CITY OF MOUNTAIN VIEW

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Mission Statement:
The City of Mountain View provides quality services
and facilities that meet the needs of a caring and diverse
community in a financially responsible manner.

CITY OF MOUNTAIN VIEW, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by the

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Patty J. Kong, Finance and Administrative Services Director
Grace Zheng, Accounting Manager

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CITY OF MOUNTAIN VIEW
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

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Exhibit 1

CITY OF MOUNTAIN VIEW

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT
500 Castro Street • Post Office Box 7540 • Mountain View • California • 94039-7540
650-903-6316 • Fax 650-968-1786

November 14, 2018

Honorable Mayor, City Council, and Members of the Mountain View Community:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Mountain View, California (City) for the fiscal year ended June 30, 2018. The CAFR has been prepared in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB) and in compliance with City Charter Section 1106.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. We believe the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds and, in conjunction with the included notes, will provide the reader with an understanding of the City's financial status and affairs.

To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The City's financial statements have been audited by Macias Gini & O'Connell, LLP (MGO), a firm of independent licensed certified public accountants selected by and reporting to the City Council. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The

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independent auditor concluded that there is a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented at the beginning of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The CAFR is divided into the following sections:

<u>The Introductory Section</u> includes this letter of transmittal, an overview of the organizational structure of the City, and prior awards received.

<u>The Financial Section</u> is prepared in accordance with GASB Statement No. 34 requirements and includes the following:

- Independent Auditor's Report.

- Management's Discussion and Analysis.

- Basic Financial Statements—Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present financial information for each of the City's major funds as well as other governmental, proprietary, and agency funds.

- Notes to Basic Financial Statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

- Required Supplementary Information—Includes schedules required to be presented showing information related to the City's pension plan and other post-employment benefits plan.

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- Other Supplementary Information—Includes the Combining Statements and Schedules of the nonmajor governmental funds, internal service funds, and agency funds.

The Statistical Section includes tables containing historical financial data, debt statistics, and miscellaneous social and economic data of the City that may be of interest to potential investors in the City's bonds and to other readers. The data includes 10-year revenue and expenditure information, as well as 10 years of net position/fund balance information.

This CAFR includes the results of financial activities of the primary government, which encompasses several enterprise activities as well as all of its component units: the Mountain View Shoreline Regional Park Community (Shoreline Community) and the City of Mountain View Capital Improvements Financing Authority (Financing Authority). *Separate financial statements for the Shoreline Community are included following the statistical section.* There is no legal requirement for a separate component unit report for the Financing Authority.

PROFILE OF THE GOVERNMENT

With a population of approximately 81,527 and occupying just over 12 square miles, Mountain View is situated in Silicon Valley, about 36 miles southeast of the City of San Francisco and 15 miles northwest of the City of San Jose (the County seat).

As of June 2018, the unemployment rate in the City is 2.2 percent, consumer confidence continues to rise, and housing and property values are well above prerecessionary levels in Mountain View. In addition, the City's fiscal practices and budget discipline have allowed the City to maintain its AAA credit rating, a status few other California cities can claim.

The City was incorporated on November 7, 1902. The City Charter was originally approved by voters in 1952 and requires the City to operate under a Council-Manager form of government. Seven Councilmembers are elected at large for four-year terms that are staggered so three or four seats are filled at the general municipal election in November of every even-numbered year. Continuous service on the Council is limited to two consecutive terms. Each year, in January, the Council elects one of its members as Mayor and another as Vice Mayor.

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The City provides the following full range of municipal services, which are reflected in this report:

- General government (city management, legal, human resources, information technology, and financial activities);
- Public safety (police, fire, and paramedic services);
- Public works (engineering, design, and utility maintenance);
- Community development (community land use and development processing); and
- Culture and recreation (library, parks, recreation, performing arts, and golf course).

The City also provides water, wastewater, and solid waste utility enterprise activities, and the financial information regarding these activities is included in this report.

The financial reporting entity includes all funds of the primary government (i.e., the City) as well as its component units. The Shoreline Community and Financing Authority are component units of the City and are blended in the reporting entity. However, this does not mean the City assumes the obligations or liabilities of these entities and they are budgeted and accounted for separately from the City.

No other agencies or activities associated with the City or utilizing a name similar to the City's meet the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report.

The City Council is required by the Charter to adopt a budget by June 30 to be in effect for the ensuing fiscal year, which begins July 1. Budgets are approved at the fund and department level (legal level of control) and may not be exceeded without City Council approval. Transfers and adjustments between funds, departments, and capital projects must be submitted to the City Council for approval. The City Charter requires approval by five votes of the seven-member City Council to amend the budget.

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LOCAL ECONOMY

The City is centrally located in Silicon Valley and has several major highways and freeways (101, 280, 85, and 237) connecting the City to the broader Bay Area region. Mountain View is also a regional transportation hub and has transit stops for the Caltrain commuter train and Santa Clara Valley Transportation Authority (VTA) light rail system.

During this fiscal year, the City has experienced significant growth in terms of residential and commercial development that has contributed to a diverse community. The City has seen 1,099 residential units entitled and approximately 355,227 square feet of commercial/office space construction completed. Also, significant additional housing is in the pipeline. The local economy continues to be strong, with research and development and industrial sectors experiencing occupancy gains. However, office vacancy rates have started to rise, although still relatively low.

The economic vitality of the City depends on a strong and diversified business community that is flexible enough to withstand economic change. As part of the City's economic development efforts, the City continues to work to attract and retain companies with growth potential and make the City a desirable location for the corporate community. As a result, companies continue to recognize Mountain View as a prime location in Silicon Valley. Mountain View's innovation economy depends on major technology companies, including 23andMe, Google, Intuit, LinkedIn, Microsoft, Omnicell, Pure Storage, Samsung, Siemens Medical Solutions, Symantec, and Synopsys. Downtown Mountain View is a desirable place to do business, especially for start-up companies, because of the diverse number of retailers and restaurants and access to public transportation. The auto technology industry continues to expand in the City with innovation and creativity in the artificial intelligence sector. Currently, there are approximately 20 auto technology companies, including Alphabet Waymo, Aptiv, BMW Research and Development, Deepscale, DiDi Labs, Nuro.ai, and Volvo Silicon Valley Technology Center, that reside in the City.

The City is also committed to preserving present services and programs while investing in our future through prudent budgeting and infrastructure development. The current strong economy, along with sound fiscal planning, has allowed the City to add resources where most needed and pay down pension and other post-employment benefits unfunded liabilities.

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LONG-TERM FINANCIAL PLANNING

The City annually prepares a five-year forecast and periodically a Long-Range Financial Forecast to project revenue and expenditure trends for the next 10 years. A 10-Year Financial Forecast (Forecast) was developed for Fiscal Year 2018-19. A financial forecast, even with fluctuating economic variables, can assist with identification of long-term financial trends, causes of fiscal imbalances, future fiscal challenges, opportunities, and potential requirements, all of which may assist in keeping the City on a continuing path of fiscal sustainability. While it is challenging to accurately forecast local government revenues due to the variable nature of the revenue sources and their connection to regional, State, national, and international economic conditions, it is possible to identify reasonable financial trends and provide a conceptual financial picture that will be useful to the City's decision-making. The Forecast guides the City as it continues to confront the need to balance expenditures and revenues.

In summary, revenues are projected to continue growing for the next couple of fiscal years; however, the Forecast assumes a recession will occur during the 10-year period. The decline in revenues from the anticipated recession is being masked by the strong development activity that is currently occurring as there is a lag between the development occurring and being placed onto the property tax roll. It is unknown exactly when a recession will occur, but staff has included the impact of a recession beginning in Fiscal Year 2020-21 as that would match the longest economic expansion in decades. At that point, the projected operating balance declines and deficits are projected (before corrective action) beginning in Fiscal Year 2021-22.

RELEVANT FINANCIAL POLICIES

The City Council has established a financial and budgetary policy framework which is reviewed and updated as necessary by the City Council. A comprehensive and consistent set of financial and budgetary policies provides a basis for sound financial planning, identifies appropriate directions for service-level developments, aids budgetary decision-making, and serves as an overall framework to guide financial management and operations of the City.

The City's adoption of financial policies also promotes public confidence and increases the City's credibility in the eyes of bond rating agencies and potential investors. Such policies also provide the resources to react to potential financial emergencies in a prudent manner.

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MAJOR INITIATIVES

The City's mission is to provide exceptional services and facilities that meet the needs of a caring and diverse community in a financially responsible manner. In February 2017, the City Council undertook a comprehensive goal-setting process to establish its major goals for a two-year cycle, Fiscal Years 2017-18 and 2018-19. The City Council's four overarching major goals are as follows:

- Promote strategies to protect vulnerable populations and preserve the socioeconomic diversity of the community.

- Improve the quantity, diversity, and affordability of housing with an added focus on middle-income and ownership opportunities.

- Develop and implement comprehensive and coordinated transportation strategies to achieve mobility, connectivity, and safety for people of all ages.

- Promote environmental sustainability with a focus on measurable outcomes.

Projects were identified to further these four goals over the two-year cycle. Some of the major initiatives accomplished for this past fiscal year are as follows:

- Developed a pipeline of over 400 affordable housing units, representing one-third of the City's current affordable housing supply.

- Adopted an updated North Bayshore Precise Plan and Affordable Housing Guidelines.

- Continued implementing a 61-item action plan to address homelessness, including:

  - Managed interdepartmental teams and numerous community stakeholders working to address homeless matters.

  - Launched a proactive strategy for providing Police and community services for homeless and residents living in vehicles with a Community Outreach Officer.

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  - Facilitated the launch of a safe parking program and grant for a new local nonprofit.

  - Coordinated a Sanitary Waste Dump Pilot and presented results to the Council.

- Continued with development of the East Whisman Precise Plan.

- Began the Terra Bella Visioning and Guiding Principles Plan process.

- Completed updates to the Gatekeeper process and other Zoning Code development standards.

- Began construction on 1701 West El Camino Real (Eagle Park Apartments) with a total of 67 affordable units, including units for veterans.

- Funded 950 West El Camino Real with a total of 70 units, including units for transition-aged youth and the developmentally disabled.

- Opened a new trailhead to connect Permanente Creek Trail from Rock Street to Middlefield Road in conjunction with installing a new artificial turf field at Crittenden School through a partnership with the Mountain View Whisman School District.

- Executed an agreement with the Magical Bridge Foundation for professional and design services to build an all-inclusive playground in Mountain View.

- Held a Spanish-language Community Emergency Response Team training (CERT) for 23 Mountain View residents.

- Worked with State regulatory agencies and City customers to plan for expansion of the recycled water system and development of on-site water reuse systems.

- Provided policy recommendations on an anti-registry policy, becoming a sanctuary city, and a freedom city policy.

- Established an Age-Friendly City Task Force and worked with them to conduct community focus groups and select priority domains on which to work in 2018.

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- Developed a pilot program for the Human Rights analytical framework.

- Led exploration, analysis, modeling, outreach, and communications for three potential revenue measures for the November 2018 ballot, with two being placed on the ballot by Council.

- Developed the first budget and Rental Housing Fee adopted by the Rental Housing Committee (RHC).

- Installed traffic calming measures on Plymouth Street, Jardin Drive, Rose Avenue, Cuesta Drive, Gretel Lane, and Easy Street.

- Adopted a Zero Waste Policy as proposed by Solid Waste Section.

- Completed the Castro Street (Miramonte Avenue to El Camino Real) Complete Streets Project.

- Installed a new traffic signal at Rengstorff and Stanford Avenues (Community Center entrance).

- Worked with Palo Alto and the Water District to complete the recycled water advanced treatment feasibility study and began developing construction and funding strategies.

- Completed extension of the recycled water supply agreement through 2060 with the City of Palo Alto.

- Completed the five-year update of the Sanitary Sewer Management Plan.

- Completed Automated Guideway Transit (AGT) Feasibility Study.

- Launched Bike Share Pilot Program.

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AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 28th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements. The GFOA award is valid for a one-year period only. We believe our current CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2017-18. In order to qualify for this Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communication device.

The preparation of the CAFR was made possible by the dedication of the entire Finance and Administrative Services Department staff, in particular Grace Zheng, Accounting Manager; and Janet Shum, Senior Accountant. Every member of the department deserves recognition and thanks for their commitment to the City and their profession. We would also like to thank the members of the City Council for their policy guidance and oversight in managing the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,

Patty J. Kong
Finance and Administrative
Services Director

Daniel H. Rich
City Manager

PJK-DHR/2/FIN
546-11-08-18L

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Exhibit 2

City of Mountain View
California

City Officials

City Council

Ken S. Rosenberg, Mayor

Leonard M. Siegel, Vice Mayor

Margaret Abe-Koga
Christopher R. Clark
Lisa Matichak
John McAllister
Patricia Showalter

City Staff

Daniel H. Rich, City Manager
Jannie L. Quinn, City Attorney
Lorrie Brewer, City Clerk
Audrey Seymour Ramberg, Assistant City Manager
Roger Jensen, CIO/Information Technology Director
Patty J. Kong, Finance and Administrative Services Director
Randal Tsuda, Community Development Director
Michael A. Fuller, Public Works Director
J.P. de la Montaigne, Community Services Director
Rosanne M. Macek, Library Services Director
Juan Diaz, Fire Chief
Max Bosel, Police Chief

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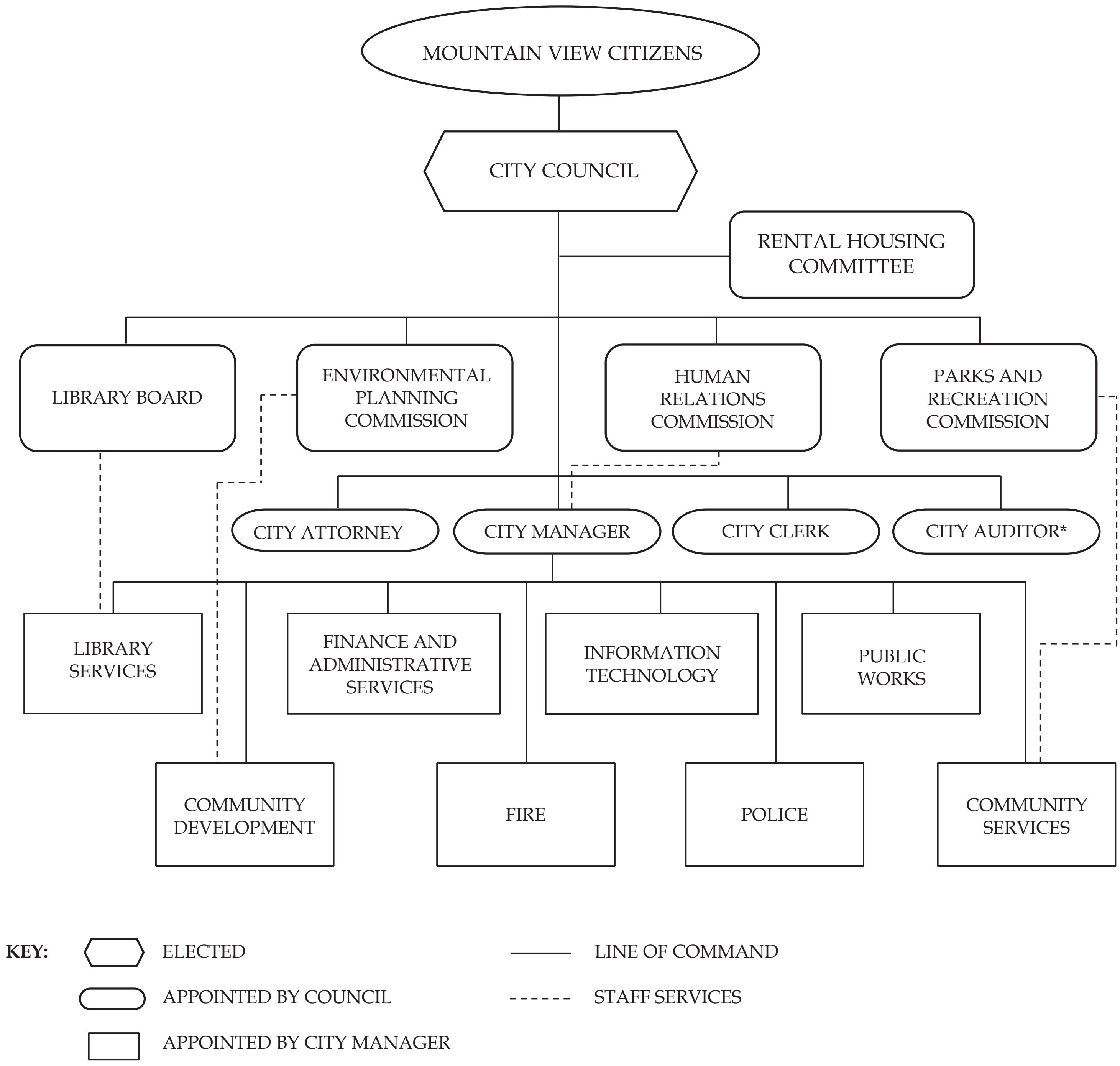
CITY GOVERNMENT ORGANIZATION



FISCAL YEAR 2017-18 POSITION TOTALS:	599.75	Full-Time and Regular Part-Time
	19.00	Limited-Period
	62.54	Hourly Positions

* Finance and Administrative Services Director serves as City Auditor.

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mountain View

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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Certified Public Accountants

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mountain View, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mountain View, California (City), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Shoreline Regional Park Community Fund, and the Housing Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles
As discussed in Note 1(J) to the basic financial statements, effective July 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board (GASB) statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedule of employer pension contributions, the schedules of changes in net OPEB liability and related ratios, and the schedule of employer OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules listed as other supplementary information, statistical section, and component unit financial statements section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them. The component unit financial statements section includes the separately audited Mountain View Shoreline Regional Park Community basic financial statements.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 14, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 14, 2018

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CITY OF MOUNTAIN VIEW, CALIFORNIA
Management's Discussion and Analysis (MD&A)
for the Fiscal Year Ended June 30, 2018

This section of the City of Mountain View's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

The following are some of the key financial highlights for the fiscal year:

- The assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2018 by $949.0 million (net position). Of this amount, $35.3 million (unrestricted net position) may be used to meet the City's ongoing obligations. This is not, however, the same as an operating budget surplus.

- The City's total net position increased by $99.5 million compared to the $103.8 million increase in Fiscal Year 2016-17. This is attributable to increases for charges for services in both Governmental Activities and Business-Type Activities. The Governmental increase is due to continued one-time significant increases for developer contribution fees and charges for services related to a high level of development activity. Property taxes have also increased as property values remain strong with increases in the median price of homes, changes in ownership, and new development added to the tax roll.

- Total revenues for governmental funds are $277.6 million, an increase of $19.0 million and 7.3 percent over the prior fiscal year. Revenues continued to increase for the reasons mentioned above as the economy remained strong.

- Expenditures for governmental funds totaled $210.0 million, a $41.8 million and 24.9 percent increase from the prior fiscal year, primarily related to inflationary increases, $16.2 million increase in capital outlay, and additional pension contributions of $12.4 million to the California Public Employees Retirement System (CalPERS) to pay down unfunded liabilities.

- Overall, governmental fund revenues exceeded expenditures by $67.6 million. The growth in revenues exceeds the growth in expenditures and is discussed in more detail below.

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- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of $520.1 million. Approximately 10.7 percent of this amount, $55.9 million, is unassigned fund balance and is available to meet the City's current and future needs. It is designated for future one-time expenditures, one-time payments towards unfunded liabilities, and emergency funds.

- At the end of the fiscal year, the unassigned fund balance for the General Fund is $55.9 million, or 38.9 percent of total General Fund expenditures for the fiscal year ended June 30, 2018. The General Fund unassigned fund balance has decreased over the prior fiscal year.

- The City's total long-term debt decreased by $2.8 million compared with the prior fiscal year due to the retirement of debt during the normal course of business.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. In addition, reclassifications may have been made to some prior fiscal year balances to conform to the current fiscal year presentation formats.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of

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their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, and culture and recreation. The business-type activities of the City include water, wastewater, and solid waste operations.

The government-wide financial statements include not only the City itself (known as the primary government) but also two legally separate entities for which the City is financially accountable: (1) Mountain View Shoreline Regional Park Community (Shoreline Community or SRPC); and (2) City of Mountain View Capital Improvements Financing Authority (Financing Authority). Although legally separate from the City, these component units are blended with the primary government because they have the same governing board as the City and because of their financial relationship with the City. In addition, separate financial information for the Shoreline Community component unit is included within the City's CAFR.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects funds). Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General

Fund, Shoreline Regional Park Community, Housing Fund, General Capital Projects Fund, and Park Land Dedication Capital Projects Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its major funds except the General Capital Projects Fund, which is budgeted on a project basis. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with budgets.

Proprietary funds are generally used to account for services for which the City charges customers—either external customers or internal customers or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, and solid waste operations, all of which are considered to be major funds of the City.

Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet maintenance and equipment replacement, Retirees' Health Plan, Employee Benefits Plan, and various other self-insurance liability programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of employees of the City and parties outside the City. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other

Required Supplementary Information includes schedules required to be presented showing information related to the City's pension plans and other post-employment benefits plans.

Other Supplementary Information includes the Combining Statements and Schedules of the nonmajor governmental funds, internal service funds, and agency funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City presents its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Two fiscal years of financial information and a comparative analysis of government-wide data are included in this MD&A.

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Analysis of Net Position

A condensed summary of the City's net position for governmental and business-type activities is as follows:

Condensed Statement of Net Position
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	$ 596,275	567,214	102,190	89,549	698,465	656,763
Capital assets	482,108	480,892	87,893	72,010	570,001	552,902
Total assets	1,078,383	1,048,106	190,083	161,559	1,268,466	1,209,665
Deferred outflows of resources:						
Pension items	59,754	44,339	5,927	4,541	65,681	48,880
OPEB Items	23,731	-	1,796	-	25,527	-
Total deferred outflows of resources	83,485	44,339	7,723	4,541	91,208	48,880
Liabilities:						
Current and other liabilities	30,279	19,954	6,690	3,607	36,969	23,561
Noncurrent liabilities	330,779	280,435	32,784	29,752	363,563	310,187
Total liabilities	361,058	300,389	39,474	33,359	400,532	333,748
Deferred inflows of resources:						
Pension items	2,553	4,878	271	346	2,824	5,224
OPEB items	7,348	-	-	-	7,348	-
Total deferred inflows of resources	9,901	4,878	271	346	10,172	5,224
Net position:						
Net investment in capital assets	450,851	446,280	79,783	80,809	530,634	527,089
Restricted	382,993	319,980	-	-	382,993	319,980
Unrestricted	(42,935)	20,918	78,278	51,586	35,343	72,504
Total net position	$ 790,909	787,178	158,061	132,395	948,970	919,573

The largest portion of the City's net position of $530.6 million, or 55.9 percent, reflects its investment in capital assets (e.g., land, buildings, other improvements, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and, therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities. An additional portion of the City's net position of $383.0 million, or 40.4 percent, represents resources that are subject to external restrictions on how they may be used. The last portion of the City's net position, $35.3 million or 3.7 percent, represents unrestricted net position, which may be used to meet the City's ongoing obligations.

For governmental activities, the City reported a negative balance of $42.9 million of unrestricted net position, and for business-type activities, the City reported a positive

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balance of $78.3 million of unrestricted net position. The unrestricted net position is Citywide and may not represent resources available or not available for budgetary purposes. The negative unrestricted net position for the governmental activities is due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75), in Fiscal Year 2018, which resulted in a beginning net position reduction of $70.1 million.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the governmental and the business-type activities, with the exception of unrestricted net position due to the implementation of GASB No. 75.

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Analysis of Statement of Activities

The changes in net position for governmental and business-type activities are as follows:

Condensed Statement of Activities

(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	$ 70,094	57,680	77,810	70,718	147,904	128,398
Operating grants and contributions	3,265	3,902	-	-	3,265	3,902
Capital grants and contributions	68,479	68,541	12,761	2,443	81,240	70,984
General Revenues:						
Property taxes	92,478	86,373	-	-	92,478	86,373
Sales taxes	20,713	21,829	-	-	20,713	21,829
Transient occupancy tax	7,057	7,043	-	-	7,057	7,043
Utility users tax	8,136	8,573	-	-	8,136	8,573
Nonregulatory franchise and business	5,364	4,997	-	-	5,364	4,997
Intergovernmental revenue	228	219	-	-	228	219
Investment income	1,459	1,314	137	95	1,596	1,409
Gain on sale of capital assets	-	2,859	-	-	-	2,859
Total revenues	277,273	263,330	90,708	73,256	367,981	336,586
Expenses:						
General government	44,602	38,460	-	-	44,602	38,460
Public safety	66,688	57,759	-	-	66,688	57,759
Public works	36,057	29,541	-	-	36,057	29,541
Community development	18,206	13,564	-	-	18,206	13,564
Culture and recreation	35,698	31,275	-	-	35,698	31,275
Interest on long-term debt	1,633	1,732	-	-	1,633	1,732
Water	-	-	35,101	30,459	35,101	30,459
Wastewater	-	-	17,294	18,250	17,294	18,250
Solid Waste	-	-	13,235	11,762	13,235	11,762
Total expenses	202,884	172,331	65,630	60,471	268,514	232,802
Change in net position before transfers	74,389	90,999	25,078	12,785	99,467	103,784
Transfers, net	(588)	1,189	588	(1,189)	-	-
Change in net position	73,801	92,188	25,666	11,596	99,467	103,784
Beginning net position	787,178	694,990	132,395	120,799	919,573	815,789
Change in accounting principles	(70,070)	-	-	-	(70,070)	-
Beginning net position, as restated	717,108	694,990	132,395	120,799	849,503	815,789
Ending net position	$ 790,909	787,178	158,061	132,395	948,970	919,573

The City's overall net position increased by $99.5 million during the current fiscal year. This is attributable to significant increases from developer contribution fees and charges for services related to a high level of development activity. Property taxes have also increased as property values remain strong with increases in the median price of homes, changes in ownership, and new development added to the tax roll. This is also attributable to charges for services in excess of expenses for the business-type activities, as discussed in more detail below. The beginning net position is also restated with a decrease of $70.1 million for the implementation of GASB No. 75 for other postemployment benefits (OPEB).

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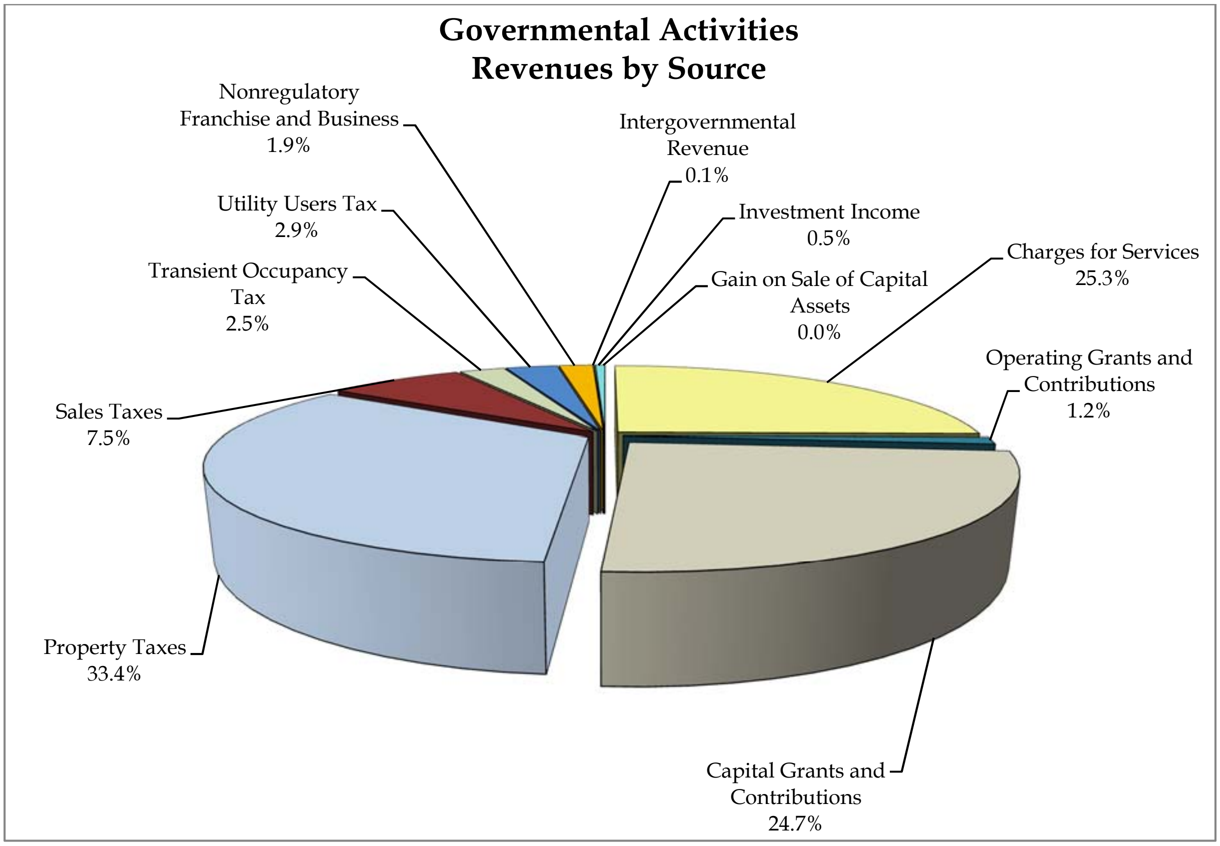

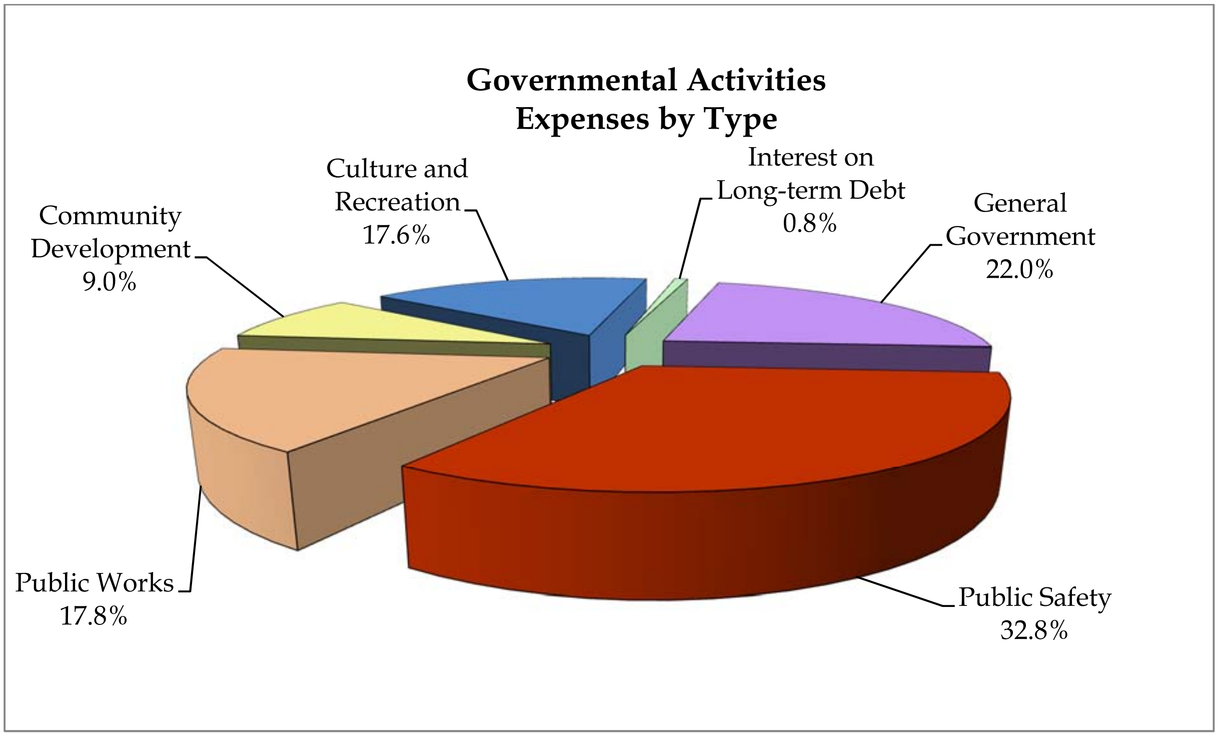

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Governmental activities increased the City's net position by $73.8 million. Key factors are as follows:

- Total revenues increased to $277.3 million, $13.9 million higher than the prior fiscal year. Some revenue sources have increased due to the continued strength of the economy. Charges for Services increased $12.4 million due to services provided related to development activity. Property taxes increased $6.1 million over the prior fiscal year as the real estate market remains strong with continued increases in the median price of homes, new development added to the tax roll, and fewer appeals of assessed values were filed. Sales Taxes are lower than the prior fiscal year by $1.1 million due to the California Department of Tax and Fee Administration delay in the processing of sales tax returns. Gain on Sale of Capital Assets decreased by $2.9 million due to a one-time sale of assets in the prior fiscal year.

- Overall expenses increased $30.6 million or 17.7 percent from the prior fiscal year, primarily due to additional contributions to pension plans and OPEB plans and other inflationary cost increases.

Based on the above, the governmental change in net position is a net increase of $73.8 million compared to the $92.2 million increase in the prior fiscal year.

Business-type activities increased the City's net position by $25.7 million. Key factors for this increase are as follows:

- Water net position increased by $12.5 million, primarily due to the $7.0 million of developer fees the City received, a one-time water purchase right the City sold to the City of East Palo Alto for $5.0 million, and an increase in water usage and charges for services revenues resulting from rate adjustments adopted to fund the increases in water costs.

- Wastewater net position increased by $11.5 million as revenues received from capacity and development impact fees are set aside to fund capital projects.

- Solid waste net position increased by $1.7 million as revenues exceeded projections due to higher development demand for services and expenses were lower than budgeted due to operational savings.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds—The focus of the City's governmental funds is to account for the near-term inflows, outflows, and balances of resources that are available for spending. This information is useful in assessing the City's financing requirements. In particular,

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unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the fiscal year ended June 30, 2018, the City's governmental funds reported combined ending fund balances of $520.1 million, an increase of $66.1 million in comparison to the prior fiscal year. The significant components for the increase are increases of $8.7 million in the General Fund, $30.7 million in the Housing Fund, $56.4 million in the General Capital Projects Fund, $1.7 million in the Park Land Dedication Capital Projects Fund, net of a decrease of $25.2 million in the Shoreline Regional Park Community Fund and $6.3 million decrease in the Other Governmental Funds.

The increases in the General Fund, the Housing Fund, the General Capital Projects Fund, and the Park Land Dedication Capital Projects Fund are primarily related to increases in taxes (as mentioned above), higher transfers into the General Capital Projects Fund, and increases in the Housing Fund and the Park Land Dedication Capital Projects Fund primarily due to development-related fees generated from the current high level of development activity. The decreases in the Shoreline Regional Park Community Fund and Other Governmental Funds are primarily related to transfers out for capital projects.

Approximately $55.9 million of total fund balance constitutes unassigned fund balance and is available for spending at the City's discretion. The remainder of fund balance is nonspendable ($467,000), restricted ($382.6 million), committed ($79.0 million), and assigned ($2.2 million), none of which is available for new discretionary spending. The restricted fund balance increased to $382.6 million or $63.9 million over the prior fiscal year as a result of the fund balances increasing in restricted funds due to factors as mentioned above.

For the fiscal year ended June 30, 2018, revenues for governmental funds overall totaled $277.6 million, which represents an increase of $19.0 million from the prior fiscal year—again, primarily related to higher taxes and development-related fees received related to the continued strong economy. Expenditures for governmental funds total $210.0 million, an increase of $41.8 million from the prior fiscal year. This is due to general increases in all funds, the additional $11.3 million one-time contribution towards the City's pension liability to CalPERS and an increase of $16.2 million in capital outlay. Major capital outlay projects were related to the Rengstorff Park Community Center Construction, Library Space Modification Construction, Street Resurfacing, and Modifications to Castro Street projects. For the fiscal year ended June 30, 2018, revenues for governmental funds exceeded expenditures by $67.6 million.

<u>The General Fund</u> is used to account for all revenues and expenditures necessary to carry out basic government activity of the City that is not accounted for through other funds. As of the fiscal year ended June 30, 2018, the unassigned fund balance is $55.9 million, $1.1 million less than the prior fiscal year, while total fund balance is $127.4 million.

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As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance of $55.9 million represents 43.9 percent of total fund balance, 38.9 percent of fund expenditures of $143.9 million, while total fund balance represents 88.6 percent of that same amount. All are comparable to the prior fiscal year.

The fund balance of the City's General Fund increased by $8.7 million during the current fiscal year. Total General Fund revenues increased to $155.4 million, up $13.6 million from $141.8 million in the prior fiscal year, as revenues, primarily tax and fee revenues, are growing with the continued strong local economy as previously discussed.

The Shoreline Regional Park Community Fund receives property tax increment revenues on property within the Shoreline Community. The fund accounts for the revenues and expenditures of the Shoreline Community.

Revenues are $59.8 million for the fiscal year ended June 30, 2018, an increase of $12.4 million. Revenues are higher primarily related to the receipt of developer fees and contributions related to new development activity.

Expenditures are $24.1 million for the fiscal year ended June 30, 2018, compared to $20.6 million in the prior fiscal year. Of this amount, $18.3 million was expended on general government and $4.0 million on culture and recreation.

In addition, there is $61.8 million of transfers out, $4.9 million was transferred to various Debt Service Funds for payments of principal and interest on outstanding debt and $56.7 million was transferred for capital improvement projects for property right-of-way acquisition and transportation improvements. The fund balance as of June 30, 2018 of $37.1 million may be used only for expenditures of the Shoreline Community.

