
Town of Los Altos Hills California



**Comprehensive
Annual Financial Report
For the year ended June 30, 2007**

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TOWN OF LOS ALTOS HILLS, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2007**

**Prepared by
Finance Department**

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**TOWN OF LOS ALTOS HILLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2007

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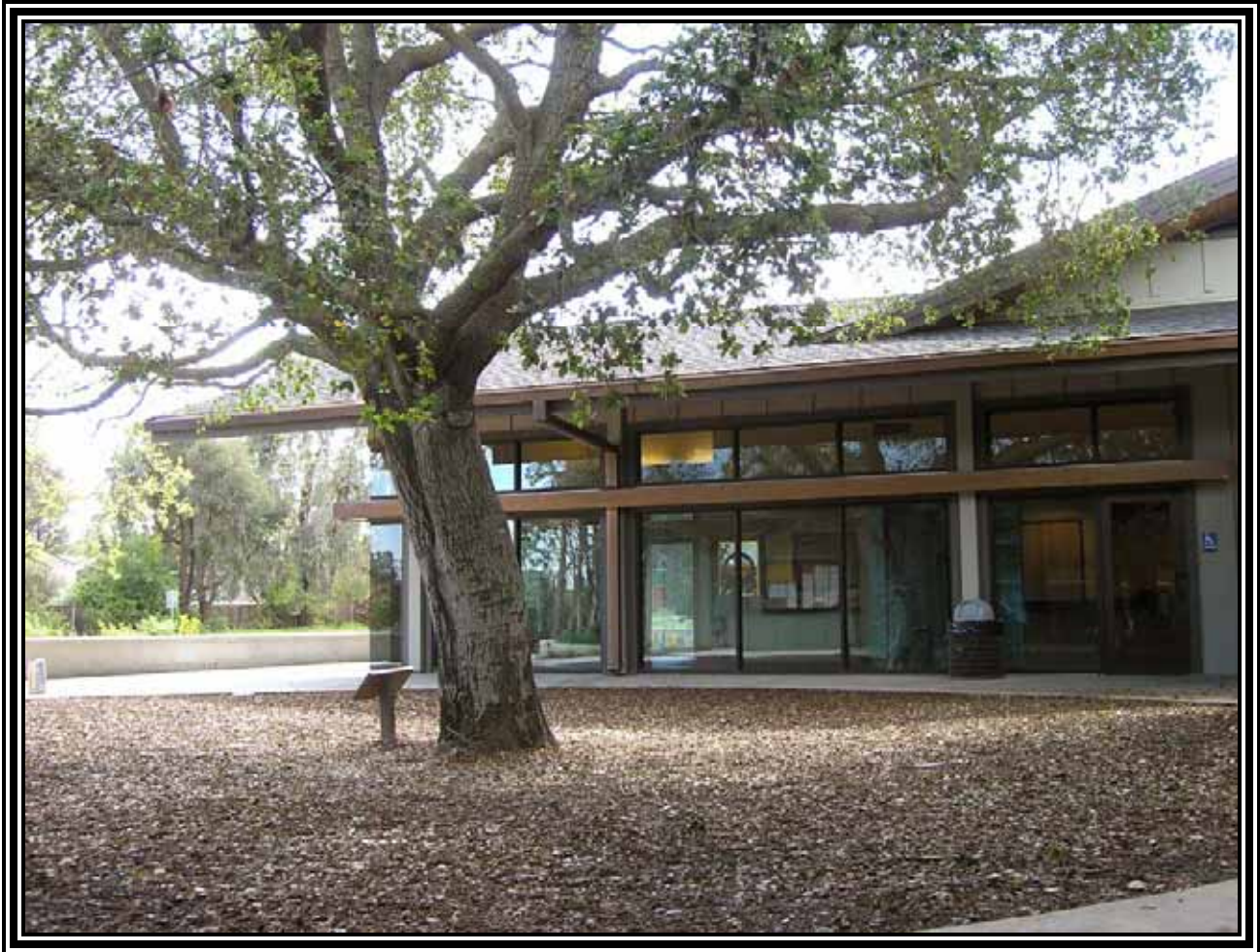
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Town Hall's Heritage Oak

Introductory Section

Letter of Transmittal



GFOA Certificate of Achievement



Town Organization



Town Officers

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December 19, 2007

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

It is a pleasure to submit to you the Comprehensive Annual Financial Report for the Town of Los Altos Hills, California, for the year ended June 30, 2007.

This report consists of management's representations concerning the finances of the Town of Los Altos Hills. Consequently, responsibility for both the accuracy of the data and the fairness of this presentation, including all disclosures, rests with the Town's management. To present a reasonable basis for making these representations, management personnel of the Town have established and maintained a comprehensive internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgment by management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to represent fairly the financial position and results of operation of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

State statutes require an annual audit by independent certified public accountants. The Town's financial statements have been audited by Vavrinek, Trine, Day & Co., LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Los Altos Hills for the year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Los Altos Hills' financial statements for the year ended June 30, 2007, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be

found immediately following the report of the independent auditors in the financial section of this report.

REPORTING ENTITY AND SERVICES

The Town of Los Altos Hills, California is an exclusively residential community with no commercial or industrial base. Located in the northwestern section of Santa Clara County, the Town boasts easy access to all of Silicon Valley, which is renowned for its technological innovation and entrepreneurship. The County's economy is based on a large variety of high-tech manufacturing and computer software firms, supported by the Valley's business environment, world-class universities and a well-developed specialized professional services industry.

The Town was incorporated in 1956 and operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing City Council, which consists of a five Councilmembers. Councilmembers are elected to overlapping four-year terms and, from amongst themselves, select a Mayor and Mayor Pro Tem every July. 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, for overseeing the day-to-day operations of the Town, and for appointing the heads of the Town departments.

By means of its own employees, the Town provides general government activities such as management, planning, code enforcement, engineering, building inspection, maintenance of public infrastructure, recreation, limited parks, and open space maintenance. Activities such as police and fire protection, water service, sewer service, integrated waste management and cable television are delivered through contractual agreements with vendors or other local governments.

The annual budget serves as the foundation for the Town's financial planning and control. 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 Note to Required Supplementary Information on page 54. 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 53 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 58. Budgets are also adopted and controlled for the proprietary funds. Budget comparisons for these funds are not legally mandated and thus are not presented.

FACTORS AFFECTING FINANCIAL CONDITION

State budget

The Town's reliance on property tax, revenue controlled by the State, makes the State of California's budget a significant factor in the Town's financial condition. In fiscal year 2007, the State's budget continued to experience the benefits of the State's budget-related borrowing and various revenue/expenditure modifications in prior years. For 2008, however, the State's financial condition is projected to take a considerable turn for the worse. According to the California Legislative Analyst's Office (LAO), the State's fiscal condition for fiscal year ending 2008 has deteriorated by an estimated \$6 billion. As a consequence, the State will deplete its reserves (\$4 billion) and end the year with a \$2 billion deficit. The State's budgetary shortfall is projected to continue through fiscal year ending 2012. The LAO credits the following factors for the dramatic shift in the State's fiscal condition:

- Lower than expected revenues due to overall weakness in the state's economy.
- Increased reliance on the State's general fund to support education spending.
- Delayed implementation of new tribal gambling compacts.
- A court-ordered payment to the state's teacher retirement system

The Town, along with most local agencies throughout California, is at risk of potential reductions to State administered revenues (e.g., property taxes, gas taxes, COPS funding) as the State searches for upwards of \$10 billion to balance its budget. In 2007, approximately \$3.2 million, or 43%, of the Town's governmental funds revenue was administered by the State of California. The Town's emergency reserves are sufficient to offset a 10% reduction in State administered revenues for three (3) fiscal years.

Local economy

The Town does not have a significant business, tourism, or sales taxes revenue base that would fluctuate with natural ebbs and flows of the economy. The Town's primary revenue base is property tax and fluctuations in the high value real estate markets are of great concern. In fiscal year 2007, approximately \$2.9 million or 51% of the general fund's revenue was derived from property taxes. Compared to fiscal year 2006, property tax revenues increased by over \$500,000. In part, the increase is attributable to State legislation which provided the Town with a more equitable share of local property taxes.

Additionally, the Town's property tax base increased as a result of property revaluation when a parcel is sold on the open market. Over the first eight months of 2007, 33 single family residential properties transferred ownership on the open market. Additional transfers may have occurred including below market transfers, transfers to trusts, and unrecorded transfers. With the transfer of 33 properties, the Town's overall assessed value increases by approximately \$36

million. As an increase in the Town's property tax base, the Town will receive an on-going \$11,000 per year in new property tax revenue to support core governmental functions.

Aside from potential raids on the Town's property tax by the State of California, the primary challenge to the Town revenue base is a significant decline in property values. The median priced home in fiscal year 2007 was \$2,375,000, up \$150,000 from the prior year. If property values were to decline, property owners who purchased at the height of the market may appeal their assessed value under Proposition 8 and receive a temporary reduction of their property tax to reflect something closer to market value. At this time neither the Santa Clara County Assessor's Office nor the Town's property tax advisor has data sufficient to project a significant downturn in the market value of properties within Los Altos Hills.

Long-term financial planning

The long-term financial plan of the Town includes cost containment strategies and a comprehensive cost recovery program both designed to ensure the long-term financial health of the Town. The Town's primary costs are associated with personnel services and management has maintained a practice of using scalable contract and consulting services to meet the fluctuating needs of the Town. Additionally, management has investigated and recommended the implementation of modifications to the Town's benefit structure to reduce long-term costs.

On an annual basis the Town thoroughly evaluates the cost to provide planning, building, and engineering services and proposes a sufficient cost recovery fee schedule. The City Council reviewed and approved a new fee schedule in 2007 to be implemented in fiscal year 2008. While the Town has historically set fees to adequately recover costs the process is ongoing and reviewed annually.

Beginning in fiscal year 2008, the City Council has set into motion a series of capital improvement programs to enrich the Town's recreation facilities valued at \$3 million. A Town-wide survey conducted in 2007 determined a strong desire within the community for improvements to recreation facilities. The City Council's plan is for projects to be completed by June 30, 2010. Financing of these projects will include use of anticipated general fund surplus and the sale of surplus land held by the Town.

Risk management

Comprehensive general liability coverage is secured through the Association of Bay Area Governments (ABAG) Plan. The plan consists of a self-insurance pool involving a number of cities in the San Francisco-Oakland area. The cities contract with the Plan through a liability coverage agreement that is very similar to a comprehensive general liability, commercial auto, and public officials' errors and omissions policy. The Town's limit in the pool is \$10,000,000 with a \$25,000 per occurrence deductible for which it self-insures. In addition, a separate pool of public entities exists for worker's compensation coverage, administered by ABAG. Workers' compensation claims up to \$250,000 are covered by the ABAG Shared Risk Pool; claims in excess of \$250,000 are insured with commercial carriers. Additional information concerning the

Town's participation in risk pools for liability and workers' compensation is provided in Note 8 to the financial statements.

The Town focuses on identification of hazards and dangerous conditions and provides on-going training in an effort to reduce exposure and ensure public safety and welfare.

Employee benefit costs

As with other employees in the public sector, Los Altos Hills' employees trade off the higher salaries of the private sectors for benefits, particularly retirement and health insurance. The Town must balance its need to control costs with the need to offer a compensation package that will help to attract and retain qualified employees. The compensation package is designed to be competitive and consistent with industry standards and, in particular, the Town's benchmark cities. Employee retention promotes organizational continuity, productivity, and ultimately minimizes recruitment and training costs.

The Town provides a defined benefit retirement plan for employees through the California Public Employees Retirement System (CalPERS). The employer retirement contribution (as a percent of salary) for the Town for previous fiscal years has been as follows: 1.508% (2003), 4.611% (2004), 9.813% (2005), 14.123% (2006), and 14.402% (2007). The rates will be 14.253% and 14.098% for fiscal years 2008 and 2009, respectively. The average contribution rate for this seven year period is 10.4%, as compared to an average of 7.45% for the previous ten year period. In addition, the Town pays the employee contribution of 7%. CalPERS "smoothes" the employer contribution rate by averaging returns over several years. Although CalPERS had an average return of 9.06% for the ten-year period ending June 30, 2007, investment losses for fiscal years 2001 through 2003 have had a significant impact on rates. CalPERS announced an investment rate of return for fiscal year 2007 of 19.13%. The combined effect of improved performance and smoothing will help mitigate increases for future years.

The Town provides health insurance for employees and their dependents through the CalPERS Health Plan. The Town's contribution toward health insurance is 110% of the average premium cost of the plans available. If an employee selects a plan with a premium that exceeds 110% of the average, the employee pays the excess. For fiscal year 2007, the average monthly cost of health insurance per employee was \$920.

In anticipation of the implementation of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, issued by the Governmental Accounting Standards Board (GASB), the Town has completed actuarial studies to determine potential liabilities and the City Council has approved a plan to fully fund the annual required contribution of \$203,000 per year through the CalPERS Postemployment Benefits Trust Fund.

The Town has also embarked on a comprehensive study of employee salary and benefits to design a compensation program that will be competitive, fair and affordable.

AWARD PROGRAMS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Los Altos Hills for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievements Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


The Town was also awarded a Certificate of Award for Outstanding Financial Reporting for its CAFR for the fiscal year ended June 30, 2005, by the California Society of Municipal Finance Officers (CSMFO). The Town received this award in recognition for meeting professional standards and criteria in reporting that reflect a high level of quality in the annual financial statements. This award is also valid for a period of one year. As a participant and previous award recipient of the GFOA program, the Town will not be eligible to participate in the CSMFO program this year.

ACKNOWLEDGEMENTS

I wish to extend my appreciation to all of the Town staff and my predecessor, Sarah Ragsdale, who contributed financial information to this report. Special thanks go to D. Cindy Higby for her continued support of the Finance Department and her efforts in the preparation and production of this report.

