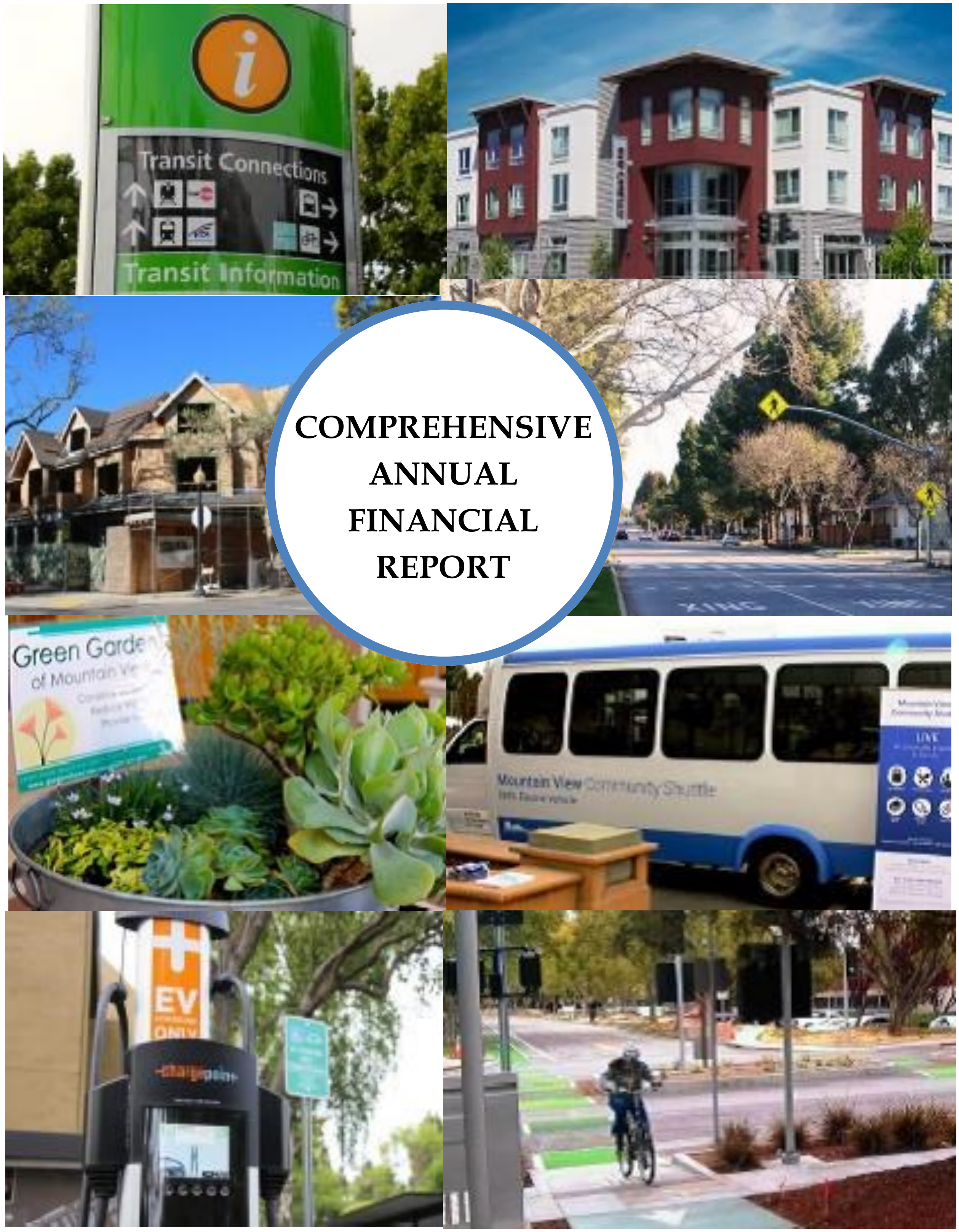

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

City of Mountain View, California

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, 2016

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, 2016

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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 21, 2016

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, 2016. 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, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there is a reasonable basis for rendering an

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unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2016 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 & 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:

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

The Financial Section is prepared in accordance with GASB Statement No. 34 requirements, including the MD&A, the Basic Financial Statements, and supporting notes. The 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 nonmajor governmental, internal service, and agency funds. Also included in this section is the Independent Auditor's Report on the basic 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.

