TOWN OF LOS ALTOS HILLS

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2019

Town of Los Altos Hills, California

PREPARED BY

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

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# INTRODUCTORY SECTION

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# Letter of Transmittal

December 19, 2019

To the Residents of the Town of Los Altos Hills,
Honorable Mayor and Members of the City Council

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Los Altos Hills, California (Town), for the fiscal year ended June 30, 2019. This report was prepared in accordance with accounting principles generally accepted in the United States of America and contains information to help readers gain a reasonable understanding of the Town's financial activities.

The responsibility for the accuracy of the information and the completeness and fairness of the presentation, including all disclosures, rests on the Town's management. To the best of our knowledge, we believe that the information reported is accurate in all material respects and its presentation fairly shows the financial position and the results of the Town's operations. In providing a reasonable basis for making these representations, management has established a thorough internal control system designed to protect the government's assets from loss, theft, or misuse and to compile necessary information for preparing the Town's financial statements.

The CAFR is presented in three major sections that provide introductory, financial as of June 30, 2019, and statistical information about the Town. The introductory section includes this transmittal letter, the Town's organizational chart and a list of the Town's principal officials. The financial section includes the independent auditor's report, basic financial statements, notes to basic financial statements, required supplementary information and supplementary information on nonmajor funds. The statistical section, which is unaudited, includes selected financial and demographic information.

Maze & Associates, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the Town's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A presents a comparative analysis of current and prior year results, changes in financial position, financial highlights, trends and disclosure of any known significant events or decisions that affect the financial condition of the Town. This transmittal letter complements the MD&A and should be read in conjunction with it.

## Town Profile

The Town of Los Altos Hills is a residential community located in Santa Clara County, California. It is about 18.6 miles northwest of San Jose and 38.5 miles southeast of San Francisco. The Town was incorporated on January 27, 1956. The Town encompasses 9 square miles and has influence on an additional 5.2 square miles

of unincorporated land adjacent to the Town's boundaries. The "Sphere of Influence", maintains over 60 miles of pathways and 100 acres of open space.

The Town operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing City Council, which consists of five Councilmembers. City Council members are elected in overlapping four-year terms and, from amongst themselves, appoint a Mayor and Vice Mayor every December. The Council is responsible for passing ordinances, adopting the budget, appointing Planning Commission and Volunteer Committee members, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the Town, and appointing the Town staff.

The Town provides a full range of essential services through a combination of in-house staff and contract services. Services provided by the Town's 23.2 full-time equivalent employees include planning, engineering, building inspection, maintenance of public infrastructure, recreation, limited parks, open space maintenance and general management. Partnership with neighboring cities, counties and special districts are utilized to provide law enforcement services, fire services, sewer conveyance and treatment, water services and technology support. The Town also entered into public-private partnership in areas of code enforcement, trash collection, payroll services, staff augmentation and Westwind Barn management.

The cost to provide these essential services are reviewed annually as part of the Town's operating and capital budget process. The annual budget serves as the foundation for the Town's financial planning, monitoring and control. All departments of the Town are required to submit requests for appropriation to the City Manager each spring. The City Manager reviews these requests and develops a proposed budget. Prior to June 30 of each year, the City Manager submits to the City Council a proposed operating and capital improvement budget for review. The Council holds public hearings and a final budget is adopted on or before June 30.

Budgetary reviews and controls are applied as described in the Notes to Required Supplementary Information on page 80. Budget to actual comparisons are provided in this report for each governmental fund for which an annual budget has been adopted. For the General Fund, this comparison is presented on page 74 as part of the required supplementary information. For governmental funds other than the General Fund, this comparison is presented in the Combining Statements and Individual Fund Statements section of this report, starting on page 86.

Throughout the year, the Administrative Services Department monitors economic changes that may affect the Town's revenue stream, coordinates with departments in identifying changing needs and demands, and presents budget adjustments to the City Council as part of the mid-year review. Public inputs are filtered through the Town's standing committees and to staff liaisons. These inputs are considered in the development of the budget and presented to the City Council for consideration as part of the budget review and throughout the year as separate Council action items.

## Los Altos Hills Financial Outlook

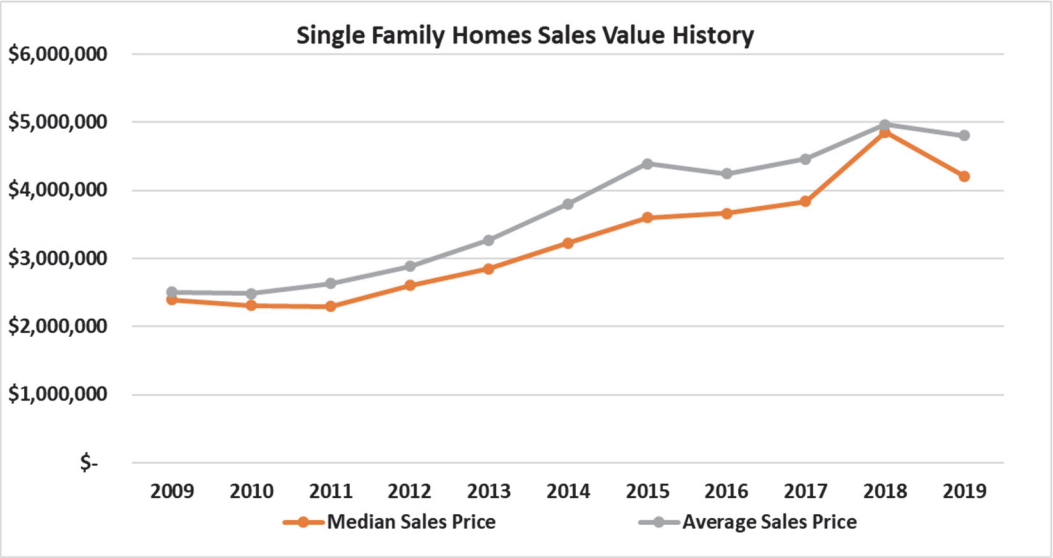
As shown in the Basic Financial Statements, starting on page 22, the Town is financially healthy. As of June 30, 2019, the Town has no outstanding debt, the unfunded pension liability per CalPERS Actuary is estimated at $1.9 million, and the total unrestricted fund balance is $17.4 million, of which $8.8 million is unassigned and available to meet current and future liabilities. The combination of strong local economy increase in assessed property value, healthy building improvement activity, and hold-the-line spending philosophy are the reasons for the current year overall increase in total town-wide net position.

In contrast to published reports about municipal finances nationwide, the Town's finances are in good condition. However, pension cost spending and pension liabilities continue to substantially increase based on updated actuarial studies by CalPERS. These updated actuarial studies by CalPERS anticipate lower long-term investment earnings, increasing employee compensation, a longer life span, and earlier retirement. The Town has addressed these changes by complying with PEPRA new pension benefits for new employees, increasing employee participation in pension costs, and making voluntary payments to partially retire long-term pension liabilities. The following initiatives were taken during calendar year 2019: a discretionary pension liability retirement payment was made to PARS 115 Trust in the amount of $200,000. The Town's expectation that past service pension cost increases have not yet been included in the CalPERS published employer liabilities. The Town's OPEB liability is nearly funded and management will request reimbursements from our third-party administered OPEB in the following fiscal year. The Notes to Financial Statements provide detailed information regarding the Town's pension and OPEB obligations.

## The Economy and Its Impact

Los Altos Hills has twelve non-residential properties and approximately 3,000 single-family residential properties. The twelve non-residential properties are Fremont Country Club, Purissima Hills Water District, El Monte Fire Station, Town Hall, Foothill College, four religious institutions, and three schools. With no commercial base, Los Altos Hills' primary revenue sources are property tax and development permit revenues from private development.

Based on the most recent Property Tax Analysis performed by HdL, the local real estate market continues to improve. While home sales volume stays flat, home price continues to rise year over year. During the first 2 months of 2019, the Town's median sale price of single-family residential homes decreased 13.30 percent to $4,205,000 (from $4,850,000 for calendar year 2018). This is a 68 percent increase over the median price reported in the peak of the real estate bubble in 2008 ($2,500,000).




Results Region-wide were similar. In August 2019, the median price of home sales in Santa Clara County was $1,200,000, or 60 percent increase over the peak median price for Santa Clara County before the recession ($750,000).

Property tax revenues are generally one year behind the housing market. The property valuation used to calculate tax revenues is based on price of homes sold in the previous year. The Town's 2018-2019 net taxable assessed value is projected to be $8.5 billion based on Santa Clara County's data. As a result, the Town's property tax revenue is expected to be $5.1 million in 2019-2020. Staff closely monitors the County Controller-Treasury Office's property tax revenue projection to ensure the Town's revenue projection incorporates the most recent data.

California SB 107 shifts a portion of the assessed property tax from the County of Santa Clara to Los Altos Hills. The Town received approximately $275,000 in fiscal year 2019. The Town anticipates receiving $319,000 in the upcoming fiscal year.

## Long-Term Financial Planning and Financial Policies

Town management develops a five-year financial projection for all city funds, covering all foreseeable elements of revenues and expenditures. This practice allows the Town to identify potential fiscal challenges early on and gives it time to plan strategically to weather economic cycles and provide stable and consistent services to its residents.

For capital projects, the Town maintains a five-year capital improvement plan which is updated annually. This plan provides a long-term forecast of identified capital improvement projects and serves as a tool for the town management and City Council to plan, prioritize and monitor the Town's capital projects. A Town Hall addition is planned for approximately $3.5 million in the next year.

The Town has established a reserve policy to set aside unrestricted general fund balance for pension, operating contingency, disaster contingency and technology / equipment replacement reserves. The Town plans to expand and refine the reserve policy in the coming years.

## Award and Acknowledgement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Los Altos Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. 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 GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report 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.

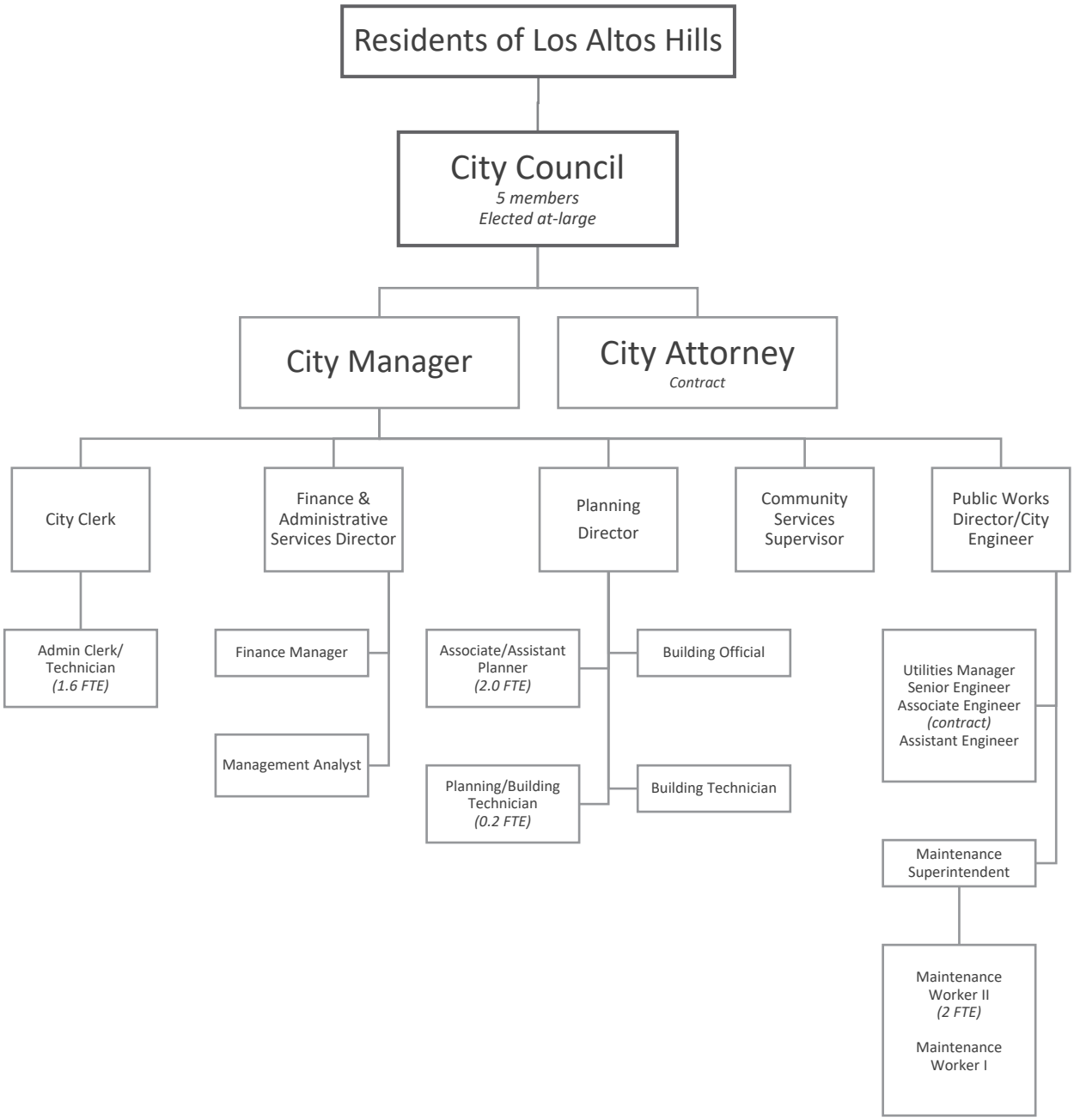
Preparation of this CAFR is not possible without the hard work of the entire Finance and Administrative Services Department.

In closing, we would also like to thank the City Council and the Finance and Investment Committee for their continued interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

Carl Cahill
City Manager

# Town Organizational Chart



# Town Officers

| City Council | Term Expires |
| --- | --- |
| Roger Spreen, Mayor | November 2020 |
| Michelle Wu, Vice Mayor | November 2020 |
| Courtenay Corrigan | November 2020 |
| Kavita Tankha | November 2022 |
| George Tyson | November 2022 |

## City Council Appointed

Carl Cahill, City Manager

Steve Mattas, City Attorney (contract)

## City Manager Appointed

Steve Padovan, Interim Planning Director

Dave Sherwood, Administrative Services Director

Nichol Bowersox, Public Works Director & City Engineer

Deborah Padovan, City Clerk

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Town of Los Altos Hills**

**California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2018**

Christopher P. Morrill

Executive Director/CEO

# FINANCIAL SECTION

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MAZE & ASSOCIATES

# INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council
Los Altos Hills, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Los Altos Hills, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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. 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 Town'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 Town'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 Town 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.

**Accountancy Corporation**
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***Other Matters***

*Required Supplemental Information*

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

*Other Information*

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

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Maze + Associates

Pleasant Hill, California
December 16, 2019

# Management's Discussion and Analysis

## For the Year Ended June 30, 2019

As the management of the Town of Los Altos Hills, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Los Altos Hills for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

### FINANCIAL HIGHLIGHTS

Town-Wide Financial Highlights:

- *Net Position* – The Town's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2019 by $52.2 million (net position). Of this amount, $17.4 million was reported as unrestricted net position, which may be used to meet ongoing obligations to citizens and creditors.
- *Changes in Net Position* – The Town's total net position increased by $3.7 million as reflected in the government-wide statement of activities. Net position of governmental activities increased by $2.6 million, primarily due to increases in general revenues related to property and other taxes. Net position of business-type activities increased by $1 million, reflecting this year's net income from the Sewer operations resulting from the increases in the sewer fee required to support increased capital and operating expenses.
- *Cash and investments* at June 30, 2019 totaled $24.1 million, of which $20.3 million was classified as government activities and $3.8 million was under the business-type activities category (Sewer). The Town's cash and investments increased $2.2 million, or 9.8 percent as compared to the prior year, due to higher property tax revenue, investment income, miscellaneous income and increasing deposits.
- *Accounts payable and other current liabilities* at June 30, 2019 was $4.8 million. Of this amount, $638,106 was reported in the Sewer Fund. There is no long-term bonded debt outstanding at the close of the fiscal year.

Fund Highlights:

- *Governmental Funds – Fund Balances* – At the close of fiscal year, the Town's governmental funds reported a combined fund balance of $16 million, an increase of $2.1 million or 15% from the prior year. Of the total, $8.8 million, or 55% of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- *General Fund* unassigned fund balance at June 30, 2019 was $8.8 million, an increase of $587,661, or 7.1 percent over the previous year. Increasing reserves are due because the revenue exceeded expenses and reserve levels maintained were unchanged.
- *Sewer Fund* unrestricted net position at June 30, 2019 was $3.1 million, increased by $482,321 (or 18%) from the prior year. Charges for services increased by $87,622, or 3% over the previous year primarily due to increases in the sewer fee.

Other Highlights

- Pension – For funding purpose, the change will affect the contribution rates beginning in fiscal year 2018-19 and result in increases to the normal costs and payments for unfunded actuarial liabilities. At the close of this fiscal year, the Town's net pension liability decreased from $3.4 million to $1.9 million. The decrease is due to primarily to the $1.3 million prepayment the Town made to CalPERS last year.
- OPEB – The Town's CERBT Trust is nearly fully funded and recent market gains have exceeded the assumed discount rate. It is likely that the fund can now generate the necessary returns to fully meet OPEB obligations in the future. The market gains currently have exceeded the discount rate and are able to fund the increase in the service cost. Management will start requesting reimbursements from the Trust Account to pay our current OPEB expenses in the following fiscal year.
- Reserves – Each year, the City Council reviews the current committed and assigned reserves and updates the balances of these reserves as necessary. Any changes are adopted by resolution of the City Council. For fiscal year 2019, changes have been reflected in the accompanying financial statements. The general fund unassigned fund balance has been reclassified to reflect these changes to committed reserves.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements, which consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements such as this discussion and analysis.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the Town of Los Altos Hills' 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 Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town'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 result in cash outflows in future fiscal periods, for example, earned but unused vacation leave. These government-wide financial statements begin on page 22 of this report.

### 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 Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town 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 assessing 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 the 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 Town maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Street Capital Projects Fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Town adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The budgetary comparison schedule for the General Fund can be found on page 74.

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

***Proprietary Funds.*** The Town maintains two different types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for the central town services, corporation yard services, and the repair and replacement of equipment and vehicles. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer operations.

The basic proprietary fund financial statements can be found on page 32 of this report.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town maintains an agency fund, which is used to report resources held by the Town in a custodial capacity for the West Loyola Special Assessment District, and PARS 115 Trust Fund, which accounts for assets

that the Town has invested in a trust for prefunding pension related liabilities. The fiduciary fund financial statements can be found on page 36 of this report.

***Notes to the Financial Statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-71 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 Town's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 74-80 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 86-91 and the Statistical Section follows on page 96**.**

## GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

### Net Position

As noted above, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Los Altos Hills, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $48.5 million at the close of the fiscal year.

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **ASSETS** | | | | | | |
| Current and other assets | $ 21,053,183 | $ 18,881,555 | $ 3,885,132 | $ 3,495,185 | $ 24,938,315 | $ 22,376,740 |
| Noncurrent assets | 6,484 | - | 46,944 | 6,756,311 | $ 53,428 | $ 6,756,311 |
| **Total assets** | 21,059,667 | 18,881,555 | 3,932,076 | 10,251,496 | $ 24,991,743 | $ 29,133,051 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 1,567,123 | 2,440,472 | 94,098 | 142,777 | $ 1,661,221 | $ 2,583,249 |
| **LIABILITIES** | | | | | | |
| Current liabilities | 4,176,565 | 4,037,139 | 638,106 | 801,420 | $ 4,814,671 | $ 4,838,559 |
| Noncurrent liabilities | 2,067,160 | 3,598,498 | 126,536 | 213,140 | $ 2,193,696 | $ 3,811,638 |
| **Total liabilities** | 6,243,725 | 7,635,637 | 764,642 | 1,014,560 | $ 7,008,367 | $ 8,650,197 |
| **DEFERRED INFLOWS OF RESOURCES** | 933,649 | 441,929 | 56,126 | 28,183 | $ 989,775 | $ 470,112 |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | 26,305,865 | 25,898,305 | 7,264,306 | 6,704,180 | $ 33,570,171 | $ 32,602,485 |
| Restricted | 1,229,812 | 192,287 | - | - | $ 1,229,812 | $ 192,287 |
| Unrestricted | 14,219,604 | 13,052,174 | 3,205,406 | 2,647,350 | $ 17,425,010 | $ 15,699,524 |
| **Total net position** | 41,755,281 | 39,142,766 | 10,469,712 | 9,351,530 | $ 52,224,993 | $ 48,494,296 |

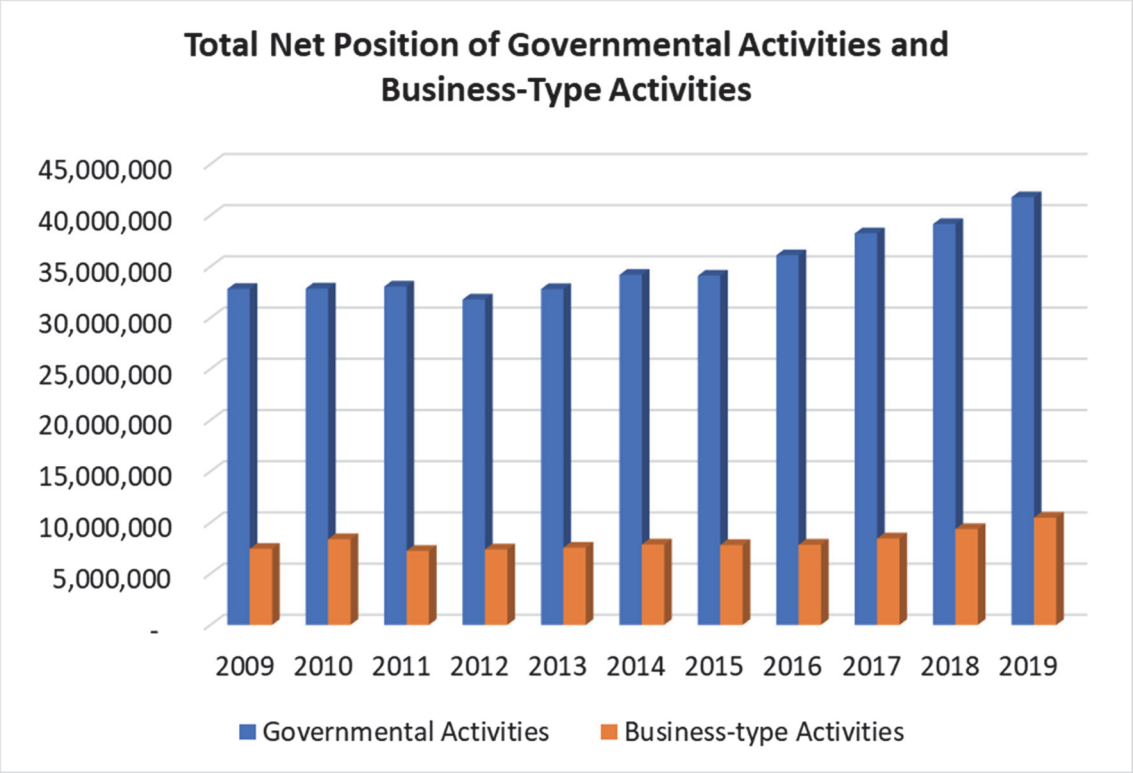
The government's overall net position increased by $3,730,697, during the current fiscal year compared to an increase of $1,823,303 in the prior fiscal year. The increase resulted primarily from additional property

and other tax revenues received that were higher than prior year and increased sewer charges for services. As an offset to increased revenues.