I would also like to thank the City Manager, 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,


Nick Pegueros
Finance Director

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, 2006

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

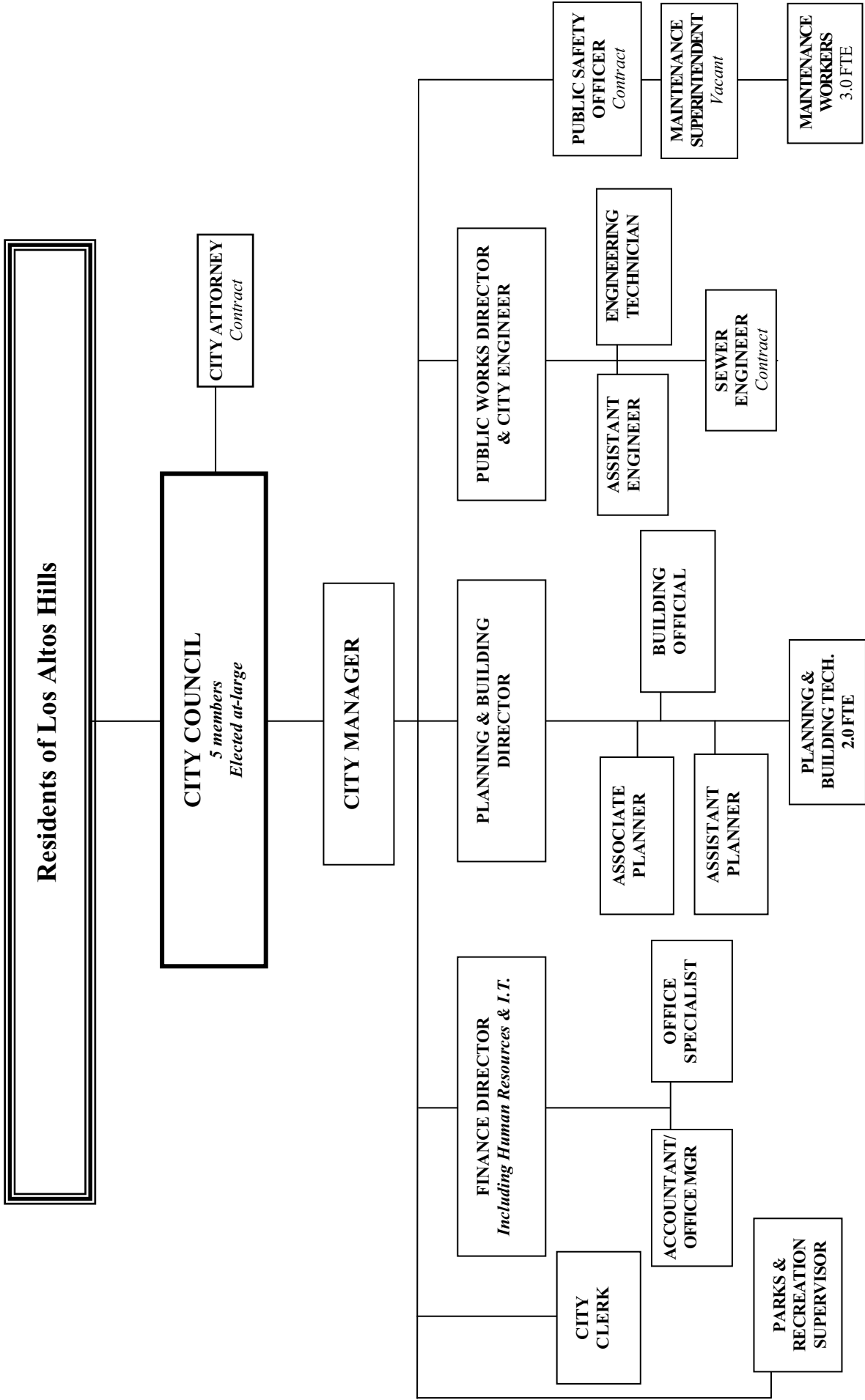


President

Executive Director

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TOWN ORGANIZATION CHART



TOWN OFFICERS

As of June 30, 2007

<u>City Council</u>	<u>Term Expires</u>
Dean Warshawsy, Mayor	2010
Craig A.T. Jones, Mayor Pro Tem	2008
Breene Kerr	2010
Jean Mordo	2008
Mike O'Malley	2008

City Council Appointed
Carl Cahill, City Manager
Steve Mattas, City Attorney (contract)

City Manager Appointed
Debbie Pedro, Planning & Building Director
Karen Jost, City Clerk
Vacant, Finance Director
Vacant, Public Works Director & City Engineer



Town Hall's Heritage Oak

Financial Section

Independent Auditor's Report



Management's Discussion and Analysis



Government-wide Financial Statements



Fund Financial Statements



Notes to Financial Statements



Required Supplementary Information



Combining Statements and Individual Fund Statements

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Town Council of the Town
of Los Altos Hills
Town of Los Altos Hills, California

We have audited the accompanying basic 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, (the Town) as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2007, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Required Supplementary Information, including Management's Discussion and Analysis and budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. This Required Supplementary Information is the responsibility of the management of the Town. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and accordingly, we do not express an opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements of the Town. These financial statements and schedules are also the responsibility of the management of the Town. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The scope of our audit did not include the introductory section and statistical schedules listed in the table of contents and we do not express an opinion on them.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California
December 19, 2007

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

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, 2007. Readers should consider the information presented here in conjunction with the additional information presented in our letter of transmittal, which can be found on pages 1 – 6 of this report.

Financial Highlights

- The assets of the Town exceed its liabilities at June 30, 2007, by \$31,711,070 (net assets). Of this amount, \$9,674,727 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$878,234 during the year ended June 30, 2007.
- The Town's General Fund balance at June 30, 2007, is \$5,788,511 – an increase of \$404,988 over the previous year. The fund balance is approximately 130% of General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is 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 Assets presents information on all of the Town of Los Altos Hills' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, for example, earned but unused vacation leave.

These government-wide financial statements can be found on pages 30 and 31 of this report.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 of Los Altos Hills, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the Town of Los Altos Hills can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and 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 twelve 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, Debt Service Fund, Street Capital Projects Fund and Other 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 Statements and Individual Fund Statements" section of this report.

The Town of Los Altos Hills adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 35 - 38 of this report. The budgetary comparison schedule for the General Fund is on page 62.

Proprietary funds

The Town of Los Altos Hills 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 enterprise funds to account for the sewer and solid waste 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

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

internal service fund to account for the central 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 internal service fund and the sewer and solid waste operations.

The basic proprietary fund financial statements can be found on pages 39 - 41 of this report.

Fiduciary funds

The Town is the trustee, or *fiduciary*, for funds held on behalf of others, and include receipts related to Sewer Assessment District #11. The District's fiduciary activities are reported on page 42. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes

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 43 - 60 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 benefits to its employees and the General Fund budgetary schedule. Required supplementary information can be found on pages 61 - 63 of this report.

Combining statements for nonmajor governmental funds are presented after the required supplementary information on pages 65 - 68. Budgetary schedules for nonmajor governmental funds and the Street Capital Projects and Other Capital Projects funds are presented on pages 69 - 78.

Government-wide financial analysis

As noted above, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$31,711,070 at June 30, 2007.

TOWN OF LOS ALTOS HILLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

Schedule of Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current and other assets	\$ 10,713,768	\$ 9,886,058	\$ 2,804,168	\$ 3,099,509	\$ 13,517,936	\$ 12,985,567
Capital assets	21,760,560	21,371,726	1,155,552	974,302	22,916,112	22,346,028
Total assets	<u>32,474,328</u>	<u>31,257,784</u>	<u>3,959,720</u>	<u>4,073,811</u>	<u>36,434,048</u>	<u>35,331,595</u>
LIABILITIES						
Current	2,359,405	2,067,249	502,351	448,819	2,861,756	2,516,068
Long term debt	1,861,219	1,982,688	-	-	1,861,219	1,982,688
Total liabilities	<u>4,220,624</u>	<u>4,049,937</u>	<u>502,351</u>	<u>448,819</u>	<u>4,722,975</u>	<u>4,498,756</u>
NET ASSETS						
Invested in capital assets, net of related debt	19,777,871	19,272,946	1,155,552	974,302	20,933,423	20,247,248
Restricted	1,102,923	1,090,633	-	-	1,102,923	1,090,633
Unrestricted	7,372,910	6,844,268	2,301,817	2,650,690	9,674,727	9,494,958
Total net assets	<u>\$ 28,253,704</u>	<u>\$ 27,207,847</u>	<u>\$ 3,457,369</u>	<u>\$ 3,624,992</u>	<u>\$ 31,711,073</u>	<u>\$ 30,832,839</u>

Note: Total assets – liabilities = total net assets

The largest portion of the Town's net assets, 66%, 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. The Town entered into a financing lease in the amount of \$2 million in September, 2004 for the construction of a new Town Hall and received a loan from the California Energy Commission in the amount of \$160,000 during the current year which provided funding for energy conservation features of the new building. The long-term balance of the two debts at June 30, 2007, is \$1,861,219.

An additional portion of the Town's net assets, 3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$9,674,727, may be used to meet the Town's ongoing obligations to citizens and creditors.

At June 30, 2007, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

TOWN OF LOS ALTOS HILLS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Changes in net assets

The following schedule shows summarized information for the current and prior year on the changes in net assets.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
REVENUES						
Program revenues						
Charges for services	\$ 2,116,163	\$ 1,797,290	\$ 2,535,649	\$ 2,394,703	\$ 4,651,812	\$ 4,191,993
Operating grants	536,042	304,114	6,107	4,900	542,149	309,014
General revenues						
Property taxes	2,998,724	2,441,828	-	-	2,998,724	2,441,828
Motor vehicle license tax	56,396	50,242	-	-	56,396	50,242
Other taxes	536,746	493,145	-	-	536,746	493,145
Franchise fees	371,717	336,798	-	-	371,717	336,798
Use of money and property	521,425	325,514	130,778	102,872	652,203	428,386
Other intergovernmental	457,503	94,276	-	-	457,503	94,276
Other unrestricted	113,700	123,234	-	-	113,700	123,234
Total revenues	<u>7,708,416</u>	<u>5,966,441</u>	<u>2,672,534</u>	<u>2,502,475</u>	<u>10,380,950</u>	<u>8,468,916</u>
EXPENSES						
Administration	1,979,197	1,916,042	-	-	1,979,197	1,916,042
Public safety	1,333,011	1,221,699	-	-	1,333,011	1,221,699
Community development	2,377,965	2,123,580	-	-	2,377,965	2,123,580
Parks and recreation	703,112	557,503	-	-	703,112	557,503
Drainage and street operations	664,229	535,985	-	-	664,229	535,985
Sewer	-	-	1,005,104	889,866	1,005,104	889,866
Solid waste	-	-	1,440,098	1,479,694	1,440,098	1,479,694
Total expenses	<u>7,057,514</u>	<u>6,354,809</u>	<u>2,445,202</u>	<u>2,369,560</u>	<u>9,502,716</u>	<u>8,724,369</u>
Increase (decrease) in net assets						
before transfers	650,902	(388,367)	227,332	132,915	878,234	(255,452)
Transfers in (out)	394,955	260,648	(394,955)	(260,648)	-	-
Change in net assets	<u>1,045,857</u>	<u>(127,719)</u>	<u>(167,623)</u>	<u>(127,733)</u>	<u>878,234</u>	<u>(255,452)</u>
Net assets, beginning of year	<u>27,207,847</u>	<u>27,335,566</u>	<u>3,624,992</u>	<u>3,752,725</u>	<u>30,832,839</u>	<u>31,088,291</u>
Net assets, end of year	<u>\$ 28,253,704</u>	<u>\$ 27,207,847</u>	<u>\$ 3,457,369</u>	<u>\$ 3,624,992</u>	<u>\$ 31,711,073</u>	<u>\$ 30,832,839</u>

TOWN OF LOS ALTOS HILLS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Governmental activities

Governmental activities increased the Town's net assets by \$1,045,857. The table below compares expenses by function with the corresponding program revenues for governmental activities.

Program Revenues and Expenses – Governmental Activities

	2007			2006		
	<u>Program revenues</u>	<u>Expenses</u>	<u>Net revenue (expenses)</u>	<u>Program revenues</u>	<u>Expenses</u>	<u>Net revenue (expenses)</u>
Administration	\$ -	\$ 1,979,197	\$ (1,979,197)	\$ -	\$ 1,916,042	\$ (1,916,042)
Public safety	114,651	1,333,011	(1,218,360)	117,106	1,221,699	(1,104,593)
Community development	1,095,175	2,377,965	(1,282,790)	1,061,923	2,123,580	(1,061,657)
Parks & recreation	279,008	703,112	(424,104)	290,494	557,503	(267,009)
Drainage & streets	1,163,371	664,229	<u>499,142</u>	631,881	535,985	<u>95,896</u>
Net Expense			<u>\$ (4,405,309)</u>			<u>\$ (4,253,405)</u>

Overall, net expenses for governmental activities for fiscal year 2007 increased from \$4,253,405 to \$4,405,309, a difference of \$151,904 or 3.6%, from the previous year. The greatest increase in net revenue, \$403,246, was for storm drain and street operations. The increase is due to State of California payment of Proposition 42 monies for fiscal years 2005 and 2006. The greatest increase in next expense, \$221,133, was for community development's changes to staff allocations and outside planning and development review.

Major Governmental Funds

The following is a schedule of revenues, expenditures and changes if fund balances for each of the major governmental and aggregate non-major governmental funds:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Street Cap Project</u>	<u>Other Cap Project</u>	<u>Non-major</u>	<u>Total</u>
Revenues	\$ 5,798,580	\$ -	\$ 201,997	\$ 445,350	\$ 1,262,487	\$ 7,708,414
Expenditures	4,392,081	211,316	1,055,553	1,143,689	1,008,474	7,811,113
Net transfers	<u>(1,001,511)</u>	<u>205,746</u>	<u>843,648</u>	<u>742,678</u>	<u>(395,606)</u>	<u>394,955</u>
Net increase/(decrease)	404,988	(5,570)	(9,908)	44,339	(141,593)	292,256
Fund balances, beginning of year	<u>5,383,523</u>	<u>5,570</u>	<u>787,932</u>	<u>981,714</u>	<u>708,835</u>	<u>7,867,574</u>
Fund balances, end of year	<u>\$ 5,788,511</u>	<u>\$ -</u>	<u>\$ 778,024</u>	<u>\$ 1,026,053</u>	<u>\$ 567,242</u>	<u>\$ 8,159,831</u>

TOWN OF LOS ALTOS HILLS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

General Fund

General Fund revenues - General Fund revenues for the year ended June 30, 2007, increased \$824,932, or 16.6%, over the prior fiscal year. The following chart summarizes revenues into major categories for comparative purposes across two fiscal years.