The Housing Fund accounts for fees paid by developers to provide for increasing and improving the supply of extremely low-, very low-, low-, and moderate-income housing (affordable housing).

Revenues are $31.6 million for the fiscal year ended June 30, 2018, a $22.2 million increase from prior fiscal year, due to a high level of development activity as a result of the continued strong economy. The fund balance as of June 30, 2018 of $91.9 million may be used for increasing the supply of affordable housing.

The General Capital Projects Fund accounts for all general capital improvements not funded from proprietary funds.

Revenues are $3.4 million for the fiscal year ended June 30, 2018, an increase of $1.0 million from the prior fiscal year, primarily due to Intergovernmental Revenues received.

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Expenditures are $31.5 million for the fiscal year ended June 30, 2018, $15.4 million more than the prior fiscal year. All of the $31.5 million was expended on capital outlay. Major projects were related to the Rengstorff Park Community Center Construction, Library Space Modification Construction, Street Resurfacing, and the Modifications to Castro Street projects. The fund balance of $134.8 million as of June 30, 2018 may be used for capital projects.

The Park Land Dedication Capital Projects Fund accounts for revenues derived from fees on residential subdivisions used for park and recreation projects.

Revenues are $8.6 million for the fiscal year ended June 30, 2018, a decrease of $18.0 million from the prior fiscal year, due to one-time development fees collected in the prior fiscal year. The fund balance of $51.4 million as of June 30, 2018 may be used for park and recreation projects.

Proprietary Funds—The City's proprietary funds statements provide the same type of information found in the government-wide financial statements but in more detail.

At the end of the fiscal year, the unrestricted net positions for the Water, Wastewater, and Solid Waste Funds are $38.9 million, $31.0 million, and $8.3 million, respectively. The total increase in net position for the enterprise funds is $25.7 million. The internal service funds, which are used to account for certain governmental activities, have an unrestricted net position of $35.8 million. Factors concerning the finances of the enterprise funds have been addressed previously in the discussion of the City's business-type activities.

Fiduciary Funds—The City maintains fiduciary funds for the assets held in trust for the benefit of agencies outside of the City or employees. As of June 30, 2018, the assets of the Agency funds totaled $31.3 million, comparable to the assets as of June 30, 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund differences between the original Fiscal Year 2017-18 budget and the final amended budget resulted in an increase of $2.7 million in budgeted revenues (primarily related to Other Revenues) as a result of increased developer fees and a $13.3 million increase in expenditure appropriations. Approximately $6.5 million of the adjustment in expenditure appropriations is related to prior year encumbrances that carry forward at the beginning of the fiscal year as specified in the City's Charter. An additional $4.0 million of appropriations was established for the payment for building inspection, fire plan checking, and land development engineering contract services related to development activity, which are cost-recovered by fees from the developers. In addition, $1.3 million of appropriations was established for the payment of compensated absences. The balance of adjustments was made midyear for various operational needs not anticipated during budget adoption and grants or reimbursements received during the fiscal year.

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General Fund revenues are $11.7 million or 8.2 percent higher than the final amended budget for the fiscal year. This is a result of revenues increasing due to the continued strong development activity and economy related to property taxes and licenses, permits, and fees. Expenditures for the General Fund are $20.0 million lower than the final amended budget for the fiscal year. All departments' expenditures are lower than budget due to salary and benefit savings incurred from vacant positions and underspending in various services and supplies accounts. The effect of the revenues higher than budget and the underutilization of appropriations contributed to the positive net change in fund balances compared to budget of $34.3 million for the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2018 amount to $570.0 million (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure. The total net decrease in the City's capital assets as of June 30, 2018 is $440,000 or 0.1 percent.

The change in capital assets, net of depreciation, for the governmental and business-type activities are as follows:

Capital Assets
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 104,046	104,046	220	220	104,266	104,266
Construction in progress	64,774	46,525	15,551	14,873	80,325	61,398
Buildings	164,543	164,543	8,748	8,748	173,291	173,291
Improvements other than building	188,350	186,466	139,655	136,991	328,005	323,457
Machinery and equipment	38,503	36,542	7,158	5,839	45,661	42,381
Traffic signals	12,484	12,484	-	-	12,484	12,484
Streetlights	8,853	8,853	-	-	8,853	8,853
Bridges and culverts	18,440	18,305	-	-	18,440	18,305
Sidewalks, curbs and gutters	113,177	112,992	-	-	113,177	112,992
Streets and roads	267,609	264,403	-	-	267,609	264,403
Less accumulated depreciation	(498,671)	(474,267)	(83,439)	(77,122)	(582,110)	(551,389)
	$ 482,108	480,892	87,893	89,549	570,001	570,441

Major capital asset events during the current fiscal year included the following:

- Total capital assets decreased a net of $440,000 due to an increase in assets of $30.3 million, offset by a $30.7 million increase in accumulated depreciation.

- Total construction in progress increased by $18.9 million. Some of the major projects were the Rengstorff Park Community Center Construction, Library Space

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Modification Construction, Street Resurfacing, and Modifications to Castro Street projects.

- The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34, and all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Additional information about the City's capital assets is discussed in Note 6 to the financial statements.

Debt Administration

As of June 30, 2018, the City had $90.7 million of outstanding long-term obligations related to governmental activities and $9.4 million related to business-type activities, for a total of $100.1 million. Debt outstanding as of June 30, 2018 with a comparison to prior year and the net change follows:

Debt Outstanding
(Dollars in Thousands)

	2018	2017	Net Change
Tax allocation bonds	$ 29,555	31,290	(1,735)
Bank loan	1,607	3,187	(1,580)
Special assessment debt	95	135	(40)
Compensated absences	9,597	9,244	353
Landfill containment	39,758	39,055	703
Claims liabilities	10,109	10,109	-
Total governmental activities debt	90,721	93,020	(2,299)
Business-type activities	9,391	9,938	(547)
Total	$ 100,112	102,958	(2,846)

The decreases to long-term debt were due to retirement of principal during the normal course of business. The City Charter limits bonded indebtedness for General Obligation bonds to 15.0 percent of the total assessed valuation of all real and personal property within the City. The City has no general obligation debt outstanding as of June 30, 2018. Standard & Poor's reconfirmed the City's underlying "AAA" credit rating in July 2014.

Additional information regarding the City's long-term obligations is discussed in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The City's revenues performed better than projected as the economy remained very strong during the fiscal year. Development activity continued at a very high level and resulted in increased revenues. Revenues are projected to continue to be higher for next fiscal year as the economy remains strong.

- Overall, property taxes for the City are expected to increase in the upcoming fiscal year based on increases in property taxes from new development, changes in ownership, and the 2.0 percent increase in assessed values due to the positive California Consumer Price Index.

- Sales tax revenue is expected to be slightly lower than the current fiscal year.

- Other taxes comprised of Transient Occupancy Tax (TOT) and Utility Users Tax (UUT) is anticipated to continue to remain stable for Fiscal Year 2018-19.

- Use of Money and Property is projected to increase as the yield earned on investments rises and increases in revenues from City leased property.

- Average increases in water, wastewater, and solid waste rates of 1.0 percent, 8.0 percent, and 5.0 percent for carts, respectively, have been adopted for Fiscal Year 2018-19 to ensure to recover the costs of providing those services.

All of these factors were considered in preparing the City's budget for Fiscal Year 2018-19.

REQUESTS FOR INFORMATION

These financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Finance and Administrative Services Department, 500 Castro Street, P.O. Box 7540, Mountain View, California, 94039-7540, or *finance@mountainview.gov*.

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CITY OF MOUNTAIN VIEW
Statement of Net Position
June 30, 2018
(Dollars in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	$ 538,222	60,482	598,704
Restricted cash and investments	3,863	-	3,863
Receivables, net of allowance:			
Accounts	1,603	13,014	14,617
Taxes	6,191	-	6,191
Special assessments	49	-	49
Interest	2,436	388	2,824
Loans	71,510	-	71,510
Internal balances	(28,306)	28,306	-
Inventory	454	-	454
Deposits and prepaid items	253	-	253
Capital assets:			
Nondepreciable	168,820	15,771	184,591
Depreciable, net of accumulated depreciation	313,288	72,122	385,410
Total assets	1,078,383	190,083	1,268,466
Deferred outflows of resources:			
Pension items	59,754	5,927	65,681
OPEB items	23,731	1,796	25,527
Total deferred outflows of resources	83,485	7,723	91,208
Liabilities:			
Accounts payable and accrued liabilities	12,245	6,361	18,606
Interest payable	675	-	675
Refundable deposits	11,635	329	11,964
Unearned revenue	5,724	-	5,724
Long-term liabilities:			
Due within one year	8,449	884	9,333
Due in more than one year	82,272	8,507	90,779
Net pension liability	208,625	21,597	230,222
Net OPEB liability	31,433	1,796	33,229
Total liabilities	361,058	39,474	400,532
Deferred inflows of resources:			
Pension items	2,553	271	2,824
OPEB items	7,348	-	7,348
Total deferred inflows of resources	9,901	271	10,172
Net position:			
Net investment in capital assets	450,851	79,783	530,634
Restricted for:			
Capital projects	187,068	-	187,068
Debt service	2,988	-	2,988
Low and moderate income housing	105,836	-	105,836
Shoreline Regional Park Community	37,117	-	37,117
Grants and regulations	49,984	-	49,984
Unrestricted	(42,935)	78,278	35,343
Total net position	$ 790,909	158,061	948,970

See accompanying notes to the financial statements.

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CITY OF MOUNTAIN VIEW
Statement of Activities
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities:				
Primary government:				
Governmental activities:				
General government	$ 44,602	39,415	461	-
Public safety	66,688	1,333	326	-
Public works	36,057	3,546	2,112	10,433
Community development	18,206	20,485	90	49,462
Culture and recreation	35,698	5,315	276	8,584
Interest on long-term debt	1,633	-	-	-
Total governmental activities	202,884	70,094	3,265	68,479
Business-type activities:				
Water	35,101	40,571	-	7,027
Wastewater	17,294	22,369	-	5,734
Solid Waste	13,235	14,870	-	-
Total business-type activities	65,630	77,810	-	12,761
Total primary government	$ 268,514	147,904	3,265	81,240

General revenues:
Property taxes
Sales taxes
Transient occupancy tax
Utility users tax
Nonregulatory franchise and business, unrestricted
Intergovernmental - Not restricted to specific programs
Investment income
Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, as reported

Change in accounting principles

Net position, beginning of year, as restated

Net position, end of year

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Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	**Business-type Activities**	**Total**
(4,726)	-	(4,726)
(65,029)	-	(65,029)
(19,966)	-	(19,966)
51,831	-	51,831
(21,523)	-	(21,523)
(1,633)	-	(1,633)
(61,046)	-	(61,046)
-	12,497	12,497
-	10,809	10,809
-	1,635	1,635
-	24,941	24,941
(61,046)	24,941	(36,105)
92,478	-	92,478
20,713	-	20,713
7,057	-	7,057
8,136	-	8,136
5,364	-	5,364
228	-	228
1,459	137	1,596
(588)	588	-
134,847	725	135,572
73,801	25,666	99,467
787,178	132,395	919,573
(70,070)	-	(70,070)
717,108	132,395	849,503
790,909	158,061	948,970

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CITY OF MOUNTAIN VIEW
Governmental Funds
Balance Sheet
June 30, 2018
(Dollars in Thousands)

	General	Shoreline Regional Park Community	Housing
Assets:			
Cash and investments	$ 137,914	40,551	53,031
Restricted cash and investments	-	-	-
Receivables, net of allowance:			
Accounts	1,024	34	-
Taxes	6,191	-	-
Special assessments	-	-	-
Interest	788	502	234
Loans	-	-	41,044
Inventory	394	-	-
Deposits and prepaid items	13	-	-
Total assets	$ 146,324	41,087	94,309
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable and accrued liabilities	$ 4,475	3,850	72
Refundable deposits	9,112	26	2,373
Unearned revenue	5,312	94	-
Advances from other funds	-	-	-
Total liabilities	18,899	3,970	2,445
Deferred inflows of resources:			
Unavailable revenues	-	-	-
Fund balances:			
Nonspendable	407	-	-
Restricted	420	37,117	91,864
Committed	68,483	-	-
Assigned	2,202	-	-
Unassigned	55,913	-	-
Total fund balances	127,425	37,117	91,864
Total liabilities, deferred inflows of resources and fund balances	$ 146,324	41,087	94,309

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General Capital Projects	Park Land Dedication Capital Projects	Other Governmental Funds	Total Governmental Funds
166,288	51,001	44,202	492,987
-	-	2,888	2,888
384	-	161	1,603
-	-	-	6,191
-	-	49	49
-	377	310	2,211
-	-	30,466	71,510
-	-	60	454
-	-	-	13
166,672	51,378	78,136	577,906
3,138	-	155	11,690
-	-	124	11,635
-	-	318	5,724
28,306	-	-	28,306
31,444	-	597	57,355
384	-	52	436
-	-	60	467
134,844	51,378	66,929	382,552
-	-	10,553	79,036
-	-	-	2,202
-	-	(55)	55,858
134,844	51,378	77,487	520,115
166,672	51,378	78,136	577,906

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CITY OF MOUNTAIN VIEW
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-wide Statement of Net Position - Governmental Activities
June 30, 2018
(Dollars in Thousands)

Fund balances - total governmental funds		$ 520,115
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		482,093
Internal service funds are used to charge the costs of management of equipment maintenance and replacement, insurance, retirees' health plan and employee benefits plan and related billings to other City departments and individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		35,843
Long-term receivables are not available to pay for current period expenditures and, therefore, are considered unavailable on the modified accrual basis of accounting.		436
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.		(675)
Deferred outflows and inflows of resources for pension and OPEB items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources		83,485
Deferred inflows of resources		(9,901)
Long-term assets and liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Net pension liability	$ (208,625)	
Net OPEB liability	(31,433)	
Bonds and loans payable	(31,257)	
Landfill containment	(39,758)	
Compensated absences	(9,414)	(320,487)
Net position of governmental activities		$ 790,909

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CITY OF MOUNTAIN VIEW
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	General	Shoreline Regional Park Community	Housing
Revenues:			
Property taxes	$ 49,419	42,100	-
Sales taxes	20,713	-	-
Other taxes	15,444	-	-
Licenses, permits and fees	16,553	-	-
Fines and forfeitures	912	-	-
Use of money and property	18,872	479	220
Intergovernmental	817	14	-
Charges for services	25,060	74	-
Developer fees and contributions	2,414	17,102	31,414
Other	5,197	60	-
Total revenues	155,401	59,829	31,634
Expenditures:			
Current:			
General government	24,873	18,291	-
Public safety	64,951	150	-
Public works	15,014	1,215	-
Community development	14,592	454	999
Culture and recreation	23,282	3,960	-
Capital outlay	1,139	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	143,851	24,070	999
Excess (deficiency) of revenues over (under) expenditures	11,550	35,759	30,635
Other financing sources (uses):			
Proceeds from the sale of capital assets	1,821	-	-
Transfers in	2,509	806	51
Transfers out	(7,134)	(61,778)	(3)
Total other financing sources (uses)	(2,804)	(60,972)	48
Net change in fund balances	8,746	(25,213)	30,683
Fund balances, beginning of year	118,679	62,330	61,181
Fund balances, end of year	$ 127,425	37,117	91,864

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General Capital Projects	Park Land Dedication Capital Projects	Other Governmental Funds	Total Governmental Funds
-	-	959	92,478
-	-	-	20,713
-	-	7,569	23,013
-	-	649	17,202
-	-	-	912
240	(16)	433	20,228
1,988	-	2,887	5,706
-	-	4,943	30,077
-	8,584	725	60,239
1,210	-	590	7,057
3,438	8,568	18,755	277,625
-	-	268	43,432
-	-	175	65,276
-	-	-	16,229
-	-	2,054	18,099
-	-	2,015	29,257
31,499	30	20	32,688
-	-	3,355	3,355
-	-	1,673	1,673
31,499	30	9,560	210,009
(28,061)	8,538	9,195	67,616
-	-	-	1,821
87,132	543	5,558	96,599
(2,672)	(7,370)	(21,015)	(99,972)
84,460	(6,827)	(15,457)	(1,552)
56,399	1,711	(6,262)	66,064
78,445	49,667	83,749	454,051
134,844	51,378	77,487	520,115

See accompanying notes to the financial statements.

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CITY OF MOUNTAIN VIEW
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

Net change in fund balances - total governmental funds		$ 66,064
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets additions	$ 31,805	
Donated assets received	223	
Capital assets retirements	(3,263)	
Depreciation	(26,972)	1,793
Revenues recognized in the governmental funds that were earned and recognized in previous years are reported as beginning net position in the statement of activities. Revenues earned in the current year that did not meet the revenue recognition criteria for governmental funds are reported as revenues in the statement of activities.		(789)
Pension and OPEB contributions made subsequent to the measurement date are expenditures in the governmental funds, but reported as deferred outflows of resources in the government-wide financial statements.		41,150
Pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(37,941)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		3,355
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable	40	
Change in landfill containment	(703)	
Change in compensated absences	(337)	(1,000)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		1,169
Change in net position of governmental activities		$ 73,801

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CITY OF MOUNTAIN VIEW
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 45,286	45,286	49,419	4,133
Sales taxes	21,194	21,194	20,713	(481)
Other taxes	15,589	15,589	15,444	(145)
Licenses, permits and fees	10,689	10,689	16,553	5,864
Fines and forfeitures	771	771	912	141
Use of money and property	21,422	21,422	18,872	(2,550)
Intergovernmental	573	624	817	193
Charges for services	22,981	23,698	25,060	1,362
Developer fees and contributions	800	800	2,414	1,614
Other	1,623	3,583	5,197	1,614
Total revenues	140,928	143,656	155,401	11,745
Expenditures:				
Current:				
General government:				
City council	479	498	362	136
City clerk	686	692	596	96
City attorney	2,167	2,231	1,836	395
City manager	5,029	6,861	5,941	920
Information technology	4,667	4,695	4,063	632
Finance and administrative services	13,223	13,562	12,075	1,487
Public safety:				
Fire	26,829	28,427	26,958	1,469
Police	39,247	40,151	37,993	2,158
Public works	16,454	18,251	15,014	3,237
Community development	14,939	20,697	14,592	6,105
Culture and recreation:				
Community services	18,474	18,850	16,828	2,022
Library services	6,858	7,212	6,454	758
Capital outlay	1,429	1,670	1,139	531
Total expenditures	150,481	163,797	143,851	19,946
Excess (deficiency) of revenues over (under) expenditures	(9,553)	(20,141)	11,550	31,691
Other financing sources (uses):				
Proceeds from the sale of capital assets	-	-	1,821	1,821
Transfers in	1,768	1,768	2,509	741
Transfers out	(7,213)	(7,134)	(7,134)	-
Total other financing sources (uses)	(5,445)	(5,366)	(2,804)	2,562
Net change in fund balance	$ (14,998)	(25,507)	8,746	34,253
Fund balance, beginning of year			118,679	
Fund balance, end of year			$ 127,425	

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CITY OF MOUNTAIN VIEW
Shoreline Regional Park Community Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 39,306	39,306	42,100	2,794
Use of money and property	1,254	1,254	479	(775)
Intergovernmental	-	-	14	14
Charges for services	18	18	74	56
Developer fees and contributions	-	-	17,102	17,102
Other	45	45	60	15
Total revenues	40,623	40,623	59,829	19,206
Expenditures:				
Current:				
General government:				
Finance and administrative services	18,004	18,311	18,291	20
Public safety:				
Fire	135	136	112	24
Police	40	40	38	2
Public works	1,347	1,440	1,215	225
Community development	645	713	454	259
Culture and recreation:				
Community services	4,319	4,366	3,960	406
Total expenditures	24,490	25,006	24,070	936
Excess of revenues over expenditures	16,133	15,617	35,759	20,142
Other financing sources (uses):				
Transfers in	-	-	806	806
Transfers out	(33,291)	(61,855)	(61,778)	77
Total other financing sources (uses)	(33,291)	(61,855)	(60,972)	883
Net change in fund balance	$ (17,158)	(46,238)	(25,213)	21,025
Fund balance, beginning of year			62,330	
Fund balance, end of year			$ 37,117	

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CITY OF MOUNTAIN VIEW
Housing Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Use of money and property	$ 332	332	220	(112)
Developer fees and contributions	-	-	31,414	31,414
Total revenues	332	332	31,634	31,302
Expenditures:				
Current:				
Community development	2,747	18,890	999	17,891
Total expenditures	2,747	18,890	999	17,891
Excess (deficiency) of revenues over (under) expenditures	(2,415)	(18,558)	30,635	49,193
Other financing uses:				
Transfers in	51	51	51	-
Transfers out	(3)	(3)	(3)	-
Total other financing uses	48	48	48	-
Net change in fund balance	$ (2,367)	(18,510)	30,683	49,193
Fund balance, beginning of year			61,181	
Fund balance, end of year			$ 91,864	

CITY OF MOUNTAIN VIEW
Proprietary Funds
Statement of Net Position
June 30, 2018
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds		
	Water	**Wastewater**	**Solid Waste**
Assets:			
Current assets:			
Cash and investments	$ 32,032	19,273	9,177
Restricted cash and investments	-	-	-
Receivables, net of allowance:			
Accounts	5,533	3,880	3,601
Interest	213	135	40
Deposits and prepaid items	-	-	-
Total current assets	37,778	23,288	12,818
Noncurrent assets:			
Advance to other funds	15,189	12,532	585
Capital assets:			
Nondepreciable	10,780	4,737	254
Depreciable, net of accumulated depreciation	49,908	19,747	2,467
Total noncurrent assets	75,877	37,016	3,306
Total assets	113,655	60,304	16,124
Deferred outflows of resources:			
Pension items	3,047	1,662	1,218
OPEB items	480	353	963
Total deferred outflows of resources	3,527	2,015	2,181
Liabilities:			
Current liabilities:			
Accounts payable	5,022	33	1,306
Refundable deposits	329	-	-
Current portion of accrued compensated absences	93	56	45
Current portion of accrued self-insurance costs	-	-	-
Current portion of revenue bonds	390	-	-
Current portion of loans payable	300	-	-
Total current liabilities	6,134	89	1,351
Noncurrent liabilities:			
Noncurrent portion of accrued compensated absences	520	314	253
Noncurrent portion of accrued self-insurance costs	-	-	-
Noncurrent portion of revenue bonds	4,970	-	-
Noncurrent portion of loans payable	2,450	-	-
Net pension liability	10,981	6,002	4,614
Net OPEB liability	480	353	963
Total liabilities	25,535	6,758	7,181
Deferred inflows of resources:			
Pension items	137	75	59
Net position:			
Net investment in capital assets	52,578	24,484	2,721
Unrestricted	38,932	31,002	8,344
Total net position	$ 91,510	55,486	11,065

See accompanying notes to the financial statements.

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Business-type Activities - Enterprise Funds Total	Governmental Activities - Internal Service Funds
60,482	45,235
-	975
13,014	-
388	225
-	240
73,884	46,675
28,306	-
15,771	-
72,122	15
116,199	15
190,083	46,690
5,927	-
1,796	-
7,723	-
6,361	555
329	-
194	28
-	3,537
390	-
300	-
7,574	4,120
1,087	155
-	6,572
4,970	-
2,450	-
21,597	-
1,796	-
39,474	10,847
271	-
79,783	15
78,278	35,828
158,061	35,843

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CITY OF MOUNTAIN VIEW
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Solid Waste
Operating revenues:			
Charges for services	$ 33,945	21,737	14,666
Other	6,626	632	204
Total operating revenues	40,571	22,369	14,870
Operating expenses:			
Salaries and related expenses	6,873	4,013	3,736
Insurance claims and premiums	-	-	-
Cost of sales and services	20,977	8,710	7,059
General and administrative	2,896	2,620	2,058
Depreciation	4,057	1,951	382
Total operating expenses	34,803	17,294	13,235
Operating income (loss)	5,768	5,075	1,635
Nonoperating revenues (expenses):			
Investment income	113	31	(7)
Interest expense	(298)	-	-
Loss on disposal of capital assets	-	-	-
Total nonoperating revenues (expenses)	(185)	31	(7)
Income (loss) before contributions and transfers	5,583	5,106	1,628
Capital contributions - developer fees	7,027	5,504	-
Capital contributions - other	-	230	-
Transfers in	294	885	269
Transfers out	(451)	(241)	(168)
Change in net position	12,453	11,484	1,729
Net position, beginning of year	79,057	44,002	9,336
Net position, end of year	$ 91,510	55,486	11,065

See accompanying notes to the financial statements.

Business-type Activities - Enterprise Funds Total	Governmental Activities - Internal Service Funds
70,348	18,512
7,462	575
77,810	19,087
14,622	13,631
-	2,341
36,746	-
7,574	4,190
6,390	3
65,332	20,165
12,478	(1,078)
137	214
(298)	-
-	(752)
(161)	(538)
12,317	(1,616)
12,531	-
230	-
1,448	3,801
(860)	(1,016)
25,666	1,169
132,395	34,674
158,061	35,843

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CITY OF MOUNTAIN VIEW
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds		
	Water	**Wastewater**	**Solid Waste**
Cash flows from operating activities:			
Cash receipts from customers	$ 32,927	20,665	13,551
Cash paid to suppliers for goods and services	(21,025)	(11,330)	(8,886)
Cash paid to employees for services	(6,671)	(3,889)	(3,657)
Claims paid	-	-	-
Other receipts	6,630	632	204
Net cash provided by (used in) operating activities	11,861	6,078	1,212
Cash flows from noncapital financing activities			
Transfers in	294	885	269
Transfers out	(451)	(241)	(168)
Advances paid to other funds	(3,618)	(1,903)	(147)
Net cash provided by (used in) noncapital financing activities	(3,775)	(1,259)	(46)
Cash flows from capital and related financing activities:			
Principal payment on capital debt	(380)	-	-
Principal payment on loan	(300)	-	-
Interest paid on capital debt	(248)	-	-
Acquisition of capital assets	(1,995)	(2,039)	(470)
Contributions from developers	7,027	5,504	-
Net cash provided by (used in) capital and related financing activities	4,104	3,465	(470)
Cash flows from investing activities:			
Interest received	20	(26)	(18)
Net cash provided by (used in) investing activities	20	(26)	(18)
Net increase (decrease) in cash and cash equivalents	12,210	8,258	678
Cash and cash equivalents, beginning of year	19,822	11,015	8,499
Cash and cash equivalents, end of year	$ 32,032	19,273	9,177
Reconciliation of cash and cash equivalents:			
Cash and investments	$ 32,032	19,273	9,177
Restricted cash and investments	-	-	-
Total cash and cash equivalents	$ 32,032	19,273	9,177
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 5,768	5,075	1,635
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	4,057	1,951	382
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(1,018)	(1,072)	(1,115)
Decrease (increase) in deposits and prepaid items	-	-	-
Increase (decrease) in accounts payable	2,848	-	231
Increase (decrease) in refundable deposits	4	-	-
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in accrued compensated absences	40	31	12
Decrease (increase) in deferred outflows of resources - pension items	(686)	(425)	(275)
Increase (decrease) in deferred inflows of resources - pension items	(39)	(21)	(15)
Increase (decrease) in net pension liability	887	539	357
Decrease (increase) in deferred outflows of resources - OPEB items	318	140	(885)
Increase (decrease) in net OPEB liability	(318)	(140)	885
Net cash provided by (used in) operating activities	$ 11,861	6,078	1,212
Supplemental disclosure of noncash capital and related financing activities:			
Receipt of capital assets contributions	$ -	230	-

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Business-type Activities - Enterprise Funds Total	Governmental Activities - Internal Service Funds
67,143	18,912
(41,241)	(5,401)
(14,217)	(13,615)
-	(1,010)
7,466	-
19,151	(1,114)
1,448	3,801
(860)	(1,016)
(5,668)	-
(5,080)	2,785
(380)	-
(300)	-
(248)	-
(4,504)	(178)
12,531	-
7,099	(178)
(24)	169
(24)	169
21,146	1,662
39,336	44,548
60,482	46,210
60,482	45,235
-	975
60,482	46,210
12,478	(1,078)
6,390	3
(3,205)	-
-	(240)
3,079	360
4	-
-	(175)
83	16
(1,386)	-
(75)	-
1,783	-
(427)	-
427	-
19,151	(1,114)
230	-

CITY OF MOUNTAIN VIEW
Agency Funds
Statement of Fiduciary Net Position
June 30, 2018
(Dollars in Thousands)

		Total Agency Funds
Assets:		
Cash and investments	$	30,405
Restricted cash and investments		450
Accounts receivables		11
Deposits and prepaid items		397
Total assets		31,263
Liabilities:		
Accrued payroll		4,856
Collection payable		488
Deposits payable		25,919
Total liabilities		31,263

See accompanying notes to the financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mountain View (City) was incorporated in 1902 and is a charter city, having had its charter granted by the State of California in 1952. The City operates under the Council-Manager form of government and provides the following services: public safety (police, fire, and paramedic), public works, utilities (water, wastewater, and solid waste), community development, cultural and recreation services and administration and support services.

A. Reporting Entity

The accompanying basic financial statements present the financial activities of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units, which are described below, are all blended.

The Mountain View Shoreline Regional Park Community (Shoreline Community) is a separate government entity created for the purpose of developing approximately 1,550 acres of bayfront lands. The Shoreline Community's governing board is the same as the City and the City's management has operational responsibility for the Shoreline Community. Its financial activities have been blended in the accompanying financial statements in the Shoreline Regional Park Community Special Revenue Fund and the nonmajor debt service funds. Separate financial statements for the Shoreline Community are also included in the City's Comprehensive Annual Financial Report.

The City of Mountain View Capital Improvements Financing Authority (Financing Authority) is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital improvements within the City. The Financing Authority's governing board is the same as the City, the Financing Authority provides services solely to the City, and a financial benefit/burden relationship exists between the City and the Financing Authority. Its financial activities have been blended in the accompanying financial statements in the nonmajor debt service funds. Separate financial statements for the Financing Authority are not required and therefore, not issued.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities. These standards require that the financial statements described below be presented.

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the primary government (the City and its component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program, and (c) grants and contributions of capital assets or resources that are restricted for capital purposes. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary,* and *fiduciary* - are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as contributions and investment income, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets combined with deferred outflow of resources, liabilities combined with deferred inflow of resources, revenues or expenditures/expenses equal to 10.0 percent of their fund-type total and 5.0 percent of the grand total of governmental and enterprise funds. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund, and the City may select other funds it believes should be presented as major funds.

The City reports major governmental funds in the basic financial statements as follows:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Shoreline Regional Park Community Fund (Special Revenue) - This fund receives property tax revenues on properties within the Shoreline Community. The fund accounts for the revenues and expenditures of the Shoreline Community.

Housing Fund (Special Revenue) - This fund accounts for fees paid by developers to provide for increasing and improving the supply of extremely low, very low, low, and moderate income housing (affordable housing).

General Capital Projects Fund (Capital Projects) - This fund accounts for all capital improvement projects activities not funded from proprietary funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Park Land Dedication Capital Projects Fund (Capital Projects) - This fund accounts for revenues derived from fees on residential subdivisions used for park and recreation projects.

The City reports all of its enterprise funds as major funds in the accompanying financial statements:

Water Fund – This fund accounts for the revenues and expenses related to the operation, maintenance and capital outlay required to supply, distribute and meter water. The City has agreements with the San Francisco Public Utilities Commission and the Santa Clara Valley Water District for the supply of wholesale water.

Wastewater Fund – This fund accounts for the revenues and expenses related to the operation, maintenance and capital outlay required to provide wastewater services. The City has an agreement with the City of Palo Alto to purchase treatment capacity at the Palo Alto Regional Water Quality Control Plant (Treatment Plant).

Solid Waste Fund – This fund accounts for the revenues and expenses related to disposal services, recycling operations, other solid waste operations, capital outlay and certain costs related to maintenance of the closed landfill sites. Collection operations are provided by an outside private contractor. The City has an agreement with the Cities of Palo Alto and Sunnyvale for disposal transfer capacity at the Sunnyvale Materials and Recovery Transfer (SMaRT®) Station.

The City also reports the following fund types:

Internal Service funds – These funds account for equipment maintenance and replacement, workers' compensation insurance, unemployment self-insurance, liability self-insurance, retirees' health plan, and employee benefits plan, all of which are provided to other funds on a cost- reimbursement basis.

Fiduciary funds – The Agency funds account for assets held by the City as an agent for employees' payroll, Center for Performing Arts activities, union activities, flexible benefits, educational enhancement activities and refundable land lease rent activities. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate fiduciary fund financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues, except sales taxes, reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year end. A ninety days availability period is used for sales taxes in order to include the State of California (State) final distribution of sales taxes revenue for the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, landfill containment costs and compensated absences, which are recognized as expenditures to the extent they have matured and are due and payable at year end. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long- term debt issuance and capital leases acquisitions are reported as other financing sources.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Those revenues susceptible to accrual are property taxes, sales taxes, certain intergovernmental revenues, transient occupancy taxes, utility user taxes, earned grant entitlements, special assessments due within the current fiscal year and investment revenue. All other revenue items are considered to be measurable and available only when cash is received.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

As a general rule, the effect of interfund activity has been eliminated in the preparation of the government-wide financial statements. Exceptions to this general rule are charges between the government's business-type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources and taxes are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

E. Inventory

Inventories are valued at cost (first in, first out). Inventories of the General Fund consist of expendable supplies held for consumption. The cost is recorded as expenditures at the time individual inventory items are consumed. Inventories of the Shoreline Golf Links Nonmajor Special Revenue Fund consist of merchandise held for resale to consumers. The cost is recorded as expenditures at the time individual inventory items are sold.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes

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

Secured property tax becomes a lien on January 1 and is due in two installments, on November 1 and February 1. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax bills are distributed in July and are due upon receipt, and become delinquent after August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings and are secured by liens on the property owner. Property tax revenues are recognized by the City in the fiscal year they are leived, provided they become available as defined above.

G. Compensated Absences

Compensated absences, representing earned but unused vacation, sick leave pay and related costs, are reported in the Statement of Net Position. All compensated absences and related costs are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they become due and payable. The City uses the vesting method for the calculation of compensated absences.

H. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position or Balance Sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position or Balance Sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Pension and Other Postemployment Benefits (OPEB) Items

For purposes of measuring the net pension liability and net OPEB liability, deferred outflows/inflows of resources related to pension and OPEB, pension and OPEB expenses, information about the fiduciary net position of the City's Pension and OPEB plans, and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) and the California Employer's Retiree Benefit Trust Fund Program (CERBT). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. CalPERS plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

J. Effects of New GASB Pronouncements

The City adopted the provisions of the GASB Statements during the fiscal year ended June 30, 2018 as follows:

- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

  As of July 1, 2017, the City restated its net position to record a net OPEB liability, record deferred outflows of resources related to OPEB contributions made after the measurement date, and write off the net OPEB asset recorded in accordance with GASB Statement No. 45 as follows (dollars in thousands):

	Net Position, Beginning of Year				
	As Previously Reported	Net OPEB Liability Impact	Deferred Outflow of Resources Impact	Net OPEB Asset (GASB 45) Impact	As Restated
Primary Government:					
Governmental Activities	$ 787,178	(32,784)	11,055	(48,341)	717,108
Business-type Activities	132,395	(1,369)	1,369	-	132,395
Total Primary Government	919,573	(34,153)	12,424	(48,341)	849,503
Water Enterprise Fund	79,057	(798)	798	-	79,057
Wastewater Enterprise Fund	44,002	(493)	493	-	44,002
Solid Waste Enterprise Fund	$ 9,336	(78)	78	-	9,336

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. Implementation of this statement did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2018.

- In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Implementation of this statement did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2018.

- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. Implementation of this statement did not have a significant impact on the City's financial statements for the fiscal year ended June 30, 2018.

The City is currently analyzing its accounting practices to identify the potential impact on the financial statements for the GASB statements as follows:

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for the City's fiscal year ending June 30, 2019.

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

- In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

- In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarities which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for the City's fiscal year ending June 30, 2019.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are 1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and 2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the City's fiscal year ending June 30, 2021.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No.14 and No.61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the City's fiscal year ending June 30, 2020.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

The City adopts an annual budget on or before June 30 for the ensuing fiscal year for the General Fund and all Special Revenue Funds except for the Deferred Assessments Fund.

No annual budgets are adopted for the Debt Service Funds. Repayment of the debt is authorized by the adoption of the indenture provisions for the life of the debt.

The Storm Drain Construction and Park Land Dedication Capital Projects Funds are budgeted annually. All other Capital Projects Funds are budgeted on a project basis. Such budgets are based on a project time frame, rather than a fiscal year operating time frame, whereby unused appropriations continue until project completion.

Budget appropriations become effective each July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund and department level. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

All Governmental Fund Type annual budgets are presented on a basis consistent with the basic financial statements prepared in accordance with generally accepted accounting principles.

Budgeted revenue amounts represent the original budget modified by adjustments authorized during the fiscal year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the fiscal year and reappropriated amounts for encumbrances, grants, and donations outstanding at the end of each prior fiscal year.

The City Council must approve appropriation increases to departmental budgets; however, management may transfer Council-approved budgeted amounts within fund and departmental expenditure classifications. Judgments, settlements and accrual entries are not subject to budgetary control and expenditures exceeding budget due to these items do not constitute a violation of budget policy or control. Supplemental appropriations were approved during the course of the fiscal year as needed.

B. Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration. Encumbrances outstanding at fiscal year end are automatically reappropriated for inclusion in the following fiscal year's budget.

NOTE 3 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except Restricted Cash and Investments, so the pool of funds can be invested consistent with goals for safety and liquidity, while maximizing yield. Cash is pooled so individual funds can make expenditures at any time.

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110.0 percent of the City's cash on deposit, or first trust deed mortgage notes with a fair value of 150.0 percent of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

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NOTE 3 – CASH AND INVESTMENTS (Continued)

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the trust department of a bank as the custodian of certain City managed investments, regardless of their form.