The largest portion of the Town's net position, 59 percent, reflects its investment in capital assets – land, buildings, machinery, equipment and infrastructure. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town's net position represents $1,229,812 of restricted resources that are subject to external restrictions as to how they may be used. These includes in-lieu fees collected on parks, grants and restricted donations. The remaining balance of $17,425,010 is unrestricted and may only be used to meet the government's ongoing services to citizens and operational needs. Of this amount, $3,129,671 may only be used to meet sewer related obligations.

At June 30, 2019, the Town is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. Total net position has increased or remained consistent over the most recent ten years for governmental activities and business-type activities as illustrated in the graph below. The Town of Los Altos Hills has maintained a stable financial position.




## Changes in Net Position

The following schedule reflects the net changes in net position for the fiscal years 2019 and 2018. The Town's overall net position increased by $3,730,697 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

## Town of Los Altos Hills
## Statement of Activities and Changes in Net Position

| | Year Ended June 30, 2019 | | | Year Ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| **Revenues** | | | | | | |
| Program revenues | | | | | | |
| Charges for services | $ 4,379,764 | $ 3,005,050 | $ 7,384,814 | $ 4,660,824 | $ 2,917,428 | $ 7,578,252 |
| Operating grants and contributions | 230,351 | - | 230,351 | 194,053 | - | 194,053 |
| Capital grants and contributions | 185,744 | 98,183 | 283,927 | 94,031 | 130,930 | 224,961 |
| Total program revenues | 4,795,859 | 3,103,233 | 7,899,092 | 4,948,908 | 3,048,358 | 7,997,266 |
| General revenues | | | | | | |
| Property taxes | 6,385,652 | - | 6,385,652 | 5,721,224 | - | 5,721,224 |
| Motor vehicle license tax | 56,884 | - | 56,884 | 57,572 | - | 57,572 |
| Other taxes | 466,062 | - | 466,062 | 667,037 | - | 667,037 |
| Franchise fees | 530,991 | - | 530,991 | 579,333 | - | 579,333 |
| Rental income | - | - | - | 218,816 | - | 218,816 |
| Investment income | 530,582 | 76,210 | 606,792 | 32,349 | 6,642 | 38,991 |
| Other unrestricted revenue | 334,139 | - | 334,139 | 39,051 | 3,220 | 42,271 |
| Gain on disposal of capital assets | - | - | - | 5,885 | - | 5,885 |
| Total general revenues | 8,304,310 | 76,210 | 8,380,520 | 7,321,267 | 9,862 | 7,331,129 |
| **Total revenues** | 13,100,169 | 3,179,443 | 16,279,612 | 12,270,175 | 3,058,220 | 15,328,395 |
| **Expenses** | | | | | | |
| General government | 2,477,572 | - | 2,477,572 | 2,459,576 | - | 2,459,576 |
| Public safety | 2,388,908 | - | 2,388,908 | 2,194,391 | - | 2,194,391 |
| Community development | 2,768,476 | - | 2,768,476 | 2,894,119 | - | 2,894,119 |
| Public works | 2,001,602 | - | 2,001,602 | 1,669,907 | - | 1,669,907 |
| Parks and recreation | 851,096 | - | 851,096 | 1,157,213 | - | 1,157,213 |
| Sewer utilities | - | 2,061,261 | 2,061,261 | - | 2,114,609 | 2,114,609 |
| **Total expenses** | 10,487,654 | 2,061,261 | 12,548,915 | 10,375,206 | 2,114,609 | 12,489,815 |
| **Increase (decrease) in net position before transfers** | 2,612,515 | 1,118,182 | 3,730,697 | 1,894,969 | 943,611 | 2,838,580 |
| Transfers | - | - | - | - | - | - |
| **Change in net position** | 2,612,515 | 1,118,182 | 3,730,697 | 1,894,969 | 943,611 | 2,838,580 |
| **Net position at beginning of year as restated** | 39,142,766 | 9,351,530 | 48,494,296 | 37,247,797 | 8,407,919 | 45,655,716 |
| **Net position at end of year** | $ 41,755,281 | $ 10,469,712 | $ 52,224,993 | $ 39,142,766 | $ 9,351,530 | $ 48,494,296 |

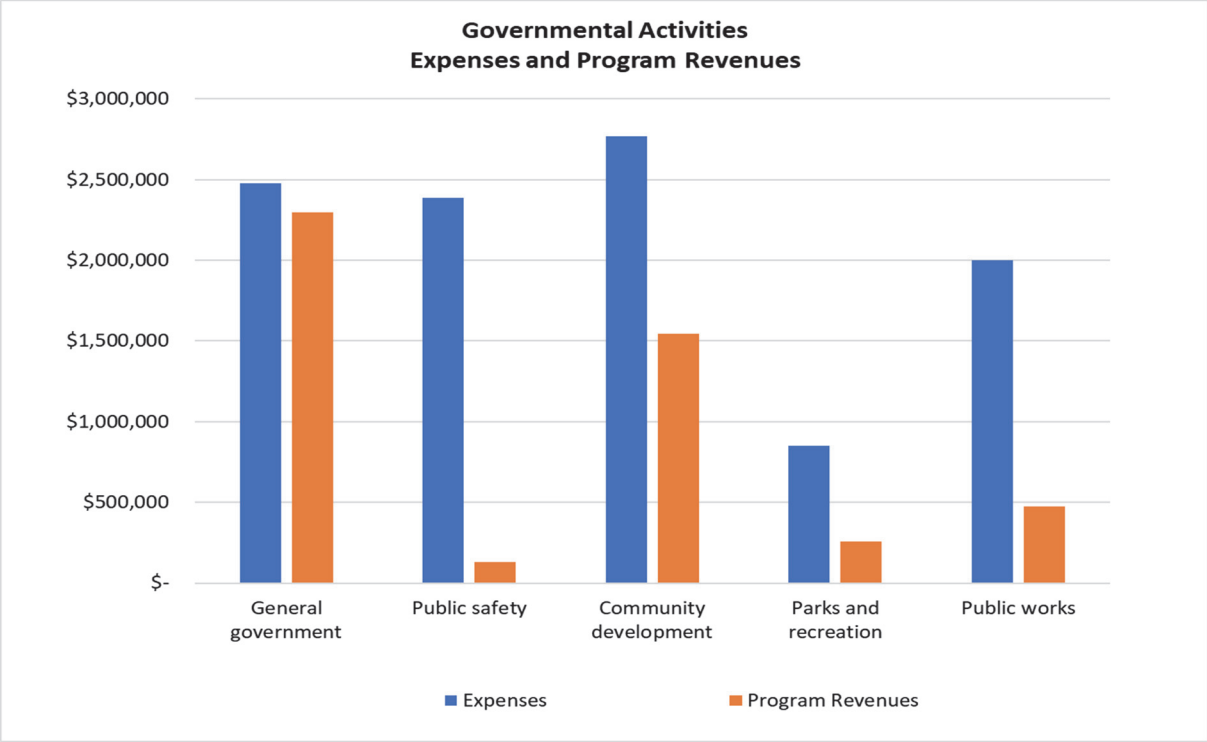
***Governmental Activities***. During the current fiscal year, net position in governmental activities increased by $2,612,515 from the prior fiscal year for an ending balance of $41,755,281.

Major changes in revenues and expenses of governmental activities:

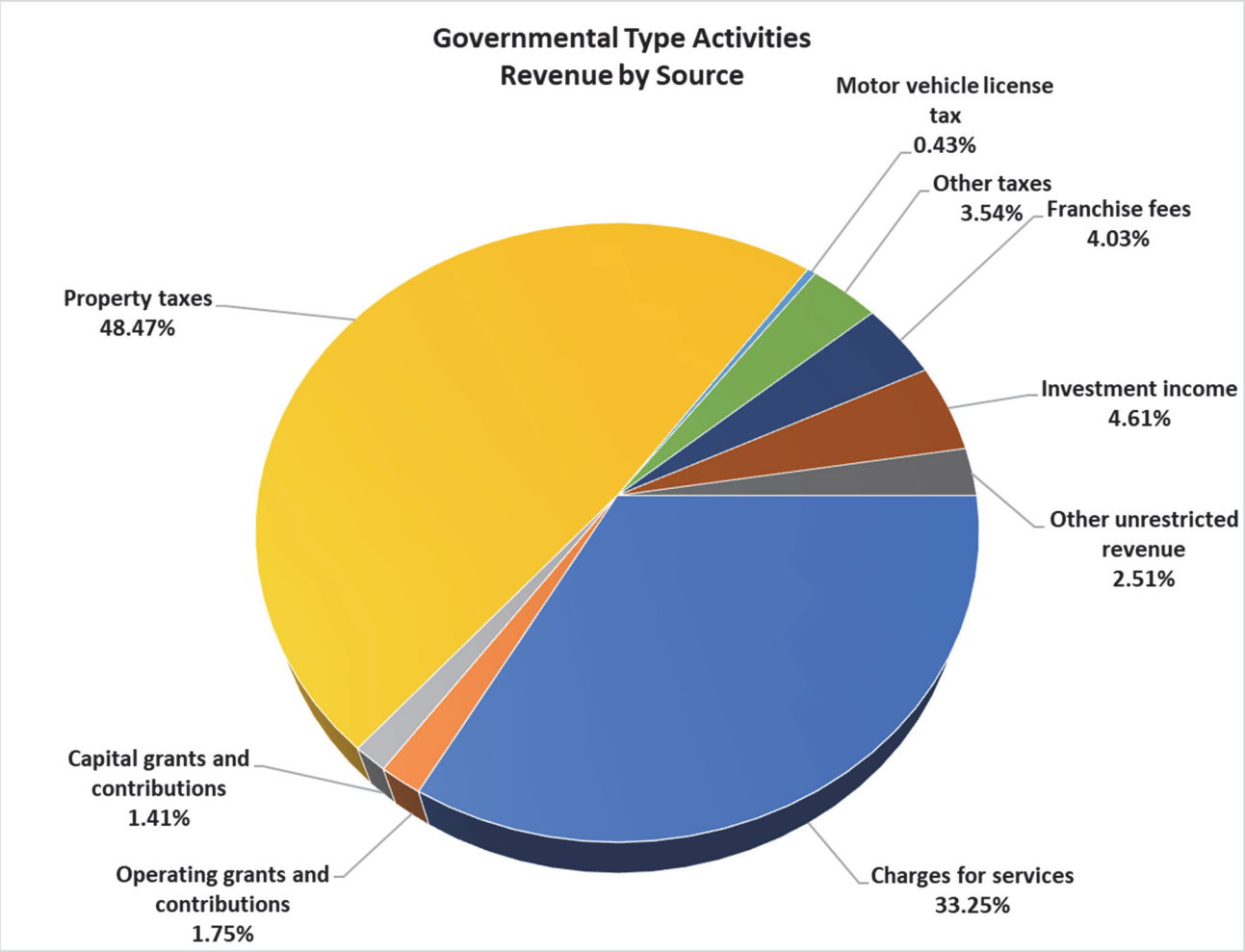
- Property tax and charges for services are the main revenue sources for the Town, accounting for 49% and 33%, respectively, of the total governmental activities' revenues.
- Property tax totaled $6.4 million, an increase of $664,428, or 12%. The increase of property tax revenue is due to strong real estate market and increases in assessed property values.

- Charges for services revenues of $4.4 million decreased by $.3 million, 6% due to less community development activities primarily relating to residential development.
- Other taxes decreased by $200,975 or 30% as the Town has seen decreases in business license tax, real property transfer tax and sales/use tax revenues.
- Franchise fees totaled $530,991, a decrease of $48,342, or 9%, mainly due to recovery of unpaid water franchise fees from prior years.
- Capital grants and contribution revenue increased $58,966 primarily due to prior year grants that were finalized in in the prior fiscal year.
- Total expenses of all governmental activities were $10.5 million for fiscal year 2018-2019, an increase of $112,448, or 1% from the prior year. This increase can be attributed to an increase in public safety for additional hours patrolling the Town through the Town's contract with Santa Clara County Sheriff's office; an additional position added to public works; an increase in contract services for staffing augmentation with planning and building, public works, and administrative services.
- The Town's governmental activities expenses are related to 24% general government; 23% public safety; 26% community development; 19% public works; 8% parks and recreation.

The following graph depicts the expense and program revenues by governmental activities for fiscal year 2019:




The graph below shows the revenues by source for governmental-type activities. Property taxes comprise the largest revenue source at 48.47% of total governmental revenue. Other primary revenue sources include 33.25% for charges for services and 3.54% for other taxes.



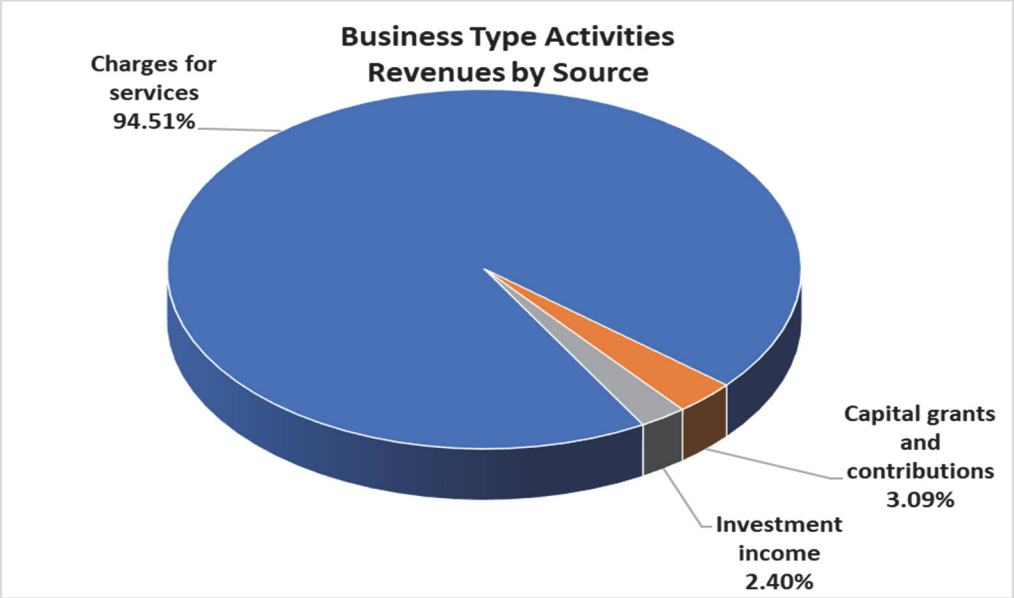

The table below shows the governmental activities total costs of services and costs of net services for fiscal year 2019. This table identifies the cost of these services supported by charges for services, operating grants, and capital grants.

| | Total Cost of Services 2019 | (Benefit) of Services 2019 | % of Total Costs |
|---|---|---|---|
| Governmental activities: | | | |
| General government | 2,477,572 | 471,876 | 23.62% |
| Public safety | 2,388,908 | 2,214,918 | 22.78% |
| Community development | 2,768,476 | 1,222,460 | 26.40% |
| Public works | 2,001,602 | 1,186,573 | 19.09% |
| Parks and recreation | 851,096 | 595,968 | 8.12% |
| Total governmental activities | 10,487,654 | 5,691,795 | 100.00% |

***Business-type Activities.*** Business-type activities increased the Town's net position by $1,042,447. Key elements of this are as follows:

The Town's has one business-type activity that is related 97% to sewer utilities and sewer capital infrastructure. Charges for services accounted for most the Town's total business-type revenues, with charges for services contributing 100% of the total revenues.

Below is a graph depicting the revenues by source for business-type activities. The primary source of revenue is charges for services, which amounted to $ 3,005,050, 3% increase from fiscal year 2018. Other revenue sources include capital grants and contributions and investment income for a total of $98,183.




The business-type activities total costs of services for fiscal year 2019 was $2,061,261 and the net benefits of services was $1,118,182.

## FUND FINANCIAL ANALYSIS

The Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Town's governmental funds are accounted for using the modified accrual basis of accounting. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the Town's governmental funds reported a combined ending fund balance of $16,101,913, an increase of $2,139,140, or an increase of 15% in comparison with the prior fiscal year.

Approximately $8.8 million, or 55% of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable, restricted, committed, or assigned to indicate that it is not available for new spending.

Committed and assigned fund balances primarily consist of reserves for specific future uses. These reserves are approved each year by the City Council during the annual budget process. Other funds that are committed primarily consist of capital project funds. Capital projects are approved by the City Council during the annual budget process for the upcoming fiscal year. For fiscal year 2019, the City Council authorized the committed reserves for an increase of $30,000 to the pension reserve to bring the total reserve up to $1,6000,000. The remaining reserves classified as committed or assigned remained unchanged.

Governmental funds revenues, expenditures, and change in fund balances for the last ten fiscal years can be found under the Statistical Section on pages 104-105 of this report.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was $8,841,955, while total fund balance increase to $12,875,678. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures.

Unassigned fund balance represents approximately 99 percent of total General Fund expenditures of $8.8 million, while total fund balance represents approximately 46 percent of the same amount. The ratios indicate that the Town's unassigned fund balance can support General Fund operations for most of the entire year without additional revenue sources.

The fund balance of the Town's General Fund increased by $1,146,384 during the current fiscal year. This increase is primarily attributable to property tax, charges for services, and investment income.

General Fund Revenues for the year ended June 30, 2019 totaled $12,043,273 increased by $787,878, or 7%. The following chart summarizes revenues in major categories with two-year comparison:

| | | | Increase(Decrease) | |
|---|---|---|---|---|
| | 2019 | 2018 | $ Variance | % Variance |
| Property taxes | $ 6,385,652 | $ 5,721,224 | $ 664,428 | 11.61% |
| Taxes other than property | $ 466,062 | 667,037 | $ (200,975) | -30.13% |
| Franchise fees | $ 530,991 | 579,333 | $ (48,342) | -8.34% |
| Licenses and permits | $ 1,060,772 | 1,246,623 | $ (185,851) | -14.91% |
| Intergovernmental | $ 50,965 | 41,460 | $ 9,505 | 22.93% |
| Investment income | $ 474,421 | 29,825 | $ 444,596 | 1490.68% |
| Charges for services | $ 853,059 | 1,112,702 | $ (259,643) | -23.33% |
| Interfund charges | $ 1,748,699 | 1,632,812 | $ 115,887 | 7.10% |
| Rental income | $ 107,653 | 167,096 | $ (59,443) | -35.57% |
| Miscellaneous | $ 364,999 | 57,283 | $ 307,716 | 537.19% |
| Total general fund revenues | $ 12,043,273 | $ 11,255,395 | $ 787,878 | 7.00% |

The increase or decrease in revenue sources in the General fund as compared to prior fiscal year are primarily attributable to the following:

- Property tax increased to $6.4 million, up 11.6 percent, during fiscal year 2019. This increase was driven by increase in single family home assessed value through property transfers, reversal of

Proposition 8 valuation adjustment, and the shift of property tax from County of Santa Clara to the Town per the Tax Equality Allocation (SB 107).

- Taxes other than property totaled $466,062, decreased by $200,975 or 30 percent, as compared to the prior year. This decrease is primarily attributable to other taxes (real property tansfer tax, sales and use tax, and public safety sales tax) has not been consistant as in the prior year.
- Franchise fees decreased by $48,342 or 8.34% during the current fiscal year and will change will the implementation of the new garbage contract.
- Licenses and permits totaled $1,060,772, a decrease of $185,851, or 15% from the prior year. Licenses and permits are assessed on building permits and as shown on page 110 of the Statistical Section, total valuation for new homes, additions and remodels. Dependent upon the total number of permits issued, this revenue stream can fluctuate year over year.
- Intergovernmental revenue totaled $50,965, an increase of $9,505 or 23 percent from the prior year. Intergovernmental revenue includes vehicle code fines, AB 939 fees, and abandoned vehicle recovery. These revenues will fluctuate based on timing of payments and the amount of fees and recovery collected during the year.
- Investment income totaled $550,156, an increase of $520,331 over 100 percent from prior year. Investment income includes interest earned on accounts (i.e. checking), interest earned on investments, realized gain / losses on investments, and unrealized gain / losses on investments. The Town recognized greater interest income in the current fiscal year than in the prior year.
- Charges for services totaled $853,059, a decrease of $259,643 or 23%. Charges for services include various fees charged for Town services including administrative, community development, public works, parks and recreation, and engineering. These will fluctuate year over year depending upon the services provided throughout the year.

| | | | Increase(Decrease) | |
|---|---|---|---|---|
| | 2019 | 2018 | $ Variance | % Variance |
| General government | $ 2,113,083 | $ 1,978,198 | $ 134,885 | 6.82% |
| Public safety | 1,836,016 | 1,366,163 | 469,853 | 34.39% |
| Community development | 2,642,159 | 2,540,126 | 102,033 | 4.02% |
| Public works | 1,632,329 | 1,678,516 | (46,187) | -2.75% |
| Parks and recreation | 742,986 | 722,696 | 20,290 | 2.81% |
| Nondepartmental - additional pension payments | - | 1,660,209 | (1,660,209) | 100.00% |
| **Total general fund expenditures** | $ 8,966,573 | $ 9,945,908 | $ (979,335) | -9.85% |
| | $ 8,966,573 | $ 8,285,699 | $ 680,874 | 8.22% |

Without the additional payments to the Town's unfunded pension liability, the General Fund's expenditures increased by $680,874, or 8% as compared to the prior year. Community development's expenditures increased mainly due to increases in contract services for building official, planning technician, and code enforcement.