	<u>2007</u>	<u>2006</u>	<u>\$ Increase (decrease)</u>	<u>% Increase (decrease)</u>
Property taxes	\$ 2,991,481	\$ 2,433,918	\$ 557,563	22.9%
Taxes other than property	536,746	493,145	43,601	8.8%
Franchise fees	371,717	336,798	34,919	10.4%
Licenses and permits	519,492	472,344	47,148	10.0%
Intergovernmental	113,899	144,519	(30,620)	-21.2%
Use of money and property	512,425	327,810	184,615	56.3%
Charges for services	589,069	618,452	(29,383)	-4.8%
Other revenues	154,751	137,662	17,089	12.4%
Total	<u>\$ 5,789,580</u>	<u>\$ 4,964,648</u>	<u>\$ 824,932</u>	<u>16.6%</u>

- Property taxes – The single largest variance across fiscal years was in property tax revenues which increased \$557,563 over the prior fiscal year. This increase is the result of legislation introduced to the State of California Assembly (AB 117) to provide equity in the allocation of property tax to agencies located in Santa Clara County. AB 117 provides the Town with on-going property tax to provide services directly to its residents such as public safety programs and critical capital improvement projects.
- Intergovernmental – The 21.2% decrease is due to continued volatility in vehicle license fees (VLF) as a result of State raids on local government revenue. Compared to prior fiscal year, the decrease is significantly lower as a result of the timing of the State’s action. Additional volatility, while small in dollar value, is expected in coming fiscal years.
- Use of money and property - Interest income increased \$184,615 from \$327,810 in fiscal year 2006 to \$512,425 in the current year due to higher interest rates earned on investments on the Town’s investment portfolio. In 2007, overall short term interest rates averaged approximately 1% higher than in 2006. Additionally, income from the lease of Town Hall property to a wireless telephone provided an additional \$27,000 in income.

TOWN OF LOS ALTOS HILLS

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

General Fund expenditures - General Fund expenditures for the current year increased \$624,739, or 16.6%, over the prior fiscal year.

	<u>2007</u>	<u>2006</u>	<u>\$ Increase (decrease)</u>	<u>% Increase (decrease)</u>
Administration	\$1,589,309	\$1,219,107	\$ 370,202	30.4%
Public safety	840,754	810,518	30,236	3.7%
Community development	1,773,386	1,547,665	225,721	14.6%
Parks and recreation	188,632	190,052	(1,420)	-0.7%
Total	<u>\$4,392,081</u>	<u>\$3,767,342</u>	<u>\$ 624,739</u>	<u>16.6%</u>

- Administration – The 30.4% increase results from increased legal fees (\$155,000), largely associated with Westwind Barn, expenses incurred by the Town’s public education committee (\$87,000), and salary and benefit modifications including allocation of the Town’s OPEB liability (\$121,000).
- Community development – The 14.6% increase is due to contract planning and building services (\$69,000), reallocation of engineering personnel (\$68,000), commencement of the general plan update (\$48,000), and allocation of the Town’s OPEB obligation (\$37,000).

A ten-year history of general governmental revenues and expenditures can be found in the statistical section of this document.

Debt Service

The Town entered into a financing lease in the amount of \$2 million in September, 2004 for the construction of Town Hall and received a loan from the California Energy Commission in the amount of \$160,000 in 2006 to provide funding for energy conservation features of the new building. Interest payments during the current year totaled \$95,224 and principal in the amount of \$116,092 was retired. The balance of the two debts at June 30, 2007 is \$1,982,689; of that amount, \$121,470 is due within one year and the balance, \$1,861,219, is due in more than one year.

Street Capital Projects Fund

Expenditures for street improvements were \$1,055,553 for fiscal year 2007, compared to \$596,975 for the prior year. The increase is due to an aggressive street resurfacing and repair project adopted by the City Council in 2007. The project is funded through a combination of gas tax revenues, roadway impact fees, and use of general fund unreserved-undesignated fund balance.

Other Capital Projects Fund

Expenditures for other capital projects were \$1,143,689 for fiscal year 2007, compared to \$398,156 for the prior year. The significant increase in capital expenditures is attributable to grant funded pathway projects (\$400,000 in Measure B funds).

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

Proprietary Funds

The Town provides sewer service facilities, contracting with local agencies for maintenance and disposal. The Sewer Fund had operating income of \$131,198 for the current year, compared to \$93,330 for the prior year. In 2007, operating revenue growth exceeded growth in operating expenses generating a favorable increase in operating income. Non-operating transfers to other funds, however, increased as part of a change in allocations to the enterprise funds. With the increased non-operating transfer, the overall sewer fund experienced a negative change to net assets in 2007. The Town implemented a rate increase for fiscal year 2008 and continues to actively review the sewer related fees and assessments to ensure that operating expenses of the fund are recovered and that funds are accrued for future sewer pipeline replacement. Additionally, staff turnover and restructuring may require a thorough review of allocations to all funds for general administration.

Solid Waste Fund operations include regular garbage collection services, curbside collection of yard waste, and a recycling collection program. The Town has a franchise agreement with Los Altos Garbage Company to provide these services. The Town is contractually responsible for setting the rate charged to customers and has not increased rates for these services in the past several years. The Solid Waste Fund had an operating loss of \$40,751 for the current year, compared to operating loss of \$68,187 for the prior year. The decrease in operating loss expense is due to lower than anticipated maintenance as a result of the unseasonably dry winter in 2007.

Net assets of the Sewer Fund decreased by \$7,985 and net assets of the Solid Waste Funds decreased by \$159,638. Factors contributing to the changes include:

- Operating expenses for the Sewer Fund increased by \$115,238 (13%) resulting from higher sewage treatment costs in 2007. Operating expenses for the Solid Waste Fund decreased by \$39,596 due to lower than expected winter cleanup activity.
- Interest income for the funds increased by \$27,906 from \$102,872 in fiscal year 2006 to \$130,778 in the current year due to higher interest rates earned on the Town's investment portfolio.
- Transfers out to the General Fund for overhead allocation increased by \$113,110 and \$21,197 for the Sewer and Solid Waste Funds, respectively.

Financial analysis of the Town's Funds

As described above, the Town of Los Altos Hills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 the Town's net resources available for spending at the end of a fiscal year.

TOWN OF LOS ALTOS HILLS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

As of June 30, 2007, the Town's governmental funds reported combined ending fund balances of \$8,159,830 – an increase of \$292,255 over the previous year. The following table shows activity in each of the governmental fund types.

The General Fund's fund balance increased by \$404,988 while the combined fund balances for Special Revenue and Capital Projects Funds decreased by \$112,733.

The table below compares total governmental fund revenues, expenditures and interfund transfers for the current and prior fiscal years:

	<u>2007</u>	<u>2006</u>	<u>\$ Increase (decrease)</u>
Revenues	\$ 7,708,412	\$ 5,966,442	\$ 1,741,970
Expenditures	7,811,113	5,653,451	2,157,662
Net transfers in (out)	394,955	260,648	134,307
Proceeds from debt	-	160,000	(160,000)
Net increase/(decrease)	<u>\$ 292,254</u>	<u>\$ 733,639</u>	<u>\$ (441,385)</u>

For fiscal year 2007, governmental fund revenues increased by \$1,741,970 and expenditures increased by \$2,157,662, reflecting significant activity capital improvement activity. A discussion of revenues and expenditures trends and comparisons is provided in the "Major Funds" section above. Net transfers out to other funds increased by \$134,307.

TOWN OF LOS ALTOS HILLS

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The following table presents information about fund balance reservations and designations, note the Debt Service fund does not have fund balances and has been omitted from this presentation:

	<u>General Fund</u>	<u>Street Cap Project</u>	<u>Other Cap Project</u>	<u>Non-major</u>	<u>Total</u>
Reserved for:					
Highways & streets	\$ -	\$ 778,024	\$ -	\$ 100,897	\$ 878,921
Public safety	-	-	-	224,002	224,002
Parks & recreation	-	-	-	242,343	242,343
Unreserved, designated for:					
Capital projects	-	-	1,026,053	-	1,026,053
Other purposes	1,600,000	-	-	-	1,600,000
Unreserved, undesignated	<u>4,188,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,188,511</u>
Fund balances, end of year	<u><u>\$ 5,788,511</u></u>	<u><u>\$ 778,024</u></u>	<u><u>\$ 1,026,053</u></u>	<u><u>\$ 567,242</u></u>	<u><u>\$ 8,159,830</u></u>

At June 30, 2007, \$4,188,511 of the combined fund balances of \$8,063,032 is unreserved and undesignated, which means that this amount is available for the City Council to program for future spending at its discretion. Additional unreserved amounts of fund balances have been designated by the City Council for capital projects (\$1,026,053) and emergencies and contingencies (\$1,600,000). The City Council may increase, decrease or eliminate these designations. Additional portions of the fund balances are reserved for the repair, maintenance and construction of streets (\$878,921), public safety (\$224,002) and parks and recreation (\$242,343). These amounts represent revenues from State sources and user fees.

At June 30, 2007, the General Fund’s fund balance is \$5,707,071. The entire amount is unreserved. The City Council has designated \$1,600,000 of the unreserved balance for emergencies and contingencies. The balance, \$4,188,511, is undesignated. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. At June 30, 2007, the unreserved undesignated fund balance and total fund balance represent 94% and 130% of General Fund expenditures, respectively. At June 30, 2006, the unreserved undesignated fund balance and total fund balance represented 98% and 141% of General Fund expenditures, respectively.

Proprietary funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets decreased \$167,623 as a result of the business-type activities of the Town. Factors contributing to the net increase are described in the “Proprietary funds” section above.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

General Fund budgetary highlights

A comparison of the final budget to actual revenues and expenditures for the General Fund is presented in the Required Supplementary Information section of this report.

Budgeted revenues were increased from original estimates by \$347,841 and budgeted expenditures were increased by \$204,719.

Actual revenues were 6.5% (\$355,075) over budget and actual expenditures were 6.1% (\$253,149) over budget, with higher administration and community development. Factors contributing to these variances are described in the "General Fund" section above.

Capital assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$22,916,111, net of accumulated depreciation - an increase of \$570,084 over the prior year. Capital assets include land, buildings, equipment and infrastructure.

The following table presents summarized information on capital assets net of depreciation for fiscal years 2006 and 2007. Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 250,535	\$ 250,535	\$ -	\$ -	\$ 250,535	\$ 250,535
Buildings	4,647,770	4,771,539	-	-	4,647,770	4,771,539
Office equipment	207,086	123,298	-	-	207,086	123,298
Vehicles	86,310	91,758	-	-	86,310	91,758
Sewer collection system			1,155,551	974,302	1,155,551	974,302
Infrastructure	16,568,859	16,134,596	-	-	16,568,859	16,134,596
Total capital assets, net	<u>\$ 21,760,560</u>	<u>\$ 21,371,726</u>	<u>\$ 1,155,551</u>	<u>\$ 974,302</u>	<u>\$ 22,916,111</u>	<u>\$ 22,346,028</u>

Long-term debt

The balance of long term debt, excluding compensated absences, at June 30, 2007, is \$1,982,689; of that amount, \$121,470 is due within one year and the balance, \$1,861,219, is due in more than one year.

There is no dedicated source of revenue to fund these debt payments; the Town will make the payments out of reserves, revenue increases, operating or capital expenditure savings, or a combination of all three.

Additional information on long-term debt can be found in Note 5 to the financial statements.

TOWN OF LOS ALTOS HILLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

Requests for information

This financial report is designed to provide a general overview of the Town of Los Altos Hills' 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: Finance Director
26379 Fremont Road
Los Altos Hills, CA 94022

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Basic Financial Statements

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Government-wide Financial Statements

The Government-wide financial statements summarize the entire Town's financial activities and financial position and are comprised of two schedules – the Statement of Net Assets (balance sheet) and the Statement of Activities (income statement). These statements are prepared on the same basis of accounting as is used by most businesses, the full accrual basis. The full accrual basis of accounting records the effect of all Town transactions regardless of whether or when cash changes hands. Since the Town's twenty-four (24) funds are each considered separate and distinct accounting units, when the government-wide statements are prepared all material internal transaction between Town funds are eliminated.

The Statement of Net Assets (page 30) reports the difference between the Town's total assets and total liabilities, including all capital assets and long-term liabilities. This statement consolidates the financial position of the Town's governmental activities into a single column and the financial position of the Town's business-type activities in a single column. The two columns are combined to present a comprehensive view of the Town's financial position at the end of the fiscal year. The Town's Governmental Activities include the general, internal service, special revenues and capital improvement funds. The Town's Business-type Funds include the sewer system and solid waste franchise.

The Statement of Activities (page 31) reports increases and decreases in the Town's net assets. Just as with the Statement of Net Assets, this statement is prepared using the full accrual method of accounting. This differs from the "modified accrual" basis used in the Fund Financial Statements which reflect only current assets, current liabilities, available revenues and measurable expenditures.

