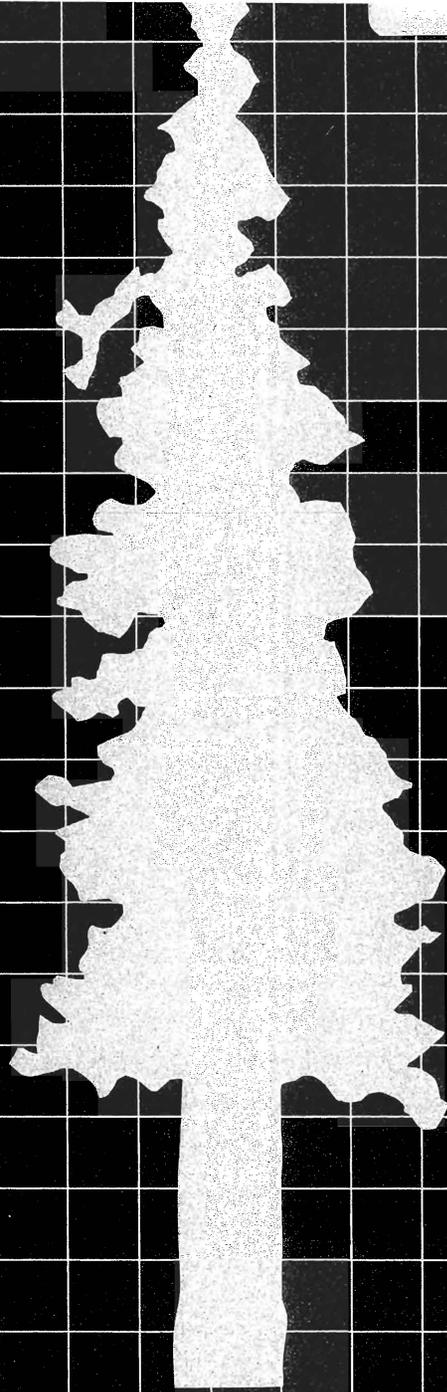


City of Palo Alto



COMPREHENSIVE ANNUAL
FINANCIAL REPORT FOR THE
FISCAL YEAR ENDED JUNE 30, 1992

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF PALO ALTO**

**for the
Fiscal Year Ended June 30, 1992**



**prepared by
DEPARTMENT OF FINANCE**

**Emily Harrison
Director of Finance**

AMERICANS WITH DISABILITIES ACT (ADA) STATEMENT

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

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CITY OF PALO ALTO

Comprehensive Annual Financial Report
Year ended June 30, 1992

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CITY OF PALO ALTO

CITY OFFICIALS

June 30, 1992

City Council

Gary Fazzino
Mayor

Jean McCown
Vice Mayor

Mike Cobb
Chairperson,
Finance Committee

Liz Kniss
Chairperson,
Policy and Services Committee

Ron Andersen

Joseph Huber

Dick Rosenbaum

Jean McCown

Lanie Wheeler

Joe Simitian

Council-Appointed
Officers

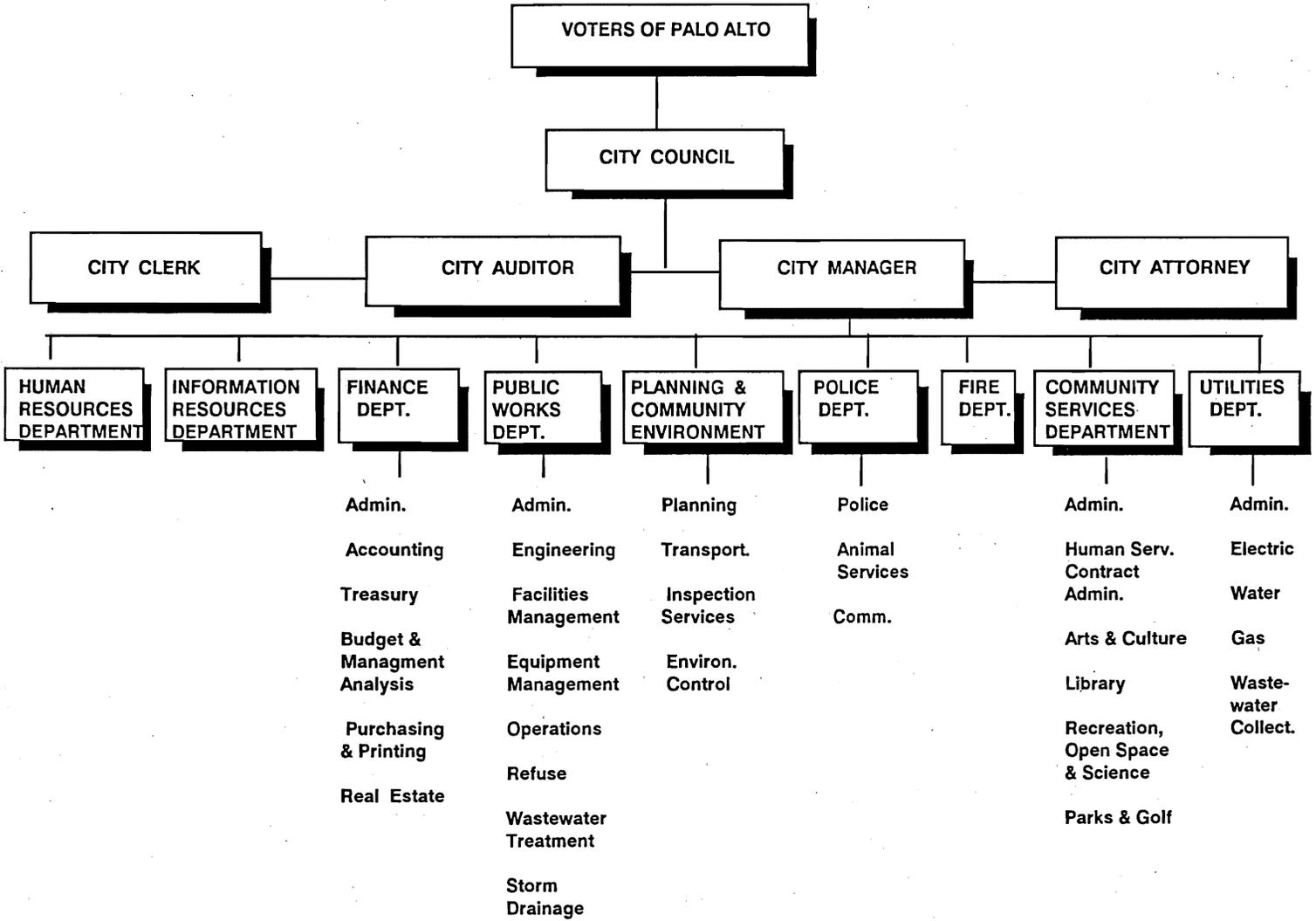
William Zaner
City Manager

Gloria L. Young
City Clerk

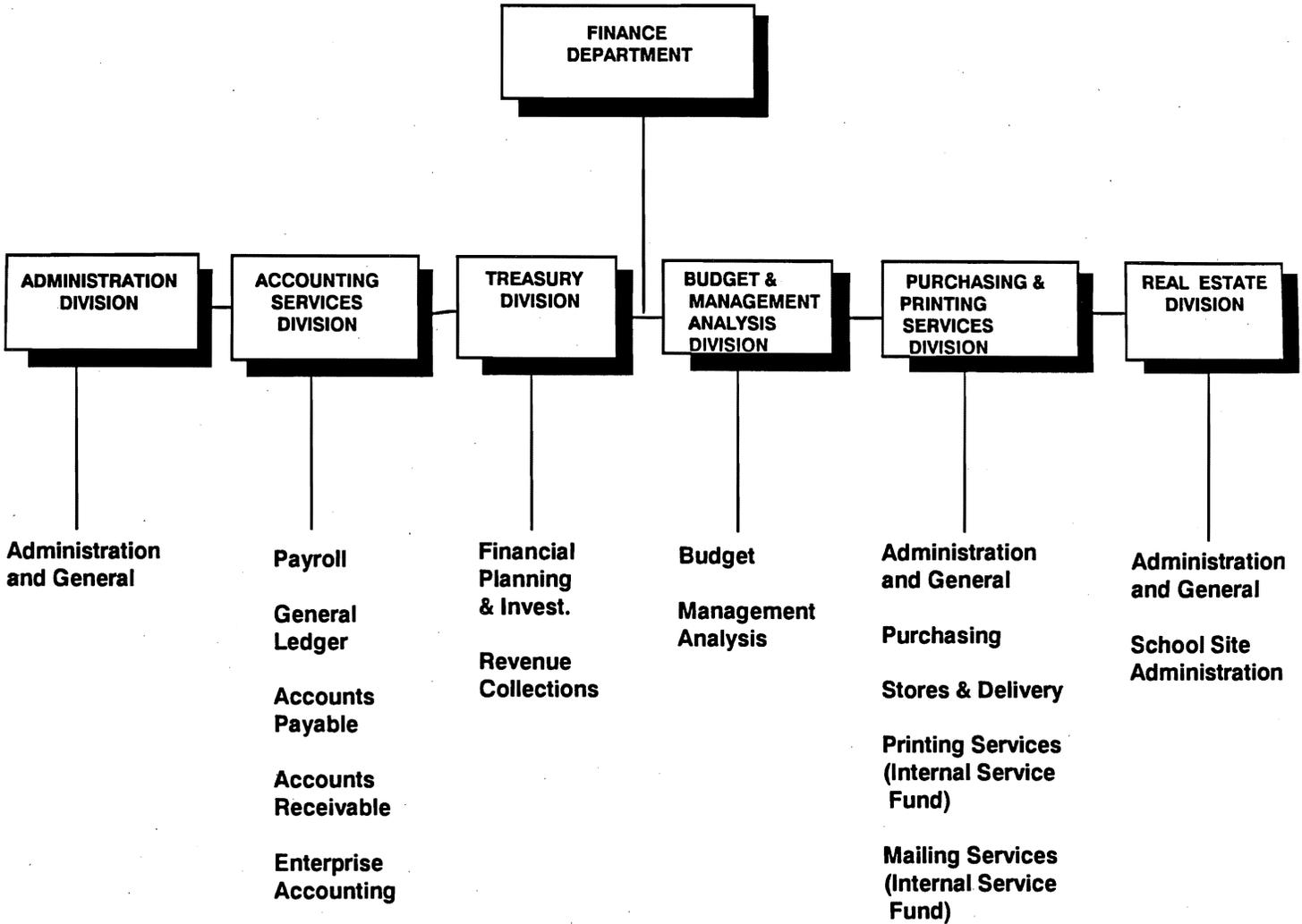
Ariel Calonne
City Attorney

William Vinson
City Auditor

**CITY OF PALO ALTO
ORGANIZATIONAL CHART**



**CITY OF PALO ALTO
FINANCE DEPARTMENT
ORGANIZATIONAL CHART**



PURPOSE/GOAL:

To direct the City's financial operations including accounting, budgeting, long-term financial planning, real property and portfolio management, and purchasing to assure that the City's financial matters are administered in accordance with all regulatory requirements and consistent with generally accepted principles of budgeting and accounting. Additionally, to maximize the return on the City's financial and real property assets.



staff report

December 31, 1992

THE HONORABLE CITY COUNCIL
Palo Alto, California

Attention: Finance Committee

COMPREHENSIVE ANNUAL FINANCIAL REPORT, ENDING JUNE 30, 1992

Members of the Council:

Report in Brief

In accordance with Article IV, Section 13 of the City Charter, the Comprehensive Annual Financial Report, including the opinion of Coopers & Lybrand, for the fiscal year ended June 30, 1992, is hereby submitted for your review. The financial statements are the responsibility of the City's management; and Coopers & Lybrand's responsibility is to express an opinion on them, based on their audit.

GENERAL INFORMATION

The City of Palo Alto is located approximately 35 miles south of San Francisco in Santa Clara County, and has a population of 56,330. It is a part of the San Francisco Bay metropolitan area. The City was named for a tall redwood tree under which an early Spanish exploration party camped in 1769. The high technology industry, which has made Santa Clara County famous, has its roots in Palo Alto, partly because of the presence of Stanford University adjacent to the City. The 650-acre Stanford Research Park includes the headquarters of Hewlett-Packard, Varian Associates, and Syntex among its residents. The City is a major employment center with about 73,000 jobs, in addition to being a unique residential community with about 25,200 housing units.

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 dependency 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. Included in this report is the City's Single Audit Report for the year ended June 30, 1992, prepared to meet the requirements of the Single Audit Act of 1984.

GOVERNMENT ORGANIZATION

The City of Palo Alto was incorporated in 1894 and operates as a charter city, having had its first charter granted by the State of California in 1909. The City operates 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 at all Council meetings. The City Manager is responsible for the operation of all municipal functions except the offices of 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, in addition to providing its own municipal electric, water, gas, wastewater, storm drain and refuse utilities. Its schools, parks and recreational facilities are outstanding. The City owns 34 parks totalling more than 4,000 acres, a golf course, two community centers, Cultural Center, Community Theatre, Children's Theatre and Junior Museum.

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 safeguarding of assets against loss from unauthorized user 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.

The City Auditor is appointed by the City Council. The Auditor's Office performs financial and operational compliance audits of City operations and issues reports to the Council and City Manager as appropriate.

Budgetary control is maintained by an annual appropriation ordinance, amended by Council action as required throughout the year. In 1990 the Council adopted the concept of a two-year budget plan, under which the first year's budget is voted on and formally approved by the Council; the second year is approved in concept, and is formally adopted in June of the second year. The two-step adoption is because Proposition 4 (Gann) limits the City to an annual appropriation limit. The Council takes similar action on the first two years of the Five Year Capital Improvement Program (CIP). The first two-year budget was for fiscal years 1990-92. Adjustments to the two-year plan were made via the Interim Budget process for the 1991-92 fiscal year. Budgetary control is at the department/function, major object code of expenditure. An encumbrance system is utilized: as purchase orders are issued, corresponding amounts of appropriations are reserved for later payment so that appropriations may not be overspent. Budgets are prepared for all governmental and proprietary funds.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

In March 1992, the Council selected Palo Alto's Economic Future as a priority for 1992 and referred the priority to the Council Finance Committee. Included in the priority were the following objectives:

- o Address the structural problems that stand in the way of balancing revenues and expenditures for the long term;

- o Conduct an organizational review that will provide a comprehensive, objective analysis of the organization and its staffing patterns, and identify possible areas of further economy and efficiency; and

- o Continue the analysis of appropriate levels of service, with emphasis on the delivery systems of such services to establish higher standards of efficiency and quality customer service.

In the first area, staff from the Finance and Planning Departments have begun an Economic Future Study, which has two main aims: first, to accumulate information on General Fund revenues and expenditures in order to create an economic model which will allow projections of the "structural deficit", given certain explicit assumptions about revenue and expenditure growth; and second, to research and quantify alternatives for addressing the "structural deficit" including new revenues related to land use policies, new revenues from fees and charges, savings from management/operational efficiencies, taxes, public/private partnerships, and service level adjustments.

In the second area, the Finance Committee has been working with a Blue Ribbon Task Force composed of members from the private sector, to prepare a request for proposal and to select a consultant to perform an Organizational Review. The Review is to determine if the City's General Fund departments are performing at maximum efficiency and effectiveness in providing the highest level of service to the public at the lowest achievable cost. A key component of this effort will be "benchmarking" City service levels and service level standards with comparable municipalities, including those considered to be highly efficient.

Additionally, staff began a citywide customer service improvement effort in May 1991, and reviewed the project's accomplishments with the City Council in a September 1992 Study Session. A Steering Committee, composed of key staff from all City departments, is working in a number of areas, including citywide training, interdepartmental cooperation, recognition of superior customer service, citizen complaint tracking, community and employee surveys, and directories/signage. "It's a Matter of Pride," the motto for the customer service program, has been publicized throughout the organization through a letter from the City Manager, awards emblazoned with a special emblem, training meetings, employee surveys on customer service needs, and customer feedback cards at public counters and other areas of the City Hall. Key results of the program include increased sensitivity to customer service issues, incorporation of the customer service theme in the City's nascent business outreach program, and improved cooperation between departments as they recognize and work together on a common goal.

FINANCIAL HIGHLIGHTS

Economic Outlook and Conditions

The national recession continued to impact the Silicon Valley in fiscal year 1991-92, as evidenced by slowed sales tax growth, dampened residential property sales, and increased unemployment throughout Santa Clara County. However, prudent fiscal policy has allowed the City to retain a healthy financial position that should enable it to weather the severe effects of the recessionary economy.

The State of California has also grappled with the impacts of a slowed economy, and programs previously funded by the State or County governments have been passed on to cities. In the 1991-92 fiscal year, the City's budget was forced to absorb \$117,000 in property tax collection fees and \$336,000 in prisoner booking charges assessed by the County, along with a loss of 50 percent (approximately \$100,000) of non-parking fines and forfeitures and 47 percent (approximately \$70,000) of cigarette tax revenue transferred to the State. With the State's economy expected to remain sluggish through 1993, and with further growth in demand for services, the State will most likely be forced to remedy another budget shortfall in June 1993 by similar actions to reduce municipal revenues while shifting expenditures from both the State and counties to cities.

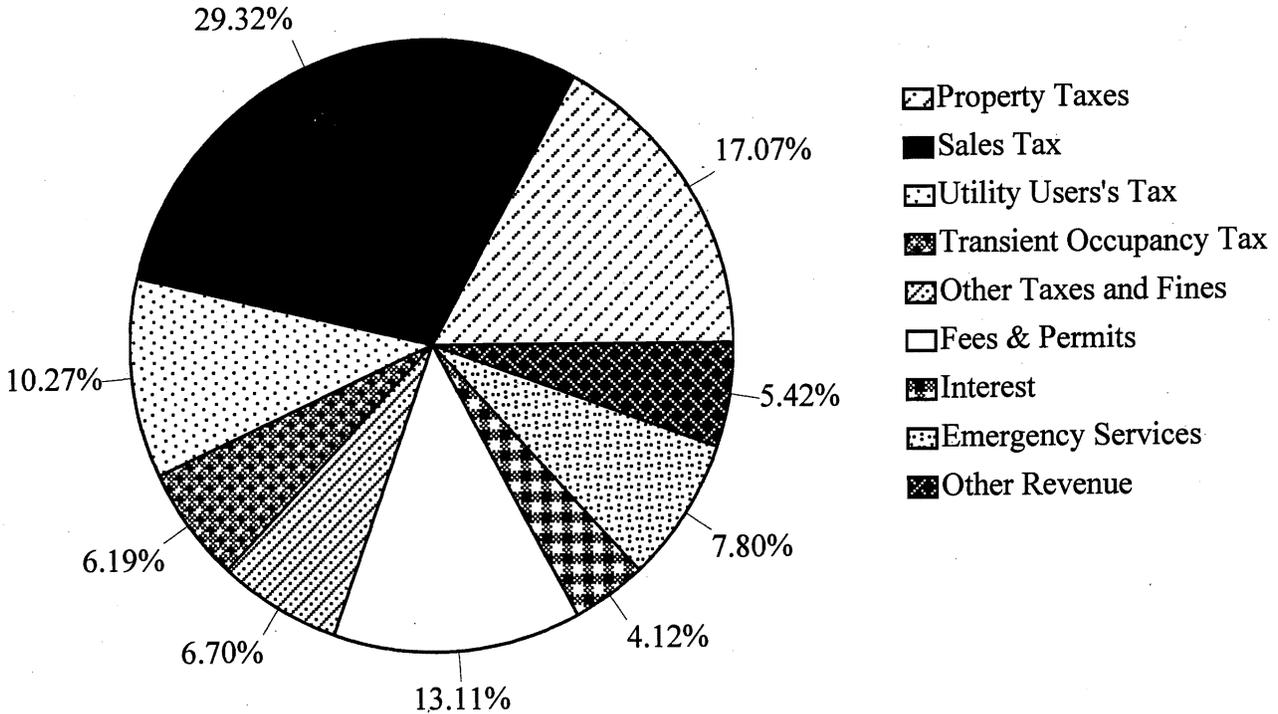
General Fund

The 1991-92 operating results for the General Fund were much more favorable than had been anticipated. A surplus of revenues over expenditures resulted not only from one-time events, but also from effective measures taken by the City to control expenditures at every operational level. Revenues were higher than anticipated by \$1.3 million, of which \$500,000 was from one-time sales tax audit adjustments. Expenditure savings provided for the significant operating surplus, however, with a \$2.1 million General Fund credit from the Public Employees' Retirement System (PERS) and over \$2 million of savings in non-salary categories after providing \$1.9 million in General Fund encumbrances and reappropriations.

Revenues: Despite the sluggish economic recovery, sales tax revenues exceeded 1990-91 receipts by 3.9 percent. A large portion of the increase was due to a State Board of Equalization one-time reallocation to Palo Alto of taxes erroneously credited to other cities. Property tax receipts were 5.5 percent higher than the previous fiscal year, with the largest growth in unsecured property

tax. In Other Taxes and Fines, utility users tax revenue grew 3.6 percent, only a fraction under the amount projected from this source. Fines and Penalties decreased at an anticipated rate of 7.5 percent, due mainly to the diversion of 50 percent of non-parking fines and forfeitures by the State as part of the 1991-92 budget package. Interest revenue showed an increase due to growth in the size of the General Fund portfolio, as expenditure savings were realized through the fiscal year. Operating transfers into the General Fund also compare favorably with fiscal 1991-92, as the Water Fund resumed its rate-of-return transfer which had been forgiven in the previous year.

CITY OF PALO ALTO
GENERAL FUND REVENUES BY SOURCE
For the year ended June 30, 1992

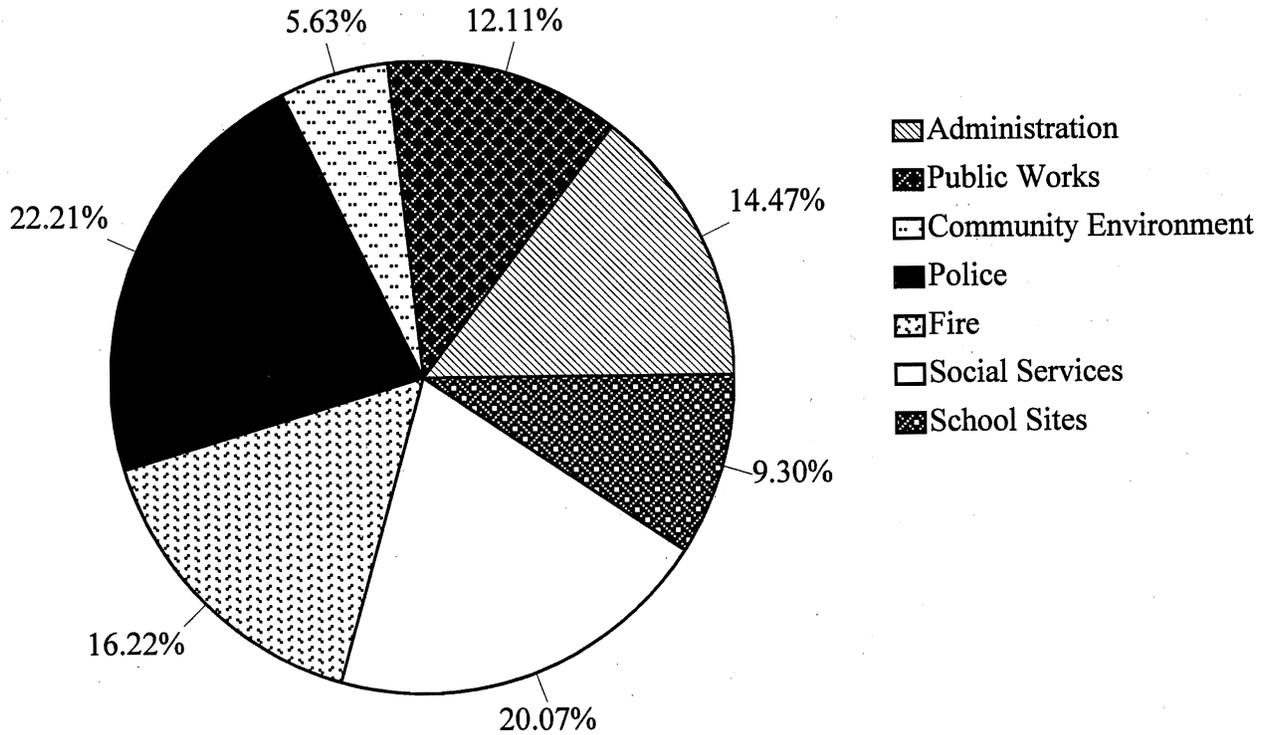


Revenues (\$000)	1992 Actual	Percent of Total Revenue	Increase (Decrease) from 1991
Sales tax	\$14,693	22.01	553
Property taxes	8,555	12.82	446
Other taxes and fines	11,611	17.39	38
Service fees and permits	6,570	9.84	402
Fire protection & emergency communication services	3,908	5.85	347
Interest earnings	2,063	3.09	144
Interfund charges (net)	(108)	(.16)	90
Other revenues	<u>2,827</u>	<u>4.24</u>	<u>245</u>
Total direct revenues	50,119	75.08	2,265
Operating transfers in	<u>16,632</u>	<u>24.92</u>	<u>2,631</u>
Total revenues	<u>\$66,751</u>	<u>100.00</u>	<u>4,896</u>

Expenditures: Total General Fund expenditures were basically unchanged from 1990-91 levels, as a result of savings in both the salary and non-salary categories and a decrease in operating transfers out to other funds.

