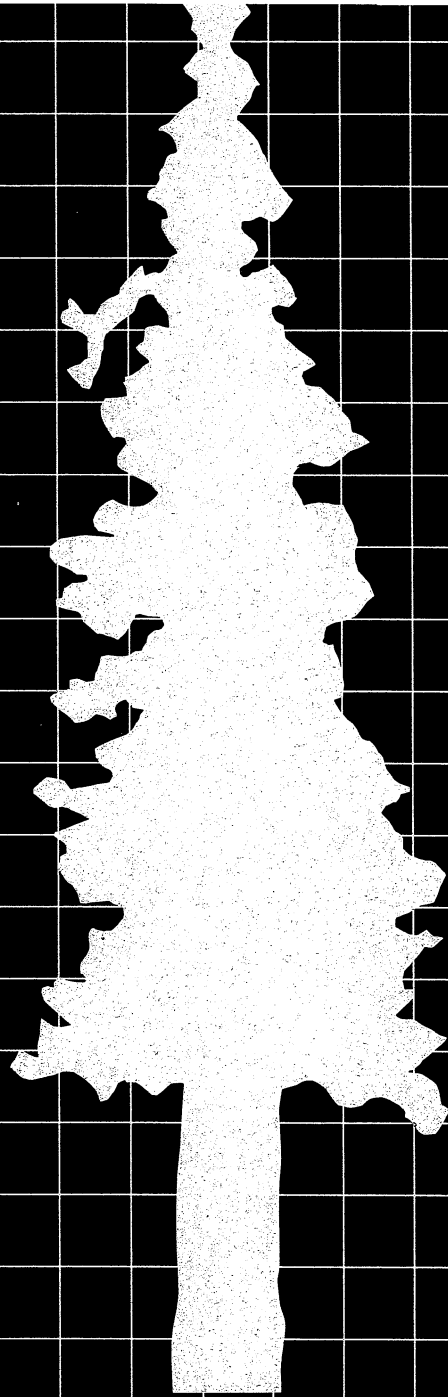


# City of Palo Alto, California



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT FOR THE  
FISCAL YEAR ENDED JUNE 30, 1995**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF PALO ALTO**

**for the  
Fiscal Year Ended June 30, 1995**



**prepared by  
ADMINISTRATIVE SERVICES DEPARTMENT**

**Emily Harrison  
Deputy City Manager  
Administrative Services**





## **AMERICANS WITH DISABILITIES ACT STATEMENT**

**In compliance with the Americans with Disabilities Act of 1990, this document may be provided in other accessible formats. For information contact:**

**Fred Herman, ADA Director  
City of Palo Alto  
250 Hamilton Avenue  
Palo Alto, California 94301  
415/329-2550 (voice)  
415/328-1199 (TDD)**



# CITY OF PALO ALTO, CALIFORNIA

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# CITY OF PALO ALTO, CALIFORNIA

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# CITY OF PALO ALTO

## CITY OFFICIALS

June 30, 1995

### City Council

Joe Simitian  
Mayor

Lanie Wheeler  
Vice Mayor

Dick Rosenbaum  
Chairperson,  
Finance Committee

Ron Andersen

Joseph Huber

Micki Schneider

Gary Fazzino  
Chairperson,  
Policy and Services Committee

Liz Kniss

Jean McCown

Lanie Wheeler

### Council-Appointed Officers

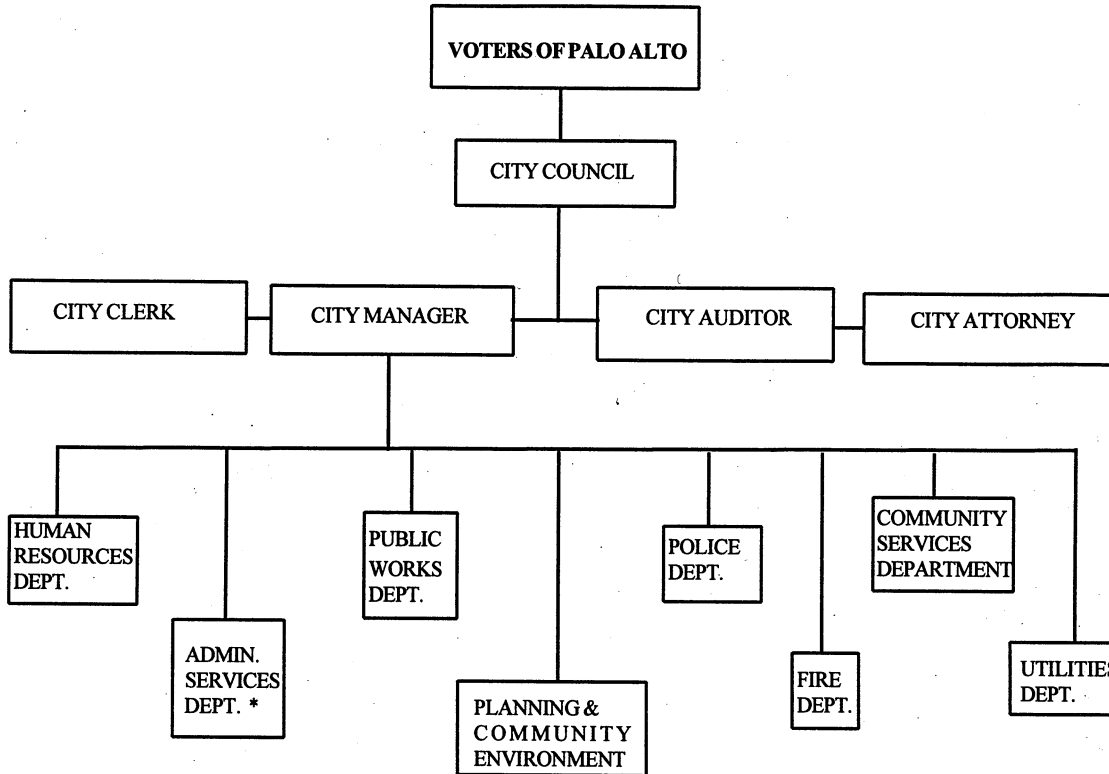
June Fleming  
City Manager

Ariel Calonne  
City Attorney

Gloria Young  
City Clerk

William Vinson  
City Auditor

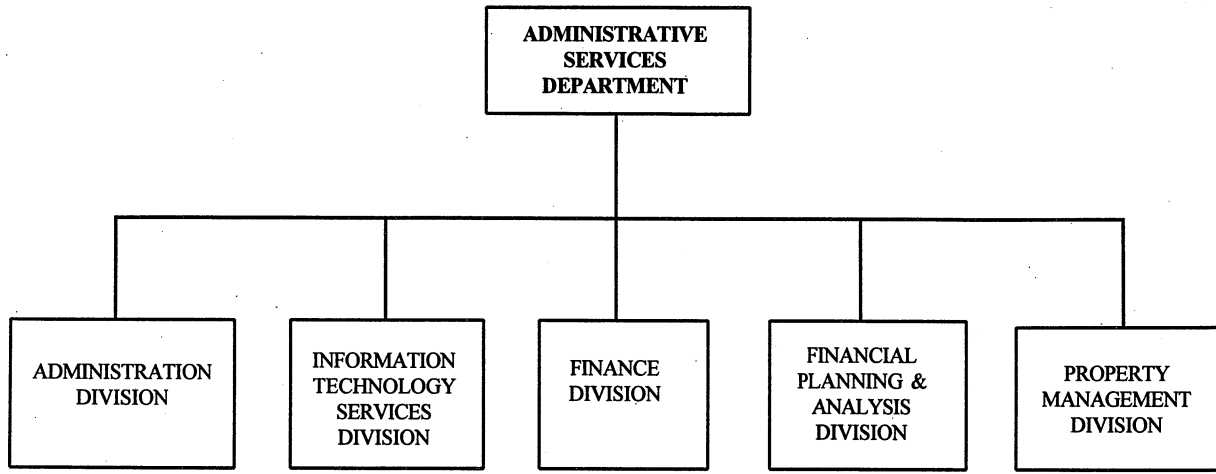
# CITY OF PALO ALTO ORGANIZATIONAL CHART



**\*As of July 1, 1995 the Finance and Information Resources Departments have been combined into the Administrative Services Department.**



**CITY OF PALO ALTO  
ADMINISTRATIVE SERVICES DEPARTMENT  
ORGANIZATIONAL CHART**



**Mission Driven Budgeting Statement:**

**To provide proactive administrative and technical support to City departments and decision makers, and to safeguard and facilitate the optimal use of City resources.**



October 27, 1995

**THE HONORABLE CITY COUNCIL**  
Palo Alto, California

Attention: Finance Committee

**COMPREHENSIVE ANNUAL FINANCIAL REPORT, YEAR ENDING JUNE 30, 1995**

Members of the Council:

The Comprehensive Annual Financial Report, including the opinion of Deloitte & Touche LLP, for the fiscal year ended June 30, 1995, is submitted for Council review, in accordance with Article IV, Section 13 of the City Charter. Although Deloitte & Touche LLP has expressed an opinion on this report based upon its recent audit, responsibility for both the accuracy of the data and the fairness of the presentation, including all disclosures, rests with the City's management.

**GENERAL INFORMATION**

Located in northern Santa Clara County approximately 35 miles south of the city of San Francisco, Palo Alto was named by an early Spanish exploration party for the tall, twin-trunked redwood tree it camped beneath in 1769. The City has a population of 58,580, and is part of the San Francisco Bay metropolitan area. Partly due to the presence of Stanford University, located directly adjacent to the City, Palo Alto is considered to be the birthplace of the high technology industry, which has made Santa Clara County famous worldwide as the Silicon Valley. The 630-acre Stanford Research Park includes among its tenants the headquarters of such prestigious and innovative high-tech leaders as Hewlett-Packard, Varian Associates, Coherent Laser, Watkins-Johnson and Alza. Other major corporations headquartered in Palo Alto include Syntex-Roche, Electric Power Research Institute (EPRI), Collagen Corporation, Consolidated Freightways, Southwall Technologies, Digital Equipment and the world-renowned Xerox Palo Alto Research Center. The City is a major employment center, including Stanford University; the number of jobs in Palo Alto in 1994-1995

was approximately 91,000. Palo Alto is also one of the area's unique and most desirable residential communities, with about 25,500 housing units. Palo Alto is noted for its excellent public and private schools and its comprehensive municipal services.

### **REPORTING ENTITY**

For financial reporting purposes, and in conformance with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity", the City of Palo Alto's financial statements include all component units that are financially accountable to the City or whose relationship with the City is so significant that failure to include them in the City's financial statements would make the statements misleading or incomplete. Financial accountability is determined based upon: 1) the City's substantive authority for appointing the governing board; 2) the City's ability to impose its will on the organization's operations; 3) the organization's ability to provide financial benefits or a financial burden on the City; and 4) fiscal dependence on the City. Accordingly, the City's general purpose financial statements include the City of Palo Alto Golf Course Corporation and the Palo Alto Public Improvement Corporation as component units. In addition, the Palo Alto Centennial 1994, Inc., a not-for-profit corporation established by private citizens, is also included as a component unit. Although the Corporation is not an agency of the City, the City Council maintains ultimate control over the policies and actions of the corporation through its ability to appoint directors.

### **GOVERNMENT ORGANIZATION**

The City of Palo Alto was incorporated in 1894, celebrating its centennial last year. Its first charter was granted by the State of California in 1909, and Palo Alto continues to operate as a charter city today. Municipal operations are conducted under the council-manager form of government. The nine Council Members are elected at large for four-year, staggered terms. The Mayor and Vice Mayor are elected annually at the first Council meeting in January. The Mayor presides over all Council meetings. The City Manager is responsible for the operation of all municipal functions except the offices of the City Attorney, City Clerk, and City Auditor. These officials are appointed by, and report directly to, the City Council.

### **SERVICES PROVIDED**

The City provides a full range of municipal services and maintains municipal electric, water, gas, wastewater collection and treatment, storm drainage, and refuse utilities for the benefit of Palo Alto residents and businesses. Its parks, recreation and cultural facilities are outstanding. The City owns

34 parks totaling more than 4,000 acres, a golf course, two community centers, a Cultural Center, a Community Theater, a Children's Theater, and a Junior Museum. The City offers a broad array of social, recreational and cultural events, including human services for seniors and youth, subsidized child care, classes, concerts, exhibits, team sports and special events. The City's Animal Services, including a low-cost Spay and Neuter Clinic, which draws patients from all over the South Bay area, provides reasonably priced animal health care and adoption services.

## **ACCOUNTING SYSTEM AND INTERNAL CONTROL**

In developing and evaluating the City's accounting system, consideration has been given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safekeeping of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

Budgetary control is maintained by an annual appropriation ordinance, which is amended by Council action, as required, throughout the year. In 1990, the Council adopted a two-year budget plan. Budgets for the period are presented to Council for review, comment, and action. Council votes to formally approve the first year's budget; the second year's budget is approved in concept, with formal adoption occurring the following June. The City is required under the terms of Proposition 4 (Gann) to adhere to an annual appropriation limit, necessitating the two-step budget adoption procedure. The Council takes similar action on the first two years of the Five-Year Capital Improvement Program (CIP). The 1994-1995 budget was a one-year budget, however, because the City was preparing to move to a new, mission driven budget in 1995-96.

The legal level of budgetary control (the level which expenditures may not legally exceed appropriations) is by department in the General Fund and by fund in other governmental fund types. An encumbrance system is utilized: as purchase orders are issued, corresponding appropriations amounts are reserved for later payment so that appropriations may not be overspent. Budgets are prepared for all governmental fund types, except for the Debt Service Funds and for the Special Revenue Palo Alto Centennial 1994 Fund component unit.

### **Single Audit**

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by City management.

As a part of the City's single audit, the City's independent auditors studied and evaluated the internal and administrative controls used in administering the federal financial assistance programs and the preparation of the City's financial statements to the extent they felt necessary to evaluate the systems, as required by generally accepted auditing standards. The results of the City's single audit for the fiscal year ended June 30, 1995 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

## **SIGNIFICANT EVENTS AND ACCOMPLISHMENTS**

### **Council Priorities**

The City Council selected three priorities to focus on in 1994-95: support to our neighboring city of East Palo Alto; Palo Alto's economic future; and completion of the General Fund Organization Review.

Support to East Palo Alto: In 1992, the City Council authorized the funding and reassignment of four Palo Alto police officers to East Palo Alto (EPA) as a result of a law enforcement/community crisis. With the support of Menlo Park Police and other local, state and federal law enforcement agencies, a group of officers came together as the Regional Enforcement Detail (RED) Team. During the next 26 months, these officers were extraordinarily successful in removing a large number of dangerous criminals from the EPA community. In June 1994, Palo Alto's RED Team officers were reassigned to Palo Alto for the World Cup games at Stanford University. In late 1994, owing to a number of industrial injuries and other unanticipated vacancies and retirements, the Police Department determined that four officers could not be released for reassignment to EPA without compromising public safety in Palo Alto. Although violent crime in EPA has dropped dramatically, law enforcement is still being provided by the San Mateo County Sheriff, Menlo Park Police and California Highway Patrol. Palo Alto has established a formal police liaison with the EPA Police Department to ensure optimal communications. This has resulted in the arrest of several dangerous criminals for felonies committed in Palo Alto and surrounding communities. Staff will return to Council in late 1995 with a recommendation on continued assistance to East Palo Alto.

Palo Alto's Economic Future: In July 1994, the City Council adopted an economic resources plan, and subsequently funded a full-time Economic Resources Manager, a Management Assistant and a half-time Office Specialist, creating an Economic Resources Planning (ERP) program in the City Manager's Office.

ERP has initiated the development of a computerized database to track all existing businesses in Palo Alto. With business retention in mind, Council approved staff's recommendation to establish a public/private partnership to work on revitalization of the Midtown area of the city. The City will be funding a traffic study of the Midtown area, as well as the services of a facilitator to work with the architect retained by the property owners to propose site planning alternatives. ERP was also

involved in the "spruce up" of the Downtown, by improved paving, signage, street furniture and landscape treatment. ERP is currently compiling information on commercial space available for lease or sale in the City; this list will be updated and distributed on a quarterly basis.

ERP has worked with Stanford University, the Chamber of Commerce and the hotel industry to identify a suitable site for and recruit a new hotel with conferencing facilities. It has been actively involved in regional economic development efforts, being led by organizations such as Joint Venture: Silicon Valley Network and the California Trade and Commerce Agency. In conjunction with Smart Valley, Inc., ERP was instrumental in assisting a Palo Alto-based high-technology consulting firm to devise a demonstration project for issuing development-related permits over the Internet. The City is currently in the process of streamlining its entire permitting process.

Organization Review: The Council reviewed the City Manager's recommendations on the organization study performed by Hughes, Heiss & Associates at its September 26, 1994 meeting. The Council referred certain issues to committee for further discussion, and postponed consideration of any conversions of temporary staff to permanent status to the 1995-96 Budget. After further committee review, an amended implementation plan was adopted, which will ultimately result in \$314,600 in ongoing savings to the General Fund. Implementation is expected to take place over several years, as Council has adhered to its long-standing policy to make reductions through attrition, thus delaying realization of the major portion of the Organizational Review savings.

### **Trees**

In February 1995, the Council-appointed Tree Task Force delivered its recommendations to the Council on how to improve the City's management of the urban forest. The recommendations included: establishment of standards in order to monitor progress; creation of a public/private partnership through a new, nonprofit Friends of the Trees group; implementation of Organizational Review recommendations to increase the use of contract tree pruning, provide care for park trees, and increase plantings; addition of staff (contract coordinator and office specialist); and the exploration of alternative funding sources, including the Utilities Funds and grants. Council referred the issues raised in the report to the appropriate Council committee (Policy and Services and Finance) and it is anticipated that the full Council will act upon the committee recommendations in late 1995.

### **Technology**

Library Automation: An automated telephone renewal system for library materials was installed in April 1995. Available 24 hours per day, this allows patrons to renew their books and other items from home or office. Previously, the Library did not offer telephone renewals.

The library automation capital project provided funding for purchase and installation of equipment to connect the new installed local area networks at three Community Services sites to the City's wide area network (WAN). WAN connections in the Lucie Stern, Mitchell Park, and Newell Road areas

upgraded the computer network linking Children's, Mitchell Park, and Main Libraries, and provided network links between Community Services facilities and City Hall, and to the Internet. In 1995-96, completion of the Internet connection to the Libraries' networks will enable the delivery of improved access to periodical databases and Internet services at all libraries. Selected services will be available from all library terminals and to dial-up users of the libraries' catalogues. The catalog will be searchable from the Internet. Personal computers at the three networked libraries will be available for public access to Internet world-wide web services.

Telecommunications Utility: In May 1995, staff received approval from the Council to proceed with development of a telecommunications strategy. The consultant study could have far-reaching implications. Cutting-edge telecommunications is becoming increasingly important to both Palo Alto's businesses and residents. The City's level of involvement will, intentionally or unintentionally, influence the structure of Palo Alto's telecommunications marketplace. The purpose of the study is to provide alternative strategies, including preliminary cost and revenue stream estimates. The final phase of the study may also involve creation of a business plan for implementation of a recommended strategy. The Council has appointed a Telecommunications Advisory Panel, which includes two Council Members, to review reports prepared by the consultants and to provide feedback to staff.

### **Traffic**

In March 1995, in response to a Council assignment regarding the development of additional traffic safety strategies, staff presented comprehensive recommendations to the Council which included: establishment of radar-enforceable speed limits on three selected streets on a six-month trial basis; approval of the use of motorcycles for traffic enforcement; increasing the traffic team by adding two additional officer positions; endorsement of the concept of increasing enforcement efforts at locations where there is a higher-than-normal accident rate; establishment of a City vehicle safe driving program; and various other recommendations. With the exception of radar-enforceable speed limits, which will be discussed further by the Council in late 1995, all recommendations were approved by Council for implementation. All of the recommendations will be reviewed again after a six-month trial period. Staff also anticipates additional work on this issue as part of Council deliberations on the Traffic element of the Comprehensive Plan.

### **City-School Cooperative Efforts**

City and Palo Alto Unified School District (PAUSD) officials and staff continued to work closely together in 1994-95 on issues of mutual interest affecting the community. These included: development of a proposal for City maintenance of school district playing fields and tennis courts; examination of ways to enhance cooperation between the City and PAUSD libraries; initiation by the City Recreation Division of an after-school "Outlet" program for middle school students; sponsorship, with various community groups, of a second "Safe Summer" program for teens; support for the PAUSD's "Measure B" initiative on the June ballot to fund capital improvements for the



schools; and traffic safety, including the Gunn High School traffic study and the School Commute Traffic Safety study. The City continues to fund community counselors at the two high schools and the provision of after-school child care at all the elementary school sites.

### **Comprehensive Plan**

In 1994-95, the City continued work on preparing a new Comprehensive Plan. The City Council-appointed Comprehensive Plan Advisory Committee (CPAC), a 37-member citizens committee, transmitted a set of recommended goals, policies and programs to Council in September 1994. The CPAC's recommendations were divided into six areas: Business and Economics, Housing, Transportation, Natural Environment, Community Design, and Governance and Community Services. The City's six advisory Boards and Commissions reviewed and commented on the recommendations in September and October 1994. The City Council review which followed had the objective to identify goals, policies and programs that will be incorporated into a draft Comprehensive Plan and related Environmental Impact Report, both of which will be subject to extensive public review before final consideration by the Council. The Council's review of the CPAC and Board and Commission recommendations continued through the end of the fiscal year, and is anticipated to be completed in fiscal year 1995-96.

### **Mission Driven Budgeting**

Staff began work on Mission Driven Budgeting (MDB) in January 1993, culminating in the adoption of the first Mission Driven Budget on June 19, 1995. This budget is the initial step on the long and arduous path of restructuring our approach to presenting information about the services the City government provides to its customers - the residents and businesses of Palo Alto. The philosophy of MDB is to present the financial spending plan in such a way as to facilitate active, constructive involvement of the Council and the public in setting service levels and addressing City priorities. The MDB budget document is easy to read, presents services in a clear, understandable manner, and displays the desired impacts of services along with their related costs. Development of MDB required every employee in the organization to be involved in scrutinizing services, defining customers, determining useful measures for desired impacts and assigning costs to the new MDB budget structure. It also involved considerable "infrastructure" work in re-engineering the City's budget, accounting, timekeeping and other financial systems. This work will continue in the upcoming fiscal year.

### **FINANCIAL HIGHLIGHTS**

Overall, the economy in Palo Alto showed signs of solid growth during the fiscal year. Sales tax revenue rebounded strongly from the previous fiscal year in several key business segment areas. However, as with all California public entities, Palo Alto continues to feel the lingering impact of the economic downturn of the past five years. With demands for public services outpacing the

revenue needed to provide for them, the State has been unable to produce a balanced budget and has looked to cities and counties to assume a greater share of the financial burden. Growing concerns about an increasing State budget deficit and legislative proposals calling for the reapportionment of sales and property tax revenues last year led to the formation of a Constitutional Revision Committee charged with examining the distribution of tax revenue between the State and local governments. The Committee has completed its preliminary report, which is expected to be introduced into the legislature when it convenes in January of 1996. A measure proposing an amendment to the State Constitution is expected to be placed on the November 1996 ballot.

### **General Fund**

In 1994-95, the City's General Fund ended the year with an operating surplus of \$1.6 million. Actual revenues were \$.08 million over budgeted amounts. Although gains were made in property and transient occupancy tax revenues, collection of other taxes, and fines and penalties, declines were noted in sales tax (due to an adverse ruling by the State on sales tax receipts from Varian) and utility users tax revenue.

Savings in department operating expenditures totaled \$4.9 million over the budgeted amount. Lower water usage following heavy winter rains, staff vacancies, a delay in implementing a staffed parking lot downtown, lower than anticipated lease payments to Palo Alto Unified School District and lower than budgeted police booking fees paid to the County were largely responsible for the savings. Salaries and benefits, contracted services and other expenses, including purchase of supplies and materials and equipment maintenance, were all under budget.

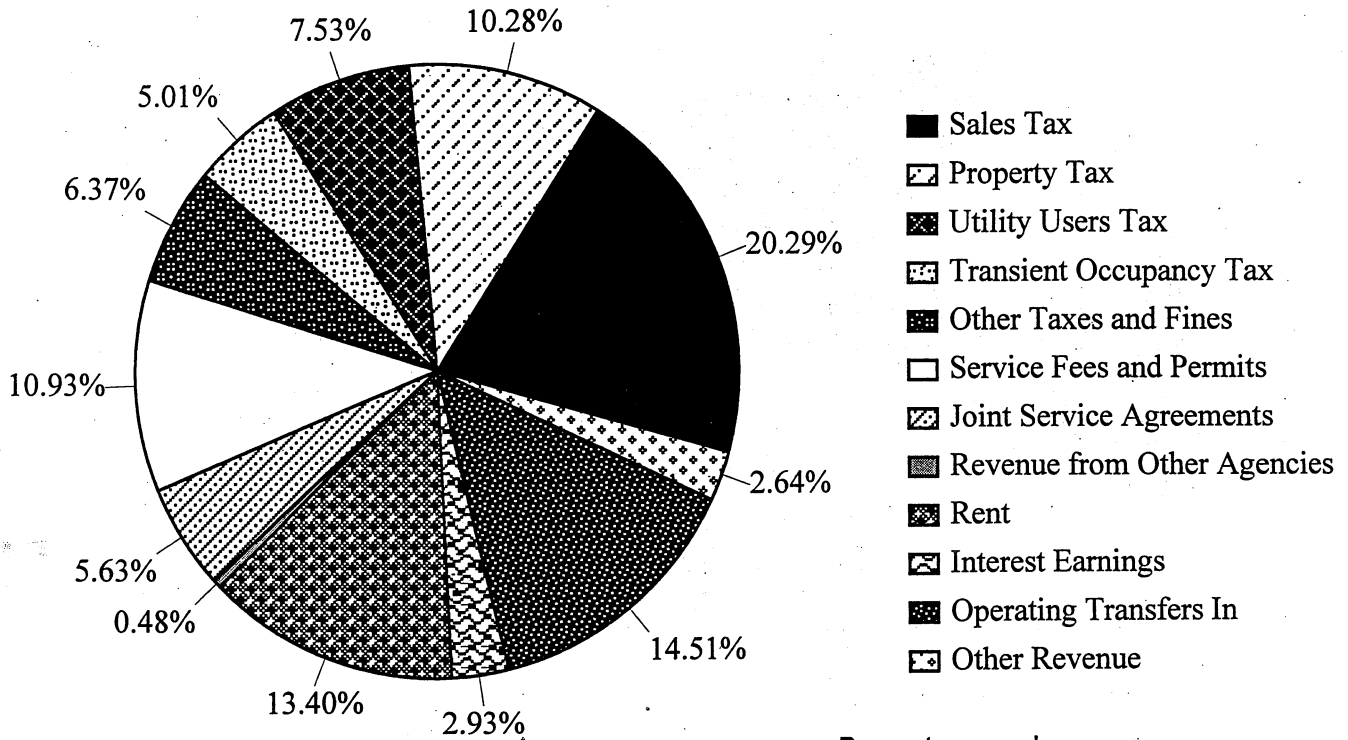
### **Revenues:**

General Fund revenues were \$1.1 million, or 2 percent, higher than the previous fiscal year and were less than 1 percent higher than the 1994-95 adjusted budget. Sales tax revenues fell below budget, largely due to a recent ruling from the State Board of Equalization, granting a \$.9 million judgment to Varian Associates for prior year sales tax payments. After adjusting for the Varian payment, sales tax revenues exceeded the adjusted budget for 1994-95 by 4.8 percent, or \$.74 million. Key gains were noted in the new auto, apparel stores and business services economic segments, while declines occurred in the electronics and light industry areas.