TOWN OF LOS ALTOS HILLS

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 10,185,139	\$ 2,687,276	\$ 12,872,415
Receivables:			
Accounts	526,809	113,923	640,732
Interest	1,820	2,969	4,789
Capital assets			
Land	250,535	-	250,535
Other capital assets, net of depreciation:			
Buildings	4,647,770	-	4,647,770
Office equipment	207,086	-	207,086
Vehicles	86,310	-	86,310
Land improvements		1,155,552	1,155,552
Infrastructure	16,568,859	-	16,568,859
Total Assets	<u>32,474,328</u>	<u>3,959,720</u>	<u>36,434,048</u>
LIABILITIES			
Accounts payable	309,925	433,056	742,981
Other liabilities	40,841	65,320	106,161
Interest payable	24,773	-	24,773
Refundable deposits	1,761,547	-	1,761,547
Compensated absences			
Due within one year	4,810	190	5,000
Due in more than one year	96,039	3,785.00	99,824
Long-term debt			
Due within one year	121,470	-	121,470
Due in more than one year	1,861,219	-	1,861,219
Total Liabilities	<u>4,220,624</u>	<u>502,351</u>	<u>4,722,975</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,777,871	1,155,552	20,933,423
Restricted for:			
Highways and streets	878,921	-	878,921
Public safety	224,001	-	224,001
Unrestricted	7,372,911	2,301,817	9,674,728
Total Net Assets	<u>\$ 28,253,704</u>	<u>\$ 3,457,369</u>	<u>\$ 31,711,073</u>

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

TOWN OF LOS ALTOS HILLS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
	Expenses	Charges for Services	Operating Contributions and Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Administration	\$ 1,979,197	\$ -	\$ -	\$ (1,979,197)	\$ -	\$ (1,979,197)
Public safety	1,333,011	14,651	100,000	(1,218,360)	-	(1,218,360)
Community development	2,377,965	1,095,175	-	(1,282,790)	-	(1,282,790)
Parks and recreation	703,112	279,008	-	(424,104)	-	(424,104)
Drainage and street operations	664,229	727,329	436,042	499,142	-	499,142
Total Governmental Activities	7,057,514	2,116,163	536,042	(4,405,309)	-	(4,405,309)
Business-type Activities:						
Sewer	1,005,104	1,136,302	-	-	131,198	131,198
Solid waste	1,440,098	1,399,347	6,107	-	(34,644)	(34,644)
Total Business-type Activities	2,445,202	2,535,649	6,107	-	96,554	96,554
Total Primary Government	\$ 9,502,716	\$ 4,651,812	\$ 542,149	(4,405,309)	96,554	(4,308,755)
General Revenues:						
Taxes:						
Property taxes				2,998,724	-	2,998,724
Other taxes				536,746	-	536,746
Franchise Taxes				371,717	-	371,717
Use of money and property				521,425	130,778	652,203
Intergovernmental-unrestricted				513,899	-	513,899
Other unrestricted revenue				113,700	-	113,700
Transfers				394,955	(394,955)	-
Total General Revenues and Transfers				5,451,166	(264,177)	5,186,989
Change in Net Assets				1,045,857	(167,623)	878,234
Net Assets, Beginning of Year				27,207,847	3,624,992	30,832,839
Net Assets, End of Year				\$ 28,253,704	\$ 3,457,369	\$ 31,711,073

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

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Fund Financial Statements

Fund Financial Statements are presented for both Governmental Funds and Proprietary Funds. Unlike the government-wide financial statements, the Governmental Fund's Fund Financial Statements are prepared using the modified accrual basis of accounting. The Proprietary Funds, which include internal services funds in the Fund Financial Statements, are prepared using the full accrual basis of accounting.

The Fund Financial Statements for Governmental Funds are presented for individual major funds, while non-major funds are combined in a single column. Major funds are defined, generally, as having significant activities or balances in the current year. Detail relating to non-major funds is located in the Combining Statements and Individual Fund Statements section of this report (page 65).

Within the Fund Financial Statement for Governmental Funds, a reconciliation of the Net Assets schedule (balance sheet) and Changes in Fund Balance schedule (income statement) is provided to reconcile the differences between modified accrual accounting and full accrual accounting for the purposes of preparing the Government-wide Financial Statements.

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TOWN OF LOS ALTOS HILLS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

	General	Debt Service	Street Capital Projects	Other Capital Projects	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and investments	\$ 7,675,823	\$ -	\$ 778,024	\$ 692,107	\$ 559,019	\$ 9,704,973
Accounts receivable	109,942	-	-	399,999	16,868	526,809
Interest receivable	-	-	-	-	1,820	1,820
Total Assets	<u>\$ 7,785,765</u>	<u>\$ -</u>	<u>\$ 778,024</u>	<u>\$ 1,092,106</u>	<u>\$ 577,707</u>	<u>\$ 10,233,602</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 209,575	\$ -	\$ -	\$ 66,053	\$ 10,037	\$ 285,665
Other liabilities	26,132	-	-	-	428	26,560
Refundable deposits	1,761,547	-	-	-	-	1,761,547
Total Liabilities	<u>1,997,254</u>	<u>-</u>	<u>-</u>	<u>66,053</u>	<u>10,465</u>	<u>2,073,772</u>
FUND BALANCES						
Reserved for:						
Highways and streets	-	-	778,024	-	100,897	878,921
Public safety	-	-	-	-	224,001	224,001
Parks and recreation	-	-	-	-	242,344	242,344
Unreserved, designated for:						
Capital projects	-	-	-	1,026,053	-	1,026,053
Other purpose	1,600,000	-	-	-	-	1,600,000
Unreserved, undesignated	4,188,511	-	-	-	-	4,188,511
Total Fund Balances	<u>5,788,511</u>	<u>-</u>	<u>778,024</u>	<u>1,026,053</u>	<u>567,242</u>	<u>8,159,830</u>
Total Liabilities and Fund Balances	<u>\$ 7,785,765</u>	<u>\$ -</u>	<u>\$ 778,024</u>	<u>\$ 1,092,106</u>	<u>\$ 577,707</u>	<u>\$ 10,233,602</u>

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

TOWN OF LOS ALTOS HILLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE

SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

JUNE 30, 2007

Fund Balances of Governmental Funds	\$ 8,159,830
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,679,393
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 Assets.	5,518,740
The liabilities below are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	(96,797)
Long-term debt	(1,982,689)
Interest payable	(24,773)
Net Assets of Governmental Activities	<u>\$ 28,253,704</u>

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

TOWN OF LOS ALTOS HILLS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007**

	General	Debt Service	Street Capital Projects	Other Capital Projects	Nonmajor Governmental Funds	Total
REVENUES						
Property taxes	\$ 2,991,481	\$ -	\$ -	\$ -	\$ -	\$ 2,991,481
Taxes other than property	536,746	-	-	-	-	536,746
Franchise fees	371,717	-	-	-	-	371,717
Licenses and permits	519,492	-	-	-	-	519,492
Intergovernmental	113,899	-	201,997	412,350	321,695	1,049,941
Use of money and property	521,425	-	-	33,000	103,368	657,793
Charges for services	589,069	-	-	-	837,423	1,426,492
Miscellaneous	154,751	-	-	-	-	154,751
Total revenues	<u>5,798,580</u>	<u>-</u>	<u>201,997</u>	<u>445,350</u>	<u>1,262,486</u>	<u>7,708,413</u>
EXPENDITURES						
Current:						
Administration	1,589,309	-	-	-	-	1,589,309
Public safety	840,754	-	-	-	195,757	1,036,511
Community development	1,773,386	-	-	-	-	1,773,386
Parks and recreation	188,632	-	-	-	338,443	527,075
Drainage and street operations	-	-	-	-	474,274	474,274
Debt service						
Prinicpal	-	116,092	-	-	-	116,092
Interest	-	95,224	-	-	-	95,224
Capital outlay	-	-	1,055,553	1,143,689	-	2,199,242
Total expenditures	<u>4,392,081</u>	<u>211,316</u>	<u>1,055,553</u>	<u>1,143,689</u>	<u>1,008,474</u>	<u>7,811,113</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>1,406,499</u>	<u>(211,316)</u>	<u>(853,556)</u>	<u>(698,339)</u>	<u>254,012</u>	<u>(102,700)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	427,923	205,746	843,648	742,678	264,138	2,484,132
Transfers out	(1,429,434)	-	-	-	(659,744)	(2,089,178)
Total Other Financing Sources (Uses)	<u>(1,001,511)</u>	<u>205,746</u>	<u>843,648</u>	<u>742,678</u>	<u>(395,606)</u>	<u>394,954</u>
Net Change in Fund Balances	404,988	(5,570)	(9,908)	44,339	(141,594)	292,254
Fund Balances - Restated	<u>5,383,523</u>	<u>5,570</u>	<u>787,932</u>	<u>981,714</u>	<u>708,835</u>	<u>7,867,574</u>
Fund Balances, End of Year	<u>\$ 5,788,511</u>	<u>\$ -</u>	<u>\$ 778,024</u>	<u>\$ 1,026,053</u>	<u>\$ 567,241</u>	<u>\$ 8,159,829</u>

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

TOWN OF LOS ALTOS HILLS

GOVERNMENT FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ 292,254

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:

Cost of assets capitalized	2,359,628
Depreciation expense charged to governmental activities	116,092

Governmental funds do not report accrued interest expense on long-term debt, but this information is reported in the Statement of Activities.

Interest accrual at June 30, 2007	(24,771)
Interest accrual at June 30, 2006	26,197

Change in Net Assets of Governmental Activities \$ 1,045,856

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

TOWN OF LOS ALTOS HILLS

PROPRIETARY FUNDS

STATEMENT OF FUND NET ASSETS

JUNE 30, 2007 WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Sewer		Solid Waste		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006		
ASSETS						
Current Assets:						
Cash and investments	\$ 2,406,605	\$ 2,514,424	\$ 280,671	\$ 428,422	\$ 2,687,276	\$ 480,166
Accounts receivable	89,896	123,198	24,027	30,496	113,923	-
Interest receivable	2,451	2,451	518	518	2,969	-
Total Current Assets	2,498,952	2,640,073	305,216	459,436	2,804,168	480,166
Noncurrent Assets:						
Capital assets, net of accumulated depreciation	1,155,552	974,302	-	-	1,155,552	5,081,167
Total Assets	3,654,504	3,614,375	305,216	459,436	3,959,720	5,561,333
LIABILITIES						
Current Liabilities:						
Accounts payable	307,397	324,172	125,659	119,948	433,056	24,260
Other liabilities	65,320	227	-	-	65,320	14,281
Compensated absences payable	3,975	4,179	-	293	3,975	4,052
Total Liabilities	376,692	328,578	125,659	120,241	502,351	42,593
NET ASSETS						
Invested in capital assets	1,155,552	974,302	-	-	1,155,552	5,081,167
Unrestricted	2,122,260	2,311,495	179,557	339,195	2,301,817	437,573
Total Net Assets	\$ 3,277,812	\$ 3,285,797	\$ 179,557	\$ 339,195	\$ 3,457,369	\$ 5,518,740

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

TOWN OF LOS ALTOS HILLS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE AMOUNT FOR THE YEAR ENDED JUNE 30, 2006**

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Sewer		Solid Waste			
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006		
OPERATING REVENUES						
Charges for services	\$ 1,136,302	\$ 983,196	\$ 1,357,344	\$ 1,382,784	\$ 2,493,646	\$ -
Other income	-	-	42,003	28,723	42,003	27,530
Town Hall services	-	-	-	-	-	473,750
Office services	-	-	-	-	-	32,820
Corporate yard services	-	-	-	-	-	158,918
Vehicle services	-	-	-	-	-	70,197
Total Operating Revenues	<u>1,136,302</u>	<u>983,196</u>	<u>1,399,347</u>	<u>1,411,507</u>	<u>2,535,649</u>	<u>763,215</u>
OPERATING EXPENSES						
Salaries and benefits	98,338	92,863	16,799	17,821	115,137	-
Contract services	592,035	689,175	1,387,686	1,386,431	1,979,721	156,571
Operating expenses	251,175	52,848	35,613	75,442	286,788	218,806
Depreciation	63,556	54,980	-	-	63,556	186,017
Total Operating Expenses	<u>1,005,104</u>	<u>889,866</u>	<u>1,440,098</u>	<u>1,479,694</u>	<u>2,445,202</u>	<u>561,394</u>
Operating Income (Loss)	<u>131,198</u>	<u>93,330</u>	<u>(40,751)</u>	<u>(68,187)</u>	<u>90,447</u>	<u>201,821</u>
NONOPERATING REVENUE (EXPENSES)						
Interest income	112,749	83,720	18,029	19,152	130,778	-
Intergovernmental	-	-	6,107	4,900	6,107	-
Total Nonoperating Revenue	<u>112,749</u>	<u>83,720</u>	<u>24,136</u>	<u>24,052</u>	<u>136,885</u>	<u>-</u>
Income Before Transfers	<u>243,947</u>	<u>177,050</u>	<u>(16,615)</u>	<u>(44,135)</u>	<u>227,332</u>	<u>201,821</u>
Transfers						
Transfers out	(251,932)	(138,822)	(143,023)	(121,826)	(394,955)	-
Total Transfers	<u>(251,932)</u>	<u>(138,822)</u>	<u>(143,023)</u>	<u>(121,826)</u>	<u>(394,955)</u>	<u>-</u>
Changes in Net Assets	(7,985)	38,228	(159,638)	(165,961)	(167,623)	201,821
Total Net Assets, Beginning of Year	<u>3,285,797</u>	<u>3,247,569</u>	<u>339,195</u>	<u>505,156</u>	<u>3,624,992</u>	<u>5,316,919</u>
Total Net Assets, End of Year	<u>\$ 3,277,812</u>	<u>\$ 3,285,797</u>	<u>\$ 179,557</u>	<u>\$ 339,195</u>	<u>\$ 3,457,369</u>	<u>\$ 5,518,740</u>

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

TOWN OF LOS ALTOS HILLS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Business-type Activities</u>			Governmental Activities - Internal Service Fund
	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,169,604	\$ 1,405,816	\$ 2,575,420	\$ 763,215
Payments to suppliers	(795,096)	(1,417,881)	(2,212,977)	(384,670)
Payments to employees	(98,338)	(16,799)	(115,137)	
Net Cash Provided (Used) by Operating Activities	<u>276,170</u>	<u>(28,864)</u>	<u>247,306</u>	<u>378,545</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental	-	6,107	6,107	-
Transfers out	(251,932)	(143,023)	(394,955)	-
Net Cash Used by Noncapital Financing Activities	<u>(251,932)</u>	<u>(136,916)</u>	<u>(388,848)</u>	<u>-</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash to acquire fixed assets	(244,806)	-	(244,806)	(5,725)
Net Cash Used by Capital and Related Financing Activities	<u>(244,806)</u>	<u>-</u>	<u>(244,806)</u>	<u>(5,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	112,749	18,029	130,778	-
Net Increase (Decrease) in Cash and Investments	(107,819)	(147,750)	(255,569)	372,820
Cash and Cash Equivalents, Beginning of Year	2,514,424	428,422	2,942,846	95,896
Cash and Cash Equivalents, End of Year	<u>\$ 2,406,605</u>	<u>\$ 280,672</u>	<u>\$ 2,687,277</u>	<u>\$ 468,716</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 131,198	\$ (40,751)	\$ 90,447	\$ 201,821
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	63,556	-	63,556	186,017
(Increase) decrease in accounts receivable	33,302	6,468	39,770	-
Increase (decrease) in accounts payable	48,114	5,418	53,532	(9,293)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 276,170</u>	<u>\$ (28,865)</u>	<u>\$ 247,305</u>	<u>\$ 378,545</u>

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

TOWN OF LOS ALTOS HILLS

FIDUCIARY FUND

STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES

JUNE 30, 2007

ASSETS

Restricted cash and investments	\$ 15,745
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LIABILITIES

Due to bondholders	\$ 15,745
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Note: During the fiscal year ended June 30, 2007, there was no activity in the Fiduciary Fund.

