

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019



CITY OF LOS ALTOS





**CITY OF LOS ALTOS, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

**Prepared by  
ADMINISTRATIVE SERVICES DEPARTMENT**



## **INTRODUCTORY SECTION**



*This Page Left Intentionally Blank*

**CITY OF LOS ALTOS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2019**

**INTRODUCTORY SECTION:**

Letter of Transmittal..... i

List of Principal Officials ..... vii

Organizational Chart ..... viii

GFOA Certificate of Achievement ..... ix

**FINANCIAL SECTION:**

*Independent Auditor’s Report*..... 1

*Management’s Discussion and Analysis* ..... 5

**Basic Financial Statements:**

Government-wide Financial Statements

Statement of Net Position ..... 23

Statement of Activities ..... 24

Fund Financial Statements

Governmental Funds:

Balance Sheet ..... 28

Reconciliation of the Governmental Funds - Balance Sheet with the Statement  
of Net Position..... 29

Statement of Revenues, Expenditures, and Changes in Fund Balances..... 30

Reconciliation of the Net Change in Fund Balances - Total Governmental  
Funds with the Statement of Activities ..... 31

Proprietary Funds

Statement of Net Position..... 34

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

Statement of Cash Flows..... 36

Fiduciary Funds

Statement of Fiduciary Net Position ..... 38

Notes to Basic Financial Statements ..... 39

**CITY OF LOS ALTOS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2019**

**FINANCIAL SECTION (Continued):**

***Required Supplementary Information:***

Cost-Sharing Multiple-Employer Defined Pension Plan:

Schedule of Proportionate Share of the Net Pension Liability and Related Ratio as of the Measurement Date .....	80
Schedule of Contributions.....	81

Agent Multiple Employer Retiree Healthcare OPEB Plan:

Schedule of Changes in the Net OPEB Liability and Related Ratios as of the Measurement Date.....	82
Schedule of Contributions.....	83

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

General Fund.....	84
In-Lieu Park Land Special Revenue Fund .....	85

Notes to Required Supplementary Information.....	86
--	----

***Other Supplementary Information***

General Fund

Combining Balance Sheet.....	90
Combining Schedule of Revenues Expenditures and Changes in Fund Balances.....	91

Non-major Governmental Funds

Combining Balance Sheet.....	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	100

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

Vehicle Impound Fund.....	104
Supplemental Law Enforcement Fund.....	105
Gas Tax Fund .....	106
Proposition 1B Fund .....	107
Community Development Block Grant Fund .....	108
Downtown Parking Fund .....	109
Traffic Impact Fee Fund.....	110
Estate Donation Fund.....	111



**CITY OF LOS ALTOS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2019**

**FINANCIAL SECTION (Continued):**

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

***Internal Service Fund:***

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

***Fiduciary Funds:***

Statement of Changes in Assets and Liabilities – Agency Funds .....	124
---	-----

**STATISTICAL SECTION:**

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

**CITY OF LOS ALTOS  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019**

**STATISTICAL SECTION (Continued):**

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



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

February 28, 2020

**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, 2019 with the Independent Auditors' Report. The CAFR was prepared by the City's Administrative Services Department. The information contained in this CAFR is based on a comprehensive framework of internal control established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of material misstatements. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that the presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds, and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

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

**PROFILE OF THE CITY AND ITS SERVICES**

Tree-lined streets and a small village atmosphere characterize Los Altos, which is in the heart of world-famous Silicon Valley. Just 40 miles south of San Francisco, Los Altos is a residential community with a population of approximately 32,000 served by seven small retail areas. The seven-square mile residential city is developed with small businesses, schools, libraries and churches. Incorporated on December 1, 1952, Los Altos is a general law city operating under the Council-Manager form of government. There are five Council members elected at large, serving four-year overlapping terms. Municipal services provided include police, street maintenance, engineering, community development, parks, recreation and sewer. Fire protection is contracted with the Santa Clara County Central Fire Protection District.

## SERVICE EFFORTS AND MAJOR INITIATIVES

### Service Efforts

In FY 2018-19, the City continued its commitment to provide a high level of service to its residents and citizens, adhered to its adopted financial plan as evidenced by the budget-to-actual reporting presented within this document. Budgetary limits again were met with the General Fund reporting a healthy reserve over expenses this year while contingency reserves were strengthened. All major funds performed as expected through proper stewardship and integrity of funds.

### Major Initiatives

**Capital Improvements:** FY 2018-19 marked another year of capital investment into the community with further resources applied to City-wide improvements. Some of the key capital expenditures of note during FY 2018-19 include the following:

- \$2,242,407 – Street Resurfacing
- 1,929,839 – Hillview Community Center
- 1,278,755 – Annual Structural Reach Replacement
- 624,905 – Annual Storm Drain Improvements
- 337,464 – South Sewer Replacement
- 484,904 – Annual Park Improvement Project
- 263,052 – Concrete Repair
- 247,962 – Street Slurry Seal
- 199,038 – Street Striping
- 177,717 – Crosswalk Improvements at St. Joseph and Deodora
- 147,017 – Traffic Signal Control Upgrade
- 140,291 – First Street Resurfacing
- 136,175 – Covington Road at Riverside Avenue Pedestrian Improvement
- 108,411 – Los Altos/W Portola Crosswalk Improvements
- 102,385 – Springer Road/Fremont Avenue Pedestrian Improvements

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

**Civic Facilities:** This last fiscal year continues to confirm the priority of the City Council to address the City's aging facilities and buildings. In FY2018-19, the City addressed the deferred maintenance by expending over \$683,000 to replace the roof of the Police department, remodel the front lobby and bathroom facilities within City Hall.

## FINANCIAL CONTROLS AND PROCEDURES

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

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

**Cash Management Policies:** It is the City's practice to "pool" available cash from all funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the priority, ensuring adequate liquidity as the second priority and maximizing yield as the third priority. This past year continued to display moderate growth in the historically low interest rates with Local Agency Investment Fund (LAIF) earnings rates around 2%. 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 at least two months of budget expenditures in General Fund reserve. The City continues to prepare for the increase in the annual CalPERS payments by significantly increasing the CalPERS Reserve from \$4 million to \$5 million at Mid-Year of FY2018-19.

**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. The City continues to maintain more than adequate funding levels to cover the cost of its actuarial obligations, but these rising cost areas will require continued attention in the coming years.

**GASB 75 Compliance:** This report complies with the provisions of Government Accounting Standard Board Statement #75 (GASB 75). This standard pertains to Other Post Employee Benefits (OPEB) and requires the completion of an actuarial study to account for post employee benefit liabilities that exist. This reporting requirement is described in financial note 12 of the CAFR and the related liabilities reflected in the statements. As of June 30, 2019, the City's net OPEB obligation was valued at \$1.6 million, an amount reflected in the government-wide statements. The City has set aside \$1.5 million in reserves to address this liability funding. The City has moved this set aside to an irrevocable trust for OPEB with CalPERS.

## EXECUTIVE FINANCIAL OVERVIEW

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

### General Fund

The General Fund, the primary operating fund of the City, favorably exceeded expectations with an operating surplus of \$6.8 million for Fiscal Year 2018-19. Currently, the City continues to fill vacant positions. Through our continued commitment to sound financial planning, conservative budgeting and faithful stewardship, annual surpluses around \$2 to 3 million dollars are expected to continue. At year end, the total General Fund balance equaled \$59.1 million with an unassigned fund balance of \$6.8 million after commitments and assignments. As planned for in the budget process, this surplus margin will be allocated to maintaining the City's Operating Reserve at 20% and allocating major funding to capital improvements, such as the new Community Center.

Considering the transfer and use of reserve activity listed below, the final General Fund balance still increased by \$2.4 million. These non-operating and transfer activities are as follows:

- \$148,747 transfer in from public safety grant funds
- \$17,684 transfer in from safety vehicle impound fees
- \$171,880 transfer out for general debt service payments
- \$4,421,683 transfer out for capital projects

The General Fund revenue streams continues to grow at a steady pace. Property tax, which accounts for nearly 52% of the City's revenues, continues to be the City's strong point with an increase of 11.17% in FY2018-19 over the prior year.

<i>Revenue (millions)</i>	2019 Actual	2018 Actual	Variance \$	Variance %
<i>Property Tax</i>	\$23.79	\$21.40	\$2.39	11.17%
<i>Sales Tax</i>	3.46	3.24	0.22	6.79%
<i>Transient Occupancy Tax (TOT)</i>	3.17	3.07	0.1	3.26%
<i>Utility Users Tax</i>	2.74	2.73	0.01	0.37%
<i>Other Taxes</i>	1.35	1.46	-0.11	-7.53%
<i>Franchise Fees</i>	2.22	2.21	0.01	0.45%
<i>Interest</i>	1.91	0.32	1.59	496.88%
<i>Recreation</i>	1.96	2.03	-0.07	-3.45%
<i>License and Permits</i>	4.14	4.05	0.09	2.22%
<i>Other</i>	0.97	0.59	0.38	64.41%
<b>Total</b>	<b>\$45.71</b>	<b>\$41.10</b>	<b>\$4.61</b>	<b>11.22%</b>

General Fund revenues increased by over 11.22% overall in contrast to a 4.4% increase in the prior year. Revenues came in above of our annual budget estimates with interest, property tax, and sales tax being the front runners. Interest income showed an increase of 497% due increases in interest rates and unrealized gains / losses. Property Tax showed an increase of 11.17% from the prior year. Sales tax showed increase of 6.79% mainly due to timing of receipts from the state and is expected to remain relatively flat for the upcoming year. Interest income is expected to increase slightly in the upcoming year. The City's other taxes, such as real estate transfer tax and documentary transfer tax, remained relatively stable. License and permit fees declined only marginally based on development activity and timing of payments within the City. Recreation programs came in slightly below last year due to limited programs as the new Community Center is being built.

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

## **Other Funds**

**Capital Project Funds:** The Capital Projects Fund was very active, with expenditure levels reaching \$6.8 million, ending the year with a positive total fund balance of \$416,263.

**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 \$5.6 million while Enterprise funds ended the year with combined fund balance of \$24.4 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 the Blue Oak Lane Sewer special assessment district are classified in the trust and agency group in recognition of the limited nature of this debt which is fully collateralized by homeowner assessments without City obligation.

## **ECONOMIC TRENDS**

The City continues to perform well financially overall and continues to maintain its target reserve levels. As we navigate FY 2018-19 and beyond, we remain constantly aware of the financial challenges that face all local municipalities such as the significant rises in pension, healthcare and construction costs. Given the reliance on property tax revenues and the rising revenues in Community Development fees and other revenue streams, we must remain ever vigilant in monitoring economic trends and long-term financial issues. Through fiscal stewardship, proper budgeting and prudent use of our reserves, the City of Los Altos is set to continue its commitment of taking care of its capital needs and residents for the foreseeable future.

## **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, 2018. In the last 13 years, the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## ACKNOWLEDGEMENTS

Preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Division staff, especially Thuyet Dang, Finance Manager. Every member of the department deserves recognition and thanks for their commitment to the City and their profession. We also want to thank Maze and Associates, our independent auditors, for their professionalism in performing this year-end financial audit, as well as the members of the Financial Commission for their dedication and expertise to help shape policies and procedures. We would also like to thank the members of the City Council and Chris Jordan, City Manager along with Executive Team for their leadership and oversight in managing the financial operations of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Sharif Etman', written over a horizontal line.

Sharif Etman, MBA  
Administrative Services Director



# City of Los Altos

List of Principal Officials

As of June 30, 2019

---

## ELECTED OFFICIALS

Mayor .....	Lynette Lee Eng
Mayor Pro Tem .....	Jan Pepper
City Council .....	Jeannie Bruins
City Council .....	Anita Enander
City Council .....	Neysa Fligor

## APPOINTED OFFICIALS

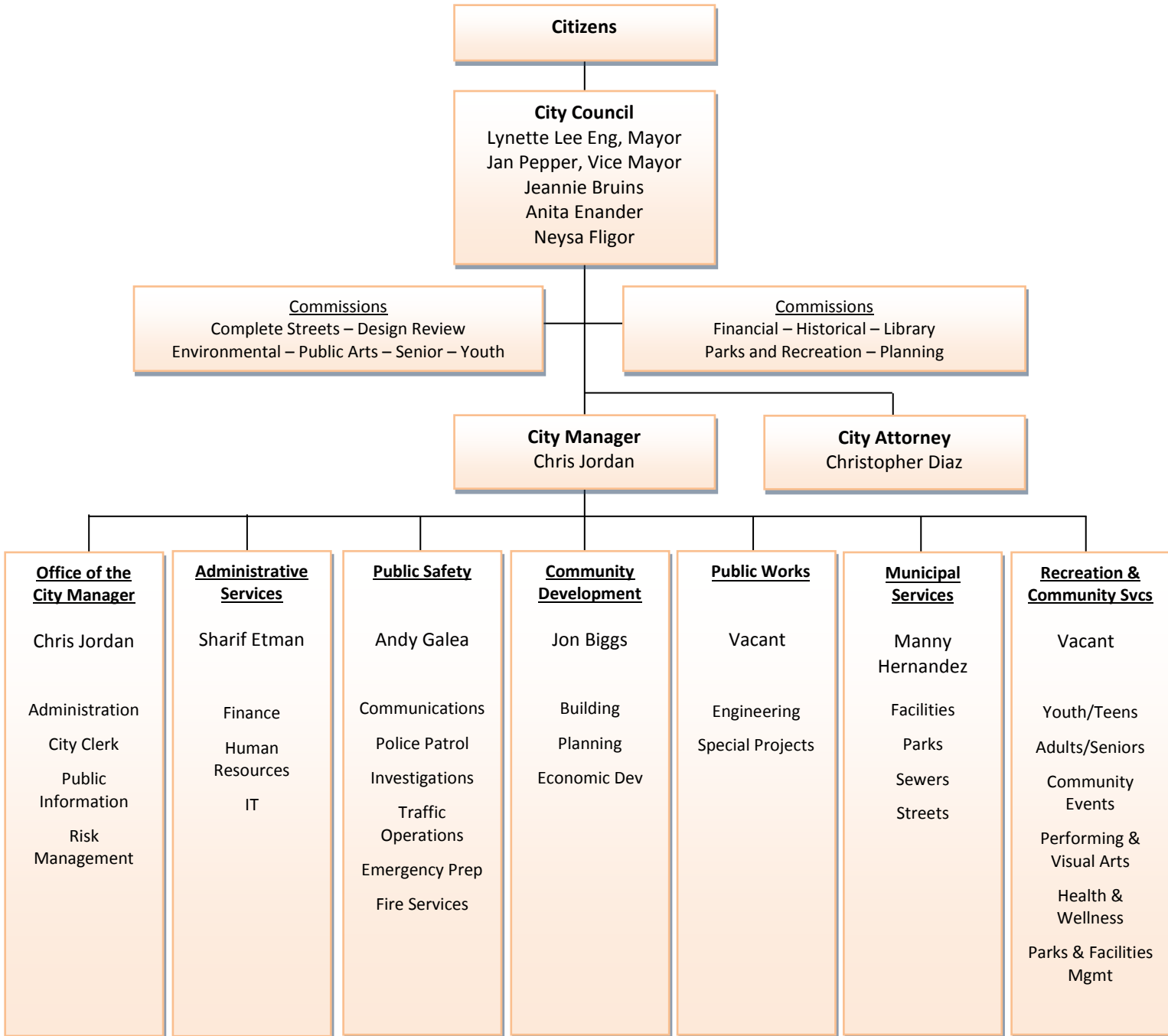
City Manager .....	Christopher Jordan
City Attorney .....	Christopher J. Diaz

## EXECUTIVE TEAM

Community Development Director.....	Jon Biggs
Deputy City Manager .....	Jon Maginot
Assistant City Manager .....	Vacant
Chief of Police.....	Andy Galea
Administrative Services Director .....	Sharif Etman
Engineering Services Director .....	Vacant
Human Resources Manager .....	Jennifer Leal
Recreation & Community Services .....	Vacant
Municipal Services Director .....	Manuel Hernandez



# City of Los Altos





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, 2018**

*Christopher P. Morrill*

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 (City), California, as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

Management adopted the provisions of Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2019:

Governmental Accounting Standards Board Statement No. 88 – *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*. See Note 6 to the financial statements for relevant disclosures.

In addition, as discussed in Note 8H, the City adjusted the beginning net position balance of the Sewer Fund.

The emphasis of these matters do not constitute modifications to our opinion.

### ***Other Matters***

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

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

#### ***Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2019, 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  
February 28, 2019





---

**City of Los Altos**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2019**

---

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, 2019. Readers are encouraged to consider this information in conjunction with the executive summary provided in the letter of transmittal that can be found on pages i to vi of this report.

## **USING THIS ANNUAL REPORT**

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

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

### **Reporting on the City as a Whole**

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

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

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

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

The government-wide financial statements can be found on pages 23 to 25 of this report.

### **Reporting on the City's Most Significant Funds**

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

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

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

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

The City adopts a budget annually for General Fund, Special Revenue Funds, (except for the Storm Drain Deposits Fund), and Equipment Replacement Capital Projects Fund that is effective July 1 for the ensuing fiscal year. A budgetary comparison statement has been provided for several key governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 28 to 31 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 90 to 122 of this report.

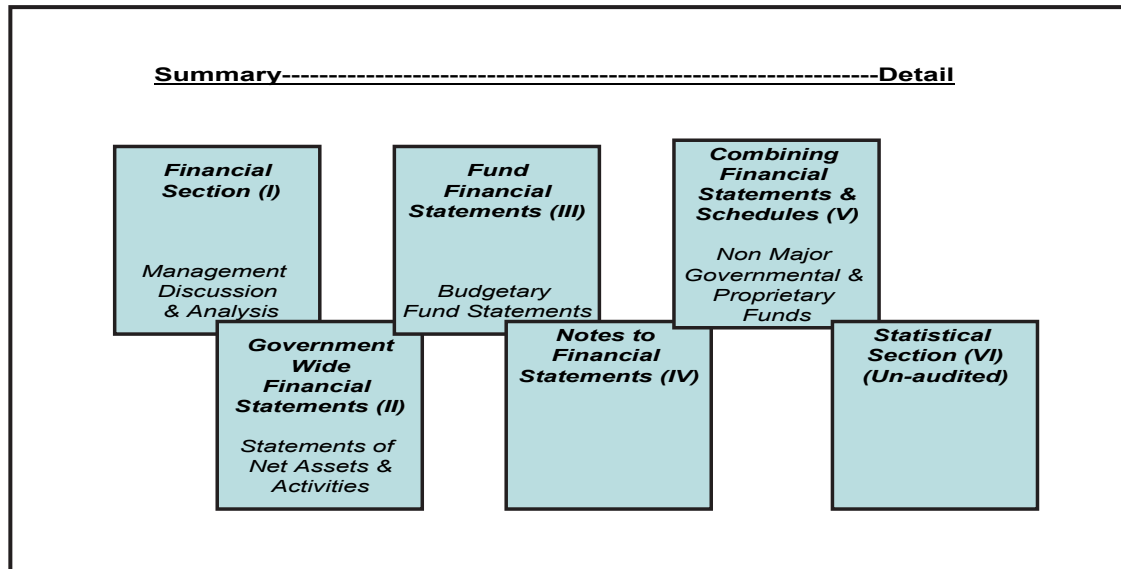
**Notes to the Basic Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 37 to 76 of this report.

**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 \$56.0 million, which was an increase of \$4.3 million or 8.3% compared to prior year, and total expenses of \$45.8 million, a decrease of \$1.4 million or 2.9%. The results represent combined government and business operations, with an overall increase in net position of \$10.4 million due to continuing strong revenues combined with contained expenditures City-wide. These favorable fiscal results have continued to strengthen the City’s reserves and allow the City to continue proactive capital project plans.

Operational revenue gains were noted in property tax, hotel occupancy, and utility tax. The Capital Grants and Contributions increased by \$104,000 due to a slight increase in revenues in the Engineering department. Sewer and solid waste revenues were stable and positioned to facilitate future operational and capital needs.

The decrease in Government-wide expenses is the result of vacant full-time 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. Currently, the largest project is the Los Altos Community Center, which is scheduled to be completed December 2020. The City has also made significant capital investments in the maintenance and improvement of the City-wide sewer systems.

### **Government-Wide View**

- Net position (excess of assets over liabilities) equaled \$125.1 million, an increase of \$10.4 million, or 9.1%. This is mainly attributed to the increase in tax revenue 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 \$34.9 million. Governmental unrestricted assets totaled \$21.7 million at year end, an increase of \$1.3 million, while business activities-related unrestricted assets totaled \$13.1 million. 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 \$100.7 million, an increase of \$8.2 million. The increase in government net position arises from positive operating results, fee collections and cost containment.
- Business activities reported ending net position of \$24.4 million, an increase of \$2.3 million 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 \$11.4 million compared to \$10.6 million last year and represents the extent to which funds are categorically constrained.

### **Fund Level View**

- The General Fund realized an operating surplus of \$8.7 million which was \$3.2 million higher than the prior year due to increase in revenue from property tax, sales tax, and interest income while maintaining contained spending.
- General Fund revenues, excluding transfers, increased over prior year actuals by \$4.5 million or 11.0% to \$45.7 million. Current year results also exceeded budget estimates by 14.9%. Related expenditures increased by \$1.3 million to \$37.0 million, or 3.6%, a result of increased normal costs and contract commitments.
- Total governmental fund balances equaled \$59.1 million at fiscal year-end, a \$3.1 million increase from the prior year. The increase is in the expenditures realized are in the general fund.

- General government capital spending totaled approximately \$6.8 million. 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 increased by \$1.2 million due to allocation of unassigned fund balance from the prior year to end the year at \$416,000.
- The Traffic Impact Fee Fund ended the year with a fund balance of \$554,000 with revenues of \$44,000.
- The Gas Tax Fund balance decreased by \$46,000 to \$1.2 million with funds used for capital projects including surplus revenue for the year.
- Sewer operations ended the year favorably in net position of \$19.9 million. Operating expenses increased by \$302,000 or 6.1% as a result of the City 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.
- The Workers' Compensation Fund ended the year with an unrestricted net position of \$2.4 million, an increase of \$704,000. The General Liability Fund ended the year with unrestricted net position of \$1.8 million, a decrease of \$94,000. 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 \$5.6 million, a decrease of \$555,000 or 9.0%.

## **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, 2019. 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 \$10.4 million or 9.1% in net position.

**City of Los Altos**  
**Fiscal Year Ending June 30, 2018**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Cash and Investments	\$67,585,725	\$62,893,649	\$14,394,397	\$14,442,173
Other Assets	3,704,472	3,449,368	226,493	81,929
Capital Assets	68,902,699	62,939,663	11,239,262	9,450,259
<b>Total Assets</b>	<b><u>\$140,192,896</u></b>	<b><u>\$129,282,680</u></b>	<b><u>\$25,860,152</u></b>	<b><u>\$23,974,361</u></b>
Deferred Outflows of Resources				
Related to Pension (Note 11)	\$9,003,165	\$10,435,166	\$371,905	\$430,423
Related to OPEB (Note 12)	292,020	132,990	21,980	10,010
Bond Debt	1,005,000	1,125,000	-	-
Other Liabilities	45,425,065	44,268,275	1,766,735	2,234,325
<b>Total Liabilities</b>	<b><u>\$46,430,065</u></b>	<b><u>\$45,393,275</u></b>	<b><u>\$1,766,735</u></b>	<b><u>\$2,234,325</u></b>
Deferred Inflows of Resources				
Related to Pension (Note 11)	\$2,232,373	\$1,841,274	\$109,833	\$83,284
Related to OPEB (Note 12)	47,430	42,780	3,570	3,220
<b>Net Position</b>				
Net Investment in Capital Assets				
Assets	67,611,265	61,524,823	11,239,262	9,450,259
Net of Related Debt				
Restricted	11,381,422	10,619,763	-	-
Unrestricted	21,732,802	20,428,921	13,134,637	12,643,706
<b>Total Net Position</b>	<b><u>\$100,725,489</u></b>	<b><u>\$92,573,507</u></b>	<b><u>\$24,373,899</u></b>	<b><u>\$22,093,965</u></b>

Governmental Activities investment in capital assets makes up the largest portion of the City's net position of sixty-seven percent (68%). 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 eleven percent (11%), represents resources subject to external spending restrictions. The remaining twenty-two percent (22%) of net position are defined as unrestricted and generally available for future capital projects and discretionary use with the caveat these funds are a composite of several governmental funds which may include assigned project commitments and assignments specifically associated with active and ongoing projects.