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

Investment income is allocated among funds on the basis of average daily cash and investment balances in each fund, unless there are specific legal or contractual requirements to do otherwise.

Cash and investments with an original maturity of three months or less are considered to be cash equivalents in the proprietary fund Statements of Cash Flows because these assets are highly liquid and are expended to liquidate liabilities arising during the fiscal year.

B. Classification

Cash and investments are classified in the financial statements, based on whether or not their use is restricted under the terms of debt instruments. Investments are carried at fair value as of June 30, 2018. Cash and investments are as follows (dollars in thousands):

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	$ 538,222	60,482	30,405	629,109
Restricted cash and investments	3,863	-	450	4,313
Total cash and investments	$ 542,085	60,482	30,855	633,422

Cash and investments as of June 30, 2018 consist of the following (dollars in thousands):

Cash on hand	$ 12
Deposits with financial institutions	1,472
Investments	631,938
Total cash and investments	$ 633,422

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NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the City's Investment Policy

The California Government Code and the City's Investment Policy authorize the investment types in the following table, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maximum maturities are not exceeded. The table also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's Investment Policy.

The City's Investment Policy and the California Government Code allow the City to invest in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	(A)	No limit
U.S. Agency Securities	5 years	50%	25%
U.S. Agency Mortgage-backed Securities	5 years	20%	25%
Callable Securities (Treasuries, Agencies, Corp. Notes)	5 years	10%	5%
Commercial Paper	180 days	15%	5%
Banker's Acceptances	180 days	20%	5%
Medium-term Notes Issued by U.S. Corporations	5 years	15%	5%
Mutual Funds Invested in U.S Government Securities	N/A	10%	5%
Certificates of Deposit:			
FDIC Insured Time Deposits	2 years	10%	5%
Collateralized Time Deposits	2 years	10%	5%
Negotiable Time Deposits	2 years	10%	5%
Municipal Bonds Issued by the City or any of its Component Units	(B)	(B)	(B)
Local Agency Investment Fund (LAIF)	N/A	20%	N/A
Supranational Securities	5 years	10%	5%

(A) The policy requires a minimum of 25 percent of the total portfolio to be invested in U.S. Treasury Obligations.

(B) The policy allows only municipal bonds issued by the City of Mountain View or its component units at limits and maturities as approved by the City Council.

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's Investment Policy. These debt agreements do not address interest rate, credit, and concentration of credit risks.

The investment types that are authorized for investments held by bond trustee are as follows:

Authorized Investment Type	Maximum Maturity
U.S. Treasury Obligations	No Limit
U.S. Agency Securities	No Limit
Deposit Accounts, Federal Funds and Banker's Acceptances	360 days
FDIC Insured Certificates of Deposit	No Limit
Commercial Paper	270 days
Money Market Mutual Funds	No Limit
State and Local Agency Bonds	No Limit
Insurer Approved Investment Contracts	No Limit
Insurer Approved Other Forms of Investments Including Repurchase Agreements	No Limit
Local Agency Investment Fund (LAIF)	No Limit

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NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the modified duration (modified duration is a measure of a fixed income's cash flows using present values, weighted for cash flows as a percentage of the investments' full price) of its portfolio. The City monitors interest rate risk inherent in investments held by the trustee by using specific identification.

The City's interest rate risk by investment type and fair value is as follows (dollars in thousands):

Investment Type	Fair Value Amount	Modified Duration (in years)	Specific Identification Maturity Date
Held by the City:			
LAIF	$ 100,603	N/A	
U.S. Treasury Obligations	253,875	2.14	
U.S. Agency Securities	165,708	2.31	
Medium-Term Notes	54,052	2.55	
Supranational Securities	46,394	2.71	
Municipal Bonds - 2000 Yardis Court Special Assessment Debt	35	1.10	
Municipal Bonds - Shoreline Regional Park Community 2011 Revenue Bonds	8,275	2.61	
Money Market Mutual Funds	113	N/A	
The modified duration of the City's portfolio as of June 30, 2018		1.92	
The modified duration of the City's portfolio as of June 30, 2018, excluding Shoreline Regional Park Community 2011 Revenue Bonds		1.91	
Held by Bond Trustee:			
Money Market Mutual Funds	84	N/A	
U.S. Agency Securities:			
Federal Home Loan Banks	2,799		June 15, 2019
Total investments	$ 631,938		

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NOTE 3 – CASH AND INVESTMENTS (Continued)

Through the City's Investments Policy, the City manages its exposure to fair value losses arising from increasing interest rates by limiting the modified duration of its investment portfolio to within 15.0 percent of the modified duration of a benchmark portfolio as defined in the Investment Policy. As of June 30, 2018, the allowed modified duration ranged from 1.6 to 2.2 years and the actual is within this range.

Investments in municipal bonds shown above represent the City's investment in the 2000 Yardis Court Special Assessment Debt and 2011 Shoreline Regional Park Community Revenue Bonds. The balance as of June 30, 2018 is stated at amortized cost, which approximates fair value.

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by the State, which are recorded on an amortized cost basis. LAIF is part of the State's Pooled Money Investment Account (PMIA). The total balance of the PMIA is approximately $88.8 billion as of June 30, 2018. Of that amount, 97.3 percent was invested in nonderivative financial products and 2.7 percent in structured notes and asset backed securities. As of June 30, 2018, LAIF has an average maturity of 193 days.

Mutual Money Market Funds investments are available for withdrawal on demand and as of June 30, 2018 have an average maturity of less than 60 days.

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NOTE 3 – CASH AND INVESTMENTS (Continued)

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's Investment Policy is to apply the prudent investor's standard in managing the overall portfolio. This standard states that investments shall not be made for speculation but shall be made with judgment and care, which investors of prudence, discretion and intelligence exercise considering the safety of principal, liquidity, and return on investment in this priority order. As of June 30, 2018, the City's investment in Money Market Mutual Funds, and Supranational Securities are rated AAA by Standard & Poor's. U.S. Agency Securities are rated AA by Standard & Poor's. The Medium-Term Notes are rated between AA and AAA by Standard & Poor's. The U.S. Treasury Obligations are exempt from credit rating disclosure. The Municipal Bonds - Shoreline Regional Park Community Revenue Bonds are rated A by Standard & Poor's. The Municipal Bonds - 2000 Yardis Court Special Assessment Debt and Local Agency Investment Fund were not rated as of June 30, 2018.

G. Concentration of Credit Risk

The City's Investment Policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the City is required to disclose investments that represent a concentration of 5.0 percent or more of investments in any one issuer other than U.S. Treasury obligations, money market mutual funds and external investment pools. As of June 30, 2018, those investments consisted of (dollars in thousands):

Issuer	Investment Type	Amount
Federal Home Loan Banks	Federal Agency Securities	$ 68,003
Federal National Mortgage Association	Federal Agency Securities	54,532
Federal Home Loan Mortgage Association	Federal Agency Securities	43,173

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NOTE 3 – CASH AND INVESTMENTS (Continued)

H. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All of the investments are measured using level 2 inputs, except for investments in LAIF and money market mutual funds, which are not subject to the fair value hierarchy. Investments measured using level 2 inputs are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these investments. Matrix pricing is used to value investments based on the investments' relationship to benchmark quoted prices.

NOTE 4 – LOANS RECEIVABLE

As of June 30, 2018, the City's loans receivable are as follows (dollars in thousands):

CDBG Rehabilitation	$ 95
Mid-Peninsula Support network	55
Ginzton Terrace	1,042
Latham Street Apartments	2,119
Project Match	132
Central Park Apartments	4,691
Sierra Vista Apartments Affordance Housing	238
Stoney Pine Charities	124
HomeSafe	100
San Antonio Place LP	5,465
Tyrella Gardens	1,215
Bill Wilson Center	133
San Veron Park	1,087
SR Fountains LP	1,145
Franklin Street Family Apartments	12,547
El Camino West Affordable Studios	3,452
Rengstorff Affordable Housing	8,166
Palo Alto Housing	8,000
East Evelyn Affordable Housing	21,700
Deferred Assessments	4
Total	$ 71,510

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NOTE 4 – LOANS RECEIVABLE (Continued)

The City engages in programs designed to encourage construction or improvement of housing for persons with extremely low to moderate income or other such projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. Since the City does not expect to collect these loans in the near term, and most of the loan terms are deferred to the future, they have been offset by a restriction of fund balance in the fund financial statements. Due to the nature of the repayment structures of the City's loans, the City is not accruing interest on the loans. Interest revenue is recognized upon receipt.

These loan programs are funded by Community Development Block Grants (CDBG) funds, Home Investment Partnership Act (HOME) grant funds, Housing Fund, General Fund, and former Mountain View Revitalization Authority (Authority). With the dissolution of the Authority effective January 31, 2012, the City became the Housing Successor Agency. The balances of the loans were transferred to the Housing Successor Special Revenue Fund (Housing Successor) of the City.

A. CDBG Rehabilitation

The City administers a housing rehabilitation loan program initially funded with CDBG funds. Under this program, individuals with incomes below a stated level are eligible to receive low-interest loans for rehabilitation work on their home. These loans are secured by deeds of trust, which may be subordinated with the prior written consent of the City. The loan repayments may be amortized over the life of the loans, deferred to maturity or a combination of both. There are three such loans outstanding totaling $95,000 as of June 30, 2018.

B. Mid-Peninsula Support Network

On December 23, 1980, the City loaned $55,000 to Mid-Peninsula Support Network for the acquisition and rehabilitation of a residential structure for the purpose of providing temporary shelter for battered parents and their children. The loan was funded by CDBG funds and becomes payable upon demand by the City upon failure to comply with the terms of the loan agreement. The loan carries a 12.0 percent annual interest rate and shall accrue beginning 30 days following the date of demand. The loan is collateralized by a first deed of trust.

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NOTE 4 – LOANS RECEIVABLE (Continued)

C. Ginzton Terrace

On December 11, 1991, the City loaned $380,000 to the Mid-Peninsula Housing Coalition (Coalition) for predevelopment and land acquisition costs related to the development of a 107-unit affordable senior housing complex located at 375 Oaktree Drive. On May 1, 1993, the City amended the loan agreement and loaned the Coalition an additional $215,000 for the purpose of paying park and recreation fees required prior to occupancy of the land. On February 12, 1996, excess funds not used were returned to the City in the amount of $78,000. The loan balance of $517,000 was funded by CDBG funds.

On May 21, 2013, the City approved another modification to extend the loan term to May 31, 2038, reducing the annual simple interest rate from 6.0 percent to 3.0 percent effective June 1, 2013 and restructured the repayment to be based on 50.0 percent of the residual receipts. The loan balance and accrued interest will become payable on May 31, 2038.

On April 21, 2015, the City awarded $340,000 in CDBG funds and $185,000 in HOME funds for rehabilitation activities. The CDBG and HOME loans are to be repaid by January 31, 2066 and January 31, 2071, respectively, with zero percent interest.

As of June 30, 2018, the total outstanding amount of all loans related to Ginzton Terrace is $1.0 million.

D. Latham Street Apartments

On August 30, 1995, the City and the Housing Successor funds loaned $2.1 million to the Coalition for the acquisition and rehabilitation of a 75-unit apartment complex at 2230 Latham Street to provide affordable housing for low and moderate income families. The loan was funded by $992,000 of Housing Successor funds, $688,000 of CDBG funds and $387,000 of HOME grant funds. The various components of the loan are to be repaid over a 20-30 year period at zero to 3.0 percent annual simple interest.

In Fiscal Year 2009-10, the City approved to loan up to $832,000 from CDBG funds for window replacements. In Fiscal Year 2011-12, the City approved an additional loan up to $212,000 from CDBG funds. The various components of the loans are to be repaid by November 30, 2044 at zero interest.

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NOTE 4 – LOANS RECEIVABLE (Continued)

During the fiscal year ended June 30, 2018, $3,000 was repaid against the loans. As of June 30, 2018, the total outstanding balance of all loans related to the Latham Street Apartments is $2.1 million.

E. Project Match

On May 1, 1997, the City loaned $132,000 to Project Match for the acquisition of the house located at 1675 South Wolfe Road, Sunnyvale, to provide affordable housing for low-income seniors. The loan was funded by HOME grant funds. The loan is to be repaid over a 30-year period at 3.0 percent annual simple interest. Interest and principal amount is deferred. The loan is collateralized by a second deed of trust.

F. Central Park Apartments

On July 1, 1998, the City and Housing Successor funds loaned $2.2 million to the Coalition for the acquisition and rehabilitation of a 149-unit apartment complex known as Central Park Apartments at 90 Sierra Vista Avenue to be used to provide housing for very-low- to low- income seniors. The entire project was initially funded by three loans: $388,000 from Housing set aside funds to be repaid over nine years, commencing in Fiscal Year 1998-99 and bearing 3.0 percent annual interest; $1.2 million of CDBG funds to be repaid over 36 years commencing in Fiscal Year 2012-13 and bearing 3.0 percent annual interest; and $612,000 from HOME grant funds to be repaid over 21 years commencing in Fiscal Year 2004-05 and bearing 3.0 percent annual interest.

On August 19, 2004, the City loaned $498,000 to the Coalition for the rehabilitation of the Central Park Apartments. The loan was funded by CDBG funds to be repaid over 16 years commencing in Fiscal Year 2017-18 and bearing 1.2 percent annual interest.

On April 17, 2006, the City approved a $748,000 loan to the Coalition for the construction of the New Central Park Apartments. The loan was funded by CDBG funds with zero percent interest and repayment is deferred until January 1, 2054 or upon the repayment of the $1.3 million HOME loans described below.

On March 27, 2007, the Housing Successor funds loaned $851,000 to the Coalition for the construction of the New Central Park Apartments. The New Central Park

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NOTE 4 – LOANS RECEIVABLE (Continued)

Apartments has added 104 units to the existing 149 units used to provide housing for very low- to low- income seniors. The loan is to be repaid from available residual receipts over 55 years commencing in Fiscal Year 2009-10 and bearing zero interest. As of June 30, 2018, the outstanding balance of the Housing Successor's loan is $286,000.

On June 1, 2007, the City approved a loan of $1.3 million to fund the development cost of 104 apartments. The loan was funded by HOME grant funds with zero percent interest and repayment is deferred until the later of January 1, 2041 or upon repayment of the $851,000 Housing Successor's loan.

On July 24, 2007, the City approved a $405,000 loan to the Coalition for the development of the New Central Park Apartments. The loan was funded by CDBG funds with zero percent interest and final payment is deferred until July 1, 2063. As of June 30, 2018, the amount of this CDBG loan is $367,000.

On April 23, 2013, the City approved an additional loan of $275,000 from CDBG funds to the Coalition. The loan was used to upgrade the utilities and install energy-efficient hot water heaters in the original 149-unit apartment complex. The loan bears annual interest at 1.5 percent, with repayment deferred until calendar year 2034 or upon repayment of the $498,000 CDBG loan.

As of June 30, 2018, the total outstanding balance of all loans related to Central Park apartments is $4.7 million.

G. Sierra Vista Apartment Affordable Housing

On February 1, 1999, the City approved to loan up to $100,000 to Sierra Vista I Limited Partnership/Charities Housing Corporation for the development and renovation of a 34-unit affordable apartment complex to low and moderate income families to be located at 1909 Hackett Avenue. An additional loan in the amount of $255,000 was approved on January 16, 2007. The loans were funded by CDBG funds with 6.0 percent interest and a term of September 2019 and January 2032, respectively.

On September 24, 2013, the City approved an amendment to the loan agreements with Charities Housing Corporation. This CDBG loan funding will bear interest at 3.3 percent, compound annually on September 1. The term of the loan will be 57 years, maturing on October 1, 2070. As of June 30, 2018, the amount of the loans outstanding is $238,000.

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NOTE 4 – LOANS RECEIVABLE (Continued)

H. Stoney Pine Charities

On August 16, 2000, the City loaned $124,000 to the Stoney Pine Charities Housing Corporation for the construction of a 23-unit apartment complex at 212 North Mathilda Avenue and 271-283 West California Avenue, Sunnyvale, to provide affordable housing for very low income persons with developmental disabilities. The loan was funded by $9,000 of CDBG funds and $115,000 of HOME grant funds. The loans bear simple interest at 3.0 percent, but repayment of interest and principal is deferred for 40 years. The loans and accumulated interest remain deferred unless during the term of the loan, or after 40 years, the apartments no longer meet the affordability test for very low income persons with developmental disabilities, or if the property is sold or transferred. The loan is collateralized by a second deed of trust.

I. HomeSafe

On February 21, 2001, the City loaned $100,000 to the HomeSafe Santa Clara L.P. for the construction of a 25-unit apartment complex at 611 El Camino Real, Santa Clara, to provide affordable housing for women and children who are victims of domestic violence. The loan was funded by $100,000 of HOME grant funds. The loan bears simple interest at 3.0 percent, but repayment of interest and principal is deferred for 55 years unless during the term of the loan, the apartments no longer meet the affordability test for very-low to low-income victims of domestic violence, or if the property is sold or transferred. The loan is collateralized by a first deed of trust.

J. San Antonio Place LP (Charities Housing Development Corporation)

On April 25, 2002, the City approved an agreement to loan up to $5.3 million to Charities Housing Development Corporation (Corporation) for development of an efficiency studios housing project to provide affordable housing for very-low to low-income persons. On July 1, 2004, the Corporation assigned to the San Antonio Place LP all of the rights and obligations under the agreements. The loan amount was amended to loan up to $5.5 million on December 1, 2006, which would be funded by $2.5 million of CDBG funds, $2.2 million of HOME grant funds and $809,000 of the Housing Successor funds. The loan is provided at zero percent interest with repayment deferred for 55 years unless the San Antonio Place LP no longer meets the terms and conditions of the agreement. As of June 30, 2018, the amount of the loan outstanding is $5.5 million.

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NOTE 4 – LOANS RECEIVABLE (Continued)

K. Tyrella Gardens

On May 20, 2003, the City approved to loan up to $390,000 to Mid-Peninsula Tyrella Associates for the development and renovation of an affordable apartment complex to low and moderate income families to be located at 449 Tyrella Avenue. The loan was funded by CDBG funds with 3.0 percent interest and a term of 55 years.

On April 22, 2014, the City awarded Mid-Peninsula Tyrella Associates additional loans of $172,000 from CDBG funds and $653,000 from HOME funds to rehabilitate 56 existing rental units. The loan agreement for CDBG funds was executed on July 1, 2015, with 3.0 percent simple interest, to be repaid over 50 years and was funded during Fiscal Year 2015-16. The loan agreement from HOME funds was executed on July 1, 2015, of which $653,000 has been funded as of June 30, 2018. The HOME loan has a term of 3.0 percent simple interest rate and is due in 43 years.

As of June 30, 2018, the total outstanding balance of all loans related to Tyrella Gardens is $1.2 million.

L. Bill Wilson Center

On December 5, 2008, the City loaned $133,000 to The Bill Wilson Center, a nonprofit corporation, for the acquisition and operation of a youth and counseling services shelter. The loan was funded by CDBG funds and is due in 30 years and has a term of 3.0 percent simple interest. As of June 30, 2018, the amount of the loan outstanding is $133,000.

M. San Veron Park

On December 1, 2009, the City amended an agreement with San Veron Corporation to loan up to $898,000 to renovate one hundred twenty-four affordable Town home units for very-low and low- income households. The loan was funded by HOME grant funds, however, the construction did not occur until Fiscal Year 2012-13. On July 1, 2013, the City approved and authorized the provision of increasing the loan amount to $1.1 million, and to be drawn from the HOME grant funds. As of June 30, 2018, the amount of the loan outstanding is $1.1 million.

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NOTE 4 – LOANS RECEIVABLE (Continued)

N. SR Fountains LP

On December 1, 2009, the City approved to loan up to $255,000, to SR Fountains Limited Partnership for the rehabilitation of 124 existing units at The Fountains Apartments property located at 2005 San Ramon Avenue. The loan was funded by HOME grant funds with zero percent interest and repayment is deferred until December 1, 2019. In 2010 and 2012, the City approved an additional $466,000 and $305,000, respectively, loan to SR Fountains Limited Partnership.

On April 19, 2016, the City authorized an additional $675,000 loan from CDBG funds. This loan bears no interest and repayment is deferred until December 31, 2026. Subsequently on May 2, 2017, the City awarded an additional $450,000 in CDBG funding, increasing this deferred loan to a total of $1.1 million. An amendment to the loan agreement was entered on June 1, 2018, with no changes to the key loan terms. As of June 30, 2018, $165,000 of the loan has been funded.

As of June 30, 2018, the total outstanding balance of all loans related to SR Fountains LP is $1.1 million.

O. Franklin Street Family Apartments

On April 18, 2011, the City approved an agreement to loan up to $1.3 million to ROEM Development Corporation (ROEM) to acquire a long-term ground lease of property known as 135 Franklin Street. The loan was funded by CDBG funds at 4.0 percent interest and a term of 55 years.

On April 18, 2011, the City approved an agreement to loan up to $10.6 million to ROEM for the development of an affordable family rental housing development to be located at the property mentioned above. The loan was funded by Housing Successor funds with 4.0 percent interest and a term of 55 years.

On April 18, 2011, the City approved an agreement to loan up to $646,000 from the Housing fund to ROEM for the same project mentioned above. The loan was funded with 4.0 percent interest and a term of 55 years.

On November 1, 2011, the full loan was assigned to Franklin Street Family Apartments. As of June 30, 2018 the total outstanding balance of all loans related to Franklin Street Family Apartments is $12.5 million.

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NOTE 4 – LOANS RECEIVABLE (Continued)

P. El Camino West Affordable Studios

On January 22, 2013, the City approved an agreement to loan up to $3.5 million to First Community Housing to acquire 0.48 acre of property located at 1581-1585 El Camino Real West. The loan was funded by HOME grant funds and Housing funds for the amounts of $920,000 and $2.5 million, respectively. The term of the loan is 3.0 percent interest for 55 years. As of June 30, 2018 the amount of the loan outstanding is $3.5 million.

Q. Rengstorff Affordable Housing

On June 3, 2013, the City approved an agreement to loan up to $9.0 million to ROEM for the development of an affordable family rental housing development to be located at 819 North Rengstorff Avenue. The loan was funded by Housing funds with 3.0 percent interest and a term of 55 years. During Fiscal Year 2017-18, $787,000 was repaid against the loan. As of June 30, 2018, the amount of the loan outstanding is $8.2 million.

R. Employee Housing

On October 30, 2014, the City made a housing loan to one of its employees in the amount of $143,000. The loan was funded by the General Fund, secured by a security agreement, and has a term of 23 years with an interest rate of 1.45 percent. Principal and interest payments are due bi-weekly. The outstanding balance of the loan is due in full within one year of the employee ending employment with the City. During Fiscal Year 2017-18, the employee repaid the outstanding balance of the loan.

S. Palo Alto Housing

On December 20, 2015, the City entered into a predevelopment funding agreement with Palo Alto Housing Corporation for predevelopment activities at 1701 West El Camino Real. This prefunding loan of $1.0 million was funded from Housing funds. On April 3, 2017, the City entered into a permanent loan agreement with 1701 ECR, LP where the outstanding principal balance of the predevelopment loan was rolled over into the permanent loan. The approved total amount of loan funded by Housing funds for this housing development was $8.0 million, with 3.0 percent simple interest rate commencing upon City's issuance of a final certificate of occupancy. As of June 30, 2018, the amount of the loan outstanding is $8.0 million.

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NOTE 4 – LOANS RECEIVABLE (Continued)

T. East Evelyn Affordable Housing

On May 31, 2016, the City entered into a loan agreement with Evelyn Avenue Family Apartments, LP for an affordable housing development at 779 East Evelyn Avenue. The total loan amount is $21.7 million and was funded by Housing funds. The loan has a 55-year term with 3.0 percent simple interest rate. As of June 30, 2018, the amount of the loan outstanding is $21.7 million.

U. Deferred Assessments

Deferred assessments are loans for special assessment improvements made to property owners who qualify under the City's deferred assessment program. As of June 30, 2018, $4,000 is owed to the City under this program.

NOTE 5 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to allocate resources from the fund that receives them to the fund where they will be spent without a requirement for repayment. Less often, a transfer may be made to open or close a fund.

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

Transfers between funds during the fiscal year ended June 30, 2018 are as follows (dollars in thousands):

Funds Receiving Transfers	Funds Making Transfers	Amount Transferred	Funding Purpose
General Fund	Shoreline Regional Park Community	$ 20	C
	General Capital Projects	226	B
	Nonmajor Governmental	2,043	C
	Water	220	C
		2,509	
Shoreline Regional Park Community	General Capital Projects	806	B
General Capital Projects	General Fund	4,267	C
	Shoreline Regional Park Community	56,739	C
	Park Land Dedication Capital Projects	7,370	C
	Nonmajor Governmental	18,756	C
		87,132	
Park Land Dedication Capital Projects	General Capital Projects	543	B
Nonmajor Governmental	Shoreline Regional Park Community	4,902	A
	General Capital Projects	656	B
		5,558	
Housing	General Fund	51	C
Water	General Capital Projects	235	B
	Internal Service	59	C
		294	
Wastewater	General Capital Projects	187	B
	Internal Service	698	C
		885	
Solid Waste	General Capital Projects	10	B
	Internal Service	259	C
		269	
Internal Service Funds	General Fund	2,816	C
	Shoreline Regional Park Community	117	C
	Housing	3	C
	General Capital Projects	9	B
	Nonmajor Governmental	216	C
	Water	231	C
	Wastewater	241	C
	Solid Waste	168	C
		3,801	
	Total Interfund Transfers	$ 101,848	

The reasons for these transfers are as follows:

A. To fund debt service payments.
B. To refund remaining balances on completed capital improvement projects, and interest back to original funding source.
C. Recurring transfers for capital, operating costs, equipment replacement or workers' compensation.

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NOTE 5 – INTERFUND TRANSACTIONS (Continued)

B. Interfund Advances

Advances are not expected to be repaid within the next fiscal year. As part of the City's capital projects budgeting and funding process, resources from enterprise funds are advanced to the General Capital Projects Fund where the project costs are budgeted for and incurred. These advances are reduced as funds are expended on enterprise fund projects. Any unspent advances will be repaid to the enterprise fund upon the completion of the projects. As of June 30, 2018, the General Capital Projects Fund has outstanding advances of $15.2 million, $12.5 million, and $585,000 from the Water, Wastewater, and Solid Waste enterprise funds, respectively.

C. Internal Balances

Internal balances are presented only in the government-wide financial statements. They represent the net receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

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NOTE 6 – CAPITAL ASSETS

All capital assets, including intangible assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. The City defines capital assets as assets with an initial individual cost of more than $100,000 for land and infrastructure, $25,000 for buildings and improvements other than buildings, and $5,000 for others, and an estimated useful life in excess of two years.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated. The City has assigned the useful lives to capital assets as follows:

Buildings	25 to 50 years
Improvements other than buildings	5 to 50 years
Intangible assets	Various
Machinery and equipment	3 to 20 years
Traffic signals	20 years
Streetlights	50 years
Bridges and culverts	60 years
Sidewalks, curbs, and gutters	40 years
Streets and roads	40 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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NOTE 6 – CAPITAL ASSETS (Continued)

A. *Capital Asset Activities*

Capital assets activity for the fiscal year ended June 30, 2018 is as follows (dollars in thousands):

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Governmental activities					
Capital assets not being depreciated:					
Land	$ 104,046	-	-	-	104,046
Construction in progress	46,525	28,261	(3,934)	(6,078)	64,774
Total capital assets not being depreciated	150,571	28,261	(3,934)	(6,078)	168,820
Capital assets being depreciated:					
Buildings	164,543	-	-	-	164,543
Improvements other than buildings	186,466	-	-	1,884	188,350
Machinery and equipment	36,542	3,719	(2,422)	664	38,503
Traffic signals	12,484	-	-	-	12,484
Streetlights	8,853	-	-	-	8,853
Bridges and culverts	18,305	-	-	135	18,440
Sidewalks, curbs and gutters	112,992	226	(41)	-	113,177
Streets and roads	264,403	-	(189)	3,395	267,609
Total capital assets being depreciated	804,588	3,945	(2,652)	6,078	811,959
Less accumulated depreciation for:					
Buildings	(82,955)	(4,394)	-	-	(87,349)
Improvements other than buildings	(132,767)	(9,550)	-	-	(142,317)
Machinery and equipment	(25,693)	(2,473)	2,422	-	(25,744)
Traffic signals	(5,815)	(647)	-	-	(6,462)
Streetlights	(6,733)	(59)	-	-	(6,792)
Bridges and culverts	(4,951)	(307)	-	-	(5,258)
Sidewalks, curbs and gutters	(65,709)	(2,736)	26	-	(68,419)
Streets and roads	(149,644)	(6,809)	123	-	(156,330)
Total accumulated depreciation	(474,267)	(26,975)	2,571	-	(498,671)
Net capital assets being depreciated	330,321	(23,030)	(81)	6,078	313,288
Governmental activities capital assets, net	$ 480,892	5,231	(4,015)	-	482,108

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Business-type activities					
Capital assets not being depreciated:					
Land	$ 220	-	-	-	220
Construction in progress	14,873	3,146	-	(2,468)	15,551
Total capital assets not being depreciated	15,093	3,146	-	(2,468)	15,771
Capital assets being depreciated:					
Buildings	8,748	-	-	-	8,748
Improvements other than buildings	136,991	230	(15)	2,449	139,655
Machinery and equipment	5,839	1,358	(58)	19	7,158
Total capital assets being depreciated	151,578	1,588	(73)	2,468	155,561
Less accumulated depreciation for:					
Buildings	(8,526)	(9)	-	-	(8,535)
Improvements other than buildings	(64,035)	(6,007)	15	-	(70,027)
Machinery and equipment	(4,561)	(374)	58	-	(4,877)
Total accumulated depreciation	(77,122)	(6,390)	73	-	(83,439)
Net capital assets being depreciated	74,456	(4,802)	-	2,468	72,122
Business-type activities capital assets, net	$ 89,549	(1,656)	-	-	87,893

B. *Depreciation Allocation*

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function for the fiscal year ended June 30, 2018 are as follows (dollars in thousands):

Governmental Activities:	
General government	$ 1,859
Public safety	1,674
Public works	16,212
Community development	500
Culture and recreation	6,730
Total	$ 26,975
Business-type Activities:	
Water	$ 4,057
Wastewater	1,951
Solid Waste	382
Total	$ 6,390

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NOTE 6 – CAPITAL ASSETS (Continued)

C. Construction Commitments

The City has active construction projects that include buildings and building improvements; improvements other than buildings; infrastructure; and water, wastewater, and solid waste improvements. Commitments with contractors for construction, as of June 30, 2018, are as follows (dollars in thousands):

	Spent to Date	Remaining Commitment
Governmental activities:		
Improvements other than buildings	$ 37,975	32,928
Buildings	12,956	8,806
Infrastructure	13,843	3,369
Total governmental activities	$ 64,774	45,103
Business-type activities:		
Water projects	$ 10,573	3,872
Wastewater projects	4,724	3,741
Solid Waste projects	254	2
Total business-type activities	$ 15,551	7,615

Commitments are funded from 1) revenues received directly by the capital projects fund and 2) general fund, special revenue fund and enterprise fund revenues transferred to the capital projects fund.

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NOTE 7 – NONCURRENT LIABILITIES

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions are summarized below and discussed in detail thereafter.

A. *Composition and Changes*

Noncurrent liabilities activities for the fiscal year ended June 30, 2018 are as follows (dollars in thousands):

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Governmental Activities:						
Revenue Bonds:						
Shoreline Regional Park Community						
2011 Revenue Refunding Bonds						
2.0% to 5.75%, due Fiscal Year 2040-41	$ 39,030	31,290	-	(1,735)	29,555	1,800
Bank Loan:						
Shoreline Regional Park Community						
2014 Bank Loan						
1.65%, due Fiscal Year 2018-19	12,135	3,187	-	(1,580)	1,607	1,607
Special Assessment Debt with City Commitment:						
1996 Centre-Church-El Ranchito-Bay						
4.10%-6.375%, due Fiscal Year 2019-20	561	90	-	(30)	60	35
2000 Yardis Court						
7.0%, due Fiscal Year 2020-21	195	45	-	(10)	35	11
Total Special Assessment Debt with City Commitment	756	135	-	(40)	95	46
Compensated Absences	-	9,244	355	(2)	9,597	1,459
Landfill Containment	-	39,055	703	-	39,758	-
Claims liabilities	-	10,109	1,010	(1,010)	10,109	3,537
Total governmental activities	$ 51,921	93,020	2,068	(4,367)	90,721	8,449

NOTE 7 – NONCURRENT LIABILITIES (Continued)

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Business-type activities:						
Water Revenue Bonds						
2004 Series A						
3.0%-4.5%, due Fiscal Year 2028-29	$ 9,700	5,740	-	(380)	5,360	390
City of Palo Alto Loan						
2007, 0%, due Fiscal Year 2028-29	6,000	3,600	-	(300)	3,300	300
Less unamortized discount	(1,000)	(600)	-	50	(550)	-
Compensated Absences	-	1,198	104	(21)	1,281	194
Total business-type activities	$ 14,700	9,938	104	(651)	9,391	884

B. *Descriptions of Noncurrent Liabilities*

2011 Revenue Bonds Shoreline Regional Park Community - On July 19, 2011, the Shoreline Community issued $39.0 million of 2011 Revenue Bonds, Series A. Proceeds from the bonds were used to call the outstanding Shoreline Community's Tax Allocation Bonds, 1996 Series A and provide funds to acquire and construct certain capital improvements of benefit to the Shoreline Community. The 2011 Bonds are special obligations of the Shoreline Community and are secured by a portion of all taxes levied upon all taxable property within the Shoreline Community. Principal payments are payable annually on August 1 and interest payments semi-annually on August 1 and February 1 from property tax revenues generated within the Shoreline Community.

2014 Shoreline Regional Park Community Loan Payable - On April 21, 2014, the Shoreline Community obtained a bank loan in the amount of $12.1 million. Proceeds from the loan were used to retire the outstanding Shoreline Community's 2001 Tax Allocation Bonds, and 2004 Tax Allocation Bonds. Principal payments are payable annually on August 1 and interest payment semi-annually on August 1 and February 1 from property tax revenues generated within the Shoreline Community.

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NOTE 7 – NONCURRENT LIABILITIES (Continued)

Special Assessment Debt with City Commitment - Special assessment districts exist in the City to provide improvements to properties located within those districts. Properties are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements. The total amount of the assessment is recorded as a receivable and deferred inflows of resources at the time the related debt is issued, and is reduced as assessments are collected.

The City is committed to be the purchaser of last resort or to advance available City funds to repay this debt in the event of default by any property owners of these districts. The City accounts for resources available to pay special assessment debt in its Special Assessments Nonmajor Debt Service Fund.

These Special Assessment Bonds were issued at various times to provide financing for electrical and community service facilities, street and utility improvements, water and sewer connections, storm drain improvements and other related projects. Principal payments are payable annually and interest payments semiannually.

Compensated Absences - Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated by contributions from various funds, but primarily the General Fund.

Landfill Containment - The City is responsible for managing and controlling methane gas and containment of leachate at three former City-operated landfill sites.

Pursuant to a Postclosure Maintenance Plan filed with the State, the City is obligated for additional postclosure care costs for two of its landfill sites. The estimated costs of postclosure care are subject to changes such as the effects of inflation, revision of laws and other variables. The estimated amount of this obligation as of June 30, 2018, is approximately $39.1 million. Annual revenues from the Solid Waste Enterprise Fund will fund the postclosure care costs. In accordance with a State-mandated Financial Assurance Mechanism (FAM), the City has pledged Solid Waste Enterprise Fund revenues in the amount of $2.7 million as of June 30, 2018 for postclosure care costs on these two landfill sites. A third landfill site maintained by the City did not require a FAM to be established for the closure of the site, and therefore is excluded from the obligation.

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NOTE 7 – NONCURRENT LIABILITIES (Continued)

Claims Liabilities – The City has established various self-insurance programs to account for and finance its uninsured risks of loss. Estimated liabilities are recorded for claims when it is probable that a loss has occurred and the amount of the loss can be reasonably determined. Further discussion on the City's claim liabilities and Risk Management is included in Note 10.

2004 Water Revenue Bonds - On September 29, 2004, the City issued $9.7 million of 2004 Water Revenue Bonds, 2004 Series A, to fund the construction of Graham Reservoir. Water fund revenues are pledged to pay the debt service on the bonds. Principal payments are payable annually on June 1 and interest payments semi-annually on June 1 and December 1 from Water Fund Revenues.

City of Palo Alto Loan – The Cities of Palo Alto and Mountain View began a joint project to construct a reclaimed water pipeline project (Project) in 2004. In October 2007, the City of Palo Alto approved a $9.0 million loan agreement with the State Water Resources Control Board (SWRCB) to finance a portion of the Project. Under the terms of the loan agreement, the Project received $7.5 million in proceeds. The additional $1.5 million due on the loan represents in-substance interest. Payments are due annually on the loan for twenty years following the completion of the construction. The City agreed to repay Palo Alto a $6.0 million share of this loan to finance $5.0 million of the costs of the Project within the City under the same terms as the original loan agreement with SWRCB. The City will pay $300,000 annually for twenty years. The project has been completed and payments on the loan commenced on June 30, 2010.

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NOTE 7 – NONCURRENT LIABILITIES (Continued)

C. Debt Service Requirements

The pledge of future tax increment revenues ends upon repayment of the $50.4 million in remaining debt service on the Shoreline Community's 2011 Revenue Bonds and 2014 Bank Loan, which is scheduled to occur in Fiscal Year 2040-41 and 2018-19, respectively. For the fiscal year ended June 30, 2018, tax increment revenues amounted to $42.1 million, which represented coverage of 8.5 over the $5.0 million in debt service.