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

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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 78,000 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 2016, the unemployment rate in the City is 3.1 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.

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).

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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. *Component units are legally separate government entities for which the primary government is financially accountable.* Financially accountable as defined by the GASB means the City Council exercises control through appointment of, or serving as, the governing boards and approval of the budget. 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.

LOCAL ECONOMY

Mountain View is centrally located in Silicon Valley and has several major highways and freeways (101, 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 Valley Transportation Authority (VTA) light rail system.

During this fiscal year, Mountain View has experienced significant growth in terms of residential and commercial development that has contributed to a diverse community. The City has seen nearly 450 residential units created and over 1.0 million square feet of commercial/office space start construction in this time period. Also, significant additional housing is in the pipeline.

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The economic vitality of Mountain View depends on a strong and diversified business community. As part of the City's economic development efforts, Mountain View continues to work to attract and retain companies with growth potential and make Mountain View a desirable location for business. As a result, companies continue to recognize Mountain View as a prime location in Silicon Valley. The City is home to major technology companies, including 23andMe, Google, Intuit, LinkedIn, Microsoft, Omnicell, Pure Storage, Siemens Medical Solutions, Samsung, 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. In more recent years, the auto technology industry has expanded in Mountain View with major automobile companies such as BMW, Honda, and Volvo opening research and development facilities.

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, enabled the City to address some constraints and deferred plans necessitated by the Great Recession and to begin taking measured steps forward. The City weathered those tough economic times while continuing to balance the General Fund (single largest fund and provider of core services) budget in order to position itself to take full advantage of the recovering economy.

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 Five-Year Financial Forecast (Forecast) was developed for Fiscal Year 2016-17. During challenging economic periods, times of relative stability, or even during economic growth, the practice of long-range financial forecasting is beneficial to a city's financial planning process. 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 is helping to guide the City as it continues to confront the need to balance expenditures and revenues.

In summary, the updated projections indicate continued improvement in the economy with increases in all major revenue categories (e.g., Property Taxes, Sales Tax, Transient Occupancy Tax, and Utility Users Tax) until the next downturn in the economic cycle

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occurs, which is projected to occur within this five-year period. General Fund expenditures are projected to include increases in health care and in retirement costs.

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.

MAJOR INITIATIVES

The City's mission is to provide quality services and facilities that meet the needs of a caring and diverse community in a financially responsible manner. In February 2015, the City Council undertook a comprehensive goal-setting process to establish its major goals for a two-year cycle, Fiscal Years 2015-16 and 2016-17. The City Council's three overarching major goals are as follows:

- Improve the quantity, diversity, and affordability of housing.

- Enhance environmental sustainability efforts.

- Improve transportation by enhancing mobility and connectivity.

A total of 38 projects have been identified to further these three goals over the two-year cycle. Some of the major initiatives for this past fiscal year are as follows:

- Explored creation of a Safe Parking Program and made considerable progress in an ongoing effort to engage stakeholders, build regional partnerships, and develop solutions for homeless residents living in their vehicles.

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- Implemented the newly adopted Right to Lease and Rental Housing Dispute Resolution Programs, including public outreach, development and distribution of program materials in English and Spanish, and launch of the programs.

- Appropriated $8.0 million in funding and received planning entitlements for a 67-unit affordable housing project at 1701 West El Camino Real serving extremely and very low-income veterans and one- and two-person households.

- Appropriated $21.5 million and received planning entitlements for a 116-unit affordable housing project at 779 East Evelyn Avenue.

- Completed the selection of a developer for the development of a hotel on Downtown Parking Lots 4 and 8; completed key business terms, Economic Development Subsidy Report, and authorized the City Manager to execute the Disposition and Development Agreement and Ground Leases.

- Hosted the first annual Technology Showcase event highlighting innovative and creative technology solutions from local businesses and organizations.

- Launched the process to create a new precise plan for the East Whisman area.

- Completed and implemented local Minimum Wage Ordinance to gradually increase it to $15.00 by 2018.

- Approved the first North Bayshore Precise Plan Bonus FAR project, the El Camino Hospital Campus project, and two new downtown mixed-use projects.

- Implemented systemwide water conservation measures to deal with ongoing drought, reducing water usage Citywide by 20 percent, with a 62 percent reduction of potable water use at Shoreline Golf Links compared to Fiscal Year 2013-14.