Some key entity-wide observations include the following:

- Cash and investments have an increase of \$4.7 million from last year holdings, a factor of favorable revenue collections and cost savings, which includes highs in both property tax and transient occupancy tax collection.

- Net position equaled \$125.1 million, an increase of \$10.4 million or 9.1%, largely due to the increase in annual tax revenue and decrease in expenditures for the year.
- Business-type activities reported net position of \$24.3 million at year end, a \$2.3million, or 10.3% increase. The Sewer Master Plan has been completed along with a multi-year rate adjustment program to provide resources to address sewer infrastructure rehabilitation. Solid Waste revenues exceeded direct expenses allowing for future initiatives in this important environmental area of operations.

### **Governmental Activities**

Governmental programs, which include public services, realized revenue increase by \$3.8 million, or 8.4%, while total expenditures decreased by \$1.7 million, or 4.1%. Including all sources and uses, governmental net position increased by \$8.2 million, or 8.8%, ending the year with a total fund balance of \$100.7 million.

- Property tax continues to be the City's single largest source of revenue representing about 49.4% of general government-wide revenues. Property tax continued its aggressive growth increasing by \$2.4 million, or 11.0%.
- Charges for services, make up 15.1% of government revenues. The community development fees increased from the prior year amount due to increased project development throughout the City.
- Sales tax showed an increase of \$218,000 or 6.7%, due to the timing of sales tax receipts from the state.
- Interest revenues came in significantly above the prior year actuals by \$2.2 million given higher interest rates in line with the current Federal Reserve. This also includes unrealized gains / losses for the year.
- Government expenses, including allocated capital maintenance costs, decreased by \$1.7 million or 4.1%. Interest on long-term debt remained flat, reflective of the City's low debt level.

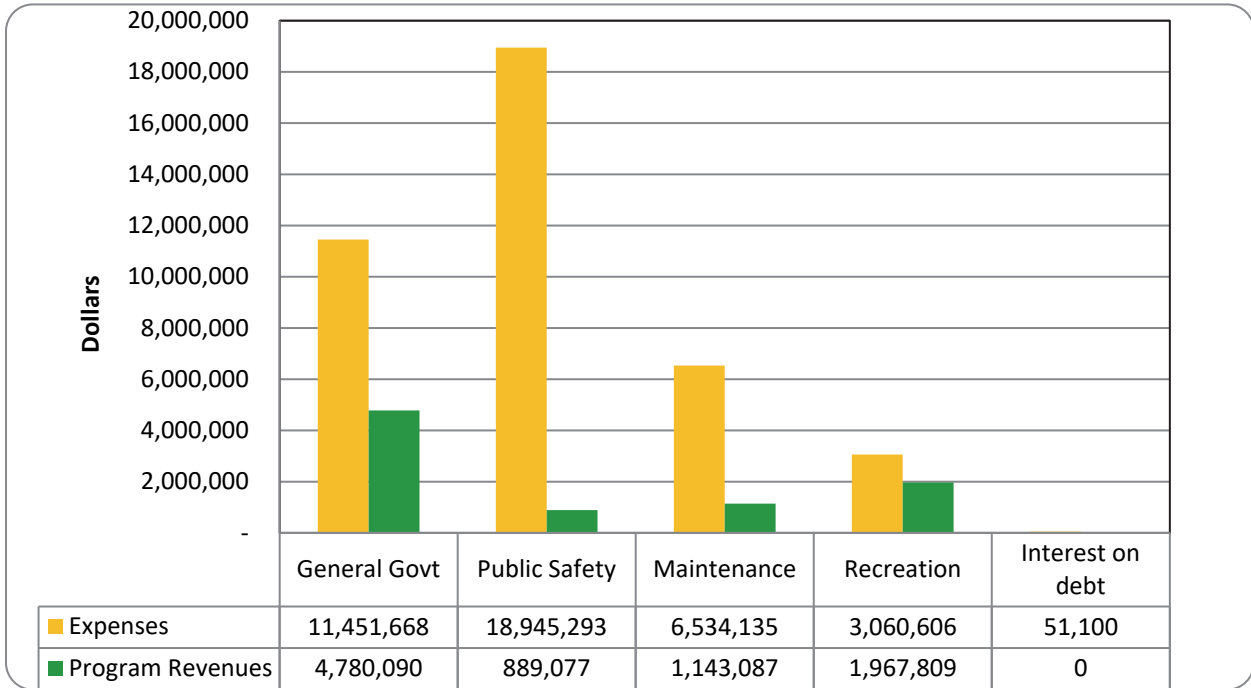
A comparison of the governmental activities and business-type activities program revenues and expenses for the current year and prior year is presented below:

**City of Los Altos Changes in Net Position  
Fiscal Year Ending June 30, 2019**

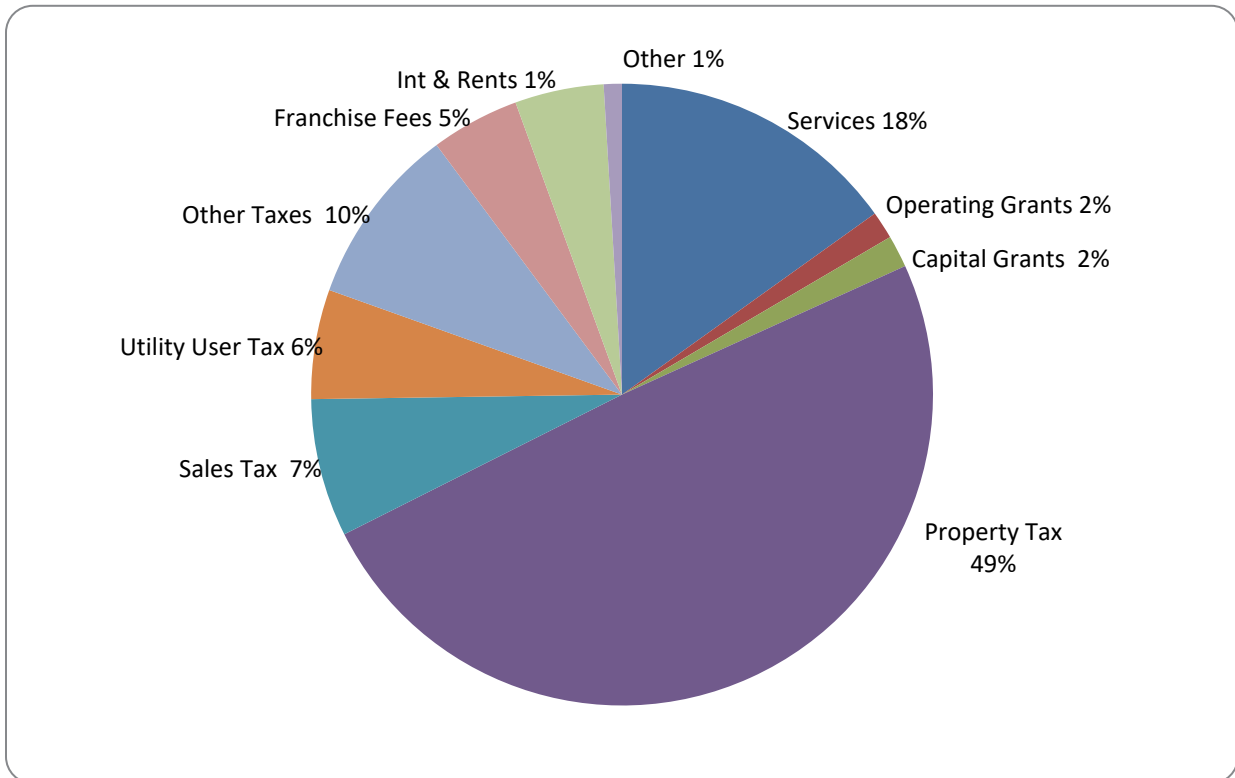
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>				
<b>Program Revenue</b>				
Charges for Services	\$7,282,383	\$7,940,855	\$7,308,230	\$7,180,727
Operating Grants/Contributions	691,244	882,303	-	-
Capital Grants/Contributions	806,436	702,648	-	-
<b>General Revenue</b>				
Property Tax	23,791,531	21,428,500	-	-
Sales Tax	3,461,298	3,243,554	-	-
Utility User Tax	2,743,570	2,732,325	-	-
Other Taxes	4,514,395	4,534,886	-	-
Franchise Fees	2,222,236	2,206,735	-	-
Interest Income	2,225,556	320,237	-	-
Miscellaneous	456,134	452,005	476,701	70,907
<b>Total Revenue</b>	<b>48,194,783</b>	<b>44,444,048</b>	<b>7,784,931</b>	<b>7,251,634</b>
<b>Expenses</b>				
Public Safety	18,945,293	19,928,186	-	-
Public Works	6,534,135	6,216,608	-	-
Recreation	3,060,606	3,402,043	-	-
Community Development	5,547,127	6,440,069	-	-
Admin/Community Services	5,904,541	5,686,580	-	-
Interest on Long-Term Debt	51,100	64,068	-	-
Sewer	-	-	4,080,061	4,970,296
Solid Waste	-	-	465,528	461,307
Storm Drain	-	-	-	1,058
<b>Total Expenses</b>	<b>40,042,802</b>	<b>41,737,554</b>	<b>4,545,589</b>	<b>5,432,661</b>
<b>Excess/(Deficiency) before Transfers</b>	<b>8,151,981</b>	<b>2,706,494</b>	<b>3,239,342</b>	<b>1,818,973</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss on Disposal of Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>8,151,981</b>	<b>2,706,494</b>	<b>3,239,342</b>	<b>1,818,973</b>
<b>Net Position - Beginning of Year</b>	<b>92,573,507</b>	<b>89,867,013</b>	<b>22,093,965</b>	<b>20,274,992</b>
<b>Net Position - End of Year</b>	<b>\$100,725,488</b>	<b>\$92,573,507</b>	<b>\$25,333,307</b>	<b>\$22,093,965</b>



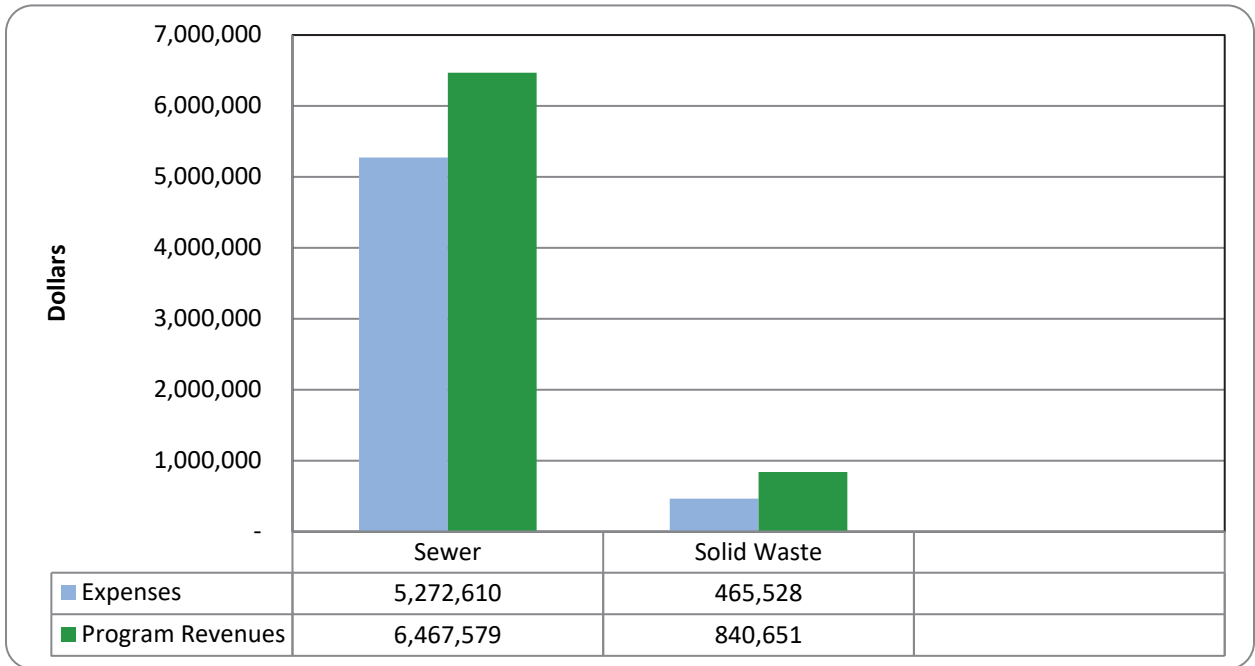
**Program Expenses and Revenues - Governmental Activities**



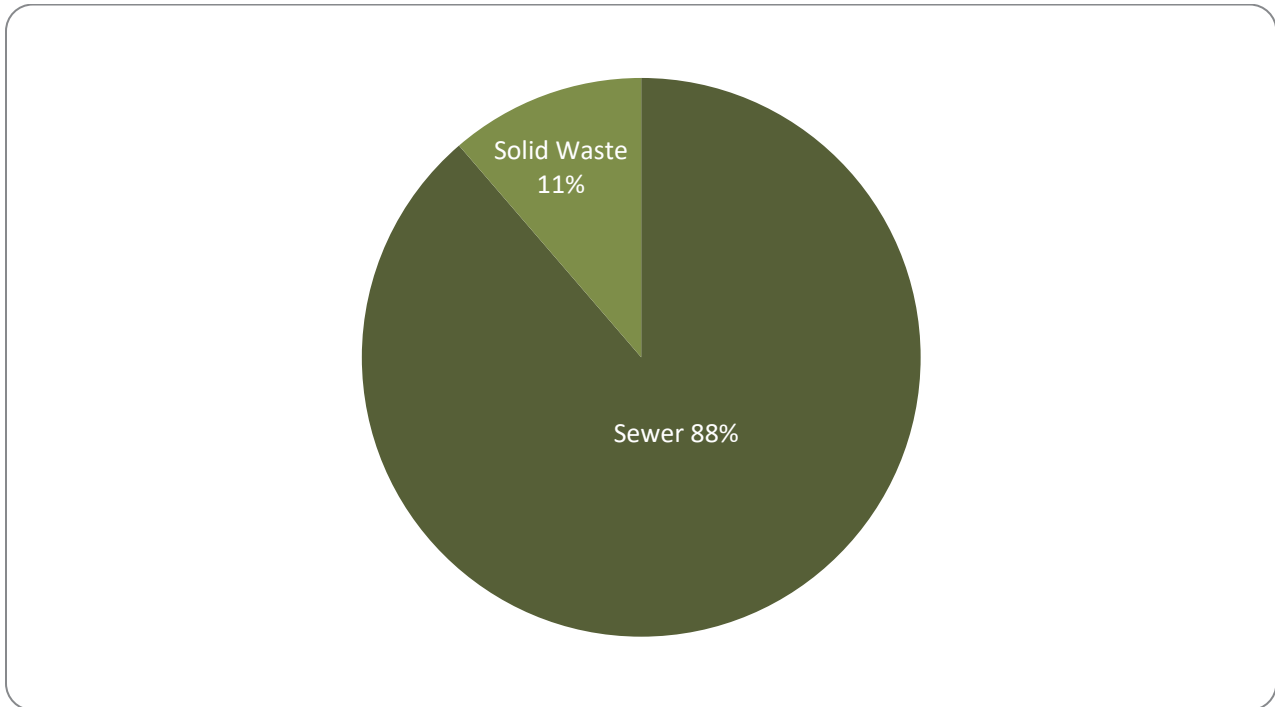
**Government Revenues - All Sources**



**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 19.5% of the total net position. The net position from the business-type activities increased by \$2.3 million or 10.3%.

- 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 \$99,000 or 1.6% from the prior year as the result of a five-year sewer rate program.
- Sewer expenditures increased by \$302,000 or 6.1% from the prior year.
- Revenue for solid waste collections increased by \$29,000, in accordance with the City's agreement for administrative fee support, with a slight increase in expenditures of \$4,000. Total net position in the fund increased by \$375,000.
- As projected in budgetary estimates and the prior year financial reports, the Storm Drain 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 \$59.1 million, which \$6.8 million remains unassigned.

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

<i>General Fund Contingency Reserves</i>	<i>June 30, 2019</i>
<i>Emergency and Operating</i>	\$7,250,645
<i>General Fund Capital and Equipment</i>	31,769,514
<b><i>Total General Fund Available Funds</i></b>	<b>\$39,020,159</b>

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

Overall favorable operating results have led to a total General Fund balance of \$47.7 million, after transfers, and an unassigned fund balance of \$6.8 million. These amounts align closely with long-term budgetary forecast and the adopted biennial operating plan.

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

<i>Other Key Fund Balances</i>	<i>June 30, 2019</i>
<i>Other Governmental Funds</i>	\$5,634,771
<i>Capital Projects Fund</i>	416,263
<i>In-Lieu Park Land Fund</i>	5,330,388
<b><i>Total</i></b>	<b>\$11,381,422</b>

The reserve of in-lieu park funds, restricted as to parks, park land and recreation uses remains stable at \$5.3 million. Due to the timing of several major projects within the City, it is anticipated the in-lieu park fund will increase significantly in the next couple years as projects come to a close. These and the other dollars listed above, are anticipated to apply to future capital needs such as the Community Center which is currently being built.

The Capital Projects Fund balance varies materially as progress occurs on approved projects and external funding becomes available. In FY 2018-19, general government capital project spending approximated \$257,000, a decrease from the prior year. Beyond funding previously approved projects, the City remains challenged to address the long list of identified and unfunded projects for future consideration.

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

Unrestricted net position for the Sewer Fund ended the year at \$8.7 million including approved capital projects. The Storm Drain Fund balance remains dependent on the General Fund while the Solid Waste Fund increased to \$4.5 million. Factors concerning the changes in fund balance in these funds have already been addressed in the discussion of the City’s business-type activities.

Both the Sewer and Solid Waste funds receive revenues from the City as a customer for routine service operations. In FY 2018-19 the City paid approximately \$70,000 in sewer fees and \$620,000 in waste hauling and disposal services. These amounts are recorded within the "Charges for Services" revenue line item in the proprietary financial statements.

### Capital Assets and Debt Administration

**Capital Assets:** The City's investment in capital assets for its governmental and business-type activities at year-end amounts to \$80.1 million (net of accumulated depreciation).

Investments in capital assets include land, buildings, improvements, machinery, streets, infrastructure and equipment. Governmental capital assets totaled \$68.9 million and those of business-type activities totaled \$11.2 million. Assets increased by \$7.8 million overall with new additions outpacing depreciation. Additional information on capital assets can be found in footnote 5 of these financial statements as part of the summary listed below:

#### Capital Assets as of June 30, 2019

	<i>Governmental Activities</i>	<i>Business Activities</i>	<i>2019 Total</i>	<i>2018 Total</i>
<i>Land</i>	\$11,642,285	\$0	\$11,642,285	\$11,642,285
<i>Work in Progress</i>	13,319,831	906,874	14,226,705	7,637,323
<i>Buildings</i>	11,006,515	7,723,690	18,730,205	19,131,578
<i>Improvements</i>	4,123,154	-	4,123,154	4,098,445
<i>Machinery &amp; Equip</i>	1,703,968	315,431	2,019,399	2,139,778
<i>Infrastructure</i>	26,940,512	2,293,267	29,233,779	27,570,673
<i>Total Assets</i>	<b>68,736,265</b>	<b>11,239,262</b>	<b>79,975,527</b>	<b>72,220,082</b>
<i>Less Related Debt</i>	<b>(1,245,000)</b>	<b>-</b>	<b>(1,245,000)</b>	<b>(1,245,000)</b>
<i>Net Investment in Capital Assets</i>	<b>\$67,491,265</b>	<b>\$11,239,262</b>	<b>\$78,730,527</b>	<b>\$70,975,082</b>

**Debt Administration:** At the end of the current fiscal year, City bond and assessment debt decreased by approximately \$240,000. The total outstanding bond debt balance at year-end is approximately \$1.0 million and relates solely to the purchase of Rosita Park (formerly known as the Saint Williams site). No additional debt was incurred, and the City has no significant capital leases.

Other debt consists of long-term employee compensated absence obligations of \$1.6 million, for general and business activities, a factor of accumulated balances at year-end.

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

## Long-Term Debt as of June 30, 2019

	<i>Governmental Activities</i>	<i>Business Activities</i>	<i>2019 Total</i>	<i>2018 Total</i>
<i>Certificate of Participation</i>	\$1,005,000	\$0	\$1,005,000	\$1,245,000
<i>Compensated Absences</i>	1,484,731	87,545	1,572,276	1,729,640
<b>Total</b>	<b>\$2,489,731</b>	<b>\$87,545</b>	<b>\$2,577,276</b>	<b>\$2,974,640</b>

The City carries a year-end net Post-Retirement Health obligation (OPEB) of \$1.7 million. The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2018 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2019. This obligation is a factor of benefit levels.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The FY 2018-19 General Fund budget, adopted as part of the biennial plan, equaled \$39.2 million. Budget to actual results came in favorably with revenues exceeding estimates by \$5.9 million or 14.9% and expenditures coming in at 5.6% below established limits, for year-end revenues over expenditures of \$8.7 million.

### ECONOMIC FACTORS AND FY 2018-19 BIENNIAL BUDGET AND RATES

General Fund revenue is forecast to increase by 4%, while expenditures are budgeted to increase by 3%. The 2018-19 budget anticipates that the City will return to a staffing level that is currently budgeted at 136 positions. The City is also evaluating future funding to address aging city facilities and the fiscal impact of published and pending master plans.

The biennial budget was developed to maintain sound fiscal posture, present a balanced General Fund and enhance reserve levels to address aging infrastructure replacement. The budget continues to integrate a 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 strives to maintain a 20% General Fund reserve as endorsed by the City Council. The City continues to fund its OPEB reserve along with adding funds to the PERS reserve (currently \$5 million) to offset the impact of future increases in retirement costs. The City has also set aside funds for future capital investments in technology initiatives, such as a new financial Enterprise Resource Platform or ERP system and a new permitting software system.
- The budget projects an increase of 6.5-7% in property tax receipts, noting a steady improvement in property values. This projection includes secured property tax, unsecured property tax, homeowner property tax relief, property tax in lieu of vehicle license fees and supplemental property tax. Property tax makes up nearly half of all governmental funds' revenue.
- Utilizing the most recent data and regional and national trends, sales tax is expected to remain flat. The hotel tax is expected to increase as Los Altos voters recently approved Measure D, allowing the City to increase the Transient Occupancy Tax (TOT) rate from 11% to 14%. This increase is expected to gain approximately \$700K in annual revenue, once fully implemented.

- Planning and building activity have shown significant development strength in the past couple of years, however it's increase is expected to plateau or slow soon and these projections have been included for this revenue base.
- Total authorized positions are currently budgeted at 136 full time equivalent employees.
- The two-year budget honors existing and new multi-year labor contracts. Salaries filled authorized positions remain within budget projections.
- General operational costs grew by 7% at the end of year two. The hiring of vacant positions along with rising pension and healthcare costs are the main contributors to the increase, with the City maintaining all other operating expenditures close to current levels.
- The budget also reflects increases for the City's normal pension costs. The recent announcement by CalPERS to lower the discount rate, which in turn asks for significant increases to the City's annual unfunded liability payments is currently being addressed by City Council and Executive Team leadership. Future budget adjustments will be needed to address these increases along with utilizing the newly created PERS Reserve (currently \$5 million) to help mitigate the year-over-year impact.
- Overall, PERS pension rates increased but were mitigated by the pay-down of the City's side-fund liability which was fully paid down in FY 2012-13. Rates for public safety and miscellaneous employees increased from prior year levels as recent changes in legislation and assumptions continue to drive pension costs. Health insurance rates are assumed to increase by at least 7.5%.
- The second-tier pension model (PEPRA) that lowers the level of benefit for new hires rendered material savings as the years evolve.
- The budget incorporates storm water-related costs into the General Fund budget.