The net between revenues and expenditures was $3.1 million before $1.9 million in transfers to other funds. Transfers to other funds consist of capital projects to support capital improvement needs.

The Street Capital Project Fund is classified as a major fund for the Town. The Streets Capital Project Fund had an increase of $376,476 in fund balance during the current fiscal year and the ending fund balance is $745,050 at June 30, 2019.

| | 2019 | 2018 | Increase(Decrease) $ Variance | Increase(Decrease) % Variance |
|---|---|---|---|---|
| Intergovernmental | | | | |
| Gas taxes | $ 171,601 | $ 144,791 | $ 26,810 | 18.52% |
| SB1 Road Maintenance Rehab | 157,122 | 60,408 | 96,714 | 160.10% |
| Traffic congesion relief | 9,662 | 33,623 | (23,961) | -71.26% |
| Vehicle registration | 52,769 | 53,027 | (258) | -0.49% |
| Charges for services | 147,278 | 60,551 | 86,727 | 143.23% |
| Transfers in | 1,295,405 | 1,610,052 | (314,647) | -19.54% |
| Total revenues | 1,833,837 | 1,962,452 | (128,615) | -6.55% |
| Less: Capital Outlays | (1,457,361) | (1,974,629) | 517,268 | -26.20% |
| Net change in Streets Capital Improvement fund | $ 376,476 | $ (12,177) | $ 388,653 | -3191.70% |

Revenue sources for the street capital improvement program are limited. Current year revenues totaled $538,432, increased by $186,032, or 52.79% primarily due to SB1 road maintenance rehabilitation intergovernmental revenues received in 2019 that were not received in fiscal year 2018. Total spending was $1,457,361 for the annual street rehabilitation projects.

## Proprietary Funds

The Town proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds currently include an enterprise fund (Sewer Fund) and an internal service fund.

The Town's Sewer Fund provides sanitary sewer services to roughly half of the parcels within the jurisdiction. Service fees are collected annually on the property tax roll. In May 2015, the City Council approved a sewer rate increase, 39% increase for 2015-16; 39% increase for 2016-17; then 3% increase each year for 2017-18, 2018-19, and 2019-20. The increase in revenues will help the Town make improvements and perform routine preventive measures on the Town's aging sewer infrastructure. In 2019-20, the City Council approved a sewer rate study to be conducted along with the Cost Allocation Plan which may change the sewer rates in the upcoming years.

Unrestricted net position for the sewer utilities enterprise fund at the end of the fiscal year was $3,205,406. Total growth in net position for sewer utilities enterprise fund was $98,183. Total sewer operating revenues increased by $84,402, or 2.89%, while sewer operating expenses decreased by $53,348 or 2.52%. Included in sewer operating expenses are interfund charges for town center allocations, vehicle and equipment allocations, corporate yard allocations, and overhead allocations. Total interfund allocations increased by $15,197 or 5.6%, as compared to the prior fiscal year. Sewer connection fees decreased by $32,747 or 33%.

The overall change in net position is primarily attributable to lower expenses combined with moderate increased revenue.

**Sewer Utility Enterprise Fund**
**Statement of Revenues, Expenses, and Changes in Fund Net Position**

| | | | Increase(Decrease) | |
|---|---|---|---|---|
| | 2019 | 2018 | $ Variance | % Variance |
| **Operating Revenues** | | | | |
| Sewer assessment charges | $ 3,005,050 | $ 2,917,428 | $ 87,622 | 3.00% |
| Other | - | 3,220 | (3,220) | -100.00% |
| **Total Operating Revenues** | 3,005,050 | 2,920,648 | 84,402 | 2.89% |
| **Operating Expenses** | | | | |
| Salaries and benefits | 187,293 | 26,241 | 161,052 | 613.74% |
| Contract services - treatment plants | 822,836 | 890,814 | (67,978) | -7.63% |
| Professional services | 175,273 | 422,500 | (247,227) | -58.52% |
| Support goods and services | 8,105 | 7,833 | 272 | 3.47% |
| Repairs and maintenance | 379,499 | 321,657 | 57,842 | 17.98% |
| Utilities | 6,930 | 5,480 | 1,450 | 26.46% |
| Interfund charges: | | | | |
| Town center allocation | 17,026 | 22,762 | (5,736) | -25.20% |
| Vehicle and equipment allocation | 8,022 | 13,083 | (5,061) | -38.68% |
| Corp Yard allocation | 38,544 | 34,840 | 3,704 | 10.63% |
| Overhead allocation | 222,831 | 200,541 | 22,290 | 11.11% |
| Depreciation | 194,902 | 168,858 | 26,044 | 15.42% |
| **Total Operating Expenses** | 2,061,261 | 2,114,609 | (53,348) | -2.52% |
| Earnings from operations | 943,789 | 806,039 | 137,750 | 17.09% |
| **Nonoperating Revenues (Expenses)** | | | | |
| Capital contributions - sewer connection fees | 98,183 | 130,930 | (32,747) | -25.01% |
| Investment income | 76,210 | 6,642 | 69,568 | 1047.40% |
| **Nonoperating Revenues (Expenses), net** | 174,393 | 137,572 | 36,821 | 26.76% |
| Change in net position | 1,118,182 | 943,611 | 174,571 | 18.50% |
| **Net Position**, beginning of year as restated | 9,351,530 | 8,407,919 | 943,611 | 11.22% |
| **Net Position**, end of year as restated | $ 10,469,712 | $ 9,351,530 | $ 1,118,182 | 11.96% |

Unrestricted net position for the internal service fund at the end of the fiscal year was $858,471. Total increase in net position for the internal service fund was $27,340, or 826.16%, as compared a decrease of $3,765 in the prior fiscal year. Total operating revenues consist of interfund charges for services. These operating revenues decreased by $162,914, or 20.84% as compared to prior fiscal year. Operating expenses decreased by $201,292, or 25.39%, as compared to prior year.

**Internal Service Fund**
**Statement of Revenues, Expenses, and Changes in Fund Net Position**

| | | | Increase(Decrease) | |
|---|---|---|---|---|
| | 2019 | 2018 | $ Variance | % Variance |
| **Operating Revenues** | | | | |
| Interfund Charges for Services | | | | |
| Town Hall services | $ 392,298 | $ 524,481 | $ (132,183) | -25.20% |
| Corporate Maintenance Yard services | 154,176 | 139,361 | 14,815 | 10.63% |
| Vehicle services | 72,202 | 117,748 | (45,546) | -38.68% |
| **Total Operating Revenues** | 618,676 | 781,590 | (162,914) | -20.84% |
| **Operating Expenses** | | | | |
| Salaries and benefits | 146,730 | 123,379 | 23,351 | 18.93% |
| Professional services | 49,622 | 49,880 | (258) | -0.52% |
| Support goods and services | 101,398 | 104,009 | (2,611) | -2.51% |
| IT support and maintenance | 166,677 | 159,744 | 6,933 | 4.34% |
| Repairs and maintenance | 124,859 | 128,374 | (3,515) | -2.74% |
| Utilities | 42,009 | 42,152 | (143) | -0.34% |
| Machinery and equipment | (202,087) | 22,962 | (225,049) | -980.09% |
| Depreciation | 162,357 | 162,357 | - | 0.00% |
| **Total Operating Expenses** | 591,565 | 792,857 | (201,292) | -25.39% |
| Earnings (loss) from operations | 27,111 | (11,267) | 38,378 | -340.62% |
| **Nonoperating Revenues (Expenses)** | | | | |
| Gain on disposal of capital assets | - | 5,885 | (5,885) | -100.00% |
| Other income | 229 | 1,617 | (1,388) | -85.84% |
| **Nonoperating Revenues** | 229 | 7,502 | (7,273) | -96.95% |
| Change in net position | 27,340 | (3,765) | 31,105 | -826.16% |
| **Net Position**, beginning of year as restated | 4,531,166 | 4,534,931 | (3,765) | -0.08% |
| **Net Position**, end of year | $ 4,558,506 | $ 4,531,166 | $ 27,340 | 0.60% |

## General Fund Budgetary Highlights

The Town's budget process began after the mid-year financial update presentation to the Finance and Investment Committee and the City Council. The Administrative Services Department facilitates the development and consolidates input from all Town departments. The consolidated budget inputs are reviewed by the City Manager and presented to the City Council and the Finance and Investment Committee in a joint budget study session. A balanced budget is adopted by June 30 of each year. During the year, the departments will present to the City Council for contract awards for all services exceeding $15,000. Availability of budget for this award is part of the requests presented by the departments to the City Council. Additionally, the Administrative Services Department monitors the budget during the year and prepares a mid-year financial update to the Finance and Investment Committee and the City Council. As part of this mid-year financial update, budget amendments are proposed to address any significant economic concerns and to incorporate prior City Council actions that had changed appropriation or for reallocation of budget items.

The actual general fund revenues were $399,416 more than the final adopted budget for fiscal year 2019. The actual general fund expenditures were less than the final adopted budget by $431,128. The Town makes a concentrated effort to control expenditures. Shown below are the expenditures by function for fiscal year 2019 as compared to the final adopted budget.

| | Original Budget | Adopted Budget | 2019 Actual Expenditures | Variance with Final Budget- Favorable (Unfavorable) |
|---|---|---|---|---|
| General government | $ 2,279,218 | $2,279,218 | $ 2,113,083 | $ 166,135 |
| Public safety | 1,469,211 | 1,469,211 | 1,836,016 | (366,805) |
| Community development | 2,892,589 | 2,892,589 | 2,642,159 | 250,430 |
| Public works | 1,799,548 | 1,799,548 | 1,632,329 | 167,219 |
| Parks and recreation | 757,135 | 757,135 | 742,986 | 14,149 |
| Nondepartmental - additional pension payments | 200,000 | 200,000 | - | 200,000 |
| Total general fund expenditures | $ 9,397,701 | $9,397,701 | $ 8,966,573 | $ 431,128 |

## Capital Assets and Long-Term Debt Administration

### Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to $33,570,171 (net of accumulated depreciation), an increase of $2,032,115 (2.96%). The investment in capital assets include land, buildings, equipment, vehicles and infrastructure. Current year capital spending included $1,712,145 in infrastructure and $755,028 in the sewer collection system. No changes were recorded in land for the fiscal year. The table on the following page presents summarized information on capital assets net of depreciation for fiscal years 2018 and 2019. Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

**Town of Los Altos Hills**
**Capital Assets (Net of depreciation)**

| | Year Ended June 30, 2019 | | | Year Ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Land | $ 250,535 | $ - | $ 250,535 | $ 250,535 | $ - | $ 250,535 |
| Buildings | 3,250,259 | - | 3,250,259 | 3,380,897 | - | 3,380,897 |
| Office equipment | 20,896 | - | 20,896 | - | - | - |
| Vehicles | 288,880 | - | 288,880 | 129,660 | - | 129,660 |
| Sewer collection system | | 7,264,306 | 7,264,306 | | 6,704,180 | 6,704,180 |
| Infrastructure | 22,495,295 | - | 22,495,295 | 22,137,213 | - | 22,137,213 |
| Total capital assets, net | $ 26,305,865 | $ 7,264,306 | $ 33,570,171 | $ 25,898,305 | $ 6,704,180 | $ 32,602,485 |

## Long-Term Debt

The Town has no long-term bonded debt as of and for the year ended June 30, 2019. The remainder of the Town's long-term obligations comprise pension and OPEB related liabilities. According to the 2018-19 OPEB Actuarial, the liability is at the point of being closely funded.

### Economic Factors and Next Year's Budgets

The Town of Los Altos Hills is a residential community. Its primary revenue sources are property tax and permit revenues from private development. The outlook for the housing market remains positive. While home sales volume stays flat, home price continues to rise year over year. The Town's assessed value grew at least 6% each year for the past eight years. Property tax revenue is projected to approximate $6.6 million in 2019-20 and permit and license revenues are estimated to remain similar to 2019-2020.

Overall, the adopted 2019-2020 General Fund budget reflects revenue over expenditures in the amount of $1.7 million before transfers. Total revenues and transfers in are budgeted at $11.9 million, while total expenditures are budgeted at $10.2 million and transfers out are budgeted at $1.2 million, with an estimated total ending fund balance of $13.5 million. The unfunded pension liability and payments are expected to rise substantially due to CalPERS' plan to reduce the discount rate and certain year's lower market returns. The Town plans to explore using some of its excess general funds to prepay obligations to CalPERS and has established a trust that may be used to fund future pension obligations where funds may be invested in instruments that historically have produced higher returns.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Los Altos Hills' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Town of Los Altos Hills
Attn: Administrative Services Director
26379 Fremont Road
Los Altos Hills, CA 94022

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# Basic Financial Statement

*Government Wide Financial Statements*

*Fund Financial Statements*

*Notes to Basic Financial Statements*

**TOWN OF LOS ALTOS HILLS**

**STATEMENT OF NET POSITION**
**JUNE 30, 2019**

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments | $ 20,210,739 | $ 3,883,402 | $ 24,094,141 |
| Restricted cash and investments | 528,723 | | 528,723 |
| Accounts receivables | 313,721 | 1,730 | 315,451 |
| Total Current Assets | 21,053,183 | 3,885,132 | 24,938,315 |
| Noncurrent Assets: | | | |
| Loans receivable | - | 46,944 | 46,944 |
| Materials, parts and supplies | 6,484 | - | 6,484 |
| Total Noncurrent Assets | 6,484 | 46,944 | 53,428 |
| Capital Assets: | | | |
| Non-depreciable capital assets | 250,535 | - | 250,535 |
| Depreciable capital assets, net of depreciation | 26,055,330 | 7,264,306 | 33,319,636 |
| Total Capital Assets | 26,305,865 | 7,264,306 | 33,570,171 |
| Total Assets | 47,365,532 | 11,196,382 | 58,561,914 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | 1,436,807 | 78,972 | 1,515,779 |
| Related to OPEB | 130,316 | 15,126 | 145,442 |
| Total Deferred Outflows of Resources | 1,567,123 | 94,098 | 1,661,221 |
| Total Assets and Deferred Outflows | 48,932,655 | 11,290,480 | 60,223,135 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 246,290 | 551,121 | 797,411 |
| Other liabilities | 89,610 | - | 89,610 |
| Refundable deposits | 3,834,587 | 86,985 | 3,921,572 |
| Compensated absences due within one year | 6,078 | - | 6,078 |
| Total Current Liabilities | 4,176,565 | 638,106 | 4,814,671 |
| Noncurrent Liabilities: | | | |
| Compensated absences due in more than one year | 111,736 | 9,104 | 120,840 |
| Net pension liability | 1,792,504 | 98,522 | 1,891,026 |
| Net OPEB liability | 162,920 | 18,910 | 181,830 |
| Total Noncurrent Liabilities | 2,067,160 | 126,536 | 2,193,696 |
| Total Liabilities | 6,243,725 | 764,642 | 7,008,367 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | 854,926 | 46,989 | 901,915 |
| Related to OPEB | 78,723 | 9,137 | 87,860 |
| Total Deferred Inflows of Resources | 933,649 | 56,126 | 989,775 |
| NET POSITION | | | |
| Net investment in capital assets | 26,305,865 | 7,264,306 | 33,570,171 |
| Restricted for: | | | |
| Parks and recreation | 33,981 | - | 33,981 |
| Public safety | 635,801 | - | 635,801 |
| Art donations | 31,307 | - | 31,307 |
| Pension trust | 528,723 | | 528,723 |
| Unrestricted | 14,219,604 | 3,205,406 | 17,425,010 |
| Total Net Position | 41,755,281 | 10,469,712 | 52,224,993 |
| Total Liabilities, Deferred Inflows and Net Position | $ 48,932,655 | $ 11,290,480 | $ 60,223,135 |

See accompanying notes to financial statements

**TOWN OF LOS ALTOS HILLS**

**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | | Program Revenues | | | Net Revenue (Expense) and Change in Net Position | | |
|---|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | $ 2,477,572 | $ 1,970,336 | $ 35,360 | $ - | $ (471,876) | $ - | $ (471,876) |
| Public safety | 2,388,908 | 132,138 | 41,852 | - | (2,214,918) | - | (2,214,918) |
| Community development | 2,768,476 | 1,546,016 | - | - | (1,222,460) | - | (1,222,460) |
| Public works | 2,001,602 | 476,146 | 153,139 | 185,744 | (1,186,573) | - | (1,186,573) |
| Parks and recreation | 851,096 | 255,128 | - | - | (595,968) | - | (595,968) |
| Total Governmental Activities | 10,487,654 | 4,379,764 | 230,351 | 185,744 | (5,691,795) | - | (5,691,795) |
| Business-type Activities: | | | | | | | |
| Sewer | 2,061,261 | 3,005,050 | - | 98,183 | - | 1,041,972 | 1,041,972 |
| Total Business-type Activities | 2,061,261 | 3,005,050 | - | 98,183 | - | 1,041,972 | 1,041,972 |
| Total Primary Government | $ 12,548,915 | $ 7,384,814 | $ 230,351 | $ 283,927 | (5,691,795) | 1,041,972 | (4,649,823) |
| | | General Revenues: | | | | | |
| | | Taxes: | | | | | |
| | | Property taxes | | | 6,385,652 | - | 6,385,652 |
| | | Motor vehicle license tax | | | 56,884 | - | 56,884 |
| | | Other taxes | | | 466,062 | - | 466,062 |
| | | Franchise fees | | | 530,991 | - | 530,991 |
| | | Investment income | | | 530,582 | 76,210 | 606,792 |
| | | Other unrestricted revenue | | | 334,139 | - | 334,139 |
| | | Total General Revenues | | | 8,304,310 | 76,210 | 8,380,520 |
| | | Change in Net Position | | | 2,612,515 | 1,118,182 | 3,730,697 |
| | | Net Position, Beginning of Year | | | 39,142,766 | 9,351,530 | 48,494,296 |
| | | Net Position, End of Year | | | $ 41,755,281 | $ 10,469,712 | $ 52,224,993 |

See accompanying notes to financial statements

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# Governmental Fund Financial Statements

*General Fund* accounts for financial resources traditionally associated with the governmental which are not required legally or by sound financial management to be accounted for in another fund.

*Street Capital Projects Fund* accounts for financial resources that are necessary for the acquisition or construction of streets.

*Non-Major Governmental Funds* are the aggregate of all the non-major governmental funds.

**TOWN OF LOS ALTOS HILLS**

**GOVERNMENTAL FUNDS**
**BALANCE SHEET**
**JUNE 30, 2019**

| | General | Streets Capital Projects | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments | $ 16,069,311 | $ 734,220 | $ 2,435,387 | $ 19,238,918 |
| Restricted cash and investments | 528,723 | | | 528,723 |
| Receivables: | | | | |
| Property taxes | 41,955 | - | - | 41,955 |
| Taxes other than property | 19,149 | - | - | 19,149 |
| Intergovernmental | 17,497 | 13,311 | - | 30,808 |
| Interest | 12,608 | - | - | 12,608 |
| Miscellaneous | 209,201 | - | - | 209,201 |
| Materials, parts and supplies | - | - | 34 | 34 |
| Total Assets | $ 16,898,444 | $ 747,531 | $ 2,435,421 | $ 20,081,396 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable | $ 188,179 | $ - | $ 25,898 | $ 214,077 |
| Other liabilities | - | - | 4,073 | 4,073 |
| Refundable deposits | 3,834,587 | - | - | 3,834,587 |
| Retention liability | - | 2,481 | - | 2,481 |
| Total Liabilities | 4,022,766 | 2,481 | 29,971 | 4,055,218 |
| **FUND BALANCES** | | | | |
| Restricted | 528,723 | - | 701,089 | 1,229,812 |
| Committed | 3,155,000 | 745,050 | 1,704,361 | 5,604,411 |
| Assigned | 350,000 | - | - | 350,000 |
| Unassigned | 8,841,955 | - | - | 8,841,955 |
| Total Fund Balances | 12,875,678 | 745,050 | 2,405,450 | 16,026,178 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 16,898,444 | $ 747,531 | $ 2,435,421 | $ 20,081,396 |

See accompanying notes to financial statements

**TOWN OF LOS ALTOS HILLS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**
**JUNE 30, 2019**

| | |
|---|---|
| Fund Balances of Governmental Funds | $ 16,026,178 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 22,605,830 |
| The Internal Service Fund is used by the Town to charge the cost of Town Hall, office, and corporate yard services. The assets and liabilities of the Internal Service Fund are included in the Governmental Activities in the Statement of Net Position. | 4,558,506 |
| Deferred outflows of resources are not deemed available to pay current period expenditures and therefore are not reported as governmental fund assets: | |
| Deferred outflows related to pensions | 1,436,807 |
| Deferred outflows related to other postemployment benefits | 130,316 |
| The liabilities below are not due and payable in the current period and therefore are not reported in the governmental funds: | |
| Compensated absences | (113,283) |
| Net pension liability | (1,792,504) |
| Net OPEB liability | (162,920) |
| Deferred inflows of resources are not deemed due and payable in the current period and therefore are not reported as governmental fund liabilities: | |
| Deferred inflows due to pension liabilities | (854,926) |
| Deferred inflows due to OPEB liabilities | (78,723) |
| Net Position of Governmental Activities | $ 41,755,281 |

See accompanying notes to financial statements

**TOWN OF LOS ALTOS HILLS**

**GOVERNMENTAL FUNDS**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | General | Streets Capital Projects | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes | $ 6,385,652 | $ - | $ - | $ 6,385,652 |
| Taxes other than property | 466,062 | - | - | 466,062 |
| Intergovernmental | 50,965 | 391,154 | 132,138 | 574,257 |
| Charges for services | 853,059 | 147,278 | 282,099 | 1,282,436 |
| Licenses and permits | 1,060,772 | - | - | 1,060,772 |
| Franchise fees | 530,991 | - | - | 530,991 |
| Fines and forfeitures | - | - | - | - |
| Rental income | 107,653 | - | 48,066 | 155,719 |
| Interfund charges | 1,748,699 | - | - | 1,748,699 |
| Investment income | 474,421 | - | 56,161 | 530,582 |
| Other revenues | 364,999 | - | - | 364,999 |
| Total revenues | 12,043,273 | 538,432 | 518,464 | 13,100,169 |
| **EXPENDITURES** | | | | |
| General government | 2,113,083 | - | - | 2,113,083 |
| Public safety | 1,836,016 | - | 138,005 | 1,974,021 |
| Community development | 2,642,159 | - | - | 2,642,159 |
| Public works | 1,632,329 | - | - | 1,632,329 |
| Parks and recreation | 742,986 | - | - | 742,986 |
| Capital outlay | - | 1,457,361 | 474,825 | 1,932,186 |
| Total expenditures | 8,966,573 | 1,457,361 | 612,830 | 11,036,764 |
| Excess (Deficiency) of Revenues Over Expenditures | 3,076,700 | (918,929) | (94,366) | 2,063,405 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | - | 1,295,405 | 818,343 | 2,113,748 |
| Transfers out | (1,930,316) | - | (183,432) | (2,113,748) |
| Total Other Financing Sources (Uses) | (1,930,316) | 1,295,405 | 634,911 | - |
| Net Change in Fund Balances | 1,146,384 | 376,476 | 540,545 | 2,063,405 |
| **Fund Balances, Beginning of Year** | 11,729,294 | 368,574 | 1,864,905 | 13,962,773 |
| **Fund Balances, End of Year** | $ 12,875,678 | $ 745,050 | $ 2,405,450 | $ 16,026,178 |

See accompanying notes to financial statements

**TOWN OF LOS ALTOS HILLS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION FOR YEAR ENDED JUNE 30, 2019**

| | |
|---|---|
| Net Change in Fund Balances - Total Governmental Funds | $ 2,063,405 |
| Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because: | |
| Governmental funds report capital outlays as expenditures but in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows: | |
| Capital outlays | 1,932,186 |
| Depreciation expense charged to governmental activities | (1,574,104) |
| Change in Compensated absences | (10,587) |
| Government funds do not report pension expense as it does not require the use of current financial resources | 92,240 |
| Government funds do not report OPEB expense as it does not require the use of current financial resources | 82,035 |
| Internal Service Funds are used by management to charge the costs of certain activities, such as cost of Town Hall, office, and corporate yard services to individual funds. The portion of the net revenue (expense) of these Internal Service Funds, arising out of their transactions with Governmental Funds, is reported with governmental activities, because they service those activities. | 27,340 |
| Change in Net Position of Governmental Activities | $ 2,612,515 |

See accompanying notes to financial statements

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# Proprietary Fund Financial Statements

*Sewer Fund* accounts for the activities of the wastewater collection and treatment system, which provides service to the residents of the Town and some neighboring cities.