- Helped establish the Silicon Valley Clean Energy Authority, led financing tasks, and issued a Request for Proposals for credit and banking services.

- Conducted a food waste collection pilot program.

- Began work on developing a Transit Center Master Plan and Reversible Bus Lane on Shoreline Boulevard.

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- Initiated a new Precise Plan for North Bayshore, including the possible addition of 9,800 housing units.

- Modified Purchasing Ordinance to comply with Federal Emergency Management Agency guidelines and increased the confirming limit.

- Received Standard & Poor's affirmation of City's AAA credit rating for its Water Bonds.

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, 2015. This was the 26th 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 2015-16. 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 City was awarded the 2015 Achievement of Excellence in Procurement Award by the National Procurement Institute (sponsored by the Institute for Supply Management). The City is one of only 45 agencies in California and one of only 66 cities in the country to receive this award. The award recognizes organizational excellence in procurement. The City has received this award for 2 consecutive years and a total of 12 years.

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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; Beryl Delavan, Accountant; and Janet Shum, 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 responsible manner.

Respectfully submitted,

Patty J. Kong
Finance and Administrative
Services Director

Daniel H. Rich
City Manager

PJK-DHR/2/FIN
546-11-14-16L-E

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City of Mountain View
California

City Officials

City Council

Patricia Showalter, Mayor

Ken S. Rosenberg, Vice Mayor

Christopher R. Clark
John M. Inks
R. Michael Kasperzak, Jr.
John McAllister
Leonard M. Siegel

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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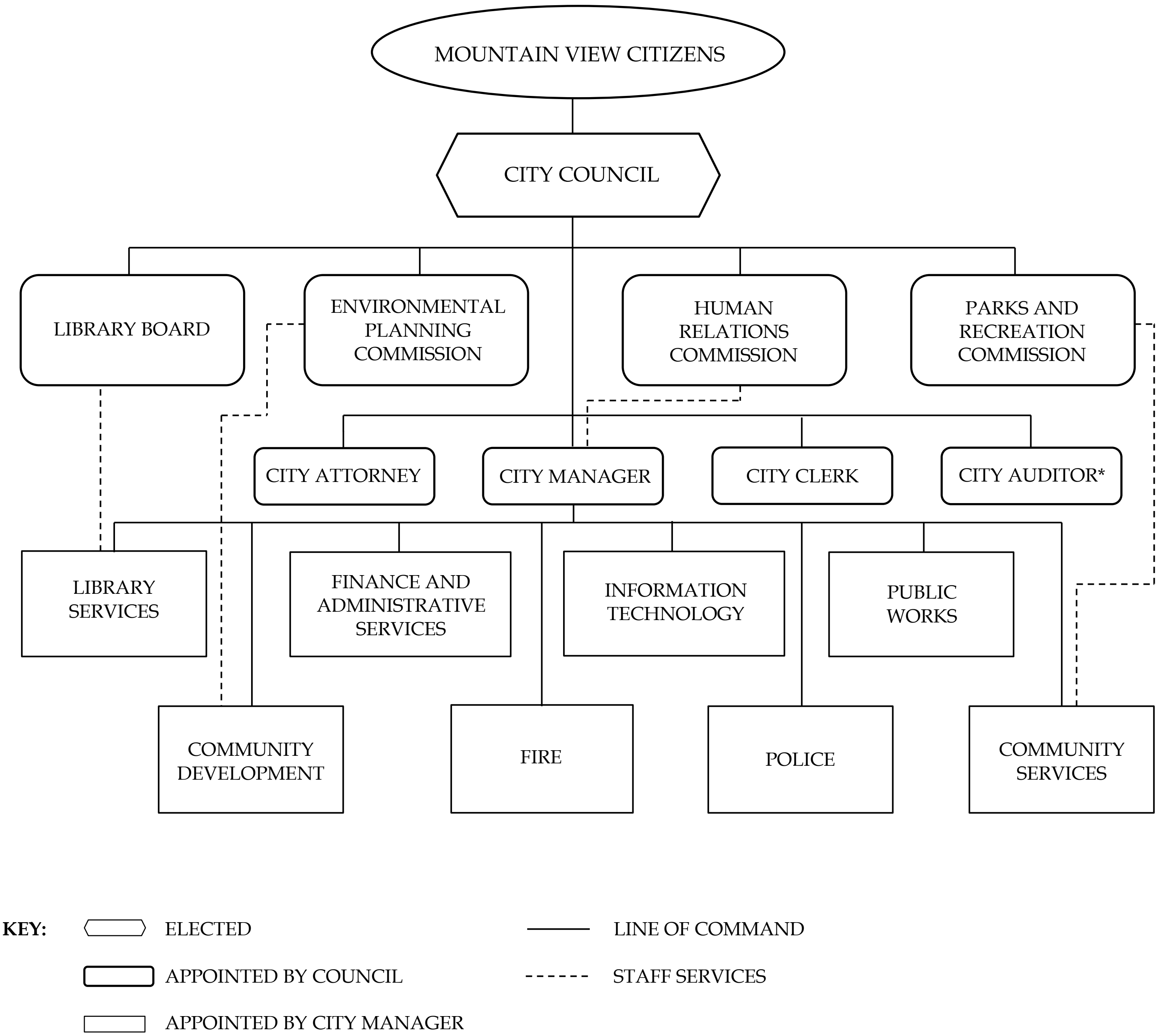
CITY GOVERNMENT ORGANIZATION