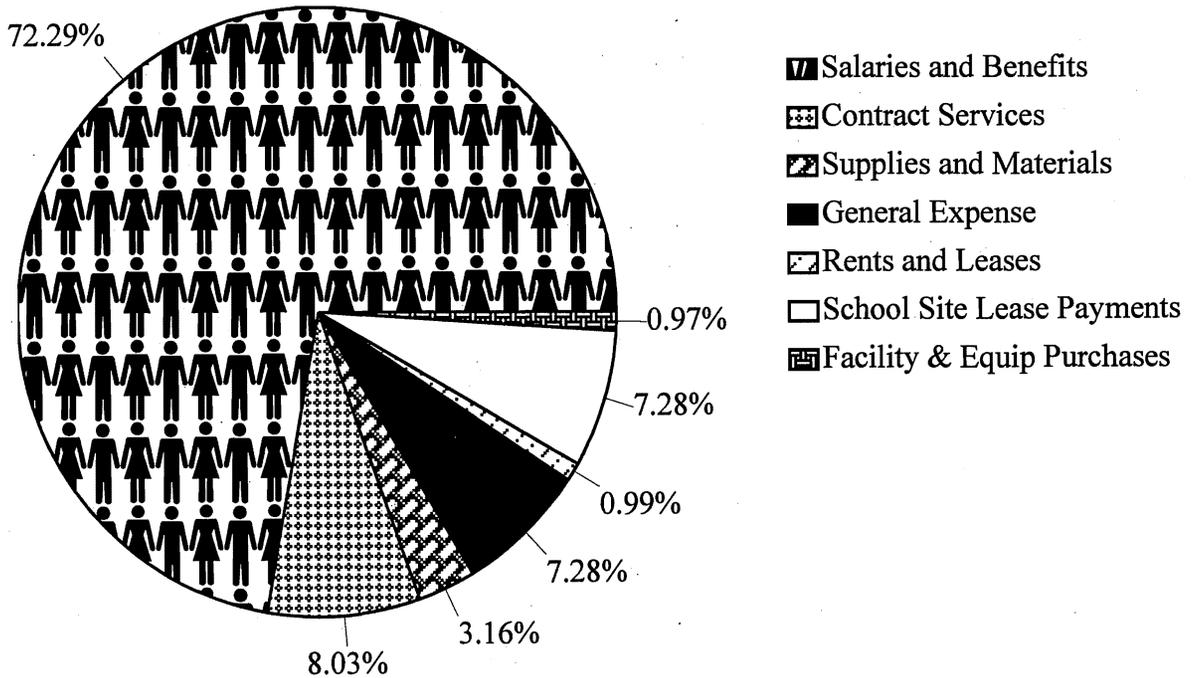
Salaries and benefits amounted to \$43.1 million for the General Fund, reflecting a savings over budget of more than \$2 million. These savings were the result of the credit of PERS employer's contributions from AB702. Without the credit, General Fund salaries and benefits increased 7 percent from the 1990-91 fiscal year. In the non-salary expenditure category, a combination of recession-induced low bids on major contracts, tightened purchasing controls and reductions in the amount of reappropriations and encumbrances, and decreased general liability self-insurance expenses, yielded significant savings with respect to budget -- almost \$4 million for the 1991-92 fiscal year. Operating transfers out were decreased due in part to the deferral of approximately \$1 million of capital projects in accordance with the Capital Budget.

CITY OF PALO ALTO
GENERAL FUND EXPENDITURES
For the year ended June 30, 1992



<u>Expenditures (\$000)</u>	<u>1992 Actual</u>	<u>Percent of Total Expenditure</u>	<u>Increase (Decrease) from 1991</u>
Public Works	\$ 7,129	11.44	1,258
Police	13,076	20.99	209
Administration	8,519	13.67	689
Fire	10,027	16.10	265
Social and Community Services	11,816	18.97	791
Planning/Community Environment	3,313	5.32	432
School Site Operations	<u>5,469</u>	<u>8.78</u>	<u>305</u>
Total direct expenditures	59,349	95.27	3,949
Operating transfers out	<u>2,944</u>	<u>4.73</u>	<u>(3,692)</u>
Total expenditures	<u>\$62,293</u>	<u>100.00</u>	<u>257</u>

CITY OF PALO ALTO
GENERAL FUND EXPENDITURES BY TYPE
For the year ended June 30, 1992



<u>Expenditures (\$000)</u>	<u>1992 Actual</u>	<u>Percent of Total Expenditure</u>	<u>Increase (Decrease) from 1991</u>
Salaries & Benefits	\$42,896	72.28	2,768
Contract Services	4,766	8.03	(306)
Supplies & Materials	1,875	3.16	(127)
General Expense	4,319	7.28	1,604
Rents & Leases	587	.99	27
Facilities & Equipment Purchases	578	.97	(250)
School site lease payments	<u>4,328</u>	<u>7.29</u>	<u>233</u>
Total direct expenditures	59,349	100.00	3,949

Fund Balance:

Total General Fund reserves increased by \$5.4 million over 1990-91, as a result of the operating surplus and the payback of \$2.2 million which had been advanced to other funds. The AB702 (PERS) credit was set aside in a separate reserve due to undecided litigation associated with the bill. Certain capital projects for which monies had been advanced from the General Fund were reimbursed, increasing reserves by an additional \$778,000. Most notable of these projects was the ITT Marsh project, completed early in the fiscal year, for which Federal Coastal Conservancy funds had been designated.

Special Revenue Funds

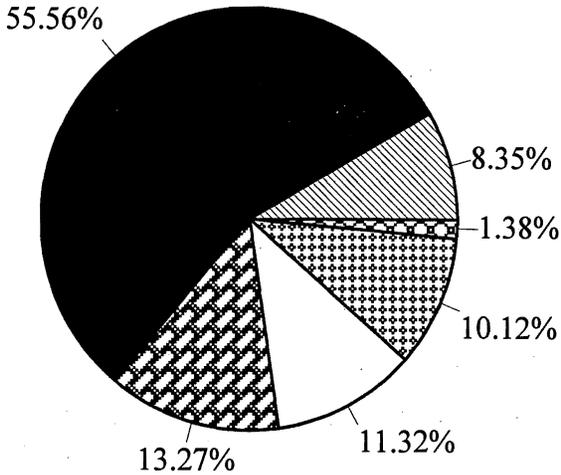
The Special Revenue Funds include the Street Improvement Fund, Federal Revenue Fund, Housing-in-Lieu Fund, Special Districts Fund and Transportation Mitigation Fund. The Public Improvement and Golf Course Corporation are included as component units within this fund type. In December 1991, the City Council approved the use of Community Development Block Grant (CDBG) funds in the amount of \$987,700, for the purchase of a ten-unit apartment building by the Palo Alto Housing Corporation. The necessary funds represented an accumulation of CDBG funding over the past seven years and will provide affordable housing for low and moderate income individuals in the City.

Enterprise Funds

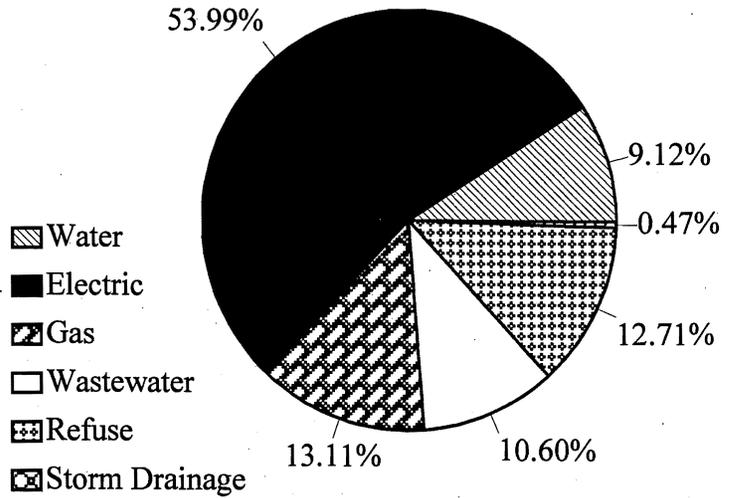
The Enterprise Funds of the City include the Electric, Gas, Water, Wastewater, Refuse and Storm Drainage Funds. Total enterprise revenues grew by 6 percent in fiscal year 1991-92; but operating expenses showed considerable savings from the prior year, which served to increase most reserves to higher levels than had been anticipated. A series of favorable events, including the sale of surplus entitlements to the Calaveras Hydroelectric Project, resulted in savings of over \$10 million in the Electric Fund alone.

Each enterprise had significant accomplishments in the fiscal year for which they take justifiable pride. The City's gas utility was awarded the Public Gas System Achievement Award by the American Public Gas Association for the City's efforts in improving gas distribution systems and for overall support to the American Public Gas Industry. For the third year in a row, the Water Utility achieved the strict conservation goals set by its wholesale water supplier, San Francisco Water District. The Refuse Fund completed Phase One of Byxbee Park, an innovative "art park", built on a closed portion of landfill site, and it was opened to the public.

CITY OF PALO ALTO
 ENTERPRISE FUNDS REVENUE
 For the year ended June 30, 1992



CITY OF PALO ALTO
 ENTERPRISE FUNDS EXPENSES
 For the year ended June 30, 1992



	1992 Actual	Percent of Total	Increase (Decrease) from 1991
<u>Revenues (\$000)</u>			
Utility Sales	\$112,233	87.22	6,682
Other Revenue	9,820	7.63	461
Interest Income	6,631	5.15	53
Total Revenues	\$128,684	100.00	7,196
<u>Expenses (\$000)</u>			
Employee Services	17,164	16.00	1,068
Operating Expenses	17,387	16.20	669
Purchases	46,545	43.37	(5,709)
Return on Equity to General Fund	10,145	9.45	2,090
Interest Expense	7,771	7.24	1,520
Rent	6,500	6.06	404
Other Expenses	1,799	1.68	367
Total Expenses	\$107,311	100.00	\$ 409

Debt Service:

In March 1992, the City issued the 1992 Civic Center Certificates of Participation through the Palo Alto Public Improvement Corporation. The new issue served to refinance the City's 1983 Civic Center Certificates of Participation (COPs), at a lower average interest rate (5.97 percent as opposed to 8.5 percent), and provided \$1.9 million of additional funds for capital improvements at the Civic Center. The improvements include the structural retrofit of the Police Wing and sprinkler system installations in the Civic Center tower. The refinancing of the old certificates resulted in a net gain of approximately \$500,000.

In addition, City of Palo Alto Utility Revenue Bonds 1992 Series A were issued in April of 1992, at interest rates of 6.3 to 6.375 percent, providing \$4.75 million for Storm Drainage capital improvement projects.

Capital Projects Fund:

Major project expenditures in 1991-92 included the completion of the ITT Marsh (named the Emily Renzel Marsh) Design and Construction Project for a total project cost of \$1.2 million. Expenditures for the Public Building Structural Improvements project, which included the projects funded from the 1992 Civic Center COPs, totaled \$740,000. As previously stated, capital spending was reduced by the deferral of specific projects to future years.

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 others. Early in fiscal year 1991-92, the Child Care Fund was established as a trust fund to house monies raised by the Child Care Task Force for the purpose of implementing the City's Child Care Master Plan. The goals of the Master Plan are to address affordability, accessibility, availability and quality of child care in Palo Alto.

REPORT FORMAT

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

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

FINANCIAL SECTION: This includes:

General Purpose Financial Statements

This section contains the independent accountant's report and 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. They present a combined overview of the financial position, changes in financial position 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. the Capital Projects 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.

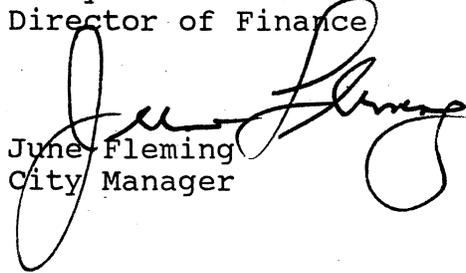
ACKNOWLEDGEMENT

This Comprehensive Annual Financial Report reflects the dedication and effort of the staff members of the Finance Department. Especially deserving of recognition are Carol Ferrell, Linda Craig, Flora Tzeng, Claude Pascual, Tony Sandhu, Roberta Wiseman and Jennifer Chang. The help of Mary Divinski and Bob Stith is also gratefully acknowledged, in secretarial support and printing, along with Jeremy Hoptowit's assistance in computer graphics. Finally, acknowledgement should be given to the City Council Finance Committee, whose direction and support are essential in the effort to continually improve financial reporting.

Respectfully submitted,



Emily Harrison
Director of Finance



June Fleming
City Manager

REPORT OF INDEPENDENT ACCOUNTANTS

Honorable Mayor and City Council
City of Palo Alto
Palo Alto, California

We have audited the accompanying general purpose financial statements of the City of Palo Alto, California (the City), as of and for the year ended June 30, 1992, as listed in the financial section of the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been unable to satisfy ourselves concerning a substantial portion of the reported cost of property, plant and equipment in the General Fixed Assets Account Group because detailed records and documentation of historical and estimated historical costs are not available. The City's records do not permit the application of adequate audit procedures regarding the reported cost of the property, plant and equipment included in the General Fixed Assets Account Group.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the reported cost of the City's property, plant and equipment, included in the General Fixed Assets Account Group, as explained in the third paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Palo Alto, California, as of June 30, 1992, and the results of its operations and cash flows of its proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, account group financial statements and other financial schedules listed as "Supplementary Data" in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the reported cost of the property, plant and equipment, as explained in the third paragraph, such information is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole. Information contained in the statistical tables and schedules listed as "Statistical Section (Unaudited)" in the table of contents has not been audited by us, and accordingly, we express no opinion thereon.

Coopers & Lybrand

Menlo Park, California
November 6, 1992

COMBINED FINANCIAL STATEMENTS

These 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
 COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1992
 (in thousands of dollars)

	Governmental Funds			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits:				
Cash and investments	\$22,387	\$ 7,413	\$ 5,526	\$6,670
Receivables, net:				
Accounts	3,795	74	8,051	585
Interest	501	121	28	
Notes		3,087		
Due from other fund				230
Advances to other fund	447			
Stores inventories	1,042			
Prepaid expenses				
Property, plant and equipment, net				
Amount available for debt service				
Amount to be provided for retirement of general long-term debt				
Total assets and other debits	<u>\$28,172</u>	<u>\$10,695</u>	<u>\$13,605</u>	<u>\$7,485</u>
Liabilities:				
Accounts payable and accrued liabilities	2,340	379	7	1,157
Accrued salaries and benefits	1,318			
Deferred revenue	245		7,995	86
Deferred compensation				
Accrued compensated absences				
Accrued self insurance				
Due to Palo Alto Recreation Foundation				
Due to other fund			230	
Advances from general fund				
General obligation bonds				
Revenue bonds				
Certificates of participation				
Special assessment debt with governmental commitment				
Capital lease obligations				
Total liabilities	<u>3,903</u>	<u>379</u>	<u>8,232</u>	<u>1,243</u>
Commitments and contingencies (Note 11).				
Fund equity and other credits:				
Contributed capital				
Investment in general fixed assets				
Retained earnings				
Fund balances:				
Reserved for:				
Encumbrances and reappropriations	3,763	1,878		6,242
Notes		3,087		
Advances to other fund	447			
Stores inventories	1,042			
Retirement system rebate	2,166			
Debt service			5,373	
Unreserved; designated:				
Streets and sidewalks/school site projects	485			
Capital and special revenue projects	11,366	6,116		
Contingencies	5,000			
Undesignated				
Accumulated deficit		(765)		
Total fund equity and other credits	<u>24,269</u>	<u>10,316</u>	<u>5,373</u>	<u>6,242</u>
Total liabilities, fund equity and other credits	<u>\$28,172</u>	<u>\$10,695</u>	<u>\$13,605</u>	<u>\$7,485</u>

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

<u>Proprietary Funds</u>		<u>Fiduciary Funds</u>	<u>Account Groups</u>		<u>Totals</u>	
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>	
					<u>June 30,</u>	
					<u>1992</u>	<u>1991</u>
\$ 97,596	\$20,902	\$22,044			\$182,538	\$148,481
13,270	125				25,900	26,808
1,486	284	2			2,422	2,580
					3,087	3,645
					230	-
					447	2,667
	123				1,165	1,230
192	14				206	1,125
161,579	8,099		\$106,215		275,893	264,424
				\$ 5,373	5,373	4,053
				15,297	15,297	14,993
<u>\$274,123</u>	<u>\$29,547</u>	<u>\$22,046</u>	<u>\$106,215</u>	<u>\$20,670</u>	<u>\$512,558</u>	<u>\$470,006</u>
6,297	472	11			10,663	11,093
537	576				2,431	2,180
					8,326	8,779
		21,767			21,767	19,042
331	6,979				7,310	6,747
1,011	5,984				6,995	6,020
		131			131	-
					230	-
447					447	2,667
				1,150	1,150	1,225
16,092					16,092	12,280
				7,670	7,670	5,125
				8,229	8,229	8,649
	1,814				5,435	6,324
<u>24,715</u>	<u>15,825</u>	<u>21,909</u>		<u>20,670</u>	<u>96,876</u>	<u>90,131</u>
56,705	5,138				61,843	61,567
			106,215		106,215	101,731
192,703	8,584				201,287	176,796
					11,883	13,658
					3,087	3,645
					447	2,667
					1,042	1,109
					2,166	-
					5,373	4,053
					485	632
					17,482	9,833
					5,000	5,000
		137			137	94
					(765)	(910)
<u>249,408</u>	<u>13,722</u>	<u>137</u>	<u>106,215</u>	<u>-</u>	<u>415,682</u>	<u>379,875</u>
<u>\$274,123</u>	<u>\$29,547</u>	<u>\$22,046</u>	<u>\$106,215</u>	<u>\$20,670</u>	<u>\$512,558</u>	<u>\$470,006</u>

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CITY OF PALO ALTO
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
for the year ended June 30, 1992
(in thousands of dollars)

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	Totals (Memorandum Only)	
					Year Ended	
					<u>1992</u>	<u>1991</u>
Revenues:						
Property taxes	\$ 8,555				\$ 8,555	\$ 8,109
Special assessments			\$ 994		994	1,016
Sales taxes	14,693				14,693	14,140
Utility users' tax	5,149				5,149	4,967
Transient occupancy tax	3,104				3,104	2,969
Other taxes and fines	3,358	\$ 984			4,342	4,587
Fire protection and emergency communication services	3,908				3,908	3,561
From other agencies	370	1,335	224	\$1,053	2,982	1,711
Service fees and permits	6,570				6,570	6,168
Interest earnings	2,063	548	229		2,840	3,272
Interfund charges, net	(108)				(108)	(198)
Other	2,457	1,439			3,896	5,130
Total revenues	<u>50,119</u>	<u>4,306</u>	<u>1,447</u>	<u>1,053</u>	<u>56,925</u>	<u>55,432</u>
Expenditures:						
Current operations:						
Administration	8,519				8,519	7,830
Public works	7,129				7,129	5,871
Community environment	3,313				3,313	2,881
Public safety - Police	13,076				13,076	12,867
Public safety - Fire	10,027				10,027	9,762
Social services	11,816				11,816	11,025
School site operations	5,469				5,469	5,164
Special revenue and capital projects		1,959		4,650	6,609	9,303
Debt service:						
Principal retirement			1,151		1,151	1,289
Interest and fiscal charges			1,614		1,614	1,850
Total expenditures	<u>59,349</u>	<u>1,959</u>	<u>2,765</u>	<u>4,650</u>	<u>68,723</u>	<u>67,842</u>
Excess of revenues over (under) expenditures	<u>(9,230)</u>	<u>2,347</u>	<u>(1,318)</u>	<u>(3,597)</u>	<u>(11,798)</u>	<u>(12,410)</u>
Other financing sources (uses):						
Operating transfers in	16,632		740	2,790	20,162	23,631
Operating transfers out	(2,944)	(932)			(3,876)	(9,184)
Proceeds from bond sales			1,898	416	2,314	-
Other		(229)			(229)	
Total other financing sources (uses)	<u>13,688</u>	<u>(1,161)</u>	<u>2,638</u>	<u>3,206</u>	<u>18,371</u>	<u>14,447</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	4,458	1,186	1,320	(391)	6,573	2,037
Fund balances, beginning of year	19,249	9,130	4,053	7,255	39,687	36,535
Residual equity transfer in	562				562	1,135
Residual equity transfer out				(622)	(622)	(1,213)
Housing Improvement Program notes						1,193
Fund balances, end of year	<u>\$24,269</u>	<u>\$10,316</u>	<u>\$5,373</u>	<u>\$6,242</u>	<u>\$46,200</u>	<u>\$39,687</u>

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

CITY OF PALO ALTO
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
for the year ended June 30, 1992
(in thousands of dollars)

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	\$ 8,395	\$ 8,555	\$ 160			
Sales taxes	13,935	14,693	758			
Utility users' tax	5,230	5,149	(81)			
Transient occupancy tax	3,250	3,104	(146)			
Other taxes and fines	3,405	3,358	(47)	\$ 873	\$ 984	\$ 111
Fire protection and emergency communication services	3,931	3,908	(23)			
From other agencies	350	370	20	490	1,335	845
Service fees and permits	6,589	6,570	(19)			
Interest earnings	2,008	2,063	55	416	548	132
Interfund charges, net	(486)	(108)	378			
Other	<u>2,187</u>	<u>2,457</u>	<u>270</u>	<u>976</u>	<u>1,439</u>	<u>463</u>
Total revenues	<u>48,794</u>	<u>50,119</u>	<u>1,325</u>	<u>2,755</u>	<u>4,306</u>	<u>1,551</u>
Expenditures:						
Current operations:						
Administration	9,835	8,519	1,316			
Public works	8,677	7,129	1,548			
Community environment	3,608	3,313	295			
Public safety - Police	14,189	13,076	1,113			
Public safety - Fire	10,692	10,027	665			
Social services	12,863	11,816	1,047			
School site operations	5,572	5,469	103			
Special revenue and capital projects				<u>726</u>	<u>1,959</u>	<u>(1,233)</u>
Total expenditures	<u>65,436</u>	<u>59,349</u>	<u>6,087</u>	<u>726</u>	<u>1,959</u>	<u>(1,233)</u>
Excess of revenues over (under) expenditures	<u>(16,642)</u>	<u>(9,230)</u>	<u>7,412</u>	<u>2,029</u>	<u>2,347</u>	<u>318</u>
Other financing sources (uses):						
Operating transfers in	16,614	16,632	18			
Operating transfers out	(3,550)	(2,944)	606	(1,269)	(932)	337
Proceeds from bond sales						
Other					(229)	(229)
Total other financing sources (uses)	<u>13,064</u>	<u>13,688</u>	<u>624</u>	<u>(1,269)</u>	<u>(1,161)</u>	<u>108</u>
Excess of revenue and other financing sources over (under) expen- ditures and other financing uses	<u>(3,578)</u>	<u>4,458</u>	<u>8,036</u>	<u>760</u>	<u>1,186</u>	<u>426</u>
Fund balances, beginning of year	19,249	19,249		9,130	9,130	
Residual equity transfer in	562	562				
Residual equity transfer out						
Fund balances, end of year	<u>\$16,233</u>	<u>\$24,269</u>	<u>\$8,036</u>	<u>\$9,890</u>	<u>\$10,316</u>	<u>\$ 426</u>

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

<u>Capital Projects Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
			\$ 8,395	\$ 8,555	\$ 160
			13,935	14,693	758
			5,230	5,149	(81)
			3,250	3,104	(146)
			4,278	4,342	64
			3,931	3,908	(23)
\$ 159	\$1,053	\$ 894	999	2,758	1,759
			6,589	6,570	(19)
6		(6)	2,430	2,611	181
			(486)	(108)	378
			<u>3,163</u>	<u>3,896</u>	<u>733</u>
<u>165</u>	<u>1,053</u>	<u>888</u>	<u>51,714</u>	<u>55,478</u>	<u>3,764</u>
			9,835	8,519	1,316
			8,677	7,129	1,548
			3,608	3,313	295
			14,189	13,076	1,113
			10,692	10,027	665
			12,863	11,816	1,047
			5,572	5,469	103
<u>6,842</u>	<u>4,650</u>	<u>2,192</u>	<u>7,568</u>	<u>6,609</u>	<u>959</u>
<u>6,842</u>	<u>4,650</u>	<u>2,192</u>	<u>73,004</u>	<u>65,958</u>	<u>7,046</u>
<u>(6,677)</u>	<u>(3,597)</u>	<u>3,080</u>	<u>(21,290)</u>	<u>(10,480)</u>	<u>10,810</u>
3,811	2,790	(1,021)	20,425	19,422	(1,003)
416	416		(4,819)	(3,876)	943
			416	416	
				(229)	(229)
<u>4,227</u>	<u>3,206</u>	<u>(1,021)</u>	<u>16,022</u>	<u>15,733</u>	<u>(289)</u>
(2,450)	(391)	2,059	(5,268)	5,253	10,521
7,255	7,255		35,634	35,634	
			562	562	
<u>(622)</u>	<u>(622)</u>		<u>(622)</u>	<u>(622)</u>	
<u>\$4,183</u>	<u>\$6,242</u>	<u>\$2,059</u>	<u>\$30,306</u>	<u>\$40,827</u>	<u>\$10,521</u>

CITY OF PALO ALTO
COMBINED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
for the year ended June 30, 1992
(in thousands of dollars)

	<u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>	Totals (Memorandum Only) Year Ended <u>June 30,</u> <u>1992</u> <u>1991</u>	
Operating revenues:				
Sales of utilities:				
Customers	\$109,163		\$109,163	\$102,477
City departments	3,070		3,070	3,074
Wastewater treatment	5,995		5,995	5,027
Service connection charges and miscellaneous	375		375	720
Charges for services		\$27,927	27,927	23,902
Other revenues	<u>3,450</u>		<u>3,450</u>	<u>3,612</u>
Total operating revenues	<u>122,053</u>	<u>27,927</u>	<u>149,980</u>	<u>138,812</u>
Operating expenses:				
Purchase of utilities	46,545		46,545	52,254
Administration and general	5,844	1,569	7,413	6,773
Engineering (operating)	2,449		2,449	2,570
Resource planning	3,332		3,332	3,969
Operations and maintenance	16,682	1,666	18,348	16,885
Depreciation and amortization	6,244	1,463	7,707	7,166
Self-insured losses		2,364	2,364	1,475
Compensated absences and other benefits		<u>22,456</u>	<u>22,456</u>	<u>20,690</u>
Total operating expenses	<u>81,096</u>	<u>29,518</u>	<u>110,614</u>	<u>111,782</u>
Operating income (loss)	<u>40,957</u>	<u>(1,591)</u>	<u>39,366</u>	<u>27,030</u>
Nonoperating revenues (expenses):				
Interest income	6,631	1,064	7,695	7,558
Interest expense	(832)	(128)	(960)	(1,039)
Joint venture debt service	(6,939)		(6,939)	(5,284)
Gain (loss) on disposal of fixed assets	(1,626)	110	(1,516)	(53)
Other nonoperating income		<u>3,131</u>	<u>3,131</u>	<u>2,334</u>
Total nonoperating revenues (expenses)	<u>(2,766)</u>	<u>4,177</u>	<u>1,411</u>	<u>3,516</u>
Income before operating transfers	<u>38,191</u>	<u>2,586</u>	<u>40,777</u>	<u>30,546</u>
Operating transfers:				
Operating transfers in		532	532	890
Operating transfers out:				
General fund	(16,145)		(16,145)	(13,652)
Capital projects fund	(141)		(141)	(795)
Internal Service funds	<u>(532)</u>		<u>(532)</u>	<u>(890)</u>
Net operating transfers	<u>(16,818)</u>	<u>532</u>	<u>(16,286)</u>	<u>(14,447)</u>
Net income	21,373	3,118	24,491	16,099
Retained earnings, beginning of year	<u>171,330</u>	<u>5,466</u>	<u>176,796</u>	<u>160,697</u>
Retained earnings, end of year	<u>192,703</u>	<u>8,584</u>	<u>201,287</u>	<u>176,796</u>
Contributed capital, beginning of year	56,690	4,877	61,567	59,581
Contributions	<u>15</u>	<u>261</u>	<u>276</u>	<u>1,986</u>
Contributed capital, end of year	<u>56,705</u>	<u>5,138</u>	<u>61,843</u>	<u>61,567</u>
Total fund equity, end of year	<u>\$249,408</u>	<u>\$13,722</u>	<u>\$263,130</u>	<u>\$238,363</u>