Property taxes remained relatively flat compared to prior years, continuing a two-year trend of lethargic increases in property valuations throughout the County. Property tax collections were 1 percent over the adjusted budget. The slight increase in transient occupancy tax revenues reflects higher occupancy rates and increases in hotel rates for Palo Alto hotels. Utility users tax revenues were 6 percent lower than expected due to decreased billings of electric and water sales to City utilities customers. Other tax revenues were almost 4 percent higher than the adjusted budget.

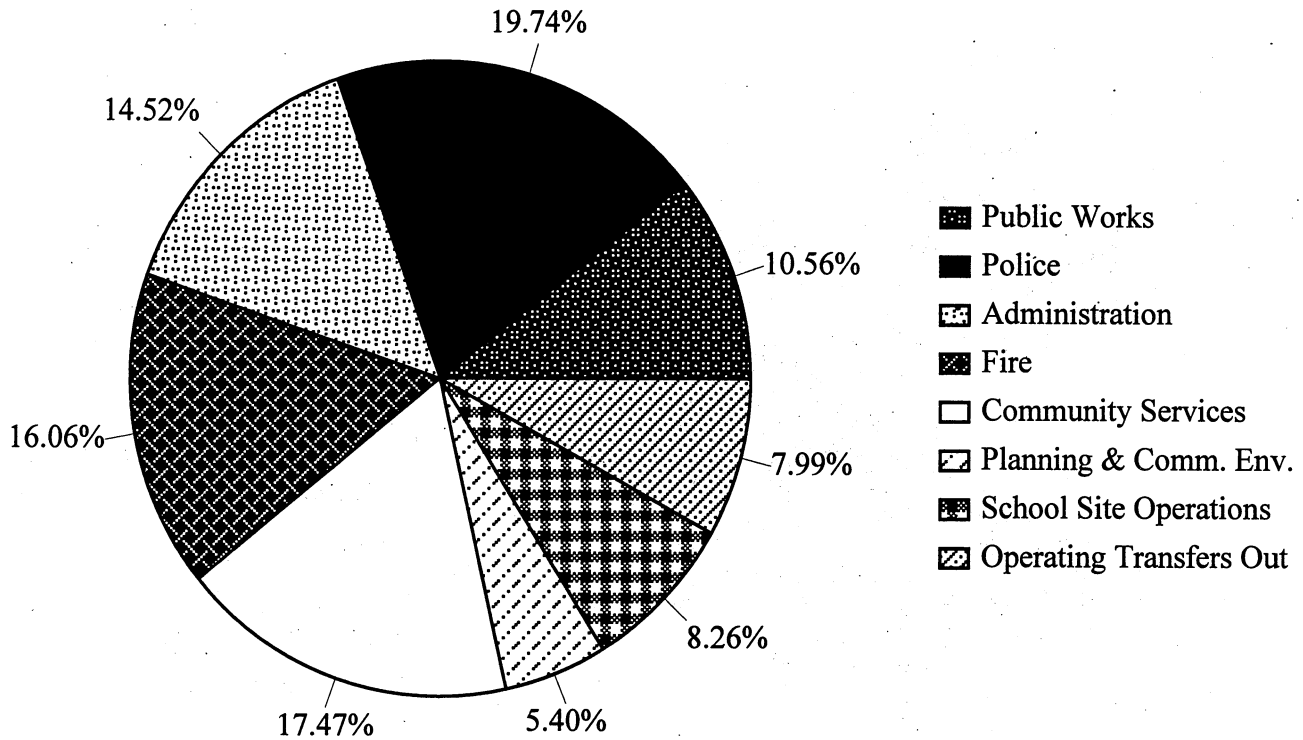
Non-tax revenues were less than 1 percent higher than the adjusted budget. Revenues from service fees and permits were 2 percent lower than projected, with much of the variance resulting from

**CITY OF PALO ALTO**  
**GENERAL FUND REVENUES BY SOURCE**  
For the year ended June 30, 1995



<u>Revenues (\$000)</u>	<u>1995 Actual</u>	<u>Percent of Total Revenue</u>	<u>Increase (Decrease) from 1994</u>
Sales Tax	\$14,765	20.29	\$130
Property Tax	7,485	10.28	(252)
Utility Users Tax	5,482	7.53	27
Transient Occupancy Tax	3,643	5.01	342
Other Taxes and Fines	4,633	6.37	(644)
Service Fees and Permits	7,955	10.93	40
Joint Service Agreements	4,097	5.63	213
Revenue from Other Agencies	349	0.48	(73)
Rent	9,754	13.40	254
Interest Earnings	2,136	2.93	124
Other Revenue	<u>1,922</u>	<u>2.64</u>	<u>924</u>
Total Direct Revenues	62,221	85.49	1,085
Operating Transfers In	<u>10,559</u>	<u>14.51</u>	<u>223</u>
Total Revenues	<u>\$72,780</u>	<u>100.00</u>	<u>\$1,308</u>

**CITY OF PALO ALTO  
GENERAL FUND EXPENDITURES  
For the year ended June 30, 1995**

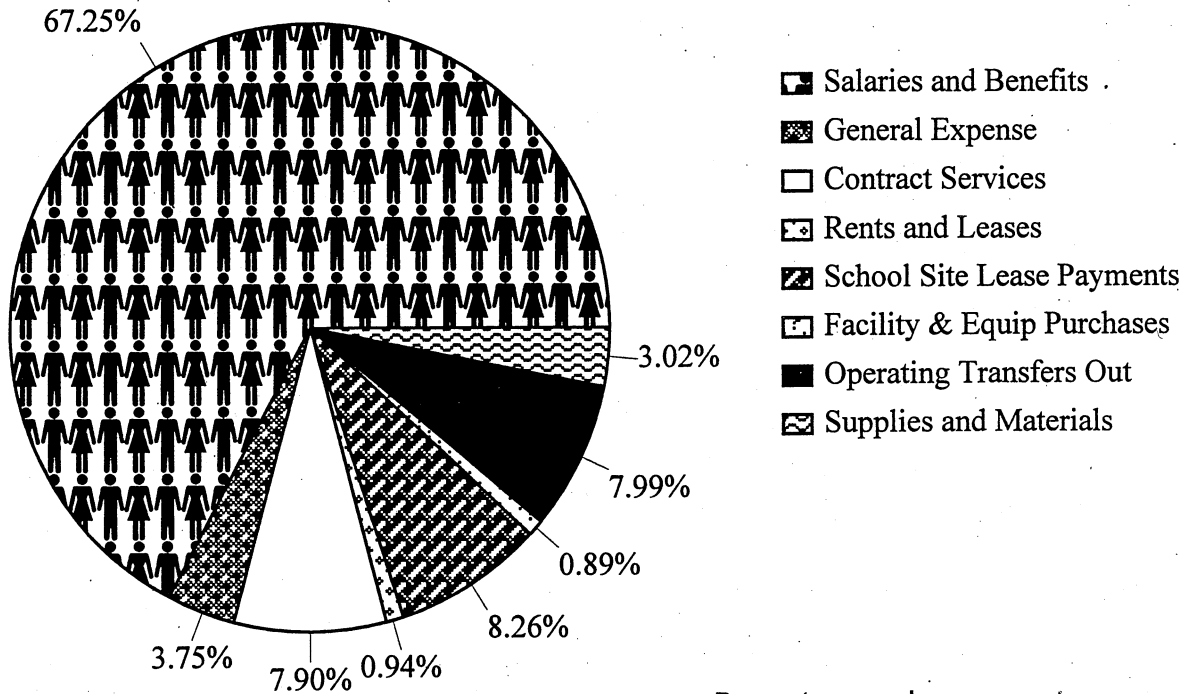


<u>Expenditures (\$000)</u>	<u>1995 Actual</u>	<u>Percent of Total Expenditure</u>	<u>Increase (Decrease) from 1994</u>
Administration (A)	\$10,340	14.52	\$997
Public Works	7,517	10.56	459
Police	14,058	19.74	(92)
Fire	11,437	16.06	(281)
Community Services	12,435	17.47	(216)
Planning & Community Environment	3,842	5.40	(318)
School Site Operations	<u>5,884</u>	<u>8.26</u>	<u>239</u>
 Total Direct Expenditures	 65,513	 92.01	 788
Operating Transfers Out	<u>5,686</u>	<u>7.99</u>	<u>(627)</u>
 Total Expenditures	 <u>\$71,199</u>	 <u>100.00</u>	 <u>\$161</u>

(A) Comprised of the following departments:

City Council	\$109	City Auditor	\$404
City Manager	968	Finance	3,982
City Attorney	1,100	Info. Resources	1,972
City Clerk	492	Human Res.	1,313

**CITY OF PALO ALTO**  
**GENERAL FUND EXPENDITURES BY TYPE**  
For the year ended June 30, 1995



<u>Expenditures (\$000)</u>	<u>1995 Actual</u>	<u>Percent of Total Expenditure</u>	<u>Increase (Decrease) from 1994</u>
Salaries and Benefits	\$47,883	67.25	\$943
Contract Services	5,621	7.90	12
Supplies and Materials	2,149	3.02	146
General Expense	2,671	3.75	(611)
Rents and Leases	672	0.94	6
School Site Operations	5,884	8.26	239
Facility and Equipment Purchases	633	0.89	53
<b>Total Direct Expenditures</b>	<b>65,513</b>	<b>92.01</b>	<b>788</b>
Operating Transfers Out	<u>5,686</u>	<u>7.99</u>	<u>(627)</u>
<b>Total Expenditures</b>	<b><u>\$71,199</u></b>	<b><u>100.00</u></b>	<b><u>\$161</u></b>

lower-than-anticipated Golf Course green fees revenue, as harsh winter rains kept golfers away from the course. All other non-tax revenues were 2 percent higher than the adjusted budget; an increase in interest income, the growth of the City's investment portfolio and a year-end adjustment for fire protection and emergency communication services provided to Stanford contributed to the higher than anticipated figure.

### Expenditures:

General Fund expenditures were \$.8 million, or about 1 percent higher than the previous fiscal year. However, actual expenditures were \$4.9 million, or 7 percent, lower than the adopted budget for 1994-95. Driving the lower-than-anticipated expenditures were staff vacancies, lower water usage fees, lower than projected police booking fees paid to Santa Clara County and lower than projected lease payments to PAUSD for City use of school sites.

### Capital Project Fund

Capital projects in 1994-95 focused mainly on upgrading the City's aging infrastructure. For the California Avenue parking project, \$.5 million was expended in this fiscal year to complete construction of a new 186-space parking structure on Cambridge Avenue in the California Avenue business district, which replaced a surface parking lot.

The Civic Center remodeling and relocation project neared completion in the fiscal year, with expenditures of \$.2 million. A new fire sprinkler and alarm system were installed. The park facilities improvements project, which replaced old and non-accessible playground equipment, spent \$.3 million to upgrade facilities at the Ventura School site, Peers Park, Robles Park and Ramos Park during the fiscal year. Expenditures for the Golf Course reclaimed water project totaled \$.2 million for the year.

A variety of sidewalk repair and street maintenance projects, funded through utility users tax revenues, were completed during the fiscal year to bring the City into compliance with Americans with Disabilities Act requirements. Ongoing street maintenance expenditures for the year were \$1.2 million; an additional \$.5 million was spent on sidewalk repairs.

### Special Revenue Funds

The Special Revenue Funds include the Street Improvement Fund, Federal Revenue Fund, Housing-in-Lieu Fund, Special Districts Fund, Transportation Mitigation Fund and Palo Alto Centennial 1994 Fund. The Barker Hotel acquisition, providing low-income residents with single-room occupancy housing, was completed during the fiscal year. The Housing-in-Lieu Fund loaned \$.4 million to Palo Alto Housing Corporation for acquisition of 3051-3061 Emerson Street for low-income housing. Community Development Block Grant funds for the fiscal year, which were allocated to a variety of social services and community housing improvement projects, were \$.8 million.

## Enterprise Funds

The City's seven enterprise funds include the Electric, Water, Gas, Wastewater Collection, Wastewater Treatment, Refuse and Storm Drainage Funds. Total Enterprise Fund revenues grew by 23 percent over the previous fiscal year. However, the City rebated \$36.5 million to Electric utility customers during fiscal year 1993-94. After adjusting for the rebate, total Enterprise Fund revenues declined by only 7 percent over the previous fiscal year. Although sales yielded higher revenues than the previous fiscal year, the decline was related to a one-time receipt of a \$10.1 million refund in the Electric Fund during fiscal year 1993-94.

After adjusting for the Electric Fund rebate, Electric revenues were 18 percent, or \$11.4 million, lower than the previous fiscal year. Customer sales were lower than anticipated, due mainly to lower electricity consumption during the summer months. Delays in joint construction projects resulted in a lower level of reimbursements from Pacific Bell and Cable Co-op for shared capital projects. Expenditures were 8 percent below the previous fiscal year. The City's participation in a cooperative power pooling agency allows the utility to purchase commodities at a favorable rate, contributing to the lower than projected expenditures in 1994-95. Other savings were the result of delayed or discontinued program expenditures. The Electric Fund reserve at year-end was \$10.7 million higher than the maximum target, but a planned transfer in the coming fiscal year from the Rate Stabilization Reserve (RSR) to the Calaveras Reserve and a 7 percent rate decrease will reduce the fund level to within Council-approved guidelines.

Continuing its role as an industry innovator, the Electric Utility oversaw the completion of the Southgate Underground Utility District, the first in Palo Alto to deliver underground service for electric, water, gas and wastewater utilities. Development of an updated Customer Information System got underway: the new system, designed to help the utility meet the competitive challenges of deregulation that lie ahead, will replace the current utility billing system.

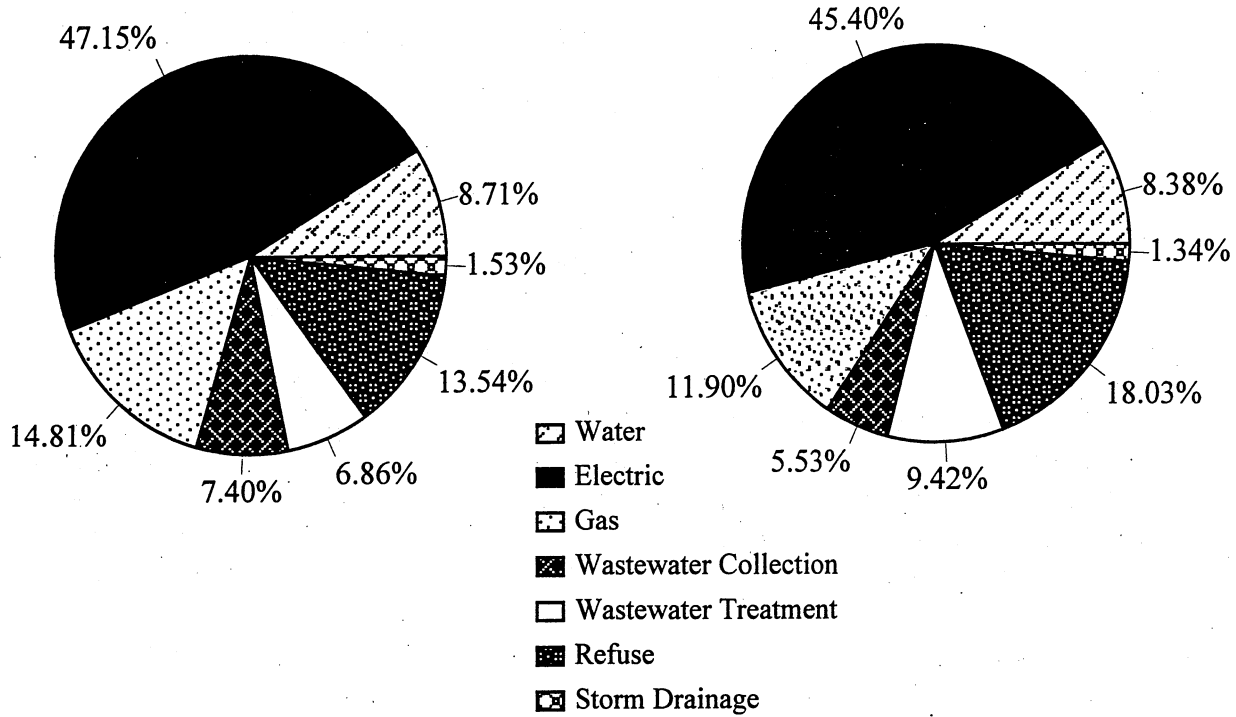
The Water Fund continues to be in sound financial health despite a 15 percent rate decrease implemented in fiscal year 1994-95 and reduced water consumption citywide due to heavy rains in the winter and spring months. The Water Fund's RSR of \$6.6 million remained above the Council-approved target level of \$6.2 million.

Gas Fund revenues were \$2.8 million, or 16 percent, higher than the previous fiscal year; the increase was driven by higher gas consumption resulting from abnormally cold weather in the winter months. Commodity costs in the Gas Fund were \$1.8 million below prior year costs, reflecting a continuing softening of the natural gas market. The combination of strong gas sales and low costs for commodity purchases contributed to increases in the Gas Fund RSR, which ended the fiscal year at \$4 million over the approved maximum. A planned gas rate reduction in the coming fiscal year will address the overage.

Refuse Fund revenues were \$2 million, or 12 percent, higher than the previous fiscal year. Refuse collection rate hikes were responsible for the increase. The Refuse Fund reserve is slightly over the

CITY OF PALO ALTO  
 ENTERPRISE FUNDS REVENUE  
 For the year ended June 30, 1995

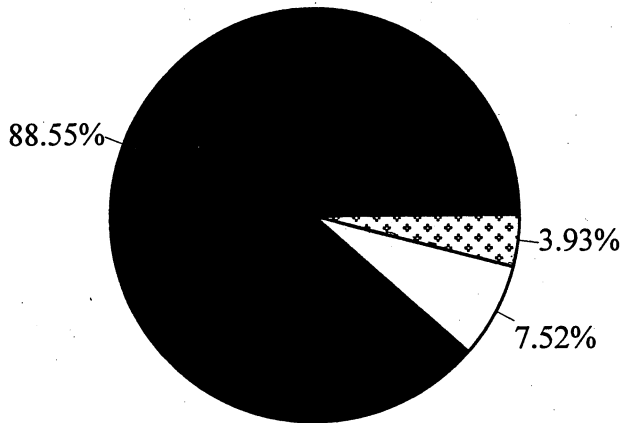
CITY OF PALO ALTO  
 ENTERPRISE FUNDS EXPENSES  
 For the year ended June 30, 1995



<u>Enterprise Fund</u>	<u>Revenues (\$000)</u>	<u>Expenses (\$000)</u>
Water	\$12,553	\$10,449
Electric	67,919	61,470
Gas	21,333	14,004
Wastewater Collection	10,654	5,726
Wastewater Treatment	9,876	9,809
Refuse	19,500	18,994
Storm Drainage	<u>2,202</u>	<u>1,423</u>
<b>Total</b>	<b><u>\$144,037</u></b>	<b><u>\$121,875</u></b>

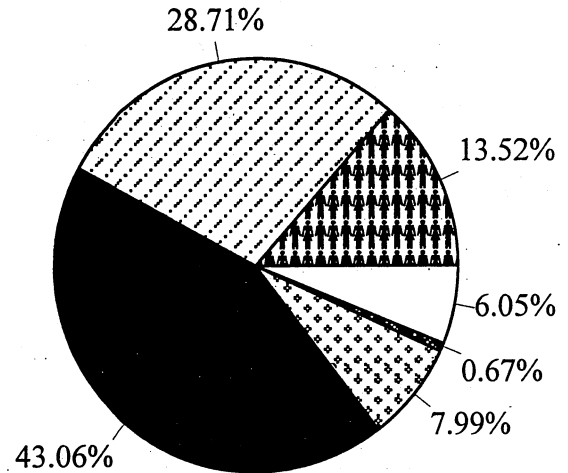


**CITY OF PALO ALTO  
ENTERPRISE FUNDS REVENUE  
For the year ended June 30, 1995**



Utility Sales      Other Revenue  
 Investment Income      Electric Rebate

**CITY OF PALO ALTO  
ENTERPRISE FUNDS EXPENSES  
For the year ended June 30, 1995**



Salaries and Benefits      Operating Expenses  
 Purchases      Transfer to Gen Fund  
 Interest Expense      Rent

<u>Revenues (\$000)</u>	<u>1995 Actual</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1994</u>
Utility Sales	\$127,540	88.55	\$4,660
Other Revenue	10,828	7.52	(10,514)
Investment Income	5,669	3.93	76
Electric Rebate	<u>0</u>	<u>0.00</u>	<u>36,542</u>
<b>Total Revenue</b>	<b><u>\$144,037</u></b>	<b><u>100.00</u></b>	<b><u>\$30,764</u></b>
 <u>Expenses (\$000)</u>			
Salaries and Benefits	\$16,473	13.52	(\$81)
Operating Expenses	34,991	28.71	5,122
Purchases	52,484	43.06	2,345
Transfer to General Fund	9,732	7.99	(394)
Interest Expense	823	0.67	(181)
Rent	<u>7,372</u>	<u>6.05</u>	<u>207</u>
<b>Total Expenses</b>	<b><u>\$121,875</u></b>	<b><u>100.00</u></b>	<b><u>\$7,018</u></b>

maximum target. The RSR helps to fund a mandated Landfill Closure and Post-Closure Care liability. At mid-year, a transfer of \$1.2 million was made from the Fund's RSR to ensure that the liability was fully-funded, and in compliance with financial guidelines established by State and federal agencies.

The Wastewater Treatment Fund's revenues were 7 percent lower than the previous fiscal year. In fiscal year 1993-94, billings to the Plant Partners included a one-time charge for the payoff of the 1983 Utility Revenue Bonds, which is the principal reason for the decline in revenues. However, the Wastewater Treatment Fund's RSR of \$2.7 million remains within the Council-approved guidelines.

The Wastewater Collection Fund also continued to remain strong financially. At year-end, the Fund's reserve was \$2.2 million over the maximum target.

Staff will address the problem of RSR overages during the 1996-98 budget process.

The Storm Drainage Fund's revenues increased 29 percent over the prior fiscal year. The increase was the result of a 31 percent rate hike in storm drainage fees which funds the debt service obligations of revenue bonds that were issued during the fiscal year to finance a variety of improvements to the City's storm drainage and surface water infrastructure.

### **Debt Administration**

In February, the City issued \$8.64 million in Utility Revenue Bonds to finance storm drainage infrastructure improvements. An increase of 31 percent in storm drainage fees went into effect on July 1, 1994 to pay the debt service for these bonds. The bonds will mature on June 1, 2020, although the City may redeem any outstanding bonds after June 1, 2004. The bonds' average effective interest rate was 5.63 percent.

### **Cash Management**

For fiscal year 1994-95, the investment earnings totaled \$9.9 million, 2 percent above the budget of \$9.7 million. The overall rate of return for the year was 5.7 percent, which corresponded to staff's forecast of 5.7 percent. Increases in interest rates early in the year and growth in the portfolio contributed to the earnings. During the last 6 years, the portfolio has increased in size annually by an average of \$15 million. After adjusting for the Electric Fund rebate in 1993-94, the portfolio grew by \$23 million in 1994-95. The majority of the growth was due to budget savings in the Enterprise Funds because of lower commodity purchase costs (\$6 million in the Gas and Electric Funds) and delays in capital project work. Delays in major vehicle purchases, due to the need to develop specifications, saved another \$2.5 million in the Vehicle Replacement Fund.

As of June 30, the City's investment portfolio had a book value of \$217.7 million, compared to a market value of \$217.5 million, or a difference of \$.2 million. The decline in market value is the

result of increases in interest rates early in the fiscal year. Since the City holds securities until maturity, the decline in value will not materialize. Of the total portfolio, \$145 million (79 percent) will mature within 2 years; of that, \$19.9 million is available overnight, which is the equivalent of over a month's operating and capital expenditures.

During 1994-95, staff complied with all aspects of the City's investment policy.

### **Risk Management**

The City is obligated to maintain adequate reserves for its self-insured worker's compensation and general liability programs. Calculation of necessary reserve levels are determined on an annual basis and recorded at the end of the fiscal year. Reserves include an estimate of incurred but not reported (IBNR) losses. Operating departments are charged for their share of operating expenses for the program, which include maintenance of adequate reserves.

In fiscal year 1994-95, an actuarial study was conducted. Deloitte & Touche LLP determined that the total balance for both the worker's compensation and general liability self-insurance reserves should be \$6.6 million, \$2.4 million less than the previously recommended reserve levels of \$9.0 million. In November, staff proposed to Council to reduce the funded liability by \$1.7 million. Funds from the reduction would be used to offset unfunded worker's compensation and sick leave liabilities and build a reserve for the City's share of an expected Authority of California Cities Excess Liabilities (ACCEL) Program liability expense which will become due during fiscal year 1995-1996. Remaining savings will be used to establish a reserve to guard against future fluctuations in actuarial reserves. Staff made a proposal to the Council in November 1995, with the 1995 Year-end Closing Ordinance, as to how to allocate funds above those required actuarially to be in the self-insurance reserves.

Municipal liability claims are handled through the ACCEL Program. As a member of ACCEL, the City shares pooled risk for civil liability exposures with eleven other cities. Participation in ACCEL provides the City with an alternative to purchasing liability insurance from commercial carriers. ACCEL requires all member cities to have a full-time risk manager and a comprehensive risk management program. One of the member cities in ACCEL suffered losses due to extensive flooding and landslide damage during the fiscal year. As a member of the self insurance pool, the City will share in that loss. It is expected that Palo Alto's share of the damage will cost between \$.5 million and \$.9 million, which is anticipated to be payable during fiscal year 1995-96.

For the fourth year in its eight-year history, ACCEL returned retroactive adjustments to its members; the adjustments are calculated beginning five years after the end of each program year. The City received a retroactive adjustment of \$.7 million during 1994-95 relating to the liability year 1989-90. The program reserves are maintained in excess of \$31 million.

## REPORT FORMAT

The City's Comprehensive Annual Financial Report (CAFR) for fiscal year 1993-94 was recognized with an Award for Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) and with the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). Receiving the two awards in the first year of the City's eligibility is an added achievement, since it generally takes several attempts to meet the high standards for financial reporting established by these professional organizations.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Both awards are granted for a period of one year only. Staff believes that the current Comprehensive Annual Financial Report continues to meet the requirements of both programs; the 1994-95 CAFR will be submitted to GFOA and CSMFO to determine its eligibility for award certificates.

The Comprehensive Annual Financial Report has been divided into four sections:

**INTRODUCTION:** This section transmits the CAFR to the City Council and includes the City's organization chart and table of contents.