FISCAL YEAR 2015-16 POSITION TOTALS:		
	7.00	Councilmembers
	24.00	Commission and Board Members
	571.25	Full-Time and Regular Part-Time
	12.25	Limited-Period
	60.12	Hourly Positions

* Finance and Administrative Services Director serves as City Auditor.

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Exhibit 4

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, 2015

Executive Director/CEO

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MGO Certified Public Accountants

Century City
Los Angeles
Newport Beach
Oakland
Sacramento
San Diego
San Francisco
Walnut Creek
Woodland Hills

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, 2016, 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, 2016, 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.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

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, and the schedule of funding progress - other post-employment benefits, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 21, 2016, 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 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 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 É O'Connell LLP

Walnut Creek, California
November 21, 2016

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CITY OF MOUNTAIN VIEW, CALIFORNIA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2016

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, 2016. 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, 2016 by $815.8 million (net position). Of this amount, $26.8 million (unrestricted net position) may be used to meet the City's ongoing obligations.

- The City's total net position increased by $52.5 million over the prior fiscal year. This compares to the $35.5 million increase in Fiscal Year 2014-15.

- Total revenues for governmental funds are $207.3 million, an increase of $17.2 million and 9.1 percent over the prior fiscal year. Revenues continued to increase as the economy remained strong.

- Expenditures for governmental funds totaled $163.9 million, an $826,000 and 0.5 percent increase from the prior fiscal year.

- Overall, governmental fund revenues exceeded expenditures by $43.4 million. The growth in revenues exceeds the growth in expenditures as discussed in more detail below.

- As of June 30, 2016, the City's governmental funds reported combined ending fund balances of $368.7 million. Approximately 14.2 percent of this amount, $52.5 million, is unassigned fund balance and is available to meet the City's current and future needs.

- At the end of the fiscal year, the unassigned fund balance for the General Fund is $52.5 million, or 45.8 percent of total General Fund expenditures for the fiscal year ended June 30, 2016. The General Fund unassigned fund balance has increased over the prior fiscal year.

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- The City's total long-term debt decreased by $6.1 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.

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 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,

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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 Funds, 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.

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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 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 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.

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. In addition, reclassifications have been made to some prior fiscal year balances to conform to the current fiscal year presentation formats.

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's overall financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $815.8 million at the end of the fiscal year.

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

Statement of Net Position
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	$ 470,988	427,940	58,432	53,235	529,420	481,175
Capital assets	489,405	498,409	91,910	94,125	581,315	592,534
Total assets	960,393	926,349	150,342	147,360	1,110,735	1,073,709
Deferred outflows of resources:						
Pension items	20,117	15,351	1,976	1,461	22,093	16,812
Liabilities:						
Current and other liabilities	26,291	28,205	3,683	3,301	29,974	31,506
Noncurrent liabilities	247,880	236,966	26,627	25,733	274,507	262,699
Total liabilities	274,171	265,171	30,310	29,034	304,481	294,205
Deferred inflows of resources:						
Pension items	11,349	29,797	1,209	3,207	12,558	33,004
Net position:						
Net investment in capital assets	450,011	454,939	82,555	84,170	532,566	539,109
Restricted	256,471	194,850	-	-	256,471	194,850
Unrestricted	(11,492)	(3,057)	38,244	32,410	26,752	29,353
Total net position	$ 694,990	646,732	120,799	116,580	815,789	763,312