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

CITY OF PALO ALTO
COMBINED STATEMENTS OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
for the year ended June 30, 1992
(in thousands of dollars)

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only) Year Ended June 30,	
			1992	1991
Cash flows provided by (used in) operating activities:				
Operating income (loss)	\$40,957	\$(1,591)	\$ 39,366	\$27,030
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	6,244	1,463	7,707	7,166
Changes in assets and liabilities:				
Decrease (increase) in receivables	329	(138)	191	1,264
(Increase) in stores inventories		(2)	(2)	(121)
(Increase) decrease in prepaid expenses	803	116	919	(207)
Increase (decrease) in accounts payable, accrued liabilities and accrued salaries and benefits	(1,407)	(120)	(1,527)	2,001
Increase (decrease) in compensated absences	(3)	566	563	362
Increase (decrease) in accrued self-insurance	209	766	975	(410)
Net cash provided by operating activities	<u>47,132</u>	<u>1,060</u>	<u>48,192</u>	<u>37,085</u>
Cash flows provided by (used in) noncapital financing activities:				
Operating transfers out to other funds	(16,818)		(16,818)	(15,337)
Operating transfers in from other funds		532	532	890
Net cash provided by (used in) noncapital financing activities	<u>(16,818)</u>	<u>532</u>	<u>(16,286)</u>	<u>(14,447)</u>
Cash flows provided by (used in) capital and related financing activities:				
Acquisition and construction of capital assets	(12,255)	(2,437)	(14,692)	(17,906)
Borrowings under capital leases				2,262
Principal paid on revenue bonds	(690)		(690)	(967)
Proceeds of refunding bonds	4,502		4,502	9,650
Payment to escrow agent				(11,180)
Principal paid on capitalized leases	(15)	(448)	(463)	(256)
Interest paid on revenue bonds and capital leases	(7,771)	(128)	(7,899)	(6,352)
Other nonoperating gain (loss)	(1,626)	3,241	1,615	2,281
Contributed capital	15	261	276	1,986
Advance (to) from General Fund	(1,720)		(1,720)	71
Net cash provided by (used in) capital related activities	<u>(19,560)</u>	<u>489</u>	<u>(19,071)</u>	<u>(20,411)</u>
Cash flows provided by investing activities:				
Interest and dividends on pooled investments	6,631	1,064	7,695	7,558
Net cash provided by investing activities	<u>6,631</u>	<u>1,064</u>	<u>7,695</u>	<u>7,558</u>
Net increase in cash, cash equivalents and cash with fiscal agents	17,385	3,145	20,530	9,785
Cash, cash equivalents and cash with fiscal agents, beginning of year	<u>80,211</u>	<u>17,757</u>	<u>97,968</u>	<u>88,183</u>
Cash, cash equivalents and cash with fiscal agents, end of year	<u>\$97,596</u>	<u>\$20,902</u>	<u>\$118,498</u>	<u>\$97,968</u>

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

CITY OF PALO ALTO
EXPENDABLE TRUST FUNDS
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
for the year ended June 30, 1992
(in thousands of dollars)

	Totals Year Ended June 30,	
	1992	1991
Revenues:		
Interest earnings	\$ 4	\$ 1
Other revenue	<u>50</u>	<u>118</u>
Total revenues	<u>54</u>	<u>119</u>
Expenditures:		
Public safety	10	111
Social services	<u>1</u>	<u>—</u>
Total expenditures	<u>11</u>	<u>111</u>
Excess of revenues over expenditures	<u>43</u>	<u>8</u>
Fund balances, beginning of year	<u>94</u>	<u>86</u>
Fund balances, end of year	<u>\$137</u>	<u>\$ 94</u>

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

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1992

(in thousands of dollars)

1. Summary of Significant Accounting Policies:

The accounting policies of the City of Palo Alto, California (the City), conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Governmental Entities Included in the General Purpose Financial Statements

All significant activities and organizations for which the City has the ability to significantly influence operations and exercise oversight responsibility have been included in the City's general purpose financial statements. The following criteria regarding manifestation of oversight were considered by the City in evaluation of City organizations and activities:

- Financial interdependency - whether the City receives financial support or provides financial benefit to the organization, is responsible for or has directly or indirectly guaranteed the organization's debts.
- Authoritative appointment of governing authority - whether the City Council appoints the organization's governing authority and maintains a significant continuing relationship with the governing authority pertaining to the public functions of the organization.

Included within the City's financial reporting entity are the City of Palo Alto Golf Course Corporation and the Palo Alto Public Improvement Corporation. Although these entities are legally separate from the City, the City's elected officials have a continuing full or partial oversight responsibility and have accountability for fiscal matters of these other entities.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1992

(in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

City of Palo Alto Golf Course Corporation

The Golf Course Corporation 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 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 are recorded in the Debt Service Fund and interest income and expense are recorded in the Special Revenue Fund.

Palo Alto Public Improvement Corporation

The Palo Alto Public Improvement Corporation (the Corporation) 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 Corporation has completed the improvement and repair of the Palo Alto Civic Center. The Corporation is currently leasing the improvements to the City for a 23-year period through June 2006. The debt service payments for the Corporation are included in the activities of the Debt Service Fund while the lease and interest income and expense are included in the Special Revenue Fund.

The operations of the Palo Alto Housing Corporation, Palo Alto Senior Coordinating Council, Palo Alto Child Care Corporation and Palo Alto Unified School District are not part of the defined reporting entity and financial information for these agencies is not included in the general purpose financial statements of the City. Each of these agencies has an independently elected governing board other than the City Council of the City of Palo Alto and the City does not influence their operations significantly.

The City's management has made a preliminary review of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", and does not anticipate any change to the current reporting presentation.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Presentation - Fund Accounting

The basic accounting and reporting entity for the City is a "fund." 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, 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. The various funds are grouped in the general purpose financial statements in this report by generic fund types within three broad fund categories and two account groups as follows:

GOVERNMENTAL FUNDS

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.

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.

Debt Service Funds: 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 Funds.

Capital Projects Fund: The Capital Projects 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).

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Presentation - Fund Accounting, continued:

PROPRIETARY FUNDS

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 (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: 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.

FIDUCIARY FUNDS

Agency Funds: 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. Agency Funds are custodial in nature and do not involve measurement of results of operations.

Expendable Trust Funds: Expendable Trust Funds are funds 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 Funds.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Presentation - Fund Accounting, continued:

ACCOUNT GROUPS

General Fixed Assets Account Group: This 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 Funds.

General Long-Term Debt Account Group: This account group accounts for long-term debt not recorded in the Agency or Proprietary Funds.

Basis of Accounting

The modified accrual basis of accounting is followed by the Governmental, Expendable Trust and Agency Funds. 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 based upon the expenditures recorded. 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.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued:

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 funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Unbilled utility revenues and related expenses are accrued at year-end using a proration of the number of billing days applicable to the current year.

Interest on bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest earned on the investment of unexpended bond proceeds.

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 and Proprietary Funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The level of appropriated budgetary control is the department/program, and major object of expenditure. The City Manager may authorize transfers of appropriations within a departmental appropriation. Supplemental appropriations during the year must be approved by the City Council by no less than a two-thirds vote. Unexpended or unencumbered appropriations are appropriated to fund balances, except for capital projects which are carried forward until such time as the project is completed or abandoned. A capital project is deemed abandoned if two years pass without any expenditure from the appropriation.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued:

Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. 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. For purposes of the statement of cash flows, all pooled cash and investments in the Proprietary Funds are treated as cash equivalents. Investments consist mainly of government securities, and are stated at the lower of aggregate cost or market value.

Receivables

Property taxes receivable for the governmental fund types which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenues in the funds.

Receivables for federal and state grants and federal entitlements are recorded as revenue in all fund types as authorized reimbursable expenditures are made.

Stores Inventories

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

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued:

Property, Plant and Equipment

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. 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 revenue in the funds originally acquiring the assets. Depreciation is not computed on the assets capitalized in the governmental fund types.

Property, plant and equipment in the Proprietary Fund Types is 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 property, plant and equipment as follows:

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

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued:

Special Assessments

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 6, "Accounting and Financial Reporting for Special Assessments," the construction of public improvements and the provision of services financed by special assessments are reported in the fund type that best reflects the nature of the transaction. 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 (\$7,995 at June 30, 1992) are offset by a deferred revenue account. Interest on special assessment levies is recognized when due, in accordance with the modified accrual basis of accounting employed by the Debt Service Fund. In the event of default by the property owners for certain districts, the City is obligated to cover the shortfall in order to make the debt payment. 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.

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

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued:

Compensated Absences, continued:

funds and governmental funds 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 \$4,379 for all funds at June 30, 1992. 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 \$2,931 at June 30, 1992 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.

Long-Term Debt

Unmatured long-term debt directly related to and expected to be paid from Proprietary Funds is included in such funds. All other unmatured long-term debt is recorded in the General Long-Term Debt Account Group.

Bond discount costs resulting from revenue bond issues are amortized over the related debt repayment period and approximate the interest method of amortization. Unamortized bond discount costs are offset against bonds payable.

Contributed Capital

Contributed capital is an equity account in the Proprietary Funds 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.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued:

Reserved Fund Balances

The reserved fund balances for Governmental Funds represent amounts that have been legally identified for specific purposes.

Encumbrances

Commitments for expenditures in the Governmental Funds are recorded as reserves of fund balances, which indicates that a portion of fund balance has been segregated for expenditures upon vendor performance.

Fund Balances Designated for Subsequent Years' Expenditures

Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balances. Planned expenditures include uncompleted construction contracts and other commitments for which fund balances have not been appropriated or specifically segregated. Such plans are subject to change and therefore the designated amounts may never be legally appropriated or result in expenditures.

Property Taxes

Property taxes attach as an enforceable lien as of March 1. Taxes are levied on July 1 and are payable in two installments. The first installment is due November 1 and is delinquent if not paid by December 10. The second installment is due February 1 and is delinquent if not paid by April 10. The County of Santa Clara bills and collects property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in a current receivable, by having been collected by the end of the current fiscal year or within 60 days thereafter.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

1. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued:

Property Taxes, continued:

General property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price on sales and construction which occurred after the 1975-76 valuation. Assessed values on property (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year.

Total Columns on General Purpose Financial Statements

The 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 from the totals (memorandum only) columns. 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

Comparative total 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, comparative data (i.e., presentations of prior year totals by fund) have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to read. Certain amounts from the prior year's financial statements have been reclassified to conform to the current year presentation.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

2. Changes in Basis of Accounting:

In fiscal year 1992, the City's reserve for capital projects, reported as "Designated for Capital Projects" was reclassified from the Capital Projects Fund to the General Fund. The reserve had in the past been funded from any fiscal year General Fund operational surplus, after providing for the required General Fund reserves. The reserve was available for additional capital improvement projects, general programs, or any fiscal year General Fund operational deficit, as appropriated by Council. The purpose of the reserve remains unchanged. Because of its funding source and utilization, this designated fund balance is more appropriately reported within the General Fund. The necessary adjustments in fund balances have been made for 1991.

Also in fiscal year 1992, \$1,561 of the Refuse Fund landfill closure project costs were expensed as current operating costs of the Refuse Fund as recommended by the Governmental Accounting Standards Board in their proposed statement, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." Included in this amount was \$380, representing the undepreciated portion of assets related to landfill closure requirements regulated by state and federal law which had previously been capitalized in the Refuse Fund. Future landfill closure costs will be recognized as operating expenses as incurred.

In prior years, the City recorded loans made to citizens under the Housing Improvement Program as expenditures of the Special Revenue Fund. The subsequent collection on these loans was recorded as revenue of the Special Revenue Fund. In fiscal year 1991, the City chose to record all outstanding loans (\$1,193) as notes receivable and, at the date of change, recorded a related increase to the Special Revenue Fund balance account. Future collection on these notes will serve to reduce the individual note balances and associated interest income will be recognized.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

3. Cash and Investments:

As a charter city, the City manages its pooled cash and investments under the prudent investor rule. Under the City's investment policy, investments are to be made with a level of judgment and care, under the circumstances then prevailing, which independent investors exercising a level of prudence, discretion, and intelligence would utilize considering the probable income as well as safety of their capital.

The City reviews and amends its investment policy on an annual basis. The City's investment policy was last amended on June 22, 1992. This policy authorizes the City to invest in obligations of the U.S. Treasury and U.S. agencies, 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.

State statutes require collateral for all public agency deposits and certificates of deposit not covered by federal deposit insurance. Certificates of deposit (except for negotiable certificates) are considered deposits and not investments for the purposes of these statutes.

Cash and investments at June 30, 1992 comprise:

Cash:	
Cash on hand	\$ 249
Held in trust and with Fiscal Agent	<u>7,881</u>
	8,130
Deposits:	
Certificates of deposit	<u>16,000</u>
Total cash and deposits	<u>\$24,130</u>

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

3. Cash and Investments, continued:

	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>	<u>Weighted</u> <u>Average</u> <u>Interest</u> <u>Rate</u>
Cash and deposits	<u>\$ 24,130</u>	<u>\$ 24,130</u>	
Investments:			
City of Palo Alto improvement bonds	38	38	9.0%
Bankers acceptance notes	4,968	4,968	3.7
Commercial paper	979	979	4.4
U.S. Treasury obligations	46,673	47,772	9.1
U.S. Agency obligations	<u>68,783</u>	<u>70,335</u>	7.4
	121,441	124,092	
Local Agency Investment Fund	15,000	15,000	
Mutual Fund	200	200	
Deferred compensation (Note 7)	<u>21,767</u>	<u>21,767</u>	
Total investments	<u>158,408</u>	<u>161,059</u>	
Total cash and investments	<u>\$182,538</u>	<u>\$185,189</u>	

At June 30, 1992, the carrying amount of the City's deposits was \$23,881 and the bank balance was \$25,795. All bank balances were entirely insured or collateralized with securities held by the City or its agent in the City's name.

Investments in City bonds, bankers acceptances, commercial paper and obligations of the U.S. government, with a total carrying value of \$121,441 at June 30, 1992, are fully insured or registered, or represent securities held by the City or its agent in the City's name. These holdings are considered to be in the category of lowest credit risk as defined in GASB Statement No. 3. Investments in the Local Agency Investment Fund, the Mutual Fund, and resources related to the deferred compensation fund are not subject to credit risk categorization under guidelines presented in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

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.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

3. Cash and Investments, continued:

Cash Held In Trust and With Fiscal Agent

Included in the cash and investment balance at June 30, 1992 are amounts held with a fiscal agent and held in trust of \$6,415 and \$1,466, respectively. Included in the amounts held with the fiscal agent are bond proceeds in the amount of \$5,590 held in a construction fund, which earns interest. Amounts held with the fiscal agent also include principal and interest payments on outstanding bond issues, which are due July 2nd of the following fiscal year. However, trust agreements require the City to pay these amounts in June of the preceding fiscal year to allow for potential delays in actual payment to bondholders. These amounts are not invested and do not earn interest as they are situated in holding accounts for a short period of time before actual bond payments are made. Amounts held in trust represent deposits in bond reserve accounts with the bond trustees (Bank of America NT&SA and Bankers Trust Company of California, N.A.), which are to be used to pay the final bond principal and interest payments. These monies are governed by the trustee agreements between the City and the trustees which state how the monies in the bond reserve accounts are to be invested. Specifically, the City has granted the trustees authorization to invest these monies in instruments essentially consisting of U.S. Treasury and Agency obligations and nonnegotiable certificates of deposit. As of June 30, 1992, all cash and cash equivalents held in trust were in compliance with the respective trust agreements. At June 30, 1992, all trustee holdings were recorded at cost, which approximated market value.

Deposits

At June 30, 1992, certificates of deposit were placed in two financial institutions and were carried at cost. All deposits are covered by federal depository insurance, and/or collateralized with securities held in a collateral pool for the entire balance, in conformity with state law.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

3. Cash and Investments, continued:

Investments

The June 30, 1992 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 were to liquidate the securities on that date.

4. Property, Plant and Equipment:

Property, plant and equipment by major classes at June 30, 1992 are comprised of:

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>General Fixed Assets Account Group</u>	<u>Totals</u>
Land and improvements	\$ 1,541		\$ 59,519	\$ 61,060
Buildings and structures	5,319		35,435	40,754
Equipment	238,494	\$14,068	11,261	263,823
Accumulated depreciation	<u>(83,775)</u>	<u>(5,969)</u>	_____	<u>(89,744)</u>
Total	<u>\$161,579</u>	<u>\$ 8,099</u>	<u>\$106,215</u>	<u>\$275,893</u>

Included in equipment at June 30, 1992 for the Enterprise Funds are approximately \$19,655 of construction-in-progress. Additionally, included at June 30, 1992 in land and improvements and equipment in the General Fixed Asset Account Group and the Internal Service Fund are assets under capital leases amounting to \$9,064 and \$2,250, respectively, with accumulated amortization of \$228. Also included in land and improvements in the Enterprise Funds is \$1,169 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.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

4. Property, Plant and Equipment, continued:

The changes in the General Fixed Assets Account Group for the fiscal year ended June 30, 1992 are as follows:

	<u>Balances,</u> <u>July 1, 1991</u>	<u>Expenditures</u> ⁷	<u>Retirement</u>	<u>Balances,</u> <u>June 30, 1992</u>
Land and improvements	\$ 57,062	\$2,457		\$ 59,519
Buildings and structures	34,394	1,041		35,435
Equipment	<u>10,275</u>	<u>1,808</u>	<u>\$822</u>	<u>11,261</u>
Total	<u>\$101,731</u>	<u>\$5,306</u>	<u>\$822</u>	<u>\$106,215</u>

The cities of Palo Alto, Mountain View and Los Altos (the Cities) 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 to the Cities. 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 city has the right to rent unused capacity from/to the other cities. The expenses of operations and maintenance are paid quarterly by each city based on their pro rata share of treatment costs. Additionally, joint system revenues are shared by the Cities 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 party upon ten years' notice to the other parties. All sewage treatment property, plant and equipment are included in the Wastewater Fund's property, plant and equipment balance at June 30, 1992. If the City initiates the termination of the contracts, it is required to pay the other cities their unamortized contribution towards the property, plant and equipment.

Continued

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Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

5. Long-Term Liabilities and Debt:

A summary of the changes in long-term liabilities and debt, net of discounts, where applicable, for the year ended June 30, 1992 follows:

	Balance July 1, <u>1991</u>
General obligation bonds	<u>\$ 1,225</u>
Utility revenue bonds	<u>12,280</u>
Certificates of participation	<u>5,125</u>
Special assessment debt with governmental commitment	<u>8,649</u>
Capital lease obligations:	
Terman School	3,951
Telephone equipment	96
Los Altos Treatment Plant site	15
Vehicle equipment	2,142
Other equipment	<u>120</u>
Total capital lease obligations	<u>6,324</u>
Advances to/from other funds:	
Advance due to General Fund from the Enterprise - Storm Drainage Fund	2,167
Advance due to General Fund from the Special Revenue - Gas Tax Fund	<u>500</u>
Total advances to/from other funds	<u>2,667</u>

Continued

<u>Additional Obligations</u>	<u>Current Maturities and Retirements</u>	<u>Balance June 30, 1992</u>
	\$ 75	\$ <u>1,150</u>
\$4,750	938	<u>16,092</u>
7,670	5,125	<u>7,670</u>
	420	<u>8,229</u>
	395	3,556
	96	
	15	
	427	1,715
<u>65</u>	<u>21</u>	<u>164</u>
<u>65</u>	<u>954</u>	<u>5,435</u>
	1,720	447
<u> </u>	<u>500</u>	<u> </u>
<u> </u>	<u>2,220</u>	<u>447</u>

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

5. Long-Term Liabilities and Debt, continued:

On March 18, 1992, the City issued \$7,670 in Certificates of Participation for the refinancing of the City's 1983 Civic Center Certificates of Participation (1983 Certificates) and to provide new money for additional retrofitting and structural improvement projects needed for the Civic Center. The net proceeds of \$7,368 (after payment of \$190 issuance cost, plus an additional \$653 of the prior debt service reserve), allowed for the refinancing of the remaining 1983 issuance (\$5,355) and provided \$1,898 for the additional capital projects. A reserve of \$767 was established for the new debt service.

With respect to the refinancing, the City's previous Site Lease and Lease Agreement Relating to Palo Alto Civic Center, dated October 1, 1983 with the Palo Alto Public Improvement Corporation for the purpose of financing the 1983 Project, was amended to provide for both redemption of the outstanding 1983 Certificates on October 1, 1993 through establishment of an escrow fund and payment of the new Certificates as they become due. Lease payments made by the City to the Palo Alto Public Improvement Corporation are used to make required principal and interest payments on the Certificates of Participation.

At the time of issuance of the 1992 Certificates of Participation (Certificates), the weighted average interest rate on the outstanding 1983 Certificates was 8.50%. Based on that rate, the City realized an economic gain of \$499, representing the difference between the present values of the required payments on the new Certificates compared to those previously required on the 1983 Certificates being defeased. A cash flow savings to the City of \$852 results from the difference between the total debt service requirements on the new Certificates compared to those for the 1983 Certificates being defeased.

The City of Palo Alto Utility Revenue Bonds 1992 Series A were issued in April 1992 to finance certain extensions and improvements to the City's Storm and Surface Water Management project within the Storm Drainage Fund. The bonds, issued in the amount of \$4,750, are collateralized by net revenues of the City's Electric, Water, Sewer, Gas and Storm Drainage Utility Systems.

In August 1990, the City advance refunded its Utility Revenue Bonds 1985 Series A by placing the proceeds of newly issued refunding bonds and prior debt service reserve resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the prior bonds. Accordingly, the trust assets and the liability for the in-substance defeased bonds are not included in the City's financial statements. At June 30, 1992, the outstanding balance on these defeased bonds totaled \$10,900.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

5. Long-Term Liabilities and Debt, continued:

In December 1989, the City advance refunded certain special assessment 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, 1992, the outstanding balance on these defeased bonds totaled \$4,505.

A summary of bonds payable and certificates of participation, net of unamortized discounts, and capital lease obligations, at June 30, 1992 by individual issue follows:

	<u>Due Serially To</u>	<u>Effective Interest Rates</u>	<u>Total Interest Payable</u>	<u>Amount of Original Issue</u>	<u>Amounts Payable</u>
General obligation bonds:					
Golf course bonds	2003	5.00% - 6.00%	\$ 438	\$ 1,800	\$ 1,150
Utility revenue bonds:					
1983 A Series	1999	6.25% - 8.25%	771	4,765	2,840
1990 A Series	2006	5.70% - 6.80%	5,015	9,650	8,890
1992 A Series	2007	6.30% - 6.375%	5,216	4,750	4,750
Less: Unamortized discount			—	—	(388)
Total bonds			<u>11,002</u>	<u>19,165</u>	<u>16,092</u>
Certificates of participation:					
Civic Center improvement certificates	2012	3.60% - 6.70%	4,400	7,670	7,670
Special assessment debt with governmental commitment:					
Utility street improvement and parking district bonds	2008	5.38% - 10.95%	4,738	11,305	8,229
Capital lease obligations:					
Terman School	2000	Variable	1,423	6,321	3,556
Vehicle equipment	1995	5.70% - 6.10%	221	2,346	1,715
Other equipment	1996-97	1.5% - 7.0%	17	189	164
Total capital lease obligations			<u>1,661</u>	<u>8,856</u>	<u>5,435</u>

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

5. Long-Term Liabilities and Debt, continued:

The annual requirements to amortize all bonds, certificates of participation and capital leases outstanding as of June 30, 1992 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>General Obligation Bonds:</u>			
1993	\$ 75	\$ 65	\$ 140
1994	75	61	136
1995	75	57	132
1996	100	53	153
1997	100	47	147
Thereafter	<u>725</u>	<u>155</u>	<u>880</u>
Total	<u>\$1,150</u>	<u>\$438</u>	<u>\$1,588</u>
<u>Utility Revenue Bonds:</u>			
1993	735	1,136	1,871
1994	875	1,035	1,910
1995	925	973	1,898
1996	990	906	1,896
1997	1,060	833	1,893
Thereafter	<u>11,895</u>	<u>6,119</u>	<u>18,014</u>
Total	<u>\$16,480</u>	<u>\$11,002</u>	<u>\$27,482</u>
<u>Certificates of Participation:</u>			
1993	365	451	816
1994	380	437	817
1995	395	421	816
1996	415	402	817
1997	440	380	820
Thereafter	<u>5,675</u>	<u>2,309</u>	<u>7,984</u>
Total	<u>\$7,670</u>	<u>\$4,400</u>	<u>\$12,070</u>
<u>Special Assessment Debt:</u>			
1993	439	539	978
1994	455	509	964
1995	380	482	862
1996	400	445	845
1997	420	430	850
Thereafter	<u>6,135</u>	<u>2,333</u>	<u>8,468</u>
Total	<u>\$8,229</u>	<u>\$4,738</u>	<u>\$12,967</u>
<u>Capital Lease Obligations:</u>			
1993	899	390	1,289
1994	928	329	1,257
1995	960	266	1,226
1996	720	200	920
1997	410	159	569
Thereafter	<u>1,581</u>	<u>317</u>	<u>1,898</u>
Total	<u>\$5,498</u>	<u>\$1,661</u>	<u>\$7,159</u>

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

5. Long-Term Liabilities and Debt, continued:

Principal and interest on general obligation golf course bonds are paid from lease revenues received by the Palo Alto Golf Course Corporation from the City.