**FINANCIAL SECTION:** This section includes:

**The Independent Auditor's Report** - The City Charter requires an annual audit of the financial statements of all accounts of the City by an independent, certified public accountant. This year's audit was completed by Deloitte & Touche LLP.

**General Purpose Financial Statements** - This section contains the general purpose financial statements (GPFS), also known as the combined financial statements, which reflect a complete summary of the City's activities and encompass all fund types and account groups. GPFS present a combined overview of the financial position, cash flows of proprietary funds, and operating results of the completed fiscal year. This section also includes the Notes to the Financial Statements, which communicate information necessary for fair presentation of financial position and results of operations that are not readily apparent or cannot be included in the financial statements themselves. GPFS are "liftable", and may be issued separately from the CAFR for inclusion in official statements, bond offerings, or for distribution to users requiring less detailed information than is contained in the complete CAFR.

**Combining Fund Statements** - This section presents combining and individual fund and account group statements and schedules. Combining financial statements are presented in each instance where the City has more than one fund of a given type (e.g., the Enterprise Funds). Individual fund statements and schedules are presented for certain individual funds and account groups where the City has only one fund of a specific type (e.g., Capital Project Fund) or to give more detailed information than is presented in the GPFS.

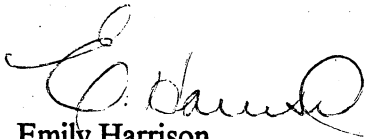
**STATISTICAL SECTION:** This section presents comparative statistical data for the past ten years and other pertinent information involving taxes, revenues, expenditures, and bonded debt.

**SINGLE AUDIT REPORTS:** This section includes the Single Audit Reports relating to the City's federal financial assistance programs.

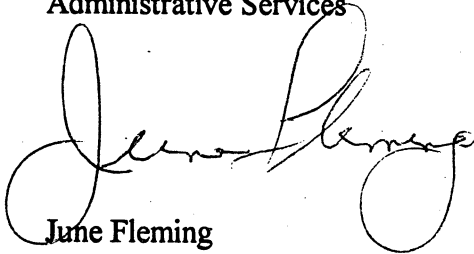
Acknowledgment

The preparation of the CAFR reflects the dedication and effort of the staff members of the Administrative Services Department, and could not have been accomplished without its efficient and dedicated efforts. Staff would also like to thank the City Council, and especially the Finance Committee, for their continued leadership, especially as we embark on the complete re-engineering of our budgeting and accounting structure and process.

Respectfully submitted,



Emily Harrison  
Deputy City Manager,  
Administrative Services



June Fleming  
City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palo Alto,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1994

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

# California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 1993-94

Presented to

City of Palo Alto

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 27, 1995



  
Chair, Professional & Technical Standards Committee

  
President

Dedicated to Excellence in Municipal Financial Management







## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members  
of the City Council of the City of Palo Alto, California:

We have audited the accompanying general purpose financial statements of the City of Palo Alto, California (the City) as of June 30, 1995, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City at June 30, 1995, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 1995 on our consideration of the City's internal control structure and a report dated October 27, 1995 on its compliance with laws and regulations.

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

The statistical data listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we do not express an opinion thereon.

*Deloitte & Touche LLP*

October 27, 1995

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**These combined statements provide an overview of the financial position and the operating results of all fund types and account groups. Separate columns are used for each fund type and account group.**

# CITY OF PALO ALTO, CALIFORNIA

## COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS JUNE 30, 1995 WITH COMPARATIVE TOTAL YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Governmental Funds			
	General	Special Revenue	Debt Service	Capital Project
<b>ASSETS AND OTHER DEBITS</b>				
Cash, cash equivalents and investments	\$23,272	\$ 7,943	\$ 2,038	\$8,961
Restricted:				
Cash and cash equivalents			270	156
Investments			1,199	
Receivables, net:				
Accounts	3,681	379	8,555	36
Interest	708	125	25	
Notes	527	4,352		
Interfund receivable	218			
Inventory	1,185			
Prepaid items				
Property, plant and equipment, net				
Amount available in debt service funds				
Amount to be provided for retirement of general long-term debt				
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$29,591</u></b>	<b><u>\$12,799</u></b>	<b><u>\$12,087</u></b>	<b><u>\$9,153</u></b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 2,989	\$ 479		\$ 682
Accrued salaries and benefits	623			
Deferred revenue			\$ 8,555	
Deferred compensation				
Accrued compensated absences				
Accrued self insurance				
Landfill closure and postclosure care				
Interfund payable		218		
General revenue bonds				
Utility revenue bonds				
Certificates of participation				
Special assessment debt with governmental commitment				
Capital lease obligations				
<b>Total liabilities</b>	<b><u>3,612</u></b>	<b><u>697</u></b>	<b><u>8,555</u></b>	<b><u>682</u></b>
<b>FUND EQUITY AND OTHER CREDITS:</b>				
Contributed capital				
Investment in general fixed assets				
Retained earnings				
Fund balances:				
Reserved	6,215	8,819	3,532	8,403
Unreserved:				
Designated	19,764	3,995		68
Undesignated		(712)		
<b>Total fund equity and other credits</b>	<b><u>25,979</u></b>	<b><u>12,102</u></b>	<b><u>3,532</u></b>	<b><u>8,471</u></b>
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	<b><u>\$29,591</u></b>	<b><u>\$12,799</u></b>	<b><u>\$12,087</u></b>	<b><u>\$9,153</u></b>

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

Proprietary Funds		Fiduciary Funds Trust and Agency	Account Groups		Totals Reporting Entity (Memorandum Only) June 30		
			General Fixed Assets	General Long-Term Debt	1995	1994	
Enterprise	Internal Service						
\$111,334	\$29,813	\$ 6,793			\$190,154	\$168,399	
8,541		7			8,974	2,124	
		33,687			34,886	29,048	
12,857	18				25,526	26,482	
1,781	389	104			3,132	2,311	
					4,879	4,141	
	179				218	413	
60	20				1,364	1,319	
189,799	5,587		\$105,028		80	442	
				\$ 3,532	300,414	291,030	
					3,532	3,394	
				15,331	15,331	16,729	
<u>\$324,372</u>	<u>\$36,006</u>	<u>\$40,591</u>	<u>\$105,028</u>	<u>\$18,863</u>	<u>\$588,490</u>	<u>\$545,832</u>	
\$ 8,216	\$ 889	\$ 7			\$ 13,262	\$ 9,902	
271	1,190				2,084	3,895	
		33,687			8,555	9,140	
538	7,921				33,687	28,101	
1,462	5,915				8,459	7,782	
6,438					7,377	9,211	
					6,438	4,930	
					218	413	
				\$ 925	925	1,000	
20,218					20,218	12,389	
				6,530	6,530	6,925	
				9,010	9,010	9,390	
	303			2,398	2,701	3,644	
<u>37,143</u>	<u>16,218</u>	<u>33,694</u>		<u>18,863</u>	<u>119,464</u>	<u>106,722</u>	
58,593	5,338				63,931	63,779	
			\$105,028		105,028	102,840	
228,636	14,450				243,086	219,664	
					26,969	24,719	
					23,827	28,868	
		6,897			6,185	(760)	
<u>287,229</u>	<u>19,788</u>	<u>6,897</u>	<u>105,028</u>	<u>-</u>	<u>469,026</u>	<u>439,110</u>	
<u>\$324,372</u>	<u>\$36,006</u>	<u>\$40,591</u>	<u>\$105,028</u>	<u>\$18,863</u>	<u>\$588,490</u>	<u>\$545,832</u>	

# CITY OF PALO ALTO, CALIFORNIA

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTAL YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
REVENUES:				
Property taxes	\$ 7,485			
Special assessments			\$1,044	
Sales taxes	14,765			
Utility users' tax	5,482			
Transient occupancy tax	3,643			
Other taxes and fines	4,633	\$ 1,059		
Fire protection and emergency communication services	4,097			
From other agencies	349	1,388	240	\$ 30
Service fees and permits	7,955			
Interest earnings	2,136	467	150	21
Rental income	9,754			
Other	1,922	1,010		6
Total revenues	<u>62,221</u>	<u>3,924</u>	<u>1,434</u>	<u>57</u>
EXPENDITURES:				
Current operations:				
City Council	109			
City Manager	968			
City Attorney	1,100			
City Clerk	492			
City Auditor	404			
Finance	3,982			
Information Resources	1,972			
Human Resources	1,313			
Public works	7,517			
Planning and community environment	3,842			
Public safety - Police	14,058			
Public safety - Fire	11,437			
Community services	12,435			
School site operations	5,884			
Capital outlay		1,983		5,739
Debt service:				
Principal retirement			1,245	
Interest and fiscal charges			1,170	
Total expenditures	<u>65,513</u>	<u>1,983</u>	<u>2,415</u>	<u>5,739</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,292)</u>	<u>1,941</u>	<u>(981)</u>	<u>(5,682)</u>

Fiduciary Fund Type Expendable Trust	Totals Reporting Entity (Memorandum Only) Year Ended June 30	
	1995	1994
		\$ 7,485
	1,044	863
	14,765	14,635
	5,482	5,455
	3,643	3,301
	5,692	6,324
	4,097	3,884
	2,007	2,295
	7,955	7,915
\$ 230	3,004	2,635
	9,754	9,500
423	3,361	2,407
653	68,289	66,951
	109	225
	968	710
	1,100	1,074
	492	459
	404	457
	3,982	3,356
	1,972	1,890
	1,313	1,172
	7,517	7,058
	3,842	4,160
11	14,069	14,172
	11,437	11,718
3	12,438	12,655
	5,884	5,645
	7,722	7,450
	1,245	1,305
	1,170	1,264
14	75,664	74,770
639	(7,375)	(7,819)

(Continued)

# CITY OF PALO ALTO, CALIFORNIA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
AND EXPENDABLE TRUST FUND FOR THE YEAR ENDED JUNE 30, 1995  
WITH COMPARATIVE TOTAL YEAR ENDED JUNE 30, 1994  
(In thousands of dollars)**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (3,292)</u>	<u>\$ 1,941</u>	<u>\$ (981)</u>	<u>\$ (5,682)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,559	221	1,196	6,004
Operating transfers out	(5,686)	(2,101)	(77)	(196)
Reimbursement from bond reserves				252
Total other financing sources (uses)	<u>4,873</u>	<u>(1,880)</u>	<u>1,119</u>	<u>6,060</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,581	61	138	378
FUND BALANCES, BEGINNING OF YEAR	28,806	12,041	3,394	8,457
Residual equity transfers in	364			
Residual equity transfers out	<u>(4,772)</u>			<u>(364)</u>
FUND BALANCES, END OF YEAR	<u>\$25,979</u>	<u>\$12,102</u>	<u>\$3,532</u>	<u>\$ 8,471</u>

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



<u>Fiduciary Fund Type</u> <u>Expendable Trust</u>	<b>Totals Reporting Entity (Memorandum Only) Year Ended June 30</b>	
	<u>1995</u>	<u>1994</u>
\$ 639	\$ (7,375)	\$ (7,819)
	17,980	18,112
	(8,060)	(8,123)
	<u>252</u>	<u>2,055</u>
	<u>10,172</u>	<u>12,044</u>
639	2,797	4,225
129	52,827	48,602
6,129	6,493	109
	<u>(5,136)</u>	<u>(109)</u>
<u>\$6,897</u>	<u>\$56,981</u>	<u>\$52,827</u>

(Concluded)

# CITY OF PALO ALTO, CALIFORNIA

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL - GENERAL, SPECIAL REVENUE AND CAPITAL PROJECT FUNDS FOR THE YEAR ENDED JUNE 30, 1995 (In thousands of dollars)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES:</b>						
Property taxes	\$ 7,400	\$ 7,485	\$ 85			
Sales taxes	14,920	14,765	(155)			
Utility users' tax	5,824	5,482	(342)			
Transient occupancy tax	3,597	3,643	46			
Other taxes and fines	4,455	4,633	178	\$ 937	\$1,059	\$ 122
Fire protection and emergency communication services	3,989	4,097	108			
From other agencies	240	349	109	1,619	1,388	(231)
Service fees and permits	8,083	7,955	(128)			
Interest earnings	2,039	2,136	97	441	467	26
Rental income	9,723	9,754	31			
Other	1,871	1,922	51	435	509	74
<b>Total revenues</b>	<b>62,141</b>	<b>62,221</b>	<b>80</b>	<b>3,432</b>	<b>3,423</b>	<b>(9)</b>
<b>EXPENDITURES:</b>						
<b>Current operations:</b>						
City Council	128	109	19			
City Manager	1,198	968	230			
City Attorney	1,375	1,100	275			
City Clerk	563	492	71			
City Auditor	438	404	34			
Finance	4,403	3,982	421			
Information Resources	2,170	1,972	198			
Human Resources	1,424	1,313	111			
Public works	8,414	7,517	897			
Planning and community environment	4,509	3,842	667			
Public safety - Police	15,063	14,058	1,005			
Public safety - Fire	11,697	11,437	260			
Community services	13,031	12,435	596			
School site operations	6,035	5,884	151			
Capital outlay				1,889	1,275	614
<b>Total expenditures</b>	<b>70,448</b>	<b>65,513</b>	<b>4,935</b>	<b>1,889</b>	<b>1,275</b>	<b>614</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,307)</b>	<b>(3,292)</b>	<b>5,015</b>	<b>1,543</b>	<b>2,148</b>	<b>605</b>

Capital Project Fund			Totals Reporting Entity (Memorandum Only)		
Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
			\$ 7,400	\$ 7,485	\$ 85
			14,920	14,765	(155)
			5,824	5,482	(342)
			3,597	3,643	46
			5,392	5,692	300
			3,989	4,097	108
	\$ 30	\$ 30	1,859	1,767	(92)
	21	21	8,083	7,955	(128)
			2,480	2,624	144
			9,723	9,754	31
\$ 57	6	(51)	2,363	2,437	74
57	57	-	65,630	65,701	71
			128	109	19
			1,198	968	230
			1,375	1,100	275
			563	492	71
			438	404	34
			4,403	3,982	421
			2,170	1,972	198
			1,424	1,313	111
			8,414	7,517	897
			4,509	3,842	667
			15,063	14,058	1,005
			11,697	11,437	260
			13,031	12,435	596
			6,035	5,884	151
7,513	5,739	1,774	9,402	7,014	2,388
7,513	5,739	1,774	79,850	72,527	7,323
(7,456)	(5,682)	1,774	(14,220)	(6,826)	7,394

(Continued)

# CITY OF PALO ALTO, CALIFORNIA

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL - GENERAL, SPECIAL REVENUE AND CAPITAL PROJECT FUNDS FOR THE YEAR ENDED JUNE 30, 1995 (In thousands of dollars)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (8,307)</u>	<u>\$ (3,292)</u>	<u>\$5,015</u>	<u>\$ 1,543</u>	<u>\$2,148</u>	<u>\$ 605</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	10,777	10,559	(218)	85	221	136
Operating transfers out	(5,703)	(5,686)	17	(3,601)	(2,101)	1,500
Reimbursement from bond reserves						
Total other financing sources (uses)	<u>5,074</u>	<u>4,873</u>	<u>(201)</u>	<u>(3,516)</u>	<u>(1,880)</u>	<u>1,636</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (3,233)</u>	<u>\$ 1,581</u>	<u>\$4,814</u>	<u>\$(1,973)</u>	<u>\$ 268</u>	<u>\$2,241</u>

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

<b>Capital Project Fund</b>			<b>Totals Reporting Entity (Memorandum Only)</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance - Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance - Favorable (Unfavorable)</b>
<u>\$ (7,456)</u>	<u>\$ (5,682)</u>	<u>\$ 1,774</u>	<u>\$ (14,220)</u>	<u>\$ (6,826)</u>	<u>\$ 7,394</u>
7,456	6,004	(1,452)	18,318	16,784	(1,534)
	(196)	(196)	(9,304)	(7,983)	1,321
	<u>252</u>	<u>252</u>		<u>252</u>	<u>252</u>
<u>7,456</u>	<u>6,060</u>	<u>(1,396)</u>	<u>9,014</u>	<u>9,053</u>	<u>39</u>
<u>\$ -</u>	<u>\$ 378</u>	<u>\$ 378</u>	<u>\$ (5,206)</u>	<u>\$ 2,227</u>	<u>\$ 7,433</u>

(Concluded)

# CITY OF PALO ALTO, CALIFORNIA

## COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTAL YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Enterprise Funds	Internal Service Funds	Totals Reporting Entity (Memorandum Only) Year Ended June 30	
			1995	1994
<b>OPERATING REVENUES:</b>				
Sales of utilities:				
Customers	\$120,773		\$120,773	\$119,324
City departments	6,767		6,767	7,336
Electric rebate				(36,542)
Wastewater treatment	5,989		5,989	6,403
Service connection charges and miscellaneous	444		444	424
Charges for services		\$28,937	28,937	30,324
Other revenues	4,395		4,395	14,515
	<u>138,368</u>	<u>28,937</u>	<u>167,305</u>	<u>141,784</u>
Total operating revenues				
<b>OPERATING EXPENSES:</b>				
Purchase of utilities	52,484		52,484	53,919
Administration and general	6,455	1,464	7,919	6,564
Engineering (operating)	2,756		2,756	2,673
Resource management	2,249		2,249	2,216
Operations and maintenance	23,640	2,115	25,755	22,863
Rent	7,372		7,372	7,165
Depreciation and amortization	7,547	1,500	9,047	8,658
Claim payments and change in estimated self-insured liability		219	219	1,819
Compensated absences and other benefits		22,800	22,800	23,594
	<u>102,503</u>	<u>28,098</u>	<u>130,601</u>	<u>129,471</u>
Total operating expenses				
OPERATING INCOME	<u>35,865</u>	<u>839</u>	<u>36,704</u>	<u>12,313</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	5,669	1,263	6,932	6,607
Interest expense	(823)	(42)	(865)	(1,076)
Joint venture debt service	(8,746)		(8,746)	(8,524)
Gain (loss) on disposal of fixed assets	(71)	22	(49)	14
Other		723	723	654
	<u>(3,971)</u>	<u>1,966</u>	<u>(2,005)</u>	<u>(2,325)</u>
Total nonoperating revenues (expenses)				
INCOME BEFORE OPERATING TRANSFERS	<u>31,894</u>	<u>2,805</u>	<u>34,699</u>	<u>9,988</u>
<b>OPERATING TRANSFERS:</b>				
Operating transfers in	128	32	160	137
Operating transfers out	(9,860)	(220)	(10,080)	(10,126)
	<u>(9,732)</u>	<u>(188)</u>	<u>(9,920)</u>	<u>(9,989)</u>
Net operating transfers				
NET INCOME (LOSS)	22,162	2,617	24,779	(1)
RETAINED EARNINGS, BEGINNING OF YEAR	207,760	11,904	219,664	219,665
RESIDUAL EQUITY TRANSFER OUT	(1,286)	(71)	(1,357)	
RETAINED EARNINGS, END OF YEAR	<u>\$228,636</u>	<u>\$14,450</u>	<u>\$243,086</u>	<u>\$219,664</u>

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

# CITY OF PALO ALTO, CALIFORNIA

## COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTAL YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Enterprise Funds	Internal Service Funds	Totals Reporting Entity (Memorandum Only)	
			Year Ended June 30 1995	1994
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income	\$ 35,865	\$ 839	\$ 36,704	\$ 12,313
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	7,547	1,500	9,047	8,658
Other		745	745	730
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	386	(7)	379	(427)
(Increase) decrease in interest receivable	(545)	(74)	(619)	173
Increase in stores inventories		(1)	(1)	(29)
(Increase) decrease in prepaid items	168	194	362	(151)
Increase (decrease) in accounts payable, accrued liabilities and accrued salaries and benefits	1,390	666	2,056	(1,409)
Increase in accrued compensated absences	97	581	678	411
Decrease in accrued self-insurance	(431)	(1,403)	(1,834)	596
Increase in accrued landfill closure liability	1,508		1,508	89
Net cash provided by operating activities	<u>45,985</u>	<u>3,040</u>	<u>49,025</u>	<u>20,954</u>
<b>CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers in	128	32	160	137
Operating transfers out	<u>(9,860)</u>	<u>(220)</u>	<u>(10,080)</u>	<u>(10,126)</u>
Net cash used in noncapital financing activities	<u>(9,732)</u>	<u>(188)</u>	<u>(9,920)</u>	<u>(9,989)</u>
<b>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(16,083)	(30)	(16,113)	(20,640)
Principal paid on revenue bonds	(555)		(555)	(3,050)
Proceeds from bond reserves				531
Proceeds from bond issuances	8,353		8,353	
Principal paid on capital leases		(552)	(552)	(521)
Interest paid on revenue bonds and capital leases	(9,569)	(42)	(9,611)	(9,600)
Contributed capital				118
Residual equity transfers	<u>(1,286)</u>	<u>(71)</u>	<u>(1,357)</u>	
Net cash used in capital and related financing activities	<u>(19,140)</u>	<u>(695)</u>	<u>(19,835)</u>	<u>(33,162)</u>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES -</b>				
Interest and dividends on pooled cash and investments	<u>5,669</u>	<u>1,263</u>	<u>6,932</u>	<u>6,607</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	22,782	3,420	26,202	(15,590)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>97,093</u>	<u>26,393</u>	<u>123,486</u>	<u>139,076</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 119,875</u>	<u>\$ 29,813</u>	<u>\$ 149,688</u>	<u>\$ 123,486</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES - Increase in contributed capital</b>				
	\$ 152		\$ 152	\$ 172

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

# CITY OF PALO ALTO, CALIFORNIA

## INDEX TO THE NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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Notes are essential to present fairly the information contained in the overview level of general purpose financial statements. Narrative explanations are intended to communicate information that is not readily apparent or cannot be included in the statements and schedules themselves, and to provide additional disclosures as required by the Governmental Accounting Standards Board.

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# CITY OF PALO ALTO, CALIFORNIA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS JUNE 30, 1995

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Description of Reporting Entity* - The City of Palo Alto, California (the City) was incorporated in 1894 and operates as a charter city, having had its first charter granted by the State of California (State) in 1909. The City operates under the Council-Manager form of government. The City provides a full range of municipal services, in addition to providing its own municipal electric, water, gas, wastewater, storm drain and refuse utilities.

As required by generally accepted accounting principles (GAAP), these financial statements present the City (the primary government) and its component units, the Palo Alto Public Improvement Corporation, the City of Palo Alto Golf Course Corporation and the Palo Alto Centennial 1994, Inc.

#### *Blended Component Units*

The component units are blended into the City's financial statements; the data from the separate financial statements of the component units are combined with the data of the City's operations. Though the component units are legally separate, in substance they are part of the City because the component units serve the City exclusively and the City Council has the ability to impose its will on the component units. The governing bodies of these component units are approved by the City Council.

#### **City of Palo Alto Golf Course Corporation**

The Golf Course Corporation (the Golf Course) was established in 1977 to finance, acquire, construct and improve a public municipal golf course and recreation facility in the City. The golf course construction was completed and the Golf Course leases the golf course to the City. The City continues to maintain and operate the facility. Operating activities of the golf course are included in the activities of the General Fund, while debt service payments and interest revenue and expense are recorded in the Debt Service Funds.

#### **Palo Alto Public Improvement Corporation**

The Palo Alto Public Improvement Corporation (the PIC) was established in 1983 to finance, acquire, construct, improve and lease or sell real or personal property for the benefit of residents of the City and surrounding areas. The PIC has completed the first phase of improvement and repair of the Palo Alto Civic Center. The PIC is currently leasing the Civic Center and improvements to the City for a 22-year period through June 2006. The debt service payments for the PIC are included in the activities of the Debt Service Funds while the operating activities of the PIC are included in the activities of the Capital Project Fund.

## **Palo Alto Centennial 1994, Inc.**

Palo Alto Centennial 1994, Inc. (the Corporation) was established in 1990 to plan, organize, coordinate and implement a public and civic celebration of the centennial anniversary of the City of Palo Alto throughout 1994. The Corporation is based on a calendar fiscal year-end. Operating activities of the Corporation are included in the activities of the Special Revenue Funds and are reported for the period of January 1, 1994 to November 8, 1994 (date of dissolution).

Complete financial statements of the individual component units can be obtained from:

The City of Palo Alto  
Administrative Services Department  
250 Hamilton Ave.  
Palo Alto, CA 94301

### ***Fund Accounting***

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions or activities. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording resources together with all related liabilities, obligations, revenues, expenditures or expenses, reserves and equities, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The various funds are grouped in the general purpose financial statements by generic fund types within three broad fund types and two account groups as follows:

#### ***GOVERNMENTAL FUND TYPES***

*General Fund* is the general operating fund of the City. It is used to account for all financial resources committed to financing the services that the City performs for its citizens, except those required to be accounted for in another fund.

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to expenditures for specified purposes or for which separate accounting is required by administrative action.

*Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general and special assessment long-term obligation principal and interest, other than obligations payable from Proprietary Fund Types.

*Capital Project Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Fund Types and Special Revenue Funds).

## ***PROPRIETARY FUND TYPES***

*Enterprise Funds* are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recorded primarily through user charges; and (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

*Internal Service Funds* are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

## ***FIDUCIARY FUND TYPES***

*Agency Fund* is used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. The Agency Fund is custodial in nature and do not involve measurement of results of operations.

*Expendable Trust Funds* are funds held by the City in a trustee capacity for which principal and interest may be expended in the course of their designated operations. They are accounted for in essentially the same manner as Governmental Fund Types.

## ***ACCOUNT GROUPS***

*General Fixed Assets Account Group* is used to maintain control and cost information on property, plant and equipment owned by the City, other than that of the Proprietary Fund Types.

*General Long-Term Debt Account Group* accounts for long-term debt not recorded in the Agency Fund or Proprietary Fund Types.

## ***Measurement Focus and Basis of Accounting***

Governmental Fund Types and the Expendable Trust Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the liability is incurred, except for interest on long-term debt which is recorded as due.

In applying the "susceptible to accrual" concept to intergovernmental revenues (grant revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized when the expenditures are incurred. In the other, monies are virtually unrestricted as to purpose of expenditure and essentially irrevocable. These resources are reflected as revenues at the time of receipt.

Licenses and permits, state gas taxes, charges for services, forfeitures and miscellaneous revenues are recognized as revenues when received because they are generally not measurable until actually received. Property taxes, sales taxes, motor vehicle fees, fines and earned grant entitlements are accrued on the modified accrual basis (when they are measurable and available).

All Proprietary Fund Types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded in the period in which they are earned and expenses are recognized at the time liabilities are incurred. The City applies all applicable pronouncements of the Governmental Accounting Standards Board in accounting and reporting for its proprietary operations.

Agency Funds are accounted for using the modified accrual basis of accounting.

**Appropriated Budget and Budgetary Control** - The City Council is required to adopt a budget resolution on or about July 1 of each fiscal year for all Governmental Fund Types, except debt service funds and the Palo Alto Centennial 1994 Special Revenue Fund (a blended component unit). These budgets are adopted and presented for reporting purposes on a basis consistent with GAAP.