The largest portion of the City's net position of $532.6 million, or 65.3 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 $256.5 million, or 31.4 percent, represents resources that are subject to external restrictions on how they may be used. The last portion of the City's net position, $26.8 million or 3.3 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 $11.5 million of unrestricted net position, and for business-type activities, the City reported a positive balance of $38.2 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 effects of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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, except the governmental activities unrestricted net position. This, again, is a result of the downward adjustment in net position related to the effects of GASB Statement No. 68 for pension liabilities.

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Analysis of Statement of Activities

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

Statement of Activities
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	$ 51,447	47,997	60,808	55,301	112,255	103,298
Operating grants and contributions	4,297	4,756	-	-	4,297	4,756
Capital grants and contributions	31,291	28,521	385	552	31,676	29,073
General Revenues:						
Property taxes	71,563	64,954	-	-	71,563	64,954
Sales taxes	21,401	19,773	-	-	21,401	19,773
Transient occupancy tax	6,591	6,559	-	-	6,591	6,559
Utility users tax	9,898	7,988	-	-	9,898	7,988
Nonregulatory franchise and business	4,954	4,793	-	-	4,954	4,793
Intergovernmental revenue	211	209	-	-	211	209
Investment income	8,551	4,944	498	349	9,049	5,293
Gain on sale of capital assets	1,724	575	-	-	1,724	575
Total revenues	211,928	191,069	61,691	56,202	273,619	247,271
Expenses:						
General government	35,510	33,782	-	-	35,510	33,782
Public safety	53,538	51,946	-	-	53,538	51,946
Public works	31,052	30,630	-	-	31,052	30,630
Community development	11,991	10,501	-	-	11,991	10,501
Culture and recreation	30,105	30,083	-	-	30,105	30,083
Interest on long-term debt	1,860	2,178	-	-	1,860	2,178
Water	-	-	27,809	26,001	27,809	26,001
Wastewater	-	-	17,332	15,433	17,332	15,433
Solid Waste	-	-	11,945	11,199	11,945	11,199
Total expenses	164,056	159,120	57,086	52,633	221,142	211,753
Change in net position before transfers	47,872	31,949	4,605	3,569	52,477	35,518
Transfers, net	386	256	(386)	(256)	-	-
Change in net position	48,258	32,205	4,219	3,313	52,477	35,518
Beginning net position	646,732	614,527	116,580	113,267	763,312	727,794
Ending net position	$ 694,990	646,732	120,799	116,580	815,789	763,312

The City’s overall net position increased by $52.5 million during the current fiscal year. This increase is primarily related to increased revenues resulting from the continued strong economy and charges for services in excess of expenses for the business-type activities, as discussed in more detail below.