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

Notes to
Financial Statements

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Town of Los Altos Hills (the Town) was incorporated in 1956, under the provisions of the State of California. As of June 30, 2007, the Town's population was 8,452. 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, police and fire protection, water services, sewer service, integrated waste management, and cable television.

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.

B. Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities display 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 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 Assets 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, Internal Service Fund 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.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, solid waste collection 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.

The Town reports the following major governmental funds:

- The *General Fund* is used to account for all general revenues of the Town not specifically levied or collected for the other Town funds and the related expenditures. The General Fund accounts for all financial resources of the Town that are not accounted for in another fund. For the Town, the General Fund includes such activities as the general government, public works, public safety, parks and recreation, and community development.
- The *Street Capital Projects Fund* is used to account for the acquisition and construction of streets.
- The *Capital Project Fund* is used to account for financial resources that are necessary for the acquisition or construction of major capital facilities.

The Town reports the following major enterprise funds:

- The *Sewer Fund* is used to account 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 *Solid Waste Fund* is used to account for regular garbage collection services, curbside collection of yard waste, and a mixed paper recycling collection program. It is a self-supporting activity that provides services on a user charge basis to residences and businesses.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town reports the following additional fund types:

- The *Internal Service Fund* is used to account for the maintenance and replacement of vehicles and equipment; the operation, maintenance, and replacement of office equipment used by the Town's departments; costs incurred for printing/reproduction services and mailing services for all of the Town's departments; and the charges against each department for its share of the costs of operations for the Finance Department.
- The *Agency Fund* is used to account for assets held by the Town in the capacity of agent for a special assessment district.
- The *Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

C. Measurement Focus, Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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. Nonexchange 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, 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 fund. Proceeds of long-term debt and capital leases are reported as other financing sources.

Financial reporting is based upon all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) that were issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements. FASB Pronouncements issued after November 30, 1989, are not followed in preparation of the accompanying financial statements. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No.34.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve the measurement of the results of operations.

D. Internal Investment Pool

The Town maintains an internal investment pool that is available for use by all funds. Investments in non-participating interest earnings contracts are reported at cost, and all other investments at fair value. Fair value is determined annually and is based on current market prices. The method of allocating interest earned on pooled deposits and investments among funds is based on average cash balances.

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the cash and investment pool to be cash equivalents.

E. Receivables

During the course of normal operations, the Town carried various receivable balances for franchise fees, interest, license fees, sewer fees, and solid waste fees. Accounts receivable are shown at \$109,942 in the General Fund, \$16,868 in Non Major Governmental Fund, \$ 89,896 in the Sewer Fund, and \$24,027 in the Solid Waste Fund. Interest receivable is shown at \$2,451 in the Sewer Fund, \$518 in the Solid Waste Fund, and \$1,820 in the Non major Governmental Funds.

F. 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 market 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 one year and an initial, individual cost of \$1,000.

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

The estimated useful lives are as follows:

Infrastructure	20 - 50 years
Structures and Improvements	10 - 30 years
Vehicles	5 - 10 years
Equipment	3 - 10 years

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

G. 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.

H. 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.

I. 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 benefiting 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.

J. 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.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and Investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Cash on hand	\$ 432
Deposits with financial institutions	234,407
Investments	<u>12,653,321</u>
Total Deposits and Investments	<u>\$ 12,888,160</u>

Cash and investment as of June 30, 2007, consist of the following:

Statement of net assets:	
Cash and investments	\$ 12,872,415
Fiduciary funds:	
Cash and investments	<u>15,745</u>
Total Deposits and Investments	<u>\$ 12,888,160</u>

Policies and Practices

The Town is authorized under California Government Code and the Town's investment policy to make direct investments in U.S. Treasury instruments; securities of the U.S. Government, or its agencies; certificates of deposit placed with commercial banks and/or savings and loan companies; and the Local Agency Investment Fund (LAIF).

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, 2007.

General Authorizations

The table below identifies the investment types that are authorized for the Town of Los Altos Hills 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:

TOWN OF LOS ALTOS HILLS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	20%	20%
Registered State Bonds, Notes, Warrants	5 years	20%	20%
U.S. Treasury Bills	1 year	20%	30%
U.S. Treasury Notes	5 years	20%	20%
U.S. Agency Securities	5 years	None	None
Certificates of Deposit	3 years	20%	20%
Money Market Mutual Funds	N/A	15%	15%
Local Agency Investment Fund (LAIF)	N/A	30%	30%
Passbook Savings and Demand Deposits	N/A	None	None

Interest Rate Risk

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, 2007, the Town had the following investments.

Investment Type	Fair Value	Weighted Average Maturity
Federal Agency Bonds/Notes	\$ 8,588,356	May 2006-June 2007
U.S. Treasury Bonds/Notes	3,110,333	Jan 2006- Dec 2006
LAIF	894,598	165 Days
Money Market	60,034	Less than 1 month
Total Securities	<u>\$ 12,653,321</u>	

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.

TOWN OF LOS ALTOS HILLS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair Value	Minimum Legal Rating	Not Required To Be Rated	Rating as of Year End			
				AAA	AA-	A-1+	Unrated
U.S. Treasuries	\$ 3,110,333	N/A	\$ 3,110,333	\$ -	\$ -	\$ -	\$ -
Federal Agency Bond/Note	8,588,356		-	8,588,356	-	-	-
LAIF	894,598	N/A	-	-	-	-	894,598
Money Market	60,034	N/A	60,034	-	-	-	-
Total	<u>\$ 12,653,321</u>	<u>\$ -</u>	<u>\$ 3,170,367</u>	<u>\$ 8,588,356</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 894,598</u>

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2007, the Town's bank balance of \$760,942, with a reported balance of \$234,407, is insured for the first \$100,000 and the balance is collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Town.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. However, the Town's policy states that all security transactions entered into by the Town of Los Altos Hills shall be conducted on delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian, in the Town of Los Altos Hills' name and control, designated by the City Manager or her/his designee and evidenced by safekeeping receipts when applicable. Additionally, collateralization will be required on certificates of deposit at 102% of market value of principal and interest.

Investment in the State Investment Pool - The Town is a voluntary 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 fair value of the Town's investment in the pool is reported in the accompanying financial statement at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

TOWN OF LOS ALTOS HILLS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 3 – INTERFUND TRANSACTIONS

The following schedule briefly summarizes the Town’s transfer activity for the fiscal year ended June 30, 2007:

Between Governmental and Business-type Activities:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Sewer Fund	General Fund	\$ 251,932	For administrative services
Solid Waste Fund	General Fund	143,023	For administrative services
	Total	<u>\$ 394,955</u>	

Between Governmental Activities:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Street Fund	\$ 35,694	Street repair and maintenance
General Fund	Debt Service Fund	205,746	Debt payments
General Fund	Parks and Rec Facilities Fund	85,647	Parks & recreation facilities
General Fund	Other Capital Projects Fund	442,218	Capital projects
General Fund	Street Capital Projects Fund	517,332	Street capital projects
General Fund	Drainage Fund	142,797	Storm drain operations
Road Way Impact Fee Fund	Street Capital Projects Fund	326,316	Street capital projects
Storm Drain Fund	Other Capital Projects Fund	165,060	Drainage Capital Projects
Parks and Rec Facilities Fund	General Fund	32,968	Parks & recreation facilities
Pathway In-Lieu Fee	Other Capital Projects Fund	100,000	Pathways capital projects
Storm Drain Fund	Other Capital Projects Fund	35,400	Drainage capital projects
	Total	<u>\$ 2,089,178</u>	

TOWN OF LOS ALTOS HILLS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 250,535	\$ -	\$ -	\$ 250,535
Total capital assets not being depreciated	<u>250,535</u>	<u>-</u>	<u>-</u>	<u>250,535</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	57,688,878	2,157,808	-	59,846,686
Buildings	4,980,671	-	-	4,980,671
Vehicles	413,142	29,239	-	442,381
Office equipment	333,061	111,350	-	444,411
Total capital assets being depreciated	<u>63,415,752</u>	<u>2,298,397</u>	<u>-</u>	<u>65,714,149</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(41,554,283)	(1,723,544)	-	(43,277,827)
Buildings	(209,132)	(123,769)	-	(332,901)
Vehicles	(321,384)	(34,687)	-	(356,071)
Office equipment	(210,173)	(27,152)	-	(237,325)
Total accumulated depreciation	<u>(42,294,562)</u>	<u>(1,909,152)</u>	<u>-</u>	<u>(44,204,124)</u>
Total capital assets being depreciated, net	<u>21,121,190</u>	<u>389,245</u>	<u>-</u>	<u>21,510,025</u>
Governmental activities capital assets, net	<u>\$ 21,371,725</u>	<u>\$ 389,245</u>	<u>\$ -</u>	<u>\$ 21,760,560</u>
Business-type activities				
<i>Capital assets being depreciated:</i>				
Sewer collection system	\$ 2,362,534	\$ 244,805	\$ -	\$ 2,607,339
Office equipment	1,509	-	-	1,509
Total capital assets being depreciated	<u>2,364,042</u>	<u>244,805</u>	<u>-</u>	<u>2,608,847</u>
<i>Less accumulated depreciation for:</i>				
Sewer collection system	(1,388,231)	(63,556)	-	(1,451,787)
Office equipment	(1,509)	-	-	(1,509)
Total accumulated depreciation	<u>(1,389,740)</u>	<u>(63,556)</u>	<u>-</u>	<u>(1,453,296)</u>
Business-type activities capital assets, net	<u>\$ 974,302</u>	<u>\$ 181,249</u>	<u>\$ -</u>	<u>\$ 1,155,551</u>

TOWN OF LOS ALTOS HILLS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 456,474
Public safety	296,500
Community development	604,579
Parks and recreation	176,039
Drainage and street operations	189,955
Capital assets held by the Town's Internal Service Fund charged to the various functions based on their usage of the assets	<u>185,605</u>
Total depreciation - governmental activities	<u><u>\$ 1,909,152</u></u>

Depreciation expense was charged to business-type functions as follows:

Sewer Fund	<u><u>\$ 63,556</u></u>
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NOTE 5 – LONG-TERM DEBT

Town Hall Lease

Long-term debt activity for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Retirement	Balance June 30, 2007	Current portion	Interest rate
Capital Lease	\$ 1,948,518	\$ -	\$ (106,584)	\$ 1,841,934	\$ 111,597	4.65%
California Energy Commission Loan	150,263	-	(9,508)	140,755	9,873	3.95%
Subtotals	<u>2,098,781</u>	<u>-</u>	<u>(116,092)</u>	<u>1,982,689</u>	<u>121,470</u>	
Compensated Absences	95,356	13,702	(4,234)	104,824	5,000	
Totals	<u><u>\$ 2,194,137</u></u>	<u><u>\$ 13,702</u></u>	<u><u>\$ (120,326)</u></u>	<u><u>\$ 2,087,513</u></u>	<u><u>\$ 126,470</u></u>	

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 – LONG-TERM DEBT (CONTINUED)

On September 14, 2004, the town entered into a lease with the Municipal Finance Corporation to provide financing for the Town Hall construction.

Debt service requirements for the lease are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 111,597	\$ 84,368	\$ 195,965
2009	116,847	79,118	195,965
2010	122,344	73,621	195,965
2011	128,099	67,866	195,965
2012	134,124	61,841	195,965
2013-2017	771,411	208,413	979,824
2018-2020	457,512	32,400	489,912
Total	<u>\$ 1,841,934</u>	<u>\$ 607,627</u>	<u>\$ 2,449,561</u>

On February 18, 2004, the town entered in to a loan agreement with the State Energy Conservation Assistance loan to provide financing for the Town Hall to implement energy efficiency measures.

Loan repayment schedule is as follow:

Fiscal Year	Principal	Interest	Total
2008	\$ 9,873	\$ 5,478	\$ 15,351
2009	10,281	5,070	15,351
2010	10,691	4,660	15,351
2011	11,118	4,233	15,351
2012	11,551	3,800	15,351
2013-2017	65,096	11,658	76,754
2018	22,145	881	23,026
Total	<u>\$ 140,755</u>	<u>\$ 35,780</u>	<u>\$ 176,534</u>

NOTE 6 – NET ASSETS/FUND BALANCES

A. Net Assets

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

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

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, or restrictions imposed by law through constitutional

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 6 – NET ASSETS/FUND BALANCES (CONTINUED)

provisions or enabling legislation. At June 30, 2007, restricted assets consisted of \$878,921 for street projects and \$224,002 for public safety grants.

Unrestricted Net Assets – This category presents net assets of the Town not restricted for any project or other purpose.

B. Fund Balances - Reservations and Designations

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 reserved or designated for future expenditure.