The pledge of future special assessment levies ends upon repayment of the $102,000 in remaining debt service on the Special Assessment Debt with City Commitment, which is scheduled to occur in Fiscal Year 2020-21. For Fiscal Year 2017-18, special assessment revenues plus interest earned amounted to $51,000, which was used to pay debt service of $48,000.

The pledge of future water fund revenues ends upon repayment of the $10.2 million in remaining debt service on the Water Revenue Bonds and City of Palo Alto Loan, which are both scheduled to occur in Fiscal Year 2028-29. For the fiscal year ended June 30, 2018, Water Fund revenues including operating revenues, non-operating interest earnings, capital contributions – developer fees, and transfers in amounted to $48.0 million and operating expenses, excluding depreciation and amortization amounted to $30.7 million. Net Revenues available for debt service amounted to $17.3 million, which represented coverage of 18.6 over the $928,000 in debt service.

Annual debt service requirements to maturity are as follows (dollars in thousands):

For the Fiscal Year	Governmental Activities			Business-type Activities		
Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2019	$ 3,453	1,561	5,014	690	234	924
2020	1,927	1,453	3,380	710	219	929
2021	1,997	1,354	3,351	725	202	927
2022	2,085	1,252	3,337	740	184	924
2023	695	1,182	1,877	760	166	926
2024-2028	4,030	5,338	9,368	4,135	501	4,636
2029-2033	5,190	4,135	9,325	900	27	927
2034-2038	6,800	2,473	9,273	-	-	-
2039-2041	5,080	449	5,529	-	-	-
Total	$ 31,257	19,197	50,454	8,660	1,533	10,193

There are a number of limitations, covenants and restrictions contained in the various bond indentures. The City is in compliance with all material limitations, covenants and restrictions.

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NOTE 8 – PENSION PLANS

A. *General Information about the Pension Plans*

Plan Descriptions – All qualified regular and probationary employees are eligible to participate in either the City's Miscellaneous (all other) or Safety (police and fire) plans (Plans), agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, age at retirement and compensation. The cost-of-living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which became effective in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

NOTE 8 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55+	52 - 62+
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	27.737%	27.737% (A)

	Safety	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50+	50 - 57+
Monthly benefits, as a % of eligible compensation	3.0%	2% to 2.7%
Required employee contribution rates	9.00%	10.50%
Required employer contribution rates	41.107%	41.107% (A)

(A) The minimum employer contribution rate under PEPRA is the greater of the required employer rate cost or the employer normal costs.

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NOTE 8 – PENSION PLANS (Continued)

Employees Covered – Employees covered by the benefit terms for each Plan as of June 30, 2017, the most recent information available, are as follows:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	628	291
Inactive employees entitled to but not yet receiving benefits	462	98
Active employees	438	150
Total	1,528	539

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires the employer contribution rates for all public employers to be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. The actuarially determined rate is the projected amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the purpose of increasing the funded status of the Plans, the City contributed $6.6 million and $5.8 million in excess of the actuarially determined contributions for the Miscellaneous and Safety Plans, respectively, during the fiscal year ended June 30, 2018.

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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NOTE 8 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using actuarial assumptions as follows:

	Miscellaneous and Safety Plans
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Mortality	Derived using CalPERS Membership Data for all Funds (1)

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – The discount rate reduced from 7.65 percent to 7.15 percent for the June 30, 2016 actuarial valuations.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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NOTE 8 – PENSION PLANS (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rate of return by asset class and the target allocation adopted by the CalPERS Board effective on July 1, 2016, are as follows:

Asset Class	Current Target Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

(1) An expected inflation rate of 2.5% is used for this period.
(2) An expected inflation rate of 3.0% is used for this period.

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NOTE 8 – PENSION PLANS (Continued)

C. *Changes in the Net Pension Liability*

The changes in the net pension liability for each Plan are as follows (dollars in thousands):

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at June 30, 2016	$ 365,241	255,756	109,485
Changes during the measurement period:			
Service cost	7,473	-	7,473
Interest on the total pension liability	27,198	-	27,198
Changes in assumptions	22,221	-	22,221
Differences between expected and actual experience	(2,154)	-	(2,154)
Contributions - employer	-	12,413	(12,413)
Contributions - employee	-	3,121	(3,121)
Investment income	-	29,071	(29,071)
Administrative expenses	-	(378)	378
Benefit payments, including refunds of employee contributions	(17,303)	(17,303)	-
Net changes	37,435	26,924	10,511
Balance at June 30, 2017	$ 402,676	282,680	119,996

Safety Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at June 30, 2016	$ 315,080	217,336	97,744
Changes during the measurement period:			
Service cost	6,857	-	6,857
Interest on the total pension liability	23,599	-	23,599
Changes in assumptions	19,688	-	19,688
Differences between expected and actual experience	(157)	-	(157)
Contributions - employer	-	10,572	(10,572)
Contributions - employee	-	2,709	(2,709)
Investment income	-	24,545	(24,545)
Administrative expenses	-	(321)	321
Benefit payments, including refunds of employee contributions	(15,977)	(15,977)	-
Net changes	34,010	21,528	12,482
Balance at June 30, 2017	$ 349,090	238,864	110,226
Total - All Plans at June 30, 2017	$ 751,766	521,544	230,222

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NOTE 8 – PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate are as follows (dollars in thousands):

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous Plan	$ 173,615	119,996	75,595
Safety Plan	157,913	110,226	71,012
Total	$ 331,528	230,222	146,607

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

D. *Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

For the fiscal year ended June 30, 2018, the City recognized pension expense of $19.8 million and $16.8 million for the Miscellaneous and Safety Plans, respectively.

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NOTE 8 – PENSION PLANS (Continued)

The City reported deferred outflows of resources and deferred inflows of resources related to pensions by sources for the fiscal year ended June 30, 2018 as follows (dollars in thousands):

Miscellaneous Plan:	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 17,912	-
Differences between expected and actual experience	-	(1,444)
Changes in assumptions	13,333	-
Net differences between projected and actual earnings on plan investments	3,087	-
Total	$ 34,332	(1,444)

Safety Plan:	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 14,895	-
Differences between expected and actual experience	145	(751)
Changes in assumptions	13,535	(629)
Net differences between projected and actual earnings on plan investments	2,774	-
Total	$ 31,349	(1,380)
Total - All Plans	$ 65,681	(2,824)

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NOTE 8 – PENSION PLANS (Continued)

As of June 30, 2018, the City reported $17.9 million and $14.9 million as deferred outflows of resources related to contributions subsequent to the measurement date for the Miscellaneous and Safety Plans, respectively, which will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Miscellaneous Plan	Safety Plan	Total
2019	$ 7,579	4,882	12,461
2020	8,144	9,534	17,678
2021	1,438	2,486	3,924
2022	(2,185)	(1,828)	(4,013)
Total	$ 14,976	15,074	30,050

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

A. *General Information about the OPEB Plan*

Plan Descriptions – By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retirees (spouse and dependents are not included for CalPERS Miscellaneous employees, but are included for CalPERS Safety employees in the CalPERS Health Program governed by the Public Employees' Medical and Hospital Care Act (PEHMCA)) under a single employer defined benefit plan. In December 2008, the City entered into an agreement with CalPERS to participate in the CERBT, an agent multiple-employer other postemployment benefits plan, to fund the City's OPEB. CERBT is administrated by CalPERS, is managed by an appointed board not under the control of the City Council. CERBT issues a publicly available financial report that can be found on the CalPERS website at www.calpers.ca.gov.

The City also offers a Defined Contribution (DC) Plan to eligible miscellaneous employees. If an employee elects to participate in the DC Plan, the City makes contributions on behalf of the employee into a Health Savings Account (HSA). Employees who have elected the DC Plan are not included in the City's actuarial valuation for OPEB.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided – The City provides medical and vision OPEB benefits. The City provided OPEB by group and eligibility is as follows:

Group	Hire Date	Minimum Years of Service	CalPERS Retirement Date	City-Paid Benefit
MVFF Safety	Any	5 years CalPERS service	Any	PEMHCA benefits; Same contribution % as active employees
POA Safety				
Fire and Police Managers				
Non-Sworn POA	Prior to July 1, 1990	5	Prior to July 1, 1992	100% of single premium
			July 1, 1992 and later	85% of single premium
	July 1, 1990 through June 30, 2007	15	Any	85% of single premium
	July 1, 2007 and later*			85% of single premium for any open City HMO plan
SEIU Maintenance	Prior to September 1, 1989	5	Any	100% of single premium
	September 1, 1989 through June 30,	15		
	July 1, 2007 and later*			85% of single premium for any open City HMO plan
SEIU Clerical and Technical	Prior to September 1, 1989	5	Prior to March 1, 1993	100% of single premium
			March 1, 1993 through June 27,	85% of single premium
			After June 27, 1998	100% of any single HMO premium; 85% of any single PPO premium
	September 1, 1989 through June 30,	15	Any	
	July 1, 2007 and later*			85% of single premium for any City HMO plan
EAGLES and Unrepresented	Prior to August 1, 1989	5	Prior to March 1, 1993	100% of single premium
			March 1, 1993 and later	85% of single premium
	August 1, 1989 through June 30, 2007	15	Prior to January 1, 199	No Coverage or Benefits
		5, but less than 10	January 1, 1997 and later	50% of single premium
		10, but less than 15		65% of single premium
		15 or more		85% of single premium
	July 1, 2007 and later*	15	Any	85% of single premium for any open City HMO plan

*The following employees may elect the Defined Contribution plan in lieu of the Defined Benefit plan (described above):

- Non-Sworn POA hired July 1, 2015 and later
- SEIU hired July 1, 2010 and later
- EAGLES and Unrepresented hired July 1, 2007 and later

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NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employees Covered – Employees covered by the benefit terms as of June 30, 2017 are as follows:

Inactive employees or beneficiaries currently receiving benefits	391
Active employees	419
Total	810

Contributions – The City's OPEB funding policy is to contribute 100 percent or more of the actuarially determined contribution each year. For the year ended June 30, 2018, the City's contributions totaled $13.2 million.

B. Net OPEB Liability

The City's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2017, using an annual actuarial valuation as of July 1, 2017. A summary of principal assumptions and methods used to determine the net OPEB liability is shown below.

Actuarial Assumptions – The total OPEB liability in the July 1, 2017 actuarial valuation were determined using actuarial assumptions as follows:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.25%
Investment Rate of Return	6.50% Net of OPEB Plan Investment Expenses, includes Inflation.
Post Retirement Benefit Increase	For medical plan premiums: 8.00% for the year beginning January 1, 2018 and graded down by 0.50% per year until 5.00% ultimate rate is reached. For vision premiums: 3.00%
Mortality	Derived using CalPERS Membership Data for all Funds (1)

(1) Demographic actuarial assumptions used are based on CalPERS 2014 experience study report using data from 1997 to 2011, except for the MacLeod Watts Scale 2017 applied generationally as the basis to project future morality improvements. The representative mortality rates were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008.

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NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability is 6.50 percent. The projection of cash flows used to determine the discount rate assumed that the City's contribution will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OEPB plan investments is applied to all periods of projected benefit payments to determine the total OPEB Liability.

The long-term expected rate of return for OPEB plan investments is 6.5 percent. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. The long-term expected real rate of return by asset class and the target allocation are as follows:

Asset Class	Current Target Allocation	Real Return Years 1-10 [1]	Real Return Years 11+ [2]
Global Equity	40.0%	5.25%	5.71%
Fixed Income	39.0	1.79	2.40
TIPS	10.0	1.00	2.25
REITS	8.0	3.25	7.88
Commodities	3.0	0.34	4.95

(1) An expected inflation rate of 2.5% is used for this period.
(2) An expected inflation rate of 3.0% is used for this period.

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NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

C. Changes in the Net OPEB Liability

The changes in the Net OPEB Liability are as follows (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016	$ 130,527	96,374	34,153
Changes during the measurement period:			
Service cost	3,054	-	3,054
Interest on the total OPEB liability	8,820	-	8,820
Changes in assumptions	15,660	-	15,660
Differences between expected and actual experience	(9,020)	-	(9,020)
Contributions - employer	-	12,424	(12,424)
Investment income	-	7,065	(7,065)
Administrative expenses	-	(51)	51
Benefit payments	(5,044)	(5,044)	-
Net changes	13,470	14,394	(924)
Balance at June 30, 2017	$ 143,997	110,768	33,229

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The net OPEB liability of the City, calculated using the discount rate of 6.50 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate are as follows (dollars in thousands):

Discount Rate -1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate +1% (7.50%)
$ 53,599	33,229	16,587

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate are as follows (dollars in thousands):

Healthcare Cost Trend Rate -1%	Healthcare Cost Trend Current Rate	Healthcare Cost Trend Rate +1%
$ 13,687	33,229	58,316

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report.

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

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of $6.6 million.

The City reported deferred outflows of resources and deferred inflows of resources related to OPEB by sources for the fiscal year ended June 30, 2018 are as follows (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 13,233	-
Differences between expected and actual experience	-	(7,082)
Changes in assumptions	12,294	-
Net differences between projected and actual earnings on plan investments	-	(266)
Total	$ 25,527	(7,348)

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NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of June 30, 2018, the City reported $13.2 million as deferred outflows of resources related to contributions for OPEB subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Net amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense are as follows (dollars in thousands):

Fiscal Year Ending June 30,		
2019	$	1,360
2020		1,360
2021		1,360
2022		866
Total	$	4,946

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, errors and omissions, injuries to employees or others, unemployment and certain health care benefits of employees. The City has established various self-insurance programs to account for and finance its uninsured risks of loss. Under the self-insurance programs, the City retains the risk of loss up to a maximum of $1.0 million for general liability claims, $750,000 for workers' compensation claims with statutory excess insurance and actual costs incurred for unemployment and certain healthcare benefits.

For general liability claims, the City has excess liability coverage through the Authority for California Cities Excess Liabilities (ACCEL) to cover the risk of loss for claims in excess of $1.0 million per incident. ACCEL is a joint powers authority (JPA) of medium-sized California municipalities, which pools catastrophic general liability, automobile liability and public officials' errors and omissions losses.

Charges to the General Fund and other insured funds are determined from an analysis of self- insured claims costs and reserve requirements and are recorded as operating expenditures or expenses of such funds and operating revenues of the various internal service funds.

Estimated liabilities are recorded for claims in cases where such amounts are reasonably determinable and where the liability is likely for claims which are incurred through the end of the fiscal year but not reported until after that date. The estimated liability is determined based upon historical claims data and independently determined estimates of the amounts needed to pay prior and current year claims.

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NOTE 10 – RISK MANAGEMENT (Continued)

Changes in accrued self-insurance claims for the fiscal year ended June 30 are as follows (dollars in thousands):

	2017	2018
Beginning Balance	$ 10,109	10,109
Liability for current and change in prior fiscal year claims and claims incurred but not reported (IBNR)	1,598	1,010
Claims paid	(1,598)	(1,010)
Ending Balance	$ 10,109	10,109
Current portion	$ 3,537	3,537

The City has not significantly reduced its insurance coverage from the prior fiscal year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

NOTE 11 – LEASING ARRANGEMENTS

A. SFX Entertainment, Inc.

On June 20, 1986, the City and the Shoreline Community, as lessors, entered into a 35-year operating lease with the Shoreline Amphitheatre Partners (SAP), an entity not affiliated with the City or the Shoreline Community. This lease provided for the rental of City land underneath the Shoreline Amphitheatre. The lease payments included a minimum lease payment and a portion equal to a percentage of gross receipts, including concession revenues, of Shoreline Amphitheatre operations. A substantial portion of the future minimum lease payments was paid in advance by SAP in Fiscal Year 1996-97 as permitted in the lease agreement.

On May 10, 2006, the City and SFX Entertainment, Inc. (SFX), wholly owned by Live Nation, entered into an Amended and Restated Amphitheatre Ground Lease Agreement (Agreement) for the period from March 15, 2006 through December 31, 2020. SFX has an option to extend the lease five more years beginning January 1, 2021. As required by the Agreement, the lessee pays annual base rent of $1.8 million to the City, due in nine equal installments in the months of April through December. Additional rent and event rentals are due in accordance with the terms of the Agreement. Beginning March 15, 2018, the minimum lease payment shall be increased 2.0 percent each year, compounded. For the fiscal year ended June 30, 2018, lease payments of $2.1 million were received of which $1.8 million was the base rent.

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NOTE 11 – LEASING ARRANGEMENTS (Continued)

On December 11, 2007, the City Council authorized the execution and consent to the sublease of Parking Lots C & D between Live Nation and Google, Inc. for a 10-year term terminating December 13, 2017. On March 7, 2017, the City Council approved Google's request for an extension of the sublease to December 31, 2020. In addition, the City Council approved the sublease of Parking Lots C & D from January 1, 2021 through December 31, 2025 with Google LLC (coinciding with the termination date of SFX's first option to renew the Amphitheatre ground lease mentioned above). Based on these agreements, rent from SFX for the Amphitheatre is assumed through December 2025.

The future minimum lease payments due to the City under the aforementioned lease are as follows (dollars in thousands):

Fiscal Year Ending June 30	Amount
2019	1,848
2020	1,885
2021	1,923
2022	1,961
2023	2,001
Thereafter	5,528
Total	$ 15,146

B. Google LLC.

On March 7, 1995, the City, as lessor, entered into a 55-year lease with Silicon Graphics, Inc. (SGI), an entity not affiliated with the City (1995 Lease). This lease provides for the rental of City land located within the Shoreline Community upon which SGI constructed a 500,000 square foot corporate campus.

On December 12, 1996, the City, as lessor, entered into another 55-year lease with SGI (1997 Lease). This lease provides for the rental of City land located within the Shoreline Community upon which SGI constructed a second 556,000 square foot facility.

On April 19, 2001, SGI assigned the two lease agreements described above to Goldman Sachs, Inc., an entity not affiliated with SGI or the City. Goldman Sachs assigned the agreements to WXIII/Crittenden Realty C, L.L.C on May 22, 2001, which assigned the agreements to Google on June 29, 2006.

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NOTE 11 – LEASING ARRANGEMENTS (Continued)

The 1995 and 1997 Leases provide for rent increases of 4.0 percent per annum and the rent is to be adjusted every 10 years to the greater of 6.0 percent of the then fair value of the property or the initial base rent.

The second ten year rent adjustment for the 1995 and 1997 Leases were completed in arbitration which resulted in fair value and fair rate of return determinations to be effective April 1, 2016 and January 2017, respectively.

On August 31, 2007, the City, as lessor, entered into a 55-year lease with Google (2007 Lease). The lease provides for rent increases of 3.0 percent per annum and the rent is to be adjusted every 10 years to the greater of 7.0 percent of the then fair value of the property or the initial base rent. The revalued monthly rent shall not exceed 165.0 percent of the monthly rent payable during the initial year of the prior escalation period.

For the fiscal year ended June 30, 2018, $13.7 million of lease revenues have been recognized under the aforementioned three leases.

The future minimum lease payments due to the City under the aforementioned three leases follow (dollars in thousands):

Fiscal Year Ending June 30	Amount
2019	$ 14,407
2020	14,965
2021	15,544
2022	16,146
2023	16,771
Thereafter	190,913
Total	$ 268,746

On April 1, 2011, the City, as lessor, entered into a 52-year lease with Google (termination to coincide with the 2007 Lease). Google deposited the rent for the initial 52-year lease term in the amount of $30.0 million into the City's Refundable Land Lease Rent Agency Fund. Revenue is recognized in the General Fund on a straight-line basis over the lease term. The balance is held by the City in an agent capacity and is refundable to Google subject to certain conditions in the lease agreement. For the year ended June 30, 2018, $581,000 of lease revenue has been recognized by the General Fund.

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NOTE 11 – LEASING ARRANGEMENTS (Continued)

In Fiscal Year 2017-18, the City Council approved the development for the Charleston East site and approved the sublease of Parking Lots C & D between Google and SFX through December 2025 to provide temporary parking space during the Charleston East Site construction. The City received a $600,000 one-time payment. In addition, Google has agreed to pay an additional $2.0 million annually in exchange for the City's consent to accept the sublease between Google and SFX as discussed above.

C. ROEM Development Corporation

On May 1, 2011, the City, as lessor, entered into a 60-year lease with ROEM. The lease provides for the rental of land known as 135 Franklin Street, upon which ROEM has constructed an affordable family rental housing development.

ROEM prepaid the rent for the initial 60-year lease term in the amount of $3.5 million. Revenue is recognized in the General Fund on a straight-line basis over the lease term. For the year ended June 30, 2018, $59,000 of lease revenue has been recognized by the General Fund.

D. MV 101 Development, LLC

On April 1, 2015, the City, as lessor, entered into a DDA and a 55-year ground lease with MV 101 Development, LLC, (MV 101), an entity not affiliated with the City. The DDA provides for the development of 6.69 acres of land owned by the City, at 750 Moffett Boulevard, commonly referred to as Ameswell (formerly Moffet Gateway) in conjunction with adjacent land to be obtained by MV 101, with a hotel and office building.

The ground lease provides for the rental of the City land, Ameswell, for 55 years with potentially four 10-year extensions. The agreement also provides for office building minimum rent upon the issuance of a building permit at $140 per buildable square foot at 5.0 percent of the fair value of the land, with increases of 3.0 percent per annum. Commencing with the 15th operating year and every 10 years thereafter, the building minimum base rent shall be increased or decreased to the current market rate based on 5.0 percent of the then current fair value of the property or the initial base rent, whichever is higher and adjusted thereafter by the annual CPI. The City received lease revenue upon the issuance of the grading permit in June 2018 and recognized $35,000 during the fiscal year ended June 30, 2018.

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NOTE 11 – LEASING ARRANGEMENTS (Continued)

The future lease payments due to the City under the aforementioned lease are as follows (dollars in thousands):

Fiscal Year Ending June 30	Amount
2019	1,400
2020	1,400
2021	1,400
2022	1,421
2023	1,464
Thereafter	70,404
Total	$ 77,489

E. RGC Mountain View I, LLC

On May 25, 2017, the City, as lessor, entered into a DDA with RGC MOUNTAIN VIEW I, LLC, (RGC), an entity not affiliated with the City. The DDA provides for the development of land owned by the City, portions of Lots A and B, (more commonly known as Lots 4 and 8 or Hope Street Lots) for a mixed-used project, including a premier hotel, Class A office building, increasing the number of public parking spaces and provide a financial return for the City. Concurrently, with the execution of the DDA, the City and RGC executed (but not delivered) two ground leases. The ground leases have been deposited into escrow and will be delivered and effective within 90 days of approval of a building permit.

The DDA obligates the City to provide a total of $25.5 million as the City's participation in the development. The City's participation may be in the form of Parking District funds, Parking In-Lieu funds, other funds (including the potential of debt issuance) and or a transient occupancy tax rebate. The City has the sole discretion to elect the form of its participation. The City's participation is contingent upon the closing of a financing loan for the development by RGC.

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NOTE 11 – LEASING ARRANGEMENTS (Continued)

Each ground lease is for 55-years, with the potential for four 10-year extensions. Lot A is provided for the rental of the City land for the development of a 180 room hotel. The lease provides the City shall receive rent in the form of minimum base rent, percentage rent, and potential bonus rent and participation rent. The minimum base rent and percentage rent are subject to periodic rent adjustments. Lot B is provided for the rental of the City land for the development of 50,000 square foot of office space. The lease provides the City shall receive rent in the form of minimum base rent, percentage rent, and potential bonus rent and participation rent. The minimum base rent and percentage rent are subject to periodic rent adjustments.

NOTE 12 – NET POSITION AND FUND BALANCES

A. Net Position

Net position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three captions on the Statement of Net Position. These captions apply only to net position, which is determined at the Government-wide level and proprietary funds and are described as follows:

Net investment in capital assets – This caption groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted - This caption represents net position, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, grant funds, funds restricted for debt service, and funds restricted to low and moderate income housing purposes.

Unrestricted – This caption represents net position of the City not restricted for any project or purpose.

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NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances

Governmental fund balances represent the assets and deferred outflows of resources less the liabilities and deferred inflows of resources of each fund. Governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on how specific amounts in the funds can be spent. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation, which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by resolution of the City Council, which may only be altered by resolution of the City Council. Nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance. This category also includes residual fund balances of Special Revenue, Capital Projects and Debt Service Funds, which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

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NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2018 are as follows (dollars in thousands):

Fund Balance Classifications	General	Shoreline Regional Park Community	Housing	General Capital Projects	Park Land Dedication Capital Projects	Other Governmental	Total
Nonspendable:							
Inventory	$ 394	-	-	-	-	60	454
Deposits and prepaid costs	13	-	-	-	-	-	13
Total Nonspendable	407	-	-	-	-	60	467
Restricted:							
Shoreline Regional Park Community	-	31,117	-	-	-	-	31,117
Landfill Containment	-	6,000	-	-	-	-	6,000
Housing	-	-	91,864	-	-	-	91,864
General Capital Projects	-	-	-	134,844	-	-	134,844
Park Land Dedication Fees	-	-	-	-	51,378	-	51,378
Gas Tax	-	-	-	-	-	1,420	1,420
Vehicle Registration Fee	-	-	-	-	-	745	745
Construction & Conveyance Tax	-	-	-	-	-	12,131	12,131
Development Services	-	-	-	-	-	1,171	1,171
CSFRA/Rental Housing Committee	-	-	-	-	-	760	760
Housing Successor	-	-	-	-	-	13,212	13,212
Downtown Benefit Assessment District	-	-	-	-	-	13,913	13,913
Police Asset Forfeitures	-	-	-	-	-	118	118
Grants	-	-	-	-	-	18,884	18,884
Cable Television	-	-	-	-	-	773	773
Deferred Assessments	-	-	-	-	-	352	352
Debt Service	-	-	-	-	-	2,988	2,988
Storm Drain Construction	-	-	-	-	-	462	462
Minor Estate Trust	420	-	-	-	-	-	420
Total Restricted	420	37,117	91,864	134,844	51,378	66,929	382,552
Committed:							
Development Services	22,256	-	-	-	-	10,494	32,750
Budget Contingency	5,244	-	-	-	-	-	5,244
Earned Lease Revenue	4,295	-	-	-	-	-	4,295
Property Management	1,560	-	-	-	-	-	1,560
Graham Site Maintenance	733	-	-	-	-	-	733
Capital Improvement	12,663	-	-	-	-	-	12,663
Open Space Acquisition	3,456	-	-	-	-	-	3,456
Strategic Property Acquisition	11,644	-	-	-	-	-	11,644
Childcare Commitment	525	-	-	-	-	-	525
Compensated Absences	6,107	-	-	-	-	-	6,107
General Special Purpose	-	-	-	-	-	59	59
Total Committed	68,483	-	-	-	-	10,553	79,036
Assigned:							
Contractual Obligations	2,202	-	-	-	-	-	2,202
Unassigned:	55,913	-	-	-	-	(55)	55,858
Total Fund Balances	$ 127,425	37,117	91,864	134,844	51,378	77,487	520,115

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NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

C. Committed Fund Balances

The City Council adopted reserve policies and additional council actions which includes commitments of fund balances as follows:

1. The Development Services fund balances shall be used to fund the future obligations of the City's development activity.

2. The General Fund Budget Contingency Reserve shall be used to provide one-time financial resources during uncertain economic conditions. This reserve may be used for such things as the transitioning of positions to be eliminated, the phasing out of certain expenditures, smoothing of employee benefit changes, or anticipated or unanticipated revenue declines, as approved by City Council.

3. The General Fund Earned Lease Revenue Reserve Shall be used to accumulate the rent from the ground lease of a portion of the City's Charleston East property to Google LLC (Google). Google prepaid $30.0 million as rent for the initial approximately 52-year lease term. The intent is for this reserve to accumulate the rent, as it is earned, so that the $30.0 million principal balance will be available at the end of the initial lease term.

4. The General Fund Property Management Reserve shall be used to provide a source of funds for obligations, which could arise from the City's leasing of property including legal services, certain responsibilities identified in land leases, environmental testing, or other costs normally incurred by a lessor.

5. The Graham Site Maintenance Reserve shall be used to fund the maintenance obligations, per the agreement with the school district, of the Graham Sports Complex, including the playing field at Graham Middle School beneath which the City has a reservoir.

6. The General Fund Capital Improvement Reserve shall be used for the funding of unanticipated priority capital improvement projects authorized by the City Council. To the extent possible, General Fund carryovers remaining from the end of the fiscal year, not assigned or committed for other purposes, may be applied to this reserve.

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NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

7. The General Fund Open Space Acquisition Reserve shall be used for the purpose of acquiring open space to meet the needs of the City as authorized by the City Council. Proceeds from excess City-owned properties shall fund this reserve as directed by City Council.

8. The General Fund Strategic Property Acquisition Reserve shall be used for the purpose of setting aside specific funds for the City to use for the acquisition of strategic property(ies).

9. The Child-Care Commitment Reserve shall be used to fund the future obligation payment of the City-owned building built for and leased to an operator for the purposes of child care.

10. The Compensated Absences Reserve shall fund the disbursements of terminated or retired employees for accrued vacation and sick leave or other accrued leave as applicable.

11. The General Special Purpose Reserve shall be used to replace trees when a developer is unable to plant the required trees.

D. Minimum Fund Balance/Net Position Policies

The City's Financial and Budgetary Policy requires the City to strive to maintain the following fund balances/net position:

1. The General Fund Reserve at 20 to 25 percent of General Operating Fund appropriations.

2. The General Fund Capital Improvement Reserve to be funded with a goal of a minimum balance of $5.0 million.

3. The Compensated Absences Reserve shall be funded at a minimum 80 percent of the liabilities of the City for compensated absences such as vacation and vested sick leave.

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NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

4. The Shoreline Regional Park Community Special Revenue Fund shall maintain 25 percent of operating budget for three months of operating expenditures; the landfill reserve shall be incrementally increased to accumulate funds to rebuild the landfill system, which is initially estimated at approximately $12.0 million, in case of a catastrophic event; and the sea level rise reserve is to be incrementally increased to $30.0 million for flood protection projects necessary to protect public and private investments within the Shoreline Community identified in the Sea Level Rise Study.

5. The Enterprise Fund Reserves shall maintain a minimum 10 percent of operating budget for emergency, a minimum of 5 percent operating budget for contingency and a goal of 10 percent of operating budget for rate stabilization.

6. The Equipment Replacement Reserve shall be maintained to fund the replacement of capital equipment.

7. The Workers' Compensation Self-Insurance Reserve shall include at a minimum provision to cover projected liabilities and two catastrophic losses at the City's current level of self-insured retention.

8. The Liability Self-Insurance Reserve shall be maintained at a minimum level of $2.0 million plus expected claims settlements.

9. The Unemployment Self-Insurance Reserve and the Employee Benefit Plan Reserve shall be maintained at a level adequate to meet estimated benefit liabilities.

E. Landfill Containment Reserve

In 2013, CalRecycle regulations required the City to create a reserve, in whole or incrementally, for potential corrective actions associated with a non-water release event at the landfill site. The estimated costs of the corrective actions are adjusted annually by an inflation factor approved by CalRecycle. On June 25, 2013, the City Council approved to restrict funds for landfill containment in the Landfill reserve of the Shoreline Community Fund. The City estimated the costs for the corrective actions to be $1.3 million for the fiscal year ended June 30, 2018 and $12.0 million to rebuild a new landfill system. As of June 30, 2018, the City restricted $6.0 million for landfill containment.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. *Encumbrances*

The City's outstanding encumbrances as of June 30, 2018, are as follows (dollars in thousands):

	Amount	Fund Balance Classification
General Fund	$ 3,014	Committed
General Fund	2,202	Assigned
Shoreline Regional Park Community	338	Restricted
Housing	290	Restricted
General Capital Projects	66,934	Restricted
Nonmajor Governmental Funds	2,080	Restricted
Total	$ 74,858	

B. *Litigation*

The City is a defendant in several lawsuits and other matters arising in the normal course of operations. The City's management and legal counsel are of the opinion the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

C. *City of Palo Alto Regional Water Quality Control Plant*

The City transmits its wastewater for treatment to a system of transmission, treatment and disposal of wastewater (the "Joint System" or "Treatment Plant") owned and administered by the City of Palo Alto. The Joint System is governed by an agreement between the City of Palo Alto, the City of Mountain View, and the City of Los Altos (the Partners) for the acquisition, construction and maintenance of the Joint System (Agreement). As part of the Agreement, the City purchases treatment capacity at the Treatment Plant. The Agreement provides that the City will purchase capacity through December 31, 2060 and for the City of Palo Alto to set service charges annually with quarterly billings based on estimated use. A reconciliation of actual to estimated charges is completed annually. For the fiscal year ended June 30, 2018, these costs totaled $8.1 million.

The Agreement has been supplemented or amended from time to time. Addenda include provisions for improvements to the Joint System for which debt was issued by the City of Palo Alto and the Partners agreed to pay their share of debt based on capacity rights. Each Partner's share of debt is included in the annual budget provided by the City of Palo Alto and is billed through the quarterly billings. For the fiscal year ended June 30, 2018 the City's share of debt includes:

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

$142,000 for Addendum 3 – 1990 Treatment Plant expansion; $203,000 for Addendum 6 - 1999 rehabilitation of the incinerators; and $211,000 for Addendum 7 - Ultra-Violet (UV) disinfection treatment. Addendum 8 includes provisions for multiple improvement projects for which debt has not been issued as of the fiscal year ended June 30, 2018. Each Partner city agrees to produce gross revenues sufficient in each fiscal year to provide net revenues equal to 1.25 times their proportionate share of debt. The City's coverage ratio for the fiscal year ended June 30, 2018 is 23.9.

D. Sunnyvale Material Recovery and Transfer (SMaRT®) Station

During Fiscal Year 1992-93, the City entered into a Memorandum of Understanding (MOU) with the City of Sunnyvale to obtain solid waste and recycling services at the SMaRT® Station. The MOU provides that the City has capacity share of 23.45 percent of this facility for 30 years expiring in Fiscal Year 2021-22. Annual service charges are determined based on actual per-ton charges. For the fiscal year ended June 30, 2018, these costs totaled $6.6 million.

E. Education Enhancement Reserve Joint Powers Agreement

On June 30, 2013, the Shoreline Community entered into an Education Enhancement JPA with the Mountain View Los Altos Unified High School District (MVLAUHSD) and the Mountain View Whisman School District (MVWSD) effective July 1, 2013, for a period of 10 years, superseding any prior agreements. The agreement provides for minimum annual payments commencing with the fiscal year ended June 30, 2014 of $1.8 million and $2.9 million to MVLAUHSD and MVWSD, respectively. Each subsequent fiscal year increases based on the growth in property tax revenues in the preceding fiscal year. For the fiscal year ended June 30, 2018, the Shoreline Community paid $6.6 million in contributions and recorded the pass-through of the contributions in the Education Enhancement JPA Agency Fund.

F. Tax Revenue Sharing

Pursuant to an agreement between the City, the Shoreline Community, and the County dated June 22, 2005, the Shoreline Community is annually obligated to pay the County from tax revenues, an amount equal to the County's total retirement tax override levies and pass-through an additional amount of taxes that would have been allocated to the County in the absence of the existence of the Shoreline Community. For the fiscal year ended June 30, 2018, $1.6 million and $2.1 million in retirement tax override levies and pass-through payments, respectively, were paid to the County.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

G. Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge

The City contracts with the City and County of San Francisco for the purchase of water from the Hetch Hetchy System operated by the San Francisco Public Utilities Commission (SFPUC). The City is also a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which represents the interests of all the 24 cities and water districts, as well as two private utilities, that purchase wholesale water from the SFPUC.

Under the 2009 25- year agreement with the SFPUC, a minimum water delivery level is included. On June 21, 2017, the City entered an agreement to permanently transfer all rights, title and interest of 1.0 MGD of annual Individual Supply Guarantee to the City of East Palo Alto (EPA). After SFPUC approved the agreement, the City received a one-time payment of $5.0 million in Fiscal Year 2017-18 from EPA for the 1.0 MGD water rights. For the fiscal year ended June 30, 2018, the City made a $3.0 million payment to the SFPUC to meet the City's minimum water purchase requirement of 8.930 MGD.

In addition, under the agreement, the SFPUC issues revenue bonds and the debt service (which also includes an interest component) is paid for through rates over the life of the bonds. Prior assets under the previous agreement were transferred to the new agreement and assigned a life with an agreed upon rate of return of 5.13 percent.

BAWSCA issued Revenue Bonds (Bonds) in the principal amount of $335.8 million in January 2013 to prepay the capital cost recovery payment obligation and fund a stabilization fund. The Bonds mature in October 2034 and are secured by surcharges to the monthly water purchase charges imposed upon the participating members. The Bonds are not a debt obligation of any member, and BAWSCA's failure to pay its Bonds would not constitute a default by any participating member.

The City paid its surcharge of $1.5 million during the fiscal year ended June 30, 2018, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for Fiscal Year 2018-19 is estimated to be $1.5 million.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

H. Silicon Valley Clean Energy Authority

On January 12, 2016, the Council approved the actions required to form and participate in the Silicon Valley Clean Energy Authority (SVCEA), a JPA. The SVCEA became effective on March 31, 2016 and will operate a Community Choice Energy (CCE) program to pool the electricity demand within the 12 participating jurisdictions to directly procure or generate electrical power supplies on behalf of their residents and businesses. During the fiscal year ended June 30, 2016, the City funded $520,000 towards the initial costs of SVCEA, which is required to be repaid within four years of the effective date of the JPA or March 31, 2020 and contingent upon positive cash flow from operations. During the fiscal year ended June 30, 2018, the City received repayment of $520,000 from SVCEA.