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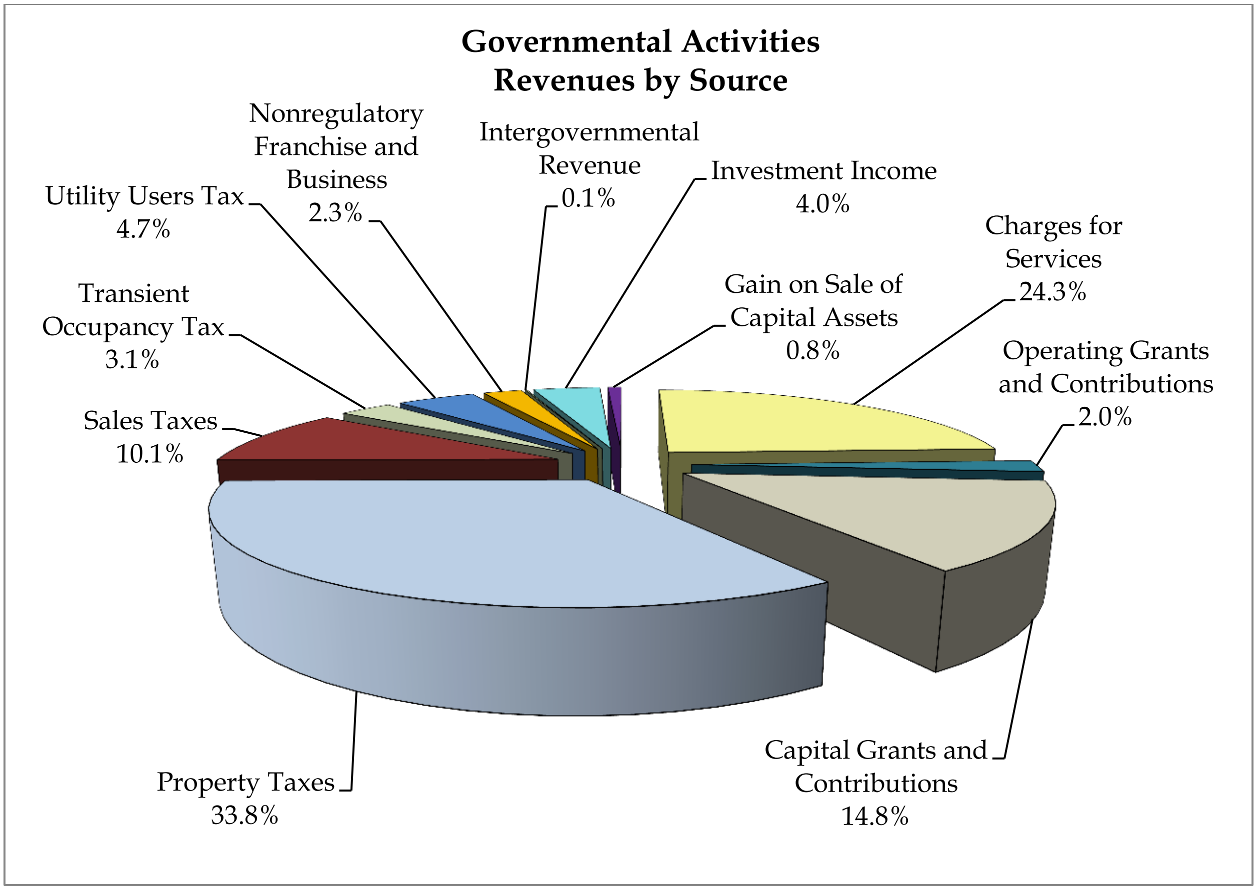