*Internal Service Fund* is used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

**TOWN OF LOS ALTOS HILLS**

**PROPRIETARY FUNDS**
**STATEMENT OF FUND NET POSITION**
**JUNE 30, 2019**

| | Business-type Activities | Governmental Activities |
|---|---|---|
| | Enterprise Fund Sewer | Internal Service Fund |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and investments | $ 3,883,402 | $ 971,821 |
| Accounts receivable | 1,730 | - |
| Total Current Assets | 3,885,132 | 971,821 |
| Noncurrent Assets: | | |
| Loan receivable | 46,944 | - |
| Materials, parts and supplies | - | 6,450 |
| Capital assets, net of accumulated depreciation | 7,264,306 | 3,700,035 |
| Total Noncurrent Assets | 7,311,250 | 3,706,485 |
| Total Assets | 11,196,382 | 4,678,306 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Related to pensions | 78,972 | - |
| Related to OPEB | 15,126 | - |
| Total Deferred Outflows of Resources | 94,098 | - |
| Total Assets and Deferred Outflows | 11,290,480 | 4,678,306 |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts payable | 551,121 | 32,213 |
| Accrued payroll and related liabilities | - | 83,056 |
| Sewer reimbursement deposits | 86,985 | - |
| Total Current Liabilities | 638,106 | 115,269 |
| Noncurrent liabilities: | | |
| Compensated absences due in more than one year | 9,104 | 4,531 |
| Net pension liability | 98,522 | - |
| Net OPEB liability | 18,910 | - |
| Total noncurrent liabilities | 126,536 | 4,531 |
| Total Liabilities | 764,642 | 119,800 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Related to pensions | 46,989 | - |
| Related to OPEB | 9,137 | - |
| Total Deferred Inflows of Resources | 56,126 | - |
| **NET POSITION** | | |
| Investment in Capital Assets | 7,264,306 | 3,700,035 |
| Unrestricted | 3,205,406 | 858,471 |
| Total Net Position | 10,469,712 | 4,558,506 |
| Total Liabilities, Deferred Inflows and Net Position | $ 11,290,480 | $ 4,678,306 |

See accompanying notes to financial statements

**TOWN OF LOS ALTOS HILLS**

**PROPRIETARY FUNDS**
**STATEMENT OF REVENUES, EXPENSES,**
**AND CHANGES IN FUND NET POSITION**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | Business-type Activities | Governmental Activities |
|---|---|---|
| | Enterprise Fund Sewer | Internal Service Fund |
| **OPERATING REVENUES** | | |
| Charges for services | $ 3,005,050 | $ - |
| Other income | - | - |
| Town Hall services | - | 392,298 |
| Corporate yard services | - | 154,176 |
| Vehicle services | - | 72,202 |
| Total Operating Revenues | 3,005,050 | 618,676 |
| **OPERATING EXPENSES** | | |
| Salaries and benefits | 187,293 | 146,730 |
| Contract services - treatment plant | 822,836 | - |
| Professional services | 175,273 | 49,622 |
| Support goods and services | 8,105 | 101,398 |
| IT Support and maintenance | - | 166,677 |
| Repairs and maintenance | 379,499 | 124,859 |
| Utilities | 6,930 | 42,009 |
| Interfund charges | 286,423 | - |
| Machinery and equipment | - | (202,087) |
| Depreciation | 194,902 | 162,357 |
| Total Operating Expenses | 2,061,261 | 591,565 |
| Operating (Loss) | 943,789 | 27,111 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Interest income | 76,210 | - |
| Other income | - | 229 |
| Nonoperating Revenues (Expenses), net | 76,210 | 229 |
| **OTHER FINANCING SOURCES AND (USES)** | | |
| Capital Contributions - sewer connection fees | 98,183 | - |
| Total Other Financing Sources and (Uses) | 98,183 | - |
| Changes in Net Position | 1,118,182 | 27,340 |
| Total Net Position, Beginning of Year | 9,351,530 | 4,531,166 |
| Total Net Position, End of Year | $ 10,469,712 | $ 4,558,506 |

See accompanying notes to financial statements

**TOWN OF LOS ALTOS HILLS**

**PROPRIETARY FUNDS**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | Business-type Activities | Governmental Activities |
|---|---|---|
| | Enterprise Fund Sewer | Internal Service Fund |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | $ 3,030,667 | $ - |
| Receipts from interfund services provided | - | 618,905 |
| Payments for interfund services used | (286,423) | - |
| Payments to suppliers | (1,005,328) | (295,793) |
| Payments to employees | (740,390) | (168,586) |
| Net Cash From (For) Operating Activities | 998,526 | 154,526 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Acquisition of capital assets | (762,909) | (211,835) |
| Capital contributions received for connection fees | 98,183 | - |
| Net Cash From (For) Capital and Related Financing Activities | (664,726) | (211,835) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Principal received from loans | 5,187 | - |
| Investment income | 76,210 | - |
| Net cash flows from investing activities | 81,397 | - |
| Net Increase (Decrease) in Cash and Investments | 415,197 | (57,309) |
| Cash and Cash Equivalents, Beginning of Year | 3,468,205 | 1,029,130 |
| Cash and Cash Equivalents, End of Year | $ 3,883,402 | $ 971,821 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (FOR) OPERATING ACTIVITIES** | | |
| Operating income (loss) | $ 943,789 | $ 27,111 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 194,902 | 162,357 |
| Other nonoperating income | - | 229 |
| (Increase) decrease in accounts receivable | 25,250 | - |
| (Increase) decrease in materials | | (6,450) |
| (Increase) decrease in deferred outflows related to pensions | 47,395 | - |
| (Increase) decrease in deferred outflows related to OPEB | 1,284 | - |
| Increase (decrease) in accounts payable | 387,315 | (6,865) |
| Increase (decrease) in accrued payroll | (543,115) | - |
| Increase (decrease) in other liabilities | 367 | (21,002) |
| increase (decrease) in compensated absences | 4,610 | (854) |
| Increase (decrease) in pension liability | (78,667) | - |
| Increase (decrease) in OPEB liability | (12,547) | - |
| Increase (decrease) in deferred inflows related to pensions | 26,202 | - |
| Increase (decrease) in deferred inflows related to OPEB | 1,741 | - |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | $ 998,526 | $ 154,526 |
| **Non-cash capital and related financing activities:** | | |
| Purchase of capital assets on account | $ 7,881 | $ - |

See accompanying notes to financial statements

# Fiduciary Fund Financial statement

**AGENCY FUND**

*West Loyola Special Assessment District Agency Fund* accounts for assets that the Town is holding for the West Loyola Special Assessment District No. 01 for which the Town is acting as an agent.

*PARS 115 Trust Fund* accounts for assets that the Town has invested in a trust for prefunding future OPEB obligations.

**TOWN OF LOS ALTOS HILLS**

**STATEMENT OF FIDUCIARY NET POSITION**
**JUNE 30, 2019**

| | OPEB Trust Fund | West Loyola Special Assessment District #1 Agency Fund |
|---|---|---|
| **ASSETS** | | |
| Restricted Cash and Investments | $ 2,513,945 | $ 295,301 |
| Miscellaneous receivables | - | - |
| Total Assets | $ 2,513,945 | $ 295,301 |
| **LIABILITIES** | | |
| Due to bondholders | $ - | $ 295,301 |
| Total Liabilities | - | $ 295,301 |
| **NET POSITION** | | |
| Restricted for OPEB benefits | 2,513,945 | |
| **Total Net Position** | $ 2,513,945 | |

See accompanying notes to financial statements

**TOWN OF LOS ALTOS HILLS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | | OPEB Trust Fund |
|---|---|---|
| **ADDITIONS** | | |
| Investment income: | | |
| Interest | $ | 147,247 |
| Less: administrative expenses | | (1,166) |
| Less: investment expenses | | (853) |
| **Total additions** | | 145,228 |
| Change in net position | | 145,228 |
| **BEGINNING NET POSITION** | | 2,368,717 |
| **ENDING NET POSITION** | $ | 2,513,945 |

See accompanying notes to financial statements

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The Town of Los Altos Hills (the Town) was incorporated in 1956, under the provisions of the State of California. The Town operates under a Council-Manager form of government and provides the following services: management, planning, code enforcement, engineering, building inspection, maintenance of public infrastructure, recreation, law enforcement, and sewer service.

For financial reporting purposes, the Town's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Town Council. There are no component units. The financial statements may be obtained by writing to the Town of Los Altos Hills, Administrative Services Department, 26379 Fremont Road, Los Altos Hills, California 94022.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the government are described below.

### B. Basis of Presentation

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities displays information about the Town. These statements include the financial activities of the overall government except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Net Position reports all of the financial and capital resources of the government as a whole in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) fees, fines, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regards to interfund activities, payable 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. These are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, interfund transactions have been eliminated. However, the transactions between governmental and business-type activities, which are presented as transfers, have not been eliminated from the Statement of Activities.

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

### B. Basis of Presentation (Continued)

**Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town reports the following major governmental funds:

- The *General Fund* accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.
- The *Street Capital Projects Fund* accounts for the acquisition and construction of streets.

The Town reports the following major enterprise fund:

- The *Sewer Fund* accounts for the maintenance of the Town's sewer lines and related facilities. It is a self-supporting activity that provides services on a user charge basis to residences and businesses.

The Town reports the following additional funds:

- *Internal Service Fund* accounts for goods and services provided to city departments on a cost reimbursement basis. The goods and services provided include maintenance and replacement of vehicles and equipment, costs incurred for printing, copying, and mailing services; employee benefits; and expenses related to the maintenance of Town buildings. Internal Service Fund is included in the government activities at the government-wide level.
- The *Agency Fund* accounts for assets held by the Town in the capacity of agent. The Town's Agency Fund includes West Loyola Sewer Assessment District #1 and PARS 115 Trust Fund.
- The *Special Revenue Funds* account for specific revenues that are legally restricted to expenditures for particular purposes.
- The *Capital Project Fund* accounts for financial resources that are necessary for the acquisition or construction of major capital facilities.

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

### B. Basis of Presentation (Continued)

In prior years, the Town's street, storm drain and pathway maintenance and operation expenditures were reported under special revenue funds; however, the operations were largely funded by transfers from the General Fund. Special revenues, such as gas tax, storm drain in-lieu fees, and pathway construction fees, were recorded in these special revenue funds but these revenues were transferred to capital project funds at the end of the year. To minimize the number of interfund transfers between the General Fund, these special revenue funds and Capital Project Funds, the City Council authorized the Administrative Services Department to record the revenues for storm drains, pathways, and streets directly into the corresponding capital project funds and to merge the ongoing operating cost into the General Fund.

**Fund Balance Classification**

Fund balance is classified in accordance with current governmental accounting standards, which requires classification of fund balances into five different components, where applicable. The components are nonspendable, restricted, committed, assigned and unassigned.

- Nonspendable resources are not in spendable form or required to be maintained intact such as an endowment.

- Restricted resources are subject to externally enforceable legal restrictions or imposed by law through constitutional provisions or enabling legislation.

- Committed resources are constrained to specific purposes by a formal action of the City Council such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

- Assigned resources are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The City Council, by action, has the authority to assign amounts to be used for specific purposes. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

- Unassigned fund balance is the residual classification and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. The general fund is the only fund that reports a positive unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the Town's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the Town's policy is to first apply committed fund balance. It is at the discretion of the Council's designee to then apply the remaining expenditures to assigned or unassigned fund balance.

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

### C. Basis of Accounting and Measurement Focus

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time that liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property and sales tax, grants, entitlements, franchise fees and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales tax, interest, certain state, and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Fiduciary funds are custodial in nature (i.e. assets equal liabilities) and do not involve the measurement of the results of operations. The Town has one fiduciary fund for the West Loyola Sewer Assessment District.

### D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

### E. Fair Value Measurements

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 Town 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.

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

### F. Receivables

During the course of normal operations, the Town carries various receivable balances for taxes, franchise fees, interest, license fees, and sewer fees. As of June 30, 2019, accounts receivable are shown at $299,364 in the General Fund, $13,311 in the Street Capital Project Fund and $1,730 in the Sewer Fund.

### G. Capital Assets

Capital assets, including infrastructure acquired prior to GASB 34, are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date of contribution. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, water/sewer, lighting systems, drainage systems, and flood control. The Town defines capital assets as assets with an estimated useful life in excess of three years and an initial, individual cost of $15,000.

Capital assets used in the operation are depreciated using the straight-line method over their estimated useful lives in the government-wide statements and proprietary funds. The estimated useful lives are as follows:

| | |
|---|---|
| **Infrastructure** | 20 – 50 Years |
| **Structure and Improvements** | 10 – 30 Years |
| **Vehicles** | 5 – 10 Years |
| **Equipment** | 3 – 10 Years |

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

### H. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the Statement of Net 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. The Town has pension-related and OPEB-related deferred outflows of resources arising from certain changes in the collective net pension liability and net OPEB liability.

In addition to liabilities, the Statement of Net 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. The Town has deferred inflows of resources arising from certain changes in the collective net pension liability and net OPEB liability. These amounts are deferred and amortized over a stated period.

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

### I. Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment are levied. The County of Santa Clara levies, bills, and collects property taxes for the Town. Under the Teeter Bill, the County remits the entire amount levied and handles the delinquencies, retaining interest and penalties.

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10, and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31.

### J. Accumulated Compensated Absences

The Town accrues the cost for compensated absences (vacation and comp time) when they are earned. Employees have a vested interest in accrued vacation time and all vacation hours will eventually either be used or paid by the Town. Generally, employees earn and use their current vacation hours with a small portion being accrued or unused each year. As this occurs, the Town incurs an obligation to pay for these unused hours. Sick leave benefits do not vest and no liability is recorded.

All compensated absences for governmental activities are paid out of the general fund. Compensated absences as of June 30, 2019 are as follows:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Beginning Balance | $ 108,081 | $ 4,494 | $ 112,575 |
| Additions | 46,628 | 7,228 | 53,856 |
| Reductions | (36,895) | (2,618) | (39,513) |
| Ending Balance | $ 117,814 | $ 9,104 | $ 126,918 |
| Current Portion | $ 6,078 | $ - | $ 6,078 |

### K. Interfund Transactions

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefit fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

### L. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

### M. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the California Employers' Retiree Benefit Trust (CERBT), and additions to / deductions from CERBT's fiduciary net position have been determined on the same basis as they are reported by CERBT. For this purpose, CERBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. During the year ended June 30, 2019, it was discovered that the Pension Trust was mistakenly reported as a fiduciary fund. This was corrected as of June 30, 2019.

### N. New 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.

Governmental Accounting Standards Board (GASB) 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.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays.

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

### N. New GASB Pronouncements (Continued)

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

Governmental Accounting Standards Board (GASB) Statement No. 88- *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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 or 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.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

## NOTE 2 – DEPOSITS AND INVESTMENTS

The Town pools cash from all sources and all funds so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

### A. Policies

The Town invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Town's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Town's name and places the Town ahead of general creditors of the institution.

The Town's investments are carried at fair value, as required by generally accepted accounting principles. The Town adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

The Town shall not engage in leveraged investing, such as in margin accounts or any form of borrowing for the purpose of investment. The Town also shall not invest in instruments whose principal and interest have no backing, such as options and future contracts, nor in derivatives, outside of authorized pools. The Town's investments were in compliance with the above provisions as of and for the year ended June 30, 2019.

### B. Classification

As of June 30, 2019, cash and investments are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Cash on hand | $ 1,900 |
| Deposits with financial institutions | 1,313,636 |
| Investments with fiscal agent | 3,190,919 |
| Investments | 22,925,655 |
| Total Cash and Investments | $ 27,432,110 |

As of June 30, 2019, cash and investments consist of the following:

| | |
|---|---|
| Statement of Net Position: | |
| Cash and investments | $ 24,094,141 |
| Cash and investments held in Pension trust | 528,723 |
| Fiduciary funds: | |
| Cash and investments held by OPEB trust | 2,513,945 |
| Cash and investments - West Loyola | 295,301 |
| Total Cash and Investments | $ 27,432,110 |

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Authorized Investments

The table below identifies the investment types that are authorized for the Town by the *California Government Code* and are further limited by the Town's investment policy. Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage/Dollar of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Securities issued by the U.S. Treasury | 5 years | No limit | No limit |
| U.S. Agency Securities | 5 years | No limit | No limit |
| Municipal Securities | 5 years | 30% | 5% |
| State Treasury Notes/Bonds | 5 years | 30% | 5% |
| Bankers' Acceptances | 180 days | 40% | 5% |
| Asset-Backed Securities | 5 years | 50% | 5% |
| Negotiable Certificates of Deposit | 5 years | 30% | 5% |
| Local Government Investment Pools (LAIF) | 5 years | $40.0 mil | No limit |
| Insured savings account and bank money market accounts | 5 years | No limit | 5% |
| Money market mutual funds registered with SEC | 5 years | 15% | 5% |
| California Asset Management Program (CAMP) | 5 years | 20% | No limit |
| Medium-term corporate notes with A or better rating | 5 years | 30% | 5% |

### D. Interest Rate Risk and Fair Value Hierarchy

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town manages its exposure to interest rate risk by purchasing only shorter term investments as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2019, the Town had the following investments:

| | 12 Months or less | 13 to 24 Months | 25 to 60 Months | Total |
|---|---|---|---|---|
| U.S. Treasury Bonds/Notes | $ 646,905 | $ 5,241,882 | $ 3,142,197 | $9,030,984 |
| Federal Agency Collateralized Mortgage Obligation | 149,541 | 299,842 | 1,361,429 | 1,810,812 |
| U.S. Agency Notes | 402,122 | 671,360 | 1,116,091 | 2,189,573 |
| Corporate Notes | - | 506,686 | 1,802,020 | 2,308,706 |
| LAIF Investment Pool | 7,057,480 | - | - | 7,057,480 |
| CAMP Investment Pool | 97,878 | - | - | 97,878 |
| Municipal Bonds | 74,910 | 355,312 | - | 430,222 |
| Money Market | 3,190,919 | - | - | 3,190,919 |
| Total Investments | $ 11,619,755 | $ 7,075,082 | $ 7,421,737 | $ 26,116,574 |

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### D. Interest Rate Risk and Fair Value Hierarchy (Continued)

The Town 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.

| ***Investments by Fair Value Level:*** | Level 1 | Level 2 | Total |
|---|---|---|---|
| U.S. Treasury Bonds/Notes | $ 9,030,984 | $ - | $ 9,030,984 |
| Federal Agency Collateralized Mortgage Obligation | - | 1,810,812 | 1,810,812 |
| U.S. Agency Notes | - | 2,189,573 | 2,189,573 |
| Corporate Notes | - | 2,308,706 | 2,308,706 |
| Municipal Bonds | - | 430,222 | 430,222 |
| CAMP Investment Pool | - | 97,878 | 97,878 |
| Total Investments | $ 9,030,984 | $ 6,837,191 | 15,868,175 |
| ***Investments Measured at Amortized Cost:*** | | | |
| Money Market | | | 3,190,919 |
| Local Agency Investment Fund | | | 7,057,480 |
| ***Cash in banks and on hand*** | | | 1,315,536 |
| Total Cash and investments | | | $ 27,432,110 |

U.S. Treasury Notes classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Federal Agency Collateralized Mortgage Obligations, U.S. Agency Notes and Corporate Notes, classified in Level 2 of the fair value hierarchy, are valued using pricing techniques of matrix pricing or market corroborated pricing, with inputs such as yield curves or indices. These prices are obtained from various pricing sources by our custodian bank. The Town does not have any Level 3 investments.

The Town is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Town reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2019, these investments matured in an average of 173 days. The California Local Agency Investment Fund is classified as exempt in the fair value hierarchy, as it is valued at amortized cost, which is exempt from being classified under GASB 72.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### D. Interest Rate Risk and Fair Value Hierarchy (Continued)

The Town is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. CAMP's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The Town reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. At June 30, 2019, the fair value approximated the Town's cost.

At June 30, 2019, these investments have an average maturity of 743 days. The California Asset Management Program is exempt from the fair value hierarchy.

The Town, as a CAMP shareholder, may withdraw all or any portion of the funds in its CAMP account at any time by redeeming shares. The CAMP Declaration of Trust permits the CAMP trustee to suspend the right of withdrawal from CAMP or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the CAMP trustees, an emergency exists such that disposal of the CAMP pool securities or determination of its net asset value is not reasonably practicable. If the right of withdrawal is suspended, the Town may either withdraw its request for that withdrawal or receive payment based on the net asset value of the CAMP pool next determined after termination of the suspension of the right of withdrawal.