Principal and interest on special assessment debt with governmental commitment are paid first from assessments to benefitted properties and, second, for districts without their own reserve funds, from general tax revenues. Where reserve funds are drawn upon, reimbursement would be made in order to maintain the required reserve amount.

Principal and interest on all revenue bonds are payable from the net revenues of the electric, gas, water and wastewater funds. Revenues of the Storm Drainage Fund are also obligated for the 1990 Series A Bonds. The revenue bonds are collateralized by a lien over the net revenues of the enterprise funds. Future interest payments are based on average interest rates of 7.4% for the 1983 Series A; 6.425% for the 1990 Series A; and 6.343% for the 1992 Series A bonds.

The variable interest rate for the Terman School site lease is based on the lessor's investment portfolio; the rate at June 30, 1992 was 8%. Future interest payments are based on an estimated rate of 8%.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

5. Long-Term Liabilities and Debt, continued:

Long-term liabilities as of June 30, 1992 are callable on the following terms and conditions:

	<u>Interest Rates</u>	<u>Initial Call Date</u>
General obligation bonds:		
Golf course bonds issued:		
03/01/78	5.00%-6.00%	3/1/88 ⁽¹⁾
Revenue bonds:		
Revenue bonds issued:		
06/01/83	6.25%-8.25%	7/1/93 ⁽⁶⁾
08/21/91	5.70%-6.80%	6/1/01 ⁽⁵⁾
04/01/92	6.30%-6.375%	6/1/01 ⁽⁵⁾
Certificates of participation:		
Certificates of participation issued:		
03/18/92	3.60%-6.70%	3/1/01 ⁽⁸⁾
Special assessment bonds:		
Special assessment bonds issued:		
09/02/69	6.90%	1/2/71 ⁽²⁾
04/22/68	5.50%-6.00%	7/2/77 ⁽⁴⁾
04/22/68	5.38%-6.00%	7/2/77 ⁽⁴⁾
01/02/75	7.00%-7.50%	7/2/85 ⁽¹⁾
05/02/77	6.00%	None
06/02/77	5.40%-7.75%	7/2/87 ⁽¹⁾
05/02/80	7.25%-9.50%	7/2/90 ⁽¹⁾
12/02/82	10.95%	7/2/83 ⁽³⁾
03/30/87	6.70%-9.25%	9/2/96 ⁽⁷⁾
12/18/89	5.75%-6.90%	9/1/00 ⁽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.

⁽³⁾ Callable in numerical order at 105% of par.

⁽⁴⁾ Callable in inverse numerical order of maturity at par plus .5%, plus .25% for each year from redemption to maturity date.

⁽⁵⁾ 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.

⁽⁶⁾ Callable in inverse numerical order of maturity at par plus a premium of 2.5% beginning on the initial call date. The call price declines subsequent to the initial date.

⁽⁷⁾ 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.

⁽⁸⁾ 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.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

6. Pension Plan:

Plan Description:

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The covered payroll for employees participating in the System and the total payroll for the year ended June 30, 1992 was \$42,029 and \$46,478, respectively.

All full-time and part-time benefitted City employees are eligible to participate in CalPERS. Part-time non-benefitted hourly employees do not participate in CalPERS. Benefits vest after five years of service. City employees who retire at or after age fifty with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount that varies from 2% at age fifty to a maximum of 2.7% at ages fifty-five to sixty of the single highest year's salary for safety employees (in an amount that varies from 1.092% at age fifty to a maximum of 2.418% at age sixty-three of the single highest year's salary for non-safety employees) for each year of credited service. CalPERS also provides death and survivor's benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Employee and Employer Contribution Obligations:

The City makes both the employee and employer contributions. The rates are set by statute and therefore remain unchanged from year to year. The present employee contribution rates are:

<u>Category</u>	<u>Member Rates as a Percentage of Wages</u>
Local miscellaneous members	7%
Local safety members	9%

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

6. Pension Plan, continued:

The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the CalPERS actuaries and actuarial consultants as adopted by the Board of Administration. The employer contribution rate during the fiscal year ended June 30, 1992 was 7.881% for local miscellaneous members and 20.949% and 20.856% fire and police safety members, respectively. A portion of the City's contribution was made by applying a surplus asset account balance accumulated through June 30, 1991 and through a system-wide refund authorized by the California State Legislature with the passage of Assembly Bill 702.

Related Party Investments:

Related party investments are avoided by CalPERS as part of its written investment policy and no known related party investments exist in the fund.

Funding Status and Progress:

The amount shown below as the "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated 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 CalPERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to CalPERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1991 (one year in arrears). Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8.75% a year compounded annually, (b) projected salary increases of 5.25% a year compounded annually, attributable to inflation, and across-the-board real salary increases, (c) additional projected salary increases of 1.75% and 2.00% a year for miscellaneous and safety members, respectively, attributable to seniority/merit, and (d) no post-retirement benefit increases.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

6. Pension Plan, continued:

Funding Status and Progress, continued:

At June 30, 1991, the total unfunded pension benefit obligation applicable to the City's employees was as follows:

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$70,736
Current employees:	
Accumulated employee contributions including allocated investment earnings	35,834
Employer-financed, vested	44,520
Employer-financed, non-vested	<u>1,596</u>
Total pension benefit obligation	152,686
Net assets available for benefits, at cost (market value is \$160,589 at June 30, 1991)	<u>144,806</u>
Unfunded pension benefit obligation, at cost	<u>\$ 7,880</u>

During fiscal 1992, the Board of Administration of CalPERS approved system-wide changes to the mortality, retirement, withdrawal, and disability rates used in calculating the pension benefit obligation to better estimate the future experience of the plan. For the City, these changes in actuarial assumptions decreased the pension benefit obligation by \$4,298 during fiscal 1992.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

6. Pension Plan, continued:

Actuarially Determined Contribution Requirements and Contribution Made:

CalPERS uses the Entry Age Normal Actuarial Cost Method which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued. According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. CalPERS uses a modification of the Entry Age Cost method in which the employer's total normal cost is expressed as a level percentage of payroll. CalPERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability ends on June 30, 2000 for prior service benefits and for current service benefits; however, the City has applied for an extension to June 30, 2016, which it expects will be approved.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described under Funding Status and Progress.

The contribution to CalPERS for the year ended June 30, 1992 of \$7,968 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1991. The contribution consisted of: (a) \$6,804 normal cost (16.19% of current covered payroll) and (b) \$1,164 amortization of the unfunded actuarial accrued liability (2.77% of current covered payroll). The City contributed employer contributions of \$4,766 (11.34% of current covered payroll); and on behalf of employees contributed \$3,124 (7.43% of current covered payroll). An additional \$78 was contributed directly by employees.

Trend Information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. System-wide ten-year trend information to be supplied by CalPERS is not yet available.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

6. Pension Plan, continued:

Trend Information, continued:

Required three-year trend information (first made available by CalPERS in fiscal 1987-88) for fiscal years 1989-1990 through 1991-1995 is summarized as follows:

	<u>1991-1992</u>	<u>1990-1991</u>	<u>1989-1990</u>
Net assets available for benefits expressed as a percentage of the pension benefit obligation	94.8%	93.7%	93.6%
Unfunded pension benefit obligation, expressed as a percentage of annual covered payroll	17.8%	21.9%	22.8%
Employer contributions expressed as a percentage of annual covered payroll, made in accordance with actuarially determined requirements	11.3%	9.5%	10.0%

Retirement System Rebate - Reservation of Fund Balance/Retained Earnings:

Assembly Bill 702 (Chapter 83, Statutes of 1991) was passed by the State legislature and signed into law as part of the 1991-92 state budget. The major impact of the bill to cities in CalPERS was the creation of a one-time rebate to employer accounts. In fiscal year 1992, the City's CalPERS contributions were reduced by recognizing credits of over \$2.7 million; the remaining \$3.4 million credit will be realized in fiscal year 1993. Because the legality of the Assembly Bill 702 rebate has been appealed to the U.S. Supreme Court, the City has chosen to reserve that portion of fund balance in the general fund and retained earnings in each enterprise and internal service fund attributable to the rebate until a final legal determination is made.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

6. Pension Plan, continued:

Other Post-Retirement Benefits:

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. The costs of retiree health care are recognized as expenditures when claims are paid. For fiscal 1992, expenditures for retiree health care for approximately 329 eligible retired employees totaled \$978.

7. Deferred Compensation Plan:

Employees of the City of Palo Alto may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457, Deferred Compensation Plans With Respect To Service For State And Local Governments.

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan is administered by three unrelated administrators. Under the terms of IRC Section 457, until paid or made available to the employees or beneficiaries, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the administrators, are the property of the City subject only to the claims of the City's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the City, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The City believes that is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
June 30, 1992
(in thousands of dollars)

7. Deferred Compensation Plan, continued:

As part of its fiduciary role, the City has an obligation of due care in selecting third party administrators. In the opinion of the City's management, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

At June 30, 1992, net assets available for benefits totaled \$21,767, which are included as cash and investments of the Agency Funds and are offset by a corresponding liability.

8. Self Insurance Programs:

The City has self insurance programs to provide for general liability, medical and dental, and workers' compensation claims. Under the self insurance programs, the City retains the risk of loss for up to a maximum of \$1 million for each claim. The activities of the self insurance programs are recorded in the Enterprise and Internal Service Funds.

Estimated liabilities are recorded for claims in cases where such amounts are reasonably determinable and where the liability is likely for incurred but not reported (IBNR) claims. IBNR claims are claims that are incurred through the end of the fiscal year but not reported until after that date. The estimated liability is determined based upon actuarial estimates of the amounts needed to pay prior and current year claims. The estimated liabilities are reported at their present value of \$6,995 at June 30, 1992 using a discount rate of 5% which approximates the City's rate of return on short-term, highly liquid investments. Application of the discount rate has the effect of reducing the estimated liability by \$961.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

8. Self Insurance Programs, continued:

Changes in the self insurance liabilities during the fiscal year ended June 30, 1992 were as follows:

	<u>Balance at July 1, 1991</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at June 30, 1992</u>
Accrued self insurance	\$6,020	\$6,272	\$(5,297)	\$6,995

To cover the risk of loss in excess of \$1 million per incident, the City has excess liability coverage through the Authority for California Cities Excess Liability (ACCEL), a joint powers authority of medium-sized California municipalities. ACCEL pools catastrophic general liability, automobile liability and public officials errors and omissions losses. ACCEL intends to pool virtually every catastrophic loss incurred by its members, thereby eliminating the need for commercial excess insurance protection. As a result, each member's share of the pooled costs will depend on the catastrophic losses of all the members. In addition, the cost to a member city will also depend on that member's own loss experience. Entities with a consistent record of costly claims will pay more than entities with a consistent record of lesser claims activity.

In order to provide funds to pay claims, ACCEL collects a deposit from each member. The deposits are credited with investment income at the rate earned on ACCEL's investments. The following is summary financial information of ACCEL as of and for the fiscal year ended June 30, 1992:

Total assets	\$35,416
Total liabilities	34,997
Members' equity	419
Total revenues	6,398
Total expenses	6,775
Deficiency of income over expenses	(377)

Settlements for each of the past three fiscal years have not exceeded the insurance coverage provided by ACCEL.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

8. Self Insurance Programs, continued:

The following municipalities are also members of ACCEL: Anaheim, Bakersfield, Burbank, Gardena, Modesto, Monterey, Ontario, Santa Barbara, Santa Monica and Visalia. A representative from each member city, appointed to the position by their City Council, serves on the Board of Directors of ACCEL. The Board is responsible for deciding the risks ACCEL will underwrite, monitoring the costs of large claims, and arranging financial programs. Each member of the Board has an equal vote in matters concerning ACCEL. ACCEL does not have any debt outstanding.

The funds invested by the City (\$2,701) in this pool are not included as assets of the City as of June 30, 1992. The transfer of total risk to the insurance pool has not occurred; however, the actuarially determined probable liability to the City for claims not covered by this insurance pool is included in the City's accrued self insurance balance as of June 30, 1992.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
 June 30, 1992
 (in thousands of dollars)

9. Segment Information for Enterprise Funds:

The City's six enterprise funds account for the acquisition, operation and maintenance of water, electric, gas, wastewater, refuse and storm drainage facilities that are supported by user charges. Segment information for the year ended June 30, 1992 is as follows:

	<u>Water</u>	<u>Electric</u>	<u>Gas</u>
Operating revenues	\$10,522	\$ 67,111	\$16,158
Depreciation and amortization	445	3,058	453
Operating income	3,427	25,721	3,820
Operating transfers to Governmental Funds	2,689	9,550	1,666
Net income (loss)	957	13,564	3,009
Current capital contributions		1,179	
Property, plant and equipment:			
Additions (excluding construction in progress)	2,466	4,110	1,581
Retirements (net book value)	4	12	25
Net working capital	3,126	68,238	13,692
Total assets	21,863	143,460	30,202
Bonds and contracts, net of bond discount, payable from operating revenues		303	341
Total equity	21,342	139,280	28,620

Continued

<u>Wastewater</u>	<u>Refuse</u>	<u>Storm Drainage</u>	<u>Total</u>
\$14,083	\$12,575	\$1,604	\$122,053
1,969	313	6	6,244
3,581	3,271	1,137	40,957
109	2,772	32	16,818
3,179	(613)	1,277	21,373
(1,164)			15
5,228	2,350		15,735
7,764	6,944	4,763	41
56,392	13,967	8,239	104,527
			274,123
10,860		4,588	16,092
43,989	13,145	3,032	249,408

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

10. Proprietary Funds' Equity:

The Enterprise Funds' equity has been allocated as of June 30, 1992 as follows:

	<u>Water</u>	<u>Electric</u>	<u>Gas</u>
Contributed capital	\$ 7,684	\$ 15,840	\$ 3,292
Emergency plant replacement reserve	503	1,873	476
Systems improvement reserve	199	9,652	4,335
Transfer stabilization reserve	448	23,992	2,820
Calaveras reserve		26,100	
Gas supplemental supply reserve			4,083
Debt service reserve		59	66
Commitments and reappropriations	1,918	5,854	1,258
Underground loan reserve		499	
Conservation loan reserve			571
Landfill closure reserve			
Retirement system rebate reserve	58	210	84
Unreserved retained earnings (accumulated deficit)	<u>10,532</u>	<u>55,201</u>	<u>11,635</u>
Total fund equity	<u>\$21,342</u>	<u>\$139,280</u>	<u>\$28,620</u>

Continued

<u>Wastewater</u>	<u>Refuse</u>	<u>Storm Drainage</u>	<u>Total</u>
\$29,889			\$ 56,705
1,060			3,912
3,638	\$ 4,046	\$3,552	25,422
			27,260
			26,100
			4,083
416			541
2,491	1,677	1,199	14,397
			499
			571
	1,171		1,171
160	50	12	574
<u>6,335</u>	<u>6,201</u>	<u>(1,731)</u>	<u>88,173</u>
<u>\$43,989</u>	<u>\$13,145</u>	<u>\$3,032</u>	<u>\$249,408</u>

Continued

CITY OF PALO ALTO
NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
June 30, 1992
(in thousands of dollars)

10. Proprietary Funds' Equity, continued:

The Internal Service Fund's equity has been allocated as of June 30, 1992 as follows:

Contributed capital	\$ 5,138
Retained earnings:	
Commitments and reappropriations	1,014
Retirement system rebate reserve	33
Unreserved	<u>7,537</u>
	<u>8,584</u>
Total fund equity	<u>\$13,722</u>

11. Commitments and Contingencies:

Northern California Power Agency

The City is a member of the Northern California Power Agency (NCPA), which operates under a joint powers agreement among 14 agencies. NCPA was created for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation or transmission of electric power. Each member has one representative on the NCPA council and one vote for matters of budgeting and financing.

The City is a participant in a number of NCPA projects. Under the terms of the project agreements, the participants are obligated to make payments for their proportionate share of operating and maintenance expenses and debt service, whether or not the projects are operating or have been completed. The City has no investment in the plant. These costs are included in cost of utilities purchased in the statement of revenues, expenses and changes in fund equity in the Enterprise Funds for the year ended June 30, 1992. The project agreements remain in effect until the project bonds outstanding are paid or funds are set aside for such payment and the agreements cannot be terminated or amended without consent of the bond trustees.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

11. Commitments and Contingencies, continued:

Northern California Power Agency, continued:

The City's share of debt outstanding in conjunction with the various projects at June 30, 1992 is as follows:

	<u>Total NCPA Outstanding Debt</u>	<u>City's Participation Percentage</u>	<u>City's Share of Outstanding Debt</u>
Hydroelectric Project #1:			
1985 Series A	\$ 22,180	22.92%	\$ 5,084
1991 Series E, F, G	315,045	22.92%	72,208
1986 Refunding Series A	42,535	22.92%	9,749
Transmission Project #1:			
1989 Series A	17,090	11.07%	1,892

The City's participation in a NCPA Geothermal Project was sold to Turlock Irrigation District (Turlock) in October 1984. Accordingly, the City is liable for payment of outstanding geothermal related debt only in the event that Turlock fails to make specified payments. Total outstanding debt of the NCPA Geothermal Project at June 30, 1992 is \$747,375. The City's participation in this project was 6.15%, or \$45,964.

All the debt is secured by certain revenues and funds of NCPA. In addition, the Geothermal Transmission Project debt is also secured under a letter of credit by Swiss Bank Corporation.

In April 1991, the City signed an agreement with the City of Roseville to sell a 6.52% portion of its capacity share of NCPA's Calaveras hydroelectric plant for a period of 14 years. Under the terms of the sale agreement, Roseville will pay all the operation and maintenance costs associated with 6.52% of the plant. In addition, Roseville will also pay the City a portion of the net debt service obligations of the current long-term debt associated with the Hydroelectric Project No. 1. However, if Roseville defaults, the City is secondarily liable for the outstanding debt service obligations.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

11. Commitments and Contingencies, continued:

Northern California Power Agency, continued:

Following is a condensed balance sheet as of June 30, 1992 and a statement of operations of NCPA for the year ended June 30, 1992:

	(Unaudited)
Assets	
Electric plant	\$ 748,524
Restricted funds	262,332
Other assets and deferred charges	400,552
Current assets	<u>58,145</u>
	<u>\$1,469,553</u>
Liabilities and Equity	
Long-term debt	\$1,312,477
Current liabilities	89,189
Other liabilities	59,988
Retained earnings	<u>7,899</u>
	<u>\$1,469,553</u>
Statement of Operations	
Sales to participants	\$ 158,575
Operating expenses	(74,029)
Nonoperating other expenses, net	(79,741)
Additions to operating revenues and refunds to participants	<u>(29,528)</u>
Net loss	<u>\$ (24,723)</u>

Transmission Agency of Northern California

In December 1984, a number of California municipalities entered into a joint powers agreement which created the Transmission Agency of Northern California (TANC), a political subdivision of the State of California. The purpose of TANC is to provide electric transmission or other facilities for the use of the members. The membership of TANC consists of the City, ten other cities, one utility district, and two irrigation districts. Each member has one representative on the TANC council and one vote for matters of budgeting and finance.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

11. Commitments and Contingencies, continued:

Transmission Agency of Northern California, continued:

The members pay for operating costs and are entitled to an interest in the right and property of TANC in accordance with specified participation percentages, with each members' share of operating costs not to exceed \$50 per year.

The capacity of the Project has been sold to the cities and districts which established TANC and are parties to the joint powers agreement. Under the terms of the Project agreement, the purchasers are obligated to make payments for their proportionate share of operating and maintenance expenses and debt service on revenue bonds, whether or not the Project is operating or has been completed. The Project agreement remains in effect until the revenue bonds are paid and the agreement cannot be terminated or amended in any manner that will impair or adversely affect the rights of the noteholders.

As of June 30, 1992, the City maintains 4.00% of the membership in TANC. Amounts outstanding under revenue notes at June 30, 1992 are \$387,308, of which the City's share is \$15,492.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

11. Commitments and Contingencies, continued:

Transmission Agency of Northern California, continued:

Following is a condensed balance sheet as of June 30, 1992 and a statement of operations of TANC for the year ended June 30, 1992:

	(Unaudited)
Assets	
Project development costs	\$348,309
Restricted funds	162,792
Current assets	<u>1,238</u>
	<u>\$512,339</u>
Liabilities and Equity	
Notes payable	\$387,308
Current liabilities	124,792
Members' equity	<u>239</u>
	<u>\$512,339</u>
Statement of Operations	
Revenues	\$ 949
Expenses	<u>988</u>
Operating loss	(39)
Interest income	<u>21</u>
Net loss	<u>\$ (18)</u>

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

11. Commitments and Contingencies, continued:

Operating Leases:

The City is currently obligated under an operating lease agreement with the Palo Alto Unified School District (PAUSD) to lease the former Cubberley School site and eleven extended day care sites. The lease is part of a larger agreement which includes a covenant not to develop certain properties owned by the PAUSD. The lease term expires in December 2005 with an option for an additional ten-year term. The City is responsible for insurance, repairs and maintenance expenses related to the leased facilities, which are not to exceed \$250 per annum. This lease is subject to annual appropriations by the City Council to make the annual lease payments and is cancelable upon 90 days written notice in the event funds are not appropriated by the City. In addition, the lease is contingent upon authorization by the Palo Alto electorate if it exceeds the City's Proposition 4 (Gann) limitation in any fiscal year. Lease expenditures for the year ended June 30, 1992 amounted to \$4,287. Future minimum annual lease and covenant payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
1993	\$ 4,361
1994	4,361
1995	4,361
1996	4,361
1997	4,361
Thereafter	<u>32,706</u>
Total	<u>\$54,511</u>

Included in this lease agreement is an additional commitment to reimburse the School District for athletic field improvements at an estimated cost of \$225.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

11. Commitments and Contingencies, continued:

Other:

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.

Lytton Gardens Convalescent Hospital:

In fiscal 1987, the City issued bonds to refinance existing construction bonds of the Lytton Gardens Convalescent Hospital. Receipts from the operations of the facility are pledged for payment of the bonds. The bonds are not a liability or contingent liability of the City or a lien on any of its properties and are insured as to the payment of principal and interest by the office of Statewide Health Planning and Development (SHPD) of the State of California. Beginning in November 1989 and continuing through June 1991, events of default occurred when Lytton Gardens used bond reserve fund assets to satisfy certain interest and principal payment requirements. No action has been taken by SHPD to declare the hospital in default. Lytton Gardens made payment for fiscal 1992 bond interest and intends to restore the bond reserve fund as improving cash flows permit. At June 30, 1992, \$14,111 is outstanding under these bonds, of which \$751 represents amounts to be restored to the bond reserve fund.

Palo Alto Medical Foundation:

The City issued revenue bonds in fiscal 1987 to finance the purchase and improvements of equipment and facilities of the Palo Alto Medical Foundation. Gross revenues from the operations of the facility are pledged for payment of the bonds. The bonds are not a liability or contingent liability of the City or a lien on any of its properties and are insured as to payment of principal and interest by SHPD. At June 30, 1992, \$24,855 is outstanding under such bonds.

Palo Alto Sanitation Company:

The City has entered into a 60-month contract, which expires June 1995, with the Palo Alto Sanitation Company (PASCO) for the collection and transportation of refuse, rubbish and garbage. The City is committed to pay PASCO a percentage of refuse revenue billed to City citizens and customers. That percentage, which is negotiated annually, is currently 38.13%. During fiscal 1992, the City made payments of \$4,958 for services rendered by PASCO.

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued June 30, 1992 (in thousands of dollars)

11. Commitments and Contingencies, continued:

Other:

Palo Alto Housing Corporation:

In January 1991, the City loaned \$2,100 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, provided that the PAHC has operated the complex meeting specified targets for occupancy by very low, low, and moderate income households (as defined) during the preceding year, each January, \$141 of principal and interest shall be forgiven by the City. In January 1992, such an amount was forgiven, with the result that the outstanding principal balance of the note at June 30, 1992 is \$2,022, which is recorded in the City's Special Revenue Fund.

12. Budgetary - Generally Accepted Accounting Principles (GAAP) Reporting:

The following reconciliation presents comparisons of the legally adopted budget (more fully described in Note 1) on a budgetary basis, with the budget as adjusted to represent a GAAP basis:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	\$(3,578)	\$ 760	\$(2,450)
Adjustment for encumbrances	<u>3,763</u>	<u>1,878</u>	<u>6,242</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis budget)	<u>\$ 185</u>	<u>\$ 2,638</u>	<u>\$ 3,792</u>

Continued

CITY OF PALO ALTO

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

June 30, 1992

(in thousands of dollars)

13. Advances from General Fund:

During fiscal 1989 the General Fund advanced \$941 in working capital to the Storm Drainage Fund, which was reported as a long-term liability in the Storm Drainage Fund at June 30, 1990. During fiscal 1991, the Storm Drainage Fund repaid \$94 of its long-term liability to the General Fund. During that same year it also received an additional advance of \$1,320 from the General Fund. During fiscal year 1992, \$1,720 of the advance was repaid and the balance at June 30, 1992 is \$447.

In fiscal year 1991, the General Fund advanced \$500 to the Street Improvement Fund to be repaid from fiscal 1992 gas tax revenues. This amount was repaid during fiscal year 1992.

14. Subsequent Event:

Effective January 1, 1993, the City will be replacing the current City Employee and Retiree Health Plans, self insured plans, with the Public Employees' Medical and Health Care Act (PEMHCA) plans. The change in health plans is intended to reduce exposure to unanticipated cost swings possible under the self insured plans. CalPERS, as administrator of PEMHCA and a significant purchaser of healthcare services, is able to manage, monitor and negotiate a wide range of healthcare contracts, which allows their members to access a variety of quality plans. Costs associated with health benefit claims incurred under the current plans will be reflected as liabilities of the General Benefits and Insurance Internal Service Fund at December 31, 1992.

INDEX TO SUPPLEMENTAL SCHEDULES BY FUND

	<u>Pages</u>
General Fund	61-68
Special Revenue Funds	69-80
Debt Service Funds	81-86
Capital Projects Fund	87-90
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Trust and Agency Funds	111-116
General Fixed Assets Account Group	117-122
General Long-Term Debt Account Group	123-124

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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.