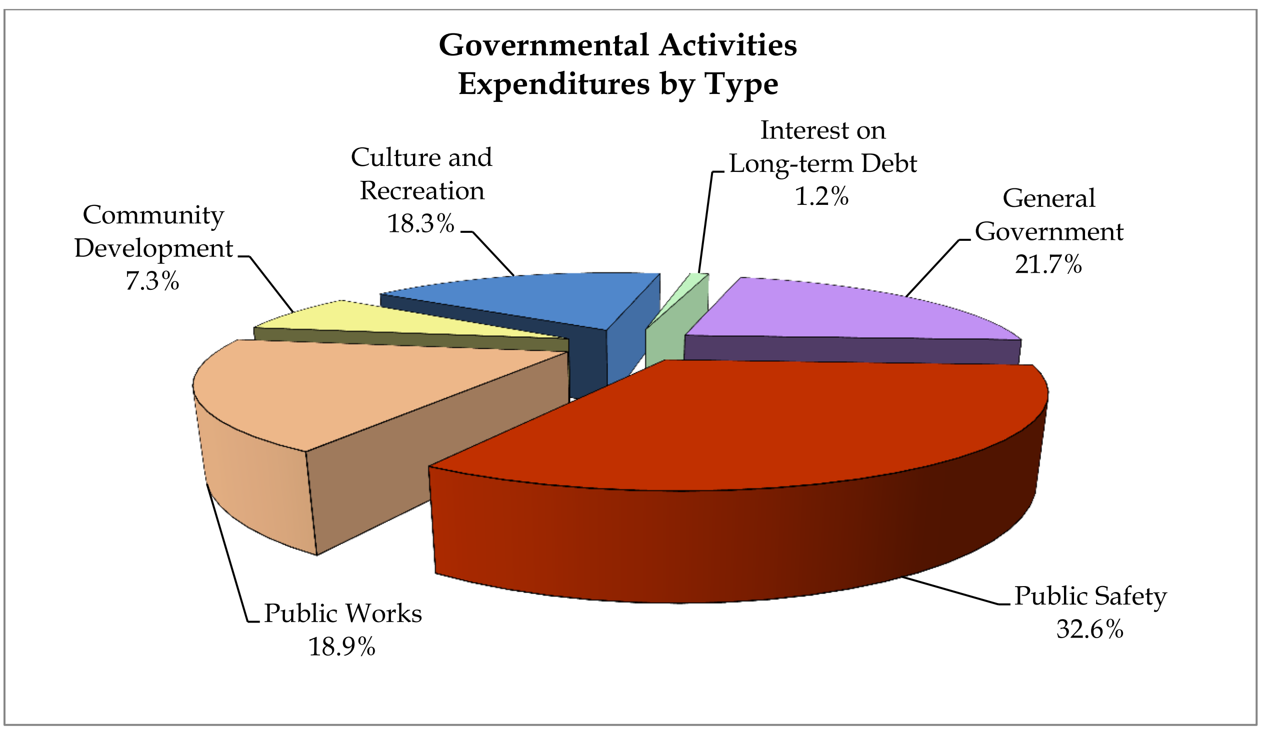

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Governmental activities increased the City's net position by $48.3 million. Key factors are as follows:

- Total revenues increased to $211.9 million, $20.9 million higher than the prior fiscal year. Many revenue sources have increased due to the continued strength of the economy. Charges for Services increased $3.5 million due to services provided related to development activity that is in high demand due to the continued strong economy. Capital Grants and Contributions increased $2.8 million as higher in-lieu fees were collected related to development projects. Property taxes increased $6.6 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, fewer appeals of assessed values filed, and due to the reversal of prior year assessed value reductions. Sales taxes have increased by $1.6 million, also due to the continued strong economy. Utility Users Tax has increased by $1.9 million due to the continued compliance of two significant telecommunications providers. Interest earnings are higher than the prior fiscal year by $3.6 million due to the change in fair value of investments.

- Overall expenses increased $4.9 million or 3.1 percent from the prior fiscal year, primarily due to inflationary increases in all areas.

Based on the above, the governmental change in net position is a net increase of $48.3 million compared to the $32.2 million increase in the prior fiscal year.

Business-type activities increased the City's net position by $4.2 million. Key factors for this increase are as follows:

- Water net position increased by $389,000, primarily due to an increase in charges for services revenues resulting from rate adjustments adopted to fund the increases in water costs. Water usage continues to be down due to drought conditions; however, the minimum payments to water suppliers also continued to be suspended, thereby reducing the payment for the cost of water.

- Wastewater net position increased by $2.7 million as revenues received from capacity and development impact fees are set aside to fund capital projects.

- Solid waste net position increased by $1.1 million as revenues exceeded projections and expenses were lower than budgeted.

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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, 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, 2016, the City's governmental funds reported combined ending fund balances of $368.7 million, an increase of $37.7 million in comparison to the prior fiscal year. The significant components for the increase are increases of $7.1 million in the General Fund, $8.7 million in the Housing Fund, $17.2 million in the General Capital Projects Fund, $4.0 million in the Park Land Dedication Capital Projects Fund, and $2.5 million in Other Governmental Funds, offset by a decrease of $1.8 million in the Shoreline Regional Park Community Fund.

The increase in the General Fund is primarily related to increases in taxes (as mentioned above), with increases in the Housing Fund and Park Land Dedication Capital Projects Fund primarily related to fees generated from the current high level of development activity. The increase in Other Governmental Funds is also primarily related to increased development activity, generating additional tax revenues and fees to the Construction & Conveyance Tax and Downtown Benefit Assessment District Funds.

Approximately $52.5 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 ($580,000), restricted ($256.3 million), committed ($57.5 million), and assigned ($1.9 million), none of which is available for new discretionary spending. The restricted fund balance increased to $256.3 million or $27.4 million over the prior fiscal year. This is a result of the fund balances increasing in restricted funds due to factors as mentioned above.