Mutual funds are available for withdrawal on demand. At June 30, 2019, these investments have an average maturity of 46 days.

### E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The state investment pool is not rated.

| Investment Type | AAA | AA+ | AA | AA- | A+ | A- | AAAm | BBB+ | Total |
|---|---|---|---|---|---|---|---|---|---|
| U.S. Treasury Notes | $ - | $ 9,030,984 | $ - | $ - | $ - | $ - | $ - | $ - | 9,030,984 |
| Federal Agency Collateralized Mortgage Obligation | - | 1,810,812 | - | - | - | - | - | - | 1,810,812 |
| U.S. Agency Notes | - | 2,189,573 | - | - | - | - | - | - | 2,189,573 |
| Corporate Notes | 115,036 | 303,834 | 557,933 | 816,384 | 214,252 | 229,839 | - | 71,428 | 2,308,706 |
| CAMP Investment Pool | - | - | - | - | - | - | 97,878 | - | 97,878 |
| Municipal Bonds | - | - | 125,914 | 304,308 | - | - | - | - | 430,222 |
| Money Market | - | - | - | - | - | - | 148,251 | - | 148,251 |
| Totals | $ 115,036 | $ 13,335,203 | $ 683,847 | $ 1,120,692 | $ 214,252 | $ 229,839 | $ 246,129 | $ 71,428 | 16,016,426 |
| Not Rated: | | | | | | | | | |
| Cash and investments held with Pension trust | | | | | | | | | 528,723 |
| Cash and investments held with OPEB trust | | | | | | | | | 2,513,945 |
| Local Agency Investment Fund (LAIF) | | | | | | | | | 7,057,480 |
| Total Investments | | | | | | | | | $ 26,116,574 |

Bank balances are insured up to $250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). As of June 30, 2019, the Town's cash in bank exceeded the insured limit by $1,063,636. None of the Town's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### F. Concentration of Credit Risk

The investment policy of the Town contains limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. As of June 30, 2019, the following investment, other than U.S. Treasury securities, US Agency securities, and authorized pools such as Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), that represent five percent or more of total investments at the Entity-wide level or in individual funds:

| Issuer | Investment Type | Amount |
|---|---|---|
| Federal Home Loan Bank | Federal Agency | $ 1,340,440 |

## NOTE 3 – INTERFUND TRANSACTIONS

The following schedule briefly summarizes the Town's transfer activity for the fiscal year ended June 30, 2019:

| Fund Receiving Transfers | Fund Making Transfers | Amount Transferred | |
|---|---|---|---|
| Street Capital Projects Fund | General Fund | $ 1,295,405 | **(A)** |
| Non-Major Governmental Funds | General Fund | 634,911 | **(A) & (B)** |
| | Non-Major Governmental Funds | 183,432 | **(A)** |
| Total Interfund Transfers | | $ 2,113,748 | |

**(A)** To fund capital projects.
**(B)** To fulfill council approved budgeted transfers.

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

| | Balance at June 30, 2018 | Additions | Balance at June 30, 2019 |
|---|---|---|---|
| ***Governmental activities*** | | | |
| Capital assets not being depreciated: | | | |
| Land | $ 250,535 | $ - | $ 250,535 |
| Total capital assets not being depreciated | 250,535 | - | 250,535 |
| Capital assets being depreciated: | | | |
| Infrastructure | 83,664,765 | 1,712,145 | 85,376,910 |
| Buildings | 5,152,825 | - | 5,152,825 |
| Vehicles | 528,778 | 190,939 | 719,717 |
| Office Equipment | 444,411 | 20,896 | 465,307 |
| Total capital assets being depreciated | 89,790,779 | 1,923,980 | 91,714,759 |
| Less accumulated depreciation for: | | | |
| Infrastructure | (61,527,552) | (1,354,063) | (62,881,615) |
| Buildings | (1,771,928) | (130,638) | (1,902,566) |
| Vehicles | (399,118) | (31,719) | (430,837) |
| Office Equipment | (444,411) | - | (444,411) |
| Total accumulated depreciation | (64,143,009) | (1,516,420) | (65,659,429) |
| Net governmental-type activities | | | |
| Capital assets being depreciated | 25,647,770 | 407,560 | 26,055,330 |
| Governmental activities capital assets, net | $ 25,898,305 | $ 407,560 | $ 26,305,865 |

| | Balance at June 30, 2018 | Additions | Balance at June 30, 2019 |
|---|---|---|---|
| ***Business-type activities*** | | | |
| Capital assets being depreciated: | | | |
| Sewer collection system | $ 9,619,914 | $ 755,028 | $ 10,374,942 |
| Office equipment | 1,509 | - | 1,509 |
| Total capital assets being depreciated | 9,621,423 | 755,028 | 10,376,451 |
| Less accumulated depreciation for: | | | |
| Sewer collection system | (2,915,734) | (194,902) | (3,110,636) |
| Office equipment | (1,509) | - | (1,509) |
| Total accumulated depreciation | (2,917,243) | (194,902) | (3,112,145) |
| Net capital assets being depreciated | 6,704,180 | 560,126 | 7,264,306 |
| Business-type activities capital assets, net | $ 6,704,180 | $ 560,126 | $ 7,264,306 |

## NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

| Governmental Activities | Amount |
|---|---|
| General Government | $ 447,101 |
| Public safety | 414,887 |
| Community development | 182,817 |
| Parks and recreation | 117,852 |
| Public works | 191,406 |
| Internal service funds | 162,357 |
| Total | $ 1,516,420 |

| Business-Type Activities | Amount |
|---|---|
| Sewer | $ 194,902 |
| Total | $ 194,902 |

## NOTE 5 – LONG TERM DEBT

The Town has no long-term debt as of and for the year ended June 30, 2019.

## NOTE 6 – SPECIAL ASSESSMENT DEBT WITHOUT TOWN COMMITMENT

Special assessment districts are established in various parts of the Town to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements. These assessments are payable solely by the property owners over the term of the debt issued to finance the improvements. The Town acts solely as the collecting and paying agent for the District's debt which is not included in the general debt of the Town. The bonds are not general obligation of the Town. The Town is not legally obligated to pay these debts or be the purchaser of last resort of foreclosed properties in the special assessment district.

At June 30, 2019, the balance of the assessment district's outstanding debt was as follows:

| | | | Principal Maturities | | |
|---|---|---|---|---|---|
| Issue | Fiscal Year Issued | Interest Rate | Annual Amount | Fiscal Years Ended | Outstanding June 30, 2019 |
| West Loyola Sewer Assessment District No. 1 | 2009 | 2.25% - 6.15% | $35,000 - $775,000 | 2010-2040 | $ 1,675,000 |

## NOTE 7 – NET POSITION/FUND BALANCES

### A. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

*Net Investment in Capital Assets* – This category presents all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance in this category.

*Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, or restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category presents net position of the Town not restricted for any project or other purpose.

### B. Fund Balances – Components

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables less its liabilities. Portions of a fund's balance may be non-spendable, restricted, committed, assigned or unassigned. At June 30, 2019, the following represents the components of fund balance:

| Fund Balance Classifications | General Fund | Street Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental |
|---|---|---|---|---|
| **Restricted for:** | | | | |
| Parks and Recreation | $ - | $ - | $ 33,981 | $ 33,981 |
| Public Safety | - | - | 635,801 | 635,801 |
| Art donations | - | - | 31,307 | 31,307 |
| Pension Trust | 528,723 | - | - | 528,723 |
| **Total Restricted Fund Balances** | 528,723 | - | 701,089 | 1,229,812 |
| **Committed for:** | | | | |
| Disaster Contingency Reserve | 1,250,000 | - | - | 1,250,000 |
| Pension Contributions Reserve | 1,600,000 | - | - | 1,600,000 |
| IT Equipment Replacement Reserve | 25,000 | - | - | 25,000 |
| Risk Management | 80,000 | - | - | 80,000 |
| Public/Private Roads | 200,000 | - | - | 200,000 |
| Street & Road Repairs Capital Projects | - | 745,050 | - | 745,050 |
| All other Capital Projects | - | - | 1,704,361 | 1,704,361 |
| **Total Committed Fund Balances** | 3,155,000 | 745,050 | 1,704,361 | 5,604,411 |
| **Assigned for:** | | | | |
| Operating Contingency Reserve | 350,000 | - | - | 350,000 |
| **Total Assigned Fund Balances** | 350,000 | - | - | 350,000 |
| **Unassigned:** | 8,841,955 | - | - | 8,841,955 |
| **Total Unassigned Fund Balances** | 8,841,955 | - | - | 8,841,955 |
| **Total Fund Balances** | $ 12,875,678 | $ 745,050 | $ 2,405,450 | $ 16,026,178 |

## NOTE 8 – PENSION PLAN

### A. General Information About the Pension Plan

The Town participates in the *Cost-Sharing Multiple-Employer Defined Benefit Pension Plan* (Cost Sharing) for its Miscellaneous employees. It is administered by the California Public Employees Retirement System (CalPERS). A cost-sharing multiple-employer defined benefit pension plan is a plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay benefits of the employees of any employer that provides pensions through the plan.

The Town's pension plan and its financial position is measured and reported on the same basis as the Plan's fiduciary net position reported by CalPERS. This includes the measurement of the Plan's fiduciary net position and additions to/deductions, as well as the Town's share of the Plan's net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense. 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.

***Plan Descriptions -*** All qualified permanent employees are eligible to participate in the Town's Miscellaneous cost-sharing Plans administered by CalPERS. The Town's Miscellaneous Plans are a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS since the plan has less than 100 active members, commonly referred to as risk pool. The Town has three retirement benefit tiers in the Miscellaneous Plans. Tier 1 is for employees hired prior to September 1, 2011. Tier 2 is for employees hired after September 1, 2011 and enrolled as a member of CalPERS prior to January 1, 2013. Tier 3 is for employees hired on or after January 1, 2013.

***Benefits Provided –*** CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and their beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment, age and the average of the final 3 years' compensation. 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 1959 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.

## NOTE 8 – PENSION PLAN (CONTINUED)

### A. General Information about the Pension Plan (Continued)

Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at: http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml.

The plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | Miscellaneous | | |
|---|---|---|---|
| | Tier I | Tier II | Tier III |
| | Prior to | Starting | On or after |
| Hire date | September 1, 2011 | September 1, 2011 | January 1, 2013 |
| Benefit formula | 2.0% @ 55 | 2.0% @ 60 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50-63+ | 50 - 63+ | 52 - 67+ |
| Monthly benefits, as a % of eligible compensation | 1.426% - 2.418% | 1.092%-2.418% | 1.0%-2.5% |
| Required employee contribution rates | 7.00% | 7.00% | 6.50% |
| Required employer contribution rates | 9.635% | 8.346% | 7.266% |

***Contributions*** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for the Plans 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 Town is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

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

| | Miscellaneous Plans |
|---|---|
| Contributions - employer | $ 345,118 |

### B. Net Pension Liability

The Town's net pension liability for each Miscellaneous Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, using an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions of all participating employers, actuarially determined.

## NOTE 8 – PENSION PLAN (CONTINUED)

### B. Net Pension Liability (Continued)

***Actuarial Methods and Assumptions*** – The total pension liabilities in June 30, 2019 actuarial valuations were determined using the following actuarial assumptions for Miscellaneous Plan:

| | All CalPERS Plans |
|---|---|
| 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 Rate Table | Derived using CalPERS Membership Data for all Funds (2) |

(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 December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on CalPERS website.

***Discount Rate*** – The discount rate used to measure the total pension liability was 7.15 percent for Miscellaneous Plans. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB68 section.

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

In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities.

## NOTE 8 – PENSION PLAN (CONTINUED)

### B. Net Pension Liability (Continued)

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

The table below reflects long-term expected real rate of return by asset class for Miscellaneous Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|---|---|---|---|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Global Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Sensitive | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Assets | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | 100.00% | | |

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investment; Inflation Assets are included in both Global Equity Securites and Global Debt Securities.
(b) An expected inflation of 2.00% is used this period.
(c) An expected inflation of 2.92% is used this period.

### C. Changes in the Net Pension Liability

As of June 30, 2019, the Town's reported net pension liabilities for its proportionate share of the net pension liability of the Miscellaneous Plan as follows:

| | Proportionate Share of Net Pension Liability |
|---|---|
| Miscellaneous Plans | $ 1,891,026 |
| Total Net Pension Liability | $ 1,891,026 |

## NOTE 8 – PENSION PLAN (CONTINUED)

### C. Changes in the Net Pension Liability (Continued)

The Town's proportionate share of the net pension liability for each Miscellaneous Plan as of June 30, 2018 and 2019 is as follows:

| | Miscellaneous Plans |
|---|---|
| Proportion - June 30, 2017 | 0.0863% |
| Proportion - June 30, 2018 | 0.0500% |
| Change - Increase (Decrease) | -0.0363% |

***Sensitivity of the Proportionate Share of the Net Pension Liability for Miscellaneous Plans to Changes in the Discount Rate*** – The following presents the net pension liability of the Town's proportionate share of the net pension liability for Miscellaneous Plans, calculated using the discount rate as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

| | | Miscellaneous Plans |
|---|---|---|
| 1% Decrease | | 6.15% |
| Net Pension Liability | $ | 3,883,218 |
| Current Discount Rate | | 7.15% |
| Net Pension Liability | $ | 1,891,026 |
| 1% Increase | | 8.15% |
| Net Pension Liability | $ | 246,504 |

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

### D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2019, the Town's recognized pension expense of $277,729 for the Miscellaneous Plans. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for Miscellaneous Plans:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 345,118 | $ - |
| Differences between actual and expected experience | 72,555 | (24,690) |
| Changes in assumptions | 215,583 | (52,835) |
| Difference between proportional and actual contributions | 848,651 | (99,697) |
| Net differences between projected and actual earnings on plan investments | 9,349 | - |
| Adjustment due to differences in proportion | 24,523 | (724,693) |
| Total | $ 1,515,779 | $ (901,915) |

## NOTE 8 – PENSION PLAN (CONTINUED)

### D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

The $345,118 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:

| Years Ending June 30, | |
|---|---|
| 2020 | $ 186,891 |
| 2021 | 119,850 |
| 2022 | (20,987) |
| 2023 | (17,008) |
| | $ 268,746 |

### E. Payable to Pension Plan

As of June 30, 2019, the Town reported a payable of $13,034 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

## NOTE 9 – RISK MANAGEMENT

### A. Risk Pool

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participates in the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a self-insurance pool. The PLAN JPA Plan provides certain levels of liability insurance coverage, claims management, risk management services and legal defense to each participant. The Town's general liability claims are insured up to $5 million per occurrence and $10 million per year. The Town's property claims are insured for up to $25 million per year. The Town has a deductible or uninsured liability of up to $25,000 per claim. Once the Town's deductible is met, PLAN JPA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2019, the Town contributed $125,753 for current year coverage plus settlement payments. Part of the contribution is to maintain the Plan’s reserve at 60 percent confidence funding level, per the annual actuarial report, to meet future claim liabilities.

Settlement amounts did not exceed insurance coverage for the past three years. The Town also received $30,247 in insurance recoveries during fiscal year 2019. The Town's insurance costs will increase/decrease based on its own adverse claims experience and the adverse claims experience of other agencies in the Town's risk pool.

The Shared Agency Risk Pool Joint Powers Agency (SHARP JPA) Shared Risk Pool (Pool) covers workers' compensation claims up to $250,000 each and has coverage above that limit to the statutory maximum. The Town has no deductible for these claims. During the fiscal year ended June 30, 2019, the Town contributed $65,799 for current year coverage.

As of June 30, 2019, the Town does not have earthquake insurance.

## NOTE 9 – RISK MANAGEMENT (CONTINUED)

### A. Risk Pool (Continued)

- Each risk pool is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of each risk pool, including selections of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. The Town's contribution to each risk pool is generally equal to the ratio of the Town's payroll to the total payrolls of all entities participating in the same layer of each program further adjusted for adverse claims experience, in each program year.

- Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Financial statements for each agency can be obtained from PLAN, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA, 95833.

- For PLAN JPA and SHARP JPA, all participating members are responsible for their weighted share of claim liability and to replenish the Plan/Pool reserve fund as necessary.

## NOTE 10 – CONTINGENT LIABILITIES

### A. Commitments and Contingencies

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney, there is no pending litigation that is likely to have a material adverse effect on the financial position of the Town.

### B. Service Concession Arrangements (SCA)

In February 2014, the Town and Victoria Dye Equestrian, LLC (VDE) entered into an agreement to operate the Westwind Community Barn (Westwind) which is owned by the Town. VDE provides horse boarding and equestrian classes to the community. The Town provides a monthly subsidy to VDE to defray costs related to managing barn operations and shares in certain utility costs. VDE remits 25% of all equestrian class revenues to the Town and the Town keeps 25% of revenues it collects for equestrian camps the Town offers operated by VDE. Westwind activity is included in the Town's General Fund.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### A. General Information About the OPEB Plan

Town employees are provided with other postemployment benefits (OPEB) through the Town's multi-employer defined benefit postemployment healthcare plan (the "Plan") administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of participating employers of the State of California and public agencies. During fiscal year 2008, the Town elected to prefund its OPEB liabilities through an irrevocable trust, the California Employers' Retiree Benefit Trust (CERBT). CERBT is administered by CalPERS. CERBT is a tax qualified irrevocable trust organized under the Internal Revenue Code (IRC) Section 115.

The CERBT was established by Chapter 331 of the 1988 California Statues, and employers elect to participate in the CERBT to pre-fund health, dental, and other non-pension postemployment benefits for their retirees and survivors.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

### B. Plan Description

The Plan provides postemployment healthcare benefits to eligible employees who retire directly from the Town under CalPERS at the minimum age of 50 with at least 5 years of CalPERS service or disability. Retirees must make a retirement election with CalPERS within 120 days following the date of separation from the Town. Benefit provisions are established, and may be amended, by the City Council. The following Note 11C below is a summary of Plan benefits by employee group as of June 30, 2019.

### C. Benefits Provided

The Town participates in the CalPERS healthcare program (PEMHCA) and allow retirees to continue participation in the medical insurance program after retirement. Under the Plan, the Town reimburses a portion of the premium for retiree medical coverage as follows:

- **Retirees from the Town and employees receiving Town medical benefits as of October 11, 2007** are eligible for a Town contribution up to an amount that is equal to what active employees receive in the cafeteria plan. As stated above, an individual must also qualify as a CalPERS annuitant in order to receive this benefit.

- **Employees hired or first receiving Town medical benefits after October 11, 2007** are only eligible to receive a Town contribution equal to the PEMHCA minimum upon retirement from the Town. As stated above, retirees must qualify as a CalPERS annuitant and meet all statutory and legal requirements necessary to receive this benefit.

### D. Employees Covered by Benefit Terms

Membership in the plan consisted of the following at the measurement date of June 30, 2018:

| | Count |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 13 |
| Inactive employees entitled to but not yet receiving benefits | |
| Active employees | 19 |
| Total | 32 |

### E. Contributions

Town contributions to the Plan occur as benefits are paid to retirees and/or to the CERBT. Benefit payments may occur in the form of direct payments for premiums and taxes (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”). Benefits and other contributions paid by the Town during the measurement period and those expected to be made in the following the measurement period but prior to the end of the fiscal year are shown below. For fiscal year ending June 30, 2019, Town contributions totaled $145,442.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

### E. Contributions (Continued)

| **Benefit Payments during the Measurement Period (July 1, 2017 through June 30, 2018)** | |
|---|---|
| Benefits Paid by Trust | $ - |
| Benefits Paid by Employer (not reimbursed by Trust) | 124,764 |
| Implicit benefit payments | 33,024 |
| **Total Benefit Payments During the Measurement Period** | $ 157,788 |

| **Employer Contributions During the Measurement Period (July 1, 2017 through June 30, 2018)** | |
|---|---|
| Employer Contributions to the Trust | - |
| Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by the Trust) | $124,764 |
| Implicit Contributions | 33,024 |
| **Total Employer Contributions During the Measurement Date** | $ 157,788 |

| **Employer Contributions Subsequent to the Measurement Period (July 1, 2018 through June 30, 2019)** | |
|---|---|
| Employer Contributions to the Trust | $ - |
| Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by the Trust) | $111,476 |
| Implicit Contributions | 33,966 |
| **Total Employer Contributions Subsequent to the Measurement Date** | $ 145,442 |

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

### E. Contributions (Continued)

The Town prefunds its OPEB liability by contributing 100% or more of the Actuarily Determined Contribution ("ADC") each year. The ADC consists of two components, which has been adjusted with interest, to the Town's fiscal year ending June 30, 2019:

- The amounts attributed to service performed in the current fiscal year (the normal cost); and
- Amortization of the unfunded actuarial accrued liability (UAAL).

Expected contributions, relative to the ADC, for the fiscal year ending June 30, 2019 are as follows:

| | |
|---|---|
| Actuarially determined contribution | $ 100,051 |
| Contributions in relation to the actuarially determined contributions | (145,442) |
| Contribution deficiency (excess) | $ (45,391) |
| | |
| Covered payroll | $ 2,364,255 |

### F. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ending June 30, 2019, the Town recognized OPEB expense of $53,885. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| OPEB contributions subsequent to the measurement date | $ 145,442 | $ - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 87,860 |
| Total | $ 145,442 | $ 87,860 |

The $145,422 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net 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 in OPEB expense as follows:

| Fiscal Year Ended June 30 | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2020 | $ (26,410) |
| 2021 | (26,410) |
| 2022 | (26,410) |
| 2023 | (8,630) |
| 2024 | - |
| Total | $ (87,860) |

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

### G. Net OPEB Liability

#### Actuarial Methods and Assumptions

The Town'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 June 30, 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: | |
|---|---|
| Actuarial Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry-Age Normal Cost Method, level percent of pay |
| Asset Valuation Method | Market Value of Assets |
| Long Term Return on Assets | 6% as of June 30, 2018 and June 30, 2017 net of plan investment expenses and including inflation |
| Discount Rate | 6.00% |
| Participants Valued | Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation. |
| Salary Increase | 3.25% per year, used only to allocate the cost of benefits between service years. |
| Assumed Wage Inflation | 3.00% per year, used to determine amortization payments as part of Acturially Determined Contributions |
| General Inflation | 2.75% per year |
| Healthcare Trend Rate | 8.00% in 2018, reducing half of a percent per year in 2025 & later |

Mortality rates were based on the CalPERS published rates and adjusted to back out 20 years of Scale BB to central year 2008 and then projected by medical plan premiums and claims costs by age that are assumed to increase once each year. The required PEMHCA minimum employer contribution (MEC) is assumed to increase annually by 4.5%.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the 2014 experience study of the CalPERS system using data from 1997 to 2011, except for a different basis used to project future mortality improvements.