For a more current discussion of the state of the economy beyond those assumptions made in the FY 2017-19 two-year budget process, the reader should also refer to the transmittal letter included in this document.

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

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





**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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



*This Page Left Intentionally Blank*

CITY OF LOS ALTOS  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 2)	\$67,585,725	\$14,394,397	\$81,980,122
Accounts receivable	1,708,057	214,191	1,922,248
Interest receivable	113,314	22,382	135,696
Prepaid items and inventory (Note 1H)	41,624		41,624
Note receivable (Note 4)	1,831,397		1,831,397
Internal balances	10,080	(10,080)	
Total current assets	<u>71,290,197</u>	<u>14,620,890</u>	<u>85,911,087</u>
Noncurrent assets:			
Restricted cash and investments (Note 2)	166,434		166,434
Capital assets (Note 5):			
Non-depreciable	24,962,116	906,874	25,868,990
Depreciable, net of accumulated depreciation	43,774,149	10,332,388	54,106,537
Total noncurrent assets	<u>68,902,699</u>	<u>11,239,262</u>	<u>80,141,961</u>
Total Assets	<u>140,192,896</u>	<u>25,860,152</u>	<u>166,053,048</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension (Note 11)	9,003,163	371,905	9,375,068
Related to OPEB (Note 12)	292,020	21,980	314,000
Total deferred outflows of resources	<u>9,295,183</u>	<u>393,885</u>	<u>9,689,068</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,956,214	141,905	3,098,119
Interest payable	7,867		7,867
Accrued liabilities	963,130	24,768	987,898
Other payable	123,508		123,508
Compensated absences, due in one year (Note 7)	371,183	21,886	393,069
Claims and judgments, due in one year (Note 9)	827,371		827,371
Long-term debt, due in one year (Note 6)	120,000		120,000
Total current liabilities	<u>5,369,273</u>	<u>188,559</u>	<u>5,557,832</u>
Noncurrent liabilities:			
Compensated absences, due in more than one year (Note 7)	1,113,548	65,659	1,179,207
Claims and judgments, due in more than one year (Note 9)	2,664,629		2,664,629
Net pension liability (Note 11)	34,745,041	1,397,091	36,142,132
Net OPEB liability (Note 12)	1,532,574	115,426	1,648,000
Long-term debt, due in more than one year (Note 6)	1,005,000		1,005,000
Total noncurrent liabilities	<u>41,060,792</u>	<u>1,578,176</u>	<u>42,638,968</u>
Total Liabilities	<u>46,430,065</u>	<u>1,766,735</u>	<u>48,196,800</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pension (Note 11)	2,232,371	109,833	2,342,204
Related to OPEB (Note 12)	47,430	3,570	51,000
Related to revenue	52,724		52,724
Total deferred inflows of resources	<u>2,332,525</u>	<u>113,403</u>	<u>2,445,928</u>
<b>NET POSITION (Note 8)</b>			
Net investments in capital assets	67,611,265	11,239,262	78,850,527
Restricted for:			
Debt service	364,179		364,179
Special revenue programs:			
Public safety	89,281		89,281
Recreation	5,330,388		5,330,388
Streets and roads	2,265,400		2,265,400
Public education	941,006		941,006
Housing	4,617		4,617
Parking	819,907		819,907
Other	72,337		72,337
Capital projects	1,494,307		1,494,307
Total Restricted Net Position	<u>11,381,422</u>		<u>11,381,422</u>
Unrestricted	21,732,802	13,134,637	34,867,439
Total Net Position	<u>\$100,725,489</u>	<u>\$24,373,899</u>	<u>\$125,099,388</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental Activities:				
Public safety	\$18,945,293	\$488,416	\$400,661	\$889,077
Public works	6,534,135	50,759	285,893	1,143,088
Recreation	3,060,606	1,963,119	4,690	1,967,809
Community development	5,547,127	4,026,850		4,026,850
Admin / community services	5,904,541	753,239		753,239
Interest on long-term debt	51,100			
Total Governmental Activities	<u>40,042,802</u>	<u>7,282,383</u>	<u>691,244</u>	<u>8,780,063</u>
Business-type Activities:				
Sewer	5,272,610	6,467,579		6,467,579
Solid waste	465,528	840,651		840,651
Storm drain				
Total Business-type Activities	<u>5,738,138</u>	<u>7,308,230</u>		<u>7,308,230</u>
Total primary government	<u>\$45,780,940</u>	<u>\$14,590,613</u>	<u>\$691,244</u>	<u>\$16,088,293</u>
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Utility users' tax				
Other taxes				
Franchise fees				
Total taxes				
Interest income				
Miscellaneous				
Total general revenues and transfers				
Change in Net Position				
Net Position-Beginning, As Restated (Note 8H)				
Net Position-Ending				

See accompanying notes to financial statements

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$18,056,216)		(\$18,056,216)
(5,391,047)		(5,391,047)
(1,092,797)		(1,092,797)
(1,520,277)		(1,520,277)
(5,151,302)		(5,151,302)
(51,100)		(51,100)
<u>(31,262,739)</u>		<u>(31,262,739)</u>
	\$1,194,969	1,194,969
	375,123	375,123
	<u>1,570,092</u>	<u>1,570,092</u>
<u>(31,262,739)</u>	<u>1,570,092</u>	<u>(29,692,647)</u>
23,791,531		23,791,531
3,461,299		3,461,299
2,743,570		2,743,570
4,514,395		4,514,395
2,222,236		2,222,236
36,733,031		36,733,031
2,225,556		2,225,556
456,134	476,701	932,835
<u>39,414,721</u>	<u>476,701</u>	<u>39,891,422</u>
8,151,982	2,046,793	10,198,775
<u>92,573,507</u>	<u>22,327,106</u>	<u>114,900,613</u>
<u>\$100,725,489</u>	<u>\$24,373,899</u>	<u>\$125,099,388</u>



*This Page Left Intentionally Blank*

## FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal 2019. 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, 2019

	General	In-Lieu Park Land Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments (Note 2)	\$47,395,782	\$5,322,116	\$905,155	\$5,666,813	\$59,289,866
Restricted cash and investments (Note 2)				166,434	166,434
Receivables, net of allowance for uncollectibles:					
Accounts	1,443,275		13,720	239,133	1,696,128
Interest	98,902	8,272		6,140	113,314
Prepays (Note 1H)	33,939				33,939
Note receivable (Note 4)	1,831,397				1,831,397
Inventory (Note 1H)	7,685				7,685
Due from other funds (Note 3)	154,926				154,926
<b>Total Assets</b>	<b><u>\$50,965,906</u></b>	<b><u>\$5,330,388</u></b>	<b><u>\$918,875</u></b>	<b><u>\$6,078,520</u></b>	<b><u>\$63,293,689</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$2,136,020		\$502,612	\$301,758	\$2,940,390
Accrued liabilities	963,130				963,130
Other payable	123,508				123,508
Due to other funds (Note 3)				89,267	89,267
<b>Total Liabilities</b>	<b><u>3,222,658</u></b>		<b><u>502,612</u></b>	<b><u>391,025</u></b>	<b><u>4,116,295</u></b>
<b>DEFERRAL INFLOWS OF RESOURCES</b>					
Deferred inflows or revenues				52,724	52,724
<b>Total Deferred Inflows</b>				<b><u>52,724</u></b>	<b><u>52,724</u></b>
<b>FUND BALANCES</b>					
Fund balance (Note 8):					
Nonspendable	1,881,636				1,881,636
Restricted		\$5,330,388		4,609,451	9,939,839
Assigned	39,020,159		416,263	1,078,044	40,514,466
Unassigned	6,841,453			(52,724)	6,788,729
<b>Total Fund Balances</b>	<b><u>47,743,248</u></b>	<b><u>5,330,388</u></b>	<b><u>416,263</u></b>	<b><u>5,634,771</u></b>	<b><u>59,124,670</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$50,965,906</u></b>	<b><u>\$5,330,388</u></b>	<b><u>\$918,875</u></b>	<b><u>\$6,078,520</u></b>	<b><u>\$63,293,689</u></b>

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, 2019

Fund balances of governmental funds \$59,124,670

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 68,736,265

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.

(7,867)

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 9,295,183

Deferred inflows (2,279,801)

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

Long-term debt - current portion (120,000)

Long-term debt - noncurrent portion (1,005,000)

Net pension liability (34,745,041)

Net OPEB liability (1,532,574)

Compensated absences - current portion (371,183)

Compensated absences - noncurrent portion (1,113,548)

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

4,744,385

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$100,725,489

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, 2019

	General	In-Lieu Park Land Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property tax	\$23,791,531				\$23,791,531
Sales tax	3,461,299				3,461,299
Utility users	2,743,570				2,743,570
Other tax	4,514,395				4,514,395
Licenses, permits and fees	4,142,817			\$63,939	4,206,756
Intergovernmental		\$127,499		1,429,176	1,556,675
Grants and donations	7,500		\$195,685	193,156	396,341
Charges for services	4,747,360			102,801	4,850,161
Fines and forfeitures	173,259			17,684	190,943
Interest and rentals	1,932,910	192,465		144,033	2,269,408
Other	201,218			12,487	213,705
<b>Total Revenues</b>	<b>45,715,859</b>	<b>319,964</b>	<b>195,685</b>	<b>1,963,276</b>	<b>48,194,784</b>
<b>EXPENDITURES</b>					
General government					
Public safety	18,117,837				18,117,837
Public works	5,535,230				5,535,230
Recreation	2,468,895				2,468,895
Community development	5,214,181			146,624	5,360,805
Admin / community development	5,672,884				5,672,884
Capital improvements		243,104	6,813,883	699,142	7,756,129
Debt service:					
Principal				120,000	120,000
Interest and fiscal charges				51,880	51,880
<b>Total Expenditures</b>	<b>37,009,027</b>	<b>243,104</b>	<b>6,813,883</b>	<b>1,017,646</b>	<b>45,083,660</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>8,706,832</b>	<b>76,860</b>	<b>(6,618,198)</b>	<b>945,630</b>	<b>3,111,124</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Note 3)	166,431		7,880,926	195,643	8,243,000
Transfers (out) (Note 3)	(6,523,798)		(23,367)	(1,695,835)	(8,243,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,357,367)</b>		<b>7,857,559</b>	<b>(1,500,192)</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,349,465</b>	<b>76,860</b>	<b>1,239,361</b>	<b>(554,562)</b>	<b>3,111,124</b>
<b>BEGINNING FUND BALANCES</b>	<b>45,393,783</b>	<b>5,253,528</b>	<b>(823,098)</b>	<b>6,189,333</b>	<b>56,013,546</b>
<b>ENDING FUND BALANCES</b>	<b>\$47,743,248</b>	<b>\$5,330,388</b>	<b>\$416,263</b>	<b>\$5,634,771</b>	<b>\$59,124,670</b>

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, 2019

Net change in fund balances of governmental funds	\$3,111,124
Amounts reported for governmental activities in the Statement of Activities are different because:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	8,308,751
Depreciation expense on capital assets is reported in the government wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(2,342,309)
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	120,000
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	159,951
Interest payable	780
Net OPEB liability, and related deferred outflows and inflows of resources	53,940
Net pension liability, and related deferred outflows and inflows of resources	(1,801,679)
Internal Service Funds are used by management to charge the costs of certain activities such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	<u>541,424</u>
Changes in net position of governmental activities	<u><u>\$8,151,982</u></u>

See accompanying notes to financial statements



<b>MAJOR PROPRIETARY FUNDS</b>
--------------------------------

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 2019.

**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, 2019

	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)	\$9,933,256	\$4,461,141		\$14,394,397	\$8,295,859
Accounts receivable	132,057	82,134		214,191	11,929
Interest receivable	15,447	6,935		22,382	
Total Current Assets	<u>10,080,760</u>	<u>4,550,210</u>		<u>14,630,970</u>	<u>8,307,788</u>
Non-Current Assets:					
Capital assets (Note 5):					
Nondepreciable	906,874			906,874	
Depreciable	21,393,631		\$1,969,221	23,362,852	
Less accumulated depreciation	<u>(11,061,244)</u>		<u>(1,969,220)</u>	<u>(13,030,464)</u>	
Total capital assets, net	<u>11,239,261</u>		<u>1</u>	<u>11,239,262</u>	
Total non-current Assets	<u>11,239,261</u>		<u>1</u>	<u>11,239,262</u>	
Total Assets	<u>21,320,021</u>	<u>4,550,210</u>	<u>1</u>	<u>25,870,232</u>	<u>8,307,788</u>
<b>DEFERRAL OUTFLOWS OF RESOURCES</b>					
Related to pension (Note 11)	371,905			371,905	
Related to OPEB (Note 12)	17,270	1,570	3,140	21,980	
Total Deferred Outflows	<u>389,175</u>	<u>1,570</u>	<u>3,140</u>	<u>393,885</u>	
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	103,615	38,290		141,905	15,824
Accrued liabilities	24,768			24,768	
Due to other funds (Note 3)			10,080	10,080	55,579
Compensated absences (Note 7)	21,886			21,886	
Claims and judgements (Note 9)					827,371
Total Current Liabilities	<u>150,269</u>	<u>38,290</u>	<u>10,080</u>	<u>198,639</u>	<u>898,774</u>
Long-Term Liabilities					
Compensated absences (Note 7)	65,659			65,659	
Claims and judgements (Note 9)					2,664,629
Net pension liabilities (Note 11)	1,397,091			1,397,091	
Net OPEB liabilities (Note 12)	90,692	8,245	16,489	115,426	
Total Noncurrent Liabilities	<u>1,553,442</u>	<u>8,245</u>	<u>16,489</u>	<u>1,578,176</u>	<u>2,664,629</u>
Total Liabilities	<u>1,703,711</u>	<u>46,535</u>	<u>26,569</u>	<u>1,776,815</u>	<u>3,563,403</u>
<b>DEFERRAL INFLOWS OF RESOURCES</b>					
Related to pension (Note 11)	109,833			109,833	
Related to OPEB (Note 12)	2,805	255	510	3,570	
Total Deferred Inflows	<u>112,638</u>	<u>255</u>	<u>510</u>	<u>113,403</u>	
<b>NET POSITION (Note 8)</b>					
Net investment in capital assets	11,239,261		1	11,239,262	
Unrestricted (deficit)	<u>8,653,586</u>	<u>4,504,990</u>	<u>(23,939)</u>	<u>13,134,637</u>	<u>4,744,385</u>
Total Net Position (Deficit)	<u>\$19,892,847</u>	<u>\$4,504,990</u>	<u>(\$23,938)</u>	<u>\$24,373,899</u>	<u>\$4,744,385</u>

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, 2019

	<u>Business-type Activities-Enterprise Funds</u>			Governmental Activities- Internal Service Funds	
	<u>Sewer</u>	<u>Solid Waste</u>	<u>Storm Drain</u>		<u>Totals</u>
OPERATING REVENUES					
Charges for services	<u>\$6,467,579</u>	<u>\$840,651</u>	<u>          </u>	<u>\$7,308,230</u>	<u>\$1,484,222</u>
Total Operating Revenues	<u>6,467,579</u>	<u>840,651</u>	<u>          </u>	<u>7,308,230</u>	<u>1,484,222</u>
OPERATING EXPENSES					
Outside services	3,639,559	324,666		3,964,225	59,613
Employee services	1,129,509	118,862		1,248,371	
Repairs and maintenance	57,179			57,179	
Claims and insurance	73,000	22,000		95,000	811,693
Administration					71,492
Depreciation	<u>373,363</u>	<u>          </u>	<u>          </u>	<u>373,363</u>	<u>          </u>
Total Operating Expenses	<u>5,272,610</u>	<u>465,528</u>	<u>          </u>	<u>5,738,138</u>	<u>942,798</u>
Operating Income (Loss)	<u>1,194,969</u>	<u>375,123</u>	<u>          </u>	<u>1,570,092</u>	<u>541,424</u>
NONOPERATING REVENUES					
Interest	<u>322,238</u>	<u>154,463</u>	<u>          </u>	<u>476,701</u>	<u>          </u>
Total Nonoperating Revenues	<u>322,238</u>	<u>154,463</u>	<u>          </u>	<u>476,701</u>	<u>          </u>
Change in Net Position	1,517,207	529,586		2,046,793	541,424
BEGINNING NET POSITION, AS RESTATED (Note 8H)	<u>18,375,640</u>	<u>3,975,404</u>	<u>(\$23,938)</u>	<u>22,327,106</u>	<u>4,202,961</u>
ENDING NET POSITION (DEFICIT)	<u>\$19,892,847</u>	<u>\$4,504,990</u>	<u>(\$23,938)</u>	<u>\$24,373,899</u>	<u>\$4,744,385</u>

See accompanying notes to financial statements

CITY OF LOS ALTOS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2019

	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	\$6,334,380	\$828,706		\$7,163,086	\$1,539,412
Cash received from other funds			\$580	580	
Cash payments to suppliers for goods and services	(4,239,006)	(333,617)		(4,572,623)	
Cash payment employees for services	(1,069,753)	(119,442)	(580)	(1,189,775)	
Cash payments to claimants					(478,470)
Insurance premiums, settlements and rebates	3,190	290		3,480	(546,888)
	1,028,811	375,937		1,404,748	514,054
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(1,929,225)			(1,929,225)	
	(1,929,225)			(1,929,225)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	322,238	154,463		476,701	
	322,238	154,463		476,701	
<b>Net Cash Flows</b>	(578,176)	530,400		(47,776)	514,054
Cash and investments at beginning of period	10,511,432	3,930,741		14,442,173	7,781,805
Cash and investments at end of period	\$9,933,256	\$4,461,141		\$14,394,397	\$8,295,859
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$1,194,969	\$375,123		\$1,570,092	\$541,424
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	373,363			373,363	
Change in assets and liabilities:					
Receivables, net	(133,199)	(11,945)		(145,144)	(389)
Accounts payable and other accrued expenses	(469,268)	13,049		(456,219)	5,440
Due to other funds			\$580	580	55,579
Net pension liability and deferred inflows and outflows	63,549			63,549	
Net OPEB liability and deferred inflows and outflows	(3,190)	(290)	(580)	(4,060)	
Compensated absences	2,587			2,587	
Claims and judgments					(88,000)
	\$1,028,811	\$375,937		\$1,404,748	\$514,054

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, 2019

	Agency Funds
<b>ASSETS</b>	
Cash and investments (Note 2)	\$4,667,966
Restricted cash and investments (Note 2)	40,929
Accounts receivable	61
Interest receivable	3,018
Prepaids	1,129
Total Assets	\$4,713,103
 <b>LIABILITIES</b>	
Accounts payable	\$329,565
Due to others	4,383,538
Total Liabilities	\$4,713,103

See accompanying notes to financial statements

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**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, 2019**

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

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

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

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

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

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

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

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

**K. Property Taxes**

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

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

**L. Capital Assets**

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date contributed. City policy has set the capitalization threshold for reporting capital assets at \$5,000 for equipment, \$25,000 for building and facility improvements and \$100,000 for infrastructure.

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

Buildings	50 years
Improvements	30-50 years
Machinery and Equipment	3-10 years
Infrastructure	30-100 years

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

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

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

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



**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**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, 2019**

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

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

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

***R. 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, 2019.

GASB Statement No. 83 - In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. This statement had no impact on the City's financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one of more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for the City's fiscal year ending June 30, 2019. See Note 6 for relevant disclosures.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**A. Cash Deposits**

The City’s cash and investments at June 30, 2019 are presented as follows:

Cash and investments	\$81,980,122
Restricted cash and investments	166,434
Fiduciary funds:	
Cash and investments	4,667,966
Restricted cash and investments	<u>40,929</u>
Total cash and investments	<u><u>\$86,855,451</u></u>

Cash and investments consist of the following as of June 30, 2019:

Cash on hand		\$2,170
Deposits with financial institutions		1,327,990
Investments:		
Liquid investments	\$25,481,149	
Managed investments	<u>60,044,142</u>	<u>85,525,291</u>
Total cash and investments		<u><u>\$86,855,451</u></u>

**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	Minimum Rating
Local Agency Investment Fund	N/A	100%	\$65 million	N/A
Money Market Mutual Funds	N/A	20%	10%	N/A
Certificates of Deposit	3 years	50%	10%	A
Bankers' Acceptances	180 days	20%	10%	N/A
Commercial Paper	270 days	25%	5%	A-1
Repurchase Agreements	180 days	20%	10%	N/A
U.S. Treasury Bills, Notes and Bonds	5 years	100%	N/A	N/A
Supra-National Agency Notes and Bonds	5 years	10%	N/A	AAA
U.S. Government-Sponsored Enterprise Agencies	5 years	100%	20%	N/A
Medium-Term Corporate Notes	5 years	30%	3%	A
Asset-backed Securities	5 years	20%	3%	AAA

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**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, 2019, are shown below:

Investment Type	One Year or Less	13 months to 24 months	25 months to 36 months	37 months to 60 months	Total
Money Market Mutual Fund	\$214,155				\$214,155
Government Sponsored Enterprise Agencies:					
Federal Home Loan Bank Bonds (FHLB)			\$1,103,634		1,103,634
Federal National Mortgage Association Notes (FNMA)			1,409,325		1,409,325
Federal Home Loan Mortgage Corporation (FHLMC)			529,256	\$515,972	1,045,228
U.S. Treasury Notes		\$9,000,101	11,787,777	2,988,364	23,776,242
Supra-National Agency Notes and Bonds		2,544,433	814,786		3,359,219
Certificate of Deposit	2,761,698	4,550,522			7,312,220
Corporate Notes	4,029,403	4,894,464	3,557,067	612,353	13,093,287
Asset-Backed Securities		470,125	3,390,097	5,084,765	8,944,987
Local Agency Investment Funds (LAIF)	<u>25,266,994</u>				<u>25,266,994</u>
Total investments	<u>\$32,272,250</u>	<u>\$21,459,645</u>	<u>\$22,591,942</u>	<u>\$9,201,454</u>	85,525,291
Demand Deposits and Cash on Hand					<u>1,330,160</u>
Total cash and investments					<u>\$86,855,451</u>

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**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, 2019:

<i>Investments by Fair Value Level:</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Government Sponsored Enterprise Agencies:			
Federal Home Loan Bank Bonds (FHLB)		\$1,103,634	\$1,103,634
Federal National Mortgage Association Notes (FNMA)		1,409,325	1,409,325
Federal Home Loan Mortgage Corporation (FHLMC)		1,045,228	1,045,228
U.S. Treasury Notes	\$23,776,242		23,776,242
Supra-National Agency Notes and Bonds		3,359,219	3,359,219
Corporate Notes		13,093,287	13,093,287
Asset-backed Securities		8,944,987	8,944,987
	<u>\$23,776,242</u>	<u>\$28,955,680</u>	
Total Investments			52,731,922
 <i>Investments Measured at Amortized Cost:</i>			
Certificates of Deposit			7,312,220
Money Market Mutual Fund			214,155
California Local Agency Investment Fund (LAIF)			25,266,994
Cash in banks and on hand			1,330,160
			<u>\$86,855,451</u>

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

**E. Credit Risk**

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

At June 30, 2019, the City's deposit and investments were rated as follows:

Investment Type	Credit Quality Ratings		Market Value
	Moody's	S&P	
Securities of Government Sponsored Enterprise Agencies:			
Federal Home Loan Bank Bonds (FHLB)	Aaa	AA+	\$1,103,634
Federal Home Loan Mortgage Corporate Notes (FHLMC)	Aaa	AA+	1,045,228
Federal National Mortgage Association Notes (FNMA)	Aaa	AA+	1,409,325
U.S. Treasury Notes	Aaa	AA+	23,776,242
Corporate Notes:			
Walt Disney Company	A2	A	89,763
HSBC USA Inc.	A2	A	195,008
Goldman Sachs Group Inc.	A3	BBB+	653,538
Intel Corp	A1	A+	249,102
General Dynamics Corp	A2	A+	331,636
Walt Disney Company	A2	A	498,090
John Deere Capital Corp	A2	A	710,059
Caterpillar Financing	A3	A	561,539
American Express	A2	A-	100,375
Johnson & Johnson Corp	Aaa	AAA	115,099
Apple Inc.	Aa1	AA+	329,824
Visa Inc.	Aa3	AA-	150,235
Branch Banking & Trust	A2	A-	610,557
American Express	A3	BBB+	556,023
JP Morgan Chase	A2	A-	662,528
PACCAR Finance Group	A1	A+	577,216
National Rural Util	A2	A	232,723
Unilever Capital	A1	A+	555,583
United Parcel Service	A1	A+	319,470
Toyota Motor Credit Corp	Aa3	AA-	152,064
BNY Mellon Corp	A1	A	75,412
Morgan Stanley Corp	A3	BBB+	551,031
Hersey Company	A1	A	208,511
Charles Schwab Corp	A2	A	275,228
Wal-Mart Stores Inc	Aa2	AA	388,292
3M Company	A1	AA-	330,687
Pfizer Inc.	A1	AA	524,893
Bank of America	A2	A-	549,335
Boeing Company	A2	A	302,023
Abbott Laboratories	A3	BBB+	304,971
Citigroup Inc.	A3	BBB+	303,111
American Honda Finance Corp	A2	A	608,047
Merck & Co Inc.	A1	AA	277,294
Home Depot Inc.	A2	A	159,964
Exxon Mobil Corp	Aaa	AA+	277,284
US Bank NA Cincinnati	A1	A+	306,772

(Continued)

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

Certificates of Deposit			
Credit Suisse NY	P-1	A-1	551,501
Nordea Bank AB NY	P-1	A-1+	551,976
UBS AG Stamford CT	P-1	A-1	552,434
Canadian IMP BK NY	P-1	A-1	551,174
Bank of Nova Scotia Houston	P-1	A-1	554,613
Bank of Montreal Chicago	Aa2	A+	553,825
Westpac Banking Corp NY	Aa3	AA-	963,652
Sumitomo Mitsui Bank NY	A1	A	558,483
Swedbank NY	Aa2	AA-	548,379
MUFG Bank	A1	A	609,244
Credit Agricole NY	A1	A+	603,105
Royal Bank of Canada NY	Aa2	AA-	713,834
Asset-backed Securities	Aaa	AAA	3,062,772
Asset-backed Securities	Aaa	Not Rated	3,057,846
Asset-backed Securities	Not Rated	AAA	2,824,369
Supra-National Agency Notes and Bonds	Aaa	AAA	3,359,219
Money Market	Aaa	AAAm	214,155
Subtotal			60,258,297
Not Rated:			
Cash on hand	Not Rated	Not Rated	2,170
US Bank General Checking	Not Rated	Not Rated	1,254,004
Money Market (Sweep Account)	Not Rated	Not Rated	73,986
Local Agency Investment Funds (LAIF)	Not Rated	Not Rated	25,266,994
Total Investments			\$86,855,451

**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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

As of June 30, 2019, the City's bank balance was \$2,469,619 and the corresponding carrying book balance was \$1,196,902. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,219,619 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.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**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, 2019, the City held \$25,266,994 in LAIF. The LAIF fair value factor of 0.100171179 was used to calculate the fair value of the investments in LAIF and average maturity of 173 days.