Reservations

Highways and streets: Revenues received from state sources, including Highway User Tax, and user fees are restricted for the repair, maintenance, and construction of streets. (Street Capital Project, Storm Drain and Street Funds)	\$ 878,921
Public safety: Revenues received from the Citizens' Option for Public Safety and California Law Enforcement Equipment programs are restricted for public safety. (COPS and CLEEP Funds)	224,002
Parks and recreation: Revenues received from pathway, parks and recreation in-lieu fees are restricted for the repair, maintenance and construction of pathways and parks. (Pathway in-Lieu and Parks and Recreation in Lieu Funds)	242,343
Total Reservations	<u><u>\$ 1,345,266</u></u>

Designations

Capital projects is the portion of fund balance designated for capital projects, other than streets. (Other Capital Project Fund)	\$ 1,026,053
Other designations consist of contingencies of \$350,000 and emergency relief of \$1,250,000. (General Fund)	1,600,000
Total Designations	<u><u>\$ 2,626,053</u></u>

NOTE 7 – PENSION PLAN

A. Plan Description

All permanent employees are eligible to participate in the public Employees' Retirement Fund (the fund) of California Public Employees' Retirement System (Cal PERS). Fund is a cost-sharing multiple-employer plan

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 7 – PENSION PLAN (CONTINUED)

which, is a single plan with pooling (cost sharing) arrangements for the participating employers. All risks, rewards and costs, including benefits costs are shared and are not attributed individually to the employers. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. The Town has only miscellaneous employees. Employees vest after five years of service and may receive retirement benefits at the age of 50. These benefits provisions and all other requirements are established by State statute and Town ordinance. Copies of the Fund's annual financial report may be obtained from the CalPERS' executive office: 400 P Street, Sacramento, California, 95814.

B. Funding Policy

Active plan members in the Miscellaneous Plan have an obligation to contribute 7% of their salary to the Fund. The Town makes the contributions required of the Town's employees on their behalf and for their account. The Town is required to contribute at an actuarially determined rate. The required employer contribution rate for fiscal year 2006-2007 was 14.123% for miscellaneous employees of annual covered payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year 2006-2007, the Town's annual pension cost of \$208,611 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method that takes into account those benefits that are expected to be earned in the future as well as those already accrued.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.75% to 14.45% for miscellaneous members, depending on age, service, and type of employment; (c) inflation of 3.0%; (d) payroll growth of 3.25%; and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an annual inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Fund's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period. Unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization ends June 30, 2033, for current service and for prior service.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 7 – PENSION PLAN (CONTINUED)

D. Three-Year Trend Information

The following table shows the Town's required contributions and percentage contributed, for the current year and each of the preceding two years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	\$ 132,566	100%	-
6/30/2006	195,674	100%	-
6/30/2007	208,611	100%	-

E. Social Security

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing system as of January 1, 1992 be covered by either Social Security or an alternative plan. Part-time seasonal and temporary employees are covered under Social Security, which requires these employees and the Town to each contribute 6.2% of the employees' pay.

NOTE 8 – 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 Association of Bay Area Governments (ABAG). ABAG Plan Corporation (ABAG PLAN) covers general liability claims in an amount up to \$10,000,000. The Town has a deductible or uninsured liability of up to \$25,000 per claim. Once the Town's deductible is met, ABAG PLAN becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2007 the Town contributed \$82,009 for current year coverage.

The ABAG Shared Risk Pool (Pool) covers workers' compensation claims up to \$250,000 each and has coverage above that limit to a maximum of \$50,000,000. The Town has no deductible for these claims. During the fiscal year ended June 30, 2007, the Town contributed \$102,722 for current year coverage.

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 contributions to each risk pool is equal to the ratio of the Town's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year.

Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Financial statements for each agency can be obtained from ABAG, P.O. Box 2050, Oakland, California, 94604.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 – RISK MANAGEMENT (CONTINUED)

B. Liability for Uninsured Claims

The Town has retained the risk for the deductible, or uninsured portion of claims. The Town's liability for uninsured claims at June 30, 2007, estimated by ABAG was not material.

NOTE 9 – CONTINGENT LIABILITIES

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.

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS

In July 2004, GASB issued No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. This will require local governmental employers who provide other post-employment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. It establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of the local governmental employer.

The Town's current financial reporting practices for OPEB are based on pay-as-you-go basis. It does not measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding obligations.

The Statement provides for prospective implementation, i.e. employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The Town will be required to implement the provisions of this statement for the fiscal year ended June 30, 2010. The Town is in the process of determining the impact the implementation of this statement will have on the government-wide statement of net assets and activities.

The GASB has issued Statement No. 49, "Accounting and Financial Reporting for pollution remediation obligations," which provides guidance on how to calculate and report the costs and obligations associated with pollution clean up efforts. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2007. The Town does not expect that the implementation of this statement will have a significant impact on its financial statements.

The GASB has also issued Statement No. 48, "Sales and pledges of receivables and future revenue and intra-entity transfers of assets and future revenue." This statement establishes the criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowing. The statement also includes disclosure requirements for future revenues that are pledge or sold. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2006. The Town does not expect that the implementation of this statement will have a significant impact on its financial statements.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The GASB has issued Statement No. 50, “Pension Disclosures- amendments of GASB Statement No. 25 and No. 27.” This statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits (OPEB) and, in doing so, enhances information disclosed noted to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The Town does not expect that the implementation of this statement will have a significant impact on its financial statements.

The GASB has issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.” This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The Town does not expect that the implementation of this statement will have a significant impact on its financial statements.

NOTE 11 – FUND BALANCE RESTATEMENTS

In prior years, governmental funds had reported estimated current balances for compensated absences incorrectly. In removing these balances, the following beginning fund balances were restated: The General fund increased \$81,440; Storm Drain increased \$4,694; Pathway In Lieu-Fee increased by \$5,520; Street increased \$2,737; and COPS increased \$2,406.

Required Supplementary
Information

TOWN OF LOS ALTOS HILLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property tax	\$ 2,685,934	\$ 2,937,775	\$ 2,991,481	\$ 53,706
Taxes other than property	471,451	471,451	536,746	65,295
Franchise fees	358,500	358,500	371,717	13,217
Licenses and permits	432,200	436,200	519,492	83,292
Intergovernmental	78,000	86,500	113,899	27,399
Use of money and property	423,779	433,779	521,425	87,646
Charges for services	537,500	586,000	589,069	3,069
Miscellaneous	105,300	133,300	154,751	21,451
Total Revenues	<u>5,092,664</u>	<u>5,443,505</u>	<u>5,798,580</u>	<u>355,075</u>
EXPENDITURES				
Current:				
Administration	1,322,840	1,481,273	1,589,309	(108,036)
Public safety	859,243	859,243	840,754	18,489
Community development	1,752,045	1,797,929	1,773,386	24,543
Parks and recreation	1,085	487	188,632	(188,145)
Total Expenditures	<u>3,935,213</u>	<u>4,138,932</u>	<u>4,392,081</u>	<u>(253,149)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,157,451</u>	<u>1,304,573</u>	<u>1,406,499</u>	<u>101,926</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	479,169	534,388	427,923	(106,465)
Transfers out	(1,446,211)	(1,522,982)	(1,429,434)	93,548
Total Other Financing Sources (Uses)	<u>(967,042)</u>	<u>(988,594)</u>	<u>(1,001,511)</u>	<u>(12,917)</u>
Net Change in Fund Balance	190,409	315,979	404,988	89,009
Fund Balance, Beginning of Year - Restated	5,383,523	5,383,523	5,383,523	-
Fund Balance, End of Year	<u>\$ 5,573,932</u>	<u>\$ 5,699,502</u>	<u>\$ 5,788,511</u>	<u>\$ 89,009</u>

See note to required supplementary information.

TOWN OF LOS ALTOS HILLS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2007

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.

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Combining Statements
and
Individual Fund Statements

TOWN OF LOS ALTOS HILLS

NON MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

SPECIAL REVENUE FUNDS

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

Storm Drain - This fund is used to account for revenues from drainage fees which are designated for storm drain maintenance, improvement, and construction

Pathway In-Lieu Fee - This fund is used to account for revenues from pathway in-lieu fees which are designated for pathway maintenance, improvement, and construction.

Parks and Recreation Facilities Fee - This fund is used to account for revenues from parks and recreation facilities fees which are designated for park facilities maintenance, improvement, and construction.

Parks and Recreation In-Lieu Fee - This fund is used to account for revenues from parks and recreation in-lieu fees which are designated for park maintenance, improvement, and construction.

Street - This fund is used to account for gas tax revenues and fees for street excavation which are designated for street maintenance, improvement, and construction.

Roadway Impact Fee - This fund is used to account for roadway impact fees which are collected in connection with building permits and refuse collection accounts. The fees are transferred to the Street Operations and Street Capital Projects Funds and designated for street maintenance, improvement, and construction.

Citizens' Option for Public Safety (COPS) - This fund is used to account for revenues from the Citizens' Option for Public Safety program which are designated for public safety.

California Law Enforcement Equipment Program (CLEEP) - This fund is used to account for public safety activities funded by the California Law Enforcement Equipment Program.

**TOWN OF LOS ALTOS HILLS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds										Total
	Storm Drain	Pathway In-Lieu Fee	Parks & Rec Facilities	Parks & Rec In-Lieu Fee	Street	Roadway Impact Fee	COPS	CLEEP	Nonmajor Governmental		
ASSETS											
Cash and investments	\$ 4,717	\$ 148,219	\$ (5,489)	\$ 93,470	\$ 102,300	\$ (9,202)	\$ 202,777	\$ 22,227	\$ 559,019		
Accounts receivable	-	-	7,666	-	-	9,202	-	-	16,868		
Interest receivable	-	721	-	-	794	-	272	33	1,820		
Total Assets	\$ 4,717	\$ 148,940	\$ 2,177	\$ 93,470	\$ 103,094	\$ -	\$ 203,049	\$ 22,260	\$ 577,707		
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ 2,148	\$ -	\$ 6,868	\$ -	\$ 1,021	\$ -	\$ 10,037		
Other liabilities	23	67	29	-	23	-	286	-	428		
Total Liabilities	23	67	2,177	-	6,891	-	1,307	-	10,465		
FUND BALANCES											
Reserved for:											
Highways and streets	4,694	-	-	-	96,203	-	-	-	100,897		
Public safety	-	-	-	-	-	-	201,741	22,260	224,001		
Parks and recreation	-	148,874	-	93,470	-	-	-	-	242,344		
Total Fund Balances	4,694	148,874	-	93,470	96,203	-	201,741	22,260	567,242		
Total Liabilities and Fund Balances	\$ 4,717	\$ 148,941	\$ 2,177	\$ 93,470	\$ 103,094	\$ -	\$ 203,048	\$ 22,260	\$ 577,707		

TOWN OF LOS ALTOS HILLS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds										Total Nonmajor Governmental Funds	
	Storm Drain	Pathway In-Lieu Fee	Parks & Rec Facilities	Parks & Rec In-Lieu Fee	Street	Roadway Impact Fee	COPS	CLEEP				
REVENUES												
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 221,695	\$ -	\$ 100,000	\$ -	\$ -	\$ 321,695		
Use of money and property	-	25,355	19,194	2,284	41,884	-	12,991	1,660	-	103,368		
Charges for services	252,307	112,249	12,964	59,765	73,822	326,316	-	-	-	837,423		
Total Revenues	252,307	137,604	32,158	62,049	337,401	326,316	112,991	1,660	-	1,262,487		
EXPENDITURES												
Current:												
Public safety	-	-	-	-	-	-	183,083	12,674	-	195,757		
Parks and recreation	-	253,606	84,837	-	-	-	-	-	-	338,443		
Drainage and street operations	194,644	-	-	-	279,629	-	-	-	-	474,273		
Total Expenditures	194,644	253,606	84,837	-	279,629	-	183,083	12,674	-	1,008,474		
Excess (Deficiency) of Revenues Over Expenditures	57,663	(116,002)	(52,679)	62,049	57,772	326,316	(70,092)	(11,014)	-	254,013		
OTHER FINANCING SOURCES (USES)												
Transfers in	142,797	-	85,647	-	35,694	-	-	-	-	264,138		
Transfers out	(200,460)	(100,000)	(32,968)	-	-	(326,316)	-	-	-	(659,744)		
Total Other Financing Sources (Uses)	(57,663)	(100,000)	52,679	-	35,694	(326,316)	-	-	-	(395,606)		
Net Change in Fund Balances	-	(216,002)	-	62,049	93,466	-	(70,092)	(11,014)	-	(141,593)		
Fund Balances-Restated	4,694	364,876	-	31,421	2,737	-	271,833	33,274	-	708,835		
Fund Balances, End of Year	\$ 4,694	\$ 148,874	\$ -	\$ 93,470	\$ 96,203	\$ -	\$ 201,741	\$ 22,260	\$ -	\$ 567,242		

TOWN OF LOS ALTOS HILLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
STORM DRAIN FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 100,000	\$ 155,000	\$ 252,307	\$ 97,307
Total Revenues	100,000	155,000	252,307	97,307
EXPENDITURES				
Current:				
Drainage operations	230,466	262,397	194,644	67,753
Total Expenditures	230,466	262,397	194,644	67,753
Excess (Deficiency) of Revenues Over Expenditures	(130,466)	(107,397)	57,663	165,060
OTHER FINANCING SOURCES (USES)				
Transfers in	130,466	142,797	142,797	-
Transfers out	-	(35,400)	(200,460)	(165,060)
Total Other Financing Sources (Uses)	130,466	107,397	(57,663)	(165,060)
Net Change in Fund Balance	-	-	-	-
Fund Balance-Restated	4,694	4,694	4,694	-
Fund Balance, End of Year	\$ 4,694	\$ 4,694	\$ 4,694	\$ -

TOWN OF LOS ALTOS HILLS

**SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
PATHWAY IN-LIEU FEES FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 20,000	\$ 25,000	\$ 25,355	\$ 355
Charges for services	110,000	75,000	112,249	37,249
Total Revenues	130,000	100,000	137,604	37,604
EXPENDITURES				
Current:				
Parks and recreation	262,672	284,261	253,606	30,655
Total Expenditures	262,672	284,261	253,606	30,655
Excess (Deficiency) of Revenues Over Expenditures	(132,672)	(184,261)	(116,002)	68,259
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(100,000)	-
Net Change in Fund Balance	(232,672)	(284,261)	(216,002)	68,259
Fund Balance-Restated	364,876	364,876	364,876	-
Fund Balance, End of Year	\$ 132,204	\$ 80,615	\$ 148,874	\$ 68,259