The long-term expected rate of return on OPEB 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 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.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

### G. Net OPEB Liability (Continued)

The Town has elected CERBT Strategy Risk Level 1. This portfolio consists of assets management internally by CalPERS and/or external advisors. The CalPERS Investment Committee and Board of Administration directs the investment strategy and investments of the CERBT. As the CERBT is not a defined benefit plan, there is no guarantee that the portfolio will achieve its investment objectives nor provide sufficient funding to meet these employer obligations. CalPERS will not make up the difference between the employer's CERBT assets and the actual cost of OPEB provided to the employer's plan members. These investments are not insured by FDIC, CalPERS, the State of California, or any other government agency.

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 | Benchmarks |
|---|---|---|
| Global Equity | 57.0% | MSCI All Country World Indez IMI (net) |
| Fixed Income | 27.0% | Bloomberg Barclays Long Liability Index |
| Treasury Inflation Protection Securities | 5.0% | Bloomberg Barclays Barclays US TIPS Index |
| Real Estate Investment Trusts | 8.0% | FTSE EPRA/NAREIT Developed Liquid Index (net) |
| Commodities | 3.0% | S&P GSCI Total Return Index |
| Total | 100.0% | |

**CERBT Strategy 1 Performance**

| | 1 Month | 3 Month | Fiscal YTD | 1 Years | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|---|---|
| Gross Return | 1.49% | 1.99% | 1.49% | 7.50% | 6.80% | 6.99% | 6.21% |
| Net Return | 1.49% | 1.97% | 1.49% | 7.41% | 6.71% | 6.88% | 6.13% |

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

### H. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| **Balance at June 30, 2018 (Measurement Date 6/30/2017)** | $ 2,499,244 | $ 2,196,771 | $ 302,473 |
| **Changes for the year:** | | | |
| Service Cost | 59,133 | - | 59,133 |
| Interest on the Total OPEB Liability | 148,769 | - | 148,769 |
| Differences between Expected and Actual Experience | - | - | - |
| Contributions | | | |
| Employer - City's contribution | - | 157,788 | (157,788) |
| Employer - implicit subsidy | - | - | - |
| Employee | - | - | - |
| Net Investment Income | - | 174,834 | (174,834) |
| Benefit payments, including Refunds of Employee Contributions | (157,788) | (157,788) | - |
| Implicit Rate Subsidy Fulfilled | - | - | - |
| Administrative Expense | | (1,171) | 1,171 |
| Other Expense | - | (2,906) | 2,906 |
| **Net changes** | 50,114 | 170,757 | (120,643) |
| **Balance at June 30, 2019 (Measurement Date 6/30/2018)** | $ 2,549,358 | $ 2,367,528 | $ 181,830 |

Detailed information about the OPEB plan's fiduciary net position is available through CalPERS for the Schedule of Changes in Fiduciary Net Position by Employer as of the measurement date at https://www.calpers.ca.gov/docs/forms-publications/gasb-75-schedule-changes-fiduciary-net-position-2017.pdf. The benefit payments and refunds include implied subsidy benefit payments in the amount of $33,024.

### I. Discount Rate

The discount rate used to measure the total OPEB liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. 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. There has not been a change in the discount rate since the prior measurement date.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

### I. Discount Rate (Continued)

**Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the discount rate**.
The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current discount rate:

| | | |
|---|---|---|
| 1% Decrease | | 5.00% |
| Net OPEB Liability | $ | 467,690 |
| | | |
| Current Discount Rate | | 6.00% |
| Net OPEB Liability | $ | 181,830 |
| | | |
| 1% Increase | | 7.00% |
| Net OPEB Liability | $ | (59,526) |

**Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.**
The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point (7.0% decreasing to 4.0%) or 1-percentage point higher (9.0% decreasing to 6%) than the current healthcare cost trend rates:

| | | |
|---|---|---|
| 1% Decrease | | 7.00% |
| Net OPEB Liability | $ | (103,352) |
| | | |
| Trend Rate | | 8.00% |
| Net OPEB Liability | $ | 181,830 |
| | | |
| 1% Increase | | 9.00% |
| Net OPEB Liability | $ | 556,350 |

### J. Payable to the OPEB Plan

At June 30, 2019, the City reported a payable of $0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

### K. 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 Town'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 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.

## NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Excess of Expenditures Over Appropriations

No individual funds had expenditures over appropriations at June 30, 2019.

### B. Deficit Fund Balances

No individual funds had a deficit fund balance at June 30, 2019.

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# Required Supplemental Information

**TOWN OF LOS ALTOS HILLS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
**GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| REVENUES | | | | |
| Property taxes | $ 5,944,886 | $ 5,944,886 | $ 6,385,652 | $ 440,766 |
| Taxes other than property | 638,776 | 638,776 | 466,062 | (172,714) |
| Franchise fees | 532,240 | 532,240 | 530,991 | (1,249) |
| Licenses and permits | 1,276,233 | 1,276,233 | 1,060,772 | (215,461) |
| Intergovernmental | 57,230 | 57,230 | 50,965 | (6,265) |
| Use of money and property | 80,570 | 80,570 | 474,421 | 393,851 |
| Charges for services | 1,028,465 | 1,028,465 | 853,059 | (175,406) |
| Rental income | - | - | 107,653 | 107,653 |
| Fines and forfeitures | 9,200 | 9,200 | - | (9,200) |
| Interfund charges | 1,784,369 | 1,784,369 | 1,748,699 | (35,670) |
| Miscellaneous | 38,900 | 38,900 | 364,999 | 326,099 |
| Total revenues | 11,390,869 | 11,390,869 | 12,043,273 | 652,404 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,279,218 | 2,279,218 | 2,113,083 | 166,135 |
| Public safety | 1,469,211 | 1,469,211 | 1,836,016 | (366,805) |
| Community development | 2,892,589 | 2,892,589 | 2,642,159 | 250,430 |
| Public works | 1,799,548 | 1,799,548 | 1,632,329 | 167,219 |
| Parks and recreation | 757,135 | 757,135 | 742,986 | 14,149 |
| Nondepartmental: | | | | |
| Additional pension payments | 200,000 | 200,000 | - | 200,000 |
| Total expenditures | 9,397,701 | 9,397,701 | 8,966,573 | 431,128 |
| Excess (Deficiency) of Revenues Over Expenditures | 1,993,168 | 1,993,168 | 3,076,700 | 1,083,532 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (1,930,316) | (1,930,316) | (1,930,316) | - |
| Total Other Financing Sources (Uses) | (1,930,316) | (1,930,316) | (1,930,316) | - |
| Net Change in Fund Balances | 62,852 | 62,852 | 1,146,384 | 1,083,532 |
| Fund Balances, Beginning of Year | 11,729,294 | 11,729,294 | 11,729,294 | - |
| Fund Balances, End of Year | $ 11,792,146 | $ 11,792,146 | $ 12,875,678 | $ 1,083,532 |

See notes to required supplementary information

**Cost-Sharing Multiple-Employer Defined Pension Plan**
Last 10 Years*
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

| | Miscellaneous Plan | | | | |
|---|---|---|---|---|---|
| **Measurement Date** | **6/30/2014** | **6/30/2015** | **6/30/2016** | **6/30/2017** | **6/30/2018** |
| Plan's Proportion of the Net Pension Liability (Asset) | 0.03226% | 0.07776% | 0.08293% | 0.08630% | 0.05018% |
| Plan's Proportionate Share of the Net Pension Liability (Asset) | $ 2,007,540 | $ 2,133,424 | $ 2,881,005 | $ 3,400,941 | $ 1,891,026 |
| Plan's Covered Payroll | $ 1,607,595 | $ 1,624,334 | $ 1,641,880 | $ 1,786,436 | $ 1,877,689 |
| Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll | 124.88% | 131.34% | 175.47% | 190.38% | 100.71% |
| Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability | 79.82% | 78.40% | 74.06% | 73.31% | 77.69% |

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

**Cost-Sharing Multiple-Employer Defined Pension Plan**
Last 10 Years*
**SCHEDULE OF CONTRIBUTIONS**

| | Miscellaneous Plan | | | | |
|---|---|---|---|---|---|
| **Fiscal Year** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Actuarially determined contribution | $ 181,280 | $ 221,507 | $ 250,340 | $ 1,640,692 | $ 345,118 |
| Contributions in relation to the actuarially determined contributions | (181,280) | (221,507) | (250,340) | (1,640,692) | (345,118) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 1,624,334 | $ 1,641,880 | $ 1,786,436 | $ 1,877,689 | $ 2,381,293 |
| Contributions as a percentage of covered payroll | 11.16% | 13.49% | 14.01% | 87.38% | 14.49% |

**Notes to Schedule**

| | | | | | |
|---|---|---|---|---|---|
| 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 normal | | |
| Amortization method | Level percentage of payroll, closed | | |
| Remaining amortization period | 30 years | | |
| Asset valuation method | 5-year smoothed market | | |
| Inflation | 2.75% | | |
| Salary increases | Varies by Entry Age and Service | | |
| Investment rate of return | 7.15%, net of pension plan investment and administrative expenses, including inflation | | |
| Retirement age | 55 years Tier 1 | 60 years Tier 2 | 62 years Tier 3 |
| Mortality | The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. | The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 5 years of mortality improvements using the Society of Actuaries Scale AA. | The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. |

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Prepared for Town of Los Altos Hills
For the measurement year ending June 30
Last 10 Years*

**SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS**

| **Measurement Date** | **2017** | **2018** |
|---|---|---|
| **Total OPEB Liability** | | |
| Service Cost | $ 57,272 | $ 59,133 |
| Interest on the total OPEB Liability | 145,306 | 148,769 |
| Changes in benefit terms | - | - |
| Differences between expected and actual experience | - | - |
| Changes of assumptions | - | - |
| Benefit Payments | (135,645) | (157,788) |
| **Net change in total OPEB liability** | 66,933 | 50,114 |
| **Total OPEB liability - beginning** | 2,432,311 | 2,499,244 |
| **Total OPEB liability - ending (a)** | $ 2,499,244 | $ 2,549,358 |
| | | |
| **Plan fiduciary net position** | | |
| Contributions - employer-Town's contribution | $ 403,645 | $ 157,788 |
| Contributions - employer-implicit subsidy | - | - |
| Net investment income | 200,657 | 174,834 |
| Benefit payments | (135,645) | (157,788) |
| Implicit rate subsidy fulfilled | - | - |
| Administrative expense | (1,019) | (1,171) |
| Other Expenses | | (2,906) |
| **Net change in plan fiduciary net position** | 467,638 | 170,757 |
| **Plan fiduciary net position - beginning** | 1,729,133 | 2,196,771 |
| **Plan fiduciary net position - ending (b)** | $ 2,196,771 | $ 2,367,528 |
| | | |
| **Net OPEB liability - ending (a) - (b)** | $ 302,473 | $ 181,830 |
| | | |
| Town's covered-employee payroll | $ 1,856,292 | $ 2,082,980 |
| | | |
| Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 16.29% | 8.73% |

**Notes to Schedule:**

Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

* Fiscal year 2018 was the first year of implementation.

Prepared for Town of Los Altos Hills
For the fiscal year ending June 30
Last 10 Years*

**SCHEDULE OF OPEB INVESTMENT RETURNS**

| Fiscal Year Ending | **2018** | **2019** |
|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 6.00% | 6.00% |

* Fiscal year 2018 was the first year of implementaiton.

Prepared for Town of Los Altos Hills
For the fiscal year ending June 30
Last 10 Years*
**SCHEDULE OF OPEB CONTRIBUTIONS**

| Fiscal Year Ending | 2018 | 2019 |
|---|---|---|
| Actuarially determined contribution | $ 103,483 | $ 100,051 |
| Contributions in relation to the actuarially determined contributions | (157,788) | (145,442) |
| Contribution deficiency (excess) | $ (54,305) | $ (45,391) |
| Covered payroll | $ 2,082,980 | $ 2,364,255 |
| Contributions as a percentage of covered payroll | 7.58% | 6.15% |

**Notes to Schedule**

| | | |
|---|---|---|
| Valuation date: | 6/30/2017 | 6/30/2018 |

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry age normal, level percent of pay |
| Asset valuation method | Market value of assets |
| Inflation | 2.75% |
| Assumed Rate of Payroll Growth | 3.00% |
| Healthcare trend rates | 8.00% in 2018, reducing half of a percent per year until year 2024. 5.00% in year 2024. |
| PEMHCA trend rate | 4.50% |
| Rate of return on assets | 6.00% |
| Retirement Age | Age 50 and 5 years of service |
| Mortality rate | CalPERS Rates (1) |
| Other information | The ADC takes into account the implicit subsidy |

(1) Mortality rate is based on assumption data of 20 years of projected on-going mortality improvement using Society of

* - Fiscal year 2018 was the 1st year of implementation.

## NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are held to obtain taxpayer comments.

3. The budget is legally enacted through passage of a minute order.

4. The City Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that increase total expenditures of any fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level without City Council approval.

5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Amounts presented include amendments approved by the City Council.

## NOTE 2 - PENSION LIABILITY AND RELATED CONTRIBUTIONS

These schedules present information that shows the Town's proportionate share of the pension liability in the cost sharing pools, actuarial information, and contributions. The proportionate share information is useful in determining the Town's liability in relation to all other entities in the pool.

## NOTE 3 - SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS

This schedule shows the funding progress for the Town's Other Postemployment Benefits whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits as required by current standards. There are no factors that significantly affect the identification of trends in the amount reported. Only years when actuarial valuations were performed are shown. Additional years will be included as subsequent valuations are performed.

# Supplemental Information

**TOWN OF LOS ALTOS HILLS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL STREET CAPITAL PROJECTS FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| REVENUES | | | | |
| Intergovernmental | $ 368,602 | $ 368,602 | $ 391,154 | $ 22,552 |
| Charges for services | 40,000 | 40,000 | 147,278 | 107,278 |
| Total revenues | 408,602 | 408,602 | 538,432 | 129,830 |
| EXPENDITURES | | | | |
| Capital outlay | 1,917,307 | 1,917,307 | 1,457,361 | 459,946 |
| Total expenditures | 1,917,307 | 1,917,307 | 1,457,361 | 459,946 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,508,705) | (1,508,705) | (918,929) | 589,776 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,295,405 | 1,295,405 | 1,295,405 | - |
| Total Other Financing Sources (Uses) | 1,295,405 | 1,295,405 | 1,295,405 | - |
| Net Change in Fund Balances | (213,300) | (213,300) | 376,476 | 589,776 |
| Fund Balances, Beginning of Year | 368,574 | 368,574 | 368,574 | - |
| Fund Balances, End of Year | $ 155,274 | $ 155,274 | $ 745,050 | $ 589,776 |

**TOWN OF LOS ALTOS HILLS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
**SEWER ENTERPRISE FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **OPERATING REVENUES** | | | | |
| Charges for services | $ 2,956,739 | $ 2,956,739 | $ 3,005,050 | $ 48,311 |
| Total Operating Revenues | 2,956,739 | 2,956,739 | 3,005,050 | 48,311 |
| **OPERATING EXPENSES** | | | | |
| Salaries and benefits | 164,820 | 164,820 | 187,293 | (22,473) |
| Contract services - treatment plant | 1,118,393 | 1,118,393 | 822,836 | 295,557 |
| Professional services | 289,035 | 289,035 | 175,273 | 113,762 |
| Support goods and services | 6,800 | 6,800 | 8,105 | (1,305) |
| Repairs and maintenance | 472,500 | 472,500 | 379,499 | 93,001 |
| Utilities | 12,900 | 12,900 | 6,930 | 5,970 |
| Interfund charges | 277,351 | 277,351 | 286,423 | (9,072) |
| Depreciation | - | - | 194,902 | (194,902) |
| Total Operating Expenditures | 2,341,799 | 2,341,799 | 2,061,261 | 280,538 |
| Operating income | 614,940 | 614,940 | 943,789 | 328,849 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | |
| Capital Contributions - sewer connection fees | 185,369 | 185,369 | 98,183 | (87,186) |
| Interest income | 11,190 | 11,190 | 76,210 | 65,020 |
| Nonoperating Revenues (Expenses), net | 196,559 | 196,559 | 174,393 | (22,166) |
| Changes in Net Position | 811,499 | 811,499 | 1,118,182 | 306,683 |
| Fund Balances, Beginning of Year | 9,351,530 | 9,351,530 | 9,351,530 | - |
| Fund Balances, End of Year | $ 10,163,029 | $ 10,163,029 | $ 10,469,712 | $ 306,683 |

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# Non-Major Governmental Funds

## SPECIAL REVENUE FUNDS

Special revenue Funds account for specific revenues that are legally restricted to expenditures for particular purposes.

***Parks and Recreation In-Lieu Fee fund*** accounts for revenues from parks and recreation in-lieu fees, which are designated for park maintenance, improvement and construction.

***Citizens' Option for Public Safety (COPS) Fund*** accounts for revenues from the Citizens' Option for Public Safety Program, which are designated for public safety.

***Special Donations Fund*** accounts for donations.

## CAPITAL PROJECTS FUND

***Other Capital Projects Funds*** accounts for financial resources that are necessary for the acquisition or construction of major capital facilities.

**TOWN OF LOS ALTOS HILLS**
**NONMAJOR GOVERNMENTAL FUNDS**
**COMBINING BALANCE SHEETS**
**JUNE 30, 2019**

| | SPECIAL REVENUE FUNDS | | | CAPITAL PROJECT FUNDS |
|---|---|---|---|---|
| | Parks and Recreation In-Lieu Fee | COPS | Special Donations | Capital Projects |
| **ASSETS** | | | | |
| Cash and investments | $ 33,981 | $ 631,547 | $ 31,307 | $ 1,738,552 |
| Materials, parts and supplies | - | - | - | 34 |
| Total Assets | $ 33,981 | $ 631,547 | $ 31,307 | $ 1,738,586 |
| **LIABILITIES** | | | | |
| Accounts payable | $ - | $ (4,254) | $ - | $ 30,152 |
| Accrued liabilities | - | - | | 4,073 |
| Total Liabilities | - | (4,254) | - | 34,225 |
| **FUND BALANCES** | | | | |
| Committed | - | - | - | 1,704,361 |
| Restricted | 33,981 | 635,801 | 31,307 | - |
| Total Fund Balances (Deficit) | 33,981 | 635,801 | 31,307 | 1,704,361 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 33,981 | $ 631,547 | $ 31,307 | $ 1,738,586 |

| Total Nonmajor Governmental Funds |
|---|
| $ 2,435,387 |
| 34 |
| $ 2,435,421 |
| $ 25,898 |
| 4,073 |
| 29,971 |
| 1,704,361 |
| 701,089 |
| 2,405,450 |
| $ 2,435,421 |

**TOWN OF LOS ALTOS HILLS**
**NONMAJOR GOVERNMENTAL FUNDS**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCES**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | SPECIAL REVENUE FUNDS | | | CAPITAL PROJECT FUNDS |
|---|---|---|---|---|
| | Parks and Recreation In-Lieu Fund | COPS | Special Donations | Capital Projects |
| **REVENUES** | | | | |
| Intergovernmental | $ - | $ 132,138 | $ - | $ - |
| Investment income | 1,620 | 11,570 | - | 42,971 |
| Rental income | - | - | - | 48,066 |
| Charges for services | - | - | - | 282,099 |
| Total Revenues | 1,620 | 143,708 | - | 373,136 |
| **EXPENDITURES** | | | | |
| Public safety | - | 138,005 | - | - |
| Capital outlay | - | - | - | 474,825 |
| Total Expenditures | - | 138,005 | - | 474,825 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 1,620 | 5,703 | - | (101,689) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | - | 544,911 | - | 273,432 |
| Transfers (out) | (43,432) | - | - | (140,000) |
| Total Other Financing Sources (Uses) | (43,432) | 544,911 | - | 133,432 |
| **NET CHANGE IN FUND BALANCES** | (41,812) | 550,614 | - | 31,743 |
| **BEGINNING FUND BALANCES** | 75,793 | 85,187 | 31,307 | 1,672,618 |
| **ENDING FUND BALANCES** | $ 33,981 | $ 635,801 | $ 31,307 | $ 1,704,361 |

| Total Nonmajor Governmental Funds |
|---|
| $ 132,138 |
| 56,161 |
| 48,066 |
| 282,099 |
| 518,464 |
| 138,005 |
| 474,825 |
| 612,830 |
| (94,366) |
| 818,343 |
| (183,432) |
| 634,911 |
| 540,545 |
| 1,864,905 |
| $ 2,405,450 |

**TOWN OF LOS ALTOS HILLS**
**BUDGETED NONMAJOR FUNDS**
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCES**
**BUDGET AND ACTUAL**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | SPECIAL REVENUE FUNDS | | | | | |
|---|---|---|---|---|---|---|
| | PARKS AND RECREATION IN-LIEU FEE | | | COPS | | |
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| **GOVERNMENTAL REVENUES** | | | | | | |
| Charges for services | $ 42,000 | $ - | $ (42,000) | $ - | $ - | $ - |
| Intergovernmental | - | - | - | 100,000 | 132,138 | 32,138 |
| Rental income | - | - | - | - | - | - |
| Investment income | - | 1,620 | 1,620 | - | 11,570 | 11,570 |
| Total Revenues | 42,000 | 1,620 | (40,380) | 100,000 | 143,708 | 43,708 |
| **EXPENDITURES** | | | | | | |
| Public safety | - | - | - | 645,220 | 138,005 | 507,215 |
| Capital outlay | - | - | - | - | - | - |
| Total Expenditures | - | - | - | 645,220 | 138,005 | 507,215 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 42,000 | 1,620 | (40,380) | (545,220) | 5,703 | (463,507) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Transfers in | - | - | - | - | 544,911 | (544,911) |
| Transfers out | (43,432) | (43,432) | - | - | - | - |
| Total Other Financing Sources (Uses) | (43,432) | (43,432) | - | - | 544,911 | (544,911) |
| **NET CHANGES IN FUND BALANCES** | ($1,432) | (41,812) | ($40,380) | ($545,220) | 550,614 | ($1,008,418) |
| **BEGINNING FUND BALANCES** | | 75,793 | | | 85,187 | |
| **ENDING FUND BALANCES** | | $ 33,981 | | | $ 635,801 | |

(Continued)