The legal level of budgetary control is by department in the General Fund and by fund for other Governmental Fund Types. Only the City Council has the authority to increase total appropriations subject only to the appropriation limitations established by state law. The budgets included in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual include supplemental appropriation increases approved by the Council during the year. Budget appropriations lapse at the end of the fiscal year, with the exception of contract commitments and capital improvements which are carried over until the commitment is met or within a two-year limit, whichever is less.

The actual results of budgeted Special Revenue Funds are reconciled to the actual results for all Special Revenue Funds as follows (in thousands):

Excess of revenues and other financing sources over expenditures and other financing uses - budget basis	\$ 268
Centennial 1994 Special Revenue Fund - not budgeted by the City Council	<u>(207)</u>
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	<u>\$ 61</u>

**Cash and Investments** - The City maintains a cash and investments pool that is available for use by all funds except the Deferred Compensation Program Agency Fund investments, which are managed by an administrator. The balance in the pooled cash accounts is available to meet current operating requirements, and any cash in excess of current requirements is invested in various securities. Investments consist mainly of government securities and are stated at cost, except for Deferred Compensation Program Agency Fund investments which are stated at market value.

**Cash Equivalents** - For purposes of the Combined Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The Proprietary Fund Types' "deposits" in the cash and investments pool are, in substance, demand deposits and are, therefore, considered cash equivalents for purposes of the Combined Statement of Cash Flows.

**Stores Inventories** - Materials and supplies are held for consumption and are recorded at average cost (which approximates first-in, first-out basis). The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when the inventory items are used.

**Property, plant and equipment** in the General Fixed Assets Account Group are stated at historical cost, or estimated historical cost if actual historical cost is not available. Property, plant and equipment acquisitions are charged to expenditures in the Governmental Fund Types as purchased and capitalized in the General Fixed Assets Account Group. Construction in progress is not capitalized until the project is completed and has been transferred into the General Fixed Assets Account Group. Maintenance and repairs of property, plant and equipment are charged to expenditures in the Governmental Fund Types as incurred. Expenditures for public domain (infrastructure) general fixed assets such as roads, bridge construction, sidewalks, curbs, gutters and drainage systems are not capitalized as property, plant and equipment. Upon disposal of property, plant and equipment, the historical cost or estimated historical cost is removed from the General Fixed Assets Account Group and any proceeds from sales are generally recorded as an other financing source in the funds originally acquiring the assets. Depreciation is not computed on the assets capitalized in the General Fixed Assets Account Group.

Property, plant and equipment in the Proprietary Fund Types are capitalized at historical cost or estimated historical cost when historical cost is not available, or the estimated fair market value at the time received in the case of gifts or projects constructed by others and accepted for ownership and maintenance by the City. Significant interest costs incurred under restricted tax-exempt borrowings to finance the construction of property, plant and equipment are capitalized during the construction period, net of interest earned on investment of the proceeds of such borrowings. Maintenance and repairs are expensed as incurred. Depreciation is computed and charged as an expense against operations using the straight-line method over the estimated useful lives of Proprietary Fund Type property, plant and equipment as follows:

- Buildings and structures - 25 to 60 years
- Equipment
  - Vehicles and heavy equipment - 3 to 10 years
  - Machinery and equipment - 10 to 50 years
  - Transmission and distribution equipment - 10 to 100 years

**Special Assessments** - The City accounts for resources available to pay special assessment debt in its Debt Service Funds. The special assessment obligation is included in the General Long-Term Debt Account Group.

Assessments are recognized as receivables at the time property owners are assessed for property improvements. Current assessments receivable expected to be collected soon enough after year-end to meet liabilities of the current period are considered measurable and available and are generally recognized as revenues. All other assessments receivable (\$8,555,000 at June 30, 1995) are offset by deferred revenue. Interest on special assessment levies is recognized when due, in accordance with the modified accrual basis of accounting employed by the Debt Service Funds. In the event of default by the property owners for certain districts, the City has covenanted to institute foreclosure on properties which are 150 or more days delinquent in order to make the debt payment. The City is required to cover delinquencies with other resources until foreclosure proceeds are received. Those districts created after the passage of

Proposition 13 may have their own reserves which would be drawn on in case of default by property owners. The possibility of the City assuming a secondary liability is considered extremely remote as the underlying property values were evaluated before the assessment districts were established.

***Compensated Absences*** - Vacation and sick pay for all City employees is accrued and paid in the Enterprise Funds and the General Benefits and Insurance Internal Service Fund. The General Benefits and Insurance Internal Service Fund is reimbursed through payroll charges to all other funds. Earned but unpaid vacation and overtime compensation pay is recognized as an expense or expenditure in the Proprietary and Governmental Fund Types when earned because the City has provided financial resources for the full amount through its budgetary process. Accumulated vacation and overtime compensation pay amounted to approximately \$5,180,000 for all funds at June 30, 1995. Vested accumulated sick pay is paid in the event of termination due to disability and under certain conditions specified in employment agreements primarily restricted to individuals with fifteen or more years of continuous service. An accrual of approximately \$3,279,000 at June 30, 1995 for vested accumulated sick pay is included in accrued liabilities of the Enterprise Funds and the Internal Service Funds. No accrual is made for nonvesting accumulated sick pay of employees with less than fifteen years of continuous service.

***Bond discount costs*** are amortized over the related debt repayment period and approximate the interest method of amortization in Proprietary Fund Types; unamortized bond discount costs are offset against bonds payable. In Governmental Fund Types, bond discount costs are netted against bond proceeds in the year of issuance.

***Contributed capital*** is an equity account in the Proprietary Fund Types which shows the amount of permanent fund capital contributed to the fund from general government revenues and resources or, in the case of Enterprise Funds, by subdivision developers and builders.

***Encumbrances*** represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the Governmental Fund Types. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

***Property Tax Levy, Collection and Maximum Rates*** - The State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value except for voter approved incremental property taxes adopted prior to the passage of Article XIII A and any additional amount for general obligation debt approved by voters subsequent to the passage of Article XIII A. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be adjusted by no more than two percent per year unless the property is modified, sold or transferred. The State legislature has determined the method of distribution of receipts from a one percent levy among the counties, cities, school districts and other districts.

Santa Clara County assesses properties and bills for and collects property taxes as follows:

	<b>Secured</b>	<b>Unsecured</b>
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Effective with fiscal year 1993-94, the City is on the Teeter Plan, under which the County of Santa Clara pays the City the full tax levy due. All prior delinquent taxes were also received in this fiscal year.

*Reclassifications* have been made to the fiscal year 1993-94 financial statements in order to conform to the current year's presentation.

*Total (Memorandum Only) columns* on the general purpose financial statements represent the aggregate of the columnar statements by fund type and account group; they do not represent consolidated financial information and interfund transactions have not been eliminated. Data in the total columns are presented only to facilitate financial analysis and do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.

*Comparative data* for the prior year has been presented in the general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, prior year totals by fund have not been presented because their inclusion would make the statements unduly complex and difficult to read.

## 2. CASH AND INVESTMENTS

The City's investment policy authorizes the City to invest in obligations of the U.S. Treasury and U.S. Agencies, nonnegotiable certificates of deposit and negotiable certificates of deposit, bankers' acceptance notes, commercial paper, the State Treasurer's Local Agency Investment Fund (LAIF), repurchase agreements, City of Palo Alto Improvement Bonds, money market accounts and mutual funds. City Management is not aware of any violations of the City's investment policy during the year.

The City has contracted with and maintains demand deposit accounts with Bank of America. A written contract with the City's safekeeping agent, Bank of California, outlines the basic responsibilities with regard to delivery and receipt of securities.

### *Deposits*

State statutes require collateral for all public agency deposits and certificates of deposit not covered by federal deposit insurance. Nonnegotiable certificates of deposit are considered "deposits" for the purposes of these statutes.

Total deposits as of June 30, 1995 follow (in thousands):

	Carrying Value	Bank Balance
Cash in banks or on hand	\$ 145	\$ 2,450
Cash held in trust with fiscal agent	10,173	10,173
Nonnegotiable certificates of deposit	<u>6,000</u>	<u>6,000</u>
<b>Total</b>	<b><u>\$ 16,318</u></b>	<b><u>\$ 18,623</u></b>

At June 30, 1995, the difference between the carrying amount of the City's cash in banks and on hand is due to outstanding checks of \$2,511,000, deposits in transit of \$199,000 and petty cash of \$7,000. Of the bank balance, \$200,000 was covered by depository insurance and \$8,250,000 was collateralized with securities held in a collateral pool by the pledging financial institution in the City's name in accordance with Section 53652 of the California Government Code.

Included in the cash balance at June 30, 1995 are amounts held with a fiscal agent and held in trust of \$10,173,000. Included in the amounts held with a fiscal agent are bond proceeds in the amount of \$8,640,000 held in a construction fund, which earns interest. As of June 30, 1995, all cash held in trust was in compliance with the respective trust agreements.

#### *Investments*

The June 30, 1995 market value information presented herein is based on quotes obtained as of that date. It is presented to reflect the market value of the portfolio if the City had liquidated the securities on that date.

All the City's investments are insured or registered or held by the City or its agent in the City's name except for investments in the Local Agency Investment Fund and mutual funds which are not subject to credit risk categorization. Deferred compensation fund investments of \$33,687,000 at June 30, 1995 are entirely invested in restricted mutual funds. The deferred compensation fund acts solely to invest funds at the discretion of participating employees. Such investments are not subject to statutes relating to City investments.

The City's investments at June 30, 1995 were as follows (in thousands):

	Carrying Value	Market Value
Banker's acceptance notes	\$ 9,711	\$ 9,711
U.S. Treasury obligations	31,009	30,820
U.S. Agency obligations	123,389	123,391
Investment in Local Agency Investment Fund	18,000	18,000
Mutual funds:		
Unrestricted	1,900	1,900
Restricted	<u>33,687</u>	<u>33,687</u>
<b>Total investments</b>	<b><u>\$ 217,696</u></b>	<b><u>\$ 217,509</u></b>

The City did not enter into any reverse repurchase agreements during the year ended June 30, 1995.



As of June 30, 1995, the City's investments were scheduled to mature as follows (in thousands):

	Carrying Value	Market Value
Less than one year	\$ 92,171	\$ 92,111
One to five years	81,170	81,126
More than five years	<u>44,355(a)</u>	<u>44,272(a)</u>
<b>Total</b>	<b><u>\$ 217,696</u></b>	<b><u>\$ 217,509</u></b>

(a) Includes \$33,687,000 of investments in mutual funds for employees' deferred compensation.

### 3. PROPERTY, PLANT AND EQUIPMENT

As of June 30, 1994, a study was performed to inventory and value the City's fixed assets, which resulted in a downward adjustment of \$7,471,000 in fixed asset carrying values.

The following is a summary of changes in the general fixed assets account group for the fiscal year ended June 30, 1995 (in thousands):

	Balances June 30, 1994	Additions	Retirements/ Transfers	Balances June 30, 1995
Land and improvements	\$ 50,800	\$ 640		\$ 51,440
Buildings and structures	45,675	136		45,811
Equipment	<u>6,365</u>	<u>1,412</u>		<u>7,777</u>
<b>Total</b>	<b><u>\$ 102,840</u></b>	<b><u>\$ 2,188</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 105,028</u></b>

Included in land and improvements and equipment at June 30, 1995 are assets under capital leases amounting to \$6,386,000.

General fixed assets construction-in-progress is not capitalized and was composed of the following at June 30, 1995 (in thousands):

	Project Authorization	Expended to June 30, 1995	Committed
Environmental compliance/safety	\$ 1,090	\$ 462	\$ 155
Information and communications systems	6,449	3,475	473
Infrastructures	22,871	17,193	1,840
Parks and open space	3,183	1,908	247
Public buildings	7,283	4,539	300
Other	<u>1,616</u>	<u>408</u>	<u>49</u>
<b>Total</b>	<b><u>\$ 42,492</u></b>	<b><u>\$ 27,985</u></b>	<b><u>\$ 3,064</u></b>

A summary of Proprietary Fund Type fixed assets at June 30, 1995 follows (in thousands):

	Enterprise Funds	Internal Service Funds
Land and improvements	\$ 1,541	
Buildings and structures	8,046	
Equipment	268,936	\$ 14,620
Construction in progress	<u>15,064</u>	
<b>Total</b>	<b>293,587</b>	<b>14,620</b>
Less accumulated depreciation	<u>(103,788)</u>	<u>(9,033)</u>
<b>Net fixed assets</b>	<b><u>\$ 189,799</u></b>	<b><u>\$ 5,587</u></b>

Capitalized interest for the year ended June 30, 1995 in the Enterprise Funds' fixed assets increased the carrying value of such assets by \$178,612.

Included in equipment in the Internal Service Funds at June 30, 1995 are assets under capital leases amounting to \$2,470,000. Also included in land and improvements in the Enterprise Funds is \$1,169,000 of development and artwork costs incurred by the Refuse Fund as part of a project to convert a portion of a solid waste landfill site into a park.

A summary of Enterprise Funds construction-in-progress at June 30, 1995 follows (in thousands):

	Project Authorization	Expended to June 30, 1995	Committed
Storm drainage structural and water quality improvements	\$ 4,397	\$ 1,079	\$ 313
Gas system extension replacements and improvements	4,301	3,832	602
Electric substations	1,419	980	130
Water system extension replacements and improvements	4,548	1,872	757
Street lighting	265	242	12
Electric system improvements	3,559	1,826	475
Installation of underground wiring	3,277	451	1,325
Other electrical improvement projects	3,437	681	251
Water quality control plant equipment replacement and lab facilities	1,664	366	605
Sewer system rehabilitation and extensions	4,701	1,440	2,664
Automated mapping	537	332	303
Civic center improvements	655	1,275	123
Water-Gas-Storm Drain Station Improvements	296	201	83
Other construction in progress	<u>1,060</u>	<u>487</u>	<u>393</u>
	<b><u>\$ 34,116</u></b>	<b><u>\$ 15,064</u></b>	<b><u>\$ 8,036</u></b>

Allocations of administration and general expenses of \$4,150,300 are included in amounts expended to June 30, 1995.

#### 4. LONG-TERM DEBT

Long-term debt at June 30, 1995 follows (in thousands):

	Maturity	Effective Interest Rates	Authorized and Issued	Outstanding at June 30, 1995
General revenue bonds (a) -				
Golf Course Corporation Lease Revenue Bonds, Series 1978	2003	5.00% - 6.00%	\$ 1,800	\$ 925
Utility revenue bonds (b):				
Utility Revenue Refunding Bonds 1990 Series A	2006	5.70% - 6.80%	9,650	7,570
Utility Revenue Bonds 1992 Series A	2007	6.30% - 6.375%	4,750	4,570
Utility Revenue Bonds 1995 Series A	2020	5.00% - 6.25%	8,640	8,640
Less: unamortized discount/issuance cost				(562)
Total utility revenue bonds			23,040	20,218
1992 Certificates of Participation - Civic Center improvement certificates (c)				
	2012	3.60% - 6.70%	7,670	6,530
Special assessment debt with governmental commitment - utility street improvement and parking district bonds (d)				
	2016	3.40% - 9.50%	13,360	9,010
Capital lease obligations:				
Terman School (e)	2000	Variable	6,321	2,371
Vehicle equipment (f)	1995	5.70% - 6.10%	2,346	277
Other equipment (g)	1997	1.5% - 7.0%	189	61
Less: unamortized discount				(8)
Total capital lease obligations			8,856	2,701
Total long-term debt			\$ 54,726	\$ 39,384

Debt service payments are generally made from the following sources:

- (a) Principal and interest on general revenue golf course bonds are paid from lease revenues received by the Palo Alto Golf Course Corporation from the City.
- (b) Principal and interest on all utility revenue bonds are payable from the net revenues of the Electric, Gas, Water, Wastewater Collection, Wastewater Treatment and Storm Drainage Enterprise Funds. The revenue bonds are collateralized by a lien on the net revenues of the Enterprise Funds. Future interest payments are based on average interest rates of 6.425% for the 1990 Series A, 6.343% for the 1992 Series A and 5.63% for the 1995 Series A bonds.
- (c) Principal and interest on certificates of participation are paid from lease revenues received by the Palo Alto Public Improvement Corporation from the City.
- (d) Principal and interest on special assessment debt are paid from assessments to benefited properties of the Special Assessment Debt Service Fund.

- (e) The variable interest rate for the Terman School site lease is based on the lessor's investment portfolio; the rate for the 1994-95 fiscal year was 4.2%. Future interest payments are based on an estimated rate of 4.5% and are payable first from lease revenue of the site, then from the City's General Fund revenues.
- (f) The vehicle equipment leases are funded through revenues of the City's Internal Service Funds.
- (g) Other equipment is as follows: copier lease - funded through revenues from printing services within the Internal Service Funds, optical imaging equipment - funded by General Fund operating revenues.

A summary of the changes in long-term debt, net of discounts, where applicable, for the year ended June 30, 1995 follows (in thousands):

	Balance July 1, 1994	Additional Obligations	Current Maturities and Retirements	Balance June 30, 1995
<b>GOVERNMENTAL FUND TYPES</b>				
<b>LONG-TERM DEBT</b>				
General revenue bonds	\$ 1,000		\$ 75	\$ 925
Certificates of participation	6,925		395	6,530
Special assessment debt with governmental commitment	9,390		380	9,010
Capital lease obligations	<u>2,808</u>		<u>410</u>	<u>2,398</u>
Total governmental	<u>20,123</u>		<u>1,260</u>	<u>18,863</u>
<b>PROPRIETARY FUND TYPES</b>				
<b>LONG-TERM DEBT</b>				
Enterprise Funds:				
Utility Revenue Bond - 1990 Series	8,035		465	7,570
Utility Revenue Bond - 1992 Series	4,660		90	4,570
Utility Revenue Bond - 1995 Series		\$8,640		8,640
Less - unamortized discount/issuance cost	<u>(306)</u>	<u>(287)</u>	<u>(31)</u>	<u>(562)</u>
Total enterprise	12,389	8,353	524	20,218
Internal Service Fund - capital lease obligations	<u>836</u>	<u>-</u>	<u>533</u>	<u>303</u>
Total proprietary	<u>13,225</u>	<u>8,353</u>	<u>1,057</u>	<u>20,521</u>
Total governmental and proprietary long-term debt	<u>\$33,348</u>	<u>\$8,353</u>	<u>\$2,317</u>	<u>\$39,384</u>

On February 1, 1995, the City issued \$8,640,000 in Utility Revenue Bonds 1995 Series A with an average interest rate of 5.63 percent. The net proceeds of \$8,353,000 (after payment of \$287,000 in issuance costs) will be used to finance various improvements to the City's storm drainage and surface water utility.

The annual requirements to amortize all bonds, certificates of participation and capital leases outstanding as of June 30, 1995 are as follows (in thousands):

	Principal	Interest	Total
<b>General revenue bonds:</b>			
1996	\$ 100	\$ 53	\$ 153
1997	100	47	147
1998	100	41	141
1999	100	36	136
2000	125	30	155
Thereafter	<u>400</u>	<u>48</u>	<u>448</u>
<b>Total</b>	<b><u>\$ 925</u></b>	<b><u>\$ 255</u></b>	<b><u>\$ 1,180</u></b>
<b>Utility revenue bonds:</b>			
1996	\$ 724	\$ 1,308	\$ 2,032
1997	769	1,263	2,032
1998	809	1,214	2,023
1999	864	1,163	2,027
2000	919	1,107	2,026
Thereafter	<u>16,133</u>	<u>9,995</u>	<u>26,128</u>
<b>Total</b>	<b><u>\$ 20,218</u></b>	<b><u>\$ 16,050</u></b>	<b><u>\$ 36,268</u></b>
<b>Certificates of participation:</b>			
1996	\$ 415	\$ 402	\$ 817
1997	440	380	820
1998	460	356	816
1999	485	330	815
2000	510	303	813
Thereafter	<u>4,220</u>	<u>1,319</u>	<u>5,539</u>
<b>Total</b>	<b><u>\$ 6,530</u></b>	<b><u>\$ 3,090</u></b>	<b><u>\$ 9,620</u></b>
<b>Special assessment debt:</b>			
1996	\$ 455	\$ 548	\$ 1,003
1997	475	530	1,005
1998	510	499	1,009
1999	550	466	1,016
2000	590	430	1,020
Thereafter	<u>6,430</u>	<u>2,101</u>	<u>8,531</u>
<b>Total</b>	<b><u>\$ 9,010</u></b>	<b><u>\$ 4,574</u></b>	<b><u>\$ 13,584</u></b>
<b>Capital lease obligations:</b>			
1996	\$ 710	\$ 117	\$ 827
1997	410	100	510
1998	395	79	474
1999	395	59	454
2000	395	40	435
Thereafter	<u>396</u>	<u>19</u>	<u>415</u>
<b>Total</b>	<b><u>\$ 2,701</u></b>	<b><u>\$ 414</u></b>	<b><u>\$ 3,115</u></b>

Long-term debt as of June 30, 1995 is callable on the following terms and conditions:

	Interest Rates	Initial Call Date	
General revenue (golf course) bonds issued - 03/01/78	5.00% - 6.00%	03/01/88	(1)
Utility revenue bonds issued:			
08/01/90	5.70% - 6.80%	06/01/99	(2)
04/01/92	6.30% - 6.375%	06/01/01	(2)
02/01/95	5.00% - 6.25%	06/01/04	(2)
Certificates of participation issued - 03/18/92	3.60% - 6.70%	03/01/01	(4)
Special assessment bonds issued:			
01/02/75	7.00% - 7.50%	07/02/85	(1)
06/02/77	5.40% - 7.75%	07/02/87	(1)
05/02/80	7.25% - 9.50%	07/02/90	(1)
03/30/87	6.70% - 9.25%	09/02/96	(3)
12/18/89	5.75% - 6.90%	09/01/00	(2)
11/22/93	3.40% - 5.40%	03/02/94	(5)

- (1) Callable in inverse numerical order of maturity at par plus a premium of .25% for each year from redemption to maturity date.
- (2) Callable in inverse numerical order of maturity at par plus a premium of 2% beginning on the initial call date. The call price declines subsequent to the initial date.
- (3) Callable in inverse numerical order of maturity at par plus a premium of 3% beginning on the initial call date. The call price declines subsequent to the initial date.
- (4) Callable in any order specified by the City at par plus a premium of 2% beginning on the initial call date. The call price declines subsequent to the initial date.
- (5) Callable in any order prior to maturity at par plus 3% on any March 2 or September 2.

In addition to the long-term debt discussed above, the City of Palo Alto Insured Revenue Bonds (Lytton Gardens Health Care Center) Refunding Series 1986, which mature in the years 1997-2016, were issued in 1986 in the name of the City. The City is not obligated in any manner for the repayment of these bonds and, accordingly, the obligation is not included in the general purpose financial statements. The outstanding balance of the bonds at June 30, 1995 was \$13,360,000.

In December 1989, the City advance refunded the University Avenue Parking Assessment District bonds by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the City's financial statements. At June 30, 1995, the outstanding balance on these defeased bonds totaled \$4,060,000.

## 5. INTERFUND RECEIVABLE AND PAYABLE

Cash overdrafts in the City's pooled cash, cash equivalents and investments are reported as interfund receivable and payable. At June 30, 1995 interfund receivable and payable is as follows (in thousands):

	Interfund Receivable	Interfund Payable
General Fund	\$ 218	
Federal Revenue Special Revenue Fund	_____	\$ 218
Total	<u>\$ 218</u>	<u>\$ 218</u>

## 6. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the City to place a final cover on the remaining open areas of the Palo Alto Refuse Disposal Site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure costs of \$1,561,000 were reported in fiscal year 1991-92, when a section of the refuse area was capped with a final cover and Byxbee Park constructed on top of that section. A second section of the refuse area was capped with a final cover during fiscal year 1992-93, with closure costs of \$904,000. The remaining closure and postclosure care costs are expected to be paid only near and after the date that the refuse site stops accepting waste and are anticipated to be \$7,661,000 (adjusted for inflation).

The \$6,438,000 reported as landfill closure and postclosure care liability at June 30, 1995 represents 84 percent of the estimated remaining closure and postclosure care costs, which is based upon the estimated capacity of the remaining landfill area utilized to date. The City will recognize a portion of the remaining estimated total cost of closure and postclosure care as an operating expense in each subsequent fiscal year, based on landfill capacity.

Total cost estimates are based on what it would cost to perform all currently mandated closure and postclosure care in 1995. The City expects to close the refuse area in the year 2013. Actual closure and postclosure care costs may be higher due to inflation variances, changes in technology, or changes in state or federal regulations.

The City is required by state and federal laws and regulations to make annual funding contributions to finance closure and postclosure care. The City is in compliance with these requirements for the year ended June 30, 1995 with the establishment of the fully-funded liability for this purpose.

## 7. EMPLOYEES' RETIREMENT PLAN

**Plan Description** - All permanent employees are eligible to participate in the Public Employees' Retirement Fund of the State of California's Public Employees' Retirement System (CalPERS). CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. CalPERS provides retirement, disability, and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by State statute and City ordinance.

The City contributed to CalPERS 13.20% of payroll for public safety personnel and 6.05% for other covered employees. The City's covered payroll for employees participating in CalPERS for the year ended June 30, 1995 was \$48,251,000. The City's payroll for all employees was \$54,147,000 in 1995. The City, due to a collective bargaining agreement, also has a legal obligation to contribute an additional 9% of payroll on behalf of safety employees and 7% for other covered employees. Employees have no obligation to contribute to CalPERS.

**Funding Status and Progress** - The "pension benefit obligation" is determined for each participating employer by CalPERS's actuary and is a standardized disclosure measure that results from applying actuarial assumptions to estimate the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the City's portion of CalPERS

The Retiree Health Benefit Trust Expendable Fund's fund balance consists of the following as of June 30, 1995 (in thousands):

Fund balance, beginning of year	\$ -
Residual Equity transfers in	6,129
Excess of revenue over expenditures	<u>218</u>
Fund balance, end of year	<u>\$6,347</u>

#### 11. FUND BALANCES AND RETAINED EARNINGS

Fund balances and retained earnings consist of reserved and unreserved amounts. Reserved fund balances and retained earnings represent that portion of fund balance and retained earnings which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved fund balances and retained earnings.

Portions of unreserved fund balances may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, have not been legally authorized and may not result in expenditures.

At June 30, 1995, fund balances for Governmental Fund Types consist of the following reserves and designations (in thousands):

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Fund
Reserved for:				
Encumbrances and reappropriations	\$ 4,503	\$4,467		\$8,403
Notes	527	4,352		
Debt service			\$3,532	
Inventory	<u>1,185</u>			
Total reserved fund balances	<u>\$ 6,215</u>	<u>\$8,819</u>	<u>\$3,532</u>	<u>\$8,403</u>
Unreserved; designated for:				
Streets and sidewalks/school site projects	\$ 865			
Capital and special revenue projects		\$3,995		\$ 68
Budget stabilization	13,899			
Emergencies	<u>5,000</u>			
Total unreserved; designated fund balances	<u>\$19,764</u>	<u>\$3,995</u>		<u>\$ 68</u>

At June 30, 1995, fund balance for the Expendable Trust Funds was unreserved; undesignated in the amount of \$6,897,000.