**NOTE 3 – INTERFUND TRANSACTIONS**

**A. Transfers**

Transfers between funds during the fiscal year ended June 30, 2019 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount</u>	
General Fund	Capital Projects Fund	\$6,351,522	(A)
	Non-Major Governmental Funds	172,276	(B)
Capital Projects Fund	Non-Major Governmental Funds	23,367	(A)
Non-Major Governmental Funds	General Fund	166,431	(C)
	Capital Projects Fund	1,529,404	(A)
		<u>8,243,000</u>	

**Interfund transfers were principally used for the following purposes,**

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

**B. Due to/from other funds**

Current interfund balances arise in the normal course of business, to fund projects until the borrowing fund receives revenues to repay the lending fund and to assist funds with negative cash balance at the fiscal year end. The following is a summary of interfund balances as of June 30, 2019:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Storm Drain Enterprise Fund	\$10,080
	Internal Service Funds	55,579
	Non-Major Governmental Funds	<u>89,267</u>
	Total	<u>\$154,926</u>



**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 4 – NOTE RECEIVABLE**

The City entered into a loan agreement with the City Manager on November 1, 2016, to provide the City Manager a long-term loan of up to \$2,000,000 to finance the acquisition of his personal residence located within the City. The loan is secured by a deed of trust on the property. The loan is due upon sale of the property, within six to twelve months after the termination of the City Manager’s employment with the City depending on the cause of termination, or 30 years from the date of the loan agreement execution, whichever occurs first. The loan bears an interest rate at the 5 Year Treasury Rate as of September 1, 2016 amortized over a thirty-year period and recalculated to the 5 year Treasury Rate every five years of the original date of the loan. At June 30, 2019, the outstanding balance of this loan was \$1,831,397.

**NOTE 5 – CAPITAL ASSETS**

**A. Government-wide Financial Statements**

At June 30, 2019, the City’s capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Nondepreciable assets:			
Construction in progress	\$13,319,831	\$906,874	\$14,226,705
Land	11,642,285		11,642,285
Total nondepreciable assets	24,962,116	906,874	25,868,990
Depreciable assets:			
Buildings	21,637,868	17,959,980	39,597,848
Improvements	6,537,672		6,537,672
Machinery and equipment	6,501,173	1,066,804	7,567,977
Infrastructure	40,721,468	4,336,068	45,057,536
Total depreciable assets	75,398,181	23,362,852	98,761,033
Less accumulated depreciation	(31,624,032)	(13,030,464)	(44,654,496)
Total depreciable assets, net	43,774,149	10,332,388	54,106,537
Total capital assets	\$68,736,265	\$11,239,262	\$79,975,527

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 5 – CAPITAL ASSETS (Continued)**

The following is a summary of capital assets for governmental activities for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
<b>Governmental Activities:</b>					
Capital assets, not depreciated:					
Land	\$11,642,285				\$11,642,285
Construction in progress	6,869,136	\$7,876,011		(\$1,425,316)	13,319,831
Total capital assets, not depreciated	18,511,421	7,876,011		(1,425,316)	24,962,116
Buildings	21,637,868				21,637,868
Improvements	6,325,889			211,783	6,537,672
Machinery and equipment	6,208,419	432,740	(\$139,986)		6,501,173
Infrastructure	39,507,935			1,213,533	40,721,468
Total cost of depreciable assets	73,680,111	432,740	(139,986)	1,425,316	75,398,181
Less accumulated depreciation:					
Buildings	(10,230,647)	(400,706)			(10,631,353)
Improvements	(2,227,444)	(187,074)			(2,414,518)
Machinery and equipment	(4,464,455)	(472,736)	139,986		(4,797,205)
Infrastructure	(12,499,163)	(1,281,793)			(13,780,956)
Total accumulated depreciation	(29,421,709)	(2,342,309)	139,986		(31,624,032)
Net depreciable assets	44,258,402	(1,909,569)		1,425,316	43,774,149
Governmental Activity Capital Assets, Net	\$62,769,823	\$5,966,442			\$68,736,265

The governmental activities depreciation expenses for capital assets for the year ended June 30, 2019 are as follows:

Functions/Programs	Total
Public safety	\$203,801
Public works	1,381,368
Recreation	510,309
Community development	3,217
Admin / community services	243,614
Total depreciation expense	\$2,342,309

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 5 – CAPITAL ASSETS (Continued)**

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

	June 30, 2018 (as restated)	Additions	Retirements	Transfers	Balance June 30, 2019
<b>Business-Type Activities:</b>					
Capital assets, not depreciated:					
Construction in progress	\$768,187	\$1,937,725		(\$1,799,038)	\$906,874
Total capital assets, not depreciated:	768,187	1,937,725		(1,799,038)	906,874
Capital assets, being depreciated:					
Buildings	17,959,980				17,959,980
Machinery and equipment	1,103,287		(\$36,483)		1,066,804
Infrastructure	2,545,530		(8,500)	1,799,038	4,336,068
Total cost of depreciable assets	21,608,797		(44,983)	1,799,038	23,362,852
Less accumulated depreciation:					
Buildings	(10,002,482)	(233,808)			(10,236,290)
Machinery and equipment	(707,473)	(80,384)	36,483		(751,374)
Infrastructure	(1,983,629)	(59,171)			(2,042,800)
Total accumulated depreciation	(12,693,584)	(373,363)	36,483		(13,030,464)
Net depreciable assets	8,915,213	(373,363)	(8,500)	1,799,038	10,332,388
Business-type Activity Capital Assets, Net	\$9,683,400	\$1,564,362	(\$8,500)		\$11,239,262

Depreciation expense for business-type activities related to the Sewer Fund amounted to \$403,029 for the year ended June 30, 2019.

**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.

**NOTE 6 – LONG-TERM OBLIGATIONS**

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

Summary of changes in governmental activities long-term debt for the year ended June 30, 2019 is as follows:

	Balance at June 30, 2018	Retirements	Balance at June 30, 2019	Due Within One Year	Due in More Than One Year
<b>Direct Placements:</b>					
Certificate of participation	\$1,245,000	(\$120,000)	\$1,125,000	\$120,000	\$1,005,000

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 6 – LONG-TERM OBLIGATIONS (Continued)**

**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.

The Certificates of Participation are limited obligations of the City, payable from appropriations budgeted for in the City’s annual adopted budget. The Certificate covenants contain events of default that may result in the termination of the lease, collection of rent due and other monetary charges and terminate the City’s right to possession of the leased property as applied by the Trustee and specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. There were no such events occurred during the fiscal year ending June 30, 2019.

At June 30, 2019, future debt service requirements for the 2004 Refunding were as follows:

Year ending June 30	Principal	Interest	Total
2020	\$120,000	\$47,200	\$167,200
2021	125,000	42,400	167,400
2022	130,000	37,400	167,400
2023	140,000	31,875	171,875
2024	140,000	25,925	165,925
2025 - 2027	470,000	40,587	510,587
Total	<u>\$1,125,000</u>	<u>\$225,387</u>	<u>\$1,350,387</u>

**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, 2018	Retirements	Balance June 30, 2019	Due Within One Year	Due in More Than One Year
Raymundo Curb and Gutter	\$71,000	(\$22,000)	\$49,000	\$24,000	\$25,000
Blue Oak Lane	530,000	(15,000)	515,000	15,000	500,000
Total	<u>\$601,000</u>	<u>(\$37,000)</u>	<u>\$564,000</u>	<u>\$39,000</u>	<u>\$525,000</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.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 6 – LONG-TERM OBLIGATIONS (Continued)**

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

**NOTE 7 – COMPENSATED ABSENCES PAYABLE**

The City’s compensated absences at June 30, 2019, were as follows:

	Governmental Activities	Business-type Activities	Total
Balance at July 1, 2018	\$1,644,682	\$84,958	\$1,729,640
Additions	2,839,760	229,379	3,069,139
Payments	(2,999,711)	(226,792)	(3,226,503)
Balance at June 30, 2019	<u>\$1,484,731</u>	<u>\$87,545</u>	<u>\$1,572,276</u>
Current Portion	<u>\$371,183</u>	<u>\$21,886</u>	<u>\$393,069</u>
Long-Term Portion	<u>\$1,113,548</u>	<u>\$65,659</u>	<u>\$1,179,207</u>

**NOTE 8 – NET POSITION AND FUND BALANCES**

**A. Fund Balances**

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 8 – NET POSITION AND FUND BALANCES (Continued)**

**B. General Fund Reserve**

The City Council has established a General Fund Reserve goal level of 20% of annual operating expenditures has set funds aside accordingly through its annual budgetary actions. These funds would be available for use in such conditions to mitigate negative economic fiscal impacts or State takeaways and can be activated within any one budget cycle through Council action. An economic downturn would entail a projected and/or sudden drop in core revenues (major tax and service revenue loss) of equal to or greater than 5% (including the impact of inflation) and/or a change in economic parameters (such as interest rates, debt service rates, commodity prices, pension rates) that cause a material change in expenditures of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances of 5% or more, or the occurrence of a local natural disaster or unexpected financial claim requiring the immediate use of cash balances. In fiscal year 2018/19, 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 2018/19.

**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, 2019, fund balances for government funds are made up of the following:

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Council's highest level of decision-making authority. The City Council can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 8 – NET POSITION AND FUND BALANCES (Continued)**

- *Assigned Fund Balance* – comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – conveys the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. General fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported in that fund.

**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, 2019**

**NOTE 8 – NET POSITION AND FUND BALANCES (Continued)**

**E. Fund Balances**

Fund balances for all the major and non-major governmental funds as of June 30, 2019 were distributed as follows:

Fund Balance Classifications	General	In Lieu Park Land	Capital Projects	Other Governmental Funds	Total
<b>Nonspendables:</b>					
Inventory and prepaids	\$41,624				\$41,624
Notes receivable	1,831,397				1,831,397
Veteran Memorial	8,615				8,615
<b>Total Nonspendable Fund Balances</b>	<b>1,881,636</b>				<b>1,881,636</b>
<b>Restricted for:</b>					
Debt service				\$364,179	364,179
Special revenue programs and projects		\$5,330,388		4,245,272	9,575,660
<b>Total Restricted Fund Balances</b>		<b>5,330,388</b>		<b>4,609,451</b>	<b>9,939,839</b>
<b>Assigned to:</b>					
Emergency and operating	7,250,645				7,250,645
OPEB	1,500,000				1,500,000
PERS reserve	5,000,000				5,000,000
Technology reserve	1,574,089				1,574,089
Capital and equipment (Note 8I):					
Capital and equipment reserve				1,078,044	1,078,044
Construction in progress reserve			\$416,263		416,263
Community center reserve	23,695,425				23,695,425
<b>Total Assigned Fund Balances</b>	<b>39,020,159</b>		<b>416,263</b>	<b>1,078,044</b>	<b>40,514,466</b>
<b>Unassigned</b>	<b>6,841,453</b>			<b>(52,724)</b>	<b>6,788,729</b>
<b>Total Unassigned Fund Balances</b>	<b>6,841,453</b>			<b>(52,724)</b>	<b>6,788,729</b>
<b>Total Fund Balances</b>	<b>\$47,743,248</b>	<b>\$5,330,388</b>	<b>\$416,263</b>	<b>\$5,634,771</b>	<b>\$59,124,670</b>

**F. Net Deficit**

The funds listed in the table below had fund balance deficits at June 30, 2019. These deficits are expected to be eliminated by future revenues.

Fund	Fund Deficit
TDA Special Revenue Fund	\$52,724
Storm Drain Enterprise Fund	23,938
Dental Reimbursement Internal Service Fund	55,579

**G. OPEB Reserves**

As of June 30, 2019, \$1,500,000 million in General Fund reserves have been assigned in recognition of existing Post-Retirement Health actuarial liability.



**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 8 – NET POSITION AND FUND BALANCES (Continued)**

**H. Restatement of Net Position**

In fiscal year 2018-19, the City examined its accounting records and determined that \$233,141 of expenses incurred in prior year in the Sewer Fund should have been capitalized. As a result, the beginning net position of this fund was increased by the same amount at July 1, 2018.

**I. Capital Projects Reserves**

As of June 30, 2019 the City had set-aside \$23,695,425 for the construction of a new community center that is financed by resources other than proprietary funds. This amount includes \$10,910,179 from the City's Real Property Proceeds Fund and \$12,785,246 in the City's Community Facilities Renewal Fund, which are presented with the General Fund in the financial statements. While these funds are not restricted by outside funding sources, the fund balance is assigned for the new community center.

	Real Property Proceeds Fund	Community Facilities Renewal Fund
Beginning Fund Balance as of July 1, 2018	\$10,520,361	\$12,912,373
Revenues		
Interest Income	389,818	
Total Revenues	389,818	
Other Financing Sources (Uses)		
Transfers out		(127,127)
Total Other Financing Sources (Uses)		(127,127)
Ending Fund Balance as of June 30, 2019	<u>\$10,910,179</u>	<u>\$12,785,246</u>

**J. Encumbrances**

The City utilized an encumbrance system during fiscal year 2019 to assist in controlling expenditures. Under this system, governmental funds are encumbered when purchase orders, contracts, or other commitments are signed or approved. The General fund had an encumbrance balance at June 30, 2019, of \$261,451 that will be carried over to fiscal year 2020.

**NOTE 9 – RISK MANAGEMENT**

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 9 – RISK MANAGEMENT (Continued)**

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, 2019, the City contributed \$3,832 of current year coverage.

The City continues to carry excess insurance policy for Workers' Compensation claims through the CSAC Excess Insurance Authority JPA up to the statutory limits and does so using the services of a contracted third-party administrator. The City has a \$250,000 deductible as of June 30, 2019. During the year, the City contributed \$144,667 for current year coverage.

As of June 30, 2019, \$10,000 of revolving funds was held in trust on behalf of the City by the workers' compensation third-party claims administrator. \$20,000 is also being held by Bay Cities in the procurement of liability and claims coverage. The City will receive these funds upon termination of services subject to final withdrawal adjustments.

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 9 – RISK MANAGEMENT (Continued)**

**B. Liability for Uninsured Claims**

The GASB requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed in the section above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion, of these claims. The current accounting standards require that this amount be separately identified and recorded as a liability. Changes in the balances of claims liabilities during the past three years were as follows:

	June 30,		
	2019	2018	2017
Unpaid claims, beginning of year	\$3,580,000	\$3,433,475	\$3,937,000
Incurred claims and changes in estimates	247,742	779,259	463,328
Claim payments	(335,742)	(632,734)	(966,853)
Unpaid claims, end of year	<u>\$3,492,000</u>	<u>\$3,580,000</u>	<u>\$3,433,475</u>
Current Portion	<u>\$827,371</u>	<u>\$831,733</u>	<u>\$643,503</u>
Long-Term Portion	<u>\$2,664,629</u>	<u>\$2,748,267</u>	<u>\$2,789,972</u>

In conformance with current accounting standards the City obtained an independent actuarial valuation of all outstanding Workers Compensation and Liability claims. The Workers Compensation report presented a valuation as of December 31, 2018 and projected values through fiscal years 2019 and 2020. The fiscal year 2018-2019 values presented above reflect the estimated present value of open claims as developed in this actuarial report. The General Liability report presented a valuation as of December 31, 2018 and projected values through fiscal years 2019 and 2020. The estimated amount of claims and judgments due within one year is \$827,371.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 10 – SELF-FUNDED REIMBURSEMENT DENTAL AND VISION PLAN**

The City provides a self-funded reimbursement based dental and vision plans. The City’s contribution for these plans are 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 and vision claims. There are no administrative charges for this plan. The Dental Reimbursement Fund has a negative fund balance of \$55,579 in fiscal year 2019 due to the plans operating on a calendar year basis. Contributions and reimbursements for the past five fiscal years as follows:

Fiscal year ended June 30,	Contribution Amount	Reimbursement Amount
2015	\$123,225	\$128,498
2016	122,400	155,793
2017	121,350	125,208
2018	127,800	177,094
2019	125,324	238,064
Total	<u>\$620,099</u>	<u>\$586,593</u>

The dental and vision plan year commences January 1st of each calendar year. An annual maximum dental and vision reimbursements of \$1,858 are provided for each employee and \$1,238 for each of their dependents. Any remaining balance in the fund for each plan year is carried forward to the following year. In subsequent years, the maximum coverage for both employees and dependents is increased annually based on the Consumer Price Index but not to exceed 3%.

**NOTE 11 – PENSION PLAN**

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

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

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous and Safety Tier I, Tier II and PEPRAs 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, 2019**

**NOTE 11 – PENSION PLAN (Continued)**

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

The Plan’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>Miscellaneous - Tier 1</u>
Hire date	Prior to January 1, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%
Required employee contribution rates	8.000%
Required employer contribution rates	12.212%
	 <u>Miscellaneous - Tier 2</u>
Hire date	January 1, 2012 - December 31, 2012
Benefit formula	2% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	1.092% - 2.418%
Required employee contribution rates	7.000%
Required employer contribution rates	7.634%
	 <u>Miscellaneous - PEPR</u>
Hire date	On or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits, as a % of eligible compensation	1.000% - 2.500%
Required employee contribution rates	6.250%
Required employer contribution rates	6.842%

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 11 – PENSION PLAN (Continued)**

	<u>Safety - Tiers 1 and 2</u>
Hire date	Prior to January 1, 2012
Benefit formula	3% @ 50
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 55
Monthly benefits, as a % of eligible compensation	3.000%
Required employee contribution rates	9.000%
Required employer contribution rates	20.556%
	 <u>Safety- Tier 3</u>
Hire date	January 1, 2012 - December 31, 2012
Benefit formula	3% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 55
Monthly benefits, as a % of eligible compensation	2.400 - 3.000%
Required employee contribution rates	9.000%
Required employer contribution rates	17.614%
	 <u>Safety- PEPRA</u>
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 57
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%
Required employee contribution rates	12.000%
Required employer contribution rates	12.141%

Beginning in fiscal year 2018, 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 \$1,936,790 in fiscal year 2019.

**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, 2019**

**NOTE 11 – PENSION PLAN (Continued)**

For the year ended June 30, 2019, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$1,974,752	\$1,605,370

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

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$19,958,437
Safety	16,183,695
Total Net Pension Liability	\$36,142,132

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2017	0.51%	0.27%
Proportion - June 30, 2018	0.53%	0.28%
Change - Increase (Decrease)	0.02%	0.01%

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 11 – PENSION PLAN (Continued)**

For the year ended June 30, 2019, the City recognized pension expense of \$5,445,350. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$1,974,752	
Differences between actual and expected experience	765,770	(\$260,587)
Changes in assumptions	2,275,320	(557,636)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(518,162)
Net differences between projected and actual earnings on plan investments	98,669	
Adjustments due to differences in proportion	198,423	(232,663)
Total	<u>\$5,312,934</u>	<u>(\$1,569,048)</u>

Safety

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$1,605,370	
Differences between actual and expected experience	347,733	(\$1,319)
Changes in assumptions	1,587,903	(214,236)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(460,203)
Net differences between projected and actual earnings on plan investments	109,571	
Adjustments due to differences in proportion	411,557	(97,398)
Total	<u>\$4,062,134</u>	<u>(\$773,156)</u>
Grand total	<u>\$9,375,068</u>	<u>(\$2,342,204)</u>

\$3,580,122 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:



**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 11 – PENSION PLAN (Continued)**

Year Ended June 30	Miscellaneous	Safety	TOTAL
	Annual Amortization	Annual Amortization	Annual Amortization
2020	\$1,761,668	\$1,390,854	\$3,152,522
2021	919,158	808,471	1,727,629
2022	(732,176)	(403,621)	(1,135,797)
2023	(179,515)	(112,097)	(291,612)
	<u>\$1,769,135</u>	<u>\$1,683,607</u>	<u>\$3,452,742</u>

**Actuarial Assumptions** – For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability is based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS' Membership Data for all funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

- (1) Net of pension plan investment expenses, including inflation.
- (2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS December 2017 experience study report available on CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

**Change of Assumptions** – For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.50%.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 11 – PENSION PLAN (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

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.

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 adjusted to account for assumed administrative expenses.