I. Community Stabilization and Fair Rent Act

On November 8, 2016, the residents of the City voted to adopt Measure V, also known as the Community Stabilization and Fair Rent Act (CSFRA), to stabilize rents and provide just cause eviction protections for certain rental units in the City. The City was required to implement the CSFRA until the Rental Housing Committee (RHC) sets the budget and adopts the rental housing fee in accordance with the CSFRA. In Fiscal Year 2017-18, the RHC set the budget and rental housing fee. The City was reimbursed for all funds advanced for the implementation of the CSFRA.

J. Property Purchase Agreement

On February 13, 2018, the Council approved the actions to enter into an agreement with Google LLC to acquire real property for the Plymouth Street Realignment project. The cost of the acquisition is $28.5 million. The executed agreement is held in escrow and the funds have been set aside by the City in a capital project. As of June 30, 2018, the City has not acquired the property.

NOTE 14 – SUBSEQUENT EVENT

On November 7, 2018, the City executed an Installment Sale Agreement between the City and the Financing Authority and an Assignment Agreement between the Financing Authority and Opus Bank to provide funds for Wastewater infrastructure capital projects. The financing is for $10.1 million that can be drawn over the next 18 months at an interest rate of 3.36 percent and a maximum term of 15 years.

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CITY OF MOUNTAIN VIEW
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios - Miscellaneous Plan
(Dollar in Thousands)

	Fiscal Year Ended June 30,			
	2018	**2017**	**2016**	**2015**
Measurement period	2017	2016	2015	2014
Total pension liability				
Service cost	$ 7,473	6,675	6,412	6,218
Interest on the total pension liability	27,198	26,269	25,058	23,873
Changes of assumptions	22,221	-	(6,028)	-
Differences between expected and actual experience	(2,154)	(577)	(568)	-
Benefit payments, including refunds of employee contributions	(17,303)	(15,518)	(14,861)	(13,823)
Net change in total pension liability	37,435	16,849	10,013	16,268
Total pension liability, beginning	365,241	348,392	338,379	322,111
Total pension liability, ending	**$ 402,676**	**365,241**	**348,392**	**338,379**
Plan fiduciary net position				
Contributions, employer	$ 12,413	11,318	8,673	7,796
Contributions, employee	3,121	3,065	3,148	3,147
Investment income	29,071	1,328	5,709	38,300
Benefit payments, including refunds of employee contributions	(17,303)	(15,518)	(14,861)	(13,823)
Administrative expenses	(378)	(156)	(288)	-
Net change in plan fiduciary net position	26,924	37	2,381	35,420
Plan fiduciary net position, beginning	255,756	255,719	253,338	217,918
Plan fiduciary net position, ending	**$ 282,680**	**255,756**	**255,719**	**253,338**
Plan net pension liability	**$ 119,996**	**109,485**	**92,673**	**85,041**
Plan fiduciary net position as a percentage of the total pension liability	**70.2%**	**70.0%**	**73.4%**	**74.9%**
Covered payroll	**$ 38,759**	**37,415**	**37,331**	**35,178**
Plan net pension liability as a percentage of covered payroll	**309.6%**	**292.6%**	**248.2%**	**241.7%**

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There is no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

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CITY OF MOUNTAIN VIEW
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios - Safety Plan
(Dollar in Thousands)

	Fiscal Year Ended June 30,			
	2018	**2017**	**2016**	**2015**
Measurement period	2017	2016	2015	2014
Total pension liability				
Service cost	$ 6,857	5,945	6,061	6,311
Interest on the total pension liability	23,599	22,704	21,792	20,641
Changes of assumptions	19,688	-	(5,345)	-
Differences between expected and actual experience	(157)	(1,633)	1,234	-
Benefit payments, including refunds of employee contributions	(15,977)	(14,765)	(13,721)	(12,416)
Net change in total pension liability	34,010	12,251	10,021	14,536
Total pension liability, beginning	315,080	302,829	292,808	278,272
Total pension liability, ending	**$ 349,090**	**315,080**	**302,829**	**292,808**
Plan fiduciary net position				
Contributions, employer	$ 10,572	9,904	8,139	7,244
Contributions, employee	2,709	2,697	2,656	2,924
Plan to plan resource movement	-	-	32	-
Investment income	24,545	1,117	4,852	32,936
Benefit payments, including refunds of employee contributions	(15,977)	(14,765)	(13,721)	(12,416)
Administrative expenses	(321)	(133)	(246)	-
Net change in plan fiduciary net position	21,528	(1,180)	1,712	30,688
Plan fiduciary net position, beginning	217,336	218,516	216,804	186,116
Plan fiduciary net position, ending	**$ 238,864**	**217,336**	**218,516**	**216,804**
Plan net pension liability	**$ 110,226**	**97,744**	**84,313**	**76,004**
Plan fiduciary net position as a percentage of the total pension liability	**68.4%**	**69.0%**	**72.2%**	**74.0%**
Covered payroll	**$ 22,559**	**22,368**	**21,838**	**21,891**
Plan net pension liability as a percentage of covered payroll	**488.6%**	**437.0%**	**386.1%**	**347.2%**

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There is no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

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CITY OF MOUNTAIN VIEW
Required Supplementary Information (Unaudited)
Schedule of Employer Pension Contributions - Miscellaneous and Safety Plans
(Dollar in Thousands)

Miscellaneous Plan

	Fiscal Year Ended June 30,				
	2018	**2017**	**2016**	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 11,284	9,925	8,806	8,073	7,796
Contributions in relation to the ADC	(17,912)	(12,413)	(11,318)	(8,673)	(7,796)
Contribution deficiency (excess)	**$ (6,628)**	**(2,488)**	**(2,512)**	**(600)**	-
Covered payroll	$ 43,679	38,759	37,415	37,331	35,178
Contributions as a percentage of covered payroll	41.0%	32.0%	30.2%	23.2%	22.2%

Safety Plan

	Fiscal Year Ended June 30,				
	2018	**2017**	**2016**	**2015**	**2014**
Actuarially determined contributions	$ 9,135	8,915	8,229	7,739	7,244
Contributions in relation to the ADC	(14,895)	(10,572)	(9,904)	(8,139)	(7,244)
Contribution deficiency (excess)	**$ (5,760)**	**(1,657)**	**(1,675)**	**(400)**	-
Covered payroll	$ 24,797	22,559	22,368	21,838	21,891
Contributions as a percentage of covered payroll	60.1%	46.9%	44.3%	37.3%	33.1%

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2018 were as follows:

ADC for fiscal year	June 30, 2018
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and services
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only five years of information is shown.

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CITY OF MOUNTAIN VIEW
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
(Dollar in Thousands)

		Fiscal Year Ended June 30,
		2018
Measurement period		2017
Total OPEB liability		
Service cost	$	3,054
Interest on the total OPEB liability		8,820
Changes of assumptions		15,660
Differences between expected and actual experience		(9,020)
Benefit payments, including refunds of employee contributions		(5,044)
Net change in total OPEB liability		13,470
Total pension OPEB, beginning		130,527
Total OPEB liability, ending	**$**	**143,997**
Plan fiduciary net position		
Contributions, employer	$	12,424
Investment income		7,065
Benefit payments, including refunds of employee contributions		(5,044)
Administrative expenses		(51)
Net change in plan fiduciary net position		14,394
Plan fiduciary net position, beginning		96,374
Plan fiduciary net position, ending	**$**	**110,768**
Plan net OPEB liability	**$**	**33,229**
Plan fiduciary net position as a percentage of the total OPEB liability		**76.9%**
Covered payroll	**$**	**44,181**
Plan net OPEB liability as a percentage of covered payroll		**75.2%**

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown.

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CITY OF MOUNTAIN VIEW
Required Supplementary Information (Unaudited)
Schedule of Employer OPEB Contributions
(Dollar in Thousands)

	Fiscal Year Ended June 30,	
	2018	**2017**
Actuarially determined contributions (ADC)	$ 5,639	5,577
Contributions in relation to the ADC	(13,233)	(12,424)
Contribution deficiency (excess)	**$ (7,594)**	**(6,847)**
Covered payroll	$ 46,799	44,181
Contributions as a percentage of covered payroll	28.3%	28.1%

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2018 were as follows:

ADC for fiscal year	June 30, 2018
Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.25%
Investment rate of return	6.73%, net of OPEB plan investment and administrative expenses, includes inflation.
Post Retirement Benefit Increase	For medical plan premiums: 8.00% for the year beginning January 1, 2018 and graded down by 0.50% per year until 5.00% ultimate rate is reached. For vision premiums: 3.00%
Mortality	Derived using CalPERS Membership Data for all Funds. Demographic actuarial assumptions used are based on CalPERS 2014 experience study report using data from 1997 to 2011, except for the MacLeod Watts Scale 2017 applied generationally as the basis to project future morality improvements. The representative mortality rates were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008.

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only two years of information is shown.

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CITY OF MOUNTAIN VIEW
Park Land Dedication Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Use of money and property	$ 688	688	(16)	(704)
Developer fees and contributions	-	-	8,584	8,584
Total revenues	688	688	8,568	7,880
Expenditures:				
Capital outlay	-	30	30	-
Total expenditures	-	30	30	-
Excess of revenues over expenditures	688	658	8,538	7,880
Other financing sources (uses):				
Transfers in	-	-	543	543
Transfers out	(7,130)	(7,370)	(7,370)	-
Total other financing sources (uses)	(7,130)	(7,370)	(6,827)	543
Net change in fund balance	$ (6,442)	(6,712)	1,711	8,423
Fund balance, beginning of year			49,667	
Fund balance, end of year			$ 51,378	

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SPECIAL REVENUE FUNDS

The **Gas Tax Fund** accounts for gas tax revenues received from the State and expended for construction and maintenance of City streets.

The **Vehicle Registration Fees Fund** accounts for fees that voters approved to collect from vehicle registrations. These fees are used to fund local road improvements and repairs. These fees will expire on December 31, 2018.

The **Construction and Conveyance Tax Fund** accounts for revenues from taxes on real property transferred in the City. These revenues are used for acquisition, improvement, maintenance, expansion or implementation of the Capital Improvements Program.

The **Other Developer Fees Fund** accounts for revenues to be used to encourage development and rejuvenation of areas served by transit facilities.

The **CSFRA / Rental Housing Committee Fund** accounts for the activities related to stabilize rents and provide just cause eviction protections for certain rental units in the City.

The **Housing Successor Fund** accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Revitalization Authority. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes.

The **Shoreline Golf Links Fund** accounts for revenues from user fees at Shoreline Golf Links and related golf course operations and improvements.

The **Downtown Benefit Assessment District Fund** accounts for revenue received for offstreet parking, fees paid in-lieu of providing parking in the District and for annual ad valorem rate and direct assessments levied against the property owners within the District.

The **General Special Purpose Fund** accounts for fees paid for replacement trees and the CASp training program.

The **Police Asset Forfeitures Fund** accounts for funds derived from criminal assets seized by police, primarily from illegal narcotics sales activity.

CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

The **Grants Fund** accounts for grants received, including Community Development Block Grants, Home Investment Partnership Act Grants, the Local Law Enforcement Block Grant Program, the Supplemental Law Enforcement Services Grants and Traffic Safety grants.

The **Cable Television Fund** accounts for Public, Education and Government (PEG) fees collected by the cable providers and restricted for PEG channel support. The City passes a portion of these funds through to a third party to provide public, governmental and educational access television services.

The **Deferred Assessments Fund** accounts for a program which allows certain property owners to defer up to 100 percent of any special assessment levied on their property. The assessment becomes due upon certain specified occurrences.

DEBT SERVICE FUNDS

The **Special Assessments Fund** accounts for resources financed by special assessments levied against property receiving special benefits, contributions from other funds for general benefits and certain reserve requirements.

The **Shoreline Regional Park Community 2011 Revenue Bonds Fund** accounts for the resources used for the purpose of paying the principal, interest and related costs on the Shoreline Regional Park Community 2011 Revenue Bonds as they become due.

The **Shoreline Regional Park Community 2014 Bank Loan Fund** accounts for the resources used for the purpose of paying the principal, interest and related costs on the Shoreline Regional Park Community 2014 Bank Loan as they become due.

CAPITAL PROJECTS FUND

The **Storm Drain Construction Fund** accounts for revenues derived from off-site drainage fees used for storm drain projects in the Capital Improvements Program.

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CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018
(Dollars in Thousands)

	SPECIAL REVENUE FUNDS			
	Gas Tax	**Vehicle Registration Fees**	**Construction & Conveyance Tax**	**Other Developer Fees**
Assets:				
Cash and investments	$ 1,342	737	12,004	11,576
Restricted cash and investments	-	-	-	-
Receivables, net of allowance:				
Accounts	68	-	-	-
Special assessments	-	-	-	-
Interest	10	8	127	90
Loans	-	-	-	-
Inventory	-	-	-	-
Total assets	$ 1,420	745	12,131	11,666
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable and accrued liabilities	$ -	-	-	-
Refundable deposits	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenues - special assessment	-	-	-	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	1,420	745	12,131	1,172
Committed	-	-	-	10,494
Unassigned	-	-	-	-
Total fund balances	1,420	745	12,131	11,666
Total liabilities, deferred inflows of resources and fund balances	$ 1,420	745	12,131	11,666

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		SPECIAL REVENUE FUNDS		
CSFRA / Rental Housing Committee	Housing Successor	Shoreline Golf Links	Downtown Benefit Assessment District	General Special Purpose
733	1,516	308	13,867	174
-	-	5	-	-
92	-	-	-	-
-	-	-	-	-
5	-	1	62	1
-	11,696	-	-	-
-	-	60	-	-
830	13,212	374	13,929	175
70	-	46	13	-
-	-	5	3	116
-	-	318	-	-
70	-	369	16	116
-	-	-	-	-
-	-	60	-	-
760	13,212	-	13,913	-
-	-	-	-	59
-	-	(55)	-	-
760	13,212	5	13,913	59
830	13,212	374	13,929	175

(Continued)

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CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018
(Dollars in Thousands)

	SPECIAL REVENUE FUNDS			
	Police Asset Forfeitures	**Grants**	**Cable Television**	**Deferred Assessments**
Assets:				
Cash and investments	$ 118	142	773	352
Restricted cash and investments	-	-	-	-
Receivables, net of allowance:				
Accounts	-	1	-	-
Special assessments	-	-	-	-
Interest	-	-	-	-
Loans	-	18,766	-	4
Inventory	-	-	-	-
Total assets	$ 118	18,909	773	356
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable and accrued liabilities	$ -	26	-	-
Refundable deposits	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	26	-	-
Deferred inflows of resources:				
Unavailable revenues - special assessment	-	-	-	4
Fund balances:				
Nonspendable	-	-	-	-
Restricted	118	18,883	773	352
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	118	18,883	773	352
Total liabilities, deferred inflows of resources and fund balances	$ 118	18,909	773	356

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	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUND	
	Shoreline Regional Park Community 2011 Revenue Bonds	Shoreline Regional Park Community 2014 Bank Loan	Special Assessments	Storm Drain Construction	Total Nonmajor Governmental Funds
	-	-	104	456	44,202
	2,883	-	-	-	2,888
	-	-	-	-	161
	-	-	49	-	49
	-	-	-	6	310
	-	-	-	-	30,466
	-	-	-	-	60
	2,883	-	153	462	78,136
	-	-	-	-	155
	-	-	-	-	124
	-	-	-	-	318
	-	-	-	-	597
	-	-	48	-	52
	-	-	-	-	60
	2,883	-	105	462	66,929
	-	-	-	-	10,553
	-	-	-	-	(55)
	2,883	-	105	462	77,487
	2,883	-	153	462	78,136

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CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	SPECIAL REVENUE FUNDS			
	Gas Tax	**Vehicle Registration Fees**	**Construction & Conveyance Tax**	**Other Developer Fees**
Revenues:				
Property taxes	$ -	-	-	-
Other taxes	-	-	7,550	-
Licenses, permits and fees	-	-	-	-
Use of money and property	(35)	8	26	199
Intergovernmental	2,112	487	-	-
Charges for services	-	-	-	-
Developer fees and contributions	-	-	-	485
Other	-	-	-	-
Total revenues	2,077	495	7,576	684
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	139
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	139
Excess (deficiency) of revenues over (under) expenditures	2,077	495	7,576	545
Other financing sources (uses):				
Transfers in	23	109	365	145
Transfers out	(2,340)	(394)	(10,102)	(6,935)
Total other financing sources (uses)	(2,317)	(285)	(9,737)	(6,790)
Net change in fund balances	(240)	210	(2,161)	(6,245)
Fund balances, beginning of year	1,660	535	14,292	17,911
Fund balances, end of year	$ 1,420	745	12,131	11,666

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SPECIAL REVENUE FUNDS				
CSFRA / Rental Housing Committee	Housing Successor	Shoreline Golf Links	Downtown Benefit Assessment District	General Special Purpose
-	-	-	959	-
-	-	-	-	19
-	-	-	649	-
6	23	(41)	105	1
-	-	-	4	-
2,374	-	2,303	221	-
-	-	-	240	-
-	-	17	1	-
2,380	23	2,279	2,179	20
-	-	-	-	-
-	-	-	-	-
1,298	32	-	432	3
-	-	2,015	-	-
-	-	20	-	-
-	-	-	-	-
-	-	-	-	-
1,298	32	2,035	432	3
1,082	(9)	244	1,747	17
-	-	-	1	-
(552)	-	(303)	(109)	-
(552)	-	(303)	(108)	-
530	(9)	(59)	1,639	17
230	13,221	64	12,274	42
760	13,212	5	13,913	59

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CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	SPECIAL REVENUE FUNDS			
	Police Asset Forfeitures	**Grants**	**Cable Television**	**Deferred Assessments**
Revenues:				
Property taxes	$ -	-	-	-
Other taxes	-	-	-	-
Licenses, permits and fees	-	-	-	-
Use of money and property	1	102	-	-
Intergovernmental	21	263	-	-
Charges for services	-	-	-	-
Developer fees and contributions	-	-	-	-
Other	-	-	237	-
Total revenues	22	365	237	-
Expenditures:				
Current:				
General government	-	-	268	-
Public safety	-	175	-	-
Community development	-	150	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	325	268	-
Excess (deficiency) of revenues over (under) expenditures	22	40	(31)	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	22	40	(31)	-
Fund balances, beginning of year	96	18,843	804	352
Fund balances, end of year	$ 118	18,883	773	352

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DEBT SERVICE FUNDS			CAPITAL PROJECTS FUND	
Shoreline Regional Park Community 2011 Revenue Bonds	Shoreline Regional Park Community 2014 Bank Loan	Special Assessments	Storm Drain Construction	Total Nonmajor Governmental Funds
-	-	-	-	959
-	-	-	-	7,569
-	-	-	-	649
35	-	6	(3)	433
-	-	-	-	2,887
-	-	45	-	4,943
-	-	-	-	725
-	-	-	335	590
35	-	51	332	18,755
-	-	-	-	268
-	-	-	-	175
-	-	-	-	2,054
-	-	-	-	2,015
-	-	-	-	20
1,735	1,580	40	-	3,355
1,625	40	8	-	1,673
3,360	1,620	48	-	9,560
(3,325)	(1,620)	3	332	9,195
3,282	1,620	-	13	5,558
-	-	-	(280)	(21,015)
3,282	1,620	-	(267)	(15,457)
(43)	-	3	65	(6,262)
2,926	-	102	397	83,749
2,883	-	105	462	77,487

CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Gas Tax			Vehicle Registration Fees		
	Final Budget	**Actual**	**Variance**	**Final Budget**	**Actual**	**Variance**
Revenues:						
Property taxes	$ -	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-	-
Use of money and property	53	(35)	(88)	22	8	(14)
Intergovernmental	2,174	2,112	(62)	450	487	37
Charges for services	-	-	-	-	-	-
Developer fees and contributions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	2,227	2,077	(150)	472	495	23
Expenditures:						
Current:						
General government:						
City manager	-	-	-	-	-	-
Public safety:						
Police	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Culture and recreation:						
Community services	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	2,227	2,077	(150)	472	495	23
Other financing sources (uses):						
Transfers in	-	23	23	-	109	109
Transfers out	(2,340)	(2,340)	-	(394)	(394)	-
Total other financing sources (uses	(2,340)	(2,317)	23	(394)	(285)	109
Net change in fund balances	$ (113)	(240)	(127)	78	210	132
Fund balances, beginning of year		1,660			535	
Fund balances, end of year		$ 1,420			745	

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Construction & Conveyance Tax			Other Developer Fees			CSFRA / Rental Housing Committee		
Final Budget	Actual	Variance	Final Budget	Actual	Variance	Final Budget	Actual	Variance
-	-	-	-	-	-	-	-	-
6,025	7,550	1,525	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
297	26	(271)	241	199	(42)	-	6	6
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,591	2,374	(217)
-	-	-	-	485	485	-	-	-
-	-	-	-	-	-	-	-	-
6,322	7,576	1,254	241	684	443	2,591	2,380	(211)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	477	139	338	1,864	1,298	566
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	175	-	175
-	-	-	477	139	338	2,039	1,298	741
6,322	7,576	1,254	(236)	545	781	552	1,082	530
-	365	365	-	145	145	-	-	-
(10,102)	(10,102)	-	(6,935)	(6,935)	-	(552)	(552)	-
(10,102)	(9,737)	365	(6,935)	(6,790)	145	(552)	(552)	-
(3,780)	(2,161)	1,619	(7,171)	(6,245)	926	-	530	530
	14,292			17,911			230	
	12,131			11,666			760	

(Continued)

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CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Housing Successor			Shoreline Golf Links		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Property taxes	$ -	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-	-
Use of money and property	-	23	23	4	(41)	(45)
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	2,514	2,303	(211)
Developer fees and contributions	-	-	-	-	-	-
Other	-	-	-	20	17	(3)
Total revenues	-	23	23	2,538	2,279	(259)
Expenditures:						
Current:						
General government:						
City manager	-	-	-	-	-	-
Public safety:						
Police	-	-	-	-	-	-
Community Development	250	32	218	-	-	-
Culture and recreation:						
Community services	-	-	-	2,183	2,015	168
Capital outlay	-	-	-	21	20	1
Total expenditures	250	32	218	2,204	2,035	169
Excess (deficiency) of revenues over (under) expenditures	(250)	(9)	241	334	244	(90)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(340)	(303)	37
Total other financing sources (uses	-	-	-	(340)	(303)	37
Net change in fund balances	$ (250)	(9)	241	(6)	(59)	(53)
Fund balance, beginning of year		13,221			64	
Fund balance, end of year		$ 13,212			5	

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Downtown Benefit Assessment District			General Special Purpose			Police Asset Forfeitures		
Final Budget	Actual	Variance	Final Budget	Actual	Variance	Final Budget	Actual	Variance
881	959	78	-	-	-	-	-	-
-	-	-	-	19	19	-	-	-
500	649	149	-	-	-	-	-	-
164	105	(59)	1	1	-	-	1	1
4	4	-	-	-	-	21	21	-
223	221	(2)	50	-	(50)	-	-	-
-	240	240	-	-	-	-	-	-
-	1	1	-	-	-	-	-	-
1,772	2,179	407	51	20	(31)	21	22	1
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	118	-	118
1,155	432	723	50	3	47	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,155	432	723	50	3	47	118	-	118
617	1,747	1,130	1	17	16	(97)	22	119
-	1	1	-	-	-	-	-	-
(109)	(109)	-	-	-	-	-	-	-
(109)	(108)	1	-	-	-	-	-	-
508	1,639	1,131	1	17	16	(97)	22	119
	12,274			42			96	
	13,913			59			118	

(Continued)

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CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Grants			Cable Television		
	Final Budget	**Actual**	**Variance**	**Final Budget**	**Actual**	**Variance**
Revenues:						
Property taxes	$ -	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-	-
Use of money and property	-	102	102	-	-	-
Intergovernmental	875	263	(612)	-	-	-
Charges for services	-	-	-	-	-	-
Developer fees and contributions	-	-	-	-	-	-
Other	100	-	(100)	258	237	(21)
Total revenues	975	365	(610)	258	237	(21)
Expenditures:						
Current:						
General government:						
City manager	-	-	-	323	268	55
Public safety:						
Police	175	175	-	-	-	-
Community Development	1,549	150	1,399	-	-	-
Culture and recreation:						
Community services	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	1,724	325	1,399	323	268	55
Excess (deficiency) of revenues over (under) expenditures	(749)	40	789	(65)	(31)	34
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses	-	-	-	-	-	-
Net change in fund balances	$ (749)	40	789	(65)	(31)	34
Fund balances, beginning of year		18,843			804	
Fund balances, end of year		$ 18,883			773	

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Storm Drain Construction		
Final Budget	Actual	Variance
-	-	-
-	-	-
-	-	-
17	(3)	(20)
-	-	-
-	-	-
-	-	-
10	335	325
27	332	305
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
27	332	305
-	13	13
(280)	(280)	-
(280)	(267)	13
(253)	65	318
	397	
	462	

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CITY OF MOUNTAIN VIEW
Internal Service Funds
For the Fiscal Year Ended June 30, 2018

The **Equipment Maintenance and Replacement Fund** accounts for equipment maintenance services provided to other funds and the replacement of certain equipment.

The **Workers' Compensation Insurance Fund** accounts for the City's self-insurance program for workers' compensation benefits and for the administration of safety and loss prevention programs.

The **Unemployment Self-Insurance Fund** accounts for State and Federal-mandated unemployment insurance benefits for employees.

The **Liability Self-Insurance Fund** accounts for the City's general liability self-insurance and property insurance programs.

The **Retirees' Health Plan Fund** accounts for the health plan contributions for retirees of the City and the funds set aside for future retirees' benefits.

The **Employee Benefits Plan Fund** accounts for the City's self-insurance vision and other benefits for City employees.

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CITY OF MOUNTAIN VIEW
Internal Service Funds
Combining Statement of Net Position
June 30, 2018
(Dollars in Thousands)

	Equipment Maintenance & Replacement	Workers' Compensation Insurance	Unemployment Self-Insurance
Assets:			
Current assets:			
Cash and investments	$ 28,212	11,546	559
Restricted cash and investments	-	56	-
Receivables:			
Interest	128	52	2
Deposits and prepaid items	-	-	-
Total current assets	28,340	11,654	561
Noncurrent assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	15	-	-
Total assets	28,355	11,654	561
Liabilities:			
Current liabilities:			
Accounts payable	534	2	-
Current portion of accrued compensated absences	28	-	-
Current portion of accrued self-insurance costs	-	1,523	-
Total current liabilities	562	1,525	-
Noncurrent liabilities:			
Noncurrent portion of accrued compensated absences	155	-	-
Noncurrent portion of accrued self-insurance costs	-	6,123	-
Total liabilities	717	7,648	-
Net position:			
Net investment in capital assets	15	-	-
Unrestricted	27,623	4,006	561
Total net position	$ 27,638	4,006	561

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Liability Self-Insurance	Retirees' Health Plan	Employee Benefits Plan	Total Internal Service Funds
4,174	368	376	45,235
919	-	-	975
20	21	2	225
240	-	-	240
5,353	389	378	46,675
-	-	-	15
5,353	389	378	46,690
16	2	1	555
-	-	-	28
2,014	-	-	3,537
2,030	2	1	4,120
-	-	-	155
449	-	-	6,572
2,479	2	1	10,847
-	-	-	15
2,874	387	377	35,828
2,874	387	377	35,843

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CITY OF MOUNTAIN VIEW
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Equipment Maintenance & Replacement	Workers' Compensation Insurance	Unemployment Self-Insurance
Operating revenues:			
Charges for services	$ 2,487	2,215	92
Other	310	156	-
Total operating revenues	2,797	2,371	92
Operating expenses:			
Salaries and related expenses	1,424	-	-
Insurance claims and premiums	-	1,351	31
General and administrative	3,657	163	-
Depreciation	3	-	-
Total operating expenses	5,084	1,514	31
Operating income (loss)	(2,287)	857	61
Nonoperating revenues (expenses):			
Investment income	139	63	(9)
Loss on disposal of capital assets	(752)	-	-
Total nonoperating revenues:	(613)	63	(9)
Income (loss) before transfers	(2,900)	920	52
Transfers in	3,801	-	-
Transfers out	(1,016)	-	-
Change in net position	(115)	920	52
Net position, beginning of year	27,753	3,086	509
Net position, end of year	$ 27,638	4,006	561

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Liability Self-Insurance	Retirees' Health Plan	Employee Benefits Plan	Total Internal Service Funds
1,525	12,131	62	18,512
69	40	-	575
1,594	12,171	62	19,087
-	12,155	52	13,631
959	-	-	2,341
342	24	4	4,190
-	-	-	3
1,301	12,179	56	20,165
293	(8)	6	(1,078)
(18)	43	(4)	214
-	-	-	(752)
(18)	43	(4)	(538)
275	35	2	(1,616)
-	-	-	3,801
-	-	-	(1,016)
275	35	2	1,169
2,599	352	375	34,674
2,874	387	377	35,843

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CITY OF MOUNTAIN VIEW
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Equipment Maintenance & Replacement	Workers' Compensation Insurance	Unemployment Self-Insurance
Cash flows from operating activities:			
Cash receipts from customers	$ 2,622	2,371	92
Cash paid to suppliers for goods and services	(3,213)	(533)	(31)
Cash paid to employees for services	(1,408)	-	-
Claims paid	-	(979)	-
Net cash provided by (used in) operating activities	(1,999)	859	61
Cash flows from noncapital financing activities:			
Transfers in	3,801	-	-
Transfers out	(1,016)	-	-
Net cash provided by noncapital financing activities	2,785	-	-
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(178)	-	-
Net cash used in capital and related financing activities	(178)	-	-
Cash flows from investing activities:			
Interest received	123	53	(9)
Net cash provided by (used in) investing activities	123	53	(9)
Net increase (decrease) in cash and cash equivalents	731	912	52
Cash and cash equivalents, beginning of year	27,481	10,690	507
Cash and cash equivalents, end of year	$ 28,212	11,602	559
Reconciliation of cash and cash equivalents:			
Cash and investments	$ 28,212	11,546	559
Restricted cash and investments	-	56	-
Total cash and cash equivalents	$ 28,212	11,602	559
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (2,287)	857	61
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	3	-	-
Changes in assets and liabilities:			
Decrease (increase) in deposits and prepaid items	-	-	-
Increase (decrease) in accounts payable	444	2	-
Increase (decrease) in unearned revenue	(175)	-	-
Increase (decrease) in accrued compensated absences	16	-	-
Net cash provided by (used in) operating activities	$ (1,999)	859	61

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Liability Self-Insurance	Retirees' Health Plan	Employee Benefits Plan	Total Internal Service Funds
1,594	12,171	62	18,912
(1,598)	(23)	(3)	(5,401)
-	(12,155)	(52)	(13,615)
(31)	-	-	(1,010)
(35)	(7)	7	(1,114)
-	-	-	3,801
-	-	-	(1,016)
-	-	-	2,785
-	-	-	(178)
-	-	-	(178)
(21)	28	(5)	169
(21)	28	(5)	169
(56)	21	2	1,662
5,149	347	374	44,548
5,093	368	376	46,210
4,174	368	376	45,235
919	-	-	975
5,093	368	376	46,210
293	(8)	6	(1,078)
-	-	-	3
(240)	-	-	(240)
(88)	1	1	360
-	-	-	(175)
-	-	-	16
(35)	(7)	7	(1,114)

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CITY OF MOUNTAIN VIEW
Agency Funds
For the Fiscal Year Ended June 30, 2018

The **Payroll Agency Fund** accounts for payroll-related liabilities.

The **Center for the Performing Arts Agency Fund** accounts for money received by the Center for the Performing Arts.

The **Fire Union Agency Fund** accounts for money received on behalf of the Fire Union used for union activities.

The **Police Union Agency Fund** accounts for money received on behalf of the Police Union used for union activities.

The **Flexible Benefits Plan Agency Fund** accounts for the assets and liabilities of the employer's flexible benefits plan established under Internal Revenue Code Section 125.

The **Education Enhancement JPA Agency Fund** accounts for funds to be used by the joint powers authority to enhance the educational and technology capacity of students in Mountain View schools.

The **Refundable Land Lease Rent Agency Fund** accounts for the refundable rent deposits received from Google LLC per the lease agreement between Google LLC and the City.

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CITY OF MOUNTAIN VIEW
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Payroll				
Assets:				
Cash and investments	$ 2,931	121,203	(119,686)	4,448
Accounts receivable	-	684	(673)	11
Deposits and prepaid items	355	397	(355)	397
Total assets	$ 3,286	122,284	(120,714)	4,856
Liabilities:				
Accrued payroll	$ 3,286	135,887	(134,317)	4,856
Fire Union				
Assets:				
Cash and investments	$ 8	36	(25)	19
Liabilities:				
Collection payable	$ 8	43	(32)	19
Police Union				
Assets:				
Cash and investments	$ 18	26	(25)	19
Liabilities:				
Collection payable	$ 18	43	(42)	19
Flexible Benefits Plan				
Assets:				
Restricted cash and investments	$ 234	40	(22)	252
Liabilities:				
Collection payable	$ 234	23	(5)	252

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		Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Center For the Performing Arts					
Assets:					
Restricted cash and investments	$	210	509	(521)	198
Liabilities:					
Collection payable	$	210	520	(532)	198
Education Enhancement JPA					
Assets:					
Cash and investments	$	-	6,584	(6,584)	-
Liabilities:					
Collection payable	$	-	6,581	(6,581)	-
Refundable Land Lease Rent					
Assets:					
Cash and investments	$	26,500	378	(959)	25,919
Liabilities:					
Deposits payable	$	26,500	-	(581)	25,919
Total Agency Funds					
Assets:					
Cash and investments	$	29,457	128,227	(127,279)	30,405
Restricted cash and investments		444	549	(543)	450
Accounts receivable		-	684	(673)	11
Deposits and prepaid items		355	397	(355)	397
Total assets	$	30,256	129,857	(128,850)	31,263
Liabilities:					
Accrued payroll	$	3,286	135,887	(134,317)	4,856
Collection payable		470	7,210	(7,192)	488
Deposits payable		26,500	-	(581)	25,919
Total liabilities	$	30,256	143,097	(142,090)	31,263

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CITY OF MOUNTAIN VIEW
Statistical Section
For the Fiscal Year Ended June 30, 2018

This section of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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

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

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

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

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

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

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Schedule 1

CITY OF MOUNTAIN VIEW, CALIFORNIA

Net Position by Component

Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year Ended June 30,			
	2009	**2010**	**2011**	**2012**
Governmental activities				
Net investment in capital assets	$ 458,072	464,498	464,111	440,921
Restricted	74,391	88,252	92,781	105,365
Unrestricted	169,023	148,139	141,891	145,497
Total governmental activities net position	$ 701,486	700,889	698,783	691,783
Business-type activities				
Net investment in capital assets	$ 61,307	76,592	74,436	79,412
Unrestricted	37,865	38,691	47,420	45,032
Total business-type activities net position	$ 99,172	115,283	121,856	124,444
Primary government				
Net investment in capital assets	$ 519,379	541,090	538,547	520,333
Restricted	74,391	88,252	92,781	105,365
Unrestricted	206,888	186,830	189,311	190,529
Total primary government net position	$ 800,658	816,172	820,639	816,227

(1) The Unrestricted Net Position since fiscal year ended June 30, 2014 decreased due to the implementation of GASB Statement No. 68.
(2) The Unrestricted Net Position decreased in fiscal year ended June 30, 2018 due to the implementation of GASB Statement No. 75.