TOWN OF LOS ALTOS HILLS

**SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
PARKS AND RECREATION FACILITIES FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money & property	\$ 22,500	\$ 22,500	\$ 19,194	\$ (3,306)
Charges for services	-	-	12,964	12,964
Total Revenues	22,500	22,500	32,158	9,658
EXPENDITURES				
	110,634	108,147	84,837	23,310
Excess (Deficiency) of Revenues Over Expenditures	(88,134)	(85,647)	(52,679)	32,968
OTHER FINANCING SOURCES (USES)				
Transfers In	88,134	85,647	85,647	-
Transfers out	-	-	(32,968)	(32,968)
Total Other Financing Sources (Uses)	88,134	85,647	52,679	(32,968)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

TOWN OF LOS ALTOS HILLS

**SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
PARKS AND RECREATION IN LIEU FEES FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money & property	\$ 1,000	\$ 1,000	\$ 2,284	\$ 1,284
Charges for services	-	27,856	59,765	31,909
Total Revenues	1,000	28,856	62,049	33,193
EXPENDITURES	-	28,856	-	28,856
Excess (Deficiency) of Revenues Over Expenditures	1,000	-	62,049	62,049
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	1,000	-	62,049	62,049
Fund Balance, Beginning of Year	31,421	31,421	31,421	-
Fund Balance, End of Year	\$ 32,421	\$ 31,421	\$ 93,470	\$ 62,049

TOWN OF LOS ALTOS HILLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
STREET FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 205,000	\$ 205,000	\$ 221,695	\$ 16,695
Use of money and property	35,000	35,000	41,884	6,884
Charges for services	40,000	57,000	73,822	16,822
Total Revenues	280,000	297,000	337,401	40,401
EXPENDITURES				
Current:				
Street operations	320,014	332,694	279,629	53,065
Total Expenditures	320,014	332,694	279,629	53,065
Excess (Deficiency) of Revenues Over Expenditures	(40,014)	(35,694)	57,772	(12,664)
OTHER FINANCING SOURCES (USES)				
Transfers in	16,108	35,694	35,694	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	16,108	35,694	35,694	-
Net Change in Fund Balance	(23,906)	-	93,466	93,466
Fund Balance-Restated	2,737	2,737	2,737	-
Fund Balance, End of Year	\$ (21,169)	\$ 2,737	\$ 96,203	\$ 93,466

TOWN OF LOS ALTOS HILLS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 ROADWAY IMPACT FEE FUND
 FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 1,000	\$ -	\$ -	\$ -
Charges for services	300,000	300,000	326,316	26,316
Total Revenues	301,000	300,000	326,316	26,316
EXPENDITURES				
	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	301,000	300,000	326,316	26,316
OTHER FINANCING SOURCES (USES)				
Transfers out	(300,000)	(300,000)	(326,316)	(26,316)
Total Other Financing Sources	(300,000)	(300,000)	(326,316)	(26,316)
Net Change in Fund Balance	1,000	-	-	-
Fund Balance, Beginning of Year	1,000	2,500	-	(2,500)
Fund Balance, End of Year	\$ 2,000	\$ 2,500	\$ -	\$ (2,500)

TOWN OF LOS ALTOS HILLS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 CITIZEN’S OPTION FOR PUBLIC SAFETY (COPS)
 FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Use of money and property	14,400	14,400	12,991	(1,409)
Total Revenues	114,400	114,400	112,991	(1,409)
EXPENDITURES				
Current:				
Public safety	145,481	171,434	183,083	(11,649)
Total Expenditures	145,481	171,434	183,083	(11,649)
Excess (Deficiency) of Revenues Over Expenditures	(31,081)	(57,034)	(70,092)	(13,058)
Fund Balance-Restated	271,833	271,833	271,833	-
Fund Balance, End of Year	\$ 240,752	\$ 214,799	\$ 201,741	\$ (13,058)

TOWN OF LOS ALTOS HILLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 CALIFORNIA LAW ENFORCEMENT EQUIPMENT PROGRAM (CLEEP)
 FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 1,000	\$ 1,200	\$ 1,660	\$ 460
Total Revenues	1,000	1,200	1,660	460
EXPENDITURES				
Current:				
Public safety	21,747	21,747	12,674	9,073
Total Expenditures	21,747	21,747	12,674	9,073
Excess (Deficiency) of Revenues Over Expenditures	(20,747)	(20,547)	(11,014)	9,533
Fund Balance, Beginning of Year	33,274	33,274	33,274	-
Fund Balance, End of Year	\$ 12,527	\$ 12,727	\$ 22,260	\$ 9,533

TOWN OF LOS ALTOS HILLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 STREET CAPITAL PROJECT FUND
 FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES	\$ 202,000	\$ 202,000	\$ 201,997	\$ (3)
EXPENDITURES				
Capital outlay	1,002,000	1,807,265	1,055,553	751,712
Total Expenditures	1,002,000	1,807,265	1,055,553	751,712
Excess (Deficiency) of Revenues Over Expenditures	(800,000)	(1,605,265)	(853,556)	751,709
OTHER FINANCING SOURCES (USES)				
Transfers in	800,000	817,333	843,648	26,315
Transfers out				-
Total Other Financing Sources (Uses)	800,000	817,333	843,648	-
Net Change in Fund Balance	-	(787,932)	(9,908)	778,024
Fund Balance, Beginning of Year	787,932	787,932	787,932	-
Fund Balance, End of Year	\$ 787,932	\$ -	\$ 778,024	\$ 778,024

TOWN OF LOS ALTOS HILLS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
OTHER CAPITAL PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES	\$ 520,000	\$ 536,200	\$ 445,350	\$ (90,850)
EXPENDITURES				
Capital outlay:				
General CIP	87,000	310,688	168,555	142,133
Pathways	1,000,000	1,000,000	888,812	111,188
Drainage	200,000	442,821	40,437	402,384
Undergrounding Utilities	-	1,000	45,885	(44,885)
Total Expenditures	1,287,000	1,754,509	1,143,689	610,820
Excess (Deficiency) of Revenues Over Expenditures	(767,000)	(1,218,309)	(698,339)	519,970
OTHER FINANCING SOURCES (USES)				
Transfers in	497,000	531,733	742,678	210,945
Total Other Financing Sources (Uses)	497,000	531,733	742,678	210,945
Net Change in Fund Balance	(270,000)	(686,576)	44,339	730,915
Fund Balance, Beginning of Year	981,714	981,714	981,714	-
Fund Balance, End of Year	\$ 711,714	\$ 295,138	\$ 1,026,053	\$ 730,915



Town Hall's Heritage Oak

Statistical Section

This part of the Town of Los Altos Hills comprehensive annual financial report presents detailed information as a context of understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health. The data contained within these tables have been pulled from the Town's financial statements, unless otherwise noted, and is not audited by the Town's independent auditor.

Contents	Page
<i>Financial Trends</i>	80
<p>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</p>	
<i>Revenue Capacity</i>	85
<p>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</p>	
<i>Debt Capacity</i>	89
<p>These schedules contain information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</p>	
<i>Demographic and Economic Information</i>	92
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</p>	
<i>Operating Information</i>	94
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</p>	

**TOWN OF LOS ALTOS HILLS
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(Accrual Basis of Accounting)**

	<u>2004*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 19,420,199	\$ 20,346,535	\$ 19,272,946	\$ 19,777,871
Restricted	746,110	1,348,592	1,090,633	1,102,922
Unrestricted	<u>7,609,237</u>	<u>5,640,439</u>	<u>6,844,268</u>	<u>7,372,911</u>
 Total governmental activities net assets	 <u>\$ 27,775,546</u>	 <u>\$ 27,335,566</u>	 <u>\$ 27,207,847</u>	 <u>\$ 28,253,704</u>
 Business-type activities:				
Invested in capital assets, net of related debt	\$ 539,575	\$ 662,208	\$ 974,302	\$ 1,155,552
Restricted				
Unrestricted	<u>3,023,622</u>	<u>3,090,517</u>	<u>2,650,690</u>	<u>2,301,817</u>
 Total business-type activities net assets	 <u>\$ 3,563,197</u>	 <u>\$ 3,752,725</u>	 <u>\$ 3,624,992</u>	 <u>\$ 3,457,369</u>
 Primary government:				
Invested in capital assets, net of related debt	\$ 19,959,774	\$ 21,008,743	\$ 20,247,248	\$ 20,933,423
Restricted	746,110	1,348,592	1,090,633	1,102,922
Unrestricted	<u>10,632,859</u>	<u>8,730,956</u>	<u>9,494,958</u>	<u>9,674,728</u>
 Total net assets	 <u>\$ 31,338,743</u>	 <u>\$ 31,088,291</u>	 <u>\$ 30,832,839</u>	 <u>\$ 31,711,073</u>

* The Town of Los Altos Hills implemented GASB 34 for the fiscal year ended June 30, 2004. Information prior to the implementation of GASB 34 is not available.

**TOWN OF LOS ALTOS HILLS
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
(Accrual Basis of Accounting)**

	2004*	2005	2006	2007
Expenses:				
Governmental activities:				
Administration	\$ 1,363,115	\$ 1,798,562	\$ 1,916,042	\$ 1,979,197
Public safety	1,092,757	1,263,433	1,221,699	1,333,011
Community development	1,933,150	2,142,334	2,123,580	2,377,965
Parks and recreation	500,327	442,717	557,503	703,112
Drainage and street operations	523,813	473,206	535,985	664,229
Total governmental activities expenses	<u>5,413,162</u>	<u>6,120,252</u>	<u>6,354,809</u>	<u>7,057,514</u>
Business-type activities:				
Sewer	690,803	689,701	889,866	1,005,104
Solid waste	1,399,888	1,336,329	1,479,694	1,440,098
Total business-type activities expenses	<u>2,090,691</u>	<u>2,026,030</u>	<u>2,369,560</u>	<u>2,445,202</u>
Total primary government expenses	<u>7,503,853</u>	<u>8,146,282</u>	<u>8,724,369</u>	<u>9,502,716</u>
Program revenues:				
Governmental activities:				
Charges for services:				
Administration	-	-	-	-
Public safety	4,560	6,932	10,783	14,651
Community development	1,093,020	1,022,833	1,061,923	1,095,175
Parks and recreation	196,883	135,184	290,494	279,008
Drainage and street operations	297,575	278,074	434,090	727,329
Operating contributions and grants	261,239	262,570	304,114	536,042
Total governmental activities program revenues	<u>1,853,277</u>	<u>1,705,593</u>	<u>2,101,404</u>	<u>2,652,205</u>
Business-type activities:				
Charges for services:				
Sewer	933,900	894,156	983,196	1,136,302
Solid waste	1,481,916	1,400,422	1,411,507	1,399,347
Operating contributions and grants	10,299	7,198	4,900	6,107
Total business-type activities program revenues	<u>2,426,115</u>	<u>2,301,776</u>	<u>2,399,603</u>	<u>2,541,756</u>
Total primary government program revenues	<u>4,279,392</u>	<u>4,007,369</u>	<u>4,501,007</u>	<u>5,193,961</u>
Net revenues (expenses)				
Government activities	(3,559,885)	(4,414,659)	(4,253,405)	(4,405,309)
Business-type activities	335,424	275,746	30,043	96,554
Total net revenues (expenses)	<u>(3,224,461)</u>	<u>(4,138,913)</u>	<u>(4,223,362)</u>	<u>(4,308,755)</u>
General revenues and other changes in net assets:				
Governmental revenues:				
Taxes				
Property taxes	1,983,951	2,336,506	2,492,070	2,998,724
Other taxes	445,996	448,831	493,145	536,746
Franchise fees	318,134	318,606	336,798	371,717
Use of money and property	216,036	271,826	325,514	521,425
Other intergovernmental revenue	32,552	29,826	94,276	513,899
Other unrestricted revenue	191,179	408,993	123,235	113,700
Transfers	481,199	160,090	260,648	394,955
Total governmental activities	<u>3,669,047</u>	<u>3,974,678</u>	<u>4,125,686</u>	<u>5,451,166</u>
Business-type activities:				
Use of money and property	48,367	73,872	102,872	130,778
Transfers	(481,199)	(160,090)	(260,648)	(394,955)
Total business-type activities	<u>(432,832)</u>	<u>(86,218)</u>	<u>(157,776)</u>	<u>(264,177)</u>
Total primary government	<u>3,236,215</u>	<u>3,888,460</u>	<u>3,967,910</u>	<u>5,186,989</u>
Changes in net assets				
Governmental activities	109,162	(439,981)	(127,719)	1,045,857
Business-type activities	(97,408)	189,528	(127,733)	(167,623)
Total primary government	<u>\$ 11,754</u>	<u>\$ (250,453)</u>	<u>\$ (255,452)</u>	<u>\$ 878,234</u>

* The Town of Los Altos Hills implemented GASB 34 for the fiscal year ended June 30, 2004. Information prior to the implementation of GASB 34 is not available.

**TOWN OF LOS ALTOS HILLS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST FIVE FISCAL YEARS
 (Modified Accrual Basis of Accounting)**

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Unreserved	<u>\$ 6,090,150</u>	<u>\$ 6,643,435</u>	<u>\$ 4,578,537</u>	<u>\$ 5,302,083</u>	<u>\$ 5,788,511</u>
Total General Fund	<u>\$ 6,090,150</u>	<u>\$ 6,643,435</u>	<u>\$ 4,578,537</u>	<u>\$ 5,302,083</u>	<u>\$ 5,788,511</u>
All other governmental funds					
Reserved	\$ 1,915,645	\$ 746,110	\$ 1,686,036	\$ 1,481,409	\$ 1,345,266
Unreserved, reported in:					
Debt service funds	-	-	-	5,570	-
Other capital projects	<u>574,212</u>	<u>948,575</u>	<u>772,564</u>	<u>981,714</u>	<u>1,026,053</u>
Total all other governmental funds	<u>\$ 2,489,857</u>	<u>\$ 1,694,685</u>	<u>\$ 2,458,600</u>	<u>\$ 2,468,693</u>	<u>\$ 2,371,319</u>

The Town of Los Altos Hills has elected to show data for this schedule beginning with the fiscal year ending June 30, 2003.

