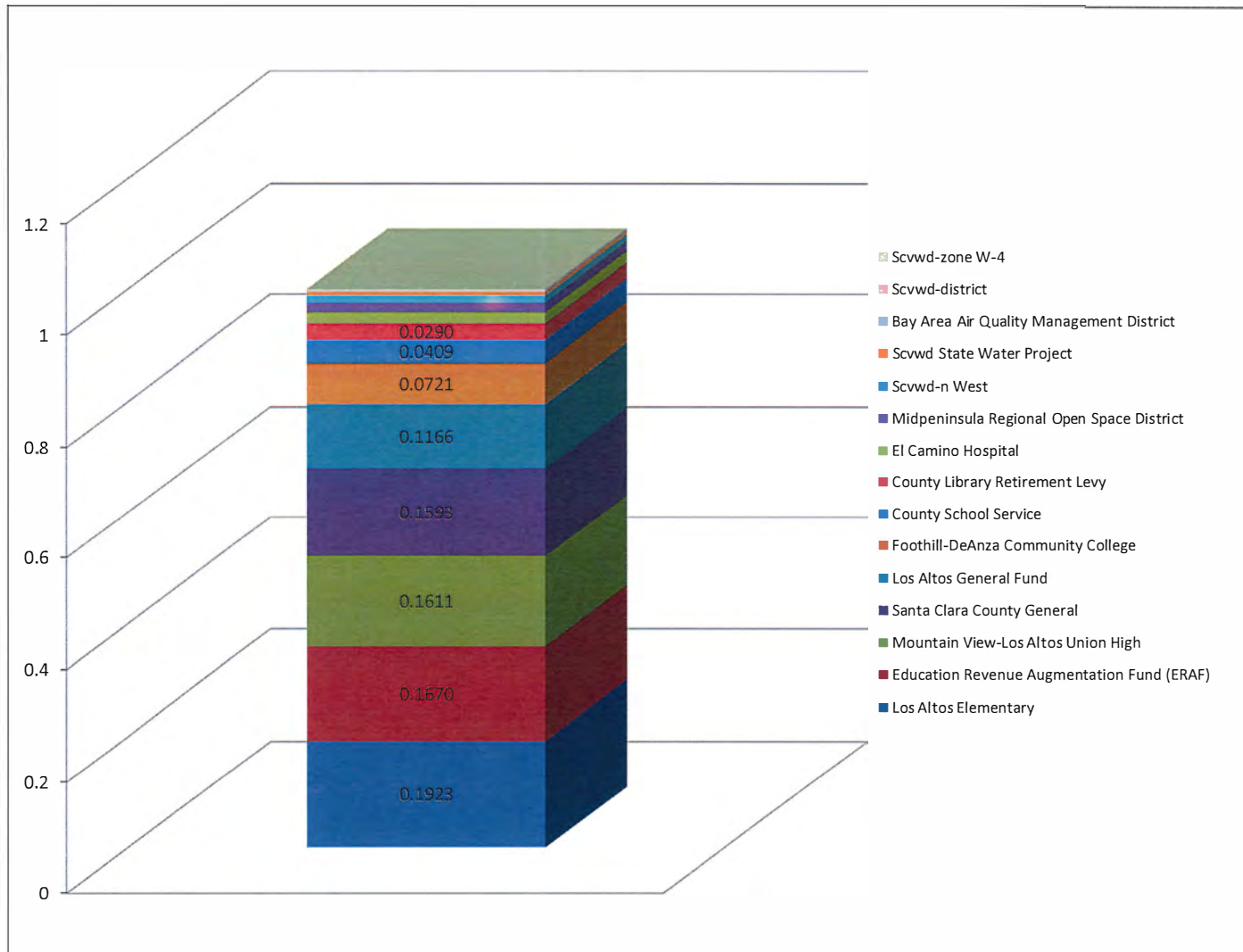
Source:

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.