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 (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 11 – PENSION PLAN (Continued)**

**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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$30,130,293	\$24,307,532
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$19,958,437	\$16,183,695
1% Increase	8.15%	8.15%
Net Pension Liability	\$11,561,736	\$9,527,666

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

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

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

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

**Benefits Provided** – The provisions and benefits of the City’s Other Post Employment Benefit Plan in effect at June 30, 2019, are summarized as follow:

	<b>All Bargaining Units</b>						
<b>Eligibility</b>	Retire directly from the City under CalPERS (age 50 <sup>1</sup> and 5 years of service or disability)						
<b>Benefit</b>	- 5% of active contribution times years in PEMHCA (increase each year not greater than \$100 per month) - Joined PEMHCA in 2001 - 100% of PEMHCA minimum in 2021 - Monthly amounts: <table style="margin-left: 40px; border-collapse: collapse;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Actives</u></td> <td style="text-align: center;"><u>Retirees</u></td> </tr> <tr> <td style="text-align: center;">2019</td> <td style="text-align: center;">\$ 136.00</td> <td style="text-align: center;">\$ 122.40</td> </tr> </table>	<u>Year</u>	<u>Actives</u>	<u>Retirees</u>	2019	\$ 136.00	\$ 122.40
<u>Year</u>	<u>Actives</u>	<u>Retirees</u>					
2019	\$ 136.00	\$ 122.40					
<b>Surviving Spouse Benefit</b>	Surviving spouse coverage continues based on CalPERS retirement plan election						
<b>Other</b>	- No dental, vision & life or Medicare reimbursement - Implicit rate subsidy included						

<sup>1</sup> Age 52 for Miscellaneous PEPRA members

For the year ended June 30, 2019, the City’s contributions to the Plan were \$314,000.

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

*Employees Covered by Benefit Terms* – Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active employees	138
Inactive employees or beneficiaries currently receiving benefit payments	51
Inactive employees entitled to but not yet receiving benefit payments	81
Total	270

**B. Net OPEB Liability**

*Actuarial Methods and Assumptions* – The City net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2018 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2018, based on the following actuarial methods and assumptions:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	57.0%	4.8%
Fixed income	27.0%	1.5%
TIPS	5.0%	1.3%
Commodities	3.0%	0.8%
REITs	8.0%	3.8%
Total	100.0%	

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

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

**C. Changes in Net OPEB Liability**

The changes in the net OPEB liability follows:

	Amounts in 000's		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2017 Measurement Date	\$3,214	\$1,674	\$1,540
Changes Recognized for the Measurement Period:			
Service Cost	158		158
Interest on the total OPEB liability	223		223
Changes in benefit terms			0
Differences between expected and actual experience			0
Changes of assumptions			0
Contributions from the employer		143	(143)
Net investment income		134	(134)
Benefit payments	(142)	(142)	0
Administrative expenses		(4)	4
Net changes	239	131	108
Balance at June 30, 2018 Measurement Date	\$3,453	\$1,805	\$1,648

The City paid \$143,000 for retiree healthcare plan benefits, including \$65,000 in premium payments for retirees, \$77,000 for implied subsidies, and \$1,000 for administrative costs. The plan does not issue separate financial statements.

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

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

Net OPEB Liability/(Asset) (Amounts in 000's)		
Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
\$2,123	\$1,648	\$1,256

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

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

The healthcare cost trend are as follows:

- Non-Medicare: 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2026 and later years.
- Medicare: 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2026 and later years.

Net OPEB Liability/(Asset) (Amounts in 000's)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$1,183	\$1,648	\$2,224

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$75,920. At June 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Amounts in 000's	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$314	
Net differences between projected and actual earnings on plan investments		(\$51)
Total	\$314	(\$51)

\$314,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization (Amounts in 000's)
2020	(16)
2021	(16)
2022	(14)
2023	(5)
Total	(\$51)

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 13 – CONTINGENCIES**

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

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

**NOTE 14 – OTHER INFORMATION**

**A. *Joint Powers Agreements***

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

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

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

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

**CITY OF LOS ALTOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 14 – OTHER INFORMATION (Continued)**

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

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

**NOTE 15 – OTHER COMMITMENTS**

A summary of remaining authorized CIP project balances at June 30, 2019 for all City funds by service area are as follows:

Construction in progress:	
Streets and Roadways	\$1,359,787
Pedestrian Safety	6,328,482
Infrastructure and Facilities	7,494,396
Parks	2,122,440
Sewer	5,184,322
Technology	761,985
Community Development	<u>1,559,209</u>
Total	<u><u>\$24,810,621</u></u>



**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF LOS ALTOS**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

**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**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

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

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

Measurement Date	Miscellaneous Pool				
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.42907%	0.50595%	0.20298%	0.51409%	0.52958%
Plan's proportion share of the Net Pension Liability (Asset)	\$10,604,408	\$13,880,661	\$17,564,072	\$20,265,838	\$19,958,437
Plan's Covered Payroll	7,736,180	7,806,721	8,434,058	8,337,461	9,734,936
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137.08%	177.80%	208.25%	243.07%	205.02%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%	78.28%	73.20%	75.39%	77.69%

Measurement Date	Safety Pool				
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.24026%	0.25820%	0.16023%	0.26642%	0.27582%
Plan's proportion share of the Net Pension Liability (Asset)	\$9,011,972	\$10,639,010	\$13,864,825	\$15,919,233	\$16,183,695
Plan's Covered Payroll	3,607,754	3,645,893	3,885,679	3,686,478	4,233,297
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	249.79%	291.81%	356.82%	431.83%	382.30%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.46%	78.52%	73.96%	71.74%	73.39%

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

**CITY OF LOS ALTOS**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

Cost-Sharing Multiple Employer Defined Pension Plan  
As of fiscal year ending June 30, 2019  
Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

	Miscellaneous Pool				
	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2019</u>
Actuarially determined contribution	\$1,081,811	\$1,456,475	\$1,544,680	\$1,769,644	\$1,974,752
Contributions in relation to the actuarially determined contributions	<u>(1,081,811)</u>	<u>(1,456,475)</u>	<u>(1,544,680)</u>	<u>(1,769,644)</u>	<u>(1,974,752)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$7,806,721	\$8,434,058	\$8,337,461	\$9,734,936	\$9,569,932
Contributions as a percentage of covered payroll	13.86%	17.27%	18.53%	18.18%	20.63%
<b>Notes to Schedule</b>					
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017

	Safety Pool				
	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2019</u>
Actuarially determined contribution	\$924,466	\$1,134,277	\$1,205,365	\$1,390,429	\$1,605,370
Contributions in relation to the actuarially determined contributions	<u>(1,076,741)</u>	<u>(1,134,277)</u>	<u>(1,205,365)</u>	<u>(1,390,429)</u>	<u>(1,605,370)</u>
Contribution deficiency (excess)	<u>(\$152,275)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$3,645,893	\$3,885,679	\$3,686,478	\$4,233,297	\$4,320,366
Contributions as a percentage of covered payroll	29.53%	29.19%	32.70%	32.85%	37.16%
<b>Notes to Schedule</b>					
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017

Methods and assumptions used to determine contribution rates:

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

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

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

**CITY OF LOS ALTOS**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

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

Measurement Date	6/30/17	6/30/18
<b>Total OPEB Liability</b>		
Service Cost	\$154	\$158
Interest	207	223
Benefit payments	(134)	(142)
<b>Net change in total OPEB liability</b>	227	239
<b>Total OPEB liability - beginning</b>	2,987	3,214
<b>Total OPEB liability - ending (a)</b>	\$3,214	\$3,453
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$135	\$143
Net investment income	160	134
Administrative expense	(2)	(4)
Benefit payments	(134)	(142)
<b>Net change in plan fiduciary net position</b>	159	131
<b>Plan fiduciary net position - beginning</b>	1,515	1,674
<b>Plan fiduciary net position - ending (b)</b>	\$1,674	\$1,805
 Net OPEB liability - ending (a)-(b)	\$1,540	\$1,648
 Plan fiduciary net position as a percentage of the total OPEB liability	52.08%	52.27%
 Covered-employee payroll	\$12,546	\$14,000
 Net OPEB liability as a percentage of covered-employee payroll	12.27%	11.77%

\* Fiscal year 2018 was the first year of implementation.

**CITY OF LOS ALTOS**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

**SCHEDULE OF CONTRIBUTIONS**

Retiree Healthcare OPEB Plan - Agent Multiple Employer

Last 10 fiscal years\*

(Amounts in 000's)

Fiscal Year Ended June 30,	2018	2019
Actuarially determined contribution	\$304	\$313
Contributions in relation to the actuarially determined contribution	143	314
Contribution deficiency (excess)	\$161	(\$1)
Covered-employee payroll	\$14,000	\$15,000
Contributions as a percentage of covered-employee payroll	1.02%	2.10%

\* Fiscal year 2018 was the first year of implementation.

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTION**

**Retiree Healthcare OPEB Plan - Agent Multiple Employer**

**Methods and Assumptions for Actuarially Determined Contribution**

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

CITY OF LOS ALTOS  
GENERAL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax	\$21,138,200	\$21,137,200	\$23,791,531	\$2,654,331
Sales tax	3,301,400	3,301,400	3,461,299	159,899
Utility users	2,680,000	2,680,000	2,743,570	63,570
Other tax	3,943,900	3,943,900	4,514,395	570,495
Licenses, permits and fees	8,370,800	3,683,900	4,142,817	458,917
Grants and donations			7,500	7,500
Charges for services		4,501,500	4,747,360	245,860
Fines and forfeitures		178,500	173,259	(5,241)
Interest and rentals	234,000	234,000	1,932,910	1,698,910
Other		137,300	201,218	63,918
Total revenues	39,668,300	39,797,700	45,715,859	5,918,159
Expenditures:				
General government:				
Public Safety	18,613,174	18,711,248	18,117,837	593,411
Public Works	8,313,980	5,812,407	5,535,230	277,177
Recreation	2,384,730	2,773,792	2,468,895	304,897
Community development	2,954,415	5,514,630	5,214,181	300,449
Admin/community services	5,692,242	6,394,199	5,672,884	721,315
Total expenditures	37,958,541	39,206,276	37,009,027	2,197,249
Excess of revenues over expenditures	1,709,759	591,424	8,706,832	8,115,408
Other financing sources (uses):				
Transfers in			(1,636,281)	(1,636,281)
Transfers out			(4,721,086)	(4,721,086)
Total other financing sources (uses)			(6,357,367)	(6,357,367)
Net change in fund balance	\$1,709,759	\$591,424	2,349,465	\$1,758,041
Fund balance at beginning of year			45,393,783	
Fund balance at end of year			\$47,743,248	



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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest and rentals			\$192,465	\$192,465
Intergovernmental		\$1,668,500	127,499	(1,541,001)
Total Revenues		<u>1,668,500</u>	<u>319,964</u>	<u>(1,348,536)</u>
Expenditures:				
Capital improvement			243,104	(243,104)
EXCESS OF REVENUES OVER EXPENDITURES		<u>1,668,500</u>	<u>76,860</u>	<u>(1,105,432)</u>
NET CHANGE IN FUND BALANCE		<u><u>\$1,668,500</u></u>	<u>76,860</u>	<u><u>(\$1,105,432)</u></u>
Beginning fund balance			<u>5,253,528</u>	
Ending fund balance			<u><u>\$5,330,388</u></u>	

**CITY OF LOS ALTOS**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

**1. *Budget and Budgetary Accounting***

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

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

**OTHER SUPPLEMENTARY INFORMATION**



## **GENERAL FUND**

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

CITY OF LOS ALTOS  
GENERAL FUND  
COMBINING BALANCE SHEET  
JUNE 30, 2019

	General	Community Facilities Renewal Fund	Real Property Proceeds	Total General Fund
<b>ASSETS</b>				
Cash and investments	\$23,717,289	\$12,785,246	\$10,893,247	\$47,395,782
Receivables, net of allowance for uncollectibles:				
Accounts	1,443,275			1,443,275
Interest	81,970		16,932	98,902
Prepays	33,939			33,939
Notes receivable	1,831,397			1,831,397
Inventory	7,685			7,685
Due to other funds	154,926			154,926
	<u>\$27,270,481</u>	<u>\$12,785,246</u>	<u>\$10,910,179</u>	<u>\$50,965,906</u>
Total Assets				
<b>LIABILITIES</b>				
Accounts payable	\$2,136,020			\$2,136,020
Accrued liabilities	963,130			963,130
Other payable	123,508			123,508
	<u>3,222,658</u>			<u>3,222,658</u>
Total Liabilities				
<b>FUND BALANCES</b>				
Fund balance:				
Nonspendable	1,881,636			1,881,636
Assigned	15,324,734	\$12,785,246	\$10,910,179	39,020,159
Unassigned	6,841,453			6,841,453
	<u>24,047,823</u>	<u>12,785,246</u>	<u>10,910,179</u>	<u>47,743,248</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$27,270,481</u>	<u>\$12,785,246</u>	<u>\$10,910,179</u>	<u>\$50,965,906</u>

CITY OF LOS ALTOS  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019

	General	Community Facilities Renewa Fund	Real Property Proceeds	Intra-Fund Transaction Elimination	Total General Fund
<b>REVENUES</b>					
Property tax	\$23,791,531				\$23,791,531
Sales tax	3,461,299				3,461,299
Utility users	2,743,570				2,743,570
Other tax	4,514,395				4,514,395
Licenses, permits and fees	4,142,817				4,142,817
Grants and donations	7,500				7,500
Charges for services	4,747,360				4,747,360
Fines and forfeitures	173,259				173,259
Interest and rentals	1,543,092		\$389,818		1,932,910
Other	201,218				201,218
<b>Total Revenues</b>	<b>45,326,041</b>		<b>389,818</b>		<b>45,715,859</b>
<b>EXPENDITURES</b>					
General government					
Public safety	18,117,837				18,117,837
Public works	5,535,230				5,535,230
Recreation	2,468,895				2,468,895
Community development	5,214,181				5,214,181
Admin / community development	5,672,884				5,672,884
<b>Total Expenditures</b>	<b>37,009,027</b>				<b>37,009,027</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>8,317,014</b>		<b>389,818</b>		<b>8,706,832</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	(1,636,281)			\$1,802,712	166,431
Transfers (out)	(4,593,959)	(\$127,127)		(1,802,712)	(6,523,798)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,230,240)</b>	<b>(127,127)</b>			<b>(6,357,367)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,086,774</b>	<b>(127,127)</b>	<b>389,818</b>		<b>2,349,465</b>
<b>BEGINNING FUND BALANCES</b>	<b>21,961,049</b>	<b>12,912,373</b>	<b>10,520,361</b>		<b>45,393,783</b>
<b>ENDING FUND BALANCES</b>	<b>\$24,047,823</b>	<b>\$12,785,246</b>	<b>\$10,910,179</b>		<b>\$47,743,248</b>





<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
-------------------------------------

**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>
---

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

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

**VEHICLE REGISTRATION FEES FUND**

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

**SB 1 ROAD MAINTENANCE REHABILITATION FUND**

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

**TRAFFIC CONGESTION RELIEF PROGRAM FUND**

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

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

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

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

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



*This Page Left Intentionally Blank*

CITY OF LOS ALTOS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019

	SPECIAL REVENUE FUNDS			
	Vehicle Impound	Supplemental Law Enforcement	Gas Tax	Proposition 1B
<b>ASSETS</b>				
Cash and investments		\$33,333	\$1,497,912	\$42,553
Restricted cash and investments				
Receivables, net of allowance for uncollectibles:				
Accounts	\$460	55,948		
Interest			2,330	66
Total Assets	\$460	\$89,281	\$1,500,242	\$42,619
<b>LIABILITIES</b>				
Accounts payable			\$298,746	
Due to other funds	\$460			
Total Liabilities	460		298,746	
<b>DEFERRAL INFLOWS OF RESOURCES</b>				
Deferred inflows or revenues				
Total Deferred Inflows				
<b>FUND BALANCES</b>				
Restricted:				
Debt service				
Special revenue programs and projects		\$89,281	1,201,496	\$42,619
Assigned				
Unassigned				
Total Fund Balances		89,281	1,201,496	42,619
Total Liabilities and Fund Balances	\$460	\$89,281	\$1,500,242	\$42,619

SPECIAL REVENUE FUNDS

Storm Drain Deposits	Community Development Block Grant	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA
\$56,086	\$4,617	\$819,745	\$553,035	\$16,226	
		1,900			\$52,724
		1,274	969	25	
<u>\$56,086</u>	<u>\$4,617</u>	<u>\$822,919</u>	<u>\$554,004</u>	<u>\$16,251</u>	<u>\$52,724</u>
		\$3,012			\$52,724
		3,012			52,724
					52,724
					52,724
\$56,086	\$4,617	819,907	\$554,004	\$16,251	(52,724)
<u>56,086</u>	<u>4,617</u>	<u>819,907</u>	<u>554,004</u>	<u>16,251</u>	<u>(52,724)</u>
<u>\$56,086</u>	<u>\$4,617</u>	<u>\$822,919</u>	<u>\$554,004</u>	<u>\$16,251</u>	<u>\$52,724</u>

(Continued)

CITY OF LOS ALTOS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019

	SPECIAL REVENUE FUNDS			
	PEG	Vehicle Registration Fees	SB1 Road Maintenance Rehabilitation	Traffic Congestion Relief Program
<b>ASSETS</b>				
Cash and investments	\$914,068	\$382,384		\$71,065
Restricted cash and investments				
Receivables, net of allowance for uncollectibles:				
Accounts	25,462		\$102,639	
Interest	1,476			
Total Assets	\$941,006	\$382,384	\$102,639	\$71,065
<b>LIABILITIES</b>				
Accounts payable				
Due to other funds			\$36,083	
Total Liabilities			36,083	
<b>DEFERRAL INFLOWS OF RESOURCES</b>				
Deferred inflows or revenues				
Total Deferred Inflows				
<b>FUND BALANCES</b>				
Restricted:				
Debt service				
Special revenue programs and projects	\$941,006	\$382,384	66,556	\$71,065
Assigned				
Unassigned				
Total Fund Balances	941,006	382,384	66,556	71,065
Total Liabilities and Fund Balances	\$941,006	\$382,384	\$102,639	\$71,065

<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	
<u>Equipment Replacement</u>	<u>General</u>	<u>Total Non-major Governmental Funds</u>
\$1,078,044	\$197,745 166,434	\$5,666,813 166,434
		239,133 6,140
<u>\$1,078,044</u>	<u>\$364,179</u>	<u>\$6,078,520</u>
		\$301,758 89,267
		391,025
		52,724
		52,724
	\$364,179	364,179 4,245,272 1,078,044 (52,724)
<u>1,078,044</u>	<u>364,179</u>	<u>5,634,771</u>
<u>\$1,078,044</u>	<u>\$364,179</u>	<u>\$6,078,520</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, 2019

	SPECIAL REVENUE FUNDS			
	Vehicle Impound	Supplemental Law Enforcement	Gas Tax	Proposition 1B
REVENUES				
Charges for services				
Licenses, permits and fees				
Intergovernmental		\$204,695	\$614,011	
Grants and donations				
Fines and forfeitures	\$17,684			
Interest and rentals			48,249	\$1,522
Other				
Total Revenues	<u>17,684</u>	<u>204,695</u>	<u>662,260</u>	<u>1,522</u>
EXPENDITURES				
Current:				
Community development				
Capital improvements			357,962	
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures			<u>357,962</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>17,684</u>	<u>204,695</u>	<u>304,298</u>	<u>1,522</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)	<u>(17,684)</u>	<u>(148,747)</u>	<u>(350,078)</u>	
Total Other Financing Sources (Uses)	<u>(17,684)</u>	<u>(148,747)</u>	<u>(350,078)</u>	
NET CHANGE IN FUND BALANCES		55,948	(45,780)	1,522
BEGINNING FUND BALANCES		<u>33,333</u>	<u>1,247,276</u>	<u>41,097</u>
ENDING FUND BALANCES		<u><u>\$89,281</u></u>	<u><u>\$1,201,496</u></u>	<u><u>\$42,619</u></u>



SPECIAL REVENUE FUNDS

Storm Drain Deposits	Community Development Block Grant	Downtown Parking	Traffic Impact Fee	Estate Donation	TDA
		\$42,886	\$21,053		
		38,742 12,487	22,660	\$581	
		94,115	43,713	581	
		12,392	70,895		
		12,392	70,895		
		81,723	(27,182)	581	
					(\$52,724)
					(52,724)
		81,723	(27,182)	581	(52,724)
\$56,086	\$4,617	738,184	581,186	15,670	
\$56,086	\$4,617	\$819,907	\$554,004	\$16,251	(\$52,724)

(Continued)

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

	SPECIAL REVENUE FUNDS			
	PEG	Vehicle Registration Fees	SBI Road Maintenance Rehabilitation	Traffic Congestion Relief Program
<b>REVENUES</b>				
Charges for services	\$102,801			
Licenses, permits and fees				
Intergovernmental			\$575,104	\$35,366
Grants and donations		\$193,156		
Fines and forfeitures				
Interest and rentals	32,279			
Other				
<b>Total Revenues</b>	<b>135,080</b>	<b>193,156</b>	<b>575,104</b>	<b>35,366</b>
<b>EXPENDITURES</b>				
Current:				
Community development				
Capital improvements		147,017		
Debt service:				
Principal				
Interest and fiscal charges				
<b>Total Expenditures</b>		<b>147,017</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>135,080</b>	<b>46,139</b>	<b>575,104</b>	<b>35,366</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		23,367		
Transfers (out)	(35,500)	(515,998)	(575,104)	
<b>Total Other Financing Sources (Uses)</b>	<b>(35,500)</b>	<b>(492,631)</b>	<b>(575,104)</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>99,580</b>	<b>(446,492)</b>		<b>35,366</b>
<b>BEGINNING FUND BALANCES</b>	<b>841,426</b>	<b>828,876</b>	<b>66,556</b>	<b>35,699</b>
<b>ENDING FUND BALANCES</b>	<b>\$941,006</b>	<b>\$382,384</b>	<b>\$66,556</b>	<b>\$71,065</b>

CAPITAL PROJECTS FUND	DEBT SERVICE FUND	
Equipment Replacement	General	Total Non-major Governmental Funds
		\$102,801
		63,939
		1,429,176
		193,156
		17,684
		144,033
		12,487
		<u>1,963,276</u>
\$134,232		146,624
123,268		699,142
	\$120,000	120,000
	51,880	51,880
<u>257,500</u>	<u>171,880</u>	<u>1,017,646</u>
<u>(257,500)</u>	<u>(171,880)</u>	<u>945,630</u>
396	171,880	195,643
		<u>(1,695,835)</u>
<u>396</u>	<u>171,880</u>	<u>(1,500,192)</u>
(257,104)		(554,562)
<u>1,335,148</u>	<u>364,179</u>	<u>6,189,333</u>
<u>\$1,078,044</u>	<u>\$364,179</u>	<u>\$5,634,771</u>

CITY OF LOS ALTOS  
VEHICLE IMPOUND FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	<u>\$20,000</u>	<u>\$17,684</u>	<u>(\$2,316)</u>
Total Revenues	<u>20,000</u>	<u>17,684</u>	<u>(2,316)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,000</u>	<u>17,684</u>	<u>(2,316)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(17,684)</u>	<u>(17,684)</u>
Total other financing sources (uses)		<u>(17,684)</u>	<u>(17,684)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$20,000</u></u>		<u><u>(\$20,000)</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	<u>\$100,000</u>	<u>\$204,695</u>	<u>\$104,695</u>
Total Revenues	<u>100,000</u>	<u>204,695</u>	<u>104,695</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>100,000</u>	<u>204,695</u>	<u>104,695</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u></u>	<u>(148,747)</u>	<u>(148,747)</u>
Total other financing sources (uses)	<u></u>	<u>(148,747)</u>	<u>(148,747)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$100,000</u></u>	<u>55,948</u>	<u><u>(\$44,052)</u></u>
Beginning fund balance		<u>33,333</u>	
Ending fund balance		<u><u>\$89,281</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$1,251,054	\$614,011	(\$637,043)
Interest and rentals		48,249	48,249
	<u>1,251,054</u>	<u>662,260</u>	<u>(588,794)</u>
EXPENDITURES			
Capital improvements		357,962	(357,962)
		<u>357,962</u>	<u>(357,962)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,251,054</u>	<u>304,298</u>	<u>(946,756)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(350,078)	(350,078)
		<u>(350,078)</u>	<u>(350,078)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$1,251,054</u></u>	<u>(45,780)</u>	<u><u>(\$1,296,834)</u></u>
Beginning fund balance		<u>1,247,276</u>	
Ending fund balance		<u><u>\$1,201,496</u></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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest and rentals		\$1,522	\$1,522
Total Revenues		1,522	1,522
EXCESS OF REVENUES OVER EXPENDITURES		1,522	1,522
NET CHANGE IN FUND BALANCE		1,522	\$1,522
Beginning fund balance		41,097	
Ending fund balance		\$42,619	