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CITY OF PALO ALTO

GENERAL FUND BALANCE SHEETS (in thousands of dollars)

	June 30,	
	1992	1991
Assets:		
Cash and investments	\$22,387	\$14,253
Receivables, net:		
Accounts	3,795	3,481
Interest	501	505
Notes		420
Advances to other fund	447	2,667
Stores inventory	1,042	1,109
Total assets	\$28,172	\$22,435
Liabilities:		
Accounts payable and accrued liabilities	2,340	1,867
Accrued salaries and benefits	1,318	1,039
Deferred revenue	245	280
Total liabilities	3,903	3,186
Fund equity:		
Fund balances:		
Reserved for:		
Encumbrances and reappropriations	3,763	4,006
Notes		420
Advances to other fund	447	2,667
Inventory	1,042	1,109
Retirement system rebate	2,166	
Unreserved:		
Designated for:		
Streets and sidewalks/school site projects	485	632
Capital projects	11,366	5,415
Contingencies	5,000	5,000
Total fund equity	24,269	19,249
Total liabilities and fund equity	\$28,172	\$22,435

CITY OF PALO ALTO
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
(in thousands of dollars)

	<u>Year Ended June 30, 1992</u>			Year Ended
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	June 30, 1991 <u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 8,395	\$ 8,555	\$ 160	\$ 8,109
Sales taxes	13,935	14,693	758	14,140
Utility users' tax	5,230	5,149	(81)	4,967
Transient occupancy tax	3,250	3,104	(146)	2,969
Other taxes and fines	<u>3,405</u>	<u>3,358</u>	<u>(47)</u>	<u>3,637</u>
Total taxes	34,215	34,859	644	33,822
Fire protection and emergency communication services	3,931	3,908	(23)	3,561
From other agencies	350	370	20	436
Service fees and permits	6,589	6,570	(19)	6,168
Interest earnings	2,008	2,063	55	1,919
Interfund charges, net	(486)	(108)	378	(198)
Other	<u>2,187</u>	<u>2,457</u>	<u>270</u>	<u>2,146</u>
Total revenues	<u>48,794</u>	<u>50,119</u>	<u>1,325</u>	<u>47,854</u>
Expenditures:				
Current operations:				
Administration	9,835	8,519	1,316	7,830
Public works	8,677	7,129	1,548	5,871
Community environment	3,608	3,313	295	2,881
Public safety - Police	14,189	13,076	1,113	12,867
Public safety - Fire	10,692	10,027	665	9,762
Social services	12,863	11,816	1,047	11,025
School site operations	<u>5,572</u>	<u>5,469</u>	<u>103</u>	<u>5,164</u>
Total expenditures	<u>65,436</u>	<u>59,349</u>	<u>6,087</u>	<u>55,400</u>
Excess of expenditures over revenues	<u>(16,642)</u>	<u>(9,230)</u>	<u>7,412</u>	<u>(7,546)</u>

(Continued on following page)

CITY OF PALO ALTO
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL, Continued
(in thousands of dollars)

	<u>Year Ended June 30, 1992</u>			Year Ended
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	June 30, 1991 <u>Actual</u>
Excess of expenditures over revenues	<u>\$(16,642)</u>	<u>\$(9,230)</u>	<u>\$7,412</u>	<u>\$(7,546)</u>
Other financing sources (uses):				
Operating transfers in:				
Street Improvement Special Revenue Fund	100	180	80	134
Federal Revenue Special Revenue Fund	127	92	(35)	81
Special District Special Revenue Fund	200	200		110
Housing Improvement Special Revenue Fund	42	15	(27)	24
Enterprise Funds	<u>16,145</u>	<u>16,145</u>	—	<u>13,652</u>
Total operating transfers in	<u>16,614</u>	<u>16,632</u>	<u>18</u>	<u>14,001</u>
Operating transfers out:				
Capital Projects Fund	(2,810)	(2,204)	606	(5,747)
Debt Service	<u>(740)</u>	<u>(740)</u>	—	<u>(889)</u>
Total operating transfers out	<u>(3,550)</u>	<u>(2,944)</u>	<u>606</u>	<u>(6,636)</u>
Total other financing sources	<u>13,064</u>	<u>13,688</u>	<u>624</u>	<u>7,365</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,578)	4,458	8,036	(181)
Fund balance, beginning of year	19,249	19,249		12,880
Residual equity transfer in:				
Capital Projects Fund	<u>562</u>	<u>562</u>	—	<u>6,550</u>
Fund balance, end of year	<u>\$ 16,233</u>	<u>\$24,269</u>	<u>\$8,036</u>	<u>\$19,249</u>

CITY OF PALO ALTO
GENERAL FUND
SCHEDULES OF EXPENDITURES
COMPARED TO BUDGET

(in thousands of dollars)

	<u>Year Ended June 30, 1992</u>			Year Ended
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	June 30, 1991 <u>Actual</u>
Administration:				
Salaries and benefits	\$ 6,923	\$ 6,449	\$ 474	\$ 5,592
Contract services	1,681	1,090	591	1,268
Supplies and materials	236	170	66	168
General expense	794	658	136	547
Rents and leases	16	16		11
Facilities and equipment purchases	<u>185</u>	<u>136</u>	<u>49</u>	<u>244</u>
	<u>9,835</u>	<u>8,519</u>	<u>1,316</u>	<u>7,830</u>
Public works:				
Salaries and benefits	4,997	4,801	196	4,266
Contract services	1,923	972	951	1,045
Supplies and materials	629	463	166	433
General expense	987	847	140	69
Rents and leases	33	7	26	5
Facilities and equipment purchases	<u>108</u>	<u>39</u>	<u>69</u>	<u>53</u>
	<u>8,677</u>	<u>7,129</u>	<u>1,548</u>	<u>5,871</u>
Community environment:				
Salaries and benefits	2,731	2,641	90	2,446
Contract services	490	377	113	173
Supplies and materials	43	32	11	34
General expense	290	231	59	195
Rents and leases	5	5		4
Facilities and equipment purchases	<u>49</u>	<u>27</u>	<u>22</u>	<u>29</u>
	<u>3,608</u>	<u>3,313</u>	<u>295</u>	<u>2,881</u>

(Continued on following page)

CITY OF PALO ALTO
GENERAL FUND
SCHEDULES OF EXPENDITURES
COMPARED TO BUDGET, Continued

(in thousands of dollars)

	<u>Year Ended June 30, 1992</u>			Year Ended
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	June 30, 1991 <u>Actual</u>
Public safety - Police:				
Salaries and benefits	\$12,188	\$11,474	\$ 714	\$11,357
Contract services	713	553	160	643
Supplies and materials	245	196	49	216
General expense	916	742	174	499
Rents and leases	17	13	4	10
Facilities and equipment purchases	<u>110</u>	<u>98</u>	<u>12</u>	<u>142</u>
	<u>14,189</u>	<u>13,076</u>	<u>1,113</u>	<u>12,867</u>
Public safety - Fire:				
Salaries and benefits	9,597	9,128	469	9,138
Contract services	337	227	110	201
Supplies and materials	90	84	6	81
General expense	457	399	58	278
Rents and leases	3	3	-	2
Facilities and equipment purchases	<u>208</u>	<u>186</u>	<u>22</u>	<u>62</u>
	<u>10,692</u>	<u>10,027</u>	<u>665</u>	<u>9,762</u>
Social services:				
Salaries and benefits	7,924	7,738	186	6,745
Contract services	1,919	1,428	491	1,593
Supplies and materials	1,011	846	165	925
General expense	1,319	1,172	147	1,010
Rents and leases	556	540	16	527
Facilities and equipment purchases	<u>134</u>	<u>92</u>	<u>42</u>	<u>225</u>
	<u>12,863</u>	<u>11,816</u>	<u>1,047</u>	<u>11,025</u>
Non-departmental expense:				
School site operations	<u>5,572</u>	<u>5,469</u>	<u>103</u>	<u>5,164</u>
Total expenditures, general fund	<u>\$65,436</u>	<u>\$59,349</u>	<u>\$6,087</u>	<u>\$55,400</u>

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CITY OF PALO ALTO

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 program.
- **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.

In addition, interest income and expense of the City of Palo Alto Golf Course Corporation and the City of Palo Alto Public Improvement Corporation are presented within the Special Revenue Funds statements.

CITY OF PALO ALTO
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
(in thousands of dollars)

	June 30, 1992			
	<u>Street Improvement</u>	<u>Federal Revenue</u>	<u>Housing In-Lieu</u>	<u>Special Districts</u>
Assets:				
Cash and investments	\$1,909	\$ (156)	\$3,689	\$933
Receivables, net of allowance		73		1
Interest receivable	32		60	16
Notes	<u> </u>	<u>1,066</u>	<u>2,021</u>	<u> </u>
Total assets	<u>\$1,941</u>	<u>\$ 983</u>	<u>\$5,770</u>	<u>\$950</u>
Liabilities:				
Accounts payable and accrued liabilities		69	280	30
Advances from Other Funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>69</u>	<u>280</u>	<u>30</u>
Fund equity:				
Fund balances:				
Reserved for encumbrances	815	19	5	
Reserved for reappropriations	445	594		
Reserved for notes		1,066	2,021	
Unreserved:				
Designated for special revenue projects	681		3,464	920
Accumulated deficit	<u> </u>	<u>(765)</u>	<u> </u>	<u> </u>
Total fund equity	<u>1,941</u>	<u>914</u>	<u>5,490</u>	<u>920</u>
Total liabilities and fund equity	<u>\$1,941</u>	<u>\$ 983</u>	<u>\$5,770</u>	<u>\$950</u>

June 30, 1992			Totals June 30,	
<u>Transportation Mitigation</u>	<u>Public Improvement</u>	<u>Golf Course</u>	<u>1992</u>	<u>1991</u>
\$1,038			\$ 7,413	\$5,996
			74	545
13			121	114
<u> </u>	<u> </u>	<u> </u>	<u>3,087</u>	<u>3,225</u>
<u>\$1,051</u>	<u> </u>	<u> </u>	<u>\$10,695</u>	<u>\$9,880</u>
			379	250
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>500</u>
<u> </u>	<u> </u>	<u> </u>	<u>379</u>	<u>750</u>
			839	178
			1,039	2,219
			3,087	3,225
1,051			6,116	4,418
<u> </u>	<u> </u>	<u> </u>	<u>(765)</u>	<u>(910)</u>
<u>1,051</u>	<u> </u>	<u> </u>	<u>10,316</u>	<u>9,130</u>
<u>\$1,051</u>	<u>-</u>	<u>-</u>	<u>\$10,695</u>	<u>\$9,880</u>

CITY OF PALO ALTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
(in thousands of dollars)

	Year Ended June 30, 1992			
	Street Improvement	Federal Revenue	Housing In-Lieu	Special Districts
Revenues:				
Gas tax	\$ 984			
From other agencies:				
Community Development Block Grant		\$1,100		
Federal Urban Aid	193			
Interest earnings	108	44	\$ 247	\$ 58
Lease income				
Other:				
State of California	42			
Great Western Bank - Loan payoff		10		
Housing-in-lieu - Residential			141	
Housing-in-lieu - Industrial			213	
Sale of Seale Well Site				
Traffic Mitigation - Transportation				
University Avenue Parking				254
California Avenue Parking				79
Contributions and donations				<u>150</u>
Total revenues	<u>1,327</u>	<u>1,154</u>	<u>601</u>	<u>541</u>
Expenditures for special revenue projects		<u>1,288</u>	<u>113</u>	
Excess of revenues over expenditures	<u>1,327</u>	<u>(134)</u>	<u>488</u>	<u>541</u>
Other financing uses:				
Operating transfers out:				
General Fund	(180)	(107)		(200)
Capital Improvement Fund	<u>(443)</u>			
Total transfers out	(623)	(107)		(200)
Refund of prior years' program income		<u>(229)</u>		
Total other financing uses	<u>(623)</u>	<u>(336)</u>	<u>-</u>	<u>(200)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	704	(470)	488	341
Fund balances, beginning of year	1,237	1,384	5,002	579
Housing Improvement Program notes				
Fund balances, end of year	<u>\$1,941</u>	<u>\$ 914</u>	<u>\$5,490</u>	<u>\$920</u>

<u>Year Ended June 30, 1991</u>			<u>Total Years Ended June 30,</u>	
<u>Transportation Mitigation</u>	<u>Public Improvement</u>	<u>Golf Course</u>	<u>1992</u>	<u>1991</u>
			\$ 984	\$ 950
			1,100	361
\$ 58	\$ 25	\$ 8	193	1,037
	466	59	548	
			525	
			42	24
			10	218
			141	
			213	791
67			67	607
			254	385
			79	273
			150	76
<u>125</u>	<u>491</u>	<u>67</u>	<u>4,306</u>	<u>4,722</u>
	<u>491</u>	<u>67</u>	<u>1,959</u>	<u>980</u>
<u>125</u>			<u>2,347</u>	<u>3,742</u>
			(487)	(349)
<u>(2)</u>			<u>(445)</u>	<u>(773)</u>
(2)			(932)	(1,122)
			(229)	
<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(1,161)</u>	<u>(1,122)</u>
123			1,186	2,620
928			9,130	5,317
				<u>1,193</u>
<u>\$1,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,316</u>	<u>\$9,130</u>

CITY OF PALO ALTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
for the year ended June 30, 1992
with comparative totals for year ended June 30, 1991
(in thousands of dollars)

	1992		Variance Favorable (Unfavorable)	Actual 1991
	Street Improvement			
	Budget	Actual		
Revenues:				
Gas tax	\$ 873	\$ 984	\$111	\$ 950
From other agencies:				
Community Development Block Grant				
Federal Urban Aid		193	193	
Interest earnings	82	108	26	89
Lease income				
Other:				
State of California	25	42	17	24
Great Western Bank - Loan payoff				
Sale of Seale Well Site				
Housing-in-lieu - Residential				
Housing-in-lieu - Industrial				
Traffic Mitigation - Transportation				
University Avenue Parking				
California Avenue Parking				
Contributions and donations				
Total revenues	980	1,327	347	1,063
Expenditures for special revenue projects				
Excess of revenues over expenditures	980	1,327	347	1,063
Other financing uses:				
Operating transfers out:				
General Fund	(100)	(180)	(80)	(134)
Capital Improvement Fund	(800)	(443)	357	(773)
Total transfers out	(900)	(623)	277	(907)
Refund of prior years' program income				
Total other financing uses	(900)	(623)	277	(907)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	80	704	624	156
Fund balances, beginning of year	1,237	1,237		1,081
Housing Improvement Program notes				
Fund balances (deficit), end of year	\$1,317	\$1,941	\$624	\$1,237

<u>1992</u>			<u>Actual</u> <u>1991</u>	<u>1992</u>			<u>Actual</u> <u>1991</u>
<u>Federal Revenue</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>		<u>Housing-In-Lieu</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	
\$465	\$1,100	\$635	\$361				
	44	44	55	\$ 270	\$ 247	\$ (23)	\$ 254
	10	10	218				607
				100	141	41	
				500	213	(287)	791
<u>465</u>	<u>1,154</u>	<u>689</u>	<u>634</u>	<u>870</u>	<u>601</u>	<u>(269)</u>	<u>1,652</u>
<u>686</u>	<u>1,288</u>	<u>(602)</u>	<u>429</u>	<u>40</u>	<u>113</u>	<u>(73)</u>	
<u>(221)</u>	<u>(134)</u>	<u>87</u>	<u>205</u>	<u>830</u>	<u>488</u>	<u>(342)</u>	<u>1,652</u>
(169)	(107)	62	(105)				
(169)	(107)	62	(105)				
	(229)	(229)					
(169)	(336)	(167)	(105)				
(390)	(470)	(80)	100	830	488	(342)	1,652
1,384	1,384		91	5,002	5,002		3,350
			<u>1,193</u>				
<u>\$ 994</u>	<u>\$ 914</u>	<u>\$(80)</u>	<u>\$1,384</u>	<u>\$5,832</u>	<u>5,490</u>	<u>(342)</u>	<u>\$5,002</u>

(continued on following page)

CITY OF PALO ALTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL, Continued
for the year ended June 30, 1992
with comparative totals for year ended June 30, 1991
(in thousands of dollars)

	1992		Variance Favorable (Unfavorable)	Actual 1991
	Special Districts			
	Budget	Actual		
Revenues:				
Gas tax				
From other agencies:				
Community Development Block Grant				
Federal Urban Aid				
Interest earnings	\$ 35	\$ 58	\$ 23	\$39
Lease income				
Other:				
State of California				
Great Western Bank - Loan payoff				
Sale of Seale Well Site				
Housing-in-lieu - Residential				
Housing-in-lieu - Industrial				
Traffic Mitigation - Transportation				
University Avenue Parking	296	254	(42)	273
California Avenue Parking	80	79	(1)	76
Contributions and donations	—	150	150	—
Total revenues	<u>411</u>	<u>541</u>	<u>130</u>	<u>388</u>
Expenditures for special revenue projects	—	—	—	—
Excess of revenues over (under) expenditures	<u>411</u>	<u>541</u>	<u>130</u>	<u>388</u>
Other financing uses:				
Operating transfers out:				
General Fund	(200)	(200)		(110)
Capital Improvement Fund	—	—		—
Total transfer out	(200)	(200)		(110)
Refund of prior years' program income	—	—		—
Total other financing uses	<u>(200)</u>	<u>(200)</u>		<u>(110)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	211	341	130	278
Fund balances, beginning of year	579	579		301
Housing Improvement Program notes	—	—		—
Fund balances (deficit), end of year	<u>\$790</u>	<u>\$920</u>	<u>\$130</u>	<u>\$579</u>

<u>1992</u>			<u>Actual</u> <u>1991</u>	<u>1992</u>			<u>Actual</u> <u>1991</u>
<u>Transportation</u> <u>Mitigation</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>		<u>Public</u> <u>Improvement</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	
\$ 29	\$ 58	\$29	\$ 49	\$ 25	\$ 25	\$479	
				466	466		
	67	67	385				
<u>29</u>	<u>125</u>	<u>96</u>	<u>434</u>	<u>491</u>	<u>491</u>	<u>479</u>	
				<u>491</u>	<u>(491)</u>	<u>479</u>	
<u>29</u>	<u>125</u>	<u>96</u>	<u>434</u>				
	<u>(2)</u>	<u>(2)</u>					
	<u>(2)</u>	<u>(2)</u>					
	<u>(2)</u>	<u>(2)</u>					
29	123	94	434				
928	928		494				
<u>\$957</u>	<u>\$1,051</u>	<u>\$94</u>	<u>\$928</u>			<u>-</u>	

(Continued on following page)

CITY OF PALO ALTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL, Continued
for the year ended June 30, 1992
with comparative totals for year ended June 30, 1991
(in thousands of dollars)

	1992		Variance Favorable (Unfavorable)	Actual 1991
	Golf Course Corp.			
	Budget	Actual		
Revenues:				
Gas tax				
From other agencies:				
Community Development Block Grant				
Federal Urban Aid				
Interest earnings		\$ 8	\$ 8	\$ 72
Lease income		59	59	
Other:				
State of California				
Great Western Bank - Loan payoff				
Sale of Seale Well Site				
Housing-in-lieu - Residential				
Housing-in-lieu - Industrial				
Traffic Mitigation - Transportation				
University Avenue Parking				
California Avenue Parking				
Contributions and donations	—	—	—	—
Total revenues	—	67	67	72
Expenditures for special revenue projects	—	67	(67)	72
Excess of revenues over expenditures	—	—	—	—
Other financing uses:				
Operating transfers out:				
General Fund				
Capital Improvement Fund	—	—	—	—
Total transfer out	—	—	—	—
Refund of prior years' program income				
Total other financing uses	—	—	—	—
Excess of revenues and other financing sources over (under) expenditures and other financing uses				
Fund balances, beginning of year				
Housing Improvement Program notes	—	—	—	—
Fund balances (deficit), end of year	—	—	—	—

<u>Total Special Revenue Funds</u>			
<u>Budget</u> <u>1992</u>	<u>Actual</u> <u>1992</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u> <u>1991</u>
\$ 873	\$ 984	\$ 111	\$ 950
465	1,100	635	361
	193	193	
416	548	132	1,037
	525	525	
25	42	17	24
	10	10	218
			607
100	141	41	
500	213	(287)	791
	67	67	385
296	254	(42)	273
80	79	(1)	76
	<u>150</u>	<u>150</u>	
<u>2,755</u>	<u>4,306</u>	<u>1,551</u>	<u>4,722</u>
<u>726</u>	<u>1,959</u>	<u>(1,233)</u>	<u>980</u>
<u>2,029</u>	<u>2,347</u>	<u>318</u>	<u>3,742</u>
(469)	(487)	(18)	(349)
<u>(800)</u>	<u>(445)</u>	<u>355</u>	<u>(773)</u>
(1,269)	(932)	337	(1,122)
	<u>(229)</u>	<u>(229)</u>	
<u>(1,269)</u>	<u>(1,161)</u>	<u>108</u>	<u>(1,122)</u>
760	1,186	426	2,620
9,130	9,130		5,317
			<u>1,193</u>
<u>\$9,890</u>	<u>\$10,316</u>	<u>\$ 426</u>	<u>\$9,130</u>

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CITY OF PALO ALTO

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.
- **Telephone Lease Fund** - established to account for resources provided from the General Fund and used solely for the purpose of paying the principal and interest on the long-term telephone equipment lease.
- **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
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
(in thousands of dollars)

	June 30, 1992		
	Terman Lease	Golf Course	Telephone Lease
Assets:			
Cash and investments	\$1,770	\$173	
Interest receivable			
Special assessments receivable			
Accounts receivable, other	—	—	—
Total assets	<u>\$1,770</u>	<u>\$173</u>	—
Liabilities:			
Deferred revenue and other liabilities	—	—	—
Due to Capital Projects Fund			
Total liabilities	—	—	—
Fund equity:			
Fund balances:			
Reserved for debt service	<u>1,770</u>	<u>173</u>	—
Total fund equity	<u>1,770</u>	<u>173</u>	—
Total liabilities and fund equity	<u>\$1,770</u>	<u>\$173</u>	—

<u>June 30, 1992</u>			
<u>Civic</u>	<u>Special</u>	<u>Totals June 30,</u>	
<u>Center</u>	<u>Assessment</u>	<u>1992</u>	<u>1991</u>
	<u>Debt</u>		
\$2,837	\$ 746	\$ 5,526	\$ 3,945
	28	28	48
	7,995	7,995	8,419
	<u>56</u>	<u>56</u>	<u>61</u>
<u>\$2,837</u>	<u>\$8,825</u>	<u>\$13,605</u>	<u>\$12,473</u>
7	7,995	8,002	8,420
<u>230</u>		<u>230</u>	
<u>237</u>	<u>7,995</u>	<u>8,232</u>	<u>8,420</u>
<u>2,600</u>	<u>830</u>	<u>5,373</u>	<u>4,053</u>
<u>2,600</u>	<u>830</u>	<u>5,373</u>	<u>4,053</u>
<u>\$2,837</u>	<u>\$8,825</u>	<u>\$13,605</u>	<u>\$12,473</u>

CITY OF PALO ALTO
DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
(in thousands of dollars)

	Year Ended June 30, 1992		
	Terman Lease	Golf Course	Telephone Lease
Revenues:			
Special assessments			
From other agencies	\$ 224		
Interest earnings	<u>139</u>	\$ 9	—
Total revenues	<u>363</u>	<u>9</u>	—
Expenditures:			
Debt service:			
Principal retirement	395	75	\$ 96
Interest and fiscal charges	<u>316</u>	<u>69</u>	<u>3</u>
Total expenditures	<u>711</u>	<u>144</u>	<u>99</u>
Excess of revenues under expenditures	<u>(348)</u>	<u>(135)</u>	<u>(99)</u>
Other financing sources (uses):			
Operating transfers in:			
General Fund		130	
Proceeds of bond sales	—	—	—
Total operating transfers in	—	<u>130</u>	—
Operating transfers out:			
Capital Projects Fund	—	—	—
Total operating transfers out	—	—	—
Total other financing sources (uses)	—	<u>130</u>	—
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(348)	(5)	(99)
Fund balances, beginning of year	2,118	178	99
Residual equity transfer out:			
Enterprise Fund	—	—	—
Fund balances, end of year	<u>\$1,770</u>	<u>\$173</u>	<u>\$ -</u>

<u>Civic Center</u>	<u>Special Assessment Debt</u>	<u>Totals Years Ended June 30,</u>	
		<u>1992</u>	<u>1991</u>
	\$994	\$ 994	\$1,016
		224	216
\$ 80	1	229	316
<u>80</u>	<u>995</u>	<u>1,447</u>	<u>1,548</u>
165	420	1,151	1,289
<u>659</u>	<u>567</u>	<u>1,614</u>	<u>1,850</u>
<u>824</u>	<u>987</u>	<u>2,765</u>	<u>3,139</u>
<u>(744)</u>	<u>8</u>	<u>(1,318)</u>	<u>(1,591)</u>
610		740	889
<u>1,898</u>	—	<u>1,898</u>	—
<u>2,508</u>	—	<u>2,638</u>	<u>889</u>
—	—	—	<u>1,426</u>
—	—	—	<u>1,426</u>
<u>2,508</u>	—	<u>2,638</u>	<u>(537)</u>
1,764	8	1,320	(2,128)
836	822	4,053	6,184
—	—	—	(3)
<u>\$2,600</u>	<u>\$830</u>	<u>\$5,373</u>	<u>\$4,053</u>

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CITY OF PALO ALTO

CAPITAL PROJECTS FUND

The Capital Projects 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
CAPITAL PROJECTS FUND
BALANCE SHEETS
(in thousands of dollars)

	June 30,	
	1992	1991
Assets:		
Cash and investments	\$6,670	\$7,079
Accounts receivable	585	857
Due from other fund	230	
Interest receivable	—	2
Total assets	<u>\$7,485</u>	<u>\$7,938</u>
Liabilities:		
Accounts payable and accrued liabilities	1,157	604
Deferred revenue	86	79
Total liabilities	<u>1,243</u>	<u>683</u>
Fund equity:		
Fund balances:		
Reserved for:		
Encumbrances and reappropriations	<u>6,242</u>	<u>7,255</u>
Total fund equity	<u>6,242</u>	<u>7,255</u>
Total liabilities and fund equity	<u>\$7,485</u>	<u>\$7,938</u>

CITY OF PALO ALTO
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
(in thousands of dollars)