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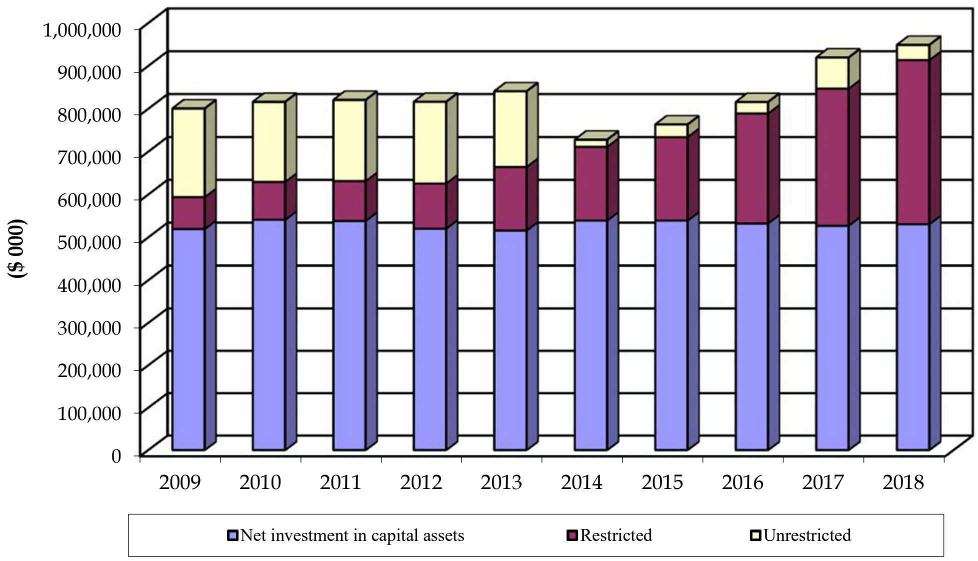
CITY OF MOUNTAIN VIEW, CALIFORNIA

Net Position by Component
Primary Government



Fiscal Year Ended June 30,						
2013	2014		2015	2016	2017	2018
433,059	456,410		454,939	450,011	446,280	450,851
148,253	171,881		194,850	256,471	319,980	382,993
134,551	(13,764)	(1)	(3,057)	(11,492)	20,918	(42,935) (2)
715,863	614,527		646,732	694,990	787,178	790,909
83,040	82,850		84,170	82,555	80,809	79,783
41,971	30,417		32,410	38,244	51,586	78,278
125,011	113,267		116,580	120,799	132,395	158,061
516,099	539,260		539,109	532,566	527,089	530,634
148,253	171,881		194,850	256,471	319,980	382,993
176,522	16,653	(1)	29,353	26,752	72,504	35,343 (2)
840,874	727,794		763,312	815,789	919,573	948,970

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Changes in Net Position

Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year Ended June 30,			
	2009	**2010**	**2011**	**2012**
Expenses				
Governmental activities				
General government	$ 24,787	27,689	29,967	30,983
Public safety	47,990	51,909	46,782	51,302
Public works	17,857	20,565	17,489	16,487
Community development	8,819	10,878	9,378	10,611
Culture and recreation	31,590	32,525	32,070	31,403
Interest on long term debt	3,537	3,327	3,097	3,459
Total governmental activities expenses	134,580	146,893	138,783	144,245
Business-type activities				
Water	17,069	18,923	20,269	23,812
Wastewater	13,440	11,141	10,822	13,413
Solid Waste	8,638	10,085	9,557	9,963
Total business-type activities expenses	39,147	40,149	40,648	47,188
Total primary government expenses	$ 173,727	187,042	179,431	191,433
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 22,556	23,161	21,275	22,893
Public safety	1,235	1,382	1,418	1,436
Public works	3,565	3,225	3,423	4,777
Community development	3,609	4,299	5,479	8,409
Culture and recreation	4,984	4,868	4,913	4,868
Operating grants and contributions	3,815	4,639	5,109	4,147
Capital grants and contributions	4,350	4,864	5,879	12,806
Total government activities program revenues	44,114	46,438	47,496	59,336
Business-type activities				
Charges for services:				
Water	19,291	18,408	19,775	23,183
Wastewater	14,472	14,302	14,039	13,296
Solid Waste	8,736	9,245	9,884	11,048
Capital grants and contributions	-	13,003	3,296	2,078
Total business-type activities program revenues	42,499	54,958	46,994	49,605
Total primary government program revenues	$ 86,613	101,396	94,490	108,941
Net (Expense) Revenue				
Governmental activities	$ (90,466)	(100,455)	(91,287)	(84,909)
Business-type activities	3,352	14,809	6,346	2,417
Total primary government net expense	$ (87,114)	(85,646)	(84,941)	(82,492)

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Fiscal Year Ended June 30,					
2013	2014	2015	2016	2017	2018
31,825	32,517	33,782	35,510	38,460	44,602
50,818	51,719	51,946	53,538	57,759	66,688
26,967	13,264	30,630	31,052	29,541	36,057
8,134	15,013	10,501	11,991	13,564	18,206
29,703	30,623	30,083	30,105	31,275	35,698
3,368	2,998	2,178	1,860	1,732	1,633
150,815	146,134	159,120	164,056	172,331	202,884
26,199	24,168	26,001	27,809	30,459	35,101
14,167	13,962	15,433	17,332	18,250	17,294
10,989	12,124	11,199	11,945	11,762	13,235
51,355	50,254	52,633	57,086	60,471	65,630
202,170	196,388	211,753	221,142	232,802	268,514
25,966	24,584	26,852	28,846	34,198	39,415
1,952	1,988	1,849	1,643	1,205	1,333
10,753	10,276	10,122	3,911	3,165	3,546
13,117	14,483	10,487	11,941	14,055	20,485
4,631	5,023	5,313	5,106	5,057	5,315
4,643	4,507	4,756	4,297	3,902	3,265
20,293	21,859	21,895	31,291	68,541	68,479
81,355	82,720	81,274	87,035	130,123	141,838
25,823	28,887	26,914	27,953	33,847	40,571
14,558	15,367	15,925	19,730	22,818	22,369
11,445	11,864	12,462	13,125	14,053	14,870
776	187	552	385	2,443	12,761
52,602	56,305	55,853	61,193	73,161	90,571
133,957	139,025	137,127	148,228	203,284	232,409
(69,460)	(63,414)	(77,846)	(77,021)	(42,208)	(61,046)
1,247	6,051	3,220	4,107	12,690	24,941
(68,213)	(57,363)	(74,626)	(72,914)	(29,518)	(36,105)

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Changes in Net Position

Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year Ended June 30,			
	2009	**2010**	**2011**	**2012**
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes:				
Property taxes	$ 53,264	60,311	54,749	57,709
Sales taxes	16,264	15,242	15,501	15,939
Transient occupancy tax	3,155	3,267	3,914	4,397
Utility users tax	5,866	5,651	5,711	6,157
Nonregulatory franchise and business	3,974	3,845	4,084	4,204
Intergovernmental revenue	213	231	243	194
Investment income	13,716	9,801	4,784	6,363
Other	8	-	-	-
Transfers	826	1,510	195	355
Total government activities	97,286	99,858	89,181	95,318
Business-type activities				
Investment income	1,080	930	422	526
Transfers	(826)	(1,510)	(195)	(355)
Total business-type activities	254	(580)	227	171
Total primary government	$ 97,540	99,278	89,408	95,489
Change in Net Position				
Change in net position before extraordinary and special items:				
Governmental activities	$ 6,820	(597)	(2,106)	10,409
Business-type activities	3,606	14,229	6,573	2,588
Total primary government	10,426	13,632	4,467	12,997
Extraordinary items:				
Assets transferred to/liabilities assumed by Successor Agency, net of LAIF rate remeasurement	-	-	-	(17,409)
Special items:				
Capital assets contributed from Successor Agency	-	-	-	-
Land held contributed from Successor Agency	-	-	-	-
Change in net position	$ 10,426	13,632	4,467	(4,412)

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Schedule 2

Fiscal Year Ended June 30,					
2013	2014	2015	2016	2017	2018
58,515	62,601	64,954	71,563	86,373	92,478
16,744	16,935	19,773	21,401	21,829	20,713
4,668	5,595	6,559	6,591	7,043	7,057
7,954	7,335	7,988	9,898	8,573	8,136
4,241	4,633	4,793	4,954	4,997	5,364
222	209	209	211	219	228
966	3,870	4,944	8,551	1,314	1,459
-	1,091	575	1,724	2,859	-
510	739	256	386	1,189	(588)
93,820	103,008	110,051	125,279	134,396	134,847
22	394	349	498	95	137
(510)	(739)	(256)	(386)	(1,189)	588
(488)	(345)	93	112	(1,094)	725
93,332	102,663	110,144	125,391	133,302	135,572
24,360	39,594	32,205	48,258	92,188	73,801
759	5,706	3,313	4,219	11,596	25,666
25,119	45,300	35,518	52,477	103,784	99,467
-	-	-	-	-	-
-	16,679	-	-	-	-
-	6,250	-	-	-	-
25,119	68,229	35,518	52,477	103,784	99,467

Schedule 3

CITY OF MOUNTAIN VIEW, CALIFORNIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year Ended June 30,			
	2009	**2010**	**2011**	**2012**
General Fund				
Nonspendable	$ 14,221	10,415	7,233	7,147
Restricted	-	-	-	-
Committed	54,601	46,201	43,651	44,609
Assigned	1,649	1,828	1,548	1,648
Unassigned	30,452	30,055	30,950	31,882
Total General Fund	$ 100,923	88,499	83,382	85,286
All Other Governmental Funds				
Nonspendable	$ 148	664	694	47
Restricted	138,279	140,215	141,867	159,532
Committed	1,287	647	-	-
Unassigned	-	-	(488)	-
Total all other governmental funds	$ 139,714	141,526	142,073	159,579

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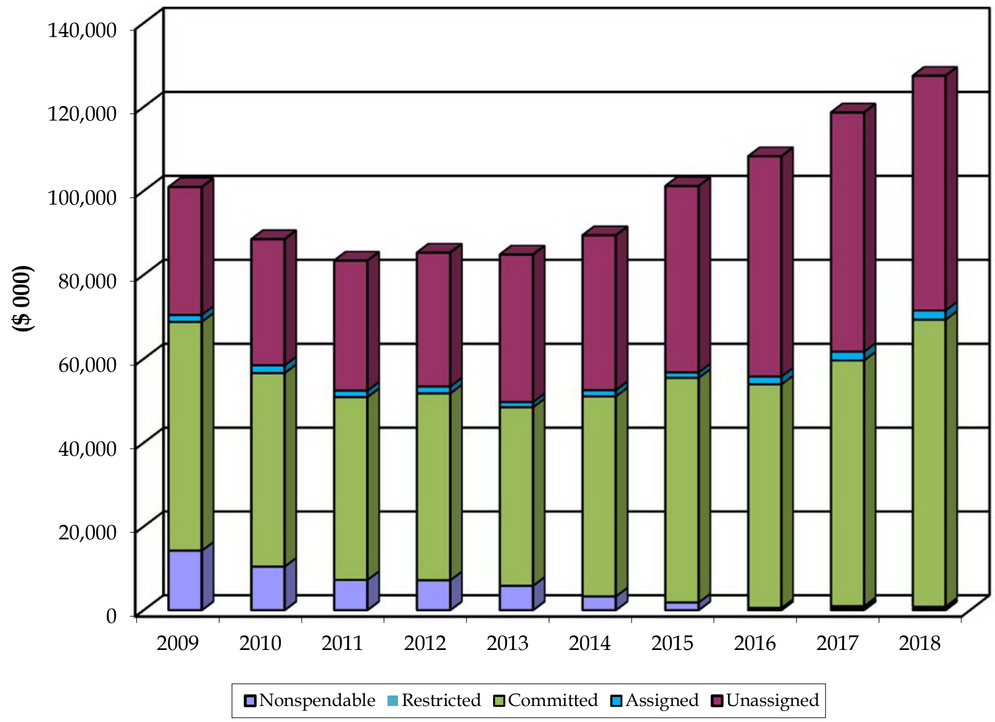
CITY OF MOUNTAIN VIEW, CALIFORNIA

Fund Balance for General Fund



Fiscal Year Ended June 30,

2013	2014	2015	2016	2017	2018
5,828	3,276	1,847	523	541	407
-	-	-	-	410	420
42,626	47,771	53,622	53,399	58,655	68,483
1,222	1,498	1,294	1,860	2,094	2,202
35,150	36,880	44,395	52,459	56,979	55,913
84,826	89,425	101,158	108,241	118,679	127,425
76	67	69	57	64	60
191,843	218,699	228,910	256,281	318,281	382,132
-	-	930	4,149	17,027	10,553
-	(18)	(18)	(3)	-	(55)
191,919	218,748	229,891	260,484	335,372	392,690

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year Ended June 30,				
	2009	**2010**	**2011**	**2012**	**2013**
Revenues					
Taxes	$ 81,309	87,035	82,904	89,496	93,385
Licenses, permits and fees	6,514	6,754	8,385	15,614	22,482
Fines and forfeitures	800	909	930	954	1,043
Use of money and property	20,685	17,570	13,177	15,112	10,659
Intergovernmental revenues	4,353	6,667	6,861	5,622	7,200
Charges for services	21,224	20,915	21,069	23,339	36,221
Developer fees & contributions	-	-	-	-	-
Other	2,903	4,096	2,707	3,528	4,415
Total Revenues	137,788	143,946	136,033	153,665	175,405
Expenditures					
Current:					
General government	22,081	24,357	26,896	28,707	29,653
Public safety	44,369	45,399	46,212	48,364	49,474
Public works	9,068	16,541	7,907	8,377	8,736
Community development	6,909	9,016	7,468	9,581	8,316
Culture and recreation	21,560	21,645	21,407	20,997	21,072
Capital outlay	23,373	25,651	19,449	23,940	15,493
Debt service:					
Principal	5,115	5,304	5,705	18,093	5,103
Interest and fiscal charges	3,270	3,065	2,842	3,736	2,872
Total Expenditures	135,745	150,978	137,886	161,795	140,719
Excess (deficiency) of revenues over (under) expenditures	2,043	(7,032)	(1,853)	(8,130)	34,686
Other Financing Sources (Uses)					
Sale of capital assets	8	-	-	-	-
Proceeds from debt issuance	-	-	-	39,454	-
Payment to refund bond escrow agent	-	-	-	-	-
Transfers in	46,663	34,912	30,355	50,417	32,211
Transfers (out)	(51,682)	(38,492)	(33,072)	(53,032)	(35,017)
Total other financing sources (uses)	(5,011)	(3,580)	(2,717)	36,839	(2,806)
Net Change in fund balances before extraordinary items	(2,968)	(10,612)	(4,570)	28,709	31,880
Extraordinary Items:					
Assets transferred to/liabilities assumed by Successor Agency, net of LAIF rate remeasurement	-	-	-	(9,299)	-
Net Change in fund balances	$ (2,968)	(10,612)	(4,570)	19,410	31,880
Debt service as a percentage of noncapital expenditures	7.5%	6.9%	7.3%	16.0%	6.4%

(1) Beginning the fiscal year ended June 30, 2017, the City reclassified Developer fees & contributions from various revenue line items. The City elected not to reclassify prior years' balances.

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	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
	98,806	107,135	116,783	131,921	136,204
	23,677	31,421	28,136	12,554	17,202
	1,068	920	697	872	912
	14,878	14,932	19,730	17,508	20,228
	7,840	6,255	6,415	4,590	5,706
	33,810	24,323	27,882	27,330	30,077
	-	-	-	57,628 (1)	60,239
	3,212	5,091	7,681	6,233	7,057
	183,291	190,077	207,324	258,636	277,625
	30,475	31,714	34,269	37,379	43,432
	50,517	52,457	54,790	56,893	65,276
	9,340	10,098	11,924	12,852	16,229
	14,494	10,275	11,941	13,304	18,099
	21,904	22,899	23,979	24,707	29,257
	14,148	28,080	17,914	16,495	32,688
	5,296	5,535	7,187	4,782	3,355
	2,895	2,056	1,936	1,782	1,673
	149,069	163,114	163,940	168,194	210,009
	34,222	26,963	43,384	90,442	67,616
	1,469	1,910	1,950	2,894	1,821
	12,135	-	-	-	-
	(12,035)	-	-	-	-
	34,028	33,286	42,300	57,452	96,599
	(38,391)	(39,283)	(49,958)	(65,462)	(99,972)
	(2,794)	(4,087)	(5,708)	(5,116)	(1,552)
	31,428	22,876	37,676	85,326	66,064
	-	-	-	-	-
	31,428	22,876	37,676	85,326	66,064
	6.2%	5.6%	6.1%	4.3%	2.8%

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Assessed Value of Taxable Property

Last Ten Fiscal Years
(Dollars in Thousands)

	Real Property			
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other
2008-09	$ 8,712,439	1,941,558	2,698,312	752,376
2009-10	9,124,313	2,129,060	2,720,914	802,565
2010-11	9,173,517	2,422,019	2,563,850	385,864
2011-12	9,441,237	2,632,290	2,479,217	372,374
2012-13	9,844,690	2,737,949	2,498,708	384,514
2013-14	10,803,722	3,029,020	2,586,574	358,677
2014-15	11,604,492	3,392,658	2,671,439	925,685
2015-16	12,697,503	3,633,892	3,381,658	1,016,306
2016-17	14,015,191	4,794,158	3,420,298	1,125,702
2017-18	15,613,793	5,376,731	3,676,616	1,072,122

Source: Santa Clara County Assessor

Note: Actual property value data not available in California.

(1) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1 percent and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Mountain View encompasses more than 15 tax rate areas.

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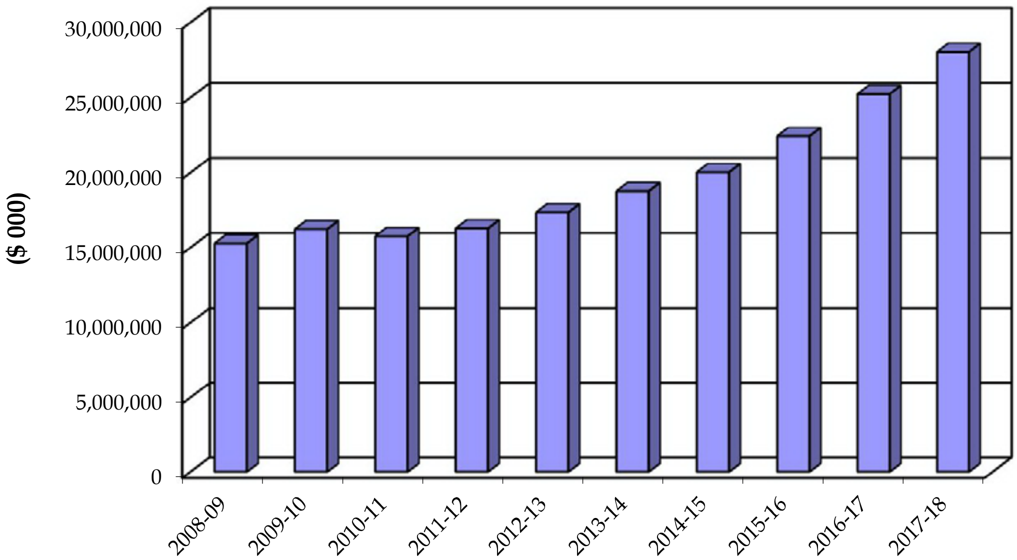
CITY OF MOUNTAIN VIEW, CALIFORNIA

Total Taxable Assessed Value



Unsecured	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (1)
1,552,055	(380,315)	15,276,424	1%
1,908,232	(457,452)	16,227,632	1%
1,688,517	(474,476)	15,759,291	1%
1,852,725	(501,151)	16,276,693	1%
2,400,336	(521,424)	17,344,773	1%
2,527,347	(545,680)	18,759,660	1%
2,444,399	(1,011,970)	20,026,703	1%
2,689,859	(993,411)	22,425,807	1%
2,972,482	(1,094,913)	25,232,918	1%
3,437,332	(1,145,258)	28,031,336	1%

CITY OF MOUNTAIN VIEW, CALIFORNIA

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years
(Rate per $100 of assessed value)

	City Direct Rates		Overlapping Rates (1)								
Fiscal Year	**Basic Rate (2)**	**Total Direct**	**County of Santa Clara**		**School Districts**		**Hospitals**		**Special Districts**	**Total Direct and Overlapping**	
2008-09	1.00	1.00	0.0388	0.0412	0.0565	0.0801	0.0000	0.0129	0.0061	1.1014	1.1403
2009-10	1.00	1.00	0.0510	0.0534	0.0757	0.1008	0.0000	0.0129	0.0074	1.1341	1.1745
2010-11	1.00	1.00	0.0483	0.0507	0.0799	0.1081	0.0000	0.0129	0.0072	1.1354	1.1789
2011-12	1.00	1.00	0.0388	0.0459	0.0747	0.1110	0.0000	0.0129	0.0064	1.1199	1.1762
2012-13	1.00	1.00	0.0439	0.0463	0.1005	0.1149	0.0000	0.0129	0.0069	1.1513	1.1810
2013-14	1.00	1.00	0.0423	0.0423	0.0941	0.1059	0.0000	0.0129	0.0070	1.1434	1.1681
2014-15	1.00	1.00	0.0479	0.0479	0.0747	0.1164	0.0000	0.0129	0.0065	1.1291	1.1837
2015-16	1.00	1.00	0.0476	0.0476	0.0632	0.1174	0.0000	0.0129	0.0065	1.1173	1.1844
2016-17	1.00	1.00	0.0474	0.0474	0.0772	0.0943	0.0000	0.0129	0.0092	1.1338	1.1638
2017-18	1.00	1.00	0.0597	0.0597	0.0737	0.1052	0.0000	0.0100	0.0071	1.1405	1.1820

Source: County of Santa Clara

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Mountain View. Not all overlapping rates apply to all Mountain View property owners. These are voter approved levies in addition to the 1 percent State levy.
(2) The City's share of the basic state wide property tax rate can only be increased by a 2/3 vote of the City's residents.

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Principal Property Tax Payers

Current Year and Nine Years Ago
(Dollars in Thousands)

Taxpayer	Fiscal Year 2017-18 Taxable Assessed Value	Fiscal Year 2017-18 Rank	Fiscal Year 2017-18 Percentage of Total City Taxable Assessed Value	Fiscal Year 2008-09 Taxable Assessed Value	Fiscal Year 2008-09 Rank	Fiscal Year 2008-09 Percentage of Total City Taxable Assessed Value
Google LLC	$ 4,106,749	1	14.6%	$ 565,536	1	3.7%
HCP Life Science REIT Inc.	360,170	2	1.3%	-	-	-
Baccarat Shoreline LLC	195,515	3	0.7%	-	-	-
Richard T. Peery Trustee	142,988	4	0.5%	137,261	5	0.9%
Murphy Road Apartments-San Jose LP	131,618	5	0.5%	-	-	-
P A Charleston Road LLC	109,804	6	0.4%	96,599	7	0.6%
Intuit Inc.	228,880	7	0.8%	-	-	-
Microsoft Corporation	93,053	8	0.3%	96,667	6	0.6%
Richard M. & Beverly J. Salado Trustee	81,714	9	0.3%	69,611	8	0.5%
Americana I LLC	357,169	10	1.3%	-	-	-
Brittania Hacienda VIII LLC	-	-	-	203,502	2	1.3%
Mission West Shoreline LLC	-	-	-	172,403	3	1.1%
Johnson & Johnson	-	-	-	146,555	4	1.0%
Istar CTL Charleston-Mountain	-	-	-	67,000	9	0.5%
SIC - Mountain Bay Plaza LLC	-	-	-	62,840	10	0.4%
Subtotal	$ 5,807,660		20.7%	$ 1,617,974		10.6%

Fiscal Year 2017-18 Total Net Assessed Valuation: $ 28,031,336
Fiscal Year 2008-09 Total Net Assessed Valuation: $ 15,276,425

Source: Santa Clara County Assessor Fiscal Year Combined Tax Rolls.
Ranking based on taxes paid.

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Property Tax Levies and Collections

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Taxes Levied (1)	Current Collections (2)	Percent of Levy Collected	Delinquent Tax Collections	Total Taxes Collected	Percent of Levy
2008-09	$ 53,264	53,264	100%	-	53,264	100%
2009-10	60,311	60,311	100%	-	60,311	100%
2010-11	54,749	54,749	100%	-	54,749	100%
2011-12	57,709	57,709	100%	-	57,709	100%
2012-13	58,515	58,515	100%	-	58,515	100%
2013-14	62,601	62,601	100%	-	62,601	100%
2014-15	64,954	64,954	100%	-	64,954	100%
2015-16	71,563	71,563	100%	-	71,563	100%
2016-17	86,373	86,373	100%	-	86,373	100%
2017-18	92,478	92,478	100%	-	92,478	100%

Source: City of Mountain View

(1) Levies include real and personal property. Amount excludes Special Assessments and the penalties and fees on delinquent Special Assessments.

(2) The City selected to participate in the "Teeter" plan offered by the County whereby cities receive 100 percent of the taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The "Teeter" plan does not apply to Special Assessment Districts.

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years
(Dollars in Thousands)

	Governmental Activities			
Fiscal Year	Tax Allocation Bonds	Certificates of Participation	Bank Loan	Special Assessment Debt
2008-09	$ 44,414	21,776	-	385
2009-10	40,917	19,995	-	359
2010-11	37,275	17,958	-	333
2011-12	56,330 (3)	5,779 (3)	-	306
2012-13	52,300	4,738	-	274
2013-14	36,085	3,655	12,135	241
2014-15	34,550	2,530	9,293	208
2015-16	32,955	-	6,265	174
2016-17	31,290	-	3,187	134
2017-18	29,555	-	1,607	95

Sources: City of Mountain View
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

Note: Debt amounts, except for Water Bonds (see (4) below), exclude any premiums, discounts or other amortization amounts.

(1) Includes the City of Palo Alto Loan. See Note 7 for additional information.
(2) See Schedule 14 (Demographic Statistics) for personal income and population data.
(3) In Fiscal Year 2011-12, the Revitalization Authority was dissolved and its assets transferred/liabilities assumed by the Successor Agency.
(4) Beginning in Fiscal Year 2012-13, Business-Type activities amount includes premiums and discounts.
(5) Personal income data for Fiscal Year 2017-18 is not available until May of 2019.

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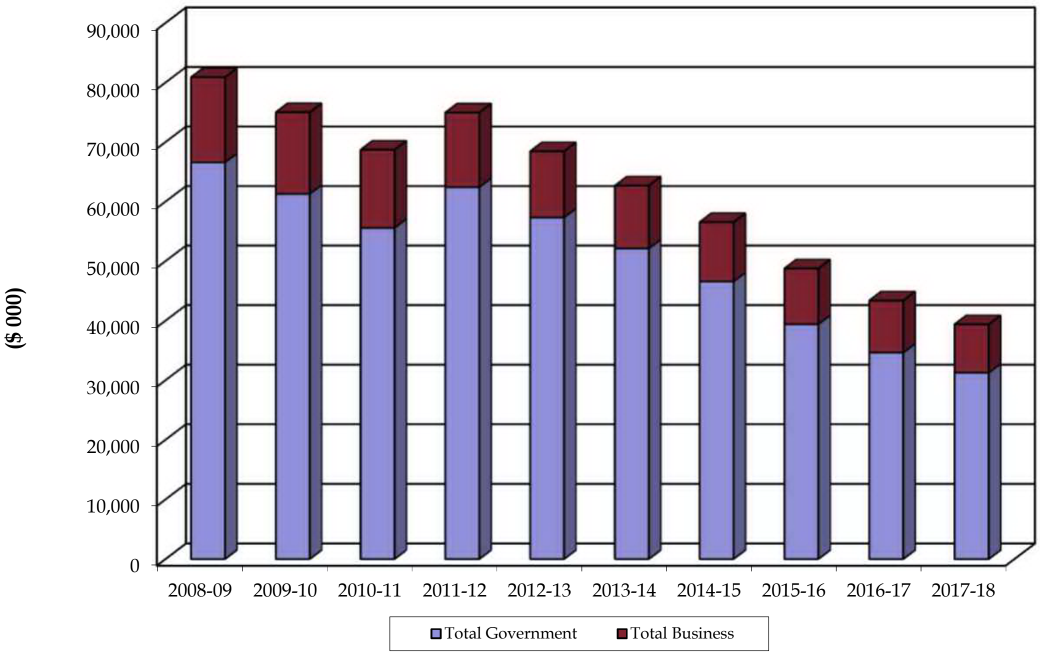
CITY OF MOUNTAIN VIEW, CALIFORNIA

Outstanding Debt by Activity Type



Business-Type Activities			
Water Bonds (1)	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
14,295	80,870	1.83%	1.08
13,715	74,986	1.77%	1.01
13,125	68,691	1.58%	0.92
12,525	74,940	1.61%	1.00
11,115 (4)	68,427	1.34%	0.90
10,540	62,656	1.17%	0.83
9,955	56,536	0.97%	0.73
9,355	48,749	0.77%	0.62
8,740	43,351	0.61%	0.55
8,110	39,367	(5)	0.48

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years
(Dollars in Thousands)

	General Bonded Debt Outstanding			
Fiscal Year	Tax Allocation Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
2008-09	$ 44,414	44,414	0.29%	$ 0.59
2009-10	40,917	40,917	0.25%	0.55
2010-11	37,275	37,275	0.24%	0.50
2011-12	56,330	56,330	0.35%	0.75
2012-13	52,300	52,300	0.32%	0.69
2013-14	36,085	36,085	0.19%	0.48
2014-15	34,550	34,550	0.17%	0.45
2015-16	32,955	32,955	0.15%	0.42
2016-17	31,290	31,290	0.12%	0.39
2017-18	29,555	29,555	0.11%	0.36

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Direct and Overlapping Governmental Activities Debt

As of June 30, 2018

2017-18 Assessed Valuation: $28,031,335,937

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/18	% Applicable (1)	City's Share of Debt 6/30/18	
Santa Clara County	$1,012,400,000	6.232%	$ 63,092,768	
Foothill-DeAnza Community College District	633,997,978	17.994	114,081,596	
Fremont Union High School District	433,280,088	0.330	1,429,824	
Mountain View-Los Altos Union High School District	52,243,375	57.477	30,027,925	
Los Altos School District	57,145,000	14.444	8,254,024	
Mountain View School District	12,725,000	92.375	11,754,719	
Sunnyvale School District	193,580,820	0.779	1,507,995	
Mountain View-Whisman School District	185,455,000	94.514	175,280,939	
Whisman School District	15,293,173	97.999	14,987,157	
El Camino Hospital District	127,800,000	33.327	42,591,906	
Midpeninsula Regional Open Space District	93,350,000	10.558	9,855,893	
City of Mountain View 1915 Act Bonds	**94,978**	**100.000**	**94,978**	
Santa Clara Valley Water District Benefit Assessment District	82,285,000	6.232	5,128,001	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$478,087,725	
OVERLAPPING GENERAL FUND DEBT:				
Santa Clara County General Fund Obligations	$599,642,965	6.232%	$ 37,369,750	
Santa Clara County Pension Obligation Bonds	357,547,175	6.232	22,282,340	
Santa Clara County Board of Education Certificates of Participation	4,985,000	6.232	310,665	
Foothill-DeAnza Community College District Certificates of Participation	28,803,859	17.994	5,182,966	
Mountain View-Los Altos Union High School District Certificates of Participation	1,845,000	57.477	1,060,451	
Los Altos School District Certificates of Participation	2,616,389	14.444	377,911	
Mountain View-Whisman School District Certificates of Participation	32,850,000	94.514	31,047,849	
Midpeninsula Regional Park District General Fund Obligations	123,040,600	10.558	12,990,627	
Santa Clara County Vector Control District Certificates of Participation	2,470,000	6.232	153,930	
TOTAL OVERLAPPING GENERAL FUND DEBT			$110,776,489	
Less: Santa Clara County supported obligations			25,492,898	
NET OVERLAPPING GENERAL FUND DEBT			$ 85,283,591	
DIRECT TAX INCREMENT DEBT:				
Mountain View Shoreline Park Community Tax Allocation Bonds	$29,555,000	100.000%	$29,555,000	
Mountain View Shoreline Park Community Loan Agreement	1,607,000	100.000%	1,607,000	
TOTAL DIRECT TAX INCREMENT DEBT			$31,162,000	
TOTAL DIRECT DEBT			**$31,256,978**	
TOTAL GROSS OVERLAPPING DEBT			$620,026,214	
TOTAL NET OVERLAPPING DEBT			$594,533,316	
GROSS COMBINED TOTAL DEBT			$620,026,214	(2)
NET COMBINED TOTAL DEBT			$594,533,316	

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.71%
Total Direct Debt ($31,256,978)	**0.12%**
Gross Combined Total Debt	2.21%
Net Combined Total Debt	2.12%

Source: California Municipal Statistics, Inc.

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Legal Debt Margin Information

Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year			
	2008-09	**2009-10**	**2010-11**	**2011-12**
Debt limit	$ 1,913,541	1,970,420	1,947,008	1,982,930
Total net debt applicable to limit	-	-	-	-
Legal debt margin	$ 1,913,541	1,970,420	1,947,008	1,982,930
Total net debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

(1) Source: California Municipal Statistics, Inc., excluding tax allocation increment.

(2) The legal debt margin for the City of Mountain View, California, is calculated using a debt limit of 15 percent of the assessed value of property within the city limits.

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Legal Debt Margin Calculation for Fiscal Year 2017-18

Assessed value (net) - June 30, 2018 (1)	$ 28,031,336
Debt limit: 15% of assessed value	4,204,700
Less total bonded debt, general obligation	-
Legal debt margin (2)	$ 4,204,700

Fiscal Year					
2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
2,601,716	2,813,949	3,004,005	3,363,871	3,784,938	4,204,700
-	-	-	-	-	-
2,601,716	2,813,949	3,004,005	3,363,871	3,784,938	4,204,700
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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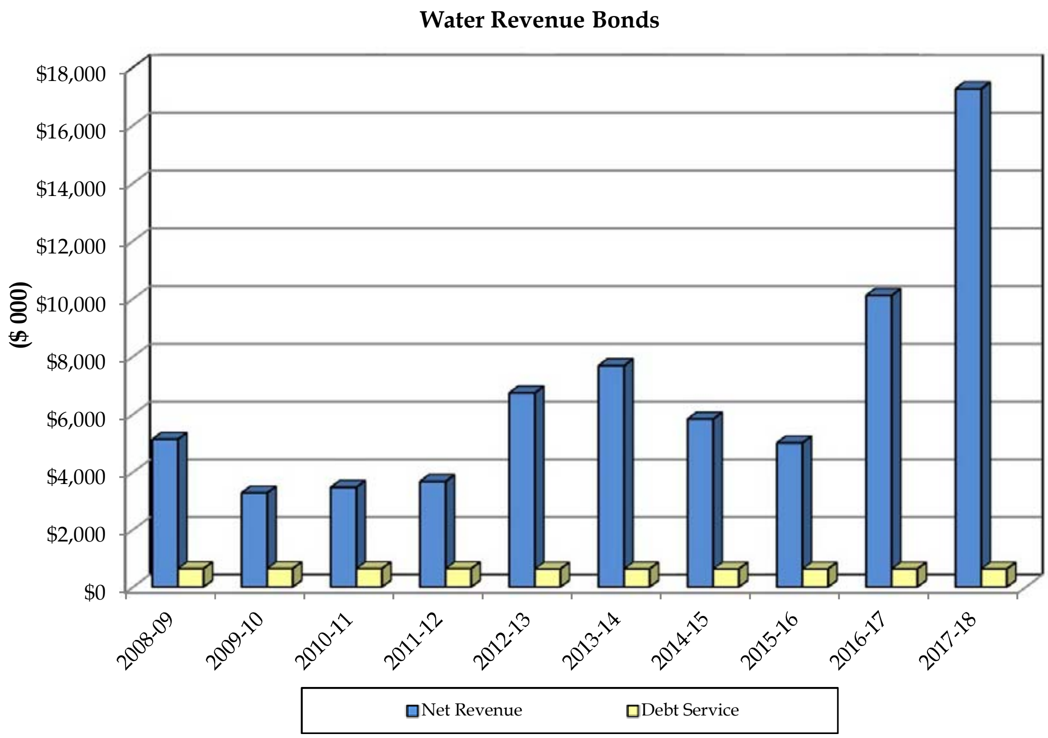
CITY OF MOUNTAIN VIEW, CALIFORNIA

Debt Pledged-Revenue Coverage

Last Ten Fiscal Years
(Dollars in Thousands)



Fiscal Year	Gross Revenues		Less: Operating Costs	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
	Water Revenue Bonds						
2008-09	$ 19,778		14,647	5,131	270	367	8.1
2009-10	19,183		15,912	3,271	280	359	5.1
2010-11	20,269		16,799	3,470	290	349	5.4
2011-12	23,608		19,938	3,670	300	339	5.7
2012-13	29,060		22,322	6,738	310	316	10.8
2013-14	29,183		21,505	7,678	325	304	12.2
2014-15	27,504		21,671	5,833	335	291	9.3
2015-16	28,479		23,472	5,007	350	277	8.0
2016-17	36,005	(1)	25,894	10,111	365	263	16.1
2017-18	48,005		30,746	17,259	380	248	27.5

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Gross revenues include developer capital contribution fees, non-operating interest earnings and transfers in.
Operating costs exclude depreciation or amortization. Interest also includes fiscal charges and other related costs.

(1) Fiscal Year 2016-17 restated to include developer capital contribution fees.

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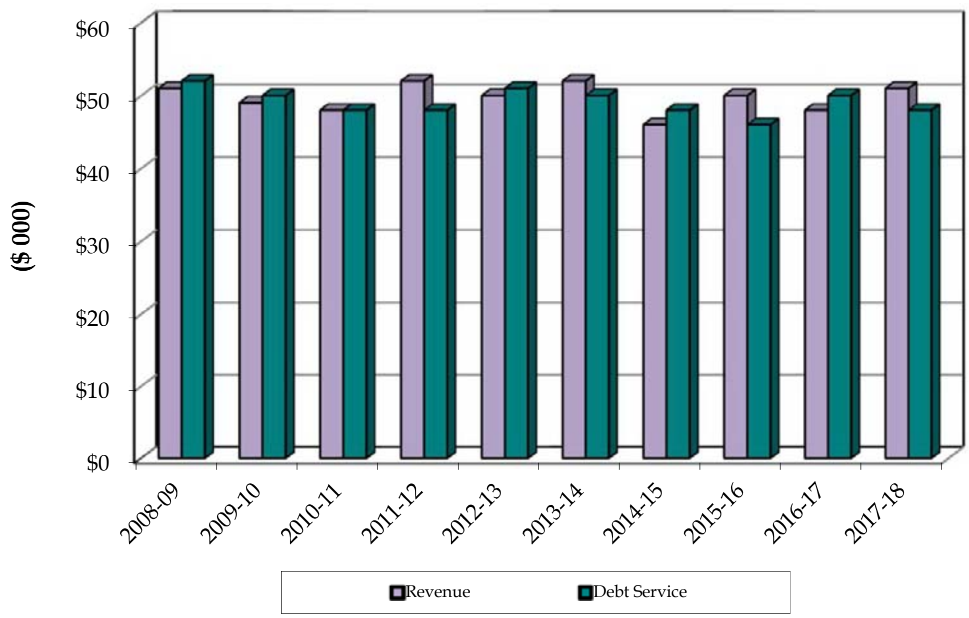
CITY OF MOUNTAIN VIEW, CALIFORNIA

Debt Pledged-Revenue Coverage

Last Ten Fiscal Years
(Dollars in Thousands)

Special Assessment Bonds



	Special Assessment Bonds			
Fiscal Year	Special Assessment Collections (1)	Debt Service Principal	Debt Service Interest	Coverage
2008-09	$ 51	26	26	1.0
2009-10	49	26	24	1.0
2010-11	48	26	22	1.0
2011-12	52	27	21	1.1
2012-13	50	32	19	1.0
2013-14	52	33	17	1.0
2014-15	46	33	15	1.0
2015-16	50	34	12	1.1
2016-17	48	39	11	1.0
2017-18	51	40	8	1.1

Note: Current fiscal year debt service is paid from prior year collections.

(1) Collections include interest payments from property owners.