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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Grants and donations	<u>\$79,600</u>	<u>                    </u>	<u>(\$79,600)</u>
Total Revenues	<u>79,600</u>	<u>                    </u>	<u>(79,600)</u>
EXPENDITURES			
Capital improvements	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenses	<u>                    </u>	<u>                    </u>	<u>                    </u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>79,600</u>	<u>                    </u>	<u>(79,600)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total other financing sources (uses)	<u>                    </u>	<u>                    </u>	<u>                    </u>
NET CHANGE IN FUND BALANCE	<u><u>\$79,600</u></u>	<u>                    </u>	<u><u>(\$79,600)</u></u>
Beginning fund balance		<u>\$4,617</u>	
Ending fund balance		<u><u>\$4,617</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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Licenses, permits and fees	\$40,000	\$42,886	\$2,886
Interest and rentals		38,742	38,742
Other		12,487	12,487
	<u>40,000</u>	<u>94,115</u>	<u>54,115</u>
EXPENDITURES			
Current:			
Community development		12,392	(12,392)
		<u>12,392</u>	<u>(12,392)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>40,000</u>	<u>81,723</u>	<u>41,723</u>
NET CHANGE IN FUND BALANCE	<u>\$40,000</u>	81,723	<u>\$41,723</u>
Beginning fund balance		<u>738,184</u>	
Ending fund balance		<u>\$819,907</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, 2019

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses, permits and fees	\$903,599	\$21,053	(\$882,546)
Interest and rentals		22,660	22,660
Total Revenues	<u>903,599</u>	<u>43,713</u>	<u>(859,886)</u>
EXPENDITURES			
Capital improvements		70,895	(70,895)
Total Expenses		<u>70,895</u>	<u>(70,895)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>903,599</u>	<u>(27,182)</u>	<u>(930,781)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)			
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	<u><u>\$903,599</u></u>	<u>(27,182)</u>	<u><u>(\$930,781)</u></u>
Beginning fund balance		<u>581,186</u>	
Ending fund balance		<u><u>\$554,004</u></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, 2019

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest		\$581	\$581
Total Revenues		581	581
EXCESS OF REVENUES OVER EXPENDITURES		581	581
NET CHANGE IN FUND BALANCE		581	\$581
Beginning fund balance		15,670	
Ending fund balance		\$16,251	

CITY OF LOS ALTOS  
TDA FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Grants and donations			
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(\$52,724)	(\$52,724)
Total other financing sources (uses)		(52,724)	(52,724)
NET CHANGE IN FUND BALANCE		(52,724)	(\$52,724)
Beginning fund balance			
Ending fund balance		(\$52,724)	

CITY OF LOS ALTOS  
 PEG FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest income		\$32,279	\$32,279
Charges for services		102,801	102,801
Fines and forfeitures			
Total revenues		<u>135,080</u>	<u>135,080</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>135,080</u>	<u>135,080</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		<u>(35,500)</u>	<u>(35,500)</u>
Total other financing sources (uses)		<u>(35,500)</u>	<u>(35,500)</u>
NET CHANGE IN FUND BALANCE		<u>99,580</u>	<u>\$135,080</u>
Beginning fund balance		<u>841,426</u>	
Ending fund balance		<u><u>\$941,006</u></u>	

CITY OF LOS ALTOS  
VEHICLE REGISTRATION FEES FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Grants and donations	<u>\$385,100</u>	<u>\$193,156</u>	<u>(\$191,944)</u>
Total revenues	<u>385,100</u>	<u>193,156</u>	<u>(191,944)</u>
EXPENDITURES			
Capital improvements	<u></u>	<u>147,017</u>	<u>(147,017)</u>
Total Expenses	<u></u>	<u>147,017</u>	<u>(147,017)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>385,100</u>	<u>46,139</u>	<u>(338,961)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u></u>	23,367	23,367
Transfers (out)	<u></u>	<u>(515,998)</u>	<u>(515,998)</u>
Total other financing sources (uses)	<u></u>	<u>(492,631)</u>	<u>(492,631)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$385,100</u></u>	<u><u>(446,492)</u></u>	<u><u>(\$831,592)</u></u>
Beginning fund balance		<u>828,876</u>	
Ending fund balance		<u><u>\$382,384</u></u>	

CITY OF LOS ALTOS  
 SB1 ROAD MAINTENANCE REHABILITATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental		\$575,104	\$575,104
Total revenues		<u>575,104</u>	<u>575,104</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(575,104)	(575,104)
Total other financing sources (uses)		<u>(575,104)</u>	<u>(575,104)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
NET CHANGE IN FUND BALANCE			
Beginning fund balance		<u>66,556</u>	
Ending fund balance		<u><u>\$66,556</u></u>	

CITY OF LOS ALTOS  
 TRAFFIC CONGESTION RELIEF PROGRAM FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental		\$35,366	\$35,366
Total revenues		35,366	35,366
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		35,366	35,366
NET CHANGE IN FUND BALANCE		35,366	\$35,366
Beginning fund balance		35,699	
Ending fund balance		\$71,065	



CITY OF LOS ALTOS  
EQUIPMENT REPLACEMENT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES			
Community development	\$270,000	\$134,232	\$135,768
Capital improvements	<u>123,678</u>	<u>123,268</u>	<u>410</u>
Total expenditures	<u>393,678</u>	<u>257,500</u>	<u>136,178</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(393,678)</u>	<u>(257,500)</u>	<u>136,178</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>                    </u>	<u>396</u>	<u>(396)</u>
Total other financing sources (uses)	<u>                    </u>	<u>396</u>	<u>(396)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$393,678)</u></u>	<u>(257,104)</u>	<u><u>\$135,782</u></u>
Beginning fund balance		<u>1,335,148</u>	
Ending fund balance		<u><u>\$1,078,044</u></u>	



## **INTERNAL SERVICE FUNDS**

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

### **DENTAL REIMBURSEMENT**

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

### **UNEMPLOYMENT INSURANCE**

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

### **WORKERS' COMPENSATION INSURANCE**

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

### **LIABILITY INSURANCE**

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

CITY OF LOS ALTOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	<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		\$564,318	\$5,611,069	\$2,120,472	\$8,295,859
Accounts receivable			2,772	9,157	11,929
					<u>11,929</u>
Total Assets		<u>564,318</u>	<u>5,613,841</u>	<u>2,129,629</u>	<u>8,307,788</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable		3,710	7,125	4,989	15,824
Claims and judgements			661,231	166,140	827,371
Due to other funds	\$55,579				55,579
					<u>55,579</u>
Noncurrent Liabilities:					
Claims and judgements			2,544,769	119,860	2,664,629
					<u>2,664,629</u>
Total Liabilities	<u>55,579</u>	<u>3,710</u>	<u>3,213,125</u>	<u>290,989</u>	<u>3,563,403</u>
<b>NET POSITION</b>					
Unrestricted	<u>(55,579)</u>	<u>560,608</u>	<u>2,400,716</u>	<u>1,838,640</u>	<u>4,744,385</u>
Total Net Position	<u><u>(\$55,579)</u></u>	<u><u>\$560,608</u></u>	<u><u>\$2,400,716</u></u>	<u><u>\$1,838,640</u></u>	<u><u>\$4,744,385</u></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, 2019

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$125,324	\$65,146	\$828,035	\$465,717	\$1,484,222
Total Operating Revenues	<u>125,324</u>	<u>65,146</u>	<u>828,035</u>	<u>465,717</u>	<u>1,484,222</u>
<b>OPERATING EXPENSES</b>					
Outside services				59,613	59,613
Claims and insurance	238,064	21,740	52,171	499,718	811,693
Administration			71,492		71,492
Total Operating Expenses	<u>238,064</u>	<u>21,740</u>	<u>123,663</u>	<u>559,331</u>	<u>942,798</u>
Operating Income (Loss)	<u>(112,740)</u>	<u>43,406</u>	<u>704,372</u>	<u>(93,614)</u>	<u>541,424</u>
Change in Net Position	(112,740)	43,406	704,372	(93,614)	541,424
BEGINNING NET POSITION	<u>57,161</u>	<u>517,202</u>	<u>1,696,344</u>	<u>1,932,254</u>	<u>4,202,961</u>
ENDING NET POSITION	<u><u>(\$55,579)</u></u>	<u><u>\$560,608</u></u>	<u><u>\$2,400,716</u></u>	<u><u>\$1,838,640</u></u>	<u><u>\$4,744,385</u></u>

CITY OF LOS ALTOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Dental Reimbursement</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from other funds	\$180,903	\$65,146	\$825,491	\$467,872	\$1,539,412
Cash payments to vendors	(238,064)	(21,301)	(152,492)	(66,613)	(478,470)
Insurance premiums, settlements, and rebates			(48,551)	(498,337)	(546,888)
<b>Cash Flows from Operating Activities</b>	<u>(57,161)</u>	<u>43,845</u>	<u>624,448</u>	<u>(97,078)</u>	<u>514,054</u>
<b>Net Cash Flows</b>	(57,161)	43,845	624,448	(97,078)	514,054
Cash and investments at beginning of period	<u>57,161</u>	<u>520,473</u>	<u>4,986,621</u>	<u>2,217,550</u>	<u>7,781,805</u>
Cash and investments at end of period		<u>\$564,318</u>	<u>\$5,611,069</u>	<u>\$2,120,472</u>	<u>\$8,295,859</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	(\$112,740)	\$43,406	\$704,372	(\$93,614)	\$541,424
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
<b>Change in assets and liabilities:</b>					
Accounts receivable			(2,544)	2,155	(389)
Accounts payable		439	3,620	1,381	5,440
Due to other funds	55,579				55,579
Claims and judgments payable			(81,000)	(7,000)	(88,000)
<b>Cash Flows from Operating Activities</b>	<u>(57,161)</u>	<u>\$43,845</u>	<u>\$624,448</u>	<u>(\$97,078)</u>	<u>\$514,054</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.

**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, 2019

	Balance 6/30/2018	Additions	Deductions	Balance 6/30/2019
<hr/> <u>North County Library Authority</u> <hr/>				
<u>Assets</u>				
Cash and investments	\$4,192,812	\$705,437	\$295,204	\$4,603,045
Accounts receivable	16,105		16,105	
Interest receivable	2,362	2,917	2,362	2,917
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$4,211,279</u>	<u>\$708,354</u>	<u>\$313,671</u>	<u>\$4,605,962</u>
<u>Liabilities</u>				
Accounts payable	\$295,204	\$315,845	\$295,204	\$315,845
Due to others	3,916,075	392,509	18,467	4,290,117
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$4,211,279</u>	<u>\$708,354</u>	<u>\$313,671</u>	<u>\$4,605,962</u>
<hr/> <u>Raymundo Curb and Gutter</u> <hr/>				
<u>Assets</u>				
Cash and investments	\$34,899	\$32,367	\$34,899	\$32,367
Accounts receivable		61		61
Interest receivable	47	50	47	50
Prepays		1,129		1,129
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$34,946</u>	<u>\$33,607</u>	<u>\$34,946</u>	<u>\$33,607</u>
<u>Liabilities</u>				
Accounts payable		\$13,720		\$13,720
Due to others	\$34,946	19,887	\$34,946	19,887
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$34,946</u>	<u>\$33,607</u>	<u>\$34,946</u>	<u>\$33,607</u>



	Balance 6/30/2018	Additions	Deductions	Balance 6/30/2019
<hr/> <u>Blue Oak Lane Sewer</u> <hr/>				
<u>Assets</u>				
Cash and investments	\$30,323	\$2,231		\$32,554
Restricted cash and investments	39,794	1,135		40,929
Accounts receivable	164		\$164	
Interest receivable		51		51
Total assets	<u>\$70,281</u>	<u>\$3,417</u>	<u>\$164</u>	<u>\$73,534</u>
<u>Liabilities</u>				
Due to others	<u>\$70,281</u>	<u>\$3,417</u>	<u>\$164</u>	<u>\$73,534</u>
Total liabilities	<u>\$70,281</u>	<u>\$3,417</u>	<u>\$164</u>	<u>\$73,534</u>
<hr/> <u>Totals - All Agency Funds</u> <hr/>				
<u>Assets</u>				
Cash and investments	\$4,258,034	\$740,035	\$330,103	\$4,667,966
Restricted cash and investments	39,794	1,135		40,929
Accounts receivable	16,269	61	16,269	61
Interest receivable	2,409	3,018	2,409	3,018
Prepays		1,129		1,129
Total assets	<u>\$4,316,506</u>	<u>\$745,378</u>	<u>\$348,781</u>	<u>\$4,713,103</u>
<u>Liabilities</u>				
Accounts payable	\$295,204	\$329,565	\$295,204	\$329,565
Due to others	4,021,302	415,813	53,577	4,383,538
Total liabilities	<u>\$4,316,506</u>	<u>\$745,378</u>	<u>\$348,781</u>	<u>\$4,713,103</u>



*This Page Left Intentionally Blank*

## **STATISTICAL SECTION**



## STATISTICAL SECTION

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

### ***Financial Trends***

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

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

### ***Revenue Capacity***

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

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

### ***Debt Capacity***

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

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

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

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

1. Demographic Statistics
2. Principal Employers

### ***Operating Information***

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

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

### ***Sources***

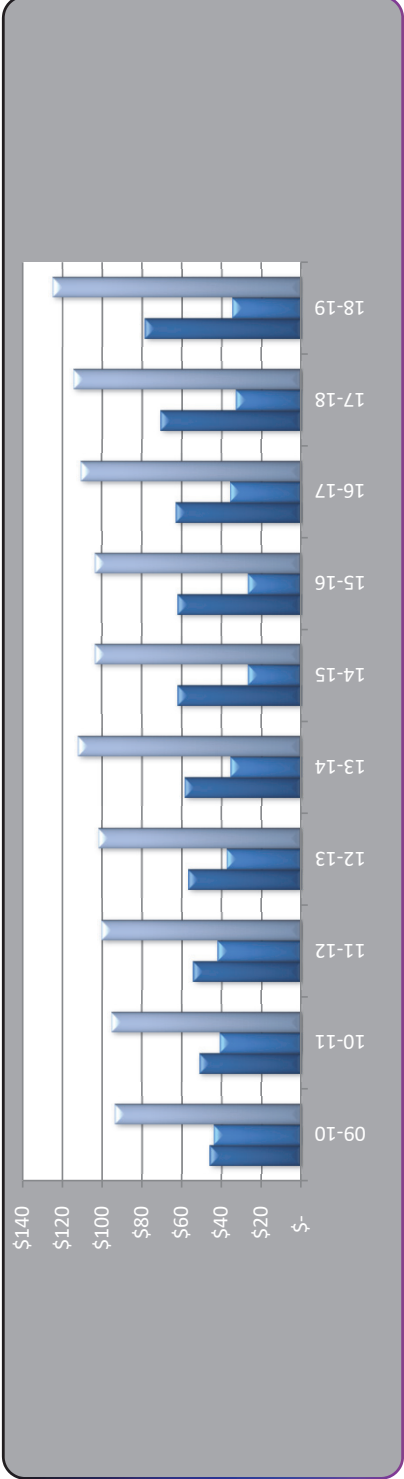
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



*This Page Left Intentionally Blank*

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

	2009-10	2010-11	2011-12	2012-13(a)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Governmental activities</b>										
Net investment in capital assets	\$ 42,596	\$ 46,011	\$ 48,511	\$ 50,102	\$ 50,164	\$ 49,079	\$ 53,409	\$ 54,725	\$ 61,525	\$ 67,611
Restricted	3,411	3,057	3,926	7,406	17,629	17,815	14,447	11,498	10,620	11,381
Unrestricted	35,476	33,448	34,634	29,883	27,624	10,746	15,583	24,047	20,429	21,733
<b>Total governmental activities net position</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>\$ 90,270</b>	<b>\$ 92,574</b>	<b>\$ 100,725</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 3,552	\$ 5,197	\$ 5,952	\$ 6,773	\$ 8,718	\$ 8,662	\$ 8,726	\$ 8,403	\$ 9,450	\$ 11,239
Unrestricted	8,766	7,625	7,539	7,843	8,087	8,472	11,259	11,907	12,644	13,135
<b>Total business-type activities net position</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>\$ 20,310</b>	<b>\$ 22,094</b>	<b>\$ 24,374</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 46,148	\$ 51,208	\$ 54,463	\$ 56,875	\$ 58,882	\$ 57,741	\$ 62,135	\$ 63,128	\$ 70,975	\$ 78,850
Restricted	3,411	3,057	3,926	7,406	17,629	17,815	14,447	11,498	10,620	11,381
Unrestricted	44,242	41,073	42,173	37,726	35,711	19,218	26,842	35,954	33,073	34,868
<b>Total primary government net position</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>	<b>\$ 110,580</b>	<b>\$ 114,668</b>	<b>\$ 125,099</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*)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Expenses</b>										
Governmental activities:										
Public safety	\$ 13,812	\$ 14,101	\$ 14,797	\$ 15,144	\$ 14,884	\$ 15,636	\$ 15,791	\$ 15,224	\$ 19,928	\$ 18,945
Public works	5,170	5,451	5,157	5,557	6,453	7,058	5,816	7,832	6,217	6,534
Recreation	2,460	2,503	2,193	2,108	2,656	2,976	2,744	2,613	3,402	3,061
Community development	3,962	4,052	3,583	4,514	4,038	4,590	5,758	4,243	6,440	5,547
Admin/Community services	3,794	3,837	4,034	5,675	3,804	4,002	4,882	4,411	5,687	5,905
Interest on long-term activities	83	86	69	95	71	68	63	51	64	51
Total governmental activities expenses	29,281	30,030	29,833	33,093	31,906	34,330	35,054	34,374	41,738	40,043
Business-type activities:										
Sewer	4,438	4,520	4,386	4,529	4,574	4,789	4,607	6,754	4,970	5,273
Solid waste	1,826	717	341	355	366	347	376	438	461	465
Storm drain	199	200	213	232	165	215	0	1	1	0
Total Business-type activities expenses	6,463	5,437	4,940	5,116	5,105	5,351	4,983	7,193	5,432	5,738
<b>Total primary government expenses</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>\$ 41,567</b>	<b>\$ 47,170</b>	<b>\$ 45,781</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 466	\$ 348	\$ 394	\$ 344	\$ 417	\$ 898	\$ 462	\$ 363	\$ 330	\$ 488
Public works	152	191	32	34	60	33	55	42	51	51
Recreation	1,498	1,763	1,808	1,865	1,952	2,167	2,123	2,070	2,021	1,963
Community development	2,954	2,650	3,260	7,431	5,196	3,625	3,412	3,112	4,589	4,027
Admin/Community services	1,097	1,061	875	947	942	954	1,033	1,082	950	753
Operating grants and contributions:										
Public safety	102	100	112	109	116	109	437	392	409	401
Public works	462	682	829	699	909	504	336	262	298	286
Recreation	-	-	-	-	-	-	2	5	5	5
Community development	56	168	21	59	36	343	8	148	170	-
Admin/Community services	131	64	36	58	6	-	-	-	-	-
Capital grants and contributions										
Public safety	-	-	-	-	-	-	-	-	-	-
Public works	985	711	897	492	747	498	1,522	807	641	806
Recreation	-	-	-	-	-	-	-	-	-	-
Community development	7	-	3,400	80	3	30	7	-	62	-
Admin/Community services	200	78	76	-	83	-	-	-	-	-
Total governmental activities program revenues	8,110	7,816	11,740	12,118	10,467	9,161	9,397	8,283	9,526	8,780



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

(accrual basis of accounting; amounts expressed in thousands)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Business-type activities:										
Charges for services:										
Sewer	\$ 5,413	\$ 4,813	\$ 4,503	\$ 5,121	\$ 6,347	\$ 6,328	\$ 6,986	\$ 6,703	\$ 6,369	\$ 6,467
Solid waste	1,657	992	821	879	754	786	752	774	812	841
Storm drain	-	-	-	-	12	2	-	-	-	-
Total business-type activities program revenues	\$ 7,070	\$ 5,805	\$ 5,324	\$ 6,000	\$ 7,113	\$ 7,116	\$ 7,738	\$ 7,477	\$ 7,181	\$ 7,308
<b>Total primary government program revenues</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>	<b>\$ 15,760</b>	<b>\$ 16,707</b>	<b>\$ 16,088</b>
Net (expense)/revenue:										
Governmental activities	\$ (21,171)	\$ (22,214)	\$ (18,093)	\$ (20,975)	\$ (21,439)	\$ (25,170)	\$ (25,657)	\$ (26,091)	\$ (32,212)	\$ (31,263)
Business-type activities	607	368	384	884	2,008	1,766	2,755	284	1,749	1,570
<b>Total primary government net (expense)/revenue</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>\$ (25,807)</b>	<b>\$ (30,463)</b>	<b>\$ (29,693)</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes:										
Property taxes	\$ 13,051	\$ 12,794	\$ 13,302	\$ 14,130	\$ 15,586	\$ 17,480	\$ 18,776	\$ 19,863	\$ 21,429	\$ 23,792
Sales taxes	2,255	2,588	2,746	2,926	2,809	2,943	3,196	3,278	3,244	3,461
Utility users taxes	2,515	2,543	2,548	2,600	2,600	2,523	2,672	2,680	2,732	2,744
Other taxes	2,453	2,910	2,868	3,301	3,542	3,732	3,909	4,330	4,535	4,514
Franchise fees	1,437	1,814	1,731	1,770	1,905	1,808	2,029	2,083	2,207	2,222
Sale of Capital Assets-net	-	-	(545)	(8)	2,846	-	-	-	-	-
Interest income	341	275	115	174	99	200	438	233	320	2,226
Miscellaneous	286	388	131	382	212	1,124	435	454	452	456
Transfers	(239)	(65)	(247)	(232)	(152)	(196)	-	-	-	-
Total governmental activities	\$ 22,099	\$ 23,247	\$ 22,649	\$ 25,043	\$ 29,447	\$ 29,614	\$ 31,455	\$ 32,921	\$ 34,919	\$ 39,415
Business-type activities										
Interest income	53	71	37	10	-	-	-	-	-	-
Miscellaneous	-	-	-	-	28	40	96	40	70	477
Transfers	239	65	247	232	152	196	-	-	-	-
Total business-type activities	\$ 292	\$ 136	\$ 284	\$ 242	\$ 180	\$ 236	\$ 96	\$ 40	\$ 70	\$ 477
<b>Total primary government</b>	<b>\$ 22,391</b>	<b>\$ 23,383</b>	<b>\$ 22,933</b>	<b>\$ 25,285</b>	<b>\$ 29,627</b>	<b>\$ 29,850</b>	<b>\$ 31,551</b>	<b>\$ 32,961</b>	<b>\$ 34,989</b>	<b>\$ 39,892</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 928	\$ 1,033	\$ 4,556	\$ 4,068	\$ 8,008	\$ 4,444	\$ 5,798	\$ 6,830	\$ 2,707	\$ 8,152
Business-type activities	899	504	668	1,126	2,188	2,002	2,851	324	1,819	2,047
<b>Total primary government</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>	<b>\$ 7,154</b>	<b>\$ 4,526</b>	<b>\$ 10,199</b>

Source:

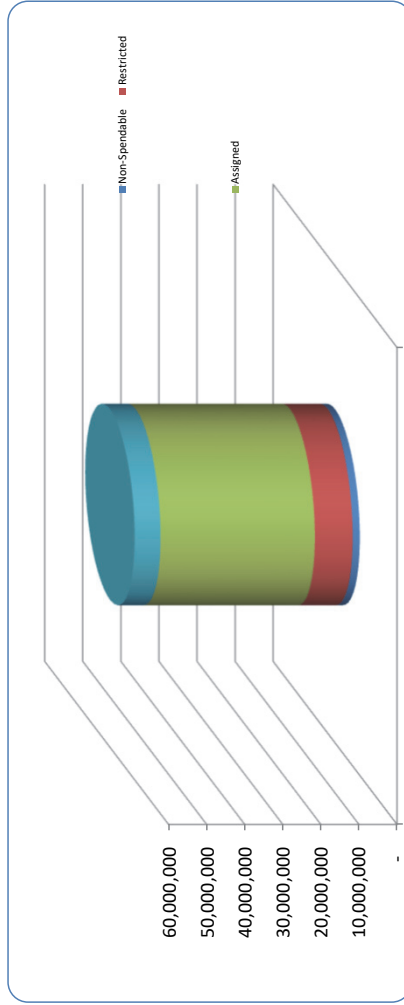
City of Los Altos Finance Department

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)

	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<i>(Pre GASB 54 Presentation)</i>										
<b>General fund</b>										
Reserved	\$ 143	\$ 48	\$ 46	\$ 49	\$ 27,195	\$ 30,010	\$ 29,588	\$ 37,637	\$ 40,519	\$ 40,902
Unreserved/Unrestricted	6,908	7,836	7,439	8,453	1,433	4,789	8,535	6,039	4,875	6,841
<b>Total general fund</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>\$ 38,123</b>	<b>\$ 43,676</b>	<b>\$ 45,394</b>	<b>\$ 47,743</b>
<b>All other governmental funds</b>										
Restricted	\$ 3,399	\$ 2,780	\$ 3,926	\$ 7,406	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
Reserved, reported in:										
Special revenue funds	6,422	6,768	6,911	7,415	9,644	12,737	9,605	9,281	9,744	10,654
Capital projects funds	19,540	16,868	17,213	15,676	7,621	4,714	4,477	1,993	512	416
Debt service funds	-	-	-	-	-	-	-	-	-	-
Unreserved/Unrestricted	-	-	-	-	-	-	-	-	-	(52)
<b>Total all other governmental funds</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>\$ 14,446</b>	<b>\$ 11,638</b>	<b>\$ 10,620</b>	<b>\$ 11,382</b>
<b>Total all governmental funds</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>	<b>\$ 52,569</b>	<b>\$ 55,314</b>	<b>\$ 56,014</b>	<b>\$ 59,125</b>

GASB 54 Presentation:(2018-19)

	2018-19				Total
	General Fund	In Lieu Park Land	Capital Projects	Other Govt Funds	
Inventory & Prepaids	\$ (41,624)	\$ -	\$ -	\$ -	(41,624)
Notes Receivable	(1,831,397)	-	-	-	(1,831,397)
Veteran Memorial	(8,615)	-	-	-	(8,615)
<b>Non-Spendable</b>	<b>(1,881,636)</b>	-	-	-	<b>(1,881,636)</b>
Debt Service	-	-	-	(364,179)	(364,179)
Special Revenue Programs and Projects	-	(5,330,388)	-	(4,245,272)	(9,575,660)
<b>Restricted</b>	<b>-</b>	<b>(5,330,388)</b>	<b>-</b>	<b>(4,609,451)</b>	<b>(9,939,839)</b>
Continuing CIPS	-	-	-	-	-
<b>Committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
General Fund Reserve	(7,250,645)	-	-	-	(7,250,645)
OPEB	(1,500,000)	-	-	-	(1,500,000)
PERS Reserve	(5,000,000)	-	-	-	(5,000,000)
Technology	(1,574,089)	-	-	-	(1,574,089)
Capital and Equipment	-	-	-	(1,078,044)	(1,078,044)
CIP Reserve	-	-	(416,263)	-	(416,263)
Capital Project Reserve - Community Center	(23,695,425)	-	-	-	(23,695,425)
Assigned	(39,020,159)	-	(416,263)	(1,078,044)	(40,514,466)
Unassigned	(6,841,453)	-	-	52,724	(6,788,729)
<b>Total Fund Equity</b>	<b>\$ (47,743,248)</b>	<b>\$ (5,330,388)</b>	<b>\$ (416,263)</b>	<b>\$ (5,634,771)</b>	<b>\$ (59,124,670)</b>



Source: City of Los Altos Finance Department

City of Los Altos  
Changes in Fund Balances - Governmental Funds  
Last Ten Fiscal Years

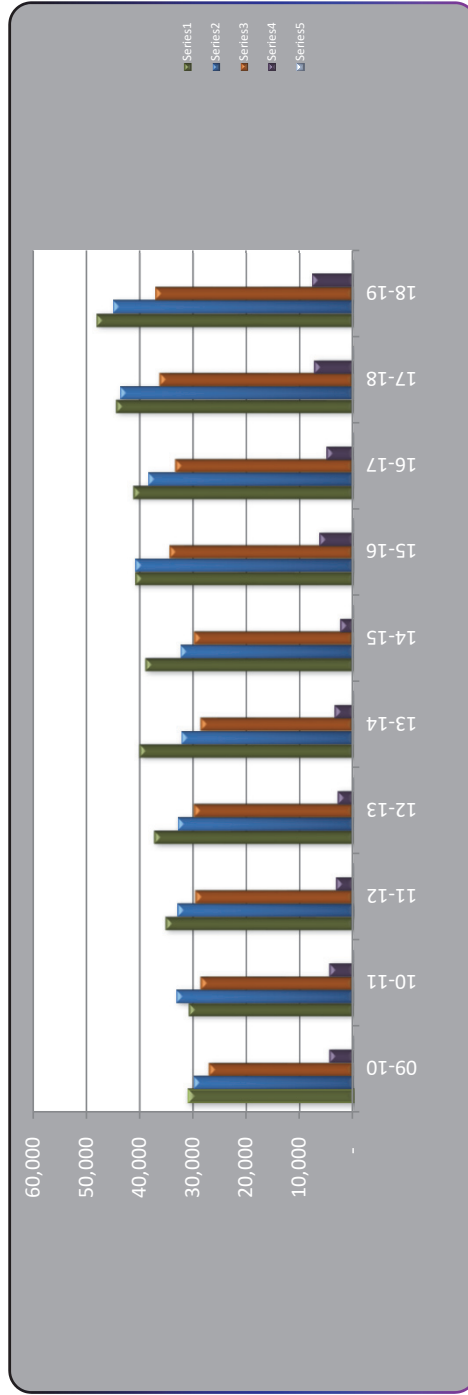
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenues</b>										
Taxes	\$ 17,545	\$ 17,714	\$ 18,250	\$ 19,444	\$ 21,950	\$ 26,690	\$ 28,565	\$ 30,151	\$ 31,939	\$ 34,511
License, permits and park-in-lieu	3,025	3,187	3,204	3,312	4,531	3,925	3,784	3,786	4,195	4,207
Intergovernmental	3,680	3,988	4,333	4,513	4,861	1,027	973	742	2,087	1,557
Grants and donations	559	929	4,242	650	788	873	1,863	1,214	928	396
Charges for services	3,494	4,020	3,780	4,480	4,572	4,698	4,659	4,577	4,620	4,850
Fines and forfeitures	246	148	231	171	214	161	264	213	178	191
Interest and rentals	504	333	169	135	159	291	558	230	360	2,269
Other	1,394	521	973	4,616	2,989	1,306	187	291	137	214
<b>Total revenues</b>	<b>30,447</b>	<b>30,840</b>	<b>35,182</b>	<b>37,320</b>	<b>40,064</b>	<b>38,971</b>	<b>40,853</b>	<b>41,204</b>	<b>44,444</b>	<b>48,195</b>
<b>Expenditures</b>										
General government										
Public Safety										
Police	8,111	8,616	9,588	9,178	8,891	9,167	9,976	9,968	10,744	11,107
Fire Services	5,119	5,259	5,375	5,513	5,714	5,961	6,219	6,473	6,722	7,011
Public works	4,420	4,793	4,826	4,831	4,353	4,307	4,859	5,299	5,784	5,535
Recreation	1,994	2,062	2,429	2,102	2,186	2,389	2,423	2,343	2,509	2,469
Community development	3,770	3,973	3,726	4,553	3,885	4,221	6,087	4,653	5,747	5,361
Administration/Community services	3,600	3,845	3,624	3,655	3,552	3,770	4,852	4,567	4,773	5,673
Capital improvements	2,784	4,475	3,212	2,916	3,492	2,435	6,313	4,992	7,299	7,756
Debt service										
Principal	85	85	90	95	95	100	105	105	110	120
Interest and fiscal charges	81	80	77	75	72	69	64	60	56	52
<b>Total expenditures</b>	<b>29,964</b>	<b>33,188</b>	<b>32,947</b>	<b>32,918</b>	<b>32,240</b>	<b>32,419</b>	<b>40,898</b>	<b>38,460</b>	<b>43,744</b>	<b>45,084</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>483</b>	<b>(2,348)</b>	<b>2,235</b>	<b>4,402</b>	<b>7,824</b>	<b>6,552</b>	<b>(45)</b>	<b>2,744</b>	<b>700</b>	<b>3,111</b>
<b>Other financing sources (uses)</b>										
Debt issuance	-	-	-	-	-	-	-	-	-	-
Payment to refunded bonded escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	2,781	3,509	1,887	2,443	2,119	3,632	1,752	760	5,714	8,243
Transfers out	(3,020)	(3,574)	(2,134)	(2,925)	(2,685)	(3,828)	(1,752)	(760)	(5,714)	(8,243)
<b>Total Other financing sources (uses)</b>	<b>(239)</b>	<b>(65)</b>	<b>(247)</b>	<b>(482)</b>	<b>(566)</b>	<b>(196)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

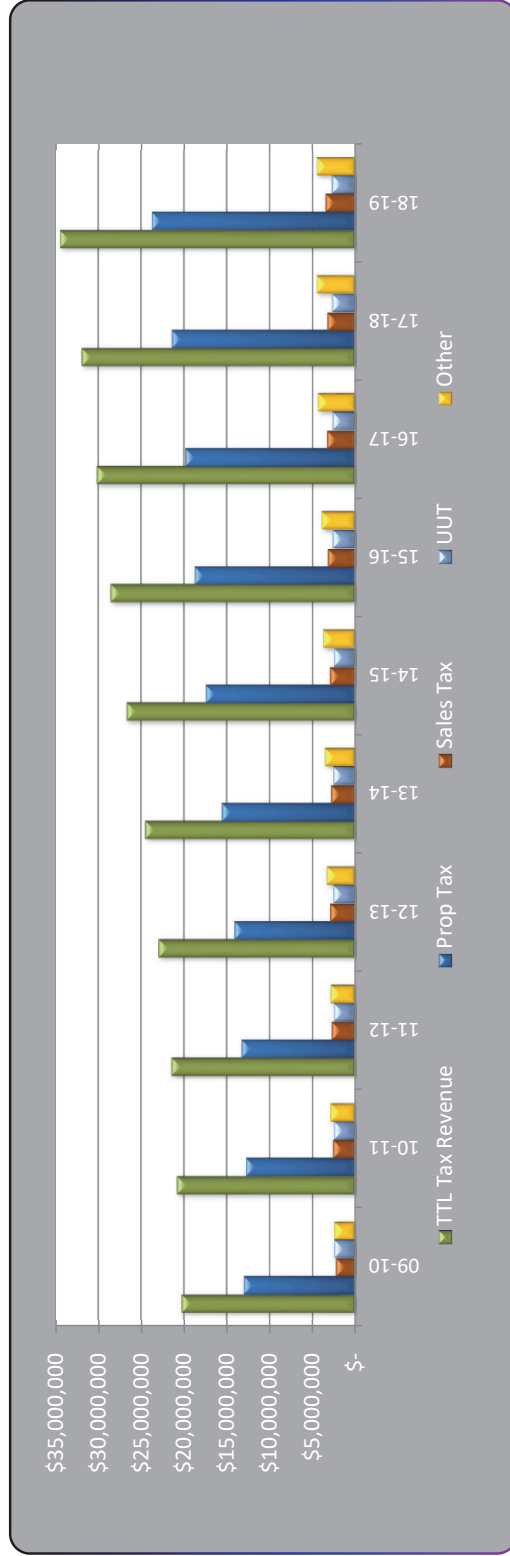
	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Special items</b>										
CalPERS Side Fund Pay Down	(3,005)	-	(850)	(950)	-	-	-	-	-	-
Sale of capital assets-net	2,167	300	100	492	-	-	-	-	-	-
<b>Total special items</b>	(838)	300	(750)	(458)	-	-	-	-	-	-
<b>Net change in fund balances</b>	\$ (594)	\$ (2,113)	\$ 1,238	\$ 3,463	\$ 7,258	\$ 6,356	\$ (45)	\$ 2,744	\$ 700	\$ 3,111
<b>Debt service as a percentage of non-capital expenditures</b>	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%

Source: City of Los Altos Finance Department



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

Fiscal Year	Property	Sales Tax	Business Licenses	Utility Users	Transient Occupancy	Real Estate Transfer Tax	Motor Vehicle License Tax	Building Development	Special Assessments	Total
2009-10	\$ 13,051,308	\$ 2,255,527	\$ 413,054	\$ 2,514,880	\$ 1,345,855	\$ 390,298	\$ 83,767	\$ 220,232	\$ -	\$ 20,274,921
2010-11	12,793,603	2,587,889	399,461	2,543,287	1,517,579	387,905	145,798	459,935	-	20,835,457
2011-12	13,301,950	2,746,374	442,824	2,547,777	1,782,018	468,006	-	175,499	-	21,464,448
2012-13	14,130,040	2,926,441	519,828	2,600,054	1,946,484	587,422	15,102	247,992	-	22,973,363
2013-14	15,586,329	2,809,489	475,298	2,600,034	2,168,556	583,581	12,639	314,271	-	24,550,197
2014-15	17,479,882	2,942,764	453,201	2,522,536	2,450,488	616,500	12,281	212,187	-	26,689,839
2015-16	18,775,472	3,195,628	520,687	2,672,236	2,608,368	617,355	12,119	162,981	-	28,564,846
2016-17	19,863,197	3,278,430	539,989	2,679,961	2,985,201	668,242	14,046	122,071	-	30,151,137
2017-18	21,428,501	3,243,554	547,065	2,732,325	3,072,982	732,409	16,530	165,900	-	31,939,265
2018-19	23,791,531	3,461,298	540,262	2,743,570	3,166,067	679,424	15,054	113,589	-	34,510,795



Source:  
 City of Los Altos Finance Department

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

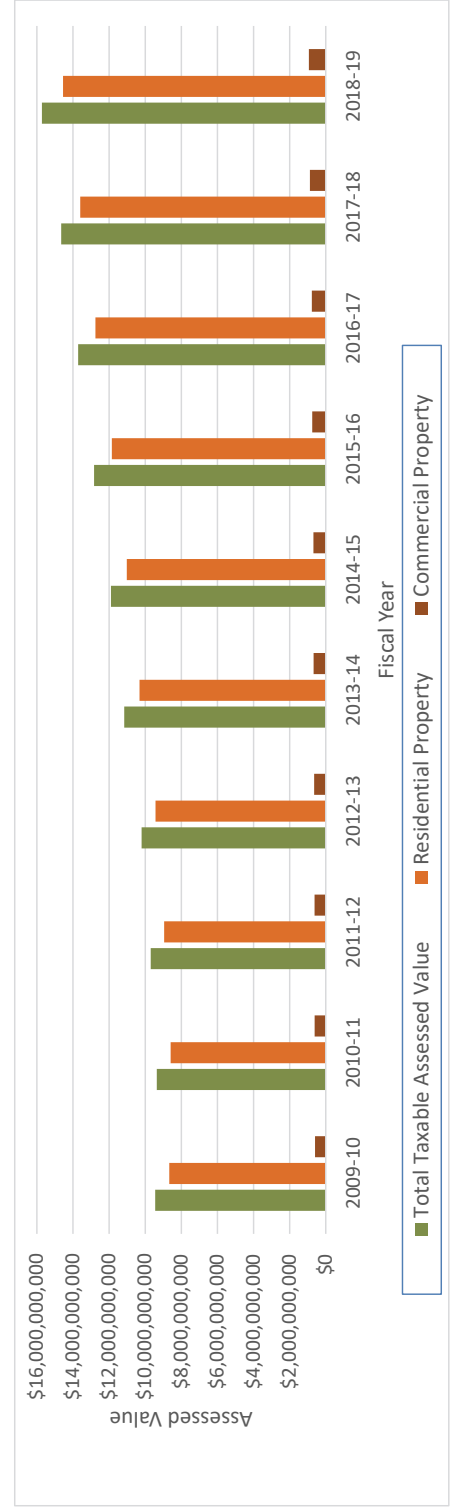
Fiscal Year	City of Los Altos					Total	
	Residential Property	Commercial Property	Other	Net Unsecured	Total Taxable Assessed Value (1)	Direct Tax Rate (2)	% Change
2009-10	\$ 8,671,796,943	\$ 593,598,437	\$ 71,365,214	\$ 114,641,890	\$ 9,451,402,484	1%	4.27%
2010-11	8,593,495,093	619,191,247	40,822,574	108,454,967	9,361,963,881	1%	-0.95%
2011-12	8,952,576,593	622,766,264	33,390,275	89,645,375	9,698,378,507	1%	3.59%
2012-13	9,431,853,173	642,590,939	45,608,509	82,124,561	10,202,177,182	1%	5.19%
2013-14	10,318,249,580	676,252,209	67,682,916	97,506,301	11,159,691,006	1%	9.39%
2014-15	11,017,386,476	685,084,415	83,121,563	109,149,891	11,894,742,345	1%	6.59%
2015-16	11,848,840,720	750,708,212	106,506,870	125,355,972	12,831,411,774	1%	7.87%
2016-17	12,754,487,484	771,705,270	106,158,405	80,739,845	13,713,091,004	1%	6.87%
2017-18	13,600,334,963	880,225,920	90,338,436	83,250,683	14,654,150,002	1%	6.86%
2018-19	14,551,466,831	936,831,320	119,120,564	112,813,483	15,720,232,198	1%	7.27%

Source:

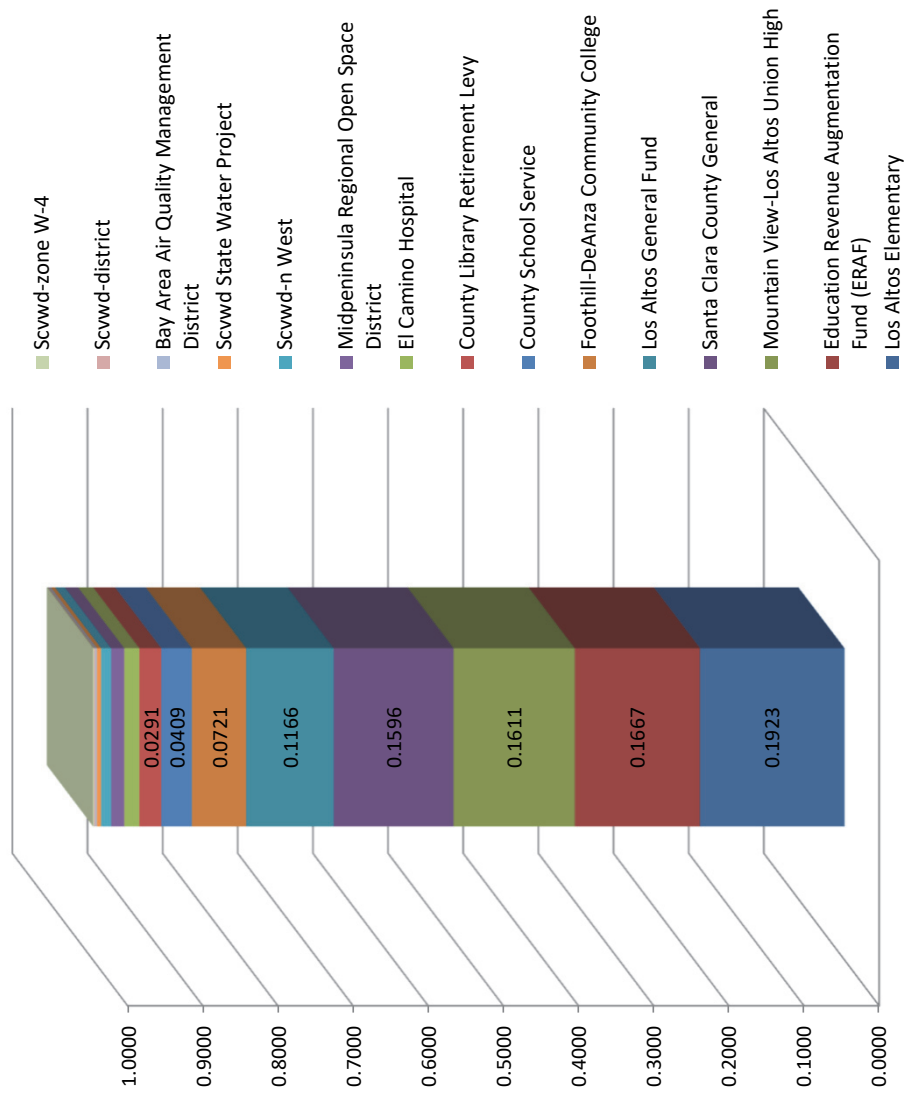
HdL Coren & Cone

(1) - The California State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any property improvements of substantial value to the property. These values are considered to be full market values for the City of Los Altos.

(2) - California cities do not set their own direct tax rate. The California State Constitution establishes the rate at 1% and the County of Santa Clara is responsible for allocating a portion of that amount to all the taxing entities within each of the City's tax rate areas. The City has 15 tax rate areas and receives of approximately 12% of that 1% rate.