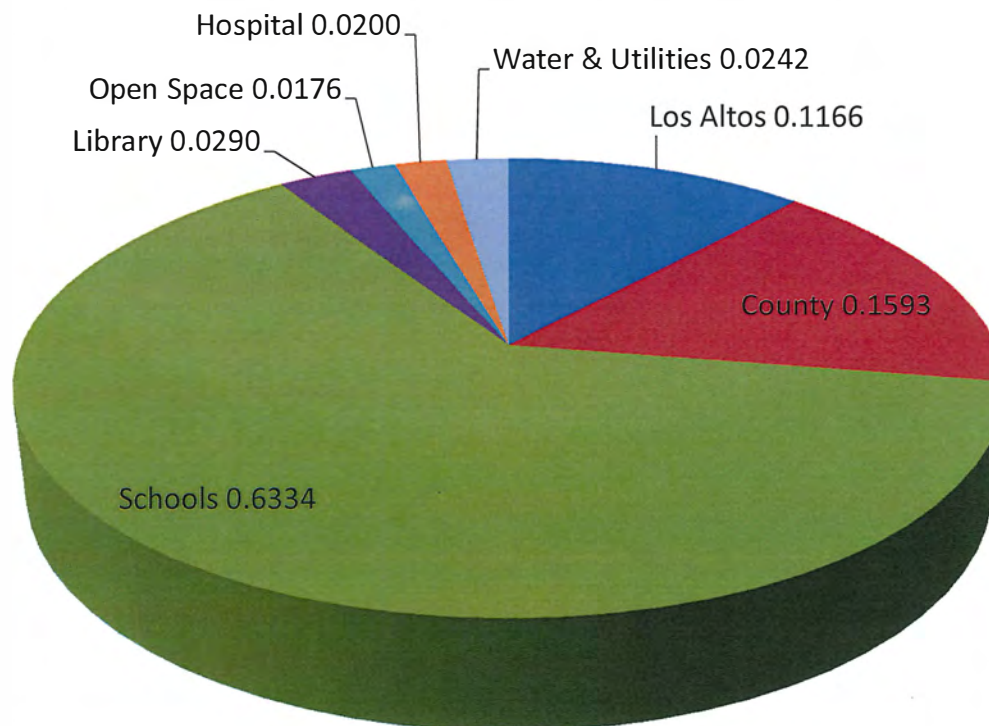
City of Los Altos  
Property Tax Dollar Breakdown  
June 30, 2016