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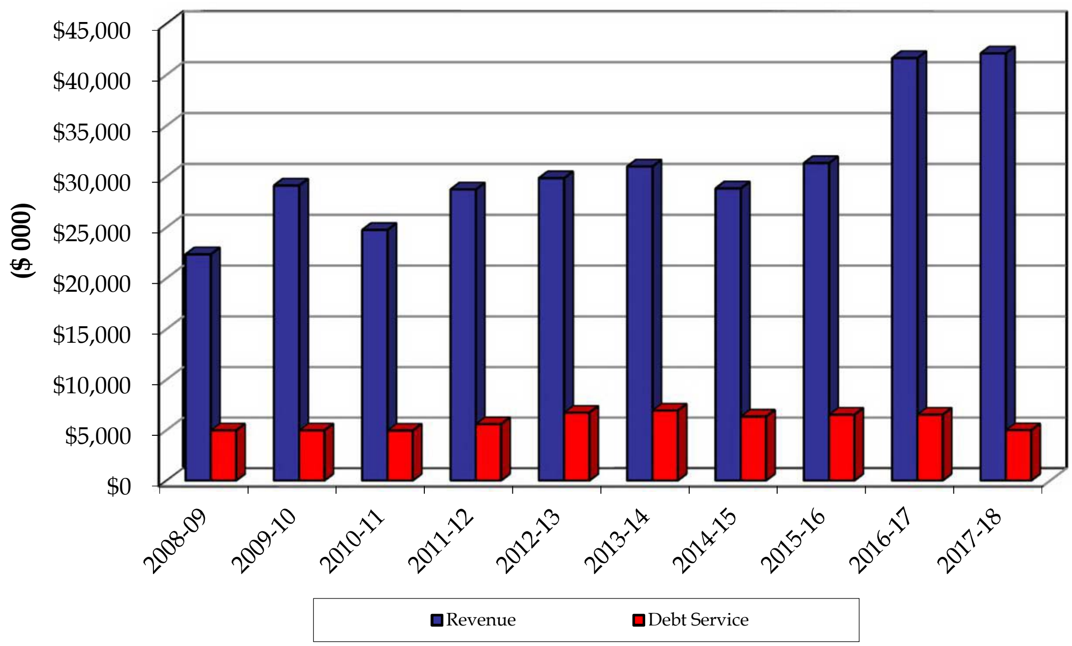
CITY OF MOUNTAIN VIEW, CALIFORNIA

Debt Pledged-Revenue Coverage

Last Ten Fiscal Years
(Dollars in Thousands)

Revenue Bonds - Shoreline Regional Park Community



Fiscal Year	Revenue Bonds-Shoreline Regional Park Community (2): Tax Increment Revenues	Debt Service: Principal	Debt Service: Interest (1)	Coverage
2008-09	$ 22,339	2,985	1,972	4.5
2009-10	29,102	3,095	1,854	5.9
2010-11	24,738	3,215	1,726	5.0
2011-12	28,716	3,360	2,218	5.1
2012-13	29,825	4,030	2,680	4.4
2013-14	30,972	4,180	2,746	4.5
2014-15	28,821	4,377	1,953	4.6
2015-16	31,304	4,623	1,884	4.8
2016-17	41,635	4,743	1,771	6.4
2017-18	42,100	3,315	1,665	8.5

(1) Includes other fiscal charges.
(2) Includes 2014 Shoreline Regional Park Community Bank Loan.

CITY OF MOUNTAIN VIEW, CALIFORNIA

Demographic Statistics

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Population (1)	Population Density (Sq. Mile) (2)	Personal Income (3)	Per Capita Personal Income (3)	School Enrollment	Unemployment Rate (%) (3)
2008-09	74,762	6,128	$ 4,410,958	59	6,918	11.8%
2009-10	74,066	6,071	4,147,696	56	7,211	11.3%
2010-11	74,895	6,139	4,343,910	58	7,311	10.3%
2011-12	75,188	6,163	4,661,656	62	7,351	8.7%
2012-13	75,688	6,204	5,071,096	67	7,524	6.8%
2013-14	75,907	6,222	5,313,490	70	7,535	5.4%
2014-15	77,250	6,332	5,793,750	75	7,552	3.9%
2015-16	78,396	6,426	6,350,076	81	7,577	4.0%
2016-17	79,278	6,498	7,055,742	89	7,620	3.5%
2017-18	81,527	6,683	(4)	(4)	7,678	2.2%

Sources: Santa Clara County Office of Education.
State of California, Department of Finance.
U.S. Census Bureau.

(1) Population numbers updated and are estimates as of January 1st, except Fiscal Year 2009-10 is census and Fiscal Year 2017-18 is a provisional estimate.
(2) Population Density per square mile calculations are restated from 11.7 to 12.2 square miles in Fiscal Year 2015-16. All prior year's numbers are restated.
(3) Per capita personal income and unemployment rate are for Santa Clara County.
Personal income is the product of the countywide per capita amount and the City's population.
(4) Personal income data for Fiscal Year 2017-18 is not available until May of 2019.

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Principal Employers

Current Year and Nine Years Ago

	Fiscal Year 2017-18			Fiscal Year 2008-09		
Employer	**Estimated Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Estimated Number of Employees**	**Rank**	**Percentage of Total City Employment**
Google LLC	24,626	1	19.2%	6,000	1	5.1%
Symantec	2,789	2	2.2%	1,149	5	1.0%
Intuit Inc.	2,563	3	2.0%	1,496	4	1.3%
El Camino Hospital	2,500	4	2.0%	2,200	2	1.9%
Microsoft Corporation	1,610	5	1.3%	2,000	3	1.7%
Synopsys Inc.	1,521	6	1.2%	1,000	6	0.9%
LinkedIn	1,364	7	1.1%	-	-	-
Samsung Research America Inc.	1,111	8	0.8%	-	-	-
Pure Storage	950	9	0.7%	-	-	-
MV Whisman School District	736	10	0.6%	-	-	-
Verisign	-	-	-	743	7	0.6%
KPMG	-	-	-	683	8	0.6%
Actel Corporation	-	-	-	411	9	0.3%
Siemens Corp. (formerly Acuson)	-	-	-	202	10	0.2%
Subtotal	39,770		31.1%	15,884		13.6%
Total City Daytime Population	127,930			117,000		

Sources: Business License Data
Silicon Valley Business Journal 'The List' (Published July 21, 2018)
Company representatives

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Full-Time Equivalent City Government Employees by Function

Last Ten Fiscal Years

	Adopted for Fiscal Year Ended June 30,			
	2009	**2010 (1)**	**2011 (1)**	**2012 (1)**
Function				
General government	78.50	78.50	77.25	73.75
Public safety:				
Fire:				
Firefighters and Safety Officers	73.00	73.00	73.00	73.00
Civilians	9.10	9.10	8.60	8.60
Police:				
Sworn Police	98.00	98.00	95.00	95.00
Civilians	50.50	50.50	49.50	46.50
Public works	59.57	58.75	58.75	52.05
Community development	33.00	33.00	33.00	32.00
Culture and recreation:				
Community Services	104.50	104.50	104.75	99.25
Library	33.75	33.50	33.50	30.00
Water	37.07	38.41	38.91	38.15
Wastewater	21.48	21.63	21.63	21.50
Solid Waste	15.03	15.36	15.36	14.95
Total Regular Positions	613.50	614.25	609.25	584.75
Limited-Period Positions	3.00	2.00	3.00	3.00
Total	616.50	616.25	612.25	587.75

Source: City of Mountain View

(1) Fiscal years ended June 30, 2010, 2011 and 2012 include 15.25, 25.0 and 1.0 unfunded positions, respectively.
(2) Includes the elimination of 17.5 positions with the transfer of the management of the golf course to a private operator.

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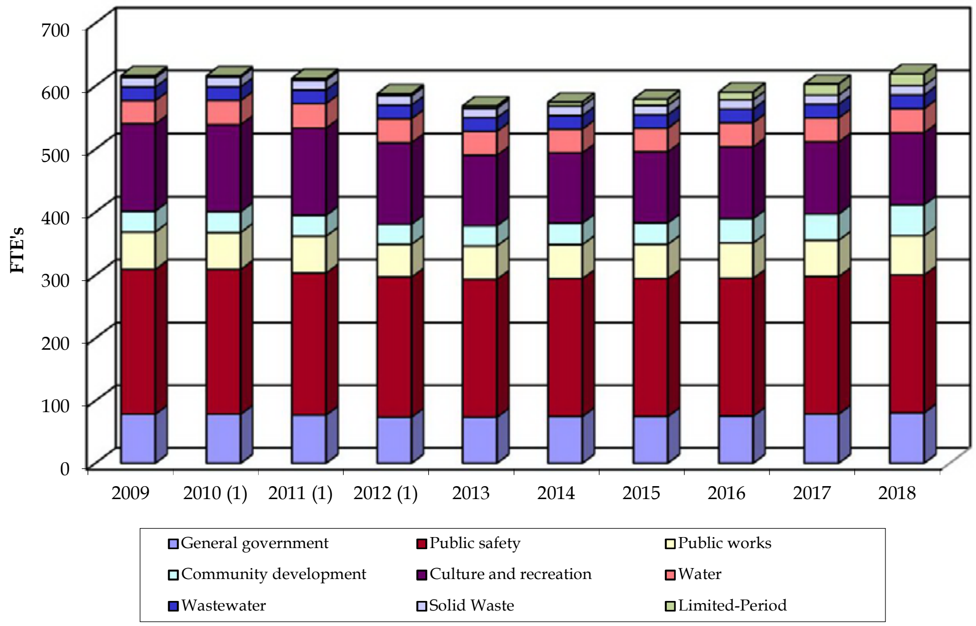
Schedule 16

CITY OF MOUNTAIN VIEW, CALIFORNIA

Employees by Function



Adopted for Fiscal Year Ended June 30,

2013	2014	2015	2016	2017	2018
73.75	74.75	74.75	75.40	78.65	80.65
74.00	74.00	74.00	74.00	74.00	73.00
5.60	5.60	5.60	5.60	4.60	5.60
96.00	96.00	96.00	96.00	95.00	95.00
44.00	44.00	44.00	44.00	45.50	46.00
53.05	54.05	54.55	56.20	57.70	62.40
32.00	34.00	34.00	38.75	41.75	49.00
81.75 (2)	81.75	82.75	83.75	84.25	84.50
30.00	30.00	30.00	30.00	29.75	29.75
38.15	37.65	37.50	38.25	38.25	38.35
21.50	21.50	21.45	21.60	21.60	21.70
14.95	14.95	14.65	14.70	14.70	14.80
564.75	568.25	569.25	578.25	585.75	600.75
3.50	6.25	10.00	12.25	17.50	19.00
568.25	574.50	579.25	590.50	603.25	619.75

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Schedule 17

CITY OF MOUNTAIN VIEW, CALIFORNIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30, 2009	2010	2011	2012
Public safety:				
Fire:				
Fire calls for service	4,916	4,710	5,033	5,141
Primary fire inspections conducted	887	1,160	1,257	965 (1)
Environmental safety inspections conducted	1,744	1,895	2,000	1,626 (1)
Police:				
Communication Center calls answered	98,865	86,763	84,313	81,820
Police calls for service	76,328	81,027	77,854	71,758
Law violations:				
Part I and Part II crimes	6,122	6,214	5,075	4,548
Physical arrests (adult and juvenile)	2,991	2,898	2,538	2,346
Traffic violations	11,672	14,772	14,245	10,789 (5)
Parking violations	5,716	5,969	7,296	4,755 (5)
Public works				
Street resurfacing (miles)	- (6)	5.28 (6)	3.40 (6)	1.83 (7)
Potholes repaired (square feet)	867	208	342	430
Culture and recreation:				
Community Services:				
Recreation class participants	9,772	9,542	8,595	7,604
Performing Arts Center performances	328	331	339	348
Library:				
Volumes in Collection (thousands)	317	318	321	333
Total Volumes Borrowed (thousands)	1,569	1,688	1,722	1,799
Water				
Water service connections	17,458	17,277	17,433	17,497
Water main breaks	10	1	12	6
Average daily consumption (thousands of gallons)	11,009	11,000	9,868	10,350
Wastewater				
Storm drain inlets	2,664	2,664	2,664	2,767
Sewer service connections	16,959	16,944	17,099	17,149
Sewer main blockages	10	11	4	4
Average daily treatment (thousands of gallons)	8,120	7,903	8,090	7,860
Solid Waste				
Landfilled (tons per year)	52,677 (12)	47,976	45,491	48,332
Recyclables Processed (tons per year) (13)	20,295 (12)	22,828	24,291	24,703

Source: City of Mountain View

(1) Lower due to vacancy and turnover in personnel resulting in reduced staffing.
(2) Beginning in the fiscal year ended June 30, 2015 includes total fire inspections completed by Fire Suppression Line Personnel (918). Previously included only those completed by the Fire & Environmental Protection Division (FEPD).
(3) Beginning in the fiscal year ended June 30, 2016, includes total multi-family housing inspections completed by FEPD not previously accounted for.
(4) For the fiscal year ended June 30, 2016 Police calls for service number is restated. Number of calls have decreased due to the different way the new CAD system records some activities.
(5) Fewer Traffic and Parking violations due to less officers available in the Traffic and Parking Enforcement Units.
(6) Work on Federal Stimulus Package delayed work on street resurfacing.
(7) Diversion of street resurfacing funds to a Federally funded streets project contributed to lower than average street resurfacing miles.
(8) Reflects focus on other street improvements such as drain grates, sidewalks, gutters, and curbs; which has diverted funding away from resurfacing efforts.
(9) The City was unable to advertise and bid the surface project and therefore street resurfacing project was delayed.
(10) The City's Customer Relationship Management (CRM) system has significantly increased the number of maintenance requests the Streets Operation receives from the public, including requests to fill potholes.
(11) Methodology to estimate number of sewer connections changed to reflect more accurate count.
(12) Fiscal years ended June 30, 2009 and 2015 are restated due to incorrect calculations used in those two years.
(13) Includes curbside, multi-family, commercial and school recycling, yard waste, debris box recycling, MV Recycling Center, and recyclables recovered from refuse at the SMaRT station.
(14) Beginning in the fiscal year ended June 30, 2015, includes food scrap recycling and the prior four fiscal years have been restated.

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Fiscal Year Ended June 30,					
2013	2014	2015	2016	2017	2018
5,196	5,526	5,703	5,955	6,117	6,049
999 (1)	957 (1)	1,857 (2)	2,844 (3)	1,972 (1)	1,520 (1)
1,593 (1)	1,851	1,769	1,641	1,572	1,613
79,662	85,175	90,559	91,826	91,782	92,011
72,318	61,525	63,093	48,875 (4)	48,515	44,188
4,465	4,384	4,369	4,901	4,689	4,914
2,706	2,320	2,262	1,978	2,218	2,119
18,908	13,411	13,745	11,821	8,233	3,563
4,120	8,235	5,990	6,733	8,149	12,506
1.20 (8)	1.49	- (9)	2.40	6.80	2.97
1,102 (10)	821	1,439	1,800	3,271	1,071
7,020	8,558	9,438	8,697	8,412	8,501
340	399	394	399	437	555
331	337	337	326	329	302
1,747	1,685	1,564	1,416	1,339	1,177
17,636	17,781	17,858	17,516	18,004	18,199
6	8	9	5	10	2
10,520	10,475	8,713	6,917	7,807	8,395
2,776	2,776	2,829	3,030	3,086	3,086
17,373	17,377	17,461	16,906 (11)	16,906	18,219
6	5	15	4	3	6
7,608	6,980	6,750	6,235	6,285	7,005
46,894	44,878	46,865 (12)	40,961	40,092	41,320
28,136	30,411	35,465 (14)	40,499	41,649	41,381

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Schedule 18

CITY OF MOUNTAIN VIEW, CALIFORNIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2009	**2010**	**2011**	**2012**
Function/Program				
Public safety:				
Fire stations	5	5	5	5
Police stations	1	1	1	1
Police patrol units	38	38	38	38
Public works				
Miles of streets	139.9	139.9	139.2 (1)	139.2
Street lights	4,117	4,117	4,117	4,117
Traffic Signals	78	80	80	80
Culture and recreation:				
Community services:				
City parks (2)	35	35	35	37
City parks acreage (2)	194.7	194.7	194.7	195.7
Playgrounds (2)	28	28	28	30
City trails (2)	5	5	5	5
City trails miles (2)	9.02	9.02	9.02	9.35
Roadway landscaping acreage	120.25	120.25	120.25	120.25
Regional park acreage (including trails) (2)	781.79	781.79	781.79	796.63
Regional park facilities:				
Golf courses (18 holes)	1	1	1	1
Boathouse	1	1	1	1
Sailing lake acreage	50	50	50	50
Clubhouse and banquet facility	1	1	1	1
Historic Buildings (8)	1	1	1	1
Community gardens	2	2	2	2
Community centers	1	1	1	1
Senior centers	1	1	1	1
Teen Center (9)	0	0	0	0
Sports centers	2	2	2	2
Performing arts centers	1	1	1	1
Swimming pools	2	2	2	2
Tennis courts	35	35	35	35
Baseball/softball diamonds	6	6	6	6
Soccer/football fields	14	14	14	14
Library:				
City Libraries	1	1	1	1
Water				
Miles of water mains	179	172	172	172
Fire hydrants	1,993	1,993	2,065	2,070
Storage capacity (thousands of gallons)	38,530	38,530	38,530	38,530
Wastewater				
Miles of sanitary sewers	159	159	159	159
Miles of storm sewers	108	108	108	108
Number of treatment plants (10)	0	0	0	0
Treatment capacity (thousands of gallons)	15,100	15,100	15,100	15,100

Source: City of Mountain View

(1) The miles of streets were adjusted due to duplicate or overlap street segments removed during the database updates.
(2) Includes assets not owned by the City but maintained by the City.
(3) Fiscal Years ended June 30, 2015 and 2016 were previously reported as 85, but 2 signals were not installed as planned.
(4) Shoreline Athletic Fields converted 12 acres of Regional park acreage to City parks acreage in Fiscal Year ended June 30, 2015-16.
(5) The total length of the trails adjusted due to more precise Geographic Information Systems measurement.
(6) Additions of Permanente Creek Trail Rock St to Middlefield Rd and Hetch-Hetchy Trail between N Whisman Rd and Tyrella Ave.
(7) No longer includes the Dog Park and Charleston Park.
(8) Separate category to reflect Adobe Building and Immigrant House beginning Fiscal Year ended June 30, 2016-17.
(9) Reflects Teen Center as a separate category beginning Fiscal Year ended June 30, 2016-17.
(10) The City of Mountain View owns treatment capacity at the Palo Alto Treatment Plant.

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Fiscal Year Ended June 30,					
2013	2014	2015	2016	2017	2018
5	5	5	5	5	5
1	1	1	1	1	1
38	38	38	38	38	38
140.2	140.2	140.2	140.2	140.2	140.2
4,117	4,117	4,117	4,120	4,120	4,120
83	83	83 (3)	83 (3)	83	85
37	39	41	42	42	42
195.7	196.35	199.12	212.32 (4)	212.32	212.32
30	30	30	30	30	30
5	5	5	5	5	5
9.35	9.26 (5)	9.26	9.26	9.26	9.71 (6)
120.25	120.25	120.25	120.25	120.25	120.25
796.63	796.13 (7)	796.13	784.13 (4)	784.13	784.13
1	1	1	1	1	1
1	1	1	1	1	1
50	50	50	50	50	50
1	1	1	1	1	1
1	1	1	1	3	3
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
0	0	0	0	1	1
2	2	2	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
35	35	35	35	35	35
6	6	6	8	8	8
14	14	14	16	16	16
1	1	1	1	1	1
176	176	176	176	177	188
2,072	2,074	2,091	2,118	2,118	2,136
38,530	38,530	38,530	38,530	38,530	38,530
158	158	158	158	158	158
108	109	109	109	109	109
0	0	0	0	0	0
15,100	15,100	15,100	15,100	15,100	15,100

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MOUNTAIN VIEW
SHORELINE REGIONAL PARK COMMUNITY

(A Component Unit of the City of Mountain View, California)

Component Unit Basic Financial Statements

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by the

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Patty J. Kong, Finance and Administrative Services Director
Grace Zheng, Accounting Manager

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMMUNITY

For the Fiscal Year Ended June 30, 2018

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Certified
Public
Accountants

Independent Auditor's Report

Board of Directors of the
Mountain View Shoreline Regional Park Community
City of Mountain View, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mountain View Shoreline Regional Park Community (Shoreline Community), a component unit of the City of Mountain View, California (City), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Shoreline Community's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shoreline Community as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparison for Shoreline Regional Park Community Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle
As discussed in Note 1(G) to the basic financial statements, effective July 1, 2017, the Shoreline Community adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shoreline Community's basic financial statements. The individual fund financial statements listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 14, 2018 on our consideration of the Shoreline Community's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shoreline Community's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shoreline Community's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 14, 2018

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Management's Discussion and Analysis (MD&A)
for the Fiscal Year Ended June 30, 2018

This section of the Mountain View Shoreline Regional Park Community's (Shoreline Community or SRPC) component unit basic financial statements presents a narrative overview and analysis of the financial activities of the Shoreline Community for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the financial statements and our transmittal letter for the financial statements of the City of Mountain View (City).

FINANCIAL HIGHLIGHTS

The Shoreline Community's principal revenue source is property taxes which have historically fluctuated due to economic conditions that have resulted in changes in the commercial vacancy rate and assessed values. For Fiscal Year 2017-18, property taxes have increased with the continuation of a strong local economy. Fiscal Year 2017-18 financial highlights include the following:

- The financial position of the Shoreline Community remains strong as its assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources for the fiscal year ended June 30, 2018 by $71.2 million (net position). Of this amount, $26.9 million is restricted for Shoreline Community indebtedness, $2.9 million for debt service, and $5.7 million is unrestricted related to development impact fees received.

- The Shoreline Community's total net position decreased by $48.4 million during the fiscal year compared to the prior fiscal year increase of $17.4 million. The significant change is primarily due to a one-time asset transfer to the City in the amount of $19.5 million and higher transfers for capital projects, including a transfer of $28.5 million to purchase property for a major road realignment.

- Shoreline Communitywide revenues of $61.9 million included program revenues, and general revenues, excluding net transfers, are $11.3 million more than the prior fiscal year. The significant change is primarily due to $12.1 million higher developer fees and contributions received during the fiscal year over last fiscal year.

- Shoreline Communitywide expenses are $34.7 million, $7.0 million higher than the prior fiscal year, due to an increase of $1.6 million in the payment to the school districts, $3.2 million in a capital asset retirement, and general inflationary cost increases.

- Governmental fund balances for the fiscal year ended June 30, 2018 decreased $25.3 million to $40.0 million, primarily due to higher transfers for capital projects.

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- Governmental fund revenues are $59.9 million for the fiscal year ended June 30, 2018, up $12.4 million from the prior fiscal year's revenues, primarily due to the Shoreline Community receiving higher capital contributions from development activities.

- Governmental fund expenditures are $29.1 million for the fiscal year ended June 30, 2018, up $2.0 million from the prior fiscal year's expenditures of $27.1 million.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Shoreline Community's component unit basic financial statements. The Shoreline Community's component unit basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains required supplementary information.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the Shoreline Community's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Shoreline Community is improving or deteriorating.

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

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Shoreline Community, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Shoreline Community has three individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the SRPC Fund, SRPC 2011 Revenue Bonds Fund, and SRPC 2014 Bank Loan Fund, all of which are reported as major funds.

The Shoreline Community adopts an annual appropriated budget for its Special Revenue Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with budget.

Fiduciary funds are used to account for resources held for the benefit of parties outside the Shoreline Community. Since the resources of these funds are not available to support the Shoreline Community's own programs, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other

Required Supplementary Information includes schedules required to be presented showing information related to the SRPC cost sharing arrangement with the City's pension plan and other postemployment benefits plan (OPEB).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Shoreline Community has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Two years of financial information and a comparative analysis of government-wide data are included in this MD&A. In additions, reclassifications have been made to some prior fiscal year balances to conform to the current fiscal year presentation formats.

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Analysis of Net Position

A summary of net position follows:

Condensed Statement of Net Position
(Dollars in Thousands)

	2018	2017
Assets:		
Current and other assets	$ 43,970	68,700
Capital assets	66,943	93,364
Total assets	110,913	162,064
Deferred outflows of resources:		
Pension items	1,596	1,218
OPEB items	1,085	-
Total deferred outflows of resources	2,681	1,218
Liabilities:		
Current and other liabilities	4,643	4,157
Noncurrent liabilities	31,162	34,477
Net pension liability	5,431	4,948
Net OPEB liability	1,085	-
Total liabilities	42,321	43,582
Deferred inflows of resources:		
Deferred inflows related to pension	68	89
Net Position:		
Net investment in capital assets	35,781	58,887
Restricted for Shoreline Community indebtedness	26,870	55,848
Restricted for debt service	2,883	2,926
Unrestricted	5,671	1,950
Total net position	$ 71,205	119,611

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the Shoreline Community, assets, and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $71.2 million at the end of the fiscal year. The components of net position are as follows:

- The largest portion of the Shoreline Community's net position of $35.8 million is net investment in capital assets, and is a decrease of $23.1 million compared to the prior fiscal year. This is primarily related to a one-time special item to transfer assets from the Shoreline Community to the City.

- Another significant portion of the Shoreline Community's net position of $26.9 million is restricted for Shoreline Community indebtedness, which may be used to meet the Shoreline Community's obligations. The decrease is due to higher transfers for capital projects.

The Shoreline Community's net position decreased $48.4 million for the fiscal year, primarily due to higher transfers for capital projects, as discussed previously. In addition, for the fiscal year ended June 30, 2018, the Shoreline Community implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) and is reporting OPEB liability and deferred outflow of resources.

Statement of Activities

A summary of the changes in net position follows:

Condensed Statement of Activities
(Dollars in Thousands)

	2018	2017
Revenues:		
Program revenues	$ 17,621	5,685
General revenues:		
Taxes	42,100	41,635
Capital contributions	2,034	3,186
Investment income	143	106
Total revenues	61,898	50,612
Expenses:		
General government	18,312	16,257
Public safety	185	193
Public works	3,150	2,398
Community development	525	411
Culture and recreation	10,941	6,736
Interest on long-term debt	1,625	1,723
Total expenses	34,738	27,718
Increase in net position before transfers	27,160	22,894
Transfers (net)	(56,070)	(5,459)
Special item - Transfer of capital Assets to the City of Mountain View	(19,496)	-
Change in net position	(48,406)	17,435
Beginning net position	119,611	102,176
Ending net position	$ 71,205	119,611

The major component of the Shoreline Community's fiscal year ended June 30, 2018 revenues is $42.1 million from property taxes. This is an increase of $465,000 and comparable to the prior fiscal year. Program revenues are $17.6 million, of which $17.1 million is from developer fees and contributions, compared to $5.7 million in the prior fiscal year. More developer fees and contributions were received due to a higher level of development activity. Investment earnings accounted for $143,000 of Shoreline Community revenues, comparable to the prior fiscal year.

Expenses totaled $34.7 million, $7.0 million higher than the prior fiscal year as previously discussed. The major components are $18.3 million for general government, $3.2 million for public works, $10.9 million for culture and recreation, and $1.6 million for interest on long-term debt.

The change in net position is a decrease of $48.4 million compared to the prior fiscal year increase of $17.4 million. The difference is due to the items mentioned above related to the one-time capital assets transfer to the City and higher transfers for capital projects.

FINANCIAL ANALYSIS OF THE SHORELINE COMMUNITY'S FUNDS

As noted earlier, the Shoreline Community uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of June 30, 2018, the Shoreline Community's funds reported combined fund balances of $40.0 million, a decrease of $25.3 million from the prior fiscal year, a $3.8 million increase in Committed Fund Balance and $29.0 million decrease in Restricted Fund Balance from the prior fiscal year. The increase in Committed Fund Balance is due to higher developer fees received and the decrease in the Restricted Fund Balance is due to the higher transfers to the City's capital projects, as discussed previously.

Revenues for the fiscal year ended June 30, 2018 totaled $59.9 million, an increase of $12.4 million, or 26.2 percent, compared to the prior fiscal year. The increase is primarily due to the Shoreline Community receiving higher developer fees and contributions. Expenditures totaled $29.1 million, an increase of $1.9 million from the prior fiscal year.

The SRPC Fund receives tax revenues on property within the Shoreline Community. The fund accounts for the revenues and expenditures of the Shoreline Community. At the end of the fiscal year, the fund balance is $37.1 million. As a measure of the fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. The total fund balance represents 154.2 percent of the total fund expenditures of $24.1 million.

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The fund balance of the SRPC Fund decreased by $25.2 million during the current fiscal year. Key factors in this decrease are as follows:

- Total revenues are $59.8 million in Fiscal Year 2017-18, an increase of $12.4 million from the prior fiscal year. Property tax revenues are $42.1 million for the fiscal year ended June 30, 2018, an increase of $465,000 from the prior fiscal year. The primary increase in revenues is due to the increase in developer contribution and fees as described above.

- Expenditures are $24.1 million for the fiscal year ended June 30, 2018, an increase of $3.5 million over the prior fiscal year. The increase is due to overall inflationary increases, and the increase in payments to the school districts and County for the Education Enhancement Reserve Joint Powers Agreement and the Tax Revenue Sharing Agreement, respectively.

- Net transfers out were $61.0 million for the fiscal year ended June 30, 2018 compared to net transfers out of $12.0 million in the prior fiscal year. The increase is primarily related to higher transfers to the City for capital projects.

The SRPC 2011 Revenue Bonds Fund accounts for resources used for the purpose of paying the principal, interest, and related costs on the Shoreline Regional Park Community 2011 Revenue Bonds as they become due, which are more fully described in Note 7 to the financial statements.

Debt service expenditures included $1.7 million in principal retirement and $1.6 million in interest and fiscal charges in for the fiscal year ended June 30, 2018, comparable to the prior fiscal year.

The SRPC 2014 Bank Loan Fund accounts for the resources used for the purpose of paying the principal, interest, and related costs on the Shoreline Regional Park Community 2014 Bank Loan as they become due, which are more fully described in Note 7 to the financial statements.

Debt service expenditures included $1.6 million in principal retirement and $40,000 in interest and fiscal charges in for the fiscal year ended June 30, 2018, comparable to the prior fiscal year.

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CAPITAL ASSETS

A summary of capital assets follows:

Capital Assets
(Dollars in Thousands)

	2018	2017
Land	$ 14,332	14,332
Construction in progress	21,237	22,608
Buildings	23,908	23,908
Improvements other than building	84,768	84,553
Machinery and equipment	2,006	2,104
Traffic signals	931	931
Streetlights	1,009	1,009
Bridges and culverts	-	11,347
Sidewalks, curbs, and gutters	-	7,421
Streets and roads	-	21,820
Less accumulated depreciation	(81,248)	(96,669)
Total	$ 66,943	93,364

For the fiscal year ended June 30, 2018, capital assets recorded on the Shoreline Community's financial statements amount to $66.9 million (net of accumulated depreciation). The decrease is mainly due to a one-time transfer of capital assets to the City for infrastructure as required. Further details on capital assets and depreciation charges are discussed in Note 6 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2018, the Shoreline Community has $31.2 million of outstanding long-term debt and all debt principal payments were made as scheduled. Standard & Poor's reconfirmed the Shoreline Community's underlying "A+" credit rating in November 2018. The Shoreline Community's debt issues are discussed in detail in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Property taxes for the Shoreline Community are expected to decrease for the upcoming fiscal year, compared to the July 1, 2017 tax roll. Secured assessed values increased due to the 2.0 CCPI applied to secured property and increases in property values due to changes in ownership and new development added to the tax roll. Property values are rising due to the high development demand as a result of the continued strong economy. Unsecured assessed values decreased due to resolution of assessment appeals. The retention rate of assessment appeals has been high, but there are still pending appeals filed by owners of property in the Shoreline Community from the last recession that could still have an impact on future property tax revenues if successful.

These factors were considered in preparing the Shoreline Community's budget for Fiscal Year 2018-19.

REQUESTS FOR INFORMATION

These financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Shoreline Community's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Finance and Administrative Services Department, 500 Castro Street, P.O. Box 7540, Mountain View, California, 94039-7540, or *finance@mountainview.gov*.

PJK/3/FIN
546-11-13-18R-SRPC

MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Statement of Net Position - Governmental Activities
June 30, 2018
(Dollars in Thousands)

Assets:		
Cash and investments	$	40,551
Restricted cash and investments		2,883
Receivables, net of allowance:		
Accounts		34
Interest		502
Capital assets:		
Nondepreciable		35,569
Depreciable, net of accumulated depreciation		31,374
Total assets		110,913
Deferred outflows of resources:		
Pension items		1,596
OPEB items		1,085
Total deferred outflows of resources		2,681
Liabilities:		
Accounts payable and accrued liabilities		3,850
Interest payable		673
Refundable deposits		26
Unearned revenue		94
Long-term liabilities:		
Due within one year		3,407
Due in more than one year		27,755
Net pension liability		5,431
Net OPEB liability		1,085
Total liabilities		42,321
Deferred inflows of resources:		
Pension items		68
Net position:		
Net investment in capital assets		35,781
Restricted for:		
Shoreline Community indebtedness		26,870
Debt service		2,883
Unrestricted		5,671
Total net position	$	71,205

See accompanying notes to the financial statements.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Function/Program Activities:				
General government	$ 18,312	-	-	(18,312)
Public safety	185	-	-	(185)
Public works	3,150	-	-	(3,150)
Community development	525	-	17,102	16,577
Culture and recreation	10,941	519	-	(10,422)
Interest on long-term debt	1,625	-	-	(1,625)
Total governmental activities	$ 34,738	519	17,102	(17,117)
General revenues:				
Property taxes				42,100
Capital contributions from the City of Mountain View				2,034
Investment income				143
Transfers:				
Transfers from the City of Mountain View				806
Transfers to the City of Mountain View				(56,876)
Special Item - Transfer of capital assets to the City of Mountain View				(19,496)
Total general revenues, transfers, and special item				(31,289)
Change in net position				(48,406)
Net position, beginning of year				119,611
Net position, end of year				$ 71,205

See accompanying notes to the financial statements.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Governmental Funds
Balance Sheet
June 30, 2018
(Dollars in Thousands)

	Shoreline Regional Park Community	Shoreline Regional Park Community 2011 Revenue Bonds	Shoreline Regional Park Community 2014 Bank Loan	Total
Assets:				
Cash and investments	$ 40,551	-	-	40,551
Restricted cash and investments	-	2,883	-	2,883
Receivables, net of allowance:				
Accounts	34	-	-	34
Interest	502	-	-	502
Total assets	$ 41,087	2,883	-	43,970
Liabilities and fund balances:				
Liabilities:				
Accounts payable and accrued liabilities	$ 3,850	-	-	3,850
Refundable deposits	26	-	-	26
Unearned revenue	94	-	-	94
Total liabilities	3,970	-	-	3,970
Fund Balances:				
Restricted	26,870	2,883	-	29,753
Committed	10,247	-	-	10,247
Total fund balances	37,117	2,883	-	40,000
Total liabilities and fund balances	$ 41,087	2,883	-	43,970

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Reconciliation of the Balance Sheet of Governmental Funds to the Government-wide Statement of Net Position - Governmental Activities
June 30, 2018
(Dollars in Thousands)

Fund balances - total governmental funds	$ 40,000
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	66,943
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.	(673)
Deferred outflows and inflows of resources for pension and OPEB items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources	2,681
Deferred inflows of resources	(68)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net pension liability	(5,431)
Net OPEB liability	(1,085)
Bonds and loans payable	(31,162)
Net position of governmental activities	$ 71,205

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Shoreline Regional Park Community	Shoreline Regional Park Community 2011 Revenue Bonds	Shoreline Regional Park Community 2014 Bank Loan	Total
Revenues:				
Property taxes	$ 42,100	-	-	42,100
Use of money and property	479	35	-	514
Intergovernmental	14	-	-	14
Charges for services	74	-	-	74
Developer fees and contributions	17,102	-	-	17,102
Other	60	-	-	60
Total revenues	59,829	35	-	59,864
Expenditures:				
Current:				
General government	18,291	-	-	18,291
Public safety	150	-	-	150
Public works	1,215	-	-	1,215
Community development	454	-	-	454
Culture and recreation	3,960	-	-	3,960
Debt service:				
Principal	-	1,735	1,580	3,315
Interest and fiscal charges	-	1,625	40	1,665
Total expenditures	24,070	3,360	1,620	29,050
Excess (deficiency) of revenues over (under) expenditures	35,759	(3,325)	(1,620)	30,814
Other financing sources (uses):				
Transfers in	-	3,282	1,620	4,902
Transfers out	(4,902)	-	-	(4,902)
Transfers from the City of Mountain View	806	-	-	806
Transfers to the City of Mountain View	(56,876)	-	-	(56,876)
Total other financing sources (uses)	(60,972)	3,282	1,620	(56,070)
Net change in fund balances	(25,213)	(43)	-	(25,256)
Fund balances, beginning of year	62,330	2,926	-	65,256
Fund balances, end of year	$ 37,117	2,883	-	40,000

See accompanying notes to the financial statements.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

Net change in fund balances - total governmental funds		$ (25,256)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets additions	$ 2,034	
Capital assets retirements	(3,182)	
Depreciation	(5,777)	
Transfer of capital assets to the City of Mountain View	(19,496)	(26,421)
Pension and OPEB contributions made subsequent to the measurement date are expenditures in the governmental funds, but reported as deferred outflows of resources in the government-wide financial statements.		1,904
Pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(1,988)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		3,315
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable		40
Change in net position of governmental activities		$ (48,406)

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Shoreline Regional Park Community Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 39,306	39,306	42,100	2,794
Use of money and property	1,254	1,254	479	(775)
Intergovernmental	-	-	14	14
Charges for services	18	18	74	56
Developer fees and contributions	-	-	17,102	17,102
Other	45	45	60	15
Total revenues	40,623	40,623	59,829	19,206
Expenditures:				
Current:				
General government:				
Finance and administrative services	18,004	18,311	18,291	20
Public safety:				
Fire	135	136	112	24
Police	40	40	38	2
Public works	1,347	1,440	1,215	225
Community development	645	713	454	259
Culture & recreation:				
Community services	4,319	4,366	3,960	406
Total expenditures	24,490	25,006	24,070	936
Excess of revenues over expenditures	16,133	15,617	35,759	20,142
Other financing sources (uses):				
Transfers out	(4,902)	(4,902)	(4,902)	-
Transfers from the City of Mountain View	-	-	806	806
Transfers to the City of Mountain View	(28,389)	(56,953)	(56,876)	77
Total other financing sources (uses)	(33,291)	(61,855)	(60,972)	883
Net change in fund balances	$ (17,158)	(46,238)	(25,213)	21,025
Fund balance, beginning of year			62,330	
Fund balance, end of year			$ 37,117	

See accompanying notes to the financial statements.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Agency Funds
Statement of Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Education Enhancement JPA				
Assets:				
Cash and investments	$ -	6,584	(6,584)	-
Liabilities:				
Collection payable	$ -	6,584	(6,584)	-

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mountain View Shoreline Regional Park Community (Shoreline Community) was established in 1969 pursuant to the provisions of the Mountain View Shoreline Regional Park Community Act (Act). The purpose of the Shoreline Community is to provide for the development of approximately 1,550 acres of Bayfront lands.