The Internal Service Fund's retained earnings consist of the following as of June 30, 1995 (in thousands):

Reserved retained earnings -	
Commitments and reappropriations	\$ 1,425
Unreserved retained earnings	<u>13,025</u>
<b>Total</b>	<b><u>\$ 14,450</u></b>

At June 30, 1995, the Enterprise Funds' retained earnings consists of the following (in thousands):

	Water	Electric	Gas	Wastewater Collection	Wastewater Treatment	Refuse	Storm Drainage	Total
Reserved retained earnings:								
Emergency plant replacement	\$ 652	\$ 2,071	\$ 595	\$ 336	\$ 947			\$ 4,601
Rate stabilization Calaveras	6,585	36,555	11,623	7,721	2,667	\$3,752	\$5,633	74,536
Gas supplemental supply		14,827	3,092					14,827
Commitments and reappropriations	3,250	4,970	1,914	2,909	2,475	460	4,465	20,443
Underground loan		534						534
Conservation loan			622					622
Refuse water resources						236		236
<b>Total</b>	<b>10,487</b>	<b>58,957</b>	<b>17,846</b>	<b>10,966</b>	<b>6,089</b>	<b>4,448</b>	<b>10,098</b>	<b>118,891</b>
Unreserved retained earnings	<u>15,413</u>	<u>65,410</u>	<u>20,796</u>	<u>8,771</u>	<u>1,944</u>	<u>5,137</u>	<u>(7,726)</u>	<u>109,745</u>
<b>Total retained earnings</b>	<b><u>\$25,900</u></b>	<b><u>\$124,367</u></b>	<b><u>\$38,642</u></b>	<b><u>\$19,737</u></b>	<b><u>\$8,033</u></b>	<b><u>\$9,585</u></b>	<b><u>\$2,372</u></b>	<b><u>\$228,636</u></b>

## 12. CONTRIBUTED CAPITAL

A summary of changes in contributed capital for the year ended June 30, 1995 follows (in thousands):

	Enterprise	Internal Service
Balance at July 1, 1994	\$ 58,441	\$ 5,338
Additions	<u>152</u>	
<b>Balance at June 30, 1995</b>	<b><u>\$ 58,593</u></b>	<b><u>\$ 5,338</u></b>

limitation in any fiscal year. Lease expenditures for the year ended June 30, 1995 amounted to \$4,598,000. Future minimum annual lease and covenant payments are as follows (in thousands):

Year ending June 30:	
1996	\$ 4,719
1997	4,719
1998	4,719
1999	4,719
2000	4,719
Thereafter	<u>25,954</u>
Total	<u>\$49,549</u>

**Litigation** - There are currently pending against the City certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, the ultimate resolution of such actions, not covered by insurance, is not expected to have a significant effect upon the financial position or operations of the City.

**Palo Alto Sanitation Company** - The City entered into contract in 1987 with the Palo Alto Sanitation Company (PASCO) for services related to refuse collection, the curbside recycling program, operation of the Recycling Center, and emptying and maintenance of public trash receptacles. The contract is for an indefinite period unless either party gives a written cancellation notice which will become effective five years from the date of notification. The City is committed to pay PASCO a percentage of refuse revenue billed to the customers. That percentage, negotiated annually, was 29.58% for collection services and 95% for the bin rentals in fiscal 1994-95. During this period, the City made payments of \$5,938,000 for services rendered by PASCO.

**Palo Alto Housing Corporation** - In January 1991, the City loaned \$2,100,000 to the Palo Alto Housing Corporation (PAHC) to assist in the acquisition of an apartment complex. The loan is evidenced by a promissory note for twenty years bearing 3% interest, the note being secured by a deed of trust. Under the terms of the note, if PAHC operates the complex meeting specified targets for the occupancy by very low, low, and moderate income households (as defined) during the preceding year, each January, \$141,000 of principal and interest shall be forgiven by the City. In 1995, such amount was forgiven. The outstanding principal balance of the note at June 30, 1995 is \$1,773,037, which is recorded in the City's Special Revenue Funds.

**City of Palo Alto Regional Water Quality Control Plant** - The cities of Palo Alto, Mountain View and Los Altos (the Partners) participate jointly in the cost of maintaining and operating the City of Palo Alto Regional Water Quality Control Plant and related system (the Plant). The City is the owner and administrator of the Plant which provides joint operations for the transmission, treatment and disposal of sewage for the Partners. The cities of Mountain View and Los Altos are entitled to use a portion of the capacity of the Plant for a specified period of time. Each partner has the right to rent unused capacity from/to the other partners. The expenses of operations and maintenance are paid quarterly by each partner based on its pro rata share of treatment costs. Additionally, joint system revenues are shared by the partners in the same ratio as expenses are paid. The amended agreement has a term of fifty years beginning from the original signing in October 1968, but may be terminated by any partner upon ten years' notice to the other partners. All sewage treatment property, plant and equipment are included in the Wastewater Enterprise Fund's property, plant and equipment balance at June 30, 1995. If the City initiates the termination of the contracts, it is required to pay the other partners their unamortized contribution towards the property, plant and equipment.

*Solid Waste Materials Recovery and Transfer Station (SMaRT Station)* - On June 9, 1992, the City, along with the City of Mountain View, signed a Memorandum of Understanding (MOU) with the City of Sunnyvale (Sunnyvale) to participate in the construction and operation of the SMaRT station which will recover recyclable materials from the municipal solid waste delivered from participating cities. Per the MOU, the City has capacity share of 21.27% of this facility and will reimburse its proportionate capacity share of design, construction, and operation costs to Sunnyvale.

On December 1, 1992, the Sunnyvale Financing Authority issued \$24,160,000 revenue bonds to finance the design and construction costs. Even though these bonds are payable from and secured by the net revenues of Sunnyvale's Utilities Enterprise, the City is obligated to reimburse Sunnyvale 21.27% of total debt service payments related to these bonds. The City's portion of remaining principal balance for SMaRT revenue bonds as of June 30, 1995 is \$4,830,000.

#### **16. RELATED PARTY TRANSACTION**

The City Council may authorize the extension of a mortgage loan as part of a relocation assistance package to new Council-appointed officers, the Assistant City Manager or department heads. Such loans may be secured by a first or second deed of trust and may be fully amortized or for interest only. A direct City loan cannot exceed four times the annual salary of the employee. The term of the loan may be set for a period not to exceed 15 years, but is due and payable within six months of termination of employment for any reason. The notes bear interest at a rate equal to the City's rate of return on the cash and investment pool during the year plus 1/4 percent. At June 30, 1995, the City has one loan outstanding and the outstanding balance of the loan totaled \$527,000, and is reported as a reservation of the City's General Fund balance.

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# CITY OF PALO ALTO, CALIFORNIA

## INDEX TO SUPPLEMENTAL SCHEDULES BY FUND

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## **GENERAL FUND**

The General Fund is the general operating fund of the City. It is used to account for all financial resources committed to financing the services that the City performs for its citizens, except those required to be accounted for in another fund.

# CITY OF PALO ALTO, CALIFORNIA

## GENERAL FUND BALANCE SHEET

JUNE 30, 1995 WITH COMPARATIVE TOTALS YEAR ENDED JUNE 30, 1994  
(In thousands of dollars)

	1995	1994
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 23,272	\$ 26,700
Receivables, net:		
Accounts	3,681	3,744
Interest	708	616
Notes	527	590
Interfund receivable	218	413
Inventory	<u>1,185</u>	<u>1,124</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 29,591</u></b>	<b><u>\$ 33,187</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 2,989	\$ 2,539
Accrued salaries and benefits	<u>623</u>	<u>1,842</u>
Total liabilities	<u>3,612</u>	<u>4,381</u>
<b>FUND BALANCES:</b>		
Reserved for:		
Encumbrances and reappropriations	4,503	4,088
Notes	527	590
Inventory	1,185	1,124
Unreserved - designated for:		
Streets and sidewalks/school site projects	865	876
Unfunded employee benefit obligations		4,772
Budget stabilization	13,899	12,356
Emergencies	<u>5,000</u>	<u>5,000</u>
Total fund balances	<u>25,979</u>	<u>28,806</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 29,591</u></b>	<b><u>\$ 33,187</u></b>

# CITY OF PALO ALTO, CALIFORNIA

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER FINANCING  
SOURCES (USES) - BUDGET AND ACTUAL FOR THE  
YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE  
YEAR ENDED JUNE 30, 1994  
(In thousands of dollars)**

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1994 Actual
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 7,400	\$ 7,485	\$ 85	\$ 7,737
Sales taxes	14,920	14,765	(155)	14,635
Utility users' tax	5,824	5,482	(342)	5,455
Transient occupancy tax	3,597	3,643	46	3,301
Other taxes and fines	4,455	4,633	178	5,277
<b>Total taxes</b>	<b>36,196</b>	<b>36,008</b>	<b>(188)</b>	<b>36,405</b>
Fire protection and emergency communication services	3,989	4,097	108	3,884
From other agencies	240	349	109	422
Service fees and permits	8,083	7,955	(128)	7,915
Interest earnings	2,039	2,136	97	2,012
Rent	9,723	9,754	31	9,500
Other	1,871	1,922	51	998
<b>Total revenues</b>	<b>62,141</b>	<b>62,221</b>	<b>80</b>	<b>61,136</b>
<b>EXPENDITURES - Current operations:</b>				
City Council	128	109	19	225
City Manager	1,198	968	230	710
City Attorney	1,375	1,100	275	1,074
City Clerk	563	492	71	459
City Auditor	438	404	34	457
Finance	4,403	3,982	421	3,356
Information Resources	2,170	1,972	198	1,890
Human Resources	1,424	1,313	111	1,172
Public works	8,414	7,517	897	7,058
Planning and community environment	4,509	3,842	667	4,160
Public safety - Police	15,063	14,058	1,005	14,150
Public safety - Fire	11,697	11,437	260	11,718
Community services	13,031	12,435	596	12,651
School site operations	6,035	5,884	151	5,645
<b>Total expenditures</b>	<b>70,448</b>	<b>65,513</b>	<b>4,935</b>	<b>64,725</b>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>(8,307)</b>	<b>(3,292)</b>	<b>5,015</b>	<b>(3,589)</b>

(Continued)



	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1994 Actual
EXCESS OF EXPENDITURES OVER REVENUES	\$ (8,307)	\$ (3,292)	\$ 5,015	\$ (3,589)
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
Street Improvement Special Revenue Fund	185	167	(18)	114
Federal Revenue Special Revenue Fund	205	188	(17)	178
Special District Special Revenue Fund	733	557	(176)	269
Housing Improvement Special Revenue Fund	10	8	(2)	
Capital Improvement Project Fund				4
Debt Service Fund	23	18	(5)	
Enterprise Funds	<u>9,621</u>	<u>9,621</u>	<u>0</u>	<u>9,745</u>
Total operating transfers in	<u>10,777</u>	<u>10,559</u>	<u>(218)</u>	<u>10,336</u>
Operating transfers out:				
Capital Projects Fund	4,779	4,742	37	5,365
Debt Service	<u>924</u>	<u>944</u>	<u>(20)</u>	<u>948</u>
Total operating transfers out	<u>5,703</u>	<u>5,686</u>	<u>17</u>	<u>6,313</u>
Total other financing sources	<u>5,074</u>	<u>4,873</u>	<u>(201)</u>	<u>4,023</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (3,233)</u>	<u>\$ 1,581</u>	<u>\$ 4,814</u>	<u>\$ 434</u>

(Concluded)

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## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to expenditures for specified purposes or for which separate accounting is required by administrative action.

The City maintains the following Special Revenue Funds:

- ***Street Improvement Fund*** - established to account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes.
- ***Federal Revenue Fund*** - established to account for monies received by the City from the Federal Community Development Block Grant and HOME Investment Grant programs.
- ***Housing In-Lieu Fund*** - established to account for monies received from industrial and residential developers to provide housing under the City's Below Market Rate program.
- ***Special Districts Fund*** - established to account for monies derived from parking permits and for maintenance of various parking lots within the City.
- ***Transportation Mitigation Fund*** - established to account for monies derived from fees or contributions required for transportation mitigation issues encountered as a result of City development.
- ***Centennial 1994 Fund*** - established to account for monies derived from contributions and other forms of support for the 1994 centennial anniversary of the City.

# CITY OF PALO ALTO, CALIFORNIA

## SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

JUNE 30, 1995 WITH COMPARATIVE TOTALS YEAR ENDED JUNE 30, 1994  
(In thousands of dollars)

	Street Improvement	Federal Revenue	Housing In-Lieu	Special Districts
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$2,915	\$ 37	\$3,294	\$ 890
Receivables, net	126	189	50	
Interest receivable	45		53	14
Notes		1,658	2,694	
Inventory				
<b>TOTAL ASSETS</b>	<u>\$3,086</u>	<u>\$1,884</u>	<u>\$6,091</u>	<u>\$ 904</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities		\$ 134	\$ 288	\$ 30
Deferred revenue				
Interfund payable		<u>218</u>		
Total liabilities		<u>352</u>	<u>288</u>	<u>30</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances and reappropriations	\$2,343	586	1,538	
Notes		<u>1,658</u>	<u>2,694</u>	
Total	<u>2,343</u>	<u>2,244</u>	<u>4,232</u>	
Unreserved - Designated for special revenue projects	743		1,571	874
Unreserved, undesignated		<u>(712)</u>		
Total fund balances	<u>3,086</u>	<u>1,532</u>	<u>5,803</u>	<u>874</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$3,086</u>	<u>\$1,884</u>	<u>\$6,091</u>	<u>\$ 904</u>

Transportation Mitigation	Centennial 1994	Totals June 30	
		1995	1994
\$ 794	\$ 13	\$ 7,943	\$ 8,859
	14	379	471
13		125	115
		4,352	3,551
			17
<u>\$ 807</u>	<u>\$ 27</u>	<u>\$ 12,799</u>	<u>\$ 13,013</u>
	\$ 27	\$ 479	\$ 429
		218	130
			413
	<u>27</u>	<u>697</u>	<u>972</u>
		4,467	4,011
		<u>4,352</u>	<u>3,551</u>
		<u>8,819</u>	<u>7,562</u>
\$ 807		3,995	5,368
		(712)	(889)
<u>807</u>	<u>-</u>	<u>12,102</u>	<u>12,041</u>
<u>\$ 807</u>	<u>\$ 27</u>	<u>\$ 12,799</u>	<u>\$ 13,013</u>

# CITY OF PALO ALTO, CALIFORNIA

## SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Street Improvement	Federal Revenue	Housing In-Lieu	Special Districts
REVENUES:				
Other taxes and fines	\$ 1,059			
From other agencies:				
Federal Transportation Project				
Community Development Block Grant		\$ 1,099		
Federal Urban Aid	27			
State of California	44			
HOME Grant		80		
TDA grant	138			
Total from other agencies	<u>209</u>	<u>1,179</u>		
Interest earnings	<u>143</u>	<u>28</u>	<u>\$ 193</u>	<u>\$ 56</u>
Other:				
Great Western Bank - Loan payoff		16		
Housing-in-lieu - Residential				
Housing-in-lieu - Industrial			39	
Traffic Mitigation - Transportation				
University Avenue Parking				257
California Avenue Parking				76
Centennial support				
Other fees	62		59	
Total other	<u>62</u>	<u>16</u>	<u>98</u>	<u>333</u>
Total revenues	<u>1,473</u>	<u>1,223</u>	<u>291</u>	<u>389</u>
EXPENDITURES FOR SPECIAL REVENUE PROJECTS	<u>-</u>	<u>1,018</u>	<u>257</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,473</u>	<u>205</u>	<u>34</u>	<u>389</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
Transportation Mitigation Fund	145			
Housing Improvement Program		76		
Total transfers in	<u>145</u>	<u>76</u>		
Operating transfers out:				
General Fund	(167)	(195)		(557)
Capital Project Fund	(898)			
Street Improvement Fund				
Community Development Block Grant Fund		(76)		
Enterprise Funds				(63)
Total transfers out	<u>(1,065)</u>	<u>(271)</u>		<u>(620)</u>
Total other financing uses	<u>(920)</u>	<u>(195)</u>		<u>(620)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	553	10	34	(231)
FUND BALANCES, BEGINNING OF YEAR	<u>2,533</u>	<u>1,522</u>	<u>5,769</u>	<u>1,105</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,086</u>	<u>\$ 1,532</u>	<u>\$ 5,803</u>	<u>\$ 874</u>

Transportation Mitigation	Centennial 1994	Totals June 30	
		1995	1994
		\$ 1,059	\$ 1,047
		1,099	574
		27	33
		44	
		80	920
		<u>138</u>	
		<u>1,388</u>	<u>1,527</u>
\$ 47		<u>467</u>	<u>441</u>
		16	8
			423
		39	38
			1
		257	278
		76	90
	\$501	501	442
		<u>121</u>	<u>100</u>
-	<u>501</u>	<u>1,010</u>	<u>1,380</u>
47	501	3,924	4,395
-	<u>708</u>	<u>1,983</u>	<u>1,383</u>
<u>47</u>	<u>(207)</u>	<u>1,941</u>	<u>3,012</u>
		145	200
		<u>76</u>	
		<u>221</u>	<u>200</u>
		(919)	(587)
		(898)	(953)
(145)		(145)	(200)
		(76)	
		<u>(63)</u>	
<u>(145)</u>		<u>(2,101)</u>	<u>(1,740)</u>
<u>(145)</u>		<u>(1,880)</u>	<u>(1,540)</u>
(98)	(207)	61	1,472
<u>905</u>	<u>207</u>	<u>12,041</u>	<u>10,569</u>
<u>\$807</u>	<u>\$ -</u>	<u>\$12,102</u>	<u>\$ 12,041</u>

# CITY OF PALO ALTO, CALIFORNIA

## SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Street Improvement		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Other taxes and fines	\$ 937	\$ 1,059	\$ 122
From other agencies:			
Federal Transportation Program	668		(668)
Community Development Block Grant			
Federal Urban Aid		27	27
State of California	40	44	4
HOME Grant			
TDA grant	<u>130</u>	<u>138</u>	<u>8</u>
Total from other agencies	<u>838</u>	<u>209</u>	<u>(629)</u>
Interest earnings	<u>112</u>	<u>143</u>	<u>31</u>
Other:			
Great Western Bank - Loan payoff			
Housing-in-lieu - Residential			
Housing-in-lieu - Industrial			
Traffic Mitigation - Transportation			
University Avenue Parking			
California Avenue Parking			
Other fees		<u>62</u>	<u>62</u>
Total other		<u>62</u>	<u>62</u>
Total revenues	<u>1,887</u>	<u>1,473</u>	<u>(414)</u>
EXPENDITURES FOR SPECIAL REVENUE PROJECTS	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,887</u>	<u>1,473</u>	<u>(414)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in:			
Transportation Mitigation Fund		145	145
Housing Improvement Program			
Total transfers in		<u>145</u>	<u>145</u>
Operating transfers out:			
General Fund	(185)	(167)	18
Capital Project Fund	(2,124)	(898)	1,226
Street Improvement Fund			
Community Development Block Grant Fund			
Enterprise Funds			
Total transfers out	<u>(2,309)</u>	<u>(1,065)</u>	<u>1,244</u>
Total other financing uses	<u>(2,309)</u>	<u>(920)</u>	<u>1,389</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (422)</u>	<u>\$ 553</u>	<u>\$ 975</u>



<u>Federal Revenue</u>		<u>Variance Favorable (Unfavorable)</u>	<u>Housing-In-Lieu</u>		<u>Variance Favorable (Unfavorable)</u>
<u>Budget</u>	<u>Actual</u>		<u>Budget</u>	<u>Actual</u>	
\$ 781	\$ 1,099	\$ 318			
	80	80			
<u>781</u>	<u>1,179</u>	<u>398</u>			
-	28	28	\$ 215	\$ 193	\$ (22)
	16	16			
				39	39
				<u>59</u>	<u>59</u>
	16	16		<u>98</u>	<u>98</u>
<u>781</u>	<u>1,223</u>	<u>442</u>	<u>215</u>	<u>291</u>	<u>76</u>
<u>1,591</u>	<u>1,018</u>	<u>573</u>	<u>298</u>	<u>257</u>	<u>41</u>
<u>(810)</u>	<u>205</u>	<u>1,015</u>	<u>(83)</u>	<u>34</u>	<u>117</u>
<u>85</u>	<u>76</u>	<u>(9)</u>			
<u>85</u>	<u>76</u>	<u>(9)</u>			
(215)	(195)	20			
(45)		45			
(85)	(76)	9			
<u>(345)</u>	<u>(271)</u>	<u>74</u>			
<u>(260)</u>	<u>(195)</u>	<u>65</u>			
<u>\$ (1,070)</u>	<u>\$ 10</u>	<u>\$ 1,080</u>	<u>\$ (83)</u>	<u>\$ 34</u>	<u>\$ 117</u>

(Continued)

CITY OF PALO ALTO, CALIFORNIA

**SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL FOR THE  
 YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE  
 YEAR ENDED JUNE 30, 1994  
 (In thousands of dollars)**

	<u>Special Districts</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES:			
Other taxes and fines			
From other agencies:			
Federal Transportation Program			
Community Development Block Grant			
Federal Urban Aid			
State of California			
HOME Grant			
TDA Grant			
Total from other agencies			
Interest earnings	\$ 62	\$ 56	\$ (6)
Other:			
Great Western Bank - Loan payoff			
Housing-in-lieu - Residential			
Housing-in-lieu - Industrial			
Traffic Mitigation - Transportation			
University Avenue Parking	250	257	7
California Avenue Parking	84	76	(8)
Other fees	101	—	(101)
Total other	435	333	(102)
Total revenues	497	389	(108)
EXPENDITURES FOR SPECIAL REVENUE PROJECTS	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	497	389	(108)
OTHER FINANCING SOURCES (USES):			
Operating transfers in:			
Transportation Mitigation Fund			
Housing Improvement Program			
Total transfers in			
Operating transfers out:			
General Fund	(733)	(557)	176
Capital Project Fund			
Street Improvement Fund			
Community Development Block Grant Fund			
Enterprise Funds	(69)	(63)	6
Total transfers out	(802)	(620)	182
Total other financing uses	(802)	(620)	182
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$(305)	\$(231)	\$ 74

# City of Palo Alto

09-May-95

## Mission Driven Budget

05-10-95

## General Ledger - Subfund Structure (FINAL)

FY94-95  
Subfund No.

Description

FY95-96  
Subfund No.

### GENERAL FUND

002	General Fund - Operating	02
003	Utility User Tax	03
331	Developer Deposits - E I R	04
910	Stores Inventory	09

### SPECIAL REVENUE

010	Gas Tax Fund	31
011	Comm Development Block Grant	32
013	Housing In-Lieu/Residential	33
014	Housing In-Lieu/Commercial	34
016	Hamilton Avenue - Public Benefit	35
020	Special District	TBC
021	University Avenue Parking Permits	36
022	California Avenue Parking Permits	37
031	Housing Rehabilitation (Pay & Def.)	38
032	Housing Rehabilitation (Leverage)	39
033	Non-profit Rehabilitation	41
034	State Deferred	42
036	Federal Home Grant	43
041	Traffic Mitigation/General	44
042	Stanf Research Park/El Camino	45
043	San Antonio/West Bayshore	46
047	Univ. Ave In-Lieu Park	

### DEBT SERVICE

061	Golf Course Corporation	51
071	Public Improvement Corporation	52
081	Terman School Lease	53
091	Miscellaneous Streets	61
092	Old Trace Road	62
094	Utility District No. 23	TBC
099	Silva Avenue Sewer	TBC
103	Offstreet Parking 1968	TBC
104	Offstreet Parking 1977	63
105	Offstreet Parking 1980	64
107	Offstreet Parking 1989 (University Ave)	65
113	Offstreet Parking 1968	TBC
114	Offstreet Parking 1975	66
115	Offstreet Parking 1987(Keystone)	67
116	Cambridge Avenue Park Structure	68

### CAPITAL PROJECT

160	Capital Improvement Fund	71
361	Golf Course Corp - CIP	76
371	Public Improvement Corp - CIP	77

40  
-093, 160  
278  
248  
268  
218

330

**City of Palo Alto**  
**Mission Driven Budget**  
**General Ledger - Subfund Structure**  
**(FINAL)**

09-May-95

FY94-95 Subfund No.	Description	FY95-96 Subfund No.
<b>ENTERPRISE FUNDS</b>		
217	Utilities Admin - Operating	21
222	Water Fund - Operating	22
228	Water Fund - Capital	TBC
233	Electric Fund - Operating	23
238	Electric Fund - Capital	TBC
244	Gas Fund - Operating	24
248	Gas Fund - Capital	TBC
255	Refuse Fund - Operating	25
258	Refuse Fund - Capital	TBC
265	Wastewater Treatment - Capital	TBC
266	Wastewater Treatment - Operating	26
267	Wastewater Collection - Operating	27
268	Wastewater Collection - Capital	TBC
277	Storm Drainage - Operating	28
278	Storm Drainage - Capital	TBC
<b>INTERNAL SERVICE</b>		
281	Vehicle Replacement & Maintenance Fund	81
282	Vehicle Maintenance Fund	TBC (A)
285	Printing & Mailing Services Fund	83
286	Mailing Services Fund	TBC (B)
920	Payroll Clearing	86
930	General Benefits & Insurance	87
931	Workers' Compensation	88
932	Liability Insurance	89
<b>TRUST AND AGENCY</b>		
303	Palo Alto Recreation Foundation	TBC
321	Police Scholarship Fund	TBC
322	Public Services Donations	91
324	Assets Seizure Program - Police	92
328	Child Care Fund	93
341	Retiree Health Benefits - AB 702	94
301	Deferred Compensation	95
<b>ACCOUNT GROUPS</b>		
401	General Fixed Assets	97
402	General Long-Term debt	98
<b>CASH ADMINISTRATION</b>		
999	Cash Management	99

*002-00000  
-6038*

TBC = TO BE CLOSED

(A) = TO BE COMBINED WITH VEHICLE REPLACEMENT FUND

(B) = TO BE COMBINED WITH PRINTING SERVICES FUND

Transportation Mitigation		Variance Favorable (Unfavorable)	Total Special Revenue Funds			
			Budget 1995	Actual 1995	Variance Favorable (Unfavorable)	Actual 1994
Budget	Actual					
			\$ 937	\$ 1,059	\$ 122	\$ 1,047
			668		(668)	
			781	1,099	318	574
				27	27	33
			40	44	4	
				80	80	920
			130	138	8	
			1,619	1,388	(231)	1,527
\$ 52	\$ 47	\$ (5)	441	467	26	441
				16	16	8
						423
				39	39	38
						1
			250	257	7	278
			84	76	(8)	90
			101	121	20	100
			435	509	74	938
52	47	(5)	3,432	3,423	(9)	3,953
-	-	-	1,889	1,275	614	1,158
52	47	(5)	1,543	2,148	605	2,795
				145	145	200
			85	76	(9)	
			85	221	136	200
			(1,133)	(919)	214	(587)
(145)		145	(2,314)	(898)	1,416	(953)
	(145)	(145)		(145)	(145)	(200)
			(85)	(76)	9	
			(69)	(63)	6	
(145)	(145)	-	(3,601)	(2,101)	1,500	(1,740)
(145)	(145)	-	(3,516)	(1,880)	1,636	(1,540)
\$ (93)	\$ (98)	\$ (5)	\$ (1,973)	\$ 268	\$ 2,241	\$ 1,255

(Concluded)

## DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term obligation principal and interest, other than obligations payable from Enterprise and Internal Service Funds.