Source:  
HdL Coren & Cone



City of Los Altos  
Property Tax Dollars By Recipient Group  
June 30, 2016



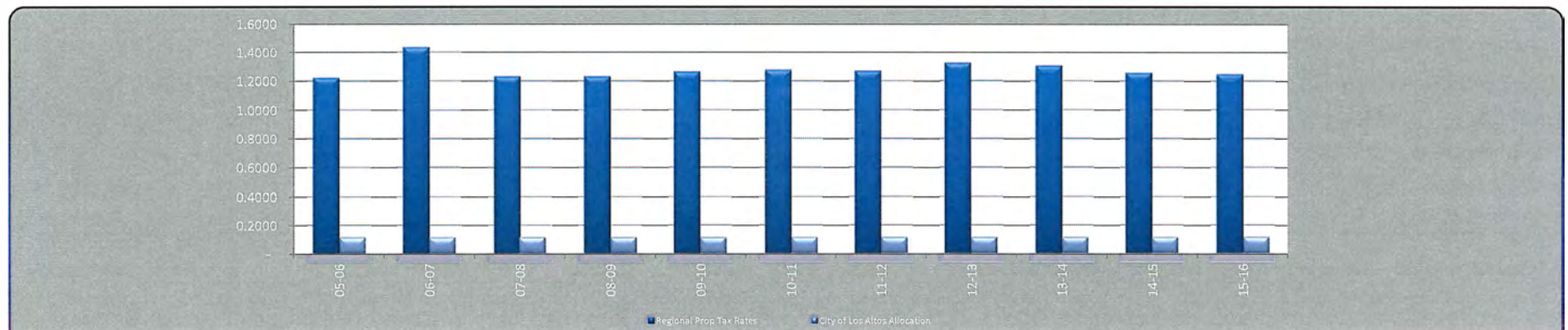
Source:  
HdL Coren & Cone

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

Overlapping Rates (1)														
Fiscal Year	Basic County-Wide	Santa Clara Retirement	County Library Retirement	Los Altos Elementary School	Mountain View Elementary School	Cupertino Elementary School	Whisman School Bond	Foothill-De Anza College	Mountain View Los Altos High School	Fremont Union High School	Santa Clara Valley Water District	County Hospital Bonds	El Camino Hospital	Total
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
2012-13	1.0000	0.0388	0.0024	0.0579	0.0302	0.0598	0.0300	0.0287	0.0139	0.0390	0.0069	0.0051	0.0129	1.32560
2013-14	1.0000	0.0388	0.0024	0.0534	0.0276	0.0525	0.0254	0.0290	0.0121	0.0405	0.0070	0.0035	0.0129	1.30510
2014-15	1.0000	0.0388	0.0024	0.0524	-	0.0540	-	0.0276	0.0133	0.0396	0.0065	0.0091	0.0129	1.25660
2015-16	1.0000	0.0388	0.0024	0.0485	-	0.0519	-	0.0240	0.0017	0.0525	0.0057	0.0088	0.0129	1.24720

130 Source:  
HdL Coren & Cone

(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

	2015-16			2006-07		
Taxpayer	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue
BOX.Com	53,429,730	1	0.45%			
Los Altos Gardens II LP	\$ 52,548,551	2	0.44%			
St Paul Fire and marine Insurance Co	49,181,313	3	0.41%			
4740 ECR Los Altos LLC	45,356,329	4	0.38%			
Springwood Apartments	28,879,610	5	0.24%			
Realty Associates Fund X LP	25,499,500	6	0.21%			
Compass Grand Los Altos	22,824,748	7	0.19%			
KRC Los Altos Limited Partnership	22,591,021	8	0.19%	\$ 19,188,797	3	0.27%
Safeway	21,251,501	9	0.18%			
Los Altos Hotel Associates LLC	19,765,512	10	0.17%			
4 Seasons Assocs LLC			0.00%	17,278,686	6	0.25%
Village Court Partners				14,357,542	7	0.20%
Whole Foods Market California Inc						
Los Altos Office Associates				54,004,138	1	0.77%
David & Lucile Packard Foundation				18,120,453	5	0.26%
Kenneth T. Namimatsu, Et Al				25,694,304	2	0.36%
Rambus Inc				18,490,131	4	0.26%
SHP Los Altos LLC				10,258,600	10	0.15%
Camino Altos 4300 Inc				13,770,000	8	0.20%
Cornerstone Properties I LLC				-		0.00%
Steve J. Vidovich				10,658,098	9	0.15%
FXSC LLC				-		0.00%
Total	\$ 287,898,085		3.21%	\$ 201,820,749		2.86%
City Total	11,894,742,345			\$ 7,045,722,898		

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		
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%
2012-13	3,877,675,089	301,164,764	292,131,302		3.00%
2013-14	4,165,019,181	349,740,765	316,325,898		2.59%
2014-15	4,463,179,149	344,291,093	339,731,930		0.98%
2015-16	4,944,651,360	330,545,207	326,823,894		1.13%

**Note:**

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

**Source:**

County of Santa Clara

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

Fiscal Year	Governmental Activities		Capital Lease	Total	Population (2)	Per Capita	Per Capita Personal Income (2)
	General Obligation Bond	Certificates of Participation (1)					
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
2012-13	-	1,760,000	-	1,760,000	29,792	59	74,570
2013-14	-	1,665,000	-	1,665,000	29,969	56	79,102
2014-15	-	1,565,000	-	1,565,000	29,884	52	83,041
2015-16	-	1,460,000	-	1,460,000	31,353	47	80,407

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) HdL Coren & Cone

City of Los Altos  
Schedule of Direct and Overlapping Bonded Debt  
June 30, 2016