	<u>Year Ended June 30, 1992</u>			Year Ended
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	June 30, 1991 <u>Actual</u>
Revenues:				
Interest earnings	\$ 6		\$ (6)	
State of California		\$1,017	1,017	\$ 698
Donations and contributions				3
Other agencies	159	36	(123)	
Sale of Seale Well Site	<u> </u>	<u> </u>	<u> </u>	<u>607</u>
Total revenues	<u>165</u>	<u>1,053</u>	<u>888</u>	<u>1,308</u>
Expenditures for capital projects	<u>6,842</u>	<u>4,650</u>	<u>2,192</u>	<u>8,323</u>
Excess of revenues over (under) expenditures	<u>(6,677)</u>	<u>(3,597)</u>	<u>3,080</u>	<u>(7,015)</u>
Other financing sources (uses):				
Operating transfers in:				
General Fund	2,870	2,204	(666)	5,747
Utilities - General Fund projects	141	141		795
Debt Service Fund				1,426
Special Revenue Funds:				
Street Improvement	800	443	(357)	773
Traffic mitigation	<u> </u>	<u>2</u>	<u>2</u>	<u> </u>
Total operating transfers in	3,811	2,790	(1,021)	8,741
Proceeds of refunding bonds	<u>416</u>	<u>416</u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>4,227</u>	<u>3,206</u>	<u>(1,021)</u>	<u>8,741</u>
Excess of revenues and other financing sources over (under) expenditures and other financing expenses	<u>(2,450)</u>	<u>(391)</u>	<u>2,059</u>	<u>1,726</u>
Fund balances, beginning of year	7,255	7,255		12,154
Residual equity transfer in (out):				
General Fund	(562)	(562)		(6,550)
Internal Service Fund:				
Printing	<u>(60)</u>	<u>(60)</u>	<u> </u>	<u>(75)</u>
Fund balances, end of year	<u>\$4,183</u>	<u>\$6,242</u>	<u>\$2,059</u>	<u>\$7,255</u>

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CITY OF PALO ALTO

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 Fund
- Refuse Fund
- Storm Drainage Fund

CITY OF PALO ALTO
ENTERPRISE FUNDS - COMBINING BALANCE SHEETS
(in thousands of dollars)

	June 30, 1992		
	<u>Water</u>	<u>Electric</u>	<u>Gas</u>
Assets:			
Cash and cash equivalents	\$ 2,035	\$ 62,898	\$13,118
Cash with fiscal agent		107	120
Accounts receivable, net	1,387	7,643	1,169
Interest receivable	39	1,005	208
Prepaid expense			<u>192</u>
Total current assets	3,461	71,653	14,807
Property, plant and equipment, net	<u>18,402</u>	<u>71,807</u>	<u>15,395</u>
Total assets	<u>\$21,863</u>	<u>\$143,460</u>	<u>\$30,202</u>
Liabilities:			
Accounts payable and accrued liabilities	271	3,179	1,006
Accrued salaries and benefits	64	201	70
Current portion of revenue bonds, net		35	39
Current portion of capital lease obligations			
Current portion of advance due to general fund			
Total current liabilities	<u>335</u>	<u>3,415</u>	<u>1,115</u>
Accrued compensated absences	89	114	42
Self insurance	97	383	123
Revenue bonds, net		268	302
Advance from general fund			
Total liabilities	<u>521</u>	<u>4,180</u>	<u>1,582</u>
Fund Equity:			
Contributed capital	7,684	15,840	3,292
Retained earnings	<u>13,658</u>	<u>123,440</u>	<u>25,328</u>
Total fund equity	<u>21,342</u>	<u>139,280</u>	<u>28,620</u>
Total liabilities and fund equity	<u>\$21,863</u>	<u>\$143,460</u>	<u>\$30,202</u>

<u>June 30, 1992</u>			<u>Totals</u> <u>June 30,</u>	
<u>Wastewater</u>	<u>Refuse</u>	<u>Storm Drainage</u>	<u>1992</u>	<u>1991</u>
\$ 7,019	\$ 6,353	\$1,335	\$ 92,758	\$ 79,243
758		3,853	4,838	968
1,699	1,211	161	13,270	13,419
113	100	21	1,486	1,666
—	—	—	192	995
9,589	7,664	5,370	112,544	96,291
<u>46,803</u>	<u>6,303</u>	<u>2,869</u>	<u>161,579</u>	<u>155,568</u>
<u>\$56,392</u>	<u>\$13,967</u>	<u>\$8,239</u>	<u>\$274,123</u>	<u>\$251,859</u>
1,015	678	148	6,297	7,836
148	42	12	537	405
662			736	690
—	—	447	447	15
<u>1,825</u>	<u>720</u>	<u>607</u>	<u>8,017</u>	<u>10,360</u>
70	5	11	331	334
310	97	1	1,011	802
10,198		4,588	15,356	11,590
—	—	—	—	753
<u>12,403</u>	<u>822</u>	<u>5,207</u>	<u>24,715</u>	<u>23,839</u>
29,889			56,705	56,690
<u>14,100</u>	<u>13,145</u>	<u>3,032</u>	<u>192,703</u>	<u>171,330</u>
<u>43,989</u>	<u>13,145</u>	<u>3,032</u>	<u>249,408</u>	<u>228,020</u>
<u>\$56,392</u>	<u>\$13,967</u>	<u>\$8,239</u>	<u>\$274,123</u>	<u>\$251,859</u>

CITY OF PALO ALTO
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
(in thousands of dollars)

	<u>Year Ended June 30, 1992</u>		
	<u>Water</u>	<u>Electric</u>	<u>Gas</u>
Operating revenues:			
Sales of utilities:			
Customers	\$ 9,680	\$ 63,410	\$15,675
City departments	741	1,562	344
Wastewater treatment			
Service connection charges and miscellaneous	51	199	115
Other revenues	<u>50</u>	<u>1,940</u>	<u>24</u>
Total operating revenues	<u>10,522</u>	<u>67,111</u>	<u>16,158</u>
Operating expenses:			
Purchase of utilities	3,987	28,397	9,203
Administration and general	717	2,022	890
Engineering (operating)	145	436	144
Resource planning	396	2,468	468
Operations and maintenance	1,405	5,009	1,180
Depreciation and amortization	<u>445</u>	<u>3,058</u>	<u>453</u>
Total operating expenses	<u>7,095</u>	<u>41,390</u>	<u>12,338</u>
Operating income	<u>3,427</u>	<u>25,721</u>	<u>3,820</u>
Nonoperating revenues (expenses):			
Interest income	223	4,379	922
Interest expense		(25)	(28)
Joint venture debt service		(6,939)	
Loss on disposal of fixed assets	<u>(4)</u>	<u>(22)</u>	<u>(39)</u>
Total nonoperating revenues (expenses)	<u>219</u>	<u>(2,607)</u>	<u>855</u>
Income before operating transfers	<u>3,646</u>	<u>23,114</u>	<u>4,675</u>
Operating transfers:			
Operating transfers out:			
Rent	(959)	(2,502)	(188)
Capital Projects	(27)	(50)	(34)
Internal Service		(500)	
Rate of return	<u>(1,703)</u>	<u>(6,498)</u>	<u>(1,444)</u>
Net operating transfers	<u>(2,689)</u>	<u>(9,550)</u>	<u>(1,666)</u>
Net income (loss)	957	13,564	3,009
Retained earnings, beginning of year	<u>12,701</u>	<u>109,876</u>	<u>22,319</u>
Retained earnings, end of year	<u>13,658</u>	<u>123,440</u>	<u>25,328</u>
Contributed capital, beginning of year	7,684	14,661	3,292
Contributions	<u> </u>	<u>1,179</u>	<u> </u>
Contributed capital, end of year	<u>7,684</u>	<u>15,840</u>	<u>3,292</u>
Total fund equity	<u>\$21,342</u>	<u>\$139,280</u>	<u>\$28,620</u>

<u>Year Ended June 30, 1992</u>			<u>Totals</u>	
<u>Wastewater</u>	<u>Refuse</u>	<u>Drainage</u>	<u>Years Ended June 30,</u>	<u>1991</u>
			<u>1992</u>	
\$ 7,428	\$11,452	\$1,518	\$109,163	\$102,477
130	210	83	3,070	3,074
5,995			5,995	5,027
10			375	720
<u>520</u>	<u>913</u>	<u>3</u>	<u>3,450</u>	<u>3,612</u>
<u>14,083</u>	<u>12,575</u>	<u>1,604</u>	<u>122,053</u>	<u>114,910</u>
	4,958		46,545	52,254
1,306	790	119	5,844	5,093
1,071	641	12	2,449	2,570
			3,332	3,969
6,156	2,602	330	16,682	15,253
<u>1,969</u>	<u>313</u>	<u>6</u>	<u>6,244</u>	<u>5,929</u>
<u>10,502</u>	<u>9,304</u>	<u>467</u>	<u>81,096</u>	<u>85,068</u>
<u>3,581</u>	<u>3,271</u>	<u>1,137</u>	<u>40,957</u>	<u>29,842</u>
485	450	172	6,631	6,578
(778)	(1)		(832)	(967)
			(6,939)	(5,284)
	<u>(1,561)</u>		<u>(1,626)</u>	<u>(246)</u>
<u>(293)</u>	<u>(1,112)</u>	<u>172</u>	<u>(2,766)</u>	<u>81</u>
<u>3,288</u>	<u>2,159</u>	<u>1,309</u>	<u>38,191</u>	<u>29,923</u>
(87)	(2,764)		(6,500)	(6,096)
(22)	(8)		(141)	(795)
		(32)	(532)	(890)
			<u>(9,645)</u>	<u>(7,556)</u>
<u>(109)</u>	<u>(2,772)</u>	<u>(32)</u>	<u>(16,818)</u>	<u>(15,337)</u>
3,179	(613)	1,277	21,373	14,586
<u>10,921</u>	<u>13,758</u>	<u>1,755</u>	<u>171,330</u>	<u>156,744</u>
<u>14,100</u>	<u>13,145</u>	<u>3,032</u>	<u>192,703</u>	<u>171,330</u>
31,053			56,690	55,130
<u>(1,164)</u>			<u>15</u>	<u>1,560</u>
<u>29,889</u>			<u>56,705</u>	<u>56,690</u>
<u>\$43,989</u>	<u>\$13,145</u>	<u>\$3,032</u>	<u>\$249,408</u>	<u>\$228,020</u>

CITY OF PALO ALTO

ENTERPRISE FUNDS - COMBINING STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	<u>Year Ended June 30, 1992</u>		
	<u>Water</u>	<u>Electric</u>	<u>Gas</u>
Cash flows from operating activities:			
Operating income	\$3,427	\$25,721	\$ 3,820
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	445	3,058	453
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(423)	829	326
(Increase) decrease in interest receivable	23	88	28
(Increase) decrease in prepaid expenses	342	249	104
Increase (decrease) in accounts payable, accrued liabilities and accrued salaries and benefits	(260)	(438)	(563)
Increase (decrease) in accrued self insurance	20	74	30
Increase (decrease) in accrued compensated absences	<u>17</u>	<u>49</u>	<u>(31)</u>
Net cash provided by operating activities	<u>3,591</u>	<u>29,630</u>	<u>4,167</u>
Cash flows from noncapital financing activities:			
Operating transfers out to other funds	<u>(2,689)</u>	<u>(9,550)</u>	<u>(1,666)</u>
Net cash used in noncapital financing activities	<u>(2,689)</u>	<u>(9,550)</u>	<u>(1,666)</u>

<u>Year Ended June 30, 1992</u>			<u>Totals</u> <u>Years Ended June 30,</u>	
<u>Wastewater</u>	<u>Refuse</u>	<u>Drainage</u>	<u>1992</u>	<u>1991</u>
\$3,581	\$3,271	\$1,137	\$40,957	\$ 29,842
1,969	313	6	6,244	5,929
(427)	(157)	1	149	1,734
(20)	58	3	180	(294)
108			803	(83)
(172)	(119)	145	(1,407)	2,036
59	21	5	209	(148)
<u>(36)</u>	<u>(3)</u>	<u>1</u>	<u>(3)</u>	<u>(50)</u>
<u>5,062</u>	<u>3,384</u>	<u>1,298</u>	<u>47,132</u>	<u>38,966</u>
<u>(109)</u>	<u>(2,772)</u>	<u>(32)</u>	<u>(16,818)</u>	<u>(15,337)</u>
<u>(109)</u>	<u>(2,772)</u>	<u>(32)</u>	<u>(16,818)</u>	<u>(15,337)</u>

(Continued on following page)

CITY OF PALO ALTO

ENTERPRISE FUNDS - COMBINING STATEMENTS OF CASH FLOWS, Continued

(in thousands of dollars)

	Year Ended June 30, 1992		
	Water	Electric	Gas
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$(1,397)	\$(7,861)	\$(1,672)
Principal paid on revenue bonds		(33)	(36)
Proceeds of refunding bonds			
Payment to escrow agent			
Principal paid on capitalized leases			
Interest paid on revenue bonds and capital leases		(6,964)	(28)
Other nonoperating gain (loss)	(4)	(22)	(39)
Contributed capital		1,179	
Advances from General Fund			
Net cash from capital related activities	(1,401)	(13,701)	(1,775)
Cash flows from investing activities:			
Interest and dividends on pooled investments	223	4,379	922
Net cash provided by investing activities	223	4,379	922
Net increase (decrease) in cash and investments	(276)	10,758	1,648
Cash, cash equivalents and cash with fiscal agents, beginning of year	2,311	52,247	11,590
Cash, cash equivalents and cash with fiscal agents, end of year	\$ 2,035	\$63,005	\$13,238

<u>Year Ended June 30, 1992</u>			<u>Totals</u> <u>Years Ended June 30,</u>	
<u>Wastewater</u>	<u>Refuse</u>	<u>Drainage</u>	<u>1992</u>	<u>1991</u>
\$ (934)	\$1,131	\$(1,522)	\$(12,255)	\$(15,448)
(621)			(690)	(967)
		4,502	4,502	9,650
				(11,180)
	(15)		(15)	(256)
(778)	(1)		(7,771)	(6,271)
	(1,561)		(1,626)	(246)
(1,164)			15	1,560
		<u>(1,720)</u>	<u>(1,720)</u>	<u>71</u>
<u>(3,497)</u>	<u>(446)</u>	<u>1,260</u>	<u>(19,560)</u>	<u>(23,087)</u>
<u>485</u>	<u>450</u>	<u>172</u>	<u>6,631</u>	<u>6,578</u>
<u>485</u>	<u>450</u>	<u>172</u>	<u>6,631</u>	<u>6,578</u>
1,941	616	2,698	17,385	7,120
<u>5,836</u>	<u>5,737</u>	<u>2,490</u>	<u>80,211</u>	<u>73,091</u>
<u>\$7,777</u>	<u>\$6,353</u>	<u>\$5,188</u>	<u>\$ 97,596</u>	<u>\$ 80,211</u>

CITY OF PALO ALTO

COMBINING BALANCE SHEETS - WASTEWATER FUNDS (in thousands of dollars)

	June 30, 1992			Totals June 30,	
	Collection	Treatment	Eliminations	1992	1991
Assets:					
Cash and cash equivalents	\$ 1,316	\$ 5,703		\$ 7,019	\$ 5,091
Cash with fiscal agent		758		758	745
Accounts receivable, net	947	752		1,699	1,272
Interest receivable	20	93		113	93
Prepaid expense					108
Total current assets	2,283	7,306		9,589	7,309
Property, plant and equipment, net	16,347	30,456		46,803	47,926
Investments	438		\$(438)		
Total assets	\$19,068	\$37,762	\$(438)	\$56,392	\$55,235
Liabilities:					
Accounts payable and accrued liabilities	106	909		1,015	1,221
Accrued salaries and benefits	41	107		148	114
Current portion of revenue bonds, net	131	531		662	621
Total current liabilities	278	1,547		1,825	1,956
Compensated absences	30	40		70	106
Self insurance	82	228		310	251
Revenue bonds, net	2,612	7,586		10,198	10,948
Total liabilities	3,002	9,401		12,403	13,261
Fund Equity:					
Contributed capital	8,945	21,382	(438)	29,889	31,053
Retained earnings	7,121	6,979		14,100	10,921
Total fund equity	16,066	28,361	(438)	43,989	41,974
Total liabilities and fund equity	\$19,068	\$37,762	\$(438)	\$56,392	\$55,235

CITY OF PALO ALTO

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - WASTEWATER FUNDS (in thousands of dollars)

	Year Ended June 30, 1992			Totals Years Ended June 30,	
	Collection	Treatment	Eliminations	1992	1991
Operating revenues:					
Sales of utilities:					
Customers	\$ 7,428			\$ 7,428	\$ 6,070
City departments	78	\$ 3,604	\$(3,552)	130	58
Wastewater treatment		5,995		5,995	5,027
Service connection charges and miscellaneous	10			10	14
Other revenues	<u>548</u>	<u>(28)</u>		<u>520</u>	<u>431</u>
Total operating revenues	<u>8,064</u>	<u>9,571</u>	<u>(3,552)</u>	<u>14,083</u>	<u>11,600</u>
Operating expenses:					
Purchase of utilities	3,552		(3,552)		
Administration and general	405	901		1,306	1,152
Engineering (operating)	107	964		1,071	1,397
Operations and maintenance	746	5,410		6,156	5,600
Depreciation and amortization	<u>581</u>	<u>1,388</u>		<u>1,969</u>	<u>1,834</u>
Total operating expenses	<u>5,391</u>	<u>8,663</u>	<u>(3,552)</u>	<u>10,502</u>	<u>9,983</u>
Operating income	<u>2,673</u>	<u>908</u>	<u>-</u>	<u>3,581</u>	<u>1,617</u>
Nonoperating revenues (expenses):					
Interest income	74	411		485	478
Interest expense	<u>(189)</u>	<u>(589)</u>		<u>(778)</u>	<u>(884)</u>
Total nonoperating (expenses)	<u>(115)</u>	<u>(178)</u>	<u>-</u>	<u>(293)</u>	<u>(406)</u>
Income before operating transfers	<u>2,558</u>	<u>730</u>	<u>-</u>	<u>3,288</u>	<u>1,211</u>
Operating transfers:					
Operating transfers out:					
Rent	(87)			(87)	(68)
Capital projects	(19)	(3)		(22)	(59)
Rate of return					(12)
Net operating transfers	<u>(106)</u>	<u>(3)</u>		<u>(109)</u>	<u>(139)</u>
Net income	2,452	727	-	3,179	1,072
Retained earnings, beginning of year	<u>4,669</u>	<u>6,252</u>	<u>-</u>	<u>10,921</u>	<u>9,849</u>
Retained earnings, end of year	<u>7,121</u>	<u>6,979</u>	<u>-</u>	<u>14,100</u>	<u>10,921</u>
Contributed capital, beginning of year	8,945	22,546	(438)	31,053	29,713
Contributions		(1,164)		(1,164)	1,340
Contributed capital, end of year	<u>8,945</u>	<u>21,382</u>	<u>(438)</u>	<u>29,889</u>	<u>31,053</u>
Total fund equity	<u>\$16,066</u>	<u>\$28,361</u>	<u>\$ (438)</u>	<u>\$43,989</u>	<u>\$41,974</u>

CITY OF PALO ALTO

COMBINING STATEMENTS OF CASH FLOWS WASTEWATER FUNDS (in thousands of dollars)

	Year Ended		Totals	
	June 30, 1992		Year Ended	
	Collection	Treatment	1992	1991
Cash flows from operating activities:				
Operating income	\$2,673	\$ 908	\$3,581	\$1,617
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	581	1,388	1,969	1,834
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(197)	(230)	(427)	(34)
(Increase) decrease in interest receivable	(19)	(1)	(20)	
Decrease (increase) in prepaid expenses	34	74	108	(6)
Increase (decrease) in accounts payable, accrued liabilities and accrued salaries and benefits	41	(213)	(172)	840
Increase (decrease) in accrued self insurance	15	44	59	(41)
Increase (decrease) in accrued compensated absences	(45)	9	(36)	11
Net cash provided by operating activities	<u>3,083</u>	<u>1,979</u>	<u>5,062</u>	<u>4,221</u>
Cash flows from noncapital financing activities:				
Operating transfers-out to other funds	(106)	(3)	(109)	(139)
Net cash used in noncapital financing activities	<u>(106)</u>	<u>(3)</u>	<u>(109)</u>	<u>(139)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,388)	454	(934)	(3,280)
Principal paid on revenue bonds	(123)	(498)	(621)	(904)
Proceeds of utility revenue bonds				9,650
Payment to escrow agent				(11,180)
Interest paid on revenue bonds	(189)	(589)	(778)	(904)
Contributed capital		(1,164)	(1,164)	1,340
Increase (decrease) in advance from other funds	(300)	300	—	—
Net cash used in capital related activities	<u>(2,000)</u>	<u>(1,497)</u>	<u>(3,497)</u>	<u>(5,278)</u>
Cash flows from investing activities:				
Interest and dividends on pooled investments	74	411	485	478
Net cash provided by investing activities	<u>74</u>	<u>411</u>	<u>485</u>	<u>478</u>
Net increase (decrease) in cash and investments	1,051	890	1,941	(718)
Cash, cash equivalents and cash with fiscal agents, beginning of year	<u>265</u>	<u>5,571</u>	<u>5,836</u>	<u>6,554</u>
Cash, cash equivalents and cash with fiscal agents, end of year	<u>\$1,316</u>	<u>\$6,461</u>	<u>\$7,777</u>	<u>\$5,836</u>

CITY OF PALO ALTO
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
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEETS
(in thousands of dollars)

	June 30, 1992		
	Equipment Replacement Fund	Vehicle Maintenance Fund	Printing Services Fund
Assets:			
Cash and cash equivalents	\$4,755	\$396	\$161
Accounts receivable, net	78	9	
Interest receivable	73	6	2
Inventory		123	
Prepaid expenses	<u> </u>	<u> </u>	<u> </u>
Total current assets	4,906	534	163
Property, plant and equipment, net	<u>7,935</u>	<u> </u>	<u>164</u>
Total assets	<u>\$12,841</u>	<u>\$534</u>	<u>\$327</u>
Liabilities:			
Accounts payable and accrued liabilities	63	61	7
Accrued salaries and benefits		20	4
Accrued compensated absences			
Accrued self insurance			
Capital leases - current portion	<u>471</u>	<u> </u>	<u>21</u>
Total current liabilities	534	81	32
Compensated absences			
Self insurance			
Capital leases	<u>1,244</u>	<u> </u>	<u>78</u>
Total liabilities	<u>1,778</u>	<u>81</u>	<u>110</u>
Fund equity:			
Contributed capital	4,839	103	196
Retained earnings	<u>6,224</u>	<u>350</u>	<u>21</u>
Total fund equity	<u>11,063</u>	<u>453</u>	<u>217</u>
Total liabilities and fund equity	<u>\$12,841</u>	<u>\$534</u>	<u>\$327</u>

<u>June 30, 1992</u>			
<u>Mailing Services Fund</u>	<u>General Benefits and Insurance Fund</u>	<u>Totals June 30,</u>	
		<u>1992</u>	<u>1991</u>
		\$57	\$15,533
	38	125	26
1	202	284	245
		123	121
	<u>14</u>	<u>14</u>	<u>130</u>
58	15,787	21,448	18,279
		<u>8,099</u>	<u>7,125</u>
<u>\$58</u>	<u>\$15,787</u>	<u>\$29,547</u>	<u>\$25,404</u>
	341	472	432
2	550	576	736
	4,759	4,759	4,268
	2,972	2,972	2,690
		<u>492</u>	<u>466</u>
2	8,622	9,271	8,592
	2,220	2,220	2,145
	3,012	3,012	2,528
		<u>1,322</u>	<u>1,796</u>
<u>2</u>	<u>13,854</u>	<u>15,825</u>	<u>15,061</u>
		5,138	4,877
<u>56</u>	<u>1,933</u>	<u>8,584</u>	<u>5,466</u>
<u>56</u>	<u>1,933</u>	<u>13,722</u>	<u>10,343</u>
<u>\$58</u>	<u>\$15,787</u>	<u>\$29,547</u>	<u>\$25,404</u>

CITY OF PALO ALTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
(in thousands of dollars)

June 30, 1992

	<u>Equipment Replacement Fund</u>	<u>Vehicle Maintenance Fund</u>	<u>Printing Services Fund</u>
Operating revenues:			
Charges for services	<u>\$ 2,193</u>	<u>\$1,895</u>	<u>\$267</u>
Total operating revenues	<u>2,193</u>	<u>1,895</u>	<u>267</u>
Operating expenses:			
Administration and general	21		259
Operations and maintenance		1,666	
Self insured losses			
Compensated absences and other benefits			
Depreciation and amortization	<u>1,437</u>	—	<u>26</u>
Total operating expenses	<u>1,458</u>	<u>1,666</u>	<u>285</u>
Operating income (loss)	<u>735</u>	<u>229</u>	<u>(18)</u>
Nonoperating revenues (expenses):			
Interest income	347	16	8
Interest expense	(126)		(2)
Gain on disposal of fixed assets	110		
Other income	—	<u>56</u>	<u>6</u>
Total nonoperating revenues	<u>331</u>	<u>72</u>	<u>12</u>
Income (loss) before operating transfers	<u>1,066</u>	<u>301</u>	<u>(6)</u>
Operating transfers:			
Operating transfer in	<u>32</u>	—	—
Net income (loss)	<u>1,098</u>	<u>301</u>	<u>(6)</u>
Retained earnings, beginning of year	<u>5,126</u>	<u>49</u>	<u>27</u>
Retained earnings, end of year	<u>6,224</u>	<u>350</u>	<u>21</u>
Contributed capital, beginning of year	<u>4,638</u>	<u>103</u>	<u>136</u>
Contributions	<u>201</u>	—	<u>60</u>
Contributed capital, end of year	<u>4,839</u>	<u>103</u>	<u>196</u>
Total fund equity end of year	<u>\$11,063</u>	<u>\$ 453</u>	<u>\$217</u>

<u>June 30, 1992</u>		<u>Totals June 30.</u>	
<u>Mailing Services Fund</u>	<u>General Benefits and Insurance Fund</u>	<u>1992</u>	<u>1991</u>
\$339	\$23,233	\$27,927	\$23,902
<u>339</u>	<u>23,233</u>	<u>27,927</u>	<u>23,902</u>
314	975	1,569	1,680
		1,666	1,632
	2,364	2,364	1,475
	22,456	22,456	20,690
		<u>1,463</u>	<u>1,237</u>
<u>314</u>	<u>25,795</u>	<u>29,518</u>	<u>26,714</u>
<u>25</u>	<u>(2,562)</u>	<u>(1,591)</u>	<u>(2,812)</u>
3	690	1,064	980
		(128)	(72)
		110	193
	<u>3,069</u>	<u>3,131</u>	<u>2,334</u>
<u>3</u>	<u>3,759</u>	<u>4,177</u>	<u>3,435</u>
<u>28</u>	<u>1,197</u>	<u>2,586</u>	<u>623</u>
	<u>500</u>	<u>532</u>	<u>890</u>
28	1,697	3,118	1,513
28	236	5,466	3,953
<u>56</u>	<u>1,933</u>	<u>8,584</u>	<u>5,466</u>
		4,877	4,451
		<u>261</u>	<u>426</u>
		<u>5,138</u>	<u>4,877</u>
<u>\$ 56</u>	<u>\$ 1,933</u>	<u>\$13,722</u>	<u>\$10,343</u>