The City maintains the following Debt Service Funds:

- *Terman Lease Fund* - established to account for resources used solely for the purpose of paying the principal and interest on the long-term lease of the former Terman School with the Palo Alto Unified School District.
- *Golf Course Fund* - established to account for resources provided from the General Fund for the payment of principal and interest associated with general obligation debt issued for the City's golf course, and certain reserve requirements.
- *Civic Center Fund* - established to account for resources provided from the General Fund and used solely for the purpose of paying the Civic Center Certificates of Participation as they become due, and certain reserve requirements.
- *Special Assessment Debt Fund* - established to account for the collection of bonded assessments from certain property owners for the purpose of paying the principal and interest on improvement bonds as they become due and for collection of special assessments from property owners within the University Avenue and California Avenue Parking districts solely for the purpose of paying the principal and interest on the parking bonds of the two districts.

# CITY OF PALO ALTO, CALIFORNIA

## DEBT SERVICE FUNDS COMBINING BALANCE SHEET

JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994  
(In thousands of dollars)

	Terman Lease	Golf Course	Civic Center	Special Assessment Debt	Totals June 30	
					1995	1994
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$1,123			\$ 915	\$ 2,038	\$ 2,110
Restricted:						
Cash and cash equivalents				270	270	319
Investments		\$163	\$1,036		1,199	947
Interest receivable	18	3	4		25	29
Special assessment receivable				8,555	8,555	9,010
<b>TOTAL ASSETS</b>	<b><u>\$1,141</u></b>	<b><u>\$166</u></b>	<b><u>\$1,040</u></b>	<b><u>\$ 9,740</u></b>	<b><u>\$12,087</u></b>	<b><u>\$12,415</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable and accrued liabilities						\$ 11
Deferred revenue				\$ 8,555	\$ 8,555	9,010
Total liabilities				8,555	8,555	9,021
<b>FUND BALANCES - Reserved for debt service</b>	<b><u>\$1,141</u></b>	<b><u>\$166</u></b>	<b><u>\$1,040</u></b>	<b><u>1,185</u></b>	<b><u>3,532</u></b>	<b><u>3,394</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$1,141</u></b>	<b><u>\$166</u></b>	<b><u>\$1,040</u></b>	<b><u>\$ 9,740</u></b>	<b><u>\$12,087</u></b>	<b><u>\$12,415</u></b>

# CITY OF PALO ALTO, CALIFORNIA

## DEBT SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Terman Lease	Golf Course	Civic Center	Special Assessment Debt	Totals June 30	
					1995	1994
<b>REVENUES:</b>						
Special assessments				\$1,044	\$1,044	\$ 863
From other agencies	\$ 240				240	236
Interest earnings	<u>64</u>	<u>\$ 9</u>	<u>\$ 47</u>	<u>30</u>	<u>150</u>	<u>121</u>
Total revenues	<u>304</u>	<u>9</u>	<u>47</u>	<u>1,074</u>	<u>1,434</u>	<u>1,220</u>
<b>EXPENDITURES - Debt service:</b>						
Principal retirement	395	75	395	380	1,245	1,305
Interest and fiscal charges	<u>110</u>	<u>56</u>	<u>421</u>	<u>583</u>	<u>1,170</u>	<u>1,264</u>
Total expenditures	<u>505</u>	<u>131</u>	<u>816</u>	<u>963</u>	<u>2,415</u>	<u>2,569</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(201)</u>	<u>(122)</u>	<u>(769)</u>	<u>111</u>	<u>(981)</u>	<u>(1,349)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in		128	1,068		1,196	1,172
Operating transfers out			(58)	(19)	(77)	(46)
Bond proceeds						<u>311</u>
Total other financing sources		<u>128</u>	<u>1,010</u>	<u>(19)</u>	<u>1,119</u>	<u>1,437</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(201)</u>	<u>6</u>	<u>241</u>	<u>92</u>	<u>138</u>	<u>88</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	1,342	160	799	1,093	3,394	3,336
<b>RESIDUAL EQUITY TRANSFER OUT</b>					-	<u>(30)</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$1,141</u>	<u>\$166</u>	<u>\$1,040</u>	<u>\$1,185</u>	<u>\$3,532</u>	<u>\$3,394</u>



## **CAPITAL PROJECT FUND**

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and special revenue funds.

# CITY OF PALO ALTO, CALIFORNIA

## CAPITAL PROJECT FUND BALANCE SHEET JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	<u>June 30</u>	
	<u>1995</u>	<u>1994</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$8,961	\$7,562
Restricted - cash and cash equivalents	156	1,356
Accounts receivable	<u>36</u>	<u>3</u>
<b>TOTAL ASSETS</b>	<b><u>\$9,153</u></b>	<b><u>\$8,921</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	<u>\$ 682</u>	<u>\$ 464</u>
Total liabilities	<u>682</u>	<u>464</u>
<b>FUND BALANCES:</b>		
Reserved for -		
Reappropriations and encumbrances	8,403	7,961
Unreserved -		
Designated for capital projects	<u>68</u>	<u>496</u>
Total fund balances	<u>8,471</u>	<u>8,457</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$9,153</u></b>	<b><u>\$8,921</u></b>

# CITY OF PALO ALTO, CALIFORNIA

## CAPITAL PROJECT FUND STATEMENT OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Budget	Actual	Variance Favorable (Unfavorable)	Year Ended June 30, 1994 Actual
<b>REVENUES:</b>				
From other agencies:				
Stanford University		\$ 30	\$ 30	\$ 19
U.S. Department of Justice				91
Total from other agencies	-	30	30	110
Interest earnings		21	21	58
Other	\$ 57	6	(51)	3
Total revenues	57	57	-	171
EXPENDITURES FOR CAPITAL PROJECTS	7,513	5,739	1,774	6,067
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,456)	(5,682)	1,774	(5,896)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in:				
General Fund	4,779	4,742	(37)	5,361
Utilities - General Fund projects	143	143		244
Debt Service Fund				46
Special Revenue Funds:				
Street Improvement	2,124	898	(1,226)	695
Traffic mitigation	144		(144)	58
Special District				200
Community Development Block Grant	45		(45)	
Internal Service Fund				
Equipment Replacement	221	221		
Total operating transfers in	7,456	6,004	(1,452)	6,604
Operating transfers out:				
Debt Service Fund		(196)	(196)	(224)
Reimbursement from bond reserves		252	252	1,744
Total other financing sources	7,456	6,060	(1,396)	8,124
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 378	\$ 378	\$2,228

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## ENTERPRISE FUNDS

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (i.e., expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; and (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A separate fund is maintained for each of the City-owned utilities, each of which is a self-supporting activity that renders services on a user charge basis to residents and businesses located in Palo Alto.

The City maintains the following Enterprise Funds:

- Water Fund
- Electric Fund
- Gas Fund
- Wastewater Collection Fund
- Wastewater Treatment Fund
- Refuse Fund
- Storm Drainage Fund

# CITY OF PALO ALTO, CALIFORNIA

## ENTERPRISE FUNDS COMBINING BALANCE SHEET JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Water	Electric	Gas
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash, cash equivalents and investments	\$ 9,816	\$ 55,156	\$ 18,018
Restricted:			
Cash and cash equivalents			
Investments			
Accounts receivable, net	1,352	6,224	1,262
Interest receivable	156	883	288
Prepaid items			60
Total current assets	<u>11,324</u>	<u>62,263</u>	<u>19,628</u>
Property, plant and equipment, net	<u>23,359</u>	<u>83,339</u>	<u>24,411</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 34,683</u></b>	<b><u>\$ 145,602</u></b>	<b><u>\$ 44,039</u></b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 807	\$ 3,199	\$ 1,742
Accrued salaries and benefits	30	107	40
Current portion of revenue bonds, net			
Accrued landfill closure liability			
Total current liabilities	<u>837</u>	<u>3,306</u>	<u>1,782</u>
Accrued compensated absences	59	234	95
Accrued self insurance	136	557	228
Revenue bonds, net of current portion			
Total liabilities	<u>1,032</u>	<u>4,097</u>	<u>2,105</u>
<b>FUND EQUITY:</b>			
Contributed capital	7,751	17,138	3,292
Retained earnings	<u>25,900</u>	<u>124,367</u>	<u>38,642</u>
Total fund equity	<u>33,651</u>	<u>141,505</u>	<u>41,934</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 34,683</u></b>	<b><u>\$ 145,602</u></b>	<b><u>\$ 44,039</u></b>

Wastewater Collection	Wastewater Treatment	Refuse	Storm Drainage	Totals June 30	
				1995	1994
\$ 10,374	\$ 6,678	\$ 9,597	\$ 1,695	\$ 111,334	\$ 96,644
			8,541	8,541	449
1,297	508	2,030	184	12,857	13,243
166	107	154	27	1,781	1,236
				60	228
<u>11,837</u>	<u>7,293</u>	<u>11,781</u>	<u>10,447</u>	<u>134,573</u>	<u>111,800</u>
<u>20,138</u>	<u>28,422</u>	<u>5,278</u>	<u>4,852</u>	<u>189,799</u>	<u>181,151</u>
<u>\$ 31,975</u>	<u>\$ 35,715</u>	<u>\$ 17,059</u>	<u>\$ 15,299</u>	<u>\$ 324,372</u>	<u>\$ 292,951</u>
\$ 697	\$ 815	\$ 873	\$ 83	\$ 8,216	\$ 6,405
18	50	21	5	271	692
156	339		260	755	555
		<u>6,438</u>		<u>6,438</u>	<u>4,930</u>
<u>871</u>	<u>1,204</u>	<u>7,332</u>	<u>348</u>	<u>15,680</u>	<u>12,582</u>
46	81	2	21	538	441
108	266	140	27	1,462	1,893
<u>2,183</u>	<u>4,749</u>		<u>12,531</u>	<u>19,463</u>	<u>11,834</u>
<u>3,208</u>	<u>6,300</u>	<u>7,474</u>	<u>12,927</u>	<u>37,143</u>	<u>26,750</u>
9,030	21,382			58,593	58,441
<u>19,737</u>	<u>8,033</u>	<u>9,585</u>	<u>2,372</u>	<u>228,636</u>	<u>207,760</u>
<u>28,767</u>	<u>29,415</u>	<u>9,585</u>	<u>2,372</u>	<u>287,229</u>	<u>266,201</u>
<u>\$ 31,975</u>	<u>\$ 35,715</u>	<u>\$ 17,059</u>	<u>\$ 15,299</u>	<u>\$ 324,372</u>	<u>\$ 292,951</u>

# CITY OF PALO ALTO, CALIFORNIA

## ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Water	Electric	Gas
<b>OPERATING REVENUES:</b>			
Sales of utilities:			
Customers	\$ 11,086	\$ 61,649	\$ 19,733
City departments	703	1,636	460
Wastewater treatment			
Service connection charges and miscellaneous	117	80	188
Other revenues	76	1,609	148
Electric rebate			
Total operating revenues	<u>11,982</u>	<u>64,974</u>	<u>20,529</u>
<b>OPERATING EXPENSES:</b>			
Purchase of utilities	4,204	30,242	8,744
Administration and general	910	2,196	712
Engineering (operating)	141	440	216
Resource management	305	1,499	445
Operations and maintenance	1,507	5,796	1,455
Rent	1,093	2,967	145
Depreciation and amortization	502	3,771	574
Total operating expenses	<u>8,662</u>	<u>46,911</u>	<u>12,291</u>
<b>OPERATING INCOME</b>	<u>3,320</u>	<u>18,063</u>	<u>8,238</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	571	2,945	804
Interest expense			
Joint venture debt service		(8,340)	
Loss on disposal of fixed assets	(22)	(20)	(29)
Total nonoperating revenues (expenses)	<u>549</u>	<u>(5,415)</u>	<u>775</u>
<b>INCOME BEFORE OPERATING TRANSFERS</b>	<u>3,869</u>	<u>12,648</u>	<u>9,013</u>
<b>OPERATING TRANSFERS:</b>			
Operating transfers in		65	
Operating transfers out	(1,765)	(6,264)	(1,684)
Net operating transfers	<u>(1,765)</u>	<u>(6,199)</u>	<u>(1,684)</u>
<b>NET INCOME (LOSS)</b>	2,104	6,449	7,329
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	23,937	118,358	31,471
<b>RESIDUAL EQUITY TRANSFER OUT</b>	<u>(141)</u>	<u>(440)</u>	<u>(158)</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 25,900</u>	<u>\$ 124,367</u>	<u>\$ 38,642</u>



Wastewater Collection	Wastewater Treatment	Refuse	Storm Drainage	Totals June 30	
				1995	1994
\$ 9,271		\$17,039	\$1,995	\$120,773	\$119,324
152	\$3,348	361	107	6,767	7,336
	5,989			5,989	6,403
59				444	424
730	197	1,629	6	4,395	14,515
					(36,542)
<u>10,212</u>	<u>9,534</u>	<u>19,029</u>	<u>2,108</u>	<u>138,368</u>	<u>111,460</u>
3,348		5,946		52,484	53,919
432	709	1,178	318	6,455	5,077
120	915	702	222	2,756	2,673
				2,249	2,216
897	6,228	7,299	458	23,640	20,776
29		3,138		7,372	7,165
719	1,524	363	94	7,547	7,095
<u>5,545</u>	<u>9,376</u>	<u>18,626</u>	<u>1,092</u>	<u>102,503</u>	<u>98,921</u>
<u>4,667</u>	<u>158</u>	<u>403</u>	<u>1,016</u>	<u>35,865</u>	<u>12,539</u>
442	342	471	94	5,669	5,593
(167)	(361)		(295)	(823)	(1,004)
		(406)		(8,746)	(8,524)
				(71)	(62)
<u>275</u>	<u>(19)</u>	<u>65</u>	<u>(201)</u>	<u>(3,971)</u>	<u>(3,997)</u>
<u>4,942</u>	<u>139</u>	<u>468</u>	<u>815</u>	<u>31,894</u>	<u>8,542</u>
		63		128	105
(14)	(72)	(25)	(36)	(9,860)	(10,126)
(14)	(72)	38	(36)	(9,732)	(10,021)
4,928	67	506	779	22,162	(1,479)
14,880	8,281	9,212	1,621	207,760	209,239
(71)	(315)	(133)	(28)	(1,286)	
<u>\$19,737</u>	<u>\$8,033</u>	<u>\$ 9,585</u>	<u>\$2,372</u>	<u>\$228,636</u>	<u>\$207,760</u>

# CITY OF PALO ALTO, CALIFORNIA

## ENTERPRISE FUNDS

### COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE

YEAR ENDED JUNE 30, 1994

(In thousands of dollars)

	Water	Electric	Gas
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income	\$ 3,320	\$ 18,063	\$ 8,238
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	502	3,771	574
Other nonoperating loss			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	308	611	(69)
(Increase) decrease in interest receivable	(36)	(222)	(106)
(Increase) decrease in prepaid items			168
Increase (decrease) in accounts payable, accrued liabilities and accrued salaries and benefits	107	818	(92)
Increase (decrease) in accrued compensated absences	10	39	15
(Decrease) increase in accrued self insurance	(42)	(153)	(62)
Increase in accrued landfill closure liability			
Net cash provided by operating activities	<u>4,169</u>	<u>22,927</u>	<u>8,666</u>
<b>CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers in		65	
Operating transfers out	<u>(1,765)</u>	<u>(6,264)</u>	<u>(1,684)</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,765)</u>	<u>(6,199)</u>	<u>(1,684)</u>
<b>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(2,413)	(7,059)	(3,848)
Principal paid on revenue bonds			
Proceeds from bond reserves			
Proceeds from bond issuances			
Interest paid on revenue bonds		(8,340)	
Residual equity transfers	<u>(141)</u>	<u>(440)</u>	<u>(158)</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,554)</u>	<u>(15,839)</u>	<u>(4,006)</u>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES -</b>			
Interest and dividends on pooled investments	<u>571</u>	<u>2,945</u>	<u>804</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	421	3,834	3,780
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>9,395</u>	<u>51,322</u>	<u>14,238</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 9,816</u>	<u>\$ 55,156</u>	<u>\$ 18,018</u>

Wastewater Collection	Wastewater Treatment	Refuse	Storm Drainage	Totals June 30	
				1995	1994
\$ 4,667	\$ 158	\$ 403	\$ 1,016	\$ 35,865	\$ 12,539
719	1,524	363	94	7,547	7,095
92 (90)	(14) (30)	(512) (52)	(30) (9)	386 (545) 168	(430) 236 25
492 8 (30)	178 21 (94)	11 1 (40)	(124) 3 (10)	1,390 97 (431) 1,508	(1,172) 52 524 89
<u>5,858</u>	<u>1,743</u>	<u>1,682</u>	<u>940</u>	<u>45,985</u>	<u>18,958</u>
(14)	(72)	63 (25)	(36)	128 (9,860)	105 (17,126)
(14)	(72)	38	(36)	(9,732)	(10,021)
(1,734) (146)	(445) (319)	1	(585) (90)	(16,083) (555)	(19,839) (3,050) 531
(167) (71)	(361) (315)	(406) (133)	8,353 (295) (28)	8,353 (9,569) (1,286)	(9,528)
<u>(2,118)</u>	<u>(1,440)</u>	<u>(538)</u>	<u>7,355</u>	<u>(19,140)</u>	<u>(31,886)</u>
442	342	471	94	5,669	5,593
4,168	573	1,653	8,353	22,782	(17,356)
<u>6,206</u>	<u>6,105</u>	<u>7,944</u>	<u>1,883</u>	<u>97,093</u>	<u>114,449</u>
<u>\$10,374</u>	<u>\$6,678</u>	<u>\$9,597</u>	<u>\$10,236</u>	<u>\$119,875</u>	<u>\$ 97,093</u>

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## INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The City maintains the following Internal Service Funds:

- ***Equipment Replacement Fund*** - established to account for the accumulation of resources to provide for current and future replacement of the City's motor vehicle equipment.
- ***Vehicle Maintenance Fund*** - established to account for central maintenance services on all City-owned vehicles.
- ***Printing Services Fund*** - established to account for central duplicating and printing services provided to City departments.
- ***Mailing Services Fund*** - established to account for central postage and mailing services provided to City departments.
- ***General Benefits and Insurance Fund*** - established to account for employee compensated absences and health benefits, and the City's self-insured workers' compensation and general liability programs.

# CITY OF PALO ALTO, CALIFORNIA

## INTERNAL SERVICE FUNDS COMBINING BALANCE SHEET JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Equipment Replacement	Vehicle Maintenance	Printing Services
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash, cash equivalents and investments	\$ 7,602	\$ 628	\$ 227
Accounts receivable, net		7	2
Interest receivable	122	10	4
Stores inventory		179	
Prepaid items			
	_____	_____	_____
Total current assets	7,724	824	233
Property, plant and equipment, net	5,489		98
	_____	_____	_____
<b>TOTAL ASSETS</b>	<b><u>\$ 13,213</u></b>	<b><u>\$ 824</u></b>	<b><u>\$ 331</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities		\$ 57	\$ 6
Accrued salaries and benefits		12	2
Accrued compensated absences - current			
Accrued self insurance - current			
Capital lease obligations - current	\$ 269		19
	_____	_____	_____
Total current liabilities	269	69	27
Accrued compensated absences			
Accrued self insurance			
Capital lease obligations			15
	_____	_____	_____
Total liabilities	269	69	42
<b>EQUITY:</b>			
Contributed capital	5,039	103	196
Retained earnings	7,905	652	93
	_____	_____	_____
Total equity	12,944	755	289
	_____	_____	_____
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 13,213</u></b>	<b><u>\$ 824</u></b>	<b><u>\$ 331</u></b>

Mailing Services	General Benefits and Insurance	Totals June 30	
		1995	1994
\$ 123	\$ 21,233	\$ 29,813	\$ 26,393
	9	18	11
2	251	389	315
		179	178
	20	20	214
125	21,513	30,419	27,111
		5,587	7,039
<u>\$ 125</u>	<u>\$ 21,513</u>	<u>\$ 36,006</u>	<u>\$ 34,150</u>
\$ 1	\$ 825	\$ 889	\$ 52
1	1,175	1,190	1,361
	5,504	5,504	5,141
	2,853	2,853	3,278
		288	534
2	10,357	10,724	10,366
	2,417	2,417	2,200
	3,062	3,062	4,040
		15	302
2	15,836	16,218	16,908
		5,338	5,338
<u>\$ 123</u>	<u>5,677</u>	<u>14,450</u>	<u>11,904</u>
123	5,677	19,788	17,242
<u>\$ 125</u>	<u>\$ 21,513</u>	<u>\$ 36,006</u>	<u>\$ 34,150</u>

# CITY OF PALO ALTO, CALIFORNIA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Equipment Replacement	Vehicle Maintenance	Printing Services
OPERATING REVENUES -			
Charges for services	<u>\$ 1,403</u>	<u>\$ 2,230</u>	<u>\$ 392</u>
OPERATING EXPENSES:			
Administration and general	6		312
Operations and maintenance		2,115	
Depreciation and amortization	1,472		28
Claim payments and change in estimated self-insured liability			
Compensated absences and other benefits			
Total operating expenses	<u>1,478</u>	<u>2,115</u>	<u>340</u>
OPERATING INCOME (LOSS)	<u>(75)</u>	<u>115</u>	<u>52</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	401	37	11
Interest expense	(41)		(1)
Gain on disposal of fixed assets	22		
Other	3	1	
Total nonoperating revenues	<u>385</u>	<u>38</u>	<u>10</u>
INCOME BEFORE OPERATING TRANSFERS	310	153	62
OPERATING TRANSFERS:			
Operating transfers in	32		
Operating transfers out	(220)		
Net operating transfers	<u>(188)</u>	<u>-</u>	<u>-</u>
NET INCOME	122	153	62
RETAINED EARNINGS, BEGINNING OF YEAR	<u>7,783</u>	<u>554</u>	<u>43</u>
RESIDUAL EQUITY TRANSFER OUT	-	(55)	(12)
RETAINED EARNINGS, END OF YEAR	<u>\$ 7,905</u>	<u>\$ 652</u>	<u>\$ 93</u>



Mailing Services	General Benefits and Insurance	Totals June 30	
		1995	1994
<u>\$ 385</u>	<u>\$ 24,527</u>	<u>\$ 28,937</u>	<u>\$ 30,324</u>
349	797	1,464	1,487
		2,115	2,087
		1,500	1,563
	219	219	1,819
	<u>22,800</u>	<u>22,800</u>	<u>23,594</u>
<u>349</u>	<u>23,816</u>	<u>28,098</u>	<u>30,550</u>
<u>36</u>	<u>711</u>	<u>839</u>	<u>(226)</u>
5	809	1,263	1,014
		(42)	(72)
		22	76
	<u>719</u>	<u>723</u>	<u>654</u>
<u>5</u>	<u>1,528</u>	<u>1,966</u>	<u>1,672</u>
41	2,239	2,805	1,446
		32	32
		(220)	
-	-	(188)	32
41	2,239	2,617	1,478
86	3,438	11,904	10,426
(4)	-	(71)	-
<u>\$ 123</u>	<u>\$ 5,677</u>	<u>\$ 14,450</u>	<u>\$ 11,904</u>

# CITY OF PALO ALTO, CALIFORNIA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Equipment Replacement	Vehicle Maintenance	Printing Services
<b>CASH FLOWS PROVIDED BY (USED IN) FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (75)	\$ 115	\$ 52
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,472		28
Other	25	1	
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable		2	(1)
Decrease (increase) in interest receivable	(35)	(3)	(1)
Increase in stores inventories		(1)	
Decrease (increase) in prepaid items			
Increase (decrease) in accounts payable, accrued liabilities and accrued salaries and benefits		5	(6)
Increase in accrued compensated absences			
Decrease in accrued self-insurance			
Net cash provided by operating activities	<u>1,387</u>	<u>119</u>	<u>72</u>
<b>CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers in	32		
Operating transfers out	<u>(220)</u>		
Net cash provided by (used in) noncapital financing activities	<u>(188)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(30)		
Principal paid on capital leases	(530)		(22)
Interest paid on capital leases	(41)		(1)
Contributed capital			
Residual equity transfer out		<u>(55)</u>	<u>(12)</u>
Net cash used in capital related activities	<u>(601)</u>	<u>(55)</u>	<u>(35)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>			
Interest and dividends on pooled investments	<u>401</u>	<u>37</u>	<u>11</u>
<b>NET INCREASE IN CASH AND INVESTMENTS</b>	<b>999</b>	<b>101</b>	<b>48</b>
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>6,603</b></u>	<u><b>527</b></u>	<u><b>179</b></u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u><b>\$7,602</b></u>	<u><b>\$628</b></u>	<u><b>\$227</b></u>

Mailing Services	General Benefits and Insurance	Totals June 30	
		1995	1994
\$ 36	\$ 711	\$ 839	\$ (226)
	719	1,500	1,563
	(8)	745	730
(1)	(34)	(7)	3
	194	(74)	(63)
		(1)	(29)
		194	(176)
2	665	666	(237)
	581	581	359
	(1,403)	(1,403)	72
<u>37</u>	<u>1,425</u>	<u>3,040</u>	<u>1,996</u>
		32	32
		(220)	
-	-	(188)	32
		(30)	(801)
		(552)	(521)
		(42)	(72)
			118
(4)		(71)	
(4)	-	(695)	(1,276)
<u>5</u>	<u>809</u>	<u>1,263</u>	<u>1,014</u>
38	2,234	3,420	1,766
<u>85</u>	<u>18,999</u>	<u>26,393</u>	<u>24,627</u>
<u>\$123</u>	<u>\$21,233</u>	<u>\$29,813</u>	<u>\$26,393</u>

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## TRUST AND AGENCY FUNDS

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

The City uses Expendable Trust Funds to account for programs from which the fund balances and revenue may be expended for purposes specifically designated by the program agreements:

- *The Community Projects Donations Fund* accounts for all donations dedicated for community projects on behalf of the City's residents.
- *The Assets Seizure Fund* - established to account for seized property and funds associated with drug trafficking. Under California Assembly Bill No. 4162, the monies are released to the City for specific expenditures related to law enforcement activities.
- *The Child Care Fund* - established to account for funding of the Child Care Master Plan through the efforts of the Child Care Task Force.
- *The Retiree Health Benefit Fund* - established to account for funding of retiree health benefits to the extent that actual benefits exceed one and one-half of the City's gross payroll costs in any fiscal period.

Agency Funds are custodial in nature and do not involve measurement of results of operations. The City maintains the Deferred Compensation program established for employees in an Agency Fund.