2015-16 Assessed Valuation: \$12,831,411,744

	Total Debt 6/30/2016	% Applicable (1)	City's Share of Debt 6/30/16
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Santa Clara County	\$792,585,000	3.307%	\$ 26,210,786
Foothill-De Anza Community College District	584,782,455	9.634%	56,337,942
Fremont Union High School District	365,975,088	4.166%	15,246,522
Mountain View-Los Altos Union High School District	59,156,005	25.812%	15,269,348
Cupertino Union School District	292,848,688	7.007%	20,519,908
Los Altos School District	73,555,000	53.306%	39,209,228
El Camino Hospital District	136,280,000	18.280%	24,911,984
Midpeninsula Regional Park District	45,000,000	5.690%	2,560,500
Santa Clara Valley Water District Benefit Assessment District	99,060,000	3.307%	3,275,914
City of Los Altos 1915 Act Bonds	673,000	100.000%	673,000
			\$ 204,215,132
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Santa Clara County General Fund Obligations	\$677,526,121	3.307%	\$ 22,405,789
Santa Clara County Pension Obligation Bonds	367,118,349	3.307%	12,140,604
Santa Clara County Board of Education Certificates of Participation	6,380,000	3.307%	210,987
Foothill-De Anza Community College District Certificates of Participation	9,723,341	9.634%	936,747
Mountain View-Los Altos Union High School District Certificates of Participation	2,415,000	25.812%	623,360
City of Los Altos Certificates of Participation	1,460,000	100.000%	1,460,000
Midpeninsula Regional Park District General Fund Obligations	122,305,886	5.690%	6,959,205
Santa Clara County Vector Control District Certificates of Participation	2,890,000	3.307%	95,572
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 44,832,264
Less: Santa Clara County supported obligations			15,538,605
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 29,293,659
<b>TOTAL DIRECT DEBT</b>			<b>\$1,460,000</b>
TOTAL GROSS OVERLAPPING DEBT			\$247,587,396
TOTAL NET OVERLAPPING DEBT			\$232,048,791
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$249,047,396 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$233,508,791</b>

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

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

Source:  
California Municipal Statistics, Inc.

City of Los Altos  
Legal Debt Margin  
Last Ten Fiscal Years

Fiscal Year	Assessed Valuation *	Debt Limit 15% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
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
2012-13	10,202,177,182	1,530,326,577	-	1,530,326,577
2013-14	11,159,691,006	1,673,953,651	-	1,673,953,651
2014-15	11,894,742,345	1,784,211,352	-	1,784,211,352
2015-16	12,831,411,774	1,924,711,766	-	1,924,711,766

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)
2005-06	27,608	-0.02%	7,719	2.51%	2.3%	81,743			
2006-07	28,104	1.80%	7,778	0.76%	2.3%	89,706			
2007-08	28,291	0.67%	7,890	1.44%	3.0%	94,999			
2008-09	28,458	0.59%	7,908	0.23%	5.6%	96,222			
2009-10	28,863	1.42%	7,966	0.73%	5.5%	92,389	46.9	98.10%	76.10%
2010-11	28,863	0.00%	8,035	0.87%	5.7%	73,414	45.3	98.10%	76.80%
2011-12	29,460	2.07%	8,138	1.28%	4.9%	72,608	45.4	98.50%	78.20%
2012-13	29,792	1.13%	8,198	0.74%	3.2%	74,570	45.8	98.70%	76.70%
2013-14	29,969	0.59%	8,303	1.28%	2.6%	79,102	46.1	98.70%	77.40%
2014-15	29,884	-0.28%	8,284	-0.23%	3.4%	83,041	46.2	98.80%	78.70%
2015-16	31,353	4.92%	8,666	4.61%	103.4%	80,407	46.2	98.70%	79.00%

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	131	7	1.05%
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	2,247		17.98%
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