CITY OF PALO ALTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	June 30, 1992		
	Equipment Replacement Fund	Vehicle Maintenance Fund	Printing Services Fund
Cash flows from operating activities:			
Operating income (loss)	\$ 735	\$229	\$(18)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,437		26
Changes in assets and liabilities:			
Decrease (increase) in accounts receivables	(77)	(8)	
Increase in interest receivable	(3)	(3)	(1)
Increase in prepaid expenses			
Increase in inventory		(2)	
Increase (decrease) in accounts payable, accrued liabilities and accrued salaries and benefits	(1)	(8)	(1)
Increase (decrease) in accrued self insurance			
Increase in accrued compensated absences	—	—	—
Net cash provided by (used in) operating activities	<u>2,091</u>	<u>208</u>	<u>6</u>
Cash flows from noncapital financing activities:			
Operating transfers in	<u>32</u>	—	—
Net cash provided by noncapital financing activities	<u>32</u>	—	—
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,437)		
Other nonoperating gain	110	56	6
Contributed capital	201		60
Principal paid on capital leases	(427)		(21)
Interest paid on capital leases	(126)		(2)
Net borrowings under capital leases	—	—	—
Net cash provided by (used in) capital related activities	<u>(2,679)</u>	<u>56</u>	<u>43</u>
Cash flows from investing activities:			
Interest and dividends on pooled investments	<u>347</u>	<u>16</u>	<u>8</u>
Net cash provided by investing activities	<u>347</u>	<u>16</u>	<u>8</u>
Net increase in cash and investments	(209)	280	57
Cash and cash equivalents, beginning of year	<u>4,964</u>	<u>116</u>	<u>104</u>
Cash and cash equivalents, end of year	<u>\$4,755</u>	<u>\$396</u>	<u>\$161</u>

Mailing Services Fund	<u>June 30, 1992</u>		
	General Benefits and Insurance Fund	<u>Totals June 30.</u>	
		1992	1991
\$25	\$(2,562)	\$(1,591)	\$(2,812)
		1,463	1,237
(1)	(14)	(99)	23
	(31)	(39)	(199)
	116	116	(124)
		(2)	(121)
1	(111)	(120)	(35)
	766	766	(262)
—	<u>566</u>	<u>566</u>	<u>412</u>
<u>25</u>	<u>(1,270)</u>	<u>1,060</u>	<u>(1,881)</u>
—	<u>500</u>	<u>532</u>	<u>890</u>
—	<u>500</u>	<u>532</u>	<u>890</u>
		(2,437)	(2,458)
	3,069	3,241	2,527
		261	426
		(448)	
		(128)	
—	—	—	<u>2,181</u>
—	<u>3,069</u>	<u>489</u>	<u>2,676</u>
<u>3</u>	<u>690</u>	<u>1,064</u>	<u>980</u>
<u>3</u>	<u>690</u>	<u>1,064</u>	<u>980</u>
28	2,989	3,145	2,665
<u>29</u>	<u>12,544</u>	<u>17,757</u>	<u>15,092</u>
<u>\$57</u>	<u>\$15,533</u>	<u>\$20,902</u>	<u>\$17,757</u>

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CITY OF PALO ALTO
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 Police Academy Scholarship Fund** was established to account for financing of scholarships for this training program.
- **The Hazardous Materials Training Fund** was established to account for the activity of hazardous materials emergency response training classes hosted by the City.
- **The Animal Services Donations Fund** accounts for all donations in this division of the Police Department.
- **The Assets Seizure Fund** was 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** was established to account for funding of the Child Care Master Plan through the efforts of the Child Care Task Force.

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. In addition, the Palo Alto Recreation Foundation Fund accounts for funds received by the Foundation in its promotion of social, cultural and recreational events.

CITY OF PALO ALTO
TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEETS
(in thousands of dollars)

	June 30, 1992		
	Expendable Trust Funds		
	Police Academy Scholarship	Hazardous Materials Training	Animal Services Donations
Assets:			
Cash and cash equivalents	\$13	\$3	\$75
Interest receivable	—	—	—
Total assets	<u>\$13</u>	<u>\$3</u>	<u>\$75</u>
Liabilities:			
Accounts payable and other accrued liabilities			
Deposits payable			
Due to participants			
Due to Palo Alto Recreation Foundation	—	—	—
Total liabilities	—	—	—
Fund equity:			
Fund balances, unreserved and undesignated	<u>13</u>	<u>3</u>	<u>75</u>
Total liabilities and fund equity	<u>\$13</u>	<u>\$3</u>	<u>\$75</u>

June 30, 1992

<u>Expendable Trust Funds</u>		<u>Palo Alto Recreation Foundation Agency Fund</u>	<u>Deferred Compensation Agency Fund</u>	<u>Totals June 30,</u>	
<u>Assets Seizure</u>	<u>Child Care</u>			<u>1992</u>	<u>1991</u>
\$31	\$20	\$135	\$21,767	\$22,044	\$19,240
—	—	2	—	2	—
<u>\$31</u>	<u>\$20</u>	<u>\$137</u>	<u>\$21,767</u>	<u>\$22,046</u>	<u>\$19,240</u>
		6		6	25
5				5	79
			21,767	21,767	19,042
—	—	131	—	131	—
<u>5</u>	—	<u>137</u>	<u>21,767</u>	<u>21,909</u>	<u>19,146</u>
26	20	—	—	137	94
<u>\$31</u>	<u>\$20</u>	<u>\$137</u>	<u>\$21,767</u>	<u>\$22,046</u>	<u>\$19,240</u>

CITY OF PALO ALTO
EXPENDABLE TRUST FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
(in thousands of dollars)

	Year Ended June 30, 1992		
	Expendable Trust Funds		
	Police Academy Scholarship	Hazardous Materials Training	Animal Services Donations
Revenues:			
Interest earnings	\$ 1		
Other revenue	—	—	\$11
Total revenues	<u>1</u>	—	<u>11</u>
Expenditures:			
Public safety - police			2
Social services	—	—	—
Total expenditures	—	—	<u>2</u>
Excess of revenues over expenditures	<u>1</u>	—	<u>9</u>
Fund balances, beginning of year	<u>12</u>	<u>\$3</u>	<u>66</u>
Fund balances, end of year	<u>\$13</u>	<u>\$3</u>	<u>\$75</u>

<u>Year Ended June 30, 1992</u>		<u>Totals</u>	
<u>Expendable Trust Funds</u>		<u>Years Ended</u>	
<u>Assets</u>	<u>Child</u>	<u>June 30,</u>	
<u>Seizure</u>	<u>Care</u>	<u>1992</u>	<u>1991</u>
\$ 2	\$ 1	\$ 4	\$ 1
<u>19</u>	<u>20</u>	<u>50</u>	<u>118</u>
<u>21</u>	<u>21</u>	<u>54</u>	<u>119</u>
8		10	111
—	<u>1</u>	<u>1</u>	—
<u>8</u>	<u>1</u>	<u>11</u>	<u>111</u>
<u>13</u>	<u>20</u>	<u>43</u>	<u>8</u>
<u>13</u>	—	<u>94</u>	<u>86</u>
<u>\$26</u>	<u>\$20</u>	<u>\$137</u>	<u>\$ 94</u>

CITY OF PALO ALTO

DEFERRED COMPENSATION PROGRAM AGENCY FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES for the year ended June 30, 1992 (in thousands of dollars)

	<u>Balances, July 1, 1991</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances, June 30, 1992</u>
Assets:				
Cash with fiscal agents:				
The Hartford	\$14,391	\$2,409	\$ 795	\$16,005
ICMA	3,587	1,259	151	4,695
Great Western Savings	<u>1,064</u>	<u>73</u>	<u>70</u>	<u>1,067</u>
Total cash with agents	<u>19,042</u>	<u>3,741</u>	<u>1,016</u>	<u>21,767</u>
Total assets	<u>\$19,042</u>	<u>\$3,741</u>	<u>\$1,016</u>	<u>\$21,767</u>
Liabilities:				
Due to participants	<u>19,042</u>	<u>3,741</u>	<u>1,016</u>	<u>21,767</u>
Total liabilities	<u>\$19,042</u>	<u>\$3,741</u>	<u>\$1,016</u>	<u>\$21,767</u>

CITY OF PALO ALTO

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 as historical cost, or estimated historical cost if actual historical cost is not available.

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CITY OF PALO ALTO

SCHEDULES OF GENERAL FIXED ASSETS - BY SOURCE (in thousands of dollars)

	<u>June 30,</u>	
	<u>1992</u>	<u>1991</u>
General fixed assets:		
Land and improvements	\$ 59,519	\$ 57,062
Buildings and structures	35,435	34,394
Equipment	<u>11,261</u>	<u>10,275</u>
Total general fixed assets	<u>\$106,215</u>	<u>\$101,731</u>
Investment in general fixed assets from:		
Investment in assets, beginning of year	101,731	93,282
Investment in assets acquired from current activities, net	<u>4,484</u>	<u>8,449</u>
Total investment in general fixed assets	<u>\$106,215</u>	<u>\$101,731</u>

CITY OF PALO ALTO
SCHEDULES OF GENERAL FIXED ASSETS -
BY FUNCTION AND ACTIVITY
(in thousands of dollars)

	June 30, 1992	
	<u>Land and Improvements</u>	<u>Buildings and Structures</u>
Administration:		
City clerk and council		
City manager		
City attorney		
City auditor		
Finance		
Personnel		
Information resources		
General government	<u>\$ 1,973</u>	<u>\$12,589</u>
Total administration	<u>1,973</u>	<u>12,589</u>
Public safety:		
Police		
Fire	392	1,779
Communications		
Animal services	<u>38</u>	<u>397</u>
Total public safety	<u>430</u>	<u>2,176</u>
Libraries	245	3,132
Parks, recreation and culture	21,158	9,442
Parking facilities	13,080	8,096
Open space	12,821	
Housing	<u>9,812</u>	<u> </u>
Total general fixed assets	<u>\$59,519</u>	<u>\$35,435</u>

<u>June 30,</u> <u>1992</u>	<u>June 30,</u>	
<u>Equipment</u>	<u>1992</u>	<u>1991</u>
\$ 160	\$ 160	\$ 149
140	140	135
141	141	144
40	40	44
806	806	831
147	147	132
1,702	1,702	1,511
<u>2,130</u>	<u>16,692</u>	<u>16,295</u>
<u>5,266</u>	<u>19,828</u>	<u>19,241</u>
600	600	577
1,206	3,377	2,876
712	712	641
<u>35</u>	<u>470</u>	<u>473</u>
<u>2,553</u>	<u>5,159</u>	<u>4,567</u>
663	4,040	4,040
1,375	31,975	30,791
1,404	22,580	21,498
	12,821	11,782
<u> </u>	<u>9,812</u>	<u>9,812</u>
<u>\$11,261</u>	<u>\$106,215</u>	<u>\$101,731</u>

CITY OF PALO ALTO
SCHEDULE OF CHANGES IN GENERAL
FIXED ASSETS - BY FUNCTION AND ACTIVITY
for the year ended June 30, 1992

	Balances, July 1, <u>1991</u>	<u>Additions</u>	Deletions/ <u>Transfers</u>	Balances, June 30, <u>1992</u>
Administration:				
City clerk and council	\$ 149	\$ 23	\$ 12	\$ 160
City manager	135	16	11	140
City attorney	144	9	12	141
City auditor	44		4	40
Finance	831	41	66	806
Personnel	132	26	11	147
Information resources	1,511	314	123	1,702
General government	<u>16,295</u>	<u>488</u>	<u>91</u>	<u>16,692</u>
Total administration	<u>19,241</u>	<u>917</u>	<u>330</u>	<u>19,828</u>
Public safety:				
Police	577	69	46	600
Fire	2,876	579	78	3,377
Communications	641	122	51	712
Animal services	<u>473</u>	<u> </u>	<u>3</u>	<u>470</u>
Total public safety	<u>4,567</u>	<u>770</u>	<u>178</u>	<u>5,159</u>
Libraries	4,040	52	52	4,040
Parks, recreation and culture	30,791	1,324	140	31,975
Parking facilities	21,498	1,204	122	22,580
Open space	11,782	1,039		12,821
Housing	<u>9,812</u>	<u> </u>	<u> </u>	<u>9,812</u>
Total general fixed assets	<u>\$101,731</u>	<u>\$5,306</u>	<u>\$822</u>	<u>\$106,215</u>

CITY OF PALO ALTO

GENERAL LONG-TERM DEBT ACCOUNT GROUP

General long-term debt is the unmatured principal of bonds, warrants, notes or other forms of noncurrent or long-term general obligation indebtedness that are not specific liabilities of any proprietary fund or trust fund, and noncurrent liabilities and other long-term commitments of the governmental funds.

CITY OF PALO ALTO

GENERAL LONG-TERM DEBT ACCOUNT GROUP BALANCE SHEETS (in thousands of dollars)

	<u>June 30,</u>	
	<u>1992</u>	<u>1991</u>
Amounts available and to be provided for retirement of general long-term debt:		
Amount available in debt service funds	\$ 5,373	\$ 4,053
Amount to be provided for retirement of general long-term debt	<u>15,297</u>	<u>14,993</u>
	<u>\$20,670</u>	<u>\$19,046</u>
General long-term debt payable:		
General obligation bonds	1,150	1,225
Certificates of participation	7,670	5,125
Special assessment debt with governmental commitment	8,229	8,649
Capital lease obligations	<u>3,621</u>	<u>4,047</u>
	<u>\$20,670</u>	<u>\$19,046</u>

CITY OF PALO ALTO

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

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

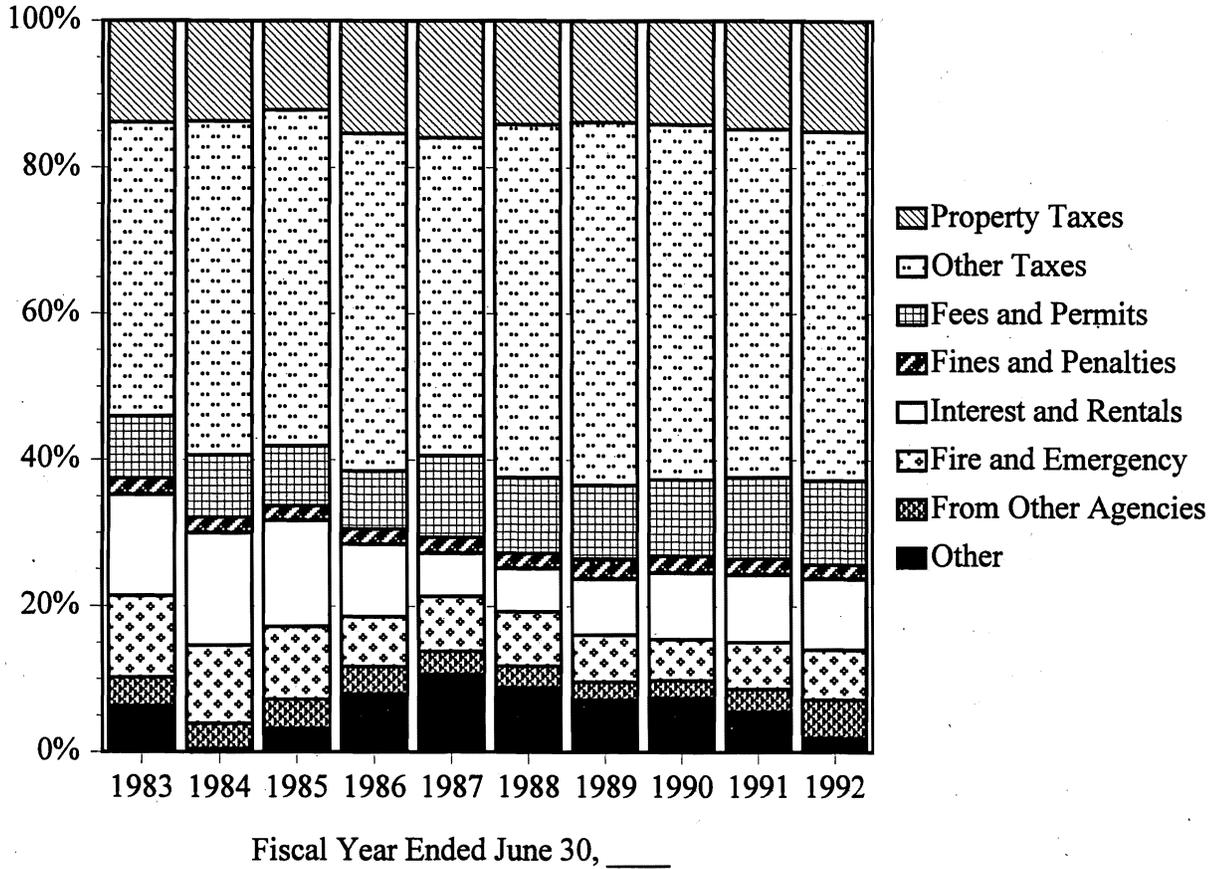
<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Other Taxes</u>	<u>Service Fees and Permits</u>	<u>Fines, Forfeits and Penalties</u>
1982-83	\$4,056	\$11,840	\$2,493	\$ 659
1983-84	4,493	15,100	2,805	718
1984-85	4,643	17,655	3,133	789
1985-86	6,105	18,450	3,148	858
1986-87	6,748	18,412	4,727	935
1987-88	6,578	22,646	4,835	998
1988-89	6,887	24,785	5,024	1,383
1989-90	7,512	26,145	5,615	1,251
1990-91	8,109	26,457	6,168	1,222
1991-92	8,555	27,185	6,570	1,097

Note: Includes general, special revenue, debt service and capital projects funds. Data presented for fiscal years 1987 to 1986 was not restated as a result of the adoption of GASB Statement No. 6, *Accounting and Reporting for Special Assessments*.

<u>Interest and Rentals</u>	<u>Fire Protection and Emergency Communication Services</u>	<u>From Other Agencies</u>	<u>Other</u>	<u>Total</u>
\$4,063	\$3,290	\$1,131	\$1,872	\$29,404
5,075	3,529	1,142	161	33,023
5,548	3,816	1,529	1,259	38,372
3,937	2,724	1,490	3,200	39,912
2,495	3,172	1,328	4,547	42,364
2,754	3,479	1,365	4,182	46,837
3,821	3,227	1,193	3,628	49,948
4,870	3,029	1,269	4,038	53,729
5,094	3,561	1,711	3,110	55,432
5,501	3,908	2,982	1,127	56,925

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CITY OF PALO ALTO GENERAL REVENUES BY SOURCE (unaudited)



CITY OF PALO ALTO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(in thousands of dollars)
(Unaudited)

<u>Fiscal Year</u>	<u>Administration</u>	<u>Public Works</u>	<u>Community Environment</u>	<u>Police</u>	<u>Fire</u>
1982-83	\$ 5,077	\$ 5,980	\$1,538	\$ 7,917	\$ 5,853
1983-84	6,530	6,859	1,788	9,071	6,524
1984-85	5,229	8,732	1,923	9,879	7,045
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	7,660	11,384	2,553	11,347	8,562
1988-89	9,117 ^(A)	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

NOTE: Includes general, special revenue, debt service and capital project funds. Data presented for fiscal years 1983 to 1986 was not restated as a result of the adoption of GASB Statement No. 6.

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

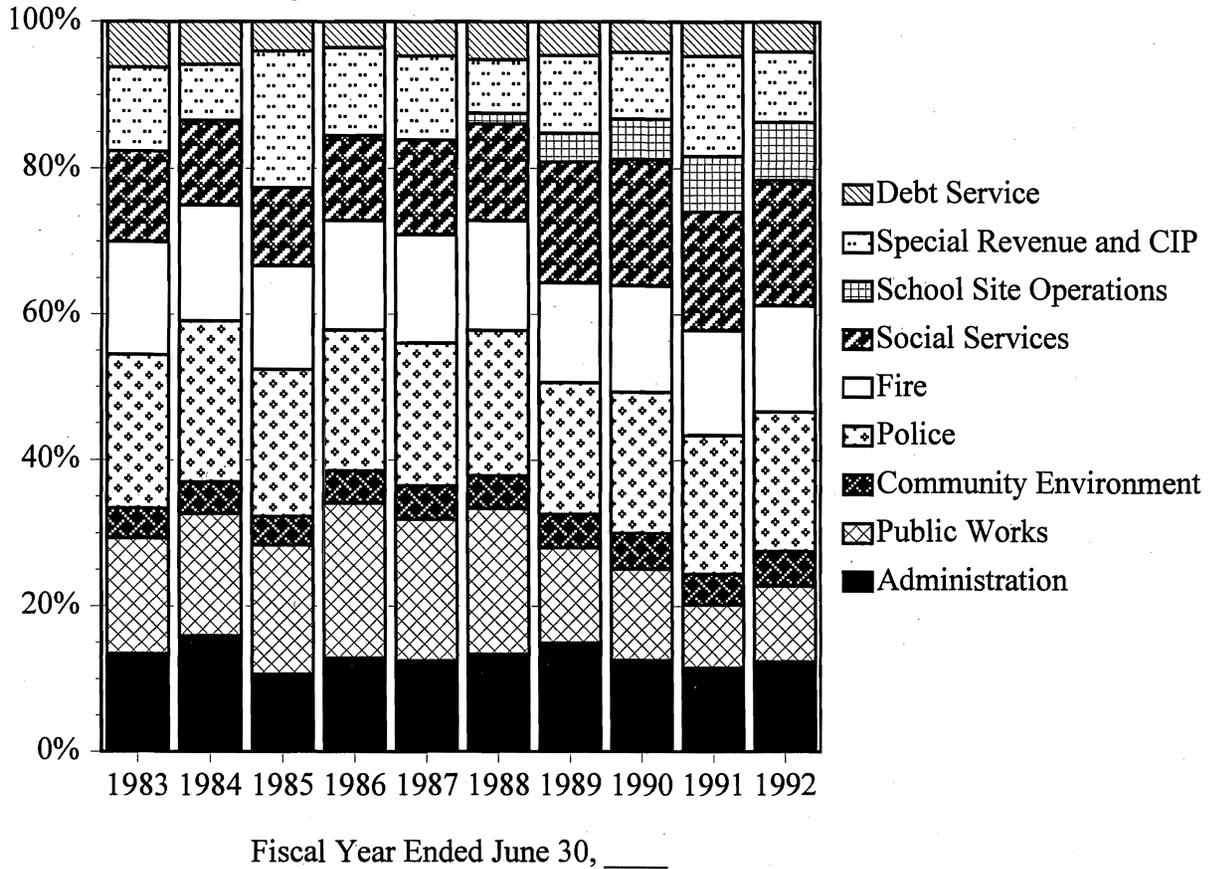
<u>Social Services</u>	<u>School Site Operations</u>	<u>Special Revenue and Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ 4,667		\$4,313	\$2,328	\$37,673
4,756		3,137	2,369	41,034
5,271		9,170	1,970	49,219
6,162		6,363	1,845	52,927
7,559		6,679	2,728	58,343
7,547	\$ 850	4,171	2,916	56,990
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

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CITY OF PALO ALTO

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

(unaudited)



CITY OF PALO ALTO
PROPERTY TAX RATES, LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(in thousands of dollars)
(Unaudited)

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Total Tax Levy</u> ⁽¹⁾	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u> ⁽²⁾
1982-83	\$3,166,228	\$4,141	\$3,913	\$143	\$4,056
1983-84	3,457,251	4,438	4,265	228	4,493
1984-85	3,855,877	4,610	4,470	173	4,643
1985-86	4,515,649	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

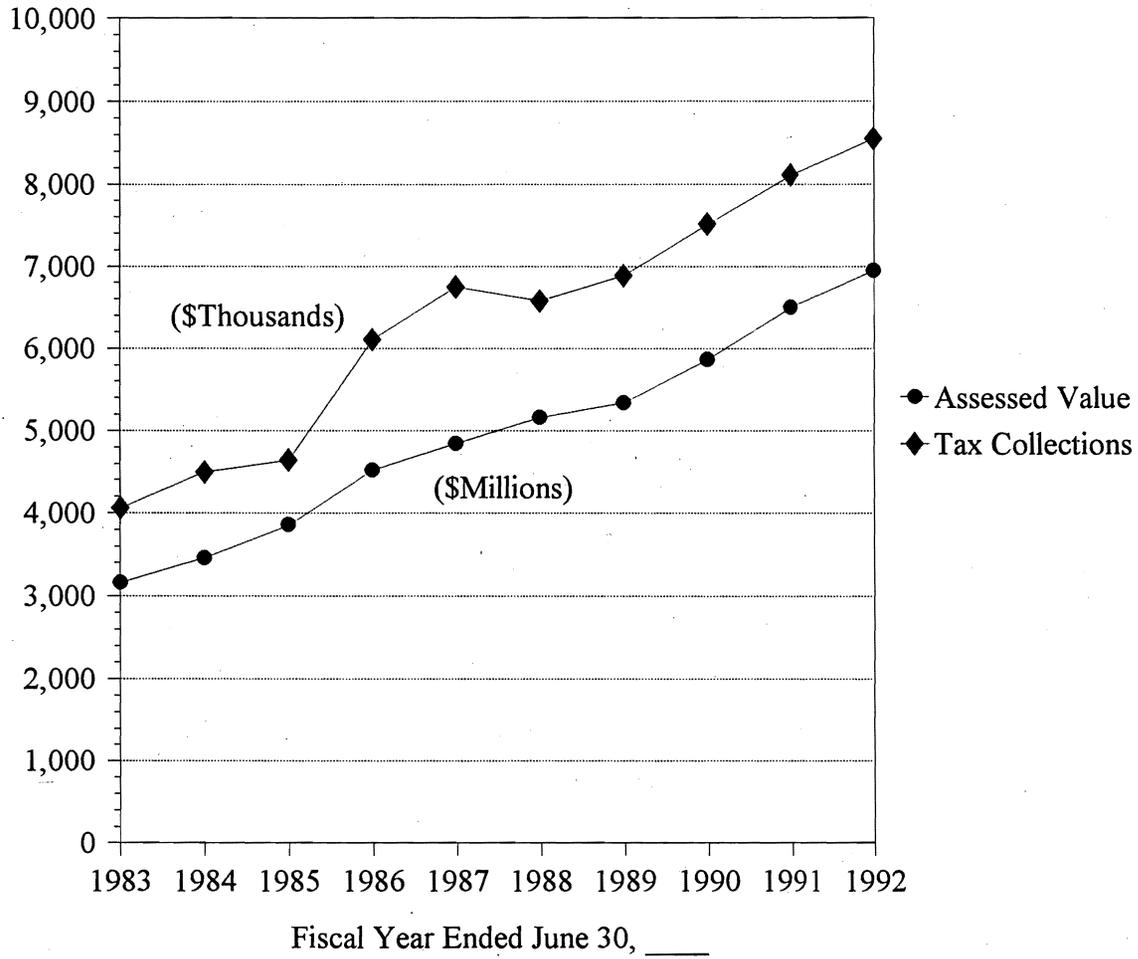
Note: ⁽¹⁾ Articles XIII-A of the Constitution of the State of California adopted by the electorate in June 1978 precludes the City from a local property tax levy. All general purpose property taxes are levied by the county and allocated to other governmental entities on a predetermined formula.