# CITY OF PALO ALTO, CALIFORNIA

## TRUST AND AGENCY FUNDS COMBINING BALANCE SHEET JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Expendable Trust Funds			
	Community Projects Donation	Assets Seizure	Child Care	Retiree Health Benefit
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 273	\$ 67	\$ 206	\$ 6,247
Restricted:				
Cash and cash equivalents		7		
Investments				
Interest receivable	<u>      </u>	<u>  1</u>	<u>  3</u>	<u>  100</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 273</u></b>	<b><u>\$ 75</u></b>	<b><u>\$ 209</u></b>	<b><u>\$ 6,347</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities		\$ 7		
Deferred compensation		<u>      </u>		
Total liabilities		7		
<b>FUND BALANCES -</b>				
Fund balances, unreserved and undesignated	<u>\$ 273</u>	<u>  68</u>	<u>\$ 209</u>	<u>\$ 6,347</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 273</u></b>	<b><u>\$ 75</u></b>	<b><u>\$ 209</u></b>	<b><u>\$ 6,347</u></b>

<u>Agency Funds</u> <u>Deferred</u> <u>Compensation</u> <u>Program</u>	<u>Totals</u> <u>June 30</u>	
	<u>1995</u>	<u>1994</u>

	\$ 6,793	\$ 131
	7	
\$33,687	33,687	28,101
	104	
<u>\$33,687</u>	<u>\$40,591</u>	<u>\$28,232</u>

	\$ 7	\$ 2
\$33,687	33,687	28,101
33,687	33,694	28,103
<u>-</u>	<u>6,897</u>	<u>129</u>
<u>\$33,687</u>	<u>\$40,591</u>	<u>\$28,232</u>

# CITY OF PALO ALTO, CALIFORNIA

**TRUST AND AGENCY FUNDS  
EXPENDABLE TRUST FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 1995 WITH  
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994  
(In thousands of dollars)**

	Expendable Trust Funds				Totals	
	Community Projects Donation	Assets Seizure	Child Care	Retiree Health Benefit	June 30 1995	1994
<b>REVENUES:</b>						
Interest earnings		\$ 2	\$ 10	\$ 218	\$ 230	\$ 3
Other	\$ 212	35	176		423	26
Total revenues	212	37	186	218	653	29
<b>EXPENDITURES:</b>						
Public safety - police	11				11	22
Community services			3		3	4
Total expenditures	11	-	3	-	14	26
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>201</u>	<u>37</u>	<u>183</u>	<u>218</u>	<u>639</u>	<u>3</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	72	31	26	-	129	126
<b>RESIDUAL EQUITY TRANSFER IN - General Fund and Proprietary Funds</b>	-	-	-	6,129	6,129	-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 273</u>	<u>\$ 68</u>	<u>\$ 209</u>	<u>\$ 6,347</u>	<u>\$ 6,897</u>	<u>\$ 129</u>



# CITY OF PALO ALTO, CALIFORNIA

## TRUST AND AGENCY FUNDS DEFERRED COMPENSATION PROGRAM AGENCY FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 1995 (In thousands of dollars)

	Balances July 1, 1994	Additions	Deductions	Balances June 30, 1995
<b>ASSETS</b>				
<b>RESTRICTED INVESTMENTS:</b>				
The Hartford	\$ 19,702	\$3,858	\$ 953	\$22,607
ICMA	7,494	2,847	131	10,210
Great Western Savings	905	30	65	870
	<u>28,101</u>	<u>6,735</u>	<u>1,149</u>	<u>33,687</u>
Total cash and cash equivalents with fiscal agents				
	<u>28,101</u>	<u>6,735</u>	<u>1,149</u>	<u>33,687</u>
<b>TOTAL ASSETS</b>	<b><u>\$28,101</u></b>	<b><u>\$6,735</u></b>	<b><u>\$1,149</u></b>	<b><u>\$33,687</u></b>
<b>LIABILITIES</b>				
DEFERRED COMPENSATION	<u>\$28,101</u>	<u>\$6,735</u>	<u>\$1,149</u>	<u>\$33,687</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$28,101</u></b>	<b><u>\$6,735</u></b>	<b><u>\$1,149</u></b>	<b><u>\$33,687</u></b>

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## GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group includes those fixed assets which are used in the performance of general governmental functions and excludes the fixed assets of the enterprise and internal service funds. Fixed assets in this account group are stated at historical cost, or estimated historical cost if actual historical cost is not available.

# CITY OF PALO ALTO, CALIFORNIA

## SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	June 30	
	1995	1994
<b>GENERAL FIXED ASSETS:</b>		
Land and improvements	\$ 51,440	\$ 50,800
Buildings and structures	45,811	45,675
Equipment	<u>7,777</u>	<u>6,365</u>
<b>TOTAL GENERAL FIXED ASSETS</b>	<b><u>\$ 105,028</u></b>	<b><u>\$ 102,840</u></b>
<b>INVESTMENT IN GENERAL FIXED ASSETS FROM:</b>		
Investment in assets, beginning of year	\$ 102,840	\$ 110,311
Adjustment to the carrying value of fixed assets as discussed in the general purpose financial statements		(7,471)
Investment in assets acquired from current activity, net	<u>2,188</u>	<u>          </u>
<b>TOTAL INVESTMENT IN GENERAL FIXED ASSETS</b>	<b><u>\$ 105,028</u></b>	<b><u>\$ 102,840</u></b>

# CITY OF PALO ALTO, CALIFORNIA

## SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY SOURCE FOR THE YEAR ENDED JUNE 30, 1995 (In thousands of dollars)

	Land and Improvements	Buildings and Structures	Equipment	Total Cost
GENERAL FIXED ASSETS, JUNE 30, 1994	<u>\$50,800</u>	<u>\$45,675</u>	<u>\$6,365</u>	<u>\$102,840</u>
ADD:				
Expenditures from:				
General Fund Revenues		83	282	365
Capital Projects Fund Revenues	640	53	1,126	1,819
Donations	<u>        </u>	<u>        </u>	<u>    4</u>	<u>    4</u>
Total additions	<u>    640</u>	<u>    136</u>	<u>  1,412</u>	<u>  2,188</u>
DEDUCT:				
Retirements	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Transfers	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total deductions	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
GENERAL FIXED ASSETS, JUNE 30, 1995	<u>\$51,440</u>	<u>\$45,811</u>	<u>\$7,777</u>	<u>\$105,028</u>

# CITY OF PALO ALTO, CALIFORNIA

## SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1994 (In thousands of dollars)

	Land and Improvements	Buildings and Structures	Equipment	June 30	
				1995	1994
<b>ADMINISTRATION:</b>					
City clerk and council			\$ 88	\$ 88	\$ 73
City manager			43	43	35
City attorney			108	108	66
City auditor			19	19	19
Finance			248	248	127
Personnel			50	50	37
Information resources			1,367	1,367	1,053
General government	\$ 1,782	\$ 12,828	1,423	16,033	14,237
<b>Total administration</b>	<b>1,782</b>	<b>12,828</b>	<b>3,346</b>	<b>17,956</b>	<b>15,647</b>
<b>PUBLIC SAFETY:</b>					
Police			683	683	645
Fire	392	4,979	768	6,139	6,037
Communications			1,605	1,605	1,332
Animal services	37	333	59	429	426
<b>Total public safety</b>	<b>429</b>	<b>5,312</b>	<b>3,115</b>	<b>8,856</b>	<b>8,440</b>
<b>LIBRARIES</b>	<b>245</b>	<b>2,765</b>	<b>209</b>	<b>3,219</b>	<b>3,150</b>
<b>PARKS, RECREATION AND CULTURE</b>	<b>25,592</b>	<b>16,718</b>	<b>1,107</b>	<b>43,417</b>	<b>44,299</b>
<b>PARKING FACILITIES</b>	<b>3,012</b>	<b>8,188</b>		<b>11,200</b>	<b>11,200</b>
<b>OPEN SPACE</b>	<b>17,816</b>			<b>17,816</b>	<b>17,540</b>
<b>HOUSING</b>	<b>2,564</b>			<b>2,564</b>	<b>2,564</b>
<b>TOTAL GENERAL FIXED ASSETS</b>	<b>\$51,440</b>	<b>\$45,811</b>	<b>\$7,777</b>	<b>\$105,028</b>	<b>\$102,840</b>

# CITY OF PALO ALTO, CALIFORNIA

## SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY JUNE 30, 1995 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995 (In thousands of dollars)

	Balances July 1, 1994	Additions	Deletions/ Transfers	Balances June 30, 1995
<b>ADMINISTRATION:</b>				
City clerk and council	\$ 73	\$ 15		\$ 88
City manager	35	8		43
City attorney	66	42		108
City auditor	19			19
Finance	127	121		248
Personnel	37	13		50
Information resources	1,053	314		1,367
General government	<u>14,237</u>	<u>\$ 439</u>	<u>\$ 1,357</u>	<u>16,033</u>
Total administration	15,647	952	1,357	17,956
<b>PUBLIC SAFETY:</b>				
Police	645	38		683
Fire	6,037	102		6,139
Communications	1,332	273		1,605
Animal services	<u>426</u>	<u>3</u>		<u>429</u>
Total public safety	8,440	416		8,856
LIBRARIES	3,150	69		3,219
PARKS, RECREATION AND CULTURE	44,299	475	(1,357)	43,417
PARKING FACILITIES	11,200			11,200
OPEN SPACE	17,540	276		17,816
HOUSING	<u>2,564</u>			<u>2,564</u>
<b>TOTAL GENERAL FIXED ASSETS</b>	<u>\$ 102,840</u>	<u>\$ 2,188</u>	<u>\$ -</u>	<u>\$ 105,028</u>

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## **STATISTICAL TABLES AND OTHER SCHEDULES (UNAUDITED)**

Statistical Tables and Other Schedules are included to provide detailed data on the physical, economic, social and political characteristics of the reporting government. They are intended to provide the user with a broader and more complete understanding of the City and its financial affairs than is possible from the General Purpose Financial Statements and supporting schedules included in the Financial Section.

# CITY OF PALO ALTO, CALIFORNIA

## GENERAL GOVERNMENTAL REVENUES BY SOURCE LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

Fiscal Year	Sales Taxes	Property Taxes	Other Taxes	Service Fees and Permits	Fines, Forfeits and Penalties
1985-86	\$ 11,470	\$ 6,105	\$ 6,980	\$ 3,148	\$ 858
1986-87	12,080	6,748	6,332	4,727	935
1987-88 (B)	12,590	6,578	10,056	4,835	998
1988-89	12,409	6,887	12,376	5,024	1,383
1989-90	13,987	7,512	12,158	5,615	1,251
1990-91	14,140	8,109	12,317	6,168	1,222
1991-92	14,692	8,555	12,493	6,570	1,097
1992-93	13,322	8,367	13,663	6,923	1,068
1993-94 (A)	14,635	7,737	14,763	7,915	1,180
1994-95	14,765	7,485	14,682	7,955	1,179

Note: Includes general, special revenue, debt service and capital projects funds.

- (A) During fiscal year 1993-94 the City implemented GASB Statement No. 14, *The Reporting Entity*, and as a result the Palo Alto Centennial 1994, Inc. was included in the beginning of this year. Data prior to 1993-94 has not been restated.
- (B) During fiscal year 1987-88 the City implemented GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments*. Data prior to 1987-88 has not been restated.

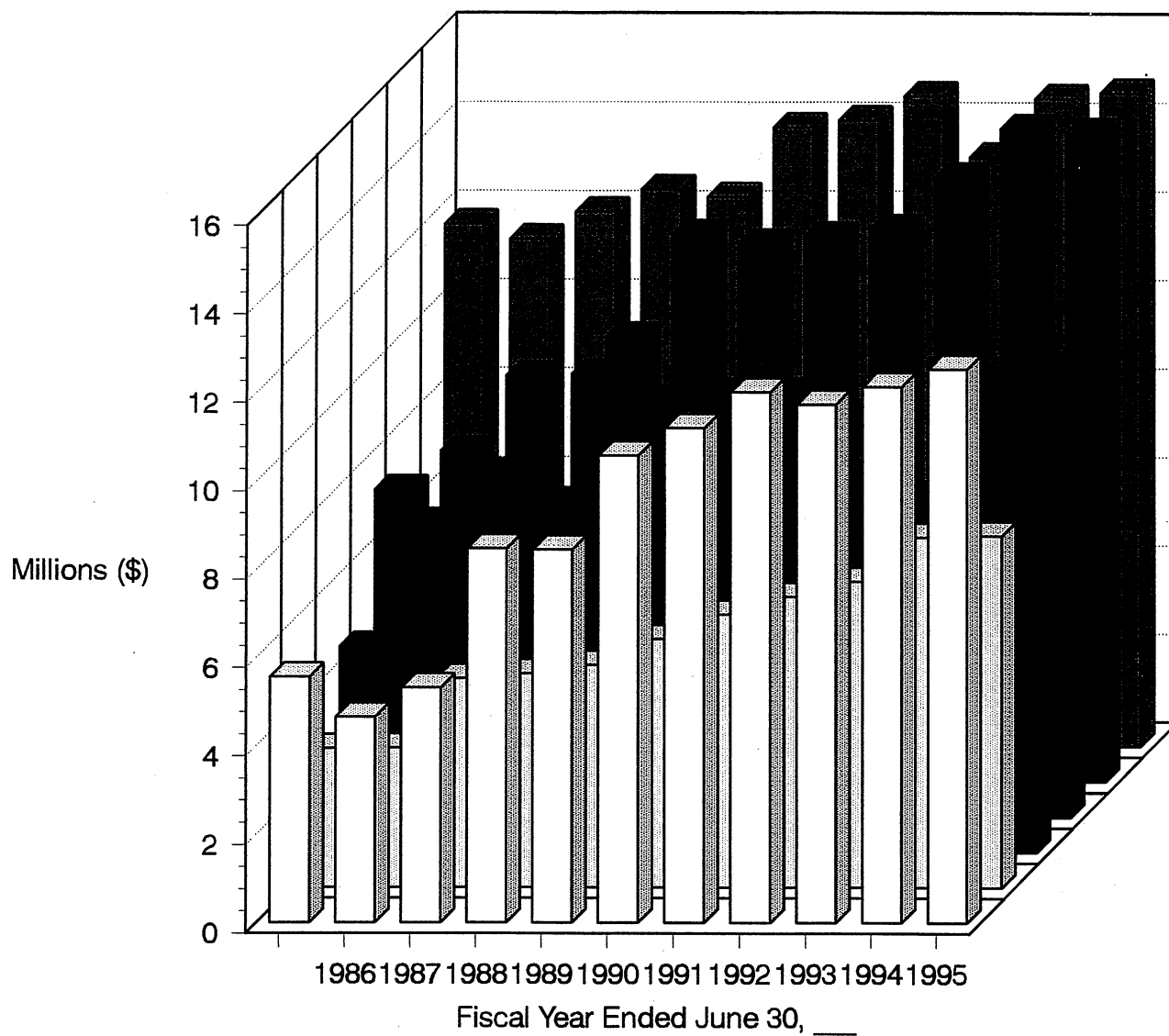
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<b>Interest and Rentals</b>	<b>Fire Protection and Emergency Communication Services</b>	<b>From Other Agencies</b>	<b>Other</b>	<b>Total</b>
\$ 4,640	\$2,724	\$1,490	\$3,200	\$40,615
5,315	3,172	1,328	4,547	45,184
8,468	3,479	1,365	4,182	52,551
8,444	3,227	1,193	3,628	54,571
10,567	3,029	1,269	4,038	59,426
11,190	3,561	1,711	3,110	61,528
12,001	3,908	2,982	1,127	63,425
11,725	3,565	1,910	750	61,293
12,132	3,884	2,295	2,381	66,922
<b>12,528</b>	<b>4,097</b>	<b>2,007</b>	<b>2,938</b>	<b>67,636</b>

# CITY OF PALO ALTO

## GENERAL REVENUES BY SOURCE

(unaudited)



- Interest and Rentals
  Service Fees and Permits
  Property Tax
- (1) All Other Revenues
  Other Taxes
  Sales Tax

(1) Includes all revenues from categories: Fines, Forfeits and Penalties; Fire Protection and Emergency Communication Services; From Other Agencies; and Other. (pp 96-97)

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# CITY OF PALO ALTO, CALIFORNIA

## GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

Fiscal Year	Administration (A)	Public Works	Planning and Community Environment	Police	Fire
1985-86	\$ 6,827	\$ 11,215	\$ 2,345	\$ 10,216	\$ 7,954
1986-87	7,279	11,344	2,652	11,426	8,676
1987-88 (B)	7,660	11,384	2,553	11,347	8,562
1988-89	9,117 (C)	7,953	2,807	10,954	8,339
1989-90	7,788	7,729	3,065	11,881	9,067
1990-91	7,830	5,871	2,881	12,867	9,762
1991-92	8,519	7,129	3,313	13,076	10,027
1992-93	8,809	6,673	3,757	13,380	10,040
1993-94 (D)	9,343	7,058	4,160	14,150	11,718
1994-95	10,340	7,517	3,842	14,058	11,437

Note: Includes general, special revenue, debt service and capital project funds.

(A) Comprised of the following departments:

City Council	City Auditor
City Manager	Finance
City Attorney	Information Resources
City Clerk	Human Resources

(B) During fiscal year 1987-88 the City implemented GASB Statement No. 6, *Accounting and Reporting for Special Assessments*. Data prior to 1987-88 has not been restated.

(C) Includes litigation settlement of \$1,820.

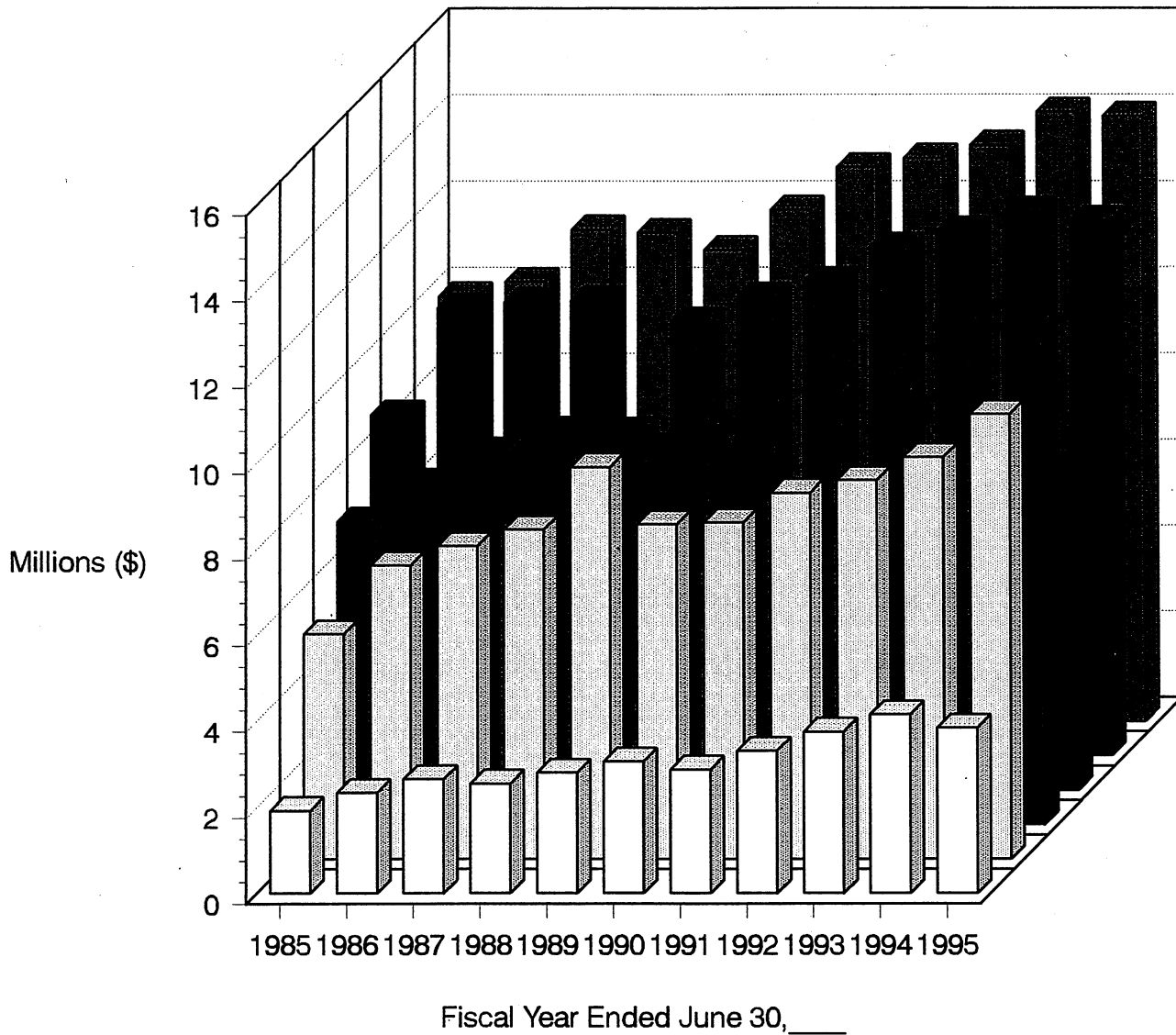
(D) During fiscal year 1993-94 the City implemented GASB Statement No. 14, *The Reporting Entity*, and as a result the Palo Alto Centennial 1994, Inc. was included in the beginning of this year. Data prior to 1993-94 has not been restated.

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<b>Community Services</b>	<b>School Site Operations</b>	<b>Special Revenue and Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
\$ 6,162		\$ 6,363	\$ 1,845	\$ 52,927
7,559		6,679	2,728	58,343
7,547	\$ 850	4,171	2,916	56,990
10,098	2,378	6,470	2,789	60,905
10,674	3,434	5,641	2,547	61,826
11,025	5,164	9,303	3,139	67,842
11,816	5,469	6,609	2,765	68,723
12,183	5,632	5,342	2,541	68,357
12,651	5,645	7,450	2,569	74,744
<b>12,435</b>	<b>5,884</b>	<b>7,722</b>	<b>2,415</b>	<b>75,650</b>

# CITY OF PALO ALTO

## GENERAL FUND DEPARTMENTAL EXPENDITURES (unaudited)



- Community Environment    □ Administration (A)
- Fire                            ■ Public Works
- Community Services        ■ Police

(A) Comprised of the following departments: City Council, City Manager, City Attorney, City Clerk, City Auditor, Finance, Information Resources and Human Resources



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# CITY OF PALO ALTO, CALIFORNIA

## PROPERTY TAX RATES, LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

Fiscal Year	Assessed Value	Total Tax Levy (1)	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections (2)
1985-86	\$ 4,155,649	\$ 6,094	\$ 5,965	\$ 140	\$ 6,105
1986-87	4,844,145	6,762	6,616	132	6,748
1987-88	5,162,625	6,586	6,437	141	6,578
1988-89	5,339,581	6,869	6,726	161	6,887
1989-90	5,864,061	7,509	7,356	156	7,512
1990-91	6,501,973	8,192	7,970	139	8,109
1991-92	6,949,429	8,617	8,372	183	8,555
1992-93	7,443,688	8,373	8,148	219	8,367
1993-94 (3)	7,592,131	7,310	7,310	427	7,737
1994-95	7,795,396	7,485	7,485	-	7,485

Note: (1) Article XIII-A of the Constitution of the State of California adopted by the electorate in June 1978 precludes the City from a local property tax levy. All general purpose property taxes are levied by the county and allocated to other governmental entities on a predetermined formula.

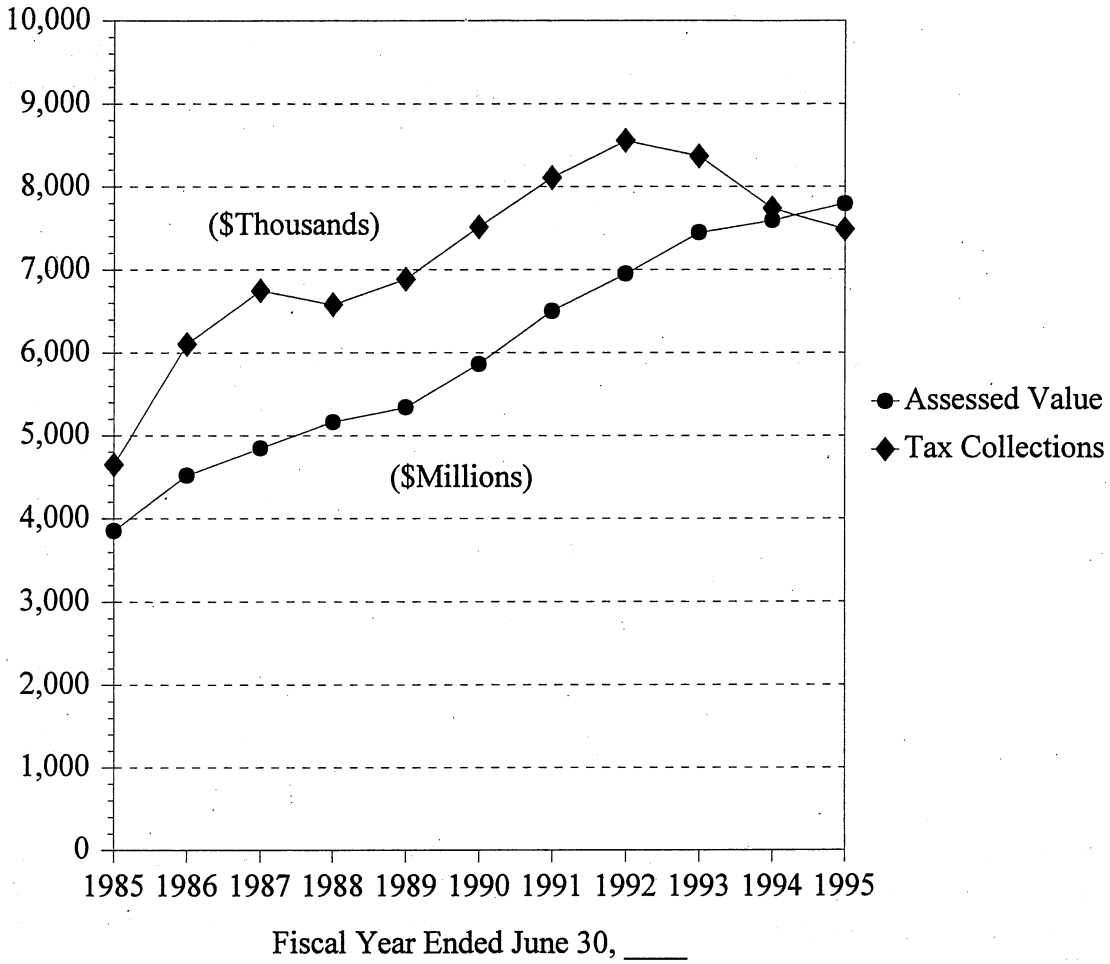
(2) Includes collection of the current levy plus delinquencies and penalties of prior years.

(3) Effective with the fiscal year 1993-94, the City is on the Teeter Plan, under which the County of Santa Clara pays the City the full tax levy due. All prior delinquent taxes were also received in this fiscal year.