The Shoreline Community is an integral part of the City of Mountain View (City). The Shoreline Community's Board (Board) is comprised of the same members as the City Council and the City's management has operational responsibility of the Shoreline Community. Therefore, the Shoreline Community is considered a blended component unit of the City and its financial activities are included within the City's comprehensive annual financial report.

The Shoreline Community's primary source of revenue is property taxes, which are computed and allocated to the Shoreline Community as follows:

a. The assessed valuation of all property within the Shoreline Community's boundaries is determined and "frozen" for allocation purposes on the date of adoption by the Shoreline Community of a designation of a "base year" assessment roll. Shoreline Community designated the fiscal year ended 1977-78 as the base year.

b. Increments in property taxes resulting from any increase in assessed values after the adoption of the Shoreline Community are allocated to the Shoreline Community; all property taxes on the "frozen" assessed valuation of the property are allocated to the City and other taxing entities receiving taxes within the Shoreline Community's boundaries.

The Shoreline Community has no power to levy or collect taxes. Any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay principal and interest on debt or loans from the City and any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues available for this purpose. The Shoreline Community is also authorized to finance the North Bayshore Plan from other sources, including assistance from the City, the State and federal governments, interest income and the issuance of Shoreline Community debt.

A. Basis of Presentation

The Shoreline Community's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

setting body for establishing accounting and financial reporting standards followed by governmental entities. These standards require that the financial statements described below be presented.

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the primary government (the Shoreline Community). These statements include the financial activities of the Shoreline Community, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Shoreline Community's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions of capital assets or resources that are restricted for capital purposes. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about the Shoreline Community's funds, including fiduciary funds. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

B. Major Funds

The Shoreline Community reports major governmental funds in the basic financial statements as follows:

Shoreline Regional Park Community Fund (Special Revenue) - This fund receives property tax revenues on properties within the Shoreline Community. The fund accounts for the revenues and expenditures of the Shoreline Community. This is the operating fund of the Shoreline Community.

Shoreline Regional Park Community 2011 Revenue Bonds Fund *(Debt Service)* – This fund accounts for the resources used for the purpose of paying the principal, interest and related costs on the Shoreline Regional Park Community 2011 Revenue Bonds as they become due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Shoreline Regional Park Community 2014 Bank Loan Fund *(Debt Service)* – This fund accounts for the resources used for the purpose of paying the principal, interest and related costs on the Shoreline Regional Park Community 2014 Bank Loan as they become due.

The Shoreline Community also reports the following fiduciary fund:

Education Enhancement JPA Agency Fund accounts for funds to be used by the joint powers authority to enhance the educational and technology capacity of students in Mountain View schools.

C. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when *measurable and available*. The Shoreline Community considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured and are due and payable at year end. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt issuance and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the Shoreline Community gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Those revenues susceptible to accrual are property taxes, earned grant entitlements, and investment revenue. All other revenue items are considered to be measurable and available only when cash is received.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Shoreline Community may receive funding for specific programs that is restricted to the operations of these programs. The Shoreline Community also receives unrestricted revenues from different funding sources. When restricted program expenses are incurred, it is the Shoreline Community's policy to first apply revenues from the restricted sources to these programs and then apply unrestricted general revenue.

Certain indirect costs are included in program expenses reported for individual functions and activities.

D. Property Taxes

The County of Santa Clara (County) assesses properties and it bills, collects and distributes property taxes to the Shoreline Community. The County remits to the Shoreline Community the entire amount levied above the frozen base and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1 for the fiscal year.

Secured property tax becomes a lien on January 1 and is due in two installments, on November 1 and February 1. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax bills are distributed in July and are due upon receipt, and become delinquent after August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings and are secured by liens on the property owner. Unsecured may also include the property taxes paid in lieu on leased property. Property tax revenues are recognized by the Shoreline Community in the fiscal year they are levied, provided they become available as defined above.

E. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element,

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

F. Pension and Other Postemployment Benefits (OPEB) Items

For purposes of measuring the net pension liability and net OPEB liability, deferred outflows/inflows of resources related to pension and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the City's Pension and OPEB plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) and the California Employer's Retiree Benefit Trust Fund (CERBT). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. CalPERS plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value. The Shoreline Community's financial statements reflect its proportionate share of the Pension and OPEB liabilities, deferred outflows/inflows of resources and expenses.

G. Effects of New GASB Pronouncements

The Shoreline Community adopted the provisions of GASB Statements during the fiscal year ended June 30, 2018 as follows:

- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. As of July 1, 2017, the Shoreline Community recorded the beginning net OPEB liability of $1.0 million and deferred outflows of resources of $1.0 million related to OPEB contributions made after the measurement date. See Note 9 for detailed information about the impact of the implementation on the Shoreline Community's financial statements.

- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. Implementation of this statement did not have a significant impact on the Shoreline Community's financial statements for the fiscal year ended June 30, 2018.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Implementation of this statement did not have a significant impact on the Shoreline Community's financial statements for the fiscal year ended June 30, 2018.

- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. Implementation of this statement did not have a significant impact on the Shoreline Community's financial statements for the fiscal year ended June 30, 2018.

The Shoreline Community is currently analyzing its accounting practices to identify the potential impact on the financial statements for the GASB statements as follows:

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for the Shoreline Community's fiscal year ending June 30, 2019.

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Shoreline Community's fiscal year ending June 30, 2020.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Shoreline Community's fiscal year ending June 30, 2021.

- In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarities which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for the Shoreline Community's fiscal year ending June 30, 2019.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are 1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and 2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the Shoreline Community's fiscal year ending June 30, 2021.

- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No.14 and No.61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the Shoreline Community's fiscal year ending June 30, 2020.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Special Item

Special items are transactions or events that are within the control of the Shoreline Community and are either unusual in nature or infrequent in occurrence. During the fiscal year ended June 30, 2018, the City and the Shoreline Community determined that certain infrastructure including bridges and culverts; sidewalks, curbs and gutters; and streets and roads funded by the Shoreline Community totaling $19.5 million should be transferred to the City in accordance with the Act. The Shoreline Community recorded the transfer of those capital assets to the City as a special item.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

The Shoreline Community adopts an annual budget on or before June 30 for the ensuing fiscal year for the Shoreline Regional Park Community Fund.

No annual budgets are adopted for the Shoreline Community's Debt Service Funds. Repayment of the debt is authorized by the adoption of the indenture provisions for the life of the debt.

Budget appropriations become effective each July 1. The Board may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund and department level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

The Shoreline Regional Park Community Fund's annual budget is presented on a basis consistent with the basic financial statements prepared in accordance with generally accepted accounting principles.

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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Budgeted revenue amounts represent the original budget modified by adjustments authorized during the fiscal year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the fiscal year and reappropriated amounts for encumbrances and donations outstanding at the end of each prior fiscal year.

The Shoreline Community's Board must approve appropriation increases to departmental budgets; however, management may transfer Board-approved budgeted amounts within fund and departmental expenditure classifications. Judgments, settlements and accrual entries are not subject to budgetary control and expenditures exceeding budget due to these items do not constitute a violation of budget policy or control. Supplemental appropriations were approved during the course of the fiscal year as needed.

B. Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration. Encumbrances outstanding at fiscal year end are automatically reappropriated for inclusion in the following fiscal year's budget.

NOTE 3 – CASH AND INVESTMENTS

A. Classification

Cash and investments are classified in the financial statements, based on whether or not their use is restricted under the terms of debt instruments. Investments are carried at fair value as of June 30, 2018. Cash and investments are as follows (dollars in thousands):

Cash and investments	$ 40,551
Restricted cash and investments	2,883
Total cash and investments	$ 43,434

NOTE 3 – CASH AND INVESTMENTS (Continued)

The Shoreline Community's cash and investments of $40.6 million are invested in the City's cash and investments pool. Restricted cash and investments are held by bond trustee of which $2.8 million and $84,000 are invested in a U.S. Treasury Obligation and Money Market Mutual Funds, respectively.

B. Investments In City's Cash and Investment Pool

The City Council is responsible for the regulatory oversight of the City's cash and investments pool. The City's Investment Policy and the California Government Code permit investments in the following: Securities issued by the U.S. Government or an agency of the U.S. Government, mortgage-backed securities, commercial paper, banker's acceptances, medium term notes issued by U.S. corporations, mutual funds invested in U.S. Government securities, certificates of deposit, municipal bonds issued by the City or any of its component units, the Local Agency Investment Fund (LAIF), and Supranational securities.

As of June 30, 2018, the City's cash and investments pool was comprised primarily of investments in securities issued by the U.S. Government and its agencies, medium term notes, supranational securities, LAIF, bonds issued by the Shoreline Community, and money market mutual funds. The City's cash and investments pool is unrated and has a modified duration of 1.92 years. Additional information regarding the interest rate, credit, concentration of credit risks and fair value hierarchy of the City's cash and investments pool can be found in the notes to the City's basic financial statements.

C. Investments Held by Bond Trustee

The Shoreline Community must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of its debt issues. These funds are pledged as reserves to be used if the Shoreline Community fails to meet its obligations under these debt issues. The investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's Investment Policy. These debt agreements do not address interest rate, credit and concentration of credit risks.

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NOTE 3 – CASH AND INVESTMENTS (Continued)

The investment types that are authorized for investments held by bond trustee are as follows:

Authorized Investment Type	Maximum Maturity
U.S. Treasury Obligations	No Limit
U.S. Agency Securities	No Limit
Deposit Accounts, Federal Funds and Banker's Acceptances	360 days
FDIC Insured Certificates of Deposit	No Limit
Commercial Paper	270 days
Money Market Mutual Funds	No Limit
State and Local Agency Bonds	No Limit
Insurer Approved Investment Contracts	No Limit
Insurer Approved Other Forms of Investments Including Repurchase Agreements	No Limit
Local Agency Investment Fund (LAIF)	No Limit

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City monitors interest rate risk inherent in investments held by the trustee by using specific identification. The Shoreline Community's investment in a U.S. Treasury Obligation has a maturity date of June 15, 2019.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2018, the Shoreline Community's investments in Money Market Mutual Funds is rated AAA by Standard & Poor's while the U.S. Treasury Obligation is exempt from credit rating disclosure.

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Fair Value Hierarchy

The Shoreline Community categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Shoreline Community's investment in the U.S. Treasury Obligations is measured using level 2 inputs, while investment in the City's cash and investments pool and Money Market Mutual Funds are not subject to fair value hierarchy. Investments measured using level 2 inputs are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these investments. Matrix pricing is used to value investments based on the investments' relationship to benchmark quoted prices.

NOTE 4 – INTERFUND TRANSFERS

With Board approval, resources may be transferred from one fund to another. The purpose of the majority of transfers is to allocate resources from the fund that receives them to the fund where they will be spent without a requirement for repayment. For the fiscal year ended June 30, 2018, Shoreline Regional Park Community Fund transferred $3.3 million and $1.6 million to the Shoreline Regional Park Community 2011 Revenue Bonds Fund and Shoreline Regional Park Community 2014 Bank Loan Fund, respectively, to fund debt service payments.

NOTE 5 – TRANSACTIONS WITH THE CITY

Transfers Between the Shoreline Community and the City

The City expends funds on capital projects on behalf of the Shoreline Community which transfers the required funds to the City prior to the commencement of the project. Any unspent funds are returned to the Shoreline Community upon completion of the project.

During fiscal year ended June 30, 2018, the Shoreline Community transferred to the City $56.9 million to fund capital projects and equipment replacement. The City transferred $806,000 to the Shoreline Community to return interest earnings on available capital projects balances and unspent funds on completed capital projects.

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NOTE 6 – CAPITAL ASSETS

All capital assets, including intangible assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. The Shoreline Community defines capital assets as assets with an initial individual cost of more than $100,000 for land and infrastructure, $25,000 for buildings and improvements other than buildings, and $5,000 for others, and an estimated useful life in excess of two years.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated. The City has assigned the useful lives to capital assets as follows:

Buildings	25 to 50 years
Improvements other than buildings	5 to 50 years
Intangible assets	Various
Machinery and equipment	3 to 20 years
Traffic signals	20 years
Streetlights	50 years
Bridges and culverts	60 years
Sidewalks, curbs, and gutters	40 years
Streets and roads	40 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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NOTE 6 – CAPITAL ASSETS (Continued)

A. *Capital Asset Activities*

Capital assets activity for the fiscal year ended June 30, 2018 is as follows (dollars in thousands):

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 14,332	-	-	-	14,332
Construction in progress	22,608	2,026	(3,182)	(215)	21,237
Total capital assets not being depreciated	36,940	2,026	(3,182)	(215)	35,569
Capital assets being depreciated:					
Buildings	23,908	-	-	-	23,908
Improvements other than buildings	84,553	-	-	215	84,768
Machinery and equipment	2,104	8	(106)	-	2,006
Traffic signals	931	-	-	-	931
Streetlights	1,009	-	-	-	1,009
Bridges and culverts	11,347	-	-	(11,347)	-
Sidewalks, curbs and gutters	7,421	-	-	(7,421)	-
Streets and roads	21,820	-	-	(21,820)	-
Total capital assets being depreciated	153,093	8	(106)	(40,373)	112,622
Less accumulated depreciation for:					
Buildings	(8,937)	(846)	-	-	(9,783)
Improvements other than buildings	(64,846)	(3,808)	-	-	(68,654)
Machinery and equipment	(1,568)	(129)	106	-	(1,591)
Traffic signals	(601)	(51)	-	-	(652)
Streetlights	(547)	(21)	-	-	(568)
Bridges and culverts	(2,210)	(189)	-	2,399	-
Sidewalks, curbs and gutters	(4,719)	(186)	-	4,905	-
Streets and roads	(13,241)	(547)	-	13,788	-
Total accumulated depreciation	(96,669)	(5,777)	106	21,092	(81,248)
Net capital assets being depreciated	56,424	(5,769)	-	(19,281)	31,374
Total capital assets, net	$ 93,364	(3,743)	(3,182)	(19,496)	66,943

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NOTE 6 – CAPITAL ASSETS (Continued)

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each governmental activities function for the fiscal year ended June 30, 2018 are as follows (dollars in thousands):

General government	$ 21
Public safety	35
Public works	1,913
Community development	64
Culture and recreation	3,744
Total	$ 5,777

C. Construction Commitments

The Shoreline Community has active construction projects that include buildings and building improvements; improvements other than buildings; and infrastructure. Commitments with contractors for construction, as of June 30, 2018, are as follows (dollars in thousands):

	Spent to Date	Remaining Commitment
Improvements other than buildings	$ 17,530	954
Infrastructure	3,707	293
Total	$ 21,237	1,247

NOTE 7 – NONCURRENT LIABILITIES

The Shoreline Community generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Shoreline Community's debt issues and transactions are summarized below and discussed in detail thereafter.

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NOTE 7 – NONCURRENT LIABILITIES (Continued)

A. *Composition and Changes*

Noncurrent liabilities activities for the fiscal year ended June 30, 2018 are as follows (dollars in thousands):

	Original Issue Amount	Balance June 30, 2017	Retirements	Balance June 30, 2018	Due Within One Year
Revenue Bonds:					
Shoreline Regional Park Community					
2011 Revenue Refunding Bonds					
2.0% to 5.75%, due Fiscal Year 2040-41	$ 39,030	31,290	(1,735)	29,555	1,800
Bank Loan:					
Shoreline Regional Park Community					
2014 Bank Loan					
1.65%, due Fiscal Year 2018-19	12,135	3,187	(1,580)	1,607	1,607
Total noncurrent liabilities	$ 51,165	34,477	(3,315)	31,162	3,407

B. *Descriptions of Noncurrent Liabilities*

2011 Revenue Bonds Shoreline Regional Park Community - On July 19, 2011, the Shoreline Community issued $39.0 million of 2011 Revenue Bonds, Series A. Proceeds from the bonds were used to call the outstanding Shoreline Community's Tax Allocation Bonds, 1996 Series A and provide funds to acquire and construct certain capital improvements of benefit to the Shoreline Community. The 2011 Bonds are special obligations of the Shoreline Community and are secured by a portion of all taxes levied upon all taxable property within the Shoreline Community. Principal payments are payable annually on August 1 and interest payments semi-annually on August 1 and February 1 from property tax revenues generated within the Shoreline Community.

2014 Shoreline Regional Park Community Loan Payable - On April 21, 2014, the Shoreline Community obtained a bank loan in the amount of $12.1 million. Proceeds from the loan were used to retire the outstanding Shoreline Community's 2001 Tax Allocation Bonds, and 2004 Tax Allocation Bonds. Principal payments are payable annually on August 1 and interest payment semi-annually on August 1 and February 1 from property tax revenues generated within the Shoreline Community.

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NOTE 7 – NONCURRENT LIABILITIES (Continued)

C. Debt Service Requirements

The pledge of future tax increment revenues ends upon repayment of the $50.4 million in remaining debt service on the Shoreline Community's 2011 Revenue Bonds and 2014 Bank Loan, which is scheduled to occur in Fiscal Year 2040-41 and 2018-19, respectively. For the fiscal year ended June 30, 2018, tax increment revenues amounted to $42.1 million, which represented coverage of 8.5 over the $5.0 million in debt service.

Annual debt service requirements to maturity are as follows (dollars in thousands):

For the Fiscal Year	Governmental Activities		
Ending June 30	Principal	Interest	Total
2019	$ 3,407	1,556	4,963
2020	1,890	1,451	3,341
2021	1,985	1,354	3,339
2022	2,085	1,252	3,337
2023	695	1,182	1,877
2024-2028	4,030	5,338	9,368
2029-2033	5,190	4,135	9,325
2034-2038	6,800	2,474	9,274
2039-2041	5,080	449	5,529
Total	$ 31,162	19,191	50,353

NOTE 8 – PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions – All qualified regular and probationary employees are eligible to participate in the City's Miscellaneous Plan (Plan), agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov. The Shoreline Community participates in a cost-sharing arrangement in the City's Plan and a proportionate share of pension balances are allocated to the Shoreline Community.

NOTE 8 – PENSION PLAN (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, age at retirement and compensation. The cost-of-living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which became effective in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55+	52 - 62+
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	27.737%	27.737% (A)

(A) The minimum employer contribution rate under PEPRA is the greater of the required employer rate cost or the employer normal costs.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires the employer contribution rates for all public employers to be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. The actuarially determined rate is the projected amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Shoreline Community is required to contribute its proportionate share of the difference between the actuarially determined rate and the contribution rate of employees. For Fiscal Year 2017-18, the Shoreline Community recognized $819,000 as contributions for pension.

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NOTE 8 – PENSION PLAN (Continued)

B. Net Pension Liability

The Shoreline Community's net pension liability in the Plan is measured as the proportionate share of the City's net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Shoreline Community's proportion of the net pension liability was based on the projection of the Shoreline Community's long-term share of contributions to the pension plan relative to the projected contributions of all participating City funds, actuarially determined.

The change in the Shoreline Community's proportionate share of the net pension liability as of June 30, 2018 and 2017 (measurement dates of June 30, 2017 and 2016, respectively) for the Plan are as follows (dollars in thousands):

	Net Pension Liability	Proportion of the City's Miscellaneous Plan
Proportion - Measurement date June 30, 2017	$ 5,431	4.53%
Proportion - Measurement date June 30, 2016	4,948	4.52%
Change	$ 483	0.01%

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NOTE 8 – PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liability for the Plan in the June 30, 2016 actuarial valuation was determined using actuarial assumptions as follows:

	Miscellaneous Plan
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment Expenses, includes Inflation
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Mortality	Derived using CalPers Membership Data for all Funds (1)

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – The discount rate reduced from 7.65 percent to 7.15 percent for the June 30, 2016 actuarial valuation.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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NOTE 8 – PENSION PLAN (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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NOTE 8 – PENSION PLAN (Continued)

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rate of return by asset class and the target allocation adopted by the CalPERS Board effective on July 1, 2016, are as follows:

Asset Class	Current Target Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	47.0%	5.25%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

(1) An expected inflation rate of 2.5% is used for this period.
(2) An expected inflation rate of 3.0% is used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The Shoreline Community's proportionate share as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the Shoreline Community's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate are as follows (dollars in thousands):

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Shoreline Community's proportionate share of the City's Miscellaneous Plan net pension liability	$ 7,858	5,431	3,422

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NOTE 8 – PENSION PLAN (Continued)

C. *Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

For the fiscal year ended June 30, 2018, the Shoreline Community recognized pension expense of $903,000. The Shoreline Community reported deferred outflows of resources and deferred inflows of resources related to pensions by sources for the fiscal year ended June 30, 2018 are as follows (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 819	-
Differences between expected and actual experience	-	(68)
Changes in assumptions	633	-
Net differences between projected and actual earnings on plan investments	144	-
Total	$ 1,596	(68)

As of June 30, 2018, the Shoreline Community reported $819,000 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Deferred Outflows / (Inflows) of Resources
2019	$ 352
2020	392
2021	67
2022	(102)
Total	$ 709

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan Descriptions – By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retirees (spouse and dependents are not included for CalPERS Miscellaneous employees, but are included for CalPERS Safety employees in the CalPERS Health Program governed by the Public Employees' Medical and Hospital Care Act (PEHMCA)) under a single employer defined benefit plan. In December 2008, the City entered into an agreement with CalPERS to participate in CERBT, an agent multiple-employer other postemployment benefits plan, to fund the City's OPEB. CERBT is administrated by CalPERS, is managed by an appointed board not under the control of the City Council. CERBT issues a publicly available financial report that can be found on the CalPERS website at www.calpers.ca.gov. The Shoreline Community participates in a cost-sharing arrangement in the City's OPEB plan and a proportionate share of OPEB balances are allocated to the Shoreline Community.

The City also offers a Defined Contribution (DC) Plan to eligible miscellaneous employees. If an employee elects to participate in the DC Plan, the City makes contributions on behalf of the employee into a Health Savings Account (HSA). Employees who have elected the DC Plan are not included in the City's actuarial valuation for OPEB.

Benefits Provided – The City provides medical and vision OPEB benefits. Additional information regarding the benefits provided for the City's OPEB plan can be found in the notes to the City's basic financial statements.

Contributions – The City's OPEB funding policy is to contribute 100 percent or more of the actuarially determined contribution each year. For the fiscal year ended June 30, 2018, the Shoreline Community's contributions totaled 1.1 million.

B. Net OPEB Liability

The Shoreline Community's net OPEB liability in the City's OPEB Plan is measured as the proportionate share of the City's net OPEB liability. The City's net OPEB liability is measured as of June 30, 2017, using an annual actuarial valuation as of July 1, 2017. The Shoreline Community's proportion of the net OPEB liability was based on the projection of the Shoreline Community's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating City funds, actuarially determined.

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The change in the Shoreline Community's proportionate share of the net OPEB liability as of June 30, 2018 and 2017 (measurement dates of June 30, 2017 and 2016, respectively) for the OPEB Plan are as follows (dollars in thousands):

	Net OPEB Liability	Proportion of the City's OPEB Plan
Proportion - Measurement date June 30, 2017	$ 1,085	3.27%
Proportion - Measurement date June 30, 2016	1,014	2.97%
Change	$ 71	0.30%

Actuarial Assumptions – The total OPEB liability for the City's OPEB plan in the July 1, 2017 actuarial valuation were determined using actuarial assumptions as follows:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.25%
Investment Rate of Return	6.50% Net of OPEB Plan Investment Expenses, includes Inflation.
Post Retirement Benefit Increase	For medical plan premiums: 8.00% for the year beginning January 1, 2018 and graded down by 0.50% per year until 5.00% ultimate rate is reached. For vision premiums: 3.00%
Mortality	Derived using CalPERS Membership Data for all Funds (1)

(1) Demographic actuarial assumptions used are based on CalPERS 2014 experience study report using data from 1997 to 2011, except for the MacLeod Watts Scale 2017 applied generationally as the basis to project future morality improvements. The representative mortality rates were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008.

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability is 6.50 percent. The projection of cash flows used to determine the discount rate assumed that the City's contribution will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OEPB plan investments is applied to all periods of projected benefit payments to determine the total OPEB Liability.

The long-term expected rate of return for OPEB plan investments is 6.5 percent. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. The long-term expected real rate of return by asset class and the target allocation are as follows:

Asset Class	Current Target Allocation	Real Return Years 1-10 [1]	Real Return Years 11+ [2]
Global Equity	40.0%	5.25%	5.71%
Fixed Income	39.0	1.79	2.40
TIPS	10.0	1.00	2.25
REITS	8.0	3.25	7.88
Commodities	3.0	0.34	4.95

(1) An expected inflation rate of 2.5% is used for this period.
(2) An expected inflation rate of 3.0% is used for this period.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The Shoreline Community's proportionate share of the net OPEB liability, calculated using the discount rate of 6.50 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate are as follows (dollars in thousands):

Discount Rate -1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate +1% (7.50%)
$ 1,753	1,085	542

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The Shoreline Community's proportionate share of the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate are as follows (dollars in thousands):

Healthcare Cost Trend Rate -1%	Healthcare Cost Trend Current Rate	Healthcare Cost Trend Rate +1%
$ 448	1,085	1,907

C. OPEB Expenses and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Shoreline Community recognized OPEB expense of $1.1 million. As of June 30, 2018, the Shoreline Community reported $1.1 million as deferred outflows of resources related to contributions for OPEB subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019.

NOTE 10 – RISK MANAGEMENT

The Shoreline Community is covered under the City's insurance program and therefore contributes its proportionate share of cost. The City is exposed to various risks of loss related to torts, errors and omissions, injuries to employees or others, unemployment and certain health care benefits of employees. The City has established various self-insurance programs to account for and finance its uninsured risks of loss. Under the self-insurance programs, the City retains the risk of loss up to a maximum of $1.0 million for general liability claims, $750,000 for workers' compensation claims with statutory excess insurance and actual costs incurred for unemployment and certain health care benefits.

For general liability claims, the City has excess liability coverage through the Authority for California Cities Excess Liabilities (ACCEL) to cover the risk of loss for claims in excess of $1.0 million per incident. ACCEL is a joint powers authority (JPA) of medium-sized California municipalities, which pools catastrophic general liability, automobile liability and public officials' errors and omissions losses.

Additional information regarding the City's insurance program can be found in the notes to the City's basic financial statements.

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NOTE 11 – NET POSITION AND FUND BALANCES

A. Net Position

Net position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three captions on the Statement of Net Position. These captions apply only to net position, which is determined at the Government-wide level and are described as follows:

Net investment in capital assets – This caption groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted - This caption represents net position, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the Shoreline Community cannot unilaterally alter.

Unrestricted – This caption represents net position of the Shoreline Community not restricted for any project or purpose.

B. Fund Balances

Governmental fund balances represent the assets and deferred outflows of resources less the liabilities and deferred inflows of resources of each fund. Governmental funds report fund balance in classifications based primarily on the extent to which the Shoreline Community is bound to honor constraints on how specific amounts in the funds can be spent. For programs with multiple funding sources, the Shoreline Community prioritizes and expends funds in the following order: Restricted, Committed, Assigned and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

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NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation, which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources. As of June 30, 2018, the Shoreline Community has restricted fund balances of $26.9 for Shoreline Community indebtedness and $2.9 million for debt service.

Committed fund balances have constraints imposed by resolution of the Board, which may only be altered by resolution of the Board. Nonspendable amounts subject to Board commitments are included along with spendable resources. As of June 30, 2018, the Shoreline Community has committed fund balances of $10.2 million for capital projects.

Assigned fund balances are amounts constrained by the Board's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board or its designees and may be changed at the discretion of the Board or its designees. The Board has not delegated the authority to make assignments of fund balance. This category also includes residual fund balances which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed or assigned. This category includes residual fund deficits.

C. Landfill Containment Reserve

In 2013, CalRecycle regulations required the City to create a reserve, in whole or incrementally, for potential corrective actions associated with a non-water release event at the landfill site. The estimated costs of the corrective actions are adjusted annually by an inflation factor approved by CalRecycle. On June 25, 2013, the City Council and the Board approved to set-aside funds for landfill containment in the landfill reserve of the Shoreline Regional Park Community Fund. The City estimated the costs for the corrective actions to be $1.3 million for the fiscal year ended June 30, 2018 and $12.0 million to rebuild a new landfill system. As of June 30, 2018, the Shoreline Regional Park Community Fund has reported $6.0 million for the landfill containment as part of restricted fund balance.

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NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Encumbrances

The Shoreline Community's outstanding encumbrances as of June 30, 2018 are $338,000 recorded as part of restricted fund balance.

B. Education Enhancement Reserve Joint Powers Agreement

On June 30, 2013, the Shoreline Community entered into an Education Enhancement JPA with the Mountain View Los Altos Unified High School District (MVLAUHSD) and the Mountain View Whisman School District (MVWSD) effective July 1, 2013, for a period of 10 years, superseding any prior agreements. The agreement provides for minimum annual payments commencing with the fiscal year ended June 30, 2014 of $1.8 million and $2.9 million to MVLAUHSD and MVWSD, respectively. Each subsequent fiscal year increases based on the growth in property tax revenues in the preceding fiscal year. For the fiscal year ended June 30, 2018, the Shoreline Community paid $6.6 million in contributions and recorded the pass-through of the contributions in the Education Enhancement JPA Agency Fund.

C. Tax Revenue Sharing

Pursuant to an agreement between the City, the Shoreline Community, and the County dated June 22, 2005, the Shoreline Community is annually obligated to pay the County from tax revenues, an amount equal to the County's total retirement tax override levies and pass-through an additional amount of taxes that would have been allocated to the County in the absence of the existence of the Shoreline Community. For the fiscal year ended June 30, 2018, $1.6 million and $2.1 million in retirement tax override levies and pass-through payments, respectively, were paid to the County.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Required Supplementary Information (Unaudited)
Schedule of the Shoreline Community's Proportionate Share of the Net Pension Liability
(Dollar in Thousands)

	Fiscal Year Ended June 30,			
	2018	**2017**	**2016**	**2015**
Measurement period	2017	2016	2015	2014
Shoreline Community's proportion of the net pension liability (NPL)	4.5%	4.5%	4.5%	4.5%
Shoreline Community's proportionate share of the NPL	$ 5,431	$ 4,948	4,177	3,783
Shoreline Community's covered payroll	1,797	1,622	1,520	1,429
Shoreline Community's proportionate share of the NPL as a percentage of its covered payroll	302.2%	305.1%	274.8%	264.6%
City Miscellaneous Plan's fiduciary net position as a percentage of the City Miscellaneous Plan's total pension liability	70.0%	70.0%	73.4%	74.9%

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There is no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Required Supplementary Information (Unaudited)
Schedule of the Shoreline Community Pension Contributions
(Dollar in Thousands)

	Fiscal Year Ended June 30,				
Fiscal Year Ended June 30	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contributions (actuarially determined) (CRC)	$ 819	565	509	359	284
Contributions in relation to the CRC	(819)	(565)	(509)	(359)	(284)
Contribution deficiency (excess)	$ -	-	-	-	-
Covered payroll	$ 1,907	$ 1,797	$ 1,622	$ 1,520	1,429
Contributions as a percentage of covered payroll	42.9%	31.4%	31.4%	23.6%	19.9%

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2018 were as follows:

Actuarially determined contribution for fiscal year	June 30, 2018
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and services
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only five years of information is shown.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Required Supplementary Information (Unaudited)
Schedule of the Shoreline Community's Proportionate Share of the Net OPEB Liability
(Dollar in Thousands)

	Fiscal Year Ended June 30, 2018
Measurement period	2017
Shoreline Community's proportion of the net OPEB liability (NOPEBL)	3.3%
Shoreline Community's proportionate share of the NOPEBL	$ 1,085
Shoreline Community's covered payroll	1,797
Shoreline Community's proportionate share of the NOPEBL as a percentage of its covered payroll	60.4%
City OPEB Plan's fiduciary net position as a percentage of the City OPEB Plan's total OPEB liability	76.9%

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Required Supplementary Information (Unaudited)
Schedule of the Shoreline Community OPEB Contributions
(Dollar in Thousands)

	Fiscal Year Ended June 30,	
Fiscal Year Ended June 30	**2018**	**2017**
Actuarially determined contributions (ADC)	$ 1,085	$ 1,014
Contributions in relation to the ADC	(1,085)	(1,014)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 1,907	$ 1,797
Contributions as a percentage of covered payroll	56.9%	56.4%

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2018 were as follows:

ADC for fiscal year	June 30, 2018
Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.25%
Investment rate of return	6.73%, net of OPEB plan investment and administrative expenses, includes inflation.
Post Retirement Benefit Increase	For medical plan premiums: 8.00% for the year beginning January 1, 2018 and graded down by 0.50% per year until 5.00% ultimate rate is reached. For vision premiums: 3.00%
Mortality	Derived using CalPERS Membership Data for all Funds. Demographic actuarial assumptions used are based on CalPERS 2014 experience study report using data from 1997 to 2011, except for the MacLeod Watts Scale 2017 applied generationally as the basis to project future morality improvements. The representative mortality rates were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008.

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only two years of information is shown.

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SHORELINE REGIONAL PARK COMMUNITY FUND

The **Administrative Fund** in accordance with the Act, moneys may be transferred from the Special Fund for deposit to pay for the administrative expenses and overhead of the Shoreline Community.

The **Special Fund** in accordance with the Act, all tax revenues received by the Shoreline Community are deposited in the Special Fund and will be used to pay the principal of and interest on loans, advances, or other indebtedness of the Shoreline Community.

The **North Bayshore Impact Fee Fund** accounts for the revenues collected for fees adopted to assist with funding improvements in the Shoreline Community.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Shoreline Regional Park Community Fund
Combining Balance Sheet
June 30, 2018
(Dollars in Thousands)

	Shoreline Regional Park Community Administrative	Shoreline Regional Park Community Special	North Bayshore Impact Fee	Total
Assets:				
Cash and investments	$ 26,195	4,214	10,142	40,551
Receivables, net of allowance:				
Accounts	34	-	-	34
Interest	397	-	105	502
Total assets	$ 26,626	4,214	10,247	41,087
Liabilities and fund balances:				
Liabilities:				
Accounts payable and accrued liabilities	$ 3,850	-	-	3,850
Refundable deposits	26	-	-	26
Unearned revenue	94	-	-	94
Total liabilities	3,970	-	-	3,970
Fund Balances:				
Restricted	22,656	4,214	-	26,870
Committed	-	-	10,247	10,247
Total fund balances	22,656	4,214	10,247	37,117
Total liabilities and fund balances	$ 26,626	4,214	10,247	41,087

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Shoreline Regional Park Community Fund
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

	Shoreline Regional Park Community Administrative	Shoreline Regional Park Community Special	North Bayshore Impact Fee	Interfund Elimination	Total
Revenues:					
Property taxes	$ -	42,100	-	-	42,100
Use of money and property	104	-	375	-	479
Intergovernmental	14	-	-	-	14
Charges for services	74	-	-	-	74
Developer fees and contributions	342	-	16,760	-	17,102
Other	60	-	-	-	60
Total revenues	594	42,100	17,135	-	59,829
Expenditures:					
Current:					
General government	18,291	-	-	-	18,291
Public safety	150	-	-	-	150
Public works	1,215	-	-	-	1,215
Community development	454	-	-	-	454
Culture and recreation	3,960	-	-	-	3,960
Total expenditures	24,070	-	-	-	24,070
Excess (deficiency) of revenues over (under) expenditures	(23,476)	42,100	17,135	-	35,759
Other financing sources (uses):					
Transfers in	37,154	-	-	(37,154)	-
Transfers out	(4,902)	(37,154)	-	37,154	(4,902)
Transfers from the City of Mountain View	806	-	-	-	806
Transfers to the City of Mountain View	(38,604)	(4,902)	(13,370)	-	(56,876)
Total other financing sources (uses)	(5,546)	(42,056)	(13,370)	-	(60,972)
Net change in fund balances	(29,022)	44	3,765	-	(25,213)
Fund balances, beginning of year	51,678	4,170	6,482	-	62,330
Fund balances, end of year	$ 22,656	4,214	10,247	-	37,117

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors of the
Mountain View Shoreline Regional Park Community
City of Mountain View, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mountain View Shoreline Regional Park Community (Shoreline Community), a component unit of the City of Mountain View, California (City), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Shoreline Community's basic financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Shoreline Community's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shoreline Community's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shoreline Community's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shoreline Community's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 14, 2018