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

CITY OF PALO ALTO

ASSESSED VALUES vs TAX COLLECTION

(unaudited)



CITY OF PALO ALTO
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(in thousands of dollars)
(Unaudited)

<u>Fiscal Year</u>	<u>Secured Roll</u>		<u>Personal Property</u>
	<u>Land</u>	<u>Improvements</u>	
1982-83	\$ 870,418	\$1,595,191	\$ 77,667
1983-84	965,719	1,742,793	78,129
1984-85	1,067,596	1,924,830	68,517
1985-86	1,255,547	2,106,016	63,990
1986-87	1,377,464	2,348,713	69,470
1987-88	1,543,130	2,588,554	120,321
1988-89	1,670,237	2,809,962	142,484
1989-90	1,897,944	3,019,530	134,389
1990-91	2,168,956	3,253,018	107,494
1991-92	2,324,109	3,446,205	275,237

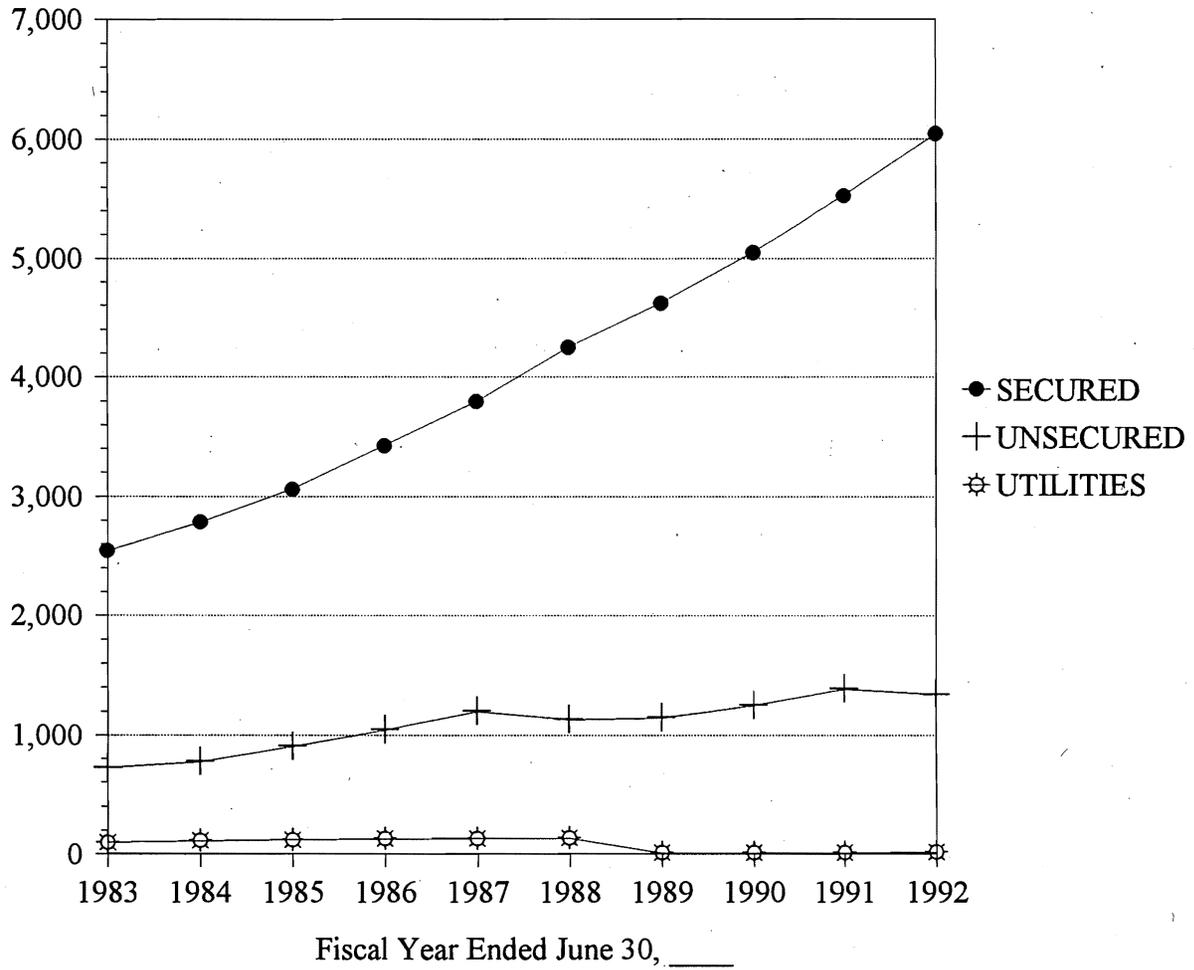
Note: ⁽¹⁾ Beginning in fiscal year 1988-89, Chapter 921 of the Statutes of 1987 requires the establishment of a single county-wide tax rate area for the assignment of the assessed value of certain types of state-assessed utility property and sets forth formulas for the determination of county-wide tax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

Source: County of Santa Clara Assessor's Office

<u>Public Utilities</u>	<u>Unsecured Roll</u>	<u>Less Exemptions Net of State-Aid</u>	<u>Total Assessed Value</u>
\$ 99,152	\$ 724,902	\$ 201,102	\$3,166,228
110,582	775,745	215,717	3,457,251
119,432	902,624	227,122	3,855,877
128,316	1,044,827	443,047	4,511,650
130,299	1,198,144	279,945	4,844,145
130,952	1,128,227	348,559	5,162,625
7,295 ⁽¹⁾	1,145,899	436,296	5,339,581
8,138	1,248,028	443,968	5,864,061
10,139	1,384,622	422,256	6,501,973
13,666	1,340,081	449,869	6,949,429

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



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

<u>Fiscal Year</u>	<u>County of Santa Clara</u>	<u>School Districts</u>	<u>Special Districts</u>	<u>Total</u>	<u>Parking District</u>
1982-83	\$1.047	\$.032	\$.003	\$1.082	\$.163
1983-84	1.045	.029	.003	1.077	.131
1984-85	1.044	.022	.003	1.069	.104
1985-86	1.036	.017	.003	1.056	.042
1986-87	1.024	.017	.001	1.042	-
1987-88	1.039	.016	.002	1.057	-
1988-89	1.038	.011	.000	1.049	-
1989-90	1.038	.008	.000	1.046	-
1990-91	1.039	.004	.000	1.043	-
1991-92	1.039	.002	.000	1.041	-

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
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS
(in thousands of dollars)
(Unaudited)

<u>Fiscal Year</u>	<u>Current Assessment Due</u>	<u>Current Assessment Collected</u>	<u>Delinquent and Penalties Collected</u>	<u>Total ⁽¹⁾ Collections</u>
1982-83	\$ 423	\$ 393	\$ 7	\$ 400
1983-84	401	384	26	410
1984-85	343	323	8	331
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

Note: ⁽¹⁾ Includes collections of the current year levy plus delinquencies and penalties of prior year.

CITY OF PALO ALTO
RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(in thousands of dollars)
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Bonded Debt</u> ⁽¹⁾	<u>Percent of Bonded Debt to Assessed Value</u>	<u>Bonded Debt Per Capita</u>
1982-83	55,900	\$3,166,228	\$19,094	.603%	\$.34
1983-84	56,100	3,457,251	17,160	.496	.31
1984-85	56,200	3,855,877	22,079	.573	.39
1985-86	56,800	4,515,649	21,773	.482	.38
1986-87	56,600	4,844,145	21,869	.451	.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

⁽¹⁾ General Bonded Debt includes: General Obligation bonds, Special Assessment Debt, and Capital Lease Obligations. It excludes the lease purchase of optical imaging equipment in the amount of \$65.

CITY OF PALO ALTO

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 1992

(in thousands of dollars)

(Unaudited)

1991-92 Assessed value		<u>\$6,949,429</u>
Debt limit - 15% of assessed value		1,042,414
Amount of debt applicable to debt limit:		
General obligation bonds	\$ 1,150	
Capital lease obligations	13,168	
Special assessment debt with governmental commitment	<u>8,229</u>	
Total	22,547 ⁽¹⁾	
Less amount available in debt service funds	<u>5,373</u>	
Total amount of debt applicable to debt limit		<u>17,174</u>
Legal debt margin		<u>\$1,025,240</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

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT June 30, 1992 (in thousands of dollars) (Unaudited)

1991-92 Assessed Valuation \$6,949,429

<u>Direct and Overlapping Bonded Debt</u>	<u>% Applicable</u>	<u>June 30, 1992 Bonded Debt</u>
Santa Clara County Building Authorities	7.489	\$24,062
Santa Clara County FC & WCD, Zone W-1	0.486	112
Foothill-DeAnza Community College District	21.594	6,535
Palo Alto Unified School District	90.348	253
Other School Districts and School Authorities	Various	317
City of Palo Alto General Fund Obligations	100.000	14,154 ⁽¹⁾
City of Palo Alto Special Assessment Bonds	100.000	8,229
Midpeninsula Regional Park District	13.294	6,169
Santa Clara Valley Water District Certificates of Participation	7.489	2,835
Other Special Districts	Various	<u>7</u>
Total Gross Direct and Overlapping Bonded Debt		62,673
Less: El Camino Hospital Authority (100% Self-Supporting)		<u>(4)</u>
Total Net Direct and Overlapping Bonded Debt		<u>\$62,669</u>
Ratios to Assessed Valuation:		
Gross Direct Debt (\$14,154)	0.20%	
Total Gross Debt	0.90%	
Total Net Debt	0.90%	

Note: ⁽¹⁾Includes \$3,556 Terman School Capital Lease Obligation and \$1,778 Equipment Lease.

Source: California Municipal Statistics, Inc.

CITY OF PALO ALTO

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Other Charges</u>	<u>Total Debt Service</u>	<u>Total General Expenditures⁽¹⁾</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1982-83	\$ 586	\$1,296	\$1,882	\$32,913	\$5.72
1983-84	1,073	1,243	2,316	37,844	6.12
1984-85	645	1,325	1,970	40,049	4.92
1985-86	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	53,575	5.44
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	4.02

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

⁽²⁾ Data presented for fiscal years 1982 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

REVENUE BOND COVERAGE WATER, ELECTRIC, GAS, WASTEWATER AND STORM DRAINAGE FUNDS LAST TEN FISCAL YEARS (in thousands of dollars) (Unaudited)

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses⁽¹⁾</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service</u>		<u>Requirements</u>	
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1982-83	\$ 56,657	\$40,297	\$16,360	\$370	\$ 11	\$ 381	\$42.94
1983-84	69,660	50,583	19,077	0 ⁽²⁾	208	208	91.71
1984-85	82,607	58,690	23,917	170	351	521	45.90
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

Note: ⁽¹⁾Excludes depreciation and amortization expenses.

⁽²⁾No bond principal was paid in fiscal 1983-84 due to defeasance of 1979 Bonds with 1983 Refunding Bond Issue.

CITY OF PALO ALTO

DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS (Unaudited)

<u>Fiscal Year</u>	<u>City Size Square Miles</u>	<u>Street Miles</u>	<u>City Population⁽¹⁾</u>
1982-83	25.98	189.80	55,900
1983-84	25.98	190.10	56,100
1984-85	25.98	190.10	56,200
1985-86	25.98	190.10	56,800
1986-87	25.98	190.10	56,600
1987-88	25.98	193.12	56,900
1988-89	25.98	193.12	56,950
1989-90	25.98	193.12	57,400
1990-91	25.98	193.12	56,000
1991-92	25.98	193.12	56,330

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

<u>County Population</u> ⁽¹⁾	<u>City Population as a % of County</u>	<u>School Population</u> ⁽²⁾	<u>Unemployment Rate</u> ⁽³⁾
1,344,700	4.16	8,583	Not Available
1,363,300	4.12	8,290	"
1,376,900	4.08	8,145	3.6%
1,403,100	4.05	7,914	3.4%
1,407,900	4.02	7,835	2.8%
1,431,600	3.97	7,683	2.6%
1,440,900	3.95	7,477	2.6%
1,463,500	3.92	7,443	2.3%
1,513,100	3.70	7,496	3.9%
1,531,700	3.68	7,756	4.5%

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CITY OF PALO ALTO
CONSTRUCTION ACTIVITY
LAST TEN FISCAL YEARS
(in thousands of dollars)
(Unaudited)

Fiscal Year	<u>Industrial</u>		<u>Commercial & Office</u>		<u>Residential</u>		<u>All Others</u>	
	Number of Permits	Valuation	Number of Permits	Valuation	Number of Permits	Valuation	Number of Permits	Valuation
1982-83*	123	\$36,899	296	\$58,908	624	\$22,957	131	\$ 8,866
1983-84*	113	79,906	268	53,600	747	28,922	82	8,961
1984-85	75	5,937	255	54,558	772	31,461	197	15,547
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

*Calendar year basis

CITY OF PALO ALTO
INSURANCE COVERAGE
 June 30, 1992
 (Unaudited)

<u>Type</u>	<u>Coverage (or comment)</u>
<u>Property Loss</u>	
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)
Data Processing	All risk - (\$1,000 deductible)
<u>Financial Loss</u>	
Employee Blanket	Position bond - faithful performance per loss - (\$5,000 deductible)
<u>Comprehensive Public Liability</u>	City is self-insured for first \$1,000,000 of liability
<u>Umbrella Excess</u>	City is a member of an insurance pool participating with a number of other California cities.
<u>Special Liability</u>	
Volunteers Accident	Each Occurrence Medical - Each Person (\$25 deductible)
Special Events	Bodily Injury (\$250 deductible)
<u>Employee Benefit</u>	
Travel Accident	Indemnity, based on salary
<u>Employee Health Plan</u>	Each person 100% in excess of \$125,000 for all occurrences up to a lifetime limit of \$875,000 per person. City is self-insured for first \$125,000 of liability
<u>Workers' Compensation</u>	City is self-insured for first \$1,000,000 of liability
<u>Excess Workers' Compensation</u>	Excess Workers' Compensation Employers Liability

<u>Limits</u>	<u>Company</u>	<u>Expiration Date</u>
\$185,461,453	Chubb/Federal	07/01/92
\$10,000,000 per accident	Chubb/Pacific Indemnity	07/01/92
\$3,150,000	Chubb/Federal	07/01/92
\$1,000,000	Hartford Accident & Indemnity	07/01/92
\$9,000,000	Accel Group	07/01/92
\$5,000	National American Life Insurance Co.	01/01/93
\$5,000		
\$1,000,000 per occurrence	Scottsdale Insurance	03/24/93
\$1,500,000 per accident	Life Insurance Co. of No. America	06/01/93
\$875,000 (lifetime limit each person)	Fortis Benefits Insurance	01/01/93
\$10,000,000	National Union Fire Insurance	07/01/92
\$2,000,000		

CITY OF PALO ALTO
PRINCIPAL TAXPAYERS
 June 30, 1992
 (in thousands of dollars)
 (Unaudited)

	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Leland Stanford Jr. University	University and ancillary	\$1,232,902	17.74
Space Systems/Loral	Research and Development	123,581	1.78
Sun Microsystems Inc.	Computers and Electronics	56,963	0.82
Harbor Investment Partners	General Industrial	47,542	0.68
S I Palo Alto, Inc.	Office, Banks and Clinics	43,405	0.62
Cowper-Hamilton Associates	Office, Banks and Clinics	30,285	0.44
Barrick Palo Alto Limited Partners	Offices, Banks and Clinics	19,653	0.28
Hewlett-Packard Company	Computer & Electronics	18,689	0.27
Maytai Investments, Inc.	Offices, Banks and Clinics	14,668	0.21
MSD Acquisitions Inc.	Offices, Banks and Clinics	<u>13,785</u>	<u>0.20</u>
Totals		<u>\$1,601,473</u>	<u>23.04</u>

Source: Center for Urban Analysis County of Santa Clara

CITY OF PALO ALTO

MISCELLANEOUS STATISTICAL INFORMATION

June 30, 1992

(Unaudited)

Discovered	1769
Incorporated	April 16, 1894
Incorporated as charter city	July 1, 1909
Government	Council - City Manager Form
Population	56,330
Land Area	25.98 Square Miles
City Maintained Trees	41,000
Police Protection	1 Station 167 Regular Employees 27 Police Patrol Vehicles
Fire Protection	7 Stations 117 Regular Employees 24 Fire Apparatus 1,500 Fire Hydrants
Parks and Recreation	141 Acres - Downtown Parks 3,920 Acres - Open Space 34 Parks 1 Golf Course 45 Tennis Courts 1 Athletic Center 3 Community Centers 2 Theatres 3 Clubhouses 4 Arts and Craft Centers
Number of Housing Units	25,263 Units
Commercial and Industrial Space	24.4 Million Square Feet
Municipal Utility Plans:	
Water	4.7 Million CCF Sold, 19,046 Accounts, 220 Miles of Mains
Wastewater	7,223 Million Gallons Processed, 21,264 Accounts 215 Miles of Sanitary Sewer Lines
Electric	1,054 Million KWH Sold, 27,246 Accounts 235 Pole Miles, 183 Trench Miles
Gas	35 Million Therms Sold, 23,123 Accounts, 177 Miles of Gas Mains

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CITY OF PALO ALTO

SINGLE AUDIT REPORTS

for the year ended June 30, 1992

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REPORT OF INDEPENDENT ACCOUNTANTS ON THE INTERNAL CONTROL STRUCTURE OF THE CITY OF PALO ALTO

The Honorable Mayor and City Council
City of Palo Alto
Palo Alto, California

We have audited the general purpose financial statements of the City of Palo Alto, California (the City) as of and for the year ended June 30, 1992, and have issued our report thereon dated November 6, 1992. As explained in the third paragraph of our report, we have been unable to satisfy ourselves concerning a substantial portion of the reported cost of property, plant and equipment in the General Fixed Assets Account Group because detailed records and documentation of historical and estimated historical costs are not available.

We conducted our audit in accordance with generally accepted auditing standards, except as explained in the third paragraph of our report, 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.

In planning and performing our audit of the general purpose financial statements of the City for the year ended June 30, 1992, we considered its internal control structure 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.

The management of the City is responsible for establishing and maintaining an 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.

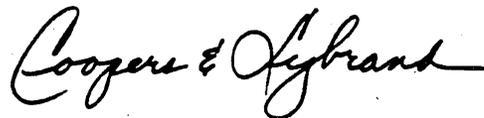
For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: treasury, revenue, purchases, payroll and external financial reporting.

For all of the internal control structure categories listed above, 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.

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 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 operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to management of the City in a separate letter dated November 6, 1992.

This report is intended for the information of the City Council, management, its cognizant agency, and other federal agencies granting funds to the City. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Coopers & Lybrand".

Menlo Park, California
November 6, 1992

**REPORT OF INDEPENDENT ACCOUNTANTS
ON THE CITY'S COMPLIANCE WITH LAWS,
REGULATIONS, CONTRACTS AND GRANTS**

The Honorable Mayor and City Council
City of Palo Alto
Palo Alto, California

We have audited the general purpose financial statements of the City of Palo Alto, California (the City) as of and for the year ended June 30, 1992, and have issued our report thereon dated November 6, 1992. As explained in the third paragraph of our report, we have been unable to satisfy ourselves concerning a substantial portion of the reported cost of property, plant and equipment in the General Fixed Assets Account Group because detailed records and documentation of historical and estimated historical costs are not available.

We conducted our audit in accordance with generally accepted auditing standards, except as explained in the third paragraph of our report, 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 City's management. 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 indicate that, with respect to the items tested, the City complied, in all material respects, with the provisions referred to 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 provisions.

This report is intended for the information of the City Council, management, its cognizant agency, and other federal agencies granting funds to the City. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Menlo Park, California
November 6, 1992

**REPORT OF INDEPENDENT ACCOUNTANTS
ON SUPPLEMENTARY SCHEDULE OF FEDERAL
FINANCIAL ASSISTANCE**

The Honorable Mayor and City Council
City of Palo Alto
Palo Alto, California

We have audited the general purpose financial statements of the City of Palo Alto, California (the City), as of and for the year ended June 30, 1992, and have issued our report thereon dated November 6, 1992. As explained in the third paragraph of our report, we have been unable to satisfy ourselves concerning a substantial portion of the reported cost of property, plant and equipment in the General Fixed Assets Account Group because detailed records and documentation of historical and estimated historical costs are not available. These general purpose financial statements are the responsibility of the City's management. 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, except as explained in the third paragraph of our report, 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 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 Schedule of Federal Financial Assistance for the year ended June 30, 1992 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.



Menlo Park, California
November 6, 1992

CITY OF PALO ALTO

SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

for the year ended June 30, 1992

<u>Federal Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Program Assistance Received</u>	<u>Expenditures</u>
Major program:			
U.S. Department of Housing and Urban Development Community Development Block Grant	14.218	\$728,517	\$1,392,827
Other federal programs:			
Federal Highway Assistance (Passed through the City of San Jose)	20.205	<u>193,270</u>	<u>-</u>
Total federal financial assistance		<u>\$921,787</u>	<u>\$1,392,827</u>

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**REPORT OF INDEPENDENT ACCOUNTANTS
ON THE INTERNAL CONTROL STRUCTURE USED TO
ADMINISTER FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The Honorable Mayor and City Council
City of Palo Alto
Palo Alto, California

We have audited the general purpose financial statements of the City of Palo Alto, California (the City), as of and for the year ended June 30, 1992, and have issued our report thereon dated November 6, 1992. As explained in the third paragraph of our report, we have been unable to satisfy ourselves concerning a substantial portion of the reported cost of property, plant and equipment in the General Fixed Assets Account Group because detailed records and documentation of historical and estimated historical costs are not available. We have also audited the City's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated November 6, 1992.

We conducted our audits in accordance with generally accepted auditing standards, except as explained in the third paragraph of our report; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget 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 the general purpose financial statements are free of material misstatement and about whether the City complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended June 30, 1992, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the general purpose financial statements of the City and on the City's compliance with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated November 6, 1992.

The management of the City is responsible for establishing and maintaining an 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, 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, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs into the following categories:

- Accounting applications:** billings, receivables, cash receipts, purchasing and receiving, cash disbursements, payroll, general ledger and external financial reporting.
- General requirements:** political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property management, federal financial reports, allowable costs/cost principles, drug-free workplace and administrative requirements.
- Specific requirements:** types of services, eligibility, matching, reporting, cost allocation, special requirements, as applicable, and monitoring subrecipients.
- Other:** claims for advances and reimbursements, amounts claimed or used for matching.

For all of the internal structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1992, the City expended 100 percent of its total federal financial assistance under its one major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the major federal financial assistance programs of the City which are identified in the accompanying 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 and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the City Council, management, the City's cognizant agency, and other federal agencies granting funds to the City. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Menlo Park, California
November 6, 1992

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**REPORT OF INDEPENDENT ACCOUNTANTS
ON THE CITY'S COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

The Honorable Mayor and City Council
City of Palo Alto
Palo Alto, California

We have audited the general purpose financial statements of the City of Palo Alto, California (the City) as of and for the year ended June 30, 1992, and have issued our report thereon dated November 6, 1992. As explained in the third paragraph of our report, we have been unable to satisfy ourselves concerning a substantial portion of the reported cost of property, plant and equipment in the General Fixed Assets Account Group because detailed records and documentation of historical and estimated historical costs are not available.

We have also audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; and special tests and provisions that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance for the year ended June 30, 1992. 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.

We conducted our audit in accordance with generally accepted auditing standards, except as explained in the third paragraph of our report; *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; and special tests and provisions that are applicable to its major federal financial assistance program for the year ended June 30, 1992.

This report is intended for the information of the City Council, management, the City's cognizant agency, and other federal agencies granting funds to the City. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Menlo Park, California
November 6, 1992

**REPORT OF INDEPENDENT ACCOUNTANTS ON THE
CITY OF PALO ALTO'S COMPLIANCE WITH GENERAL REQUIREMENTS**

The Honorable Mayor and City Council
City of Palo Alto
Palo Alto, California

We have audited the general purpose financial statements of the City of Palo Alto, California (the City) as of and for the year ended June 30, 1992, and have issued our report thereon dated November 6, 1992. As explained in the third paragraph of our report, we have been unable to satisfy ourselves concerning a substantial portion of the reported cost of property, plant and equipment in the General Fixed Assets Account Group because detailed records and documentation of historical and estimated historical costs are not available.

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 Schedule of Federal Financial Assistance, for the year ended June 30, 1992: political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property management, federal financial reports, allowable costs/cost principles, drug-free workplace and administrative requirements.

Our procedures were limited to the applicable procedures described in the 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 City Council, management, its cognizant agency, and other federal agencies granting funds to the City. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Menlo Park, California
November 6, 1992

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CITY OF PALO ALTO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended June 30, 1992

- There were no open findings in our report for the year ended June 30, 1991 requiring follow-up.
- We have reviewed correspondence from the Department of Housing and Urban Development which indicates that all findings from HUD monitoring visits performed in July 1991 and January 1992 have been resolved.
- As part of the City's subrecipient monitoring activities, the City Auditor's Office noted an overpayment of \$3,704 and unreported program income of \$12,031 to be returned to the City's CDBG program account by one subrecipient.

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