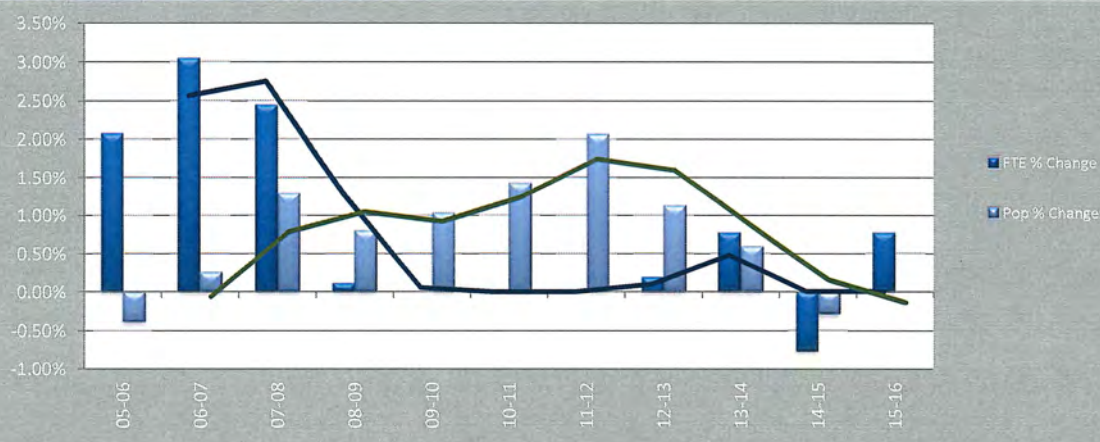
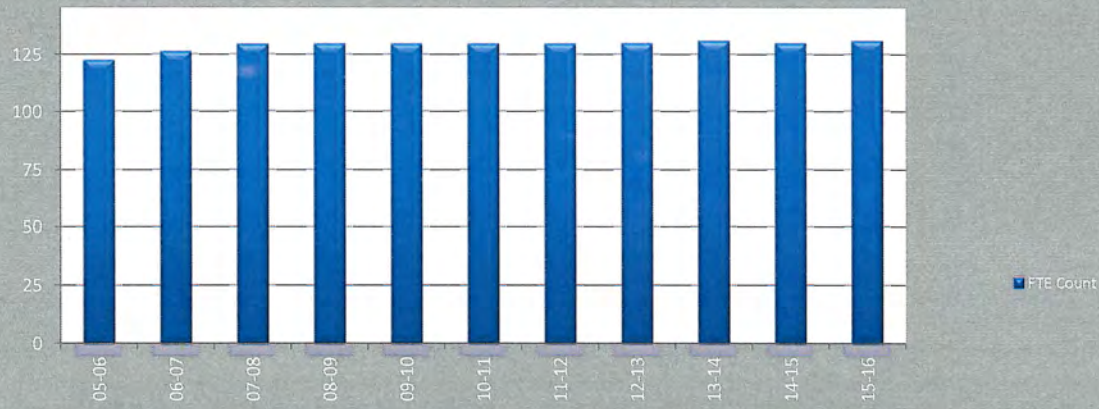
Function/Program	Fiscal Year										
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<i>Public Safety *</i>											
Police Operations	35.50	36.50	36.50	36.50	32.00	32.00	32.00	32.00	32.00	32.00	31.00
Police Traffic Safety	2.00	2.00	2.00	2.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00
Communications	8.50	8.50	8.50	8.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Fire (Contract Basis)	-	-	-	-	-	-	-	-	-	-	-
<i>Maintenance Services</i>	28.00	29.50	30.00	29.00	29.50	29.50	29.50	29.50	29.50	29.50	29.50
<i>Recreation</i>	8.25	6.75	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00
<i>Community Development</i>											
Planning & Building	12.00	12.50	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00
Engineering	9.00	9.00	9.00	9.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00
Economic Development	0.50	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<i>Administration</i>											
City Management	3.50	4.25	4.10	6.25	5.75	4.75	4.75	4.75	5.00	5.00	5.00
Administration & Finance	9.00	9.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	12.00
<i>Sewer</i>	5.75	6.75	6.75	6.75	6.25	6.25	6.25	6.25	6.25	6.25	6.25
<i>Solid Waste</i>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<i>Storm Drain</i>	0.50	1	1	1	1	1	1	1	1	1	0
<b>Total</b>	122.75	126.50	129.60	129.75	129.75	129.75	129.75	129.75	130.00	130.00	131.00