# CITY OF PALO ALTO

## ASSESSED VALUES vs TAX COLLECTION

(unaudited)



# CITY OF PALO ALTO, CALIFORNIA

## ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

---

Fiscal Year	Secured Roll			Public Utilities (1)
	Land	Improvements	Personal Property	
1985-86	\$ 1,255,547	\$ 2,106,016	\$ 63,990	\$ 128,316
1986-87	1,377,464	2,348,713	69,470	130,299
1987-88	1,543,130	2,588,554	120,321	130,952
1988-89	1,670,237	2,809,962	142,484	7,295
1989-90	1,897,944	3,019,530	134,389	8,138
1990-91	2,168,956	3,253,018	107,494	10,139
1991-92	2,324,109	3,446,205	275,237	13,666
1992-93	2,533,275	3,758,000	356,415	3,200
1993-94	2,687,134	3,876,127	353,803	1,425
1994-95	2,764,558	4,018,251	281,479	1,508

Note: (1) Beginning in fiscal year 1988-89, Chapter 921 of the Statutes of 1987 requires the establishment of a single county-wide tax rate area for the assignment of the assessed value of certain types of state-assessed utility property and sets forth formulas for the determination of county-wide tax rates for this particular type of property.

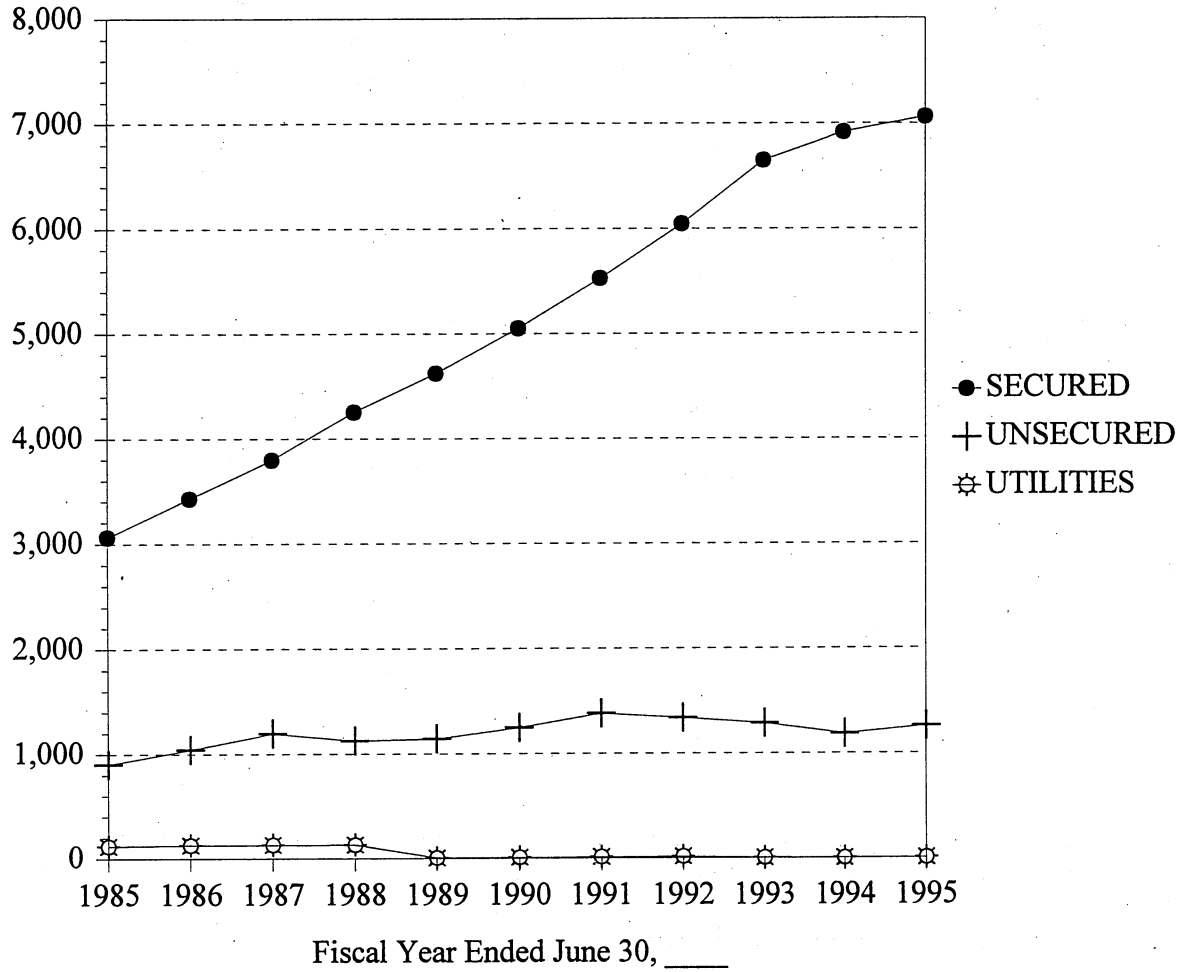
Source: County of Santa Clara Assessor's Office

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<b>Unsecured Roll</b>	<b>Less Exemptions Net of State-Aid</b>	<b>Total Assessed Value</b>
\$ 1,044,827	\$ 443,047	\$ 4,155,649
1,198,144	279,945	4,844,145
1,128,227	348,559	5,162,625
1,145,899	436,296	5,339,581
1,248,028	443,968	5,864,061
1,384,622	422,256	6,501,973
1,340,081	449,869	6,949,429
1,290,140	497,342	7,443,688
1,188,354	514,712	7,592,131
<b>1,262,254</b>	<b>532,654</b>	<b>7,795,396</b>

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CITY OF PALO ALTO  
ASSESSED VALUE OF TAXABLE PROPERTY  
(unaudited)



# CITY OF PALO ALTO, CALIFORNIA

## PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (PER \$100 OF ASSESSED VALUE) LAST TEN FISCAL YEARS (Unaudited)

---

Fiscal Year	County of Santa Clara	School Districts	Special Districts	Total	Parking District
1985-86	\$ 1.036	\$ 0.017	\$ 0.003	\$ 1.056	\$ 0.042
1986-87	1.024	0.017	0.001	1.042	-
1987-88	1.039	0.016	0.002	1.057	-
1988-89	1.038	0.011	0.000	1.049	-
1989-90	1.038	0.008	0.000	1.046	-
1990-91	1.039	0.004	0.000	1.043	-
1991-92	1.039	0.002	0.000	1.041	-
1992-93	1.029	0.003	0.000	1.032	-
1993-94	1.031	0.000	0.000	1.031	-
<b>1994-95</b>	<b>1.033</b>	<b>0.000</b>	<b>0.000</b>	<b>1.033</b>	-

Note: Tax rates stated are the rates applicable to the tax area having the highest assessed valuation of all areas within the City of Palo Alto. Rates are based on \$100 assessed valuation.

Source: County of Santa Clara, Tax Rates and Information



# CITY OF PALO ALTO, CALIFORNIA

## SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

---

<b>Fiscal Year</b>	<b>County Assessment Due</b>	<b>Current Assessment Collected</b>	<b>Delinquent and Penalties Collected</b>	<b>Total Collections</b>
1985-86	\$1,112	\$1,087	\$ 20	\$1,107
1986-87	984	953	30	983
1987-88	1,017	981	35	1,016
1988-89	1,127	1,086	31	1,117
1989-90	989	954	36	990
1990-91	1,016	997	23	1,020
1991-92	994	984	14	998
1992-93	959	939	11	950
1993-94 (1)	850	850	14	864
<b>1994-95</b>	<b>1,016</b>	<b>1,016</b>	<b>-</b>	<b>1,016</b>

Note: (1) Effective with the fiscal year 1993-94, the City is on the Teeter Plan, under which the County of Santa Clara pays the City the full assessment due. Payment for all prior delinquencies was also received in this fiscal year.

# CITY OF PALO ALTO, CALIFORNIA

## RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

Fiscal Year	Population	Assessed Value	Bonded Debt (1)	Percent of Bonded Debt to Assessed Value	Bonded Debt Per Capita
1985-86	56,800	\$ 4,515,649	\$ 21,773	.482%	\$ .38
1986-87	56,600	4,844,145	21,869	.452	.39
1987-88	56,900	5,162,625	20,671	.400	.36
1988-89	56,950	5,339,581	19,616	.367	.34
1989-90	57,400	5,864,061	20,334	.347	.35
1990-91	56,000	6,501,973	19,046	.293	.34
1991-92	56,330	6,949,429	20,605	.296	.37
1992-93	57,300	7,443,688	19,331	.260	.34
1993-94	58,100	7,592,131	20,888	.275	.36
1994-95	58,580	7,795,396	19,113	.245	.33

(1) General Bonded Debt includes: General Revenue Bonds, Certificates of Participation, Special Assessment Debt, and Capital Lease Obligations. It excludes the outstanding balance of the lease purchase of copiers acquired in 1990-91 in the amount of \$34,000 and optical imaging equipment acquired in 1991-92 in the amount of \$27,000.

# CITY OF PALO ALTO, CALIFORNIA

## COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 1995

(In thousands of dollars) (Unaudited)

---

1994-95 Assessed value		<u>\$7,795,396</u>
Debt limit - 15% of assessed value		\$1,169,309
Amount of debt applicable to debt limit:		
General revenue bonds	\$ 925	
Certificates of participation	6,530	
Capital lease obligations	2,701	
Special assessment debt with governmental commitment	<u>9,010</u>	
Total	19,166	
Less amount available in debt service funds	<u>3,532</u>	
Total amount of debt applicable to debt limit		<u>15,634</u>
Legal debt margin		<u>\$1,153,675</u>

Note: (1) Capital lease obligations include lease purchase obligations of Internal Service Funds, but exclude debt recorded in the Enterprise Funds because such debt is not subject to the legal debt margin.

# CITY OF PALO ALTO, CALIFORNIA

## SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT JUNE 30, 1995 (In thousands of dollars) (Unaudited)

1993-94 Assessed Valuation	\$7,795,396		
<b>Direct and Overlapping Bonded Debt</b>		<b>% Applicable</b>	<b>June 30, 1995 Bonded Debt</b>
Santa Clara County Building Authorities and Board of Education		7.662	\$43,062
Santa Clara County FC & WCD, Zone W-1		0.506	97
Foothill-DeAnza Community College District		22.216	6,840
Other School Districts and School Authorities		Various	212
City of Palo Alto General Fund Obligations		100.000	10,103 (1)
City of Palo Alto Special Assessment Bonds		100.000	9,010
Midpeninsula Regional Park District		13.446	7,459
Santa Clara Valley Water District Certificates of Participation		7.662	10,850
Other Special Districts		Various	<u>3</u>
<b>Total Gross Direct and Overlapping Bonded Debt</b>			<b>87,636</b>
Less: El Camino Hospital Authority (100% Self-Supporting)			<u>3</u>
<b>Total Net Direct and Overlapping Bonded Debt</b>			<b><u>\$87,633</u></b>
<b>Ratios to Assessed Valuation:</b>			
Gross Direct Debt (\$10,103)		0.13%	
Total Gross Debt		1.12%	
Total Net Debt		1.12%	

Note: (1) Includes \$2,371,086 Terman School Capital Lease Obligation and \$277,010 Equipment Lease.

Source: California Municipal Statistics, Inc.

# CITY OF PALO ALTO, CALIFORNIA

## RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

Fiscal Year	Principal	Interest and Other Charges	Total Debt Service	Total General Expenditures (1)	Ratio of Debt Service to Total General Expenditures
1985-86 (2)	\$ 565	\$ 1,280	\$ 1,845	\$ 46,564	3.96
1986-87	940	1,147	2,087	55,411	3.77
1987-88	1,198	1,718	2,916	53,375	5.46
1988-89	1,113	1,676	2,789	55,566	5.02
1989-90	1,112	1,435	2,547	57,433	4.43
1990-91	1,289	1,850	3,139	59,519	5.27
1991-92	1,151	1,614	2,765	64,073	4.32
1992-93	1,274	1,267	2,541	63,882	3.98
1993-94	1,305	1,264	2,569	68,677	3.74
1994-95	1,245	1,170	2,415	69,911	3.45

Note: (1) Includes general, special revenue and debt service funds but excludes capital projects.

(2) Data presented for fiscal year 1985 to 1986 was not restated to include special assessments as a result of the adoption of GASB Statement No. 6.

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# CITY OF PALO ALTO, CALIFORNIA

## REVENUE BOND COVERAGE - WATER, ELECTRIC, GAS, WASTEWATER COLLECTION, WASTEWATER TREATMENT AND STORM DRAINAGE FUNDS LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service		Requirements	
				Principal	Interest	Total	Coverage
1985-86	\$ 89,996	\$66,920	\$23,076	\$210	\$ 657	\$ 867	\$26.62
1986-87	96,803	68,919	27,884	220	856	1,076	25.91
1987-88	97,084	63,382	33,702	334	1,044	1,378	24.46
1988-89	97,790	60,344	37,446	534	1,011	1,545	24.24
1989-90	104,948	70,090	34,858	565	935	1,500	23.24
1990-91	109,115	70,302	38,813	950	922	1,872	20.73
1991-92	115,659	65,861	49,798	690	829	1,519	32.78
1992-93	119,274	66,212	53,062	735	1,159	1,894	28.02
1993-94	132,317	68,371	63,946	875	945	1,820	35.14
1994-95	124,537	76,693	47,844	555	997	1,552	30.83

Note: (1) 1993-94 excludes electric rebate.

(2) Excludes depreciation and amortization expense.

# CITY OF PALO ALTO, CALIFORNIA

## DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS (Unaudited)

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<b>Fiscal Year</b>	<b>City Size Square Miles</b>	<b>Street Miles</b>	<b>City Population (1)</b>	<b>County Population (1)</b>
1985-86	25.98	190.10	56,800	1,403,100
1986-87	25.98	190.10	56,600	1,407,900
1987-88	25.98	193.12	56,900	1,431,600
1988-89	25.98	193.12	56,950	1,440,900
1989-90	25.98	193.12	57,400	1,463,500
1990-91	25.98	193.12	56,000	1,513,100
1991-92	25.98	193.12	56,330	1,531,700
1992-93	25.98	193.12	57,300	1,563,800
1993-94	25.98	193.12	58,100	1,587,800
1994-95	25.98	193.12	58,580	1,607,700

Sources: (1) State Department of Finance  
(2) Palo Alto Unified School District  
(3) State Employment Development Office



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<b>City Population as a % of County</b>	<b>School Population (2)</b>	<b>Unemployment Rate (3)</b>
4.05	7,914	3.4%
4.02	7,835	2.8%
3.97	7,683	2.6%
3.95	7,477	2.6%
3.92	7,443	2.3%
3.70	7,496	3.9%
3.68	7,756	4.5%
3.66	7,970	3.8%
3.66	8,334	3.3%
<b>3.64</b>	<b>8,419</b>	<b>2.8%</b>

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# CITY OF PALO ALTO, CALIFORNIA

## CONSTRUCTION ACTIVITY LAST TEN FISCAL YEARS (In thousands of dollars) (Unaudited)

Fiscal Year	Industrial		Commercial or Office		Residential		All Others	
	Number of Permits	Valuation	Number of Permits	Valuation	Number of Permits	Valuation	Number of Permits	Valuation
1985-86	32	\$ 5,145	280	\$ 30,676	910	\$ 29,560	135	\$ 8,509
1986-87	16	2,229	330	61,099	1,108	39,205	83	11,011
1987-88	10	1,125	311	42,062	1,100	40,870	81	13,033
1988-89	3	182	316	59,835	1,130	47,334	65	5,192
1989-90	7	249	331	66,373	1,195	43,378	53	3,474
1990-91	6	470	342	79,998	1,088	41,862	70	9,935
1991-92	11	814	355	82,088	1,087	38,101	63	2,692
1992-93	7	2,244	388	68,923	1,079	33,065	65	2,506
1993-94	23	2,509	377	61,492	1,081	37,284	96	3,823
<b>1994-95</b>	<b>49</b>	<b>4,846</b>	<b>335</b>	<b>39,625</b>	<b>1,032</b>	<b>35,563</b>	<b>72</b>	<b>7,055</b>

# CITY OF PALO ALTO, CALIFORNIA

INSURANCE COVERAGE  
JUNE 30, 1995  
(Unaudited)

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Type	Coverage (or comment)
<b>Property Loss</b> Blanket	All real & personal property - (\$10,000 deductible)
Boiler & Machinery	All real & personal property: (\$25,000 deductible - each transformer) (\$10,000 deductible - all other objects)
<b>Financial Loss</b> Employee Blanket	Position bond - faithful performance per loss - (\$5,000 deductible)
<b>Comprehensive Public Liability</b>	City is self-insured for first \$1,000,000 of liability
<b>Umbrella Excess</b>	City is a member of an insurance pool participating with a number of other California cities.
<b>Special Liability</b> Volunteers Accident	Each Occurrence Medical - Each Person (\$25 deductible)
Special Events	Bodily Injury (\$250 deductible)
<b>Employee Benefit</b> Travel Accident	Indemnity, based on salary
<b>Employee Health Plan</b>	The City participates in the California Public Employees' Medical and Health Care Act (PEMHCA) program to provide medical benefits to employees and retirees.
<b>Workers' Compensation</b>	City is self-insured for first \$500,000 of liability
<b>Excess Workers' Compensation</b>	Excess Workers' Compensation Employers Liability

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<b>Limits</b>	<b>Company</b>	<b>Expiration Date</b>
\$196,980,000	Chubb/Federal	07/01/95
\$10,000,000 per accident	Chubb/Pacific Indemnity	07/01/95
\$1,000,000	Hartford Accident & Indemnity	07/01/95
\$9,000,000 per occurrence \$27,000,000 aggregate	ACCEL Group	07/01/95
\$5,000 \$5,000	National American Life Insurance Co.	01/01/96
\$1,000,000 per occurrence	Scottsdale Insurance	03/24/96
\$1,500,000 per accident	Life Insurance Co. of No. America	06/01/96
\$2,000,000	National Union Fire Insurance	07/01/95

# CITY OF PALO ALTO, CALIFORNIA

## PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 1995

(In thousands of dollars) (Unaudited)

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	Type of Business	Assessed Valuation	% of Total Assessed Valuation
Leland Stanford Jr. University	University and Ancillary	\$1,291,331	16.57
Space Systems/Loral, Inc.	Research and Development	168,891	2.17
S I Palo Alto, Inc.	Offices, Banks and Clinics	46,062	0.59
Harbor Investment Partners	General Industrial	39,000	0.50
Cowper-Hamilton Associates	Offices, Banks and Clinics	32,486	0.42
Sun Microsystems, Inc.	Computers and Electronics	29,317	0.38
Stanford Square Limited Partners	Offices, Banks and Clinics	20,856	0.27
Digital Equipment Corporation	Computers and Electronics	16,695	0.21
Hewlett-Packard Company	Computers and Electronics	15,953	0.20
Maytai Investments, Inc.	Offices, Banks and Clinics	<u>15,347</u>	<u>0.20</u>
Totals		<u>\$1,675,938</u>	<u>21.51</u>

Source: Center for Urban Analysis, County of Santa Clara

# CITY OF PALO ALTO, CALIFORNIA

## MISCELLANEOUS STATISTICAL INFORMATION

JUNE 30, 1995

(Unaudited)

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Discovered	1769
Incorporated	April 16, 1894
Incorporated as charter city	July 1, 1909
Government	Council - City Manager Form
Population	58,580
Land Area	25.98 Square Miles
City Maintained Trees	38,600
Police Protection	1 Station 165 Regular Employees 27 Police Patrol Vehicles
Fire Protection	7 Stations 117 Regular Employees 24 Fire Apparatus 1,500 Fire Hydrants
Community Services	141 Acres - Downtown Parks 3,997 Acres - Open Space 34 Parks 1 Golf Course 45 Tennis Courts 1 Athletic Center 4 Community Centers 2 Theatres 1 Cultural Center 1 Junior Museum and Zoo 2 Swimming Pools 2 Nature Centers
Number of Housing Units	25,494 Units
Commercial and Industrial Space	26.7 Million Square Feet
Municipal Utility Plants:	
Water	5.8 Million CCF Sold, 19,156 Accounts 223 Miles of Mains
Wastewater	9,376 Million Gallons Processed 21,879 Accounts 243 Miles of Sanitary Sewer Lines
Electric	1,081 Million KWH Sold, 27,494 Accounts 209 Pole Miles, 249 Trench Miles
Gas	37 Million Therms Sold, 23,305 Accounts 175 Miles of Gas Mains

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**CITY OF PALO ALTO, CALIFORNIA**

**SINGLE AUDIT REPORTS**

**for the year ended June 30, 1995**



**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE  
BASED ON THE AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members  
of the City Council of the City of Palo Alto, California:

We have audited the general purpose financial statements of City of Palo Alto, California (the City) as of June 30, 1995, and for the year then ended, and have issued our report thereon dated October 27, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement.

The management of the City is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the City for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal

course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation that we have reported to the management of the City in a separate letter dated October 27, 1995.

This report is intended for the information of the mayor, members of the city council, finance committee, management, and others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON THE AUDIT OF THE  
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members  
of the City Council of the City of Palo Alto, California:

We have audited the general purpose financial statements of City of Palo Alto, California (the City) as of June 30, 1995, and for the year then ended, and have issued our report thereon dated October 27, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City is the responsibility of the management of the City. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the mayor, members of the city council, finance committee, management, and others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995



**INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

The Honorable Mayor and Members  
of the City Council of the City of Palo Alto, California:

We have audited the general purpose financial statements of City of Palo Alto, California (the City) as of June 30, 1995 and for the year then ended, and have issued our report thereon dated October 27, 1995. These general purpose financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. The accompanying Supplementary Schedule of Federal Financial Assistance for the year ended June 30, 1995, which is also the responsibility of the management of the City, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the mayor, members of the city council, finance committee, management, and others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995

accompanying Supplementary Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure used in administering federal financial assistance programs and its operations that we consider to be a material weakness as defined above.

However, we noted other matters involving the internal control structure and its operation that we have reported to the management of the City in a separate letter dated October 27, 1995.

This report is intended for the information of the mayor, members of the city council, finance committee, management, and others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995



**INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

The Honorable Mayor and Members  
of the City Council of the City of Palo Alto, California:

We have audited the general purpose financial statements of City of Palo Alto, California (the City) as of June 30, 1995 and for the year then ended, and have issued our report thereon dated October 27, 1995. These general purpose financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. The accompanying Supplementary Schedule of Federal Financial Assistance for the year ended June 30, 1995, which is also the responsibility of the management of the City, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the mayor, members of the city council, finance committee, management, and others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995

# CITY OF PALO ALTO, CALIFORNIA

## SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 1995

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<b>Federal Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Programs:		
Home Improvement Program	14.239	\$ 80,000
Community Development Block Grant - entitlement	14.218*	<u>1,210,691</u>
Total U.S. Department of Housing and Urban Development		1,290,691
U.S. DEPARTMENT OF TRANSPORTATION - Pass-Through Federal Highway Administration - City of San Jose Highway Planning and Construction	20.205	<u>27,322</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b><u>\$1,318,013</u></b>

\*Major Program

See Notes to the Supplementary Schedule of Federal Financial Assistance.



# CITY OF PALO ALTO, CALIFORNIA

## NOTES TO THE SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Note 1      ***Basis of Accounting*** - The Supplementary Schedule of Federal Financial Assistance is not prepared on the accrual basis of accounting. Expenditures are recognized on the Supplementary Schedule of Federal Financial Assistance when they become a demand on current available financial resources.

Federal financial assistance provided to subrecipients is treated as an expenditure when it is paid to the subrecipient.

Note 2      ***Reporting Entity*** - The City for purposes of the Supplementary Schedule of Federal Financial Assistance includes all the funds of the primary government as defined by GASB 14, *The Financial Reporting Entity*.

The City administers certain federal financial assistance programs through subrecipients. Those subrecipients are not considered part of the City's reporting entity.

accompanying Supplementary Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure used in administering federal financial assistance programs and its operations that we consider to be a material weakness as defined above.

However, we noted other matters involving the internal control structure and its operation that we have reported to the management of the City in a separate letter dated October 27, 1995.

This report is intended for the information of the mayor, members of the city council, finance committee, management, and others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL  
REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE**

The Honorable Mayor and Members  
of the City Council of the City of Palo Alto, California:

We have audited the general purpose financial statements of City of Palo Alto, California (the City) as of June 30, 1995, and for the year then ended, and have issued our report thereon dated October 27, 1995. We have also audited the City's compliance applicable to requirements of major federal financial assistance programs and have issued our report thereon dated October 27, 1995.

We have applied procedures to test the City's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying Supplementary Schedule of Federal Financial Assistance, for the year ended June 30, 1995:

- Political activity (Hatch Act and Intergovernmental Personnel Act of 1970, as amended)
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Our procedures were limited to the applicable procedures described in Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those requirements.

This report is intended for the information of the mayor, members of the city council, finance committee, management, others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The Honorable Mayor and Members  
of the City Council of the City of Palo Alto, California:

We have audited the general purpose financial statements of City of Palo Alto, California (the City) as of June 30, 1995, and for the year then ended, and have issued our report thereon dated October 27, 1995.

We have also audited the City's compliance with the requirements governing:

- *Specific Requirements:*
  - Types of services allowed or unallowed
  - Eligibility
  - Matching, level of effort, and/or earmarking requirements
  - Special reporting requirements
  - Cost allocation
  - Monitoring sub-recipients
  - Special tests and provisions related to the Community Development Block Grant Program
- *Claims for advances and reimbursements*
- *Amounts claimed or used for matching*

that are applicable to its major federal financial assistance program, which is identified in the accompanying Supplementary Schedule of Federal Financial Assistance, for the year ended June 30, 1995. The management of the City is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

The requirements of matching, level of effort, and/or earmarking are not applicable to the federal financial assistance programs which are identified in the accompanying Supplementary Schedule of Federal Financial Assistance.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above.

occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City complied, in all material respects, with the requirements listed in the second paragraph of this report that are applicable to its major federal financial assistance program for the year ended June 30, 1995.

This report is intended for the information of the mayor, members of the city council, finance committee, management and others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM  
TRANSACTIONS**

The Honorable Mayor and Members  
of the City Council of the City of Palo Alto, California:

We have audited the general purpose financial statements of City of Palo Alto, California (the City) as of June 30, 1995 and for the year then ended, and have issued our report thereon dated October 27, 1995. We have also audited the City's compliance applicable to specific requirements of major federal financial assistance programs and applied procedures to test compliance with general requirements applicable to federal financial assistance programs and have issued our reports thereon dated October 27, 1995.

In connection with our audit of the 1995 general purpose financial statements of the City and with our consideration of the City's control structure used to administer federal financial assistance programs, and assessment of control risk as required by Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1995.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing:

- Types of services allowed or unallowed
- Eligibility
- Matching, level of effort, and/or earmarking requirements
- Special reporting requirements
- Special tests and provisions

that are applicable to nonmajor federal financial assistance programs. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those requirements.



This report is intended for the information of the mayor, members of the city council, finance committee, management and others within the City, and officials of applicable federal grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

October 27, 1995

# **CITY OF PALO ALTO, CALIFORNIA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 1995**

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### **CURRENT YEAR FINDING - NONE**

### **STATUS OF PRIOR YEAR FINDING**

#### **Quarterly Performance Report - HOME Investment Grant**

The State Department of Housing and Community Development states in the agreement with the City of Palo Alto (the City) section 19.A that the City must submit a performance report to the State, on forms provided by the State, no later than 30 days after the end of each calendar quarter. The City has submitted these reports every quarter; however, it submitted the first calendar quarter report 20 days after the 30-day deadline.

#### **Current Year Update**

The four quarterly performance reports were filed on a timely basis during fiscal year 1994-95.