**TOWN OF LOS ALTOS HILLS**
**BUDGETED NONMAJOR FUNDS**
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**
**AND CHANGES IN FUND BALANCES**
**BUDGET AND ACTUAL**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | SPECIAL REVENUE FUNDS | | | CAPITAL PROJECT FUNDS | | |
|---|---|---|---|---|---|---|
| | SPECIAL DONATIONS | | | CAPITAL PROJECTS | | |
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| **GOVERNMENTAL REVENUES** | | | | | | |
| Charges for services | $ - | $ - | $ - | $ - | $ 282,099 | $ 282,099 |
| Intergovernmental | - | - | - | - | - | - |
| Rental income | - | - | - | 50,614 | 48,066 | (2,548) |
| Investment Income | - | - | - | 10,640 | 42,971 | 32,331 |
| Total Revenues | - | - | - | 61,254 | 373,136 | 311,882 |
| **EXPENDITURES** | | | | | | |
| Public safety | - | - | - | - | - | - |
| Capital outlay | - | - | - | 1,418,111 | 474,825 | 943,286 |
| Total Expenditures | - | - | - | 1,418,111 | 474,825 | 943,286 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | - | - | - | (1,356,857) | (101,689) | 1,255,168 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Transfers in | - | - | - | 273,432 | 273,432 | - |
| Transfers out | - | - | - | (140,000) | (140,000) | - |
| Total Other Financing Sources (Uses) | - | - | - | 133,432 | 133,432 | - |
| **NET CHANGE IN FUND BALANCES** | $ - | - | $ - | $ (1,223,425) | 31,743 | $1,255,168 |
| **BEGINNING FUND BALANCES** | | 31,307 | | | 1,672,618 | |
| **ENDING FUND BALANCES** | | $ 31,307 | | | $ 1,704,361 | |

**TOWN OF LOS ALTOS HILLS**
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**AGENCY FUND**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|---|---|---|---|---|
| **WEST LOYOLA SEWER ASSESSMENT DISTRICT** | | | | |
| ASSETS | | | | |
| Restricted cash and investments | $ 295,124 | $ 177 | $ - | $ 295,301 |
| Miscellaneous receivables | 785 | - | (785) | - |
| Total Assets | $ 295,909 | $ 177 | $ (785) | $ 295,301 |
| LIABILITIES | | | | |
| Accounts payable | $ 899 | $ - | $ - | $ 899 |
| Due to bond holders | 295,010 | 177 | (785) | 294,402 |
| Total Liabilities | $ 295,909 | $ 177 | $ (785) | $ 295,301 |

# STATISTICAL SECTION

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# Statistical Section

This part of the Town of Los Altos Hills Comprehensive Annual Financial Report presents the detailed information as a context for understand what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

***Contents*** ***Page***


**Financial Trends** - These schedules contain trend information to help the reader understand how Town's financial performance and well-being have changed over time. 96

**Revenue Capacity** - These schedules contain information to help the reader assess one of the Town's most significant local revenue source, the property tax. 106

**Debt Capacity** - These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and its ability to issue additional debt in the future. 110

**Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place. 113

**Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the Town's CAFR relates to the services the Town provides and activities it performs. 116

# Net Position by Component

Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Invested in capital assets, net | $ 23,564,257 | $ 24,421,688 | $ 25,681,352 | $ 26,654,599 | $ 25,535,393 |
| Restricted | 1,447,591 | 960,737 | 1,507,673 | 1,787,750 | 1,520,545 |
| Unrestricted | 7,831,794 | 7,654,909 | 4,582,714 | 4,349,494 | 7,124,524 |
| Total governmental activities net position | $ 32,843,642 | $ 33,037,334 | $ 31,771,739 | $ 32,791,843 | $ 34,180,462 |
| Business-type activities: | | | | | |
| Invested in capital assets, net | $ 4,022,707 | $ 4,369,141 | $ 4,452,208 | $ 4,312,151 | $ 4,774,920 |
| Restricted | 1,727,745 | - | - | - | - |
| Unrestricted | 2,619,265 | 2,856,291 | 2,915,748 | 3,227,161 | 3,075,429 |
| Total business-type activities net position | $ 8,369,717 | $ 7,225,432 | $ 7,367,956 | $ 7,539,312 | $ 7,850,349 |
| Primary government: | | | | | |
| Invested in capital assets, net | $ 27,586,964 | $ 28,790,829 | $ 30,133,560 | $ 30,966,750 | $ 30,310,313 |
| Restricted | 3,175,336 | 960,737 | 1,507,673 | 1,787,750 | 1,520,545 |
| Unrestricted | 10,451,059 | 10,511,200 | 7,498,462 | 7,576,655 | 10,199,953 |
| Total net position | $ 41,213,359 | $ 40,262,766 | $ 39,139,695 | $ 40,331,155 | $ 42,030,811 |

Source: Audited Financial Statements

| 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| $ 25,370,209 | $ 24,700,834 | $ 24,739,048 | $ 25,898,305 | $ 26,305,865 |
| 1,666,812 | 1,706,954 | 115,275 | 192,287 | 1,229,812 |
| 7,064,274 | 9,687,552 | 13,377,599 | 13,052,174 | 14,219,604 |
| $ 34,101,295 | $ 36,095,340 | $ 38,231,922 | $ 39,142,766 | $ 41,755,281 |
| | | | | |
| $ 5,022,034 | $ 5,244,525 | $ 5,831,322 | $ 6,704,180 | $ 7,264,306 |
| - | - | - | - | - |
| 2,774,135 | 2,582,858 | 2,607,749 | 2,647,350 | 3,205,406 |
| $ 7,796,169 | $ 7,827,383 | $ 8,439,071 | $ 9,351,530 | $ 10,469,712 |
| | | | | |
| $ 30,392,243 | $ 29,945,359 | $ 30,570,370 | $ 32,602,485 | $ 33,570,171 |
| 1,666,812 | 1,706,954 | 115,275 | 192,287 | 1,229,812 |
| 9,838,409 | 12,270,410 | 15,985,348 | 15,699,524 | 17,425,010 |
| $ 41,897,464 | $ 43,922,723 | $ 46,670,993 | $ 48,494,296 | $ 52,224,993 |

# Changes in Net Position

Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **Governmental activities*:** | | | | | |
| **Expenses:** | | | | | |
| Administration | $ 2,071,985 | $ 1,822,653 | $ 2,046,868 | $ 1,837,120 | $ 639,350 |
| Public safety | 1,491,760 | 1,384,604 | 1,345,461 | 1,440,002 | 1,555,955 |
| Community development | 2,660,434 | 2,111,541 | 2,437,335 | 2,448,821 | 3,224,490 |
| Parks and recreation | 1,279,596 | 1,310,566 | 1,300,211 | 1,314,872 | 1,479,822 |
| Drainage and street operations | 830,146 | 934,755 | 700,017 | 627,512 | 842,532 |
| Public works | | | | | |
| Interest on long-term debt | 75,962 | 71,553 | 44,305 | 4,526 | 3,955 |
| Total governmental activities expenses | 8,409,883 | 7,635,672 | 7,874,197 | 7,672,853 | 7,746,104 |
| **Program revenues:** | | | | | |
| Charges for services: | | | | | |
| Administration | - | - | - | - | - |
| Public safety | - | - | - | 3,200 | - |
| Community development | 1,218,744 | 1,362,932 | 1,843,682 | 1,768,740 | 1,871,118 |
| Parks and recreation | 541,337 | 532,623 | 476,599 | 433,785 | 281,886 |
| Drainage and street operations | 709,133 | 601,078 | 340,010 | 169,526 | 186,631 |
| Public works | | | | | |
| Operating contributions and grants | 996,454 | 447,717 | 531,671 | 1,267,777 | 500,245 |
| Capital contributions and grants | - | - | - | - | 266,736 |
| Total governmental activities program revenues | 3,465,668 | 2,944,350 | 3,191,962 | 3,643,028 | 3,106,616 |
| **Total governmental activities net program expenses** | (4,944,215) | (4,691,322) | (4,682,235) | (4,029,825) | (4,639,488) |
| **General revenues and other changes in net position:** | | | | | |
| Governmental revenues: | | | | | |
| Taxes | | | | | |
| Property taxes | 3,444,173 | 3,393,604 | 3,543,231 | 3,785,652 | 4,153,331 |
| Other taxes | 366,442 | 544,092 | 427,826 | 594,656 | 626,479 |
| Franchise taxes | 387,803 | 428,332 | 430,149 | 421,634 | 463,598 |
| Use of money and property | 212,126 | 178,450 | 156,743 | 142,931 | 199,609 |
| Rental income *** | - | - | - | - | - |
| Investment Income *** | - | - | - | - | - |
| Other unrestricted revenue | 303,395 | 193,425 | 39,448 | 34,057 | 585,089 |
| Sale of Capital Assets-net | 242 | 6,600 | - | - | - |
| Other intergovernmental revenue | 140,947 | 69,166 | - | - | - |
| Special Item** | - | - | (1,250,000) | - | - |
| Transfers | 131,616 | 71,345 | 69,243 | 71,000 | - |
| **Total governmental activities general revenues and other changes in net position** | 4,986,744 | 4,885,014 | 3,416,640 | 5,049,930 | 6,028,106 |
| **Total governmental activities changes in net position** | **42,529** | **193,692** | **(1,265,595)** | **1,020,105** | **1,388,618** |

* Governmental Activities affected by implementation of cost allocation plan in 2014.
** Special item is related to provision for one-time refund of Roadway Impact Fee
*** Change in Financial Reporting in 2018

Note 1: In fiscal year 2015-16, there are changes to the account groupings between programs. For comparison purpose, we added an additional column for fiscal year 2014-15, in which the 2014-15 audited numbers are regrouped to be consistent with the new grouping in 2015-16. One main difference in the 2014-15 numbers is in the treatment of overhead allocation paid by the sewer fund. The original 2014-15 audited charges for services included $46,860 overhead allocation to sewer operations. The new grouping records this as "transfers".

Source: Audited Financial Statements

| 2015 | 2015 (Note 1) | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| $ 538,004 | $ 1,923,816 | $ 2,339,474 | $ 2,119,990 | $ 2,459,576 | $ 2,477,572 |
| 1,567,747 | 1,379,621 | 1,601,654 | 1,817,299 | 2,194,391 | 2,388,908 |
| 3,324,935 | 2,289,743 | 2,167,702 | 2,210,748 | 2,894,119 | 2,768,476 |
| 1,358,479 | 621,974 | 738,495 | 680,522 | 1,157,213 | 851,096 |
| 839,577 | - | - | - | - | - |
| | 1,413,588 | 1,252,271 | 1,461,155 | 1,669,907 | 2,001,602 |
| 3,304 | 3,304 | 1,492 | - | - | - |
| 7,632,046 | 7,632,046 | 8,101,088 | 8,289,714 | 10,375,206 | 10,487,654 |
| | | | | | |
| - | 29,038 | 72,566 | 27,615 | 1,804,216 | 1,970,336 |
| 1,302 | 1,302 | - | - | 156,083 | 132,138 |
| 2,623,027 | 2,433,038 | 2,217,874 | 2,219,769 | 1,792,025 | 1,546,016 |
| 316,391 | 269,295 | 199,241 | 222,834 | 394,729 | 255,128 |
| 340,110 | - | - | - | - | - |
| | 548,157 | 388,931 | 549,729 | 513,771 | 476,146 |
| 338,453 | 291,593 | 303,292 | 343,107 | 194,053 | 230,351 |
| 246,533 | 246,533 | 398,990 | 69,635 | 94,031 | 185,744 |
| 3,865,816 | 3,818,956 | 3,580,894 | 3,432,689 | 4,948,908 | 4,795,859 |
| (3,766,230) | (3,813,090) | (4,520,194) | (4,857,025) | (5,426,298) | (5,691,795) |
| | | | | | |
| 4,606,184 | 4,606,184 | 4,960,016 | 5,302,028 | 5,721,224 | 6,385,652 |
| 649,542 | 649,542 | 565,055 | 666,631 | 724,609 | 522,946 |
| 513,997 | 513,997 | 474,732 | 573,336 | 579,333 | 530,991 |
| 208,776 | 208,776 | 356,479 | 222,688 | - | - |
| - | - | - | - | 218,816 | - |
| - | - | - | - | 32,349 | 530,582 |
| 174,469 | 174,469 | 4,538 | 13,747 | 39,051 | 334,139 |
| - | - | - | 5,500 | 5,885 | - |
| - | - | - | - | | - |
| - | - | - | - | - | - |
| - | 46,860 | 153,419 | 209,677 | - | - |
| 6,152,968 | 6,199,828 | 6,514,239 | 6,993,607 | 7,321,267 | 8,304,310 |
| **2,386,738** | **2,386,738** | **1,994,045** | **2,136,582** | **1,894,969** | **2,612,515** |

# Changes in Net Position (continued)

Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| **Expenses:** | | | | | |
| Sewer | $ 947,450 | $ 1,022,325 | $ 1,328,856 | $ 1,242,885 | $ 1,271,651 |
| Solid waste | - | - | - | - | - |
| Total business-type activities expenses | 947,450 | 1,022,325 | 1,328,856 | 1,242,885 | 1,271,651 |
| **Program revenues:** | | | | | |
| Charges for services: | | | | | |
| Sewer | 1,643,706 | 1,406,130 | 1,355,667 | 1,359,338 | 1,382,472 |
| Solid waste | - | - | - | - | - |
| Operating contributions and grants | - | - | - | - | - |
| Capital contributions and grants | 272,405 | (1,486,331) | 170,955 | 125,183 | 175,497 |
| Total business-type activities program revenues | 1,916,111 | (80,201) | 1,526,622 | 1,484,521 | 1,557,969 |
| **Total business-type activities net program revenue (expenses)** | 968,661 | (1,102,526) | 197,766 | 241,636 | 286,318 |
| **General revenues and other changes in net position:** | | | | | |
| Use of money and property | 102,876 | 29,585 | 14,001 | 720 | 24,719 |
| Investment Income *** | - | - | - | - | - |
| Other unrestricted revenue | | | | | |
| Transfers | (131,616) | (71,345) | (69,243) | (71,000) | - |
| **Total business-type activities general revenues and other changes in net position** | (28,740) | (41,760) | (55,242) | (70,280) | 24,719 |
| **Total business-type activities changes in net position** | **939,921** | **(1,144,286)** | **142,524** | **171,356** | **311,037** |
| **Total primary government change in net position** | **$ 982,450** | **$ (950,594)** | **$ (1,123,071)** | **$ 1,191,461** | **$ 1,699,655** |

* Governmental Activities affected by implementation of cost allocation plan in 2014.
** Special item is related to provision for one-time refund of Roadway Impact Fee
*** Change in Financial Reporting in 2018

Note 1: In fiscal year 2015-16, there are changes to the account groupings between programs. For comparison purpose, we added an additional column for fiscal year 2014-15, in which the 2014-15 audited numbers are regrouped to be consistent with the new grouping in 2015-16. One main difference in the 2014-15 numbers is in the treatment of overhead allocation paid by the sewer fund. The original 2014-15 audited charges for services included $46,860 overhead allocation to sewer operations. The new grouping records this as "transfers".

Source: Audited Financial Statements

| 2015 | 2015 (Note 1) | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| $ 1,591,743 | $ 1,544,883 | $ 1,997,399 | $ 2,129,895 | $ 2,114,609 | $ 2,061,261 |
| - | - | - | - | - | - |
| 1,591,743 | 1,544,883 | 1,997,399 | 2,129,895 | 2,114,609 | 2,061,261 |
| 1,392,029 | 1,392,029 | 1,925,636 | 2,759,287 | 2,917,428 | 3,005,050 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 234,339 | 234,339 | 221,010 | 185,369 | 130,930 | 98,183 |
| 1,626,368 | 1,626,368 | 2,146,646 | 2,944,656 | 3,048,358 | 3,103,233 |
| 34,625 | 81,485 | 149,247 | 814,761 | 933,749 | 1,041,972 |
| 19,533 | 19,533 | 32,557 | 4,134 | - | - |
| - | - | - | - | 6,642 | 76,210 |
| | | 2,829 | 2,470 | 3,220 | - |
| - | (46,860) | (153,419) | (209,677) | - | - |
| 19,533 | (27,327) | (118,033) | (203,073) | 9,862 | 76,210 |
| **54,158** | **54,158** | **31,214** | **611,688** | **943,611** | **1,118,182** |
| **$ 2,440,896** | **$ 2,440,896** | **$ 2,025,259** | **$ 2,748,270** | **$ 2,838,580** | **$ 3,730,697** |

# Fund Balances of Governmental Funds

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Restricted | $ - | $ - | $ - | $ - | $ - |
| Committed | 1,600,000 | 170,000 | 240,000 | 286,150 | 285,000 |
| Assigned | - | - | - | - | - |
| Unassigned | 3,810,511 | 5,607,882 | 3,063,979 | 2,990,283 | 5,420,162 |
| Total General Fund | $ 5,410,511 | $ 5,777,882 | $ 3,303,979 | $ 3,276,433 | $ 5,705,162 |
| All other governmental funds | | | | | |
| Restricted | $ 1,557,669 | $ 960,737 | $ 1,507,673 | $ 1,787,750 | $ 1,520,545 |
| Committed | 1,820,403 | 1,311,759 | 75,112 | 354,495 | 519,059 |
| Unassigned | - | - | (184,268) | - | (435) |
| Total all other governmental funds | $ 1,820,403 | $ 1,311,759 | $ 1,398,517 | $ 2,142,245 | $ 2,039,169 |

Source: Audited Financial Statements

| 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 528,723 |
| 360,000 | 1,765,000 | 1,840,000 | 3,125,000 | 3,155,000 |
| - | 350,000 | 350,000 | 350,000 | 350,000 |
| 7,048,964 | 7,606,176 | 10,267,874 | 8,254,294 | 8,841,955 |
| $ 7,408,964 | $ 9,721,176 | $ 12,457,874 | $ 11,729,294 | $ 12,875,678 |
| | | | | |
| $ 1,691,286 | $ 1,706,954 | $ 115,275 | $ 192,287 | $ 701,089 |
| 934,569 | 1,086,413 | 2,050,545 | 2,041,192 | 2,449,411 |
| - | - | - | - | - |
| $ 2,625,855 | $ 2,793,367 | $ 2,165,820 | $ 2,233,479 | $ 3,150,500 |

# Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Property taxes | $ 3,438,168 | $ 3,393,604 | $ 3,543,251 | $ 3,785,652 | $ 4,153,332 |
| Taxes other than property | 332,189 | 503,766 | 423,353 | 545,228 | 524,763 |
| Franchise fees | 387,803 | 428,332 | 430,149 | 421,634 | 463,598 |
| Licenses and permits | 732,233 | 820,694 | 651,476 | 754,460 | 1,006,907 |
| Intergovernmental | 656,480 | 428,833 | 457,952 | 1,264,716 | 610,850 |
| Use of money and property | 212,126 | 210,904 | 196,891 | 200,937 | 281,583 |
| Investment Income ** | - | - | - | - | - |
| Charges for services | 1,751,358 | 1,605,081 | 1,836,621 | 1,407,987 | 1,411,082 |
| Interfund charges | - | - | - | - | - |
| Rental income | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Miscellaneous | 810,197 | 360,205 | 249,686 | 241,344 | 599,992 |
| Total revenues | 8,320,554 | 7,751,419 | 7,789,379 | 8,621,958 | 9,052,107 |
| Expenditures | | | | | |
| Current: | | | | | |
| Administration | 1,651,144 | 1,453,778 | 1,580,902 | 1,363,140 | 276,162 |
| Public safety | 1,092,359 | 1,120,237 | 1,057,330 | 1,131,772 | 1,209,028 |
| Community development | 2,025,711 | 1,686,842 | 1,992,581 | 1,918,408 | 2,581,031 |
| Parks and recreation | 964,244 | 1,060,335 | 1,049,563 | 1,033,239 | 1,178,463 |
| Drainage and street operation | 625,610 | 756,279 | 549,782 | 492,889 | 678,195 |
| Public works | - | - | - | - | - |
| Debt service: | - | - | - | - | - |
| Principal | 133,693 | 142,285 | 1,377,532 | 15,048 | 15,618 |
| Interest | 77,623 | 73,264 | 62,725 | 4,536 | 3,966 |
| Additional pension and OPEB payments | - | - | - | - | - |
| Capital outlay | 2,908,054 | 2,321,552 | 1,584,367 | 2,719,447 | 783,990 |
| Total expenditures | 9,478,438 | 8,614,572 | 9,254,782 | 8,678,479 | 6,726,453 |
| Excess (deficiency) of revenues over (under) expenditures | (1,157,884) | (863,153) | (1,465,403) | (56,521) | 2,325,654 |
| Other financing sources (uses) | | | | | |
| Transfers in | 2,009,503 | 2,406,621 | 2,900,401 | 2,178,543 | 1,490,019 |
| Transfers out | (1,877,887) | (2,335,276) | (2,831,158) | (2,107,543) | (1,490,019) |
| Sale of assets | 242 | 6,600 | - | - | - |
| Proceeds from debt | - | 47,000 | - | - | - |
| Special Item* | - | - | (1,250,000) | - | - |
| Other financing sources (uses) | 131,858 | 124,945 | (1,180,757) | 71,000 | 0 |
| Net change in fund balances | $ (1,026,026) | $ (738,208) | $ (2,646,160) | $ 14,479 | $ 2,325,654 |
| Debt service as a percentage of noncapital expenditures | 3.3% | 3.5% | 23.1% | 0.3% | 0.3% |

* Special item is related to provision for one-time refund of Roadway Impact Fee
** Change in Financial Reporting in 2018

Note 1:

In fiscal year 2015-16, there are changes to the account groupings between programs. For comparison purpose, we added an additional column for fiscal year 2014-15, in which the 2014-15 audited expenditures were regrouped to be consistent with the new grouping in 2015-16. One major difference in the 2014-15 numbers is the treatment of overhead allocation. The original 2014-15 audited expenditures for Administration was reduced due to overhead charges to other programs. Under the 2015-16 new groupings, overhead allocation was eliminated within General Fund and overhead charges to other governmental funds and sewer funds are reported as "transfers" rather than "expenditures" / "expenses".