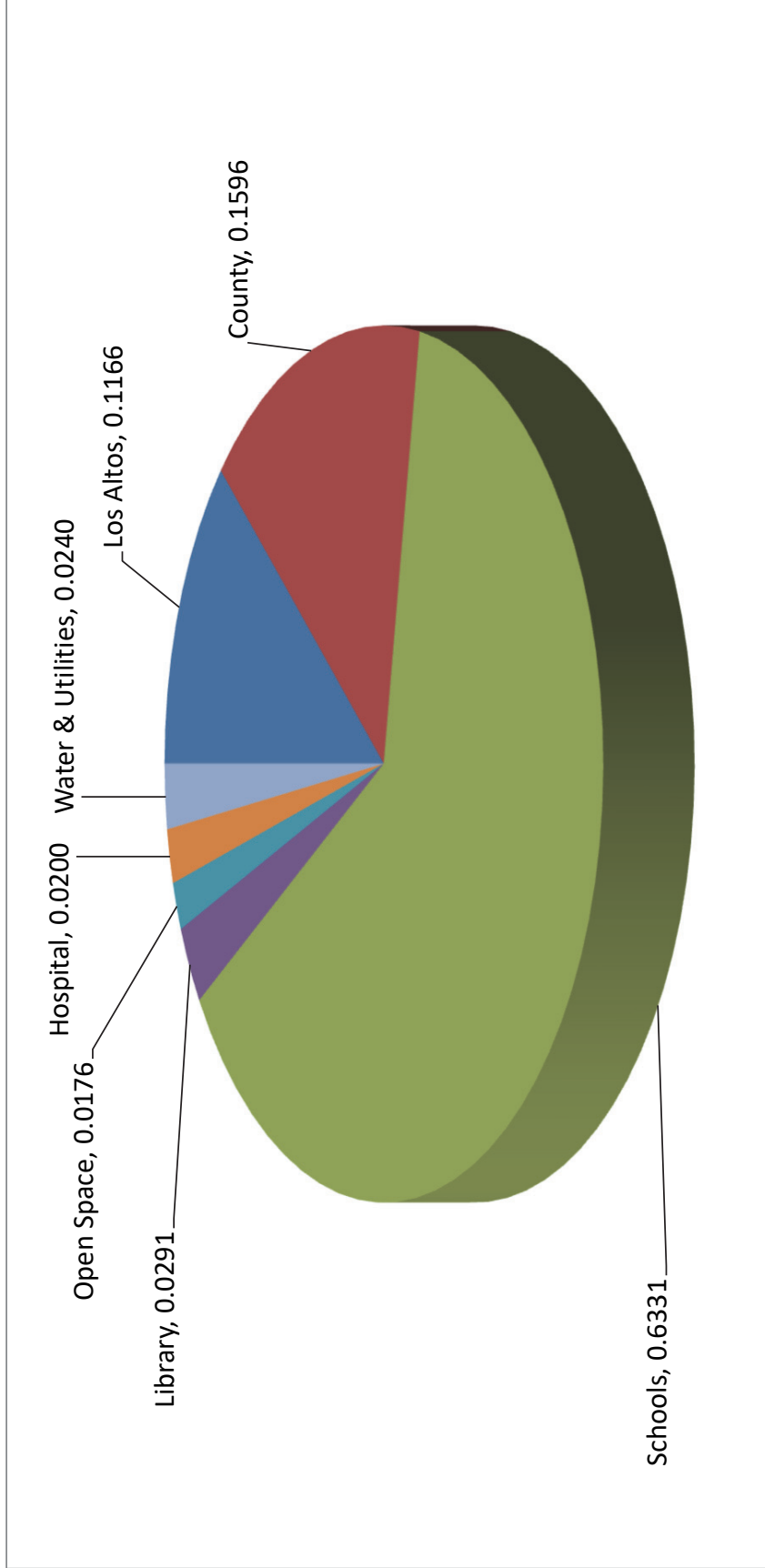
**City of Los Altos  
Property Tax Dollar Breakdown  
June 30, 2019**



Source:  
HidL Coren & Cone



City of Los Altos  
Property Tax Dollars By Recipient Group  
June 30, 2019



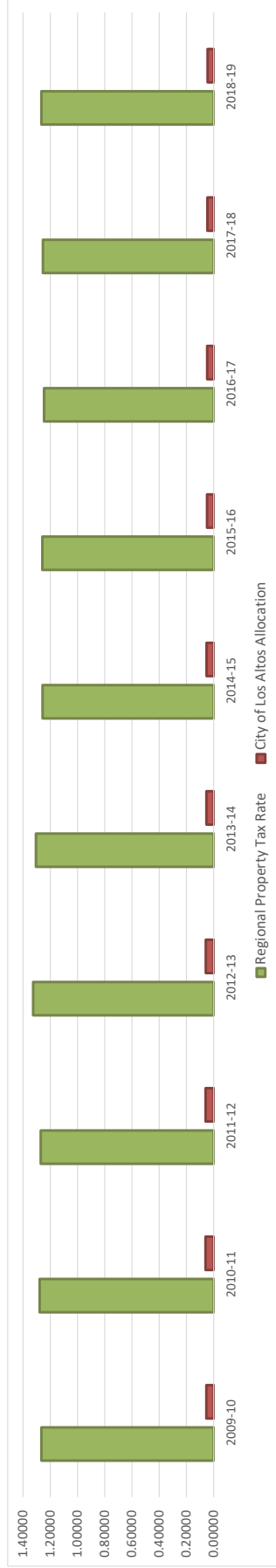
Source:  
HdL Coren & Cone

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

Fiscal Year	Overlapping Rates (1)														Total	
	Basic County-Wide	Santa Clara Retirement	County Library Retirement	Los Altos Elementary School	Mountain View Elementary School	Cupertino Elementary School	Whisman School Bond	Foodhill-De Anza College	Mountain View High School	Fremont Union High School	Santa Clara Valley Water District	Mid Peninsula Open Space	County Housing Bond	County Hospital Bonds		El Camino Hospital
2009-10	1.0000	0.0388	0.0024	0.0539	0.0288	0.0312	-	0.0322	0.0147	0.0306	0.0074	-	-	0.0122	0.0129	1.26510
2010-11	1.0000	0.0388	0.0024	0.0600	0.0322	0.0308	-	0.0326	0.0151	0.0365	0.0072	-	-	0.0095	0.0129	1.27800
2011-12	1.0000	0.0388	0.0024	0.0595	0.0303	0.0290	-	0.0297	0.0147	0.0415	0.0064	-	-	0.0047	0.0129	1.26990
2012-13	1.0000	0.0388	0.0024	0.0579	0.0302	0.0598	0.0300	0.0287	0.0139	0.0390	0.0069	-	-	0.0051	0.0129	1.32560
2013-14	1.0000	0.0388	0.0024	0.0534	0.0276	0.0525	0.0254	0.0290	0.0121	0.0405	0.0070	-	-	0.0035	0.0129	1.30510
2014-15	1.0000	0.0388	0.0024	0.0524	-	0.0540	-	0.0276	0.0133	0.0396	0.0065	-	-	0.0091	0.0129	1.25660
2015-16	1.0000	0.0388	0.0024	0.0485	-	0.0519	-	0.0240	0.0119	0.0525	0.0057	-	-	0.0088	0.0129	1.25820
2016-17	1.0000	0.0388	0.0024	0.0479	-	0.0509	-	0.0234	0.0112	0.0403	0.0086	-	-	0.0086	0.0129	1.24560
2017-18	1.0000	0.0388	0.0024	0.0463	-	0.0496	-	0.0220	0.0107	0.0464	0.0062	0.0127	-	0.0082	0.0100	1.25416
2018-19	1.0000	0.0388	0.0024	0.0449	-	0.0397	-	0.0217	0.0409	0.0430	0.0042	0.0105	-	0.0072	0.0100	1.26510

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

Taxpayer	2018-19			2009-10		
	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue	Total Assessed Value	Rank	% of City's Est. Total Property Tax Revenue
RLJ R Los Altos LP	\$ 66,974,637	1	0.43%			
Los Altos Gardens II LP	55,487,741	2	0.35%			
St Paul Fire and Marine Insurance Co	51,948,550	3	0.33%			
Sutter Bay Medical Foundation	42,011,363	4	0.27%			
Richard T Spieker Trustee	37,845,976	5	0.24%			
Springwood Apartments	30,513,545	6	0.19%	\$ 26,935,746	2	0.28%
Safeway Inc	28,888,828	7	0.18%			
KRC Los Altos LP	24,277,839	8	0.15%	19,718,607	6	0.21%
Imperial Hornet Developers LLC	24,109,005	9	0.15%			
5150 ECR Group LLC	22,915,610	10	0.15%			
Behringer Harvard El Camio Real LP				40,315,500	1	0.43%
Los Altos West LP				25,760,780	3	0.27%
Los Altos Gardens I LP				22,465,206	4	0.24%
Compass Grand Los Altos				21,301,952	5	0.23%
David & Lucile Packard Foundation				18,460,398	7	0.20%
4 Seasons Associations LLC				18,363,826	8	0.19%
Palo Alto Medical Foundation				18,000,000	9	0.19%
Los Altos Hotel Associates LLC				17,435,810	10	0.18%
<b>Top Ten Total</b>	<b>\$ 384,973,094</b>		<b>2.45%</b>	<b>\$ 228,757,825</b>		<b>2.42%</b>
<b>City Total</b>	<b>\$ 15,720,232,198</b>			<b>\$ 9,451,402,484</b>		

Source:  
HdL Coren & Cone

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

Fiscal Year	Santa Clara County									
	Total Tax Levy	Current Tax Collections	Levy Collected	Levy Collected of the Total Levy	Current Collections of the Levy	Delinquent Tax Collections				
2009-10	\$ 3,670,443,736	\$ 282,872,902	\$ 273,655,824	7.46%	96.74%	3.26%				
2010-11	3,654,128,401	288,311,420	268,113,225	7.34%	92.99%	7.01%				
2011-12	3,703,148,623	293,002,052	273,640,116	7.39%	93.39%	6.61%				
2012-13	3,877,675,089	301,164,764	292,131,302	7.53%	97.00%	3.00%				
2013-14	4,165,019,181	349,740,765	316,325,898	7.59%	90.45%	2.59%				
2014-15	4,463,179,149	344,291,093	339,731,930	7.61%	98.68%	0.98%				
2015-16	4,944,651,360	330,545,207	326,823,894	6.61%	98.87%	1.13%				
2016-17	5,278,067,434	359,152,852	346,454,876	6.56%	96.46%	1.89%				
2017-18	5,719,021,680	355,579,401	345,863,202	6.05%	97.27%	1.86%				
<b>2018-19</b>	<b>6,070,435,575</b>	<b>402,557,998</b>	<b>394,623,618</b>	<b>6.50%</b>	<b>98.03%</b>	<b>1.46%</b>				

**Note:**

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

Source:  
County of Santa Clara

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

Fiscal Year	Governmental Activities				Total	Population (2)	Per Capita	Per Personal Income (2)
	General Obligation Bond	Certificates of Participation (1)	Capital Lease					
2009-10	\$ -	\$ 2,030,000	\$ -	\$ -	2,030,000	28,863	\$ 70	\$ 92,389
2010-11	-	1,945,000	-	-	1,945,000	28,863	67	73,414
2011-12	-	1,855,000	-	-	1,855,000	29,460	63	72,608
2012-13	-	1,760,000	-	-	1,760,000	29,792	59	74,570
2013-14	-	1,665,000	-	-	1,665,000	29,969	56	79,102
2014-15	-	1,565,000	-	-	1,565,000	29,884	52	83,041
2015-16	-	1,460,000	-	-	1,460,000	31,353	47	80,407
2016-17	-	1,355,000	-	-	1,355,000	31,402	43	86,558
2017-18	-	1,245,000	-	-	1,245,000	31,361	40	93,010
<b>2018-19</b>	<b>-</b>	<b>1,125,000</b>	<b>-</b>	<b>-</b>	<b>1,125,000</b>	<b>31,190</b>	<b>36</b>	<b>96,333</b>

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

Source:

(1) City of Los Altos Finance Department

(2) HdL Coren & Cone

City of Los Altos  
 Schedule of Direct and Overlapping Bonded Debt  
 June 30, 2019

2018-19 Assessed Valuation: \$15,720,232,198

	Total Debt 6/30/2019	% Applicable (1)	City's Share of Debt 6/30/19
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Santa Clara County	\$ 947,220,000	3.256%	\$ 30,841,483
Foothill-De Anza Community College District	620,143,886	9.392%	58,243,914
Fremont Union High School District	562,210,088	3.934%	22,117,345
Mountain View-Los Altos Union High School District	148,973,967	24.881%	37,066,213
Cupertino Union School District	274,238,303	7.012%	19,229,590
Los Altos School District	50,665,000	52.863%	26,783,039
El Camino Hospital District	124,490,000	17.167%	21,371,198
Midpeninsula Regional Park District	92,460,000	5.491%	5,076,979
Santa Clara Valley Water District Benefit Assessment District	73,570,000	3.256%	2,395,439
City of Los Altos 1915 Act Bonds	564,000	100.000%	564,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$ 223,689,200</b>		
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Santa Clara County General Fund Obligations	\$ 710,539,120	3.256%	\$ 23,135,154
Santa Clara County Pension Obligation Bonds	352,378,882	3.256%	11,473,456
Santa Clara County Board of Education Certificates of Participation	4,255,000	3.256%	138,543
Foothill-De Anza Community College District Certificates of Participation	26,723,002	9.392%	2,509,824
Mountain View-Los Altos Union High School District Certificates of Participation	1,745,000	24.881%	434,173
Los Altos School District Certificates of Participation	2,405,945	52.863%	1,271,855
<b>City of Los Altos Certificates of Participation</b>	<b>1,125,000</b>	<b>100.000%</b>	<b>1,125,000</b>
Midpeninsula Regional Park District General Fund Obligations	117,450,600	5.491%	6,449,212
Santa Clara County Vector Control District Certificates of Participation	2,245,000	3.256%	73,097
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>	<b>\$ 46,610,314</b>		<b>\$ 46,610,314</b>
Less: Santa Clara County supported obligations	<b>10,480,037</b>		<b>10,480,037</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>	<b>\$ 36,130,277</b>		<b>\$ 36,130,277</b>
<b>TOTAL DIRECT DEBT</b>	<b>\$ 1,125,000</b>		<b>\$ 1,125,000</b>
<b>TOTAL GROSS OVERLAPPING DEBT</b>	<b>\$ 269,174,514</b>		<b>\$ 269,174,514</b>
<b>TOTAL NET OVERLAPPING DEBT</b>	<b>\$ 258,694,477</b>		<b>\$ 258,694,477</b>
<b>GROSS COMBINED TOTAL DEBT</b>	<b>\$ 270,299,514</b>		<b>\$ 270,299,514 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>	<b>\$ 259,819,477</b>		<b>\$ 259,819,477</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		Debt Applicable to Limit	Legal Debt Margin
		15% of Assessed Valuation			
2009-10	\$ 9,451,402,484	\$ 1,417,710,373	\$	-	\$ 1,417,710,373
2010-11	9,361,963,881	1,404,294,582		-	1,404,294,582
2011-12	9,698,378,507	1,454,756,776		-	1,454,756,776
2012-13	10,202,177,182	1,530,326,577		-	1,530,326,577
2013-14	11,159,691,006	1,673,953,651		-	1,673,953,651
2014-15	11,894,742,345	1,784,211,352		-	1,784,211,352
2015-16	12,831,411,774	1,924,711,766		-	1,924,711,766
2016-17	13,713,091,004	2,056,963,651		-	2,056,963,651
2017-18	14,654,150,002	2,198,122,500		-	2,198,122,500
2018-19	15,720,232,198	2,358,034,830		-	2,358,034,830

Source:

\* HdL Coren & Cone

City of Los Altos  
Demographic Statistics  
Last Ten Fiscal Years

Fiscal Year	City Population <sup>(1)</sup>	Percentage Change		School Enrollment <sup>(2)</sup>	Percentage Change		Unemployment Rate <sup>(1)</sup>	Per Capita		Median Age <sup>(1)</sup>	% with Degree <sup>(1)</sup>		% with Bachelor's Degree <sup>(1)</sup>
								Personal Income <sup>(1)</sup>	High School Degree <sup>(1)</sup>		Bachelor's Degree <sup>(1)</sup>		
2009-10	28,457	0.00%	0.73%	7,966	0.73%	5.5%	\$ 92,389	46.9	98.10%	76.10%			
2010-11	28,863	1.43%	0.87%	8,035	0.87%	5.7%	\$ 73,414	45.3	98.10%	76.80%			
2011-12	29,460	2.07%	1.28%	8,138	1.28%	4.9%	\$ 72,608	45.4	98.50%	78.20%			
2012-13	29,792	1.13%	0.74%	8,198	0.74%	3.2%	\$ 74,570	45.8	98.70%	76.70%			
2013-14	29,969	0.59%	1.28%	8,303	1.28%	2.6%	\$ 79,102	46.1	98.70%	77.40%			
2014-15	29,884	-0.28%	-0.23%	8,284	-0.23%	3.4%	\$ 83,041	46.2	98.80%	78.70%			
2015-16	31,353	4.92%	4.61%	8,666	4.61%	2.7%	\$ 80,407	46.2	98.70%	79.00%			
2016-17	31,402	0.16%	-0.69%	8,606	-0.69%	2.4%	\$ 86,558	45.7	98.70%	80.00%			
2017-18	31,361	-0.13%	0.92%	8,685	0.92%	1.6%	\$ 93,010	45.7	98.60%	80.90%			
2018-19	31,190	-0.55%	-0.86%	8,610	-0.86%	2.4%	\$ 96,333	45.9	98.60%	82.30%			

Sources:

<sup>(1)</sup> HdL Coren & Cone

<sup>(2)</sup> State of California Department of Education



**City of Los Altos  
Principal Employers  
Current Year and Nine Years Ago**

Employer	2018-19			2009-2010		
	Employees (1)	Rank	% of Total City Employment	Employees(1)	Rank	% of Total City Employment
Los Altos School District	560 *	(2)	4.20%	568 *	(2)	4.54%
Whole Food Market	230	2	1.72%	198	2	1.58%
Los Altos High School	207	(3)	1.55%	217	(3)	1.74%
Los Altos Sub-Acute & Rehab	188	4		163	4	1.30%
Adobe Animal Hospital	140	5	1.05%	125	6	1.00%
City of Los Altos	136	6	1.02%	130	5	1.04%
Palo Alto Medical Foundation	135	7	1.01%	85	8	0.68%
The David and Lucile Packard Foundation	133	8	1.00%	100	7	0.80%
Trader Joes	92	9	0.69%	N/A		N/A
Chef Chu's	80	10	0.60%	N/A		N/A
Total	1,901		14.25%	2,069		16.55%
Total Employees in City	13,341			12,500		

Sources:

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

\* - This number includes 101 substitute teachers.

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

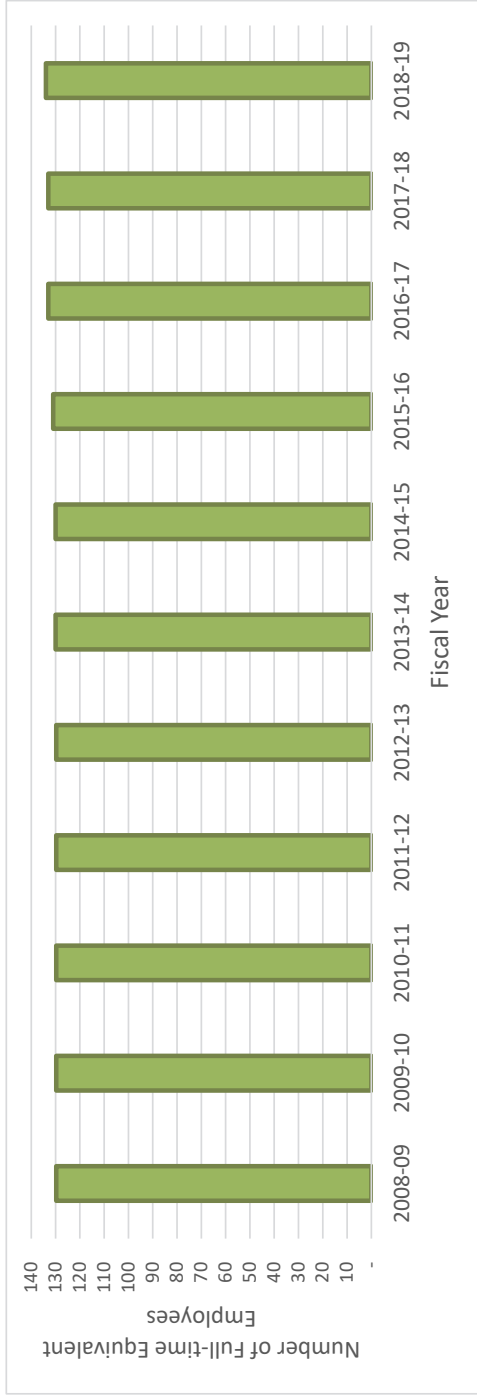
Function/Program	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<i>Public Safety *</i>										
Police Operations	32.00	32.00	32.00	32.00	32.00	32.00	31.00	31.00	31.00	31.00
Police Traffic Safety	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00
Communications	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
<i>Maintenance Services</i>	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	29.50	28.00
<i>Recreation</i>	7.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00	8.00
<i>Community Development</i>										
Planning & Building	13.00	13.00	13.00	13.00	14.00	14.00	14.00	15.00	15.00	14.00
Engineering	8.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	12.25
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<i>Administration</i>										
City Management	5.75	4.75	4.75	4.75	5.00	5.00	5.00	5.00	5.00	6.00
Administration & Finance	10.00	10.00	10.00	10.00	10.00	10.00	12.00	12.00	12.00	11.00
<i>Sewer</i>	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	7.50
<i>Solid Waste</i>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<i>Storm Drain</i>	1.00	1.00	1.00	1.00	1.00	1.00	-	-	-	-
<b>Total</b>	129.75	129.75	129.75	129.75	130.00	130.00	131.00	133.00	133.00	134.00

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									
	2009-10 *	2010-11 *	2011-12 *	2012-13 *	2013-14 *	2014-15 *	2015-16 *	2016-17 *	2017-18 *	2018-19 *
<b>Police:</b>										
Arrests	634	396	301	308	283	312	222	210	211	717
Moving citations issued	1,879	1,437	1,385	1,285	1,069	1,555	1,757	982	1,203	2,517
Parking citations issued	1,531	960	1,938	1,947	2,559	2,266	3,138	2,431	1,879	1,338
Municipal code violations issued	580	21	25	56	161	109	103	25	115	116
<b>Public Works:</b>										
Crack sealing in lineal feet	53,326	56,984	66,290	98,136	2,112	113,784	101,040	110,000	174,040	-
Street sign installed and replaced	1,042	117	1,361	511	949	596	457	100	320	1,025
<b>Recreation:</b>										
Classes/programs	1,604	1,714	1,821	2,675	2,738	2,713	2,107	2,349	2,724	1,803
Facility rentals	4,010	2,462	3,106	2,702	3,501	5,648	5,378	5,927	4,141	4,044
Field/gymnasium permits	2,774	2,415	3,658	3,388	2,945	4,509	2,795	3,433	3,556	3,109
<b>Planning:</b>										
Plan applications submitted	318	335	404	510	716	757	800	675	686	988
<b>Building:</b>										
Permits issued	1,711	1,706	1,690	1,817	1,757	1,751	1,927	1,769	1,795	1,939
Plan checks submitted	455	537	560	636	649	582	599	619	569	619
Inspections	5,788	6,203	7,108	6,631	7,682	7,227	7,517	6,445	6,479	7,967
<b>Sewer:</b>										
Cleaning and flushing in lineal feet	434,250	596,006	852,453	777,285	667,415	683,552	759,456	585,273	713,795	585,095
<b>Storm Drain:</b>										
Catch basin/storm drain cleaned (measured in storm inlets cleaned)	2,823	3,038	1,583	1,202	1,898	1,350	1,350	1,350	1,350	1,350

Source: City of Los Altos Quarterly Reports.

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

Note:

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

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

Function/Program	FISCAL YEAR									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Public Safety</b>										
Police Station	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2
<b>Recreation:</b>										
Number of Parks	10	10	10	10	10	10	10	10	10	10
Park Acreage	38	38	38	38	38	38	38	38	38	38
Number of Libraries	2	2	2	2	2	2	2	2	2	2
Number of History Museum	1	1	1	1	1	1	1	1	1	1
<b>Maintenance Services</b>										
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	16	16
<b>Sewer:</b>										
Miles of Sewer Mains	141	141	141	141	141	141	141	141	141	141
<b>Storm Drain:</b>										
Miles of Storm Drain Mains	58	58	58	58	58	58	58	58	58	58

Source:  
 City of Los Altos

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

Non-City Obligation Debt  
Special Assessment Debt Service

Fiscal Year	Avalon Dr. Curb & Gutter			Raymundo Curb & Gutter			Blue Oak Lne Sewer			Total Special Assessment Debt Service			
	Special	Principal	Interest	Special	Principal	Interest	Special	Principal	Interest	Special	Principal	Interest	Coverage
2009-10	\$ 13,233	\$ 7,000	\$ 5,873	\$ 27,873	\$ 15,000	\$ 10,532	\$ -	\$ -	\$ -	\$ 41,106	\$ 22,000	\$ 16,405	1.07
2010-11	27,091	7,000	2,639	26,981	16,000	9,812	51,376	-	34,614	105,448	23,000	47,065	1.50
2011-12	27,091	8,000	2,204	27,216	16,000	9,068	48,104	12,880	34,490	102,411	36,880	45,762	1.24
2012-13	27,091	8,000	1,740	27,405	17,000	8,300	42,960	10,000	31,900	97,456	35,000	41,940	1.27
2013-14	10,044	8,000	1,276	27,341	18,000	7,487	46,491	10,000	31,629	83,876	36,000	40,392	1.10
2014-15	-	18,620	783	27,216	19,000	6,626	50,280	15,000	31,241	77,496	52,620	38,650	0.85
2015-16	-	-	-	29,592	20,000	5,719	48,024	15,000	30,741	77,616	35,000	36,460	1.09
2016-17	-	-	-	26,192	21,000	4,766	51,709	15,000	30,197	77,901	36,000	34,963	1.10
2017-18	-	-	-	26,217	21,000	3,790	49,802	15,000	29,610	76,019	36,000	33,400	1.10
2018-19	-	-	-	28,537	22,000	2,790	48,378	15,000	28,971	76,915	37,000	31,761	1.12

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.