**TOWN OF LOS ALTOS HILLS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues:					
Property taxes	\$ 1,519,938	\$ 1,559,489	\$ 1,756,344	\$ 2,433,918	\$ 2,991,481
Taxes other than property	368,124	445,996	448,831	493,145	536,746
Franchise fees	299,122	318,134	318,606	336,798	371,717
Licenses and permits	509,450	485,901	416,060	472,344	519,492
Intergovernmental	851,200	714,963	867,516	448,633	1,049,941
Use of money and property	302,909	238,372	309,951	388,826	657,793
Charges for services	742,172	1,089,494	1,001,407	1,255,116	1,426,492
Miscellaneous	26,164	186,276	405,258	137,662	154,751
Total revenues	4,619,079	5,038,625	5,523,973	5,966,442	7,708,413
Expenditures					
Current:					
Administration	1,031,408	961,362	1,088,855	1,219,107	1,589,309
Public safety	786,471	753,254	911,093	918,444	1,036,511
Community development	1,320,757	1,351,716	1,544,585	1,547,665	1,773,386
Parks and recreation	323,147	336,581	344,137	389,528	527,075
Drainage and street operation	403,093	340,100	298,950	377,243	474,274
Debt service:					
Principal	-	-	-	61,220	116,092
Interest	-	-	-	145,113	95,224
Capital outlay	1,564,571	1,662,850	385,542	995,131	2,199,242
Total expenditures	5,429,447	5,405,863	4,573,162	5,653,451	7,811,113
Excess (deficiency) of revenues over (under) expenditures	(810,368)	(367,238)	950,811	312,991	(102,700)
Other financing sources (uses)					
Transfers in	544,526	650,690	6,058,436	1,532,618	2,484,132
Transfers out	(334,579)	(726,530)	(10,310,230)	(1,271,970)	(2,089,178)
Proceeds from debt	-	-	2,000,000	160,000	-
Other financing sources (uses)	209,947	(75,840)	(2,251,794)	420,648	394,954
Net change in fund balances	\$ (600,421)	\$ (443,078)	\$ (1,300,983)	\$ 733,639	\$ 292,254
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	4.6%	3.9%

New Town Hall facility constructed during fiscal year 2005 accounts for the increase in other financing sources (uses).

The Town of Los Altos Hills has elected to show data for this schedule beginning with the fiscal year ending June 30, 2003.

**TOWN OF LOS ALTOS HILLS
 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
1998	\$ 1,671,354,021	\$ 3,374,237	\$ 16,494,800	\$ 1,691,223,058	0.058%	7.90%
1999	1,851,137,776	3,019,252	16,643,200	1,870,800,228	0.055%	10.62%
2000	2,037,655,349	3,045,812	16,471,000	2,057,172,161	0.057%	9.96%
2001	2,375,386,522	2,985,878	16,357,600	2,394,730,000	0.052%	16.41%
2002	2,891,880,818	3,043,270	15,944,600	2,910,868,688	0.051%	21.55%
2003	2,958,895,468	3,999,356	15,829,800	2,978,724,624	0.051%	2.33%
2004	3,160,236,659	3,751,759	15,495,200	3,179,483,618	0.049%	6.74%
2005	3,423,691,589	4,494,454	15,596,000	3,443,782,043	0.051%	8.31%
2006	3,765,613,915	3,401,643	15,335,600	3,784,351,158	0.064%	9.89%
2007	4,092,720,187	3,994,564	15,283,800	4,111,998,551	0.073%	8.66%

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.

Note: In fiscal year 2007, property tax revenue increased by \$557,563 over the prior fiscal year. This increase resulted from new state legislation.

Source: Santa Clara County Tax Rates and Information Publication (2006 - 2007)

**TOWN OF LOS ALTOS HILLS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Basic county-wide levy</u>	<u>School district levy</u>	<u>Santa Clara Valley Water District</u>	<u>County and library retirement</u>	<u>Per hundred \$ total</u>
1998	1.0000	0.0764	0.0076	0.0412	1.1252
1999	1.0000	0.0791	0.0060	0.0405	1.1256
2000	1.0000	0.0717	0.0068	0.0343	1.1128
2001	1.0000	0.0887	0.0059	0.0380	1.1326
2002	1.0000	0.0719	0.0053	0.0388	1.1160
2003	1.0000	0.0757	0.0063	0.0412	1.1232
2004	1.0000	0.0726	0.0075	0.0412	1.1213
2005	1.0000	0.0732	0.0086	0.0412	1.1230
2006	1.0000	0.0645	0.0069	0.0412	1.1126
2007	1.0000	0.0915	0.0070	0.0412	1.1397

Source: County of Santa Clara for tax rate area 14-007 (2003-2007)
County of Santa Clara for tax rate area 14-010 (1997-2003)

**TOWN OF LOS ALTOS HILLS
PRINCIPAL TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO**

Taxpayer	Type of property	2007		1998	
		Assessed value	Percentage of total assessed valuation	Assessed value	Percentage of total assessed valuation
Taxpayer 1	Single family residential	\$ 28,398,521	0.69%		
Taxpayer 2	Single family residential	20,540,272	0.50%		
Taxpayer 3	Single family residential	19,585,044	0.48%		
Taxpayer 4	Single family residential	17,686,800	0.43%		
Taxpayer 5	Single family residential	16,285,434	0.40%		
Taxpayer 6	Single family residential	15,059,671	0.37%		
Taxpayer 7	Single family residential	14,973,659	0.36%		
Taxpayer 8	Single family residential	14,471,421	0.35%		
Taxpayer 9	Single family residential	12,000,000	0.29%		
Taxpayer 10	Single family residential	11,444,400	0.28%		
Taxpayer A	Single family residential			\$ 8,529,243	0.50%
Taxpayer B	Single family residential			6,937,969	0.41%
Taxpayer C	Single family residential			6,039,498	0.36%
Taxpayer D	Single family residential			4,685,721	0.28%
Taxpayer E	Single family residential			3,926,000	0.23%
Taxpayer F	Single family residential			3,908,717	0.23%
Taxpayer G	Single family residential			3,908,338	0.23%
Taxpayer H	Single family residential			3,869,103	0.23%
Taxpayer I	Single family residential			3,456,635	0.20%
Taxpayer J	Single family residential			3,412,448	0.20%
Totals		<u>\$ 170,445,222</u>	<u>4.15%</u>	<u>\$ 48,673,672</u>	<u>2.88%</u>

Note: There are no commercial or industrial facilities within Town limits; only one of the top ten principal taxpayers for fiscal year 1998 is included in the top ten taxpayer list for fiscal year 2007.

Source: Santa Clara County Assessor 2006 - 2007 (HdL)

**TOWN OF LOS ALTOS HILLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Property tax levies and collections	Value of property subject to local tax rate
1998	\$ 975,212	\$ 1,691,223,058
1999	1,031,964	1,870,800,228
2000	1,168,460	2,057,172,161
2001	1,240,586	2,394,730,000
2002	1,475,773	2,910,868,688
2003	1,519,938	2,978,724,624
2004	1,559,489	3,179,483,618
2005	1,756,344	3,443,782,043
2006	2,433,918	3,784,351,158
2007	2,991,481	4,111,998,551

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 Tax Rates and Information
Publication (2006 - 2007)
Town of Los Altos Hills financial reports

**TOWN OF LOS ALTOS HILLS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST THREE FISCAL YEARS**

Governmental Activities					
Fiscal Year	Capital lease	Loan	Total governmental activities and primary government	Percentage of personal income	Debt per capita
2005	\$ 2,000,000		\$ 2,000,000		\$ 237
2006	1,948,518	\$ 150,263	2,098,781		\$ 247
2007	1,841,934	\$ 140,755	1,982,689	0.11%	\$ 230

Prior to fiscal year 2005, the Town had no debt. Details regarding the Town's outstanding debt can be found in the notes 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.

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.

**TOWN OF LOS ALTOS HILLS
 DIRECT AND OVERLAPPING DEBT
 FOR THE YEAR ENDED JUNE 30, 2007**

2006-07 Assessed Valuation: \$4,111,998,551

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>6/30/07</u>	<u>% Applic-</u> <u>able (1)</u>	<u>Town's Share of</u> <u>Debt 6/30/07</u>
Foothill-DeAnza Community College District	\$486,686,935	5.363%	\$26,101,020
Palo Alto Unified School District	105,380,000	8.009	8,439,884
Mountain View-Los Altos Union High School District	41,161,332	12.019	4,947,180
Los Altos School District	99,819,000	21.665	21,625,786
El Camino Hospital District	148,000,000	9.900	14,652,000
North County Library District Special Tax Obligations	1,455,000	34.880	507,504
Santa Clara Valley Water District Benefit Assessment District	173,070,000	1.746	3,021,802
Town of Los Altos Hills	0	100.	<u>0</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$79,295,176</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	\$831,605,000	1.746%	\$14,519,823
Santa Clara County Board of Education Certificates of Participation	16,325,000	1.746	285,035
Foothill-DeAnza Community College District Certificates of Participation	29,700,000	5.363	1,592,811
Mountain View-Los Altos Union High School District Certificates of Participation	7,600,000	12.019	913,444
Santa Clara County Vector Control District Certificates of Participation	4,420,000	1.746	77,173
Midpeninsula Regional Park District General Fund Obligations	108,465,193	3.081	<u>3,341,813</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$20,730,099</u>
COMBINED TOTAL DEBT		(2)	<u>\$100,025,275</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the Town.

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

Ratios to 2006-07 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.93%
Combined Total Debt	2.43%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0

Source: California Municipal Statistics, Inc.

**TOWN OF LOS ALTOS HILLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

<u>Fiscal year ended June 30</u>	<u>Total assessed valuation</u>	<u>Bonded debt limit - 15% of assessed valuation</u>	<u>Amount of debt subject to limit</u>	<u>Legal debt margin</u>
1998	\$ 1,691,223,058	\$ 253,683,459	-	\$ 253,683,459
1999	1,870,800,228	280,620,034	-	280,620,034
2000	2,057,172,161	308,575,824	-	308,575,824
2001	2,394,730,000	359,209,500	-	359,209,500
2002	2,910,868,688	436,630,303	-	436,630,303
2003	2,978,724,624	446,808,694	-	446,808,694
2004	3,179,483,618	476,922,543	-	476,922,543
2005	3,443,782,043	516,567,306	-	516,567,306
2006	3,784,351,158	567,652,674	-	567,652,674
2007	4,111,998,551	616,799,783	-	616,799,783

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 Tax Rates and Information Publication

**TOWN OF LOS ALTOS HILLS
 DEMOGRAPHICS AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

<u>Fiscal year ended June 30</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
1998	8,168			1.50%
1999	8,247			1.40%
2000	8,303			1.40%
2001	8,017			2.40%
2002	8,007			4.00%
2003	8,229			4.00%
2004	8,355			3.10%
2005	8,452			2.60%
2006	8,482			2.20%
2007	8,607	\$ 1,819,502,586	\$ 211,398	2.40%

Personal income and per capita personal income data for prior years is not available.

- Source:
- (1) State of California Department of Finance
 - (2) Office of Economic Development
 - (3) State of California Employment Development Department

**TOWN OF LOS ALTOS HILLS
PRINCIPAL EMPLOYERS
CURRENT YEAR**

Employer	2007	
	Number of Employees	Percent of Total Employment
Foothill Community College	352	66.10%
Pinewood School	50	9.39%
Saint Nicholas School	42	7.89%
Fremont Hills Country Club	25	4.69%
Congregation Beth Am	25	4.69%
Town of Los Altos Hills	21	3.94%
Los Altos School District	9	1.69%
Purissima Hills Water	9	1.60%
Totals	533	100.00%

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.

Source: Information available from employers and websites.

**TOWN OF LOS ALTOS HILLS
 FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST FIVE FISCAL YEARS**

	Full and Part-Time Employees as of June 30				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Administration	3.30	3.30	3.30	3.30	3.30
Public safety	1.00	1.00	1.00	1.00	1.00
Community development	10.20	10.30	10.40	10.40	10.40
Parks and recreation	1.00	1.00	1.00	1.00	1.00
Pathways	2.00	2.15	2.02	1.85	1.85
Drainage and street operations	4.00	3.40	2.00	2.62	2.62
Sewer	0.85	0.85	0.73	0.83	0.83
Solid waste	0.10	0.10	0.05	0.10	0.10
	<u>22.35</u>	<u>22.00</u>	<u>20.50</u>	<u>21.00</u>	<u>21.00</u>

The Town of Los Altos Hills has elected to show data for this for this schedule beginning with the fiscal year ending June 30, 2003.

**TOWN OF LOS ALTOS HILLS
OPERATING INDICATORS BY FUNCTION
LAST FIVE FISCAL YEARS**

	Fiscal Year				
	2003	2004	2005	2006	2007
Building permits issued:					
New homes	30	31	17	20	21
Valuation	\$ 22,296,451	\$ 16,613,722	\$ 8,696,466	\$ 12,156,957	\$ 13,570,895
Additions and remodels	99	107	120	105	60
Valuation	\$ 9,542,291	\$ 8,896,584	\$ 10,888,751	\$ 10,794,340	\$ 8,021,100
Planning permits issued	259	273	248	247	261
Streets resurfaced/rehabilitated	2.46	1.80	2.68	3.40	2.50
Recreation classes and activities offered	12	14	12	16	18

The Town of Los Altos Hills has elected to show data for this schedule beginning with the fiscal year ending June 30, 2003.

**TOWN OF LOS ALTOS HILLS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST FIVE FISCAL YEARS**

	Fiscal Year				
	2003	2004	2005	2006	2007
Parks and Recreation					
Baseball fields	4	4	4	4	4
Playground	1	1	1	1	1
Park	1	1	1	1	1
Riding Ring	1	1	1	1	1
Westwind Barn	1	1	1	1	1
Pathways - miles	60	60	62	62	62
Open space - acres	55	55	55	55	55
Drainage and Street Operations					
Street lights	6	6	6	6	6
Traffic lights	3	3	3	3	3
Paved roadway - miles	57	50	55	55	55
Storm drains - miles	20	20	20	20	20
Sewer Operations					
Sanitary sewers - miles	50	50	52	52	52

The Town of Los Altos Hills has elected to show data for this schedule beginning with the fiscal year ending June 30, 2003.

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