Source: Audited Financial Statements

| 2015 | 2015 (Note 1) | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| $ 4,606,184 | $ 4,606,184 | $ 4,960,016 | $ 5,302,028 | $ 5,721,224 | $ 6,385,652 |
| 645,836 | 645,836 | 511,091 | 610,337 | 667,037 | 466,062 |
| 513,997 | 513,997 | 474,732 | 573,336 | 579,333 | 530,991 |
| 1,485,394 | 1,485,394 | 1,334,953 | 1,544,996 | 1,246,623 | 1,060,772 |
| 397,470 | 397,470 | 752,717 | 412,855 | 489,392 | 574,257 |
| 295,447 | 295,447 | 356,479 | 222,688 | - | - |
| - | - | - | - | 32,349 | 530,582 |
| 1,858,220 | 1,811,360 | 1,449,127 | 1,482,830 | 1,625,306 | 1,282,436 |
| - | - | - | - | 1,632,812 | 1,748,699 |
| - | - | - | - | 218,816 | 155,719 |
| - | - | - | - | 381 | - |
| 175,380 | 175,380 | 102,599 | 62,048 | 56,902 | 364,999 |
| 9,977,928 | 9,931,068 | 9,941,714 | 10,211,118 | 12,270,175 | 13,100,169 |
| | | | | | |
| 447,843 | 1,557,773 | 1,859,492 | 1,813,551 | 1,983,939 | 2,113,083 |
| 1,205,913 | 1,075,160 | 1,255,198 | 1,560,295 | 1,781,425 | 1,974,021 |
| 2,557,545 | 1,725,877 | 1,641,631 | 1,833,654 | 2,540,121 | 2,642,159 |
| 1,044,944 | 466,881 | 565,440 | 575,594 | 722,696 | 742,986 |
| 645,804 | - | - | - | - | - |
| - | 1,066,943 | 951,786 | 1,214,072 | 1,678,516 | 1,632,329 |
| - | - | - | - | - | - |
| 16,212 | 16,212 | 81,360 | - | - | - |
| 3,372 | 3,372 | 1,492 | - | - | - |
| - | - | - | - | 1,660,209 | - |
| 1,765,807 | 1,765,807 | 1,259,010 | 1,314,478 | 2,564,189 | 1,932,186 |
| 7,687,440 | 7,678,025 | 7,615,409 | 8,311,644 | 12,931,095 | 11,036,764 |
| | | | | | |
| 2,290,488 | 2,253,043 | 2,326,305 | 1,899,474 | (660,920) | 2,063,405 |
| | | | | | |
| 2,790,955 | 3,097,282 | 2,299,774 | 2,988,073 | 2,215,434 | 2,113,748 |
| (2,790,955) | (3,059,837) | (2,146,355) | (2,778,396) | (2,215,434) | (2,113,748) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 0 | 37,445 | 153,419 | 209,677 | 0 | 0 |
| | | | | | |
| $ 2,290,488 | $ 2,290,488 | $ 2,479,724 | $ 2,109,151 | $ (660,920) | $ 2,063,405 |
| | | | | | |
| 0.3% | 0.3% | 1.3% | 0.0% | 0.0% | 0.0% |

# Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Secured Roll | Unsecured Roll | Less Exemptions | Taxable Assessed Value | Total Direct Tax Rate | % change in assessed value | Property tax revenue per fin stmt |
|---|---|---|---|---|---|---|---|
| 2010 | 4,904,290,340 | 3,417,417 | 15,596,000 | 4,892,111,757 | 0.069% | 2.87% | 3,438,168 |
| 2011 | 4,900,568,415 | 3,203,017 | 15,335,600 | 4,888,435,832 | 0.072% | -0.08% | 3,393,604 |
| 2012 | 5,083,703,530 | 6,024,790 | 15,283,800 | 5,074,444,520 | 0.074% | 3.79% | 3,543,251 |
| 2013 | 5,329,042,601 | 5,859,024 | 15,300,600 | 5,319,601,025 | 0.078% | 4.82% | 3,785,652 |
| 2014 | 5,850,746,460 | 5,041,770 | 15,632,400 | 5,840,155,830 | 0.079% | 9.76% | 4,153,332 |
| 2015 | 6,220,950,601 | 3,384,189 | 14,732,200 | 6,209,602,590 | 0.074% | 6.33% | 4,606,184 |
| 2016 | 6,668,595,288 | 3,162,336 | 14,589,400 | 6,657,168,224 | 0.075% | 7.21% | 4,960,016 |
| 2017 | 7,103,893,376 | 3,727,197 | 14,357,000 | 7,093,263,573 | 0.075% | 6.55% | 5,302,028 |
| 2018 | 7,557,427,113 | 3,513,572 | 14,109,200 | 7,546,831,485 | 0.076% | 6.39% | 5,721,224 |
| 2019 | 8,089,462,808 | 3,773,145 | 13,935,660 | 8,079,300,293 | 0.079% | 7.06% | 6,385,652 |

*The total direct tax rate is computed by dividing the amount of property tax revenue recognized in the financial statements by the taxable assessed value.*

Source: Santa Clara County Assessor 2018/19 Combined Tax Rolls

# Property Tax Rates - Direct and Overlapping Governments

Last Ten Fiscal Years

| Fiscal Year | Basic County-wide Levy | El Camino Hospital Levy | School/College District Levy | Santa Clara Valley Water District | County and Library Retirement | Mid-Peninsula Open Space | Per Hundred $ Total |
|---|---|---|---|---|---|---|---|
| 2010 | 1.0000 | 0.01290 | 0.1453 | 0.0074 | 0.0534 | - | 1.2190 |
| 2011 | 1.0000 | 0.01290 | 0.1522 | 0.0072 | 0.0507 | - | 1.2230 |
| 2012 | 1.0000 | 0.01290 | 0.1495 | 0.0064 | 0.0459 | - | 1.2147 |
| 2013 | 1.0000 | 0.01290 | 0.1956 | 0.0069 | 0.0463 | - | 1.2617 |
| 2014 | 1.0000 | 0.01290 | 0.1859 | 0.0070 | 0.0447 | - | 1.2505 |
| 2015 | 1.0000 | 0.00910 | 0.1784 | 0.0065 | 0.0503 | - | 1.2481 |
| 2016 | 1.0000 | 0.01290 | 0.1704 | 0.0057 | 0.0500 | 0.0008 | 1.2398 |
| 2017 | 1.0000 | 0.01290 | 0.1618 | 0.0086 | 0.0498 | 0.0006 | 1.2337 |
| 2018 | 1.0000 | 0.01000 | 0.1583 | 0.0062 | 0.0621 | 0.0009 | 1.2375 |
| 2019 | 1.0000 | 0.01000 | 0.1895 | 0.0042 | 0.0589 | 0.0018 | 1.2644 |

Source: County of Santa Clara Assessor 2009/10 - 2018/19 Tax Rate Table

# Principal Taxpayers

Current Year And Ten Years Ago

| | | 2019 | | 2010 | |
|---|---|---|---|---|---|
| Taxpayer | Type of Property | Assessed Value | Percentage of Net Assessed Valuation | Assessed Value | Percentage of Net Assessed Valuation |
| LaPaloma Property LLC | Single family residential | $ 57,787,536 | 0.77% | - | - |
| Campo Vista Lane | Vacant | $ 40,588,422 | 0.54% | - | - |
| Douglas M Leone Trustee and Et Al | Single family residential | 28,132,725 | 0.37% | - | - |
| Westwind LAH LLC | Vacant | 25,000,000 | 0.33% | - | - |
| Homa Natoma LLC | Single family residential | 24,620,357 | 0.33% | - | - |
| David W Packard/David & Lucille Packard | Single family residential | 23,518,259 | 0.31% | - | - |
| Dai Weijin Trustee | Single family residential | 21,375,000 | 0.28% | - | - |
| Singh Amit Trust | Single family residential | 21,119,252 | 0.28% | - | - |
| Northfork Vineyards LLC | Single family residential | 20,898,700 | 0.28% | - | - |
| Kumar Malavalli Trustee and Et Al | Single family residential | 19,555,475 | 0.26% | - | - |
| Totals | | $ 282,595,726 | 3.74% | $ - | - |

*Note: Information is not available for 2010*

Source: Santa Clara County Assessor 2018/19 Combined Tax Rolls and the SBE Non Unitary Tax Roll

# Property Tax Levies and Collections

Last Ten Fiscal Years

| | | | Collected within FY | | Total Collections | | Value of property subject to |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Tax Levy | % of Chg | Amount | % of Levy | Amount | % of Levy | local tax rate |
| 2010 | 3,438,168 | 1% | 3,438,168 | 100% | 3,438,168 | 100% | 4,892,111,757 |
| 2011 | 3,393,604 | -1% | 3,393,604 | 100% | 3,393,604 | 100% | 4,888,435,832 |
| 2012 | 3,543,251 | 4% | 3,543,251 | 100% | 3,543,251 | 100% | 5,074,444,520 |
| 2013 | 3,785,652 | 7% | 3,785,652 | 100% | 3,785,652 | 100% | 5,319,601,025 |
| 2014 | 4,153,332 | 10% | 4,153,332 | 100% | 4,153,332 | 100% | 5,840,155,830 |
| 2015 | 4,606,184 | 11% | 4,606,184 | 100% | 4,606,184 | 100% | 6,209,602,590 |
| 2016 | 4,960,016 | 8% | 4,960,016 | 100% | 4,960,016 | 100% | 6,657,168,224 |
| 2017 | 5,302,028 | 7% | 5,302,028 | 100% | 5,302,028 | 100% | 7,093,263,573 |
| 2018 | 5,721,224 | 8% | 5,721,224 | 100% | 5,721,224 | 100% | 7,546,831,485 |
| 2019 | 6,385,652 | 12% | 6,385,652 | 100% | 6,385,652 | 100% | 8,079,300,293 |

*The County of Santa Clara levies, bills, and collects property taxes for the Town. Under the Teeter Bill, the County remits the entire amount levied and handles the delinquencies, retaining interest and penalties.*

Sources: Santa Clara County Assessor Office 2018-2019 Combined Tax Rolls
Town of Los Altos Hills financial reports

# Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

| Fiscal Year | Capital Lease | Loan | Total Governmental Activities and Primary Government | Debt to Personal Income | Debt per Capita |
|---|---|---|---|---|---|
| 2010 | 1,491,146 | 109,910 | 1,601,056 | 12% | 180 |
| 2011 | 1,363,047 | 142,724 | 1,505,771 | 16% | 167 |
| 2012 | - | 128,239 | 128,239 | 14% | 16 |
| 2013 | - | 113,191 | 113,191 | 13% | 14 |
| 2014 | - | 97,572 | 97,572 | 12% | 12 |
| 2015 | - | 81,360 | 81,360 | 9% | 10 |
| 2016 | - | - | - | - | - |
| 2017 | - | - | - | - | - |
| 2018 | - | - | - | - | - |
| 2019 | - | - | - | - | - |

*Prior to fiscal year 2005, the Town had no debt. Details regarding the Town's outstanding debt can be found in Note #5 to financial statements.*

*The Town entered into a lease agreement in the amount of $2,000,000 in September, 2004 to finance the new Town Hall project. In Fiscal Year 2011-12, Town paid-off outstanding loan amount of $1363,047.*

*The Town received a loan in the amount of $160,000 during fiscal year 2006 to provide funding for energy conservation features of the new building. In fiscal year 2010-11, Town received additional loan in the amount of $47,000 for another energy efficiency project. During Fiscal Year 2015-16 , the Town paid off the loan balance.*

Source: Debt Data - Town of Los Altos Hills Financial Statements
Population: California Department of Finance

# Direct and Overlapping Debt

For the Year Ended June 30, 2019

TOWN OF LOS ALTOS HILLS

2017-18 Assessed Valuation: $7,546,831,485

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | Total Debt 6/30/2019 | % Applicable (1) | Town's Share of Debt 6/30/19 |
|---|---|---|---|
| Santa Clara County | $ 947,220,000 | 1.673% | $ 15,846,991 |
| Foothill-DeAnza Community College District | 620,143,886 | 4.827 | 29,934,345 |
| Palo Alto Unified School District | 269,174,345 | 7.206 | 19,396,703 |
| Mountain View-Los Altos Union High School District | 148,973,967 | 10.102 | 15,049,350 |
| Los Altos School District | 50,665,000 | 21.464 | 10,874,736 |
| El Camino Hospital District | 124,490,000 | 8.320 | 10,357,568 |
| Midpeninsula Regional Open Space District | 92,460,000 | 2.822 | 2,609,221 |
| Santa Clara Valley Water District Benefit Assessment District | 73,570,000 | 1.673 | 1,230,826 |
| **Town of Los Altos Hills** | **0** | **100.** | **0** |
| Town of Los Altos Hills 1915 Act Bonds | 1,675,000 | 100. | 1,675,000 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | | $ 106,974,740 |
| | | | |
| OVERLAPPING GENERAL FUND DEBT: | | | |
| Santa Clara County General Fund Obligations | $ 987,719,120 | 1.673% | $ 16,524,541 |
| Santa Clara County Pension Obligation Bonds | 352,378,882 | 1.673 | 5,895,299 |
| Santa Clara County Board of Education Certificates of Participation | 4,255,000 | 1.673 | 71,186 |
| Foothill-DeAnza Community College District Certificates of Participation | 26,723,002 | 4.827 | 1,289,919 |
| Mountain View-Los Altos Union High School District Certificates of Participation | 1,745,000 | 10.102 | 176,280 |
| Los Altos School District Certificates of Participation | 2,405,945 | 21.464 | 516,412 |
| Santa Clara County Vector Control District Certificates of Participation | 2,245,000 | 1.673 | 37,559 |
| Midpeninsula Regional Park District General Fund Obligations | 117,450,600 | 2.822 | 3,314,456 |
| TOTAL GROSS OVERLAPPING GENERAL FUND DEBT | | | $ 27,825,652 |
| Less: County supported obligations | | | 5,384,859 |
| TOTAL NET OVERLAPPING GENERAL FUND DEBT | | | 22,440,793 |
| | | | |
| **TOTAL DIRECT DEBT** | | | **$ -** |
| TOTAL GROSS OVERLAPPING DEBT | | | $ 134,800,392 |
| TOTAL NET OVERLAPPING DEBT | | | $ 129,415,533 |
| | | | |
| GROSS COMBINED TOTAL DEBT | | | $ 134,800,392 (2) |
| NET COMBINED TOTAL DEBT | | | $ 129,415,533 |

(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 Town 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.

Ratios to 2018-19 Assessed Valuation:

| | |
|---|---|
| **Direct Debt** | **0.00%** |
| Total Direct and Overlapping Tax and Assessment Debt | 1.32% |
| Gross Combined Total Debt | 1.67% |
| Net Combined Total Debt | 1.60% |

Source: California Municipal Statistics

# Legal Debt Margin Information

Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Total Assessed Valuation | Bonded Debt Limit - 15% of Assessed Valuation | Amount of Debt Subject to Limit | Legal Debt Margin |
|---|---|---|---|---|
| 2010 | 4,892,111,757 | 733,816,764 | - | 733,816,764 |
| 2011 | 4,888,435,832 | 733,265,375 | - | 733,265,375 |
| 2012 | 5,074,444,520 | 761,166,678 | - | 761,166,678 |
| 2013 | 5,319,601,025 | 797,940,154 | - | 797,940,154 |
| 2014 | 5,840,155,830 | 876,023,375 | - | 876,023,375 |
| 2015 | 6,209,602,590 | 931,440,389 | - | 931,440,389 |
| 2016 | 6,657,168,224 | 998,575,234 | - | 998,575,234 |
| 2017 | 7,093,263,573 | 1,063,989,536 | - | 1,063,989,536 |
| 2018 | 7,546,831,485 | 1,132,024,723 | - | 1,132,024,723 |
| 2019 | 8,079,300,293 | 1,211,895,044 | - | 1,211,895,044 |

*The Government Code of the State of California limits the amount of general bonded indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the Town.*

*The Town of Los Altos Hills has no general bonded indebtedness.*

Source: Santa Clara County Assessor 2018-19 Combined Tax Rolls

# Demographics and Economic Statistics

Last Ten Years

| Year | Town Population | Personal Income (in thousands) | Per Capita Personal Income | Unemployment Rate | Median Age | % of Pop 25+ with High School Degree | % of Pop 25+ with Bachelor's Degree |
|---|---|---|---|---|---|---|---|
| 2009 | 8,890 | 898,010 | 101,014 | 5.6% | 48.6 | 97.9% | 81.7% |
| 2010 | 9,042 | 915,964 | 101,301 | 5.7% | 48.3 | 97.9% | 80.7% |
| 2011 | 8,027 | 933,355 | 116,277 | 4.9% | 48.8 | 98.6% | 82.2% |
| 2012 | 8,264 | 867,894 | 105,021 | 3.2% | 48.5 | 98.3% | 83.3% |
| 2013 | 8,354 | 843,253 | 100,940 | 2.6% | 48.9 | 98.1% | 84.2% |
| 2014 | 8,330 | 930,261 | 111,676 | 3.4% | 49.3 | 97.9% | 84.7% |
| 2015 | 8,658 | 1,015,063 | 117,239 | 2.7% | 50.3 | 98.1% | 82.8% |
| 2016 | 8,634 | 1,028,190 | $119,086 | 2.4% | 51.1 | 98.0% | 83.7% |
| 2017 | 8,580 | 1,214,396 | $141,538 | 2.2% | 51.4 | 97.1% | 83.5% |
| 2018 | 8,559 | 1,211,424 | $141,538 | 2.6% | 51.4 | 97.1% | 83.5% |

Note: 2007 to 2008 information on median age, 25+ with high school degree, and 25+ with Bachelor's degree not available.

Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department

2000-2009 Income, Age, Education Data: ESRI - Demographics Estimates are based on the last available Census.

2010 and later - Income, Age, and Education Data - US Census Bureau, most recent American Community Survey

# Principal Employers

Current Year And Ten Years Ago

| | 2019 | | 2010 | |
|---|---|---|---|---|
| Employer | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| Foothill Community College | 352 | 59.84% | - | - |
| Pinewood School | 50 | 8.50% | - | - |
| Saint Nicholas School | 33 | 5.61% | - | - |
| Fremont Hills Country Club | 38 | 6.46% | - | - |
| Congregation Beth Am | 40 ^ | 6.80% | - | - |
| Town of Los Altos Hills | 23 | 3.94% | - | - |
| Los Altos School District | 33 | 5.61% | - | - |
| Daughters of Charity | 12 | 2.04% | | |
| Purissima Hills Water District | 7 | 1.19% | - | - |
| Totals | 588 | 100.00% | - | 0.00% |

*The agencies listed above have operated in the Town during the past ten years; however, employment information for prior years is not available. There are no commercial or industrial employers in the Town.*

Note: Information was not available in 2010

Source: Information available from employers and websites.

^ Congregation Beth Am has 30 part-time teachers who work a couple hours a week

# Full Time Equivalent City Government Employees by Function

Last Ten Fiscal Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Administration | 3.30 | 3.30 | 3.30 | 3.42 | 3.42 | 5.92 | 6.12 | 6.32 | 6.32 | 6.32 |
| Public safety | 1.00 | 1.00 | 1.00 | 0.60 | - | - | - | - | - | - |
| Community development | 8.90 | 8.90 | 8.90 | 9.36 | 9.16 | 7.66 | 7.61 | 7.61 | 7.61 | 7.61 |
| Town center and corpyard | 1.12 | 1.12 | 1.12 | 1.50 | 2.09 | 1.00 | 0.85 | 0.85 | 0.85 | 0.85 |
| Parks and recreation | 2.00 | 2.00 | 2.00 | 2.54 | 0.75 | 0.60 | 0.60 | 1.65 | 1.65 | 1.65 |
| Pathways | 1.69 | 1.69 | 1.69 | 1.25 | 1.25 | 1.39 | 1.39 | 1.69 | 1.69 | 1.69 |
| Drainage and street | 2.46 | 2.46 | 2.46 | 1.92 | 2.02 | 1.70 | 1.70 | 2.15 | 2.15 | 2.15 |
| Sewer | 0.53 | 0.53 | 0.53 | 0.41 | 0.51 | 0.93 | 1.93 | 1.93 | 2.93 | 2.93 |
| Solid waste | - | - | - | - | - | - | - | - | - | - |
| | 21.00 | 21.00 | 21.00 | 21.00 | 19.20 | 19.20 | 20.20 | 22.20 | 23.20 | 23.20 |

Source: Town of Los Altos Hills Personnel Records

# Operating Indicators by Function

Last Ten Fiscal Years

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Building permits issued: | | | | | |
| New homes | 17 | 18 | 16 | 20 | 21 |
| Valuation | $ 13,277,815 | $ 22,801,520 | $ 14,446,905 | $ 20,970,084 | $ 25,266,696 |
| Additions and remodels | 88 | 103 | 92 | 88 | 116 |
| Valuation | $ 11,734,420 | $ 11,739,278 | $ 9,004,645 | $ 10,623,625 | $ 13,485,643 |
| Planning permits issued | 107 | 132 | 152 | 76 | 162 |
| Streets resurfaced/rehabilitated | 2.87 | 2.61 | 1.48 | 4.13 | 7.00 |
| Recreation classes and activities offered* | 195 | 147 | 177 | 131 * | 72 |

**FY2014 decrease in recreation and activities offered resulted from outsourcing of Town's Barn operations*

** 2018 data is currently unavailable due to implementation of new permitting software

Source: Town of Los Altos Hills

| 2015 | 2016 | 2017 | 2018 | | 2019 |
|---|---|---|---|---|---|
| 37 | 39 | 33 | 20 | | 17 |
| $ 32,021,811 | $ 27,158,677 | $ 27,718,202 | $ 22,404,203 | | $ 20,854,456 |
| 132 | 109 | 113 | 254 | | 249 |
| $ 13,479,448 | $ 10,014,195 | $ 17,247,476 | $ - | ** | $ 19,960,217 |
| 193 | 159 | 152 | 74 | | 54 |
| 8.12 | 8.50 | 6.30 | 6.30 | | 5.08 |
| 92 | 100 | 133 | 116 | | 157 |

# Capital Asset Statistics By Function

Last Ten Fiscal Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| Parks and Recreation | | | | | | | | | | |
| Baseball fields | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Playground | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Park | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Riding Ring | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Westwind Barn | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Pathways - miles | 71 | 75 | 80 | 82 | 85 | 85 | 85 | 85 | 85 | 85 |
| Open space - acres | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| Drainage and Street Operations | | | | | | | | | | |
| Street lights | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Traffic lights | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Paved roadway - miles | 55 | 58 | 58 | 58 | 60 | 60 | 60 | 65 | 65 | 65 |
| Storm drains - miles | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Sewer Operations | | | | | | | | | | |
| Sanitary sewers - miles | 52 | 53 | 54 | 55 | 56 | 56 | 56 | 56 | 56 | 56 |

Source: Town of Los Altos Hills