Source:

City of Los Altos Finance Department

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

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





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

Function/Program	Fiscal Year									
	2006-07	2007-08 *	2008-09 *	2009-10 *	2010-11 *	2011-12 *	2012-13 *	2013-14 *	2014-15 *	2015-16 *
<i>Police:</i>										
Arrests	453	449	630	634	396	301	308	283	312	222
Moving citations issued	3,197	2,435	2,926	1,879	1,437	1,385	1,285	1,069	1,555	1,757
Parking citations issued	2,295	2,455	2,015	1,531	960	1,938	1,947	2,559	2,266	3,138
Municipal code violations issued	522	552	458	580	21	25	56	161	109	103
<i>Public Works:</i>										
Crack sealing in lineal feet	55,028	52,000	105,600	53,326	56,984	66,290	98,136	2,112	113,784	101,040
Street sign installed and replaced	434	245	206	1,042	117	1,361	511	949	596	457
<i>Recreation:</i>										
Classes/programs	1,890	1,781	1,332	1,604	1,714	1,821	2,675	2,738	2,713	2,107
Facility rentals	589	583	3,154	4,010	2,462	3,106	2,702	3,501	5,648	5,378
Field/gymnasium permits	77	127	3,529	2,774	2,415	3,658	3,388	2,945	4,509	2,795
<i>Planning:</i>										
Plan applications submitted	340	331	376	318	335	404	510	716	757	800
<i>Building:</i>										
Permits issued	1,733	1,759	1,602	1,711	1,706	1,690	1,817	1,757	1,751	1,927
Plan checks submitted	335	485	522	455	537	560	636	649	582	599
Inspections	7,307	7,236	6,204	5,788	6,203	7,108	6,631	7,682	7,227	7,517
<i>Sewer:</i>										
Cleaning and flushing in lineal feet	810,261	1,100,150	732,162	434,250	596,006	852,453	777,285	667,415	683,552	759,456
<i>Storm Drain:</i>										
Catch basin/storm drain cleaned (measured in storm inlets cleaned)	1,754	1,827	1,459	2,823	3,038	1,583	1,202	1,898	1,350	1,350

Source: City of Los Altos Quarterly Reports.

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

Note:

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

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

Function/Program	Fiscal Year									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<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	127	127	127	127	127	127	127	127	127	127
Number of Traffic Signals	13	13	13	13	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
2005-06	\$ -	\$ 20,000	\$ 720	\$ 13,956	\$ 6,000	\$ 4,524	\$ 26,058	\$ -	\$ 7,407	\$ -	\$ -	\$ -	\$ 40,014	\$ 26,000	\$ 12,651	1.04
2006-07				13,599	6,000	4,176	26,249	12,391	12,471				39,848	18,391	16,647	1.14
2007-08				27,091	6,000	3,828	27,091	14,000	27,091				54,182	20,000	30,919	1.06
2008-09				14,325	7,000	3,451	28,117	14,000	11,207				42,442	21,000	14,658	1.19
2009-10				13,233	7,000	5,873	27,873	15,000	13,360				41,106	22,000	19,233	1.00
2010-11				27,091	7,000	2,639	27,091	16,000	9,812	27,091	-	27,091	81,273	23,000	39,542	1.30
2011-12				27,091	8,000	2,204	27,091	16,000	9,068	27,091	12,880	34,490	81,273	36,880	45,762	0.98
2012-13				27,091	8,000	1,740	27,091	17,000	27,091	27,091	10,000	27,091	81,273	35,000	55,922	0.89
2013-14				10,044	8,000	1,276	27,091	18,000	27,091	46,491	10,000	27,091	27,091	36,000	55,458	0.30
2014-15				-	18,620	783	27,091	19,000	27,091	27,091	15,000	27,091	54,182	52,620	54,965	0.50
2015-16				-	-	-	27,091	20,000	27,091	27,091	15,000	27,091	54,182	35,000	54,182	0.61

Source:  
City of Los Altos Finance Department

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

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