For the fiscal year ended June 30, 2016, revenues for governmental funds overall totaled $207.3 million, which represents an increase of $17.2 million from the prior fiscal year—again, primarily related to higher taxes and fees received related to the continued strong economy. Expenditures for governmental funds total $163.9 million, an increase of $826,000 from the prior fiscal year. This is due to general increases in all funds offset by a decrease of $11.0 million in General Capital Projects Fund. The decrease is primarily related to the expenditures in the prior fiscal year for the Athletic Fields project. For the

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fiscal year ended June 30, 2016, revenues for governmental funds exceeded expenditures by $43.4 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, 2016, the unassigned fund balance is $52.5 million, $8.1 million higher than the prior fiscal year, while total fund balance is $108.2 million.

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 $52.5 million represents 48.5 percent of total fund balance, 45.8 percent of fund expenditures of $114.6 million, while total fund balance represents 94.5 percent of that same amount. All are comparable to the prior fiscal year.

The fund balance of the City's General Fund increased by $7.1 million during the current fiscal year. Total General Fund revenues increased to $132.8 million, up $12.2 million from $120.6 million in the prior fiscal year, as revenues, primarily tax and fee revenues, are growing with the continued strong local economy.

<u>The Shoreline Regional Park Community Fund</u> 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 $33.2 million for the fiscal year ended June 30, 2016, an increase of $2.7 million. Property tax revenues, the primary revenue source for this fund, increased to $31.3 million for the fiscal year ended June 30, 2016, up $2.5 million from the prior fiscal year. This is primarily due to increased values from changes in ownership and the 1.998 percent California Consumer Price Index, in addition to the resolution of property tax appeals, resulting from the prior recession, by the County, which reduced assessed values and associated property tax revenues in the prior fiscal year.

Expenditures are $19.5 million for the fiscal year ended June 30, 2016, compared to $18.0 million in the prior fiscal year. Of this amount, $15.4 million was expended on general government and $2.8 million on culture and recreation.

In addition, there is $15.8 million of transfers out, $6.4 million was transferred to various Debt Service Funds for payments of principal and interest on outstanding debt, $9.1 million was transferred for capital improvement projects, other transfers of $291,000 are to the General Fund for the final repayment of a long-term loan, compensated absences and internal service funds for equipment replacement and self-insurance contributions. The fund balance as of June 30, 2016 of $47.5 million may be used only for expenditures of the Shoreline Community.

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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 $9.4 million for the fiscal year ended June 30, 2016, an increase of $2.5 million compared to the prior fiscal year, but still higher than normal due to a high level of development activity as a result of the continued strong economy. The fund balance as of June 30, 2016 of $52.3 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 $4.8 million for the fiscal year ended June 30, 2016, an increase of $2.0 million from the prior fiscal year, primarily due to the higher fair value of investments increasing the Use of Money and Property and an increase in Other Revenues received related to a public benefit in-lieu fee for a project.

Expenditures are $16.6 million for the fiscal year ended June 30, 2016, $11.0 million less than the prior fiscal year. All of the $16.6 million was expended on capital outlay. Major projects were related to the Athletic Fields construction, Shoreline Boulevard adaptive signal system, landfill gas flare replacement, Rengstorff Park lighting improvements, and Library chiller replacement. Net transfers from other funds are $29.0 million for capital projects. The fund balance of $48.4 million as of June 30, 2016 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, 2016, a decrease of $4.7 million from the prior fiscal year, due to the timing of development projects. However, revenues are still higher than normal due to the high level of development activity as a result of the continued strong economy. The fund balance of $47.6 million as of June 30, 2016 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 $19.0 million, $14.9 million, and $4.3 million, respectively. The total increase in net position for the enterprise funds is $4.2 million. The internal service funds, which are used to account for certain governmental activities, have an

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unrestricted net position of $33.4 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, 2016, the assets of the Agency funds totaled $30.2 million, comparable to the assets as of June 30, 2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund differences between the original Fiscal Year 2015-16 budget and the final amended budget resulted in an increase of $1.7 million in budgeted revenues (primarily related to Charges for Services and Other Revenues) and an $8.4 million increase in expenditure appropriations. Approximately $4.8 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 $1.6 million of appropriations was established for the payment for building inspection, fire plan checking, and land development engineering contract services related to development activity, and $1.2 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.

General Fund revenues are $12.9 million or 10.7 percent higher than the final amended budget for the fiscal year as previously discussed. This is a result of revenues increasing due to the continued strong economy as previously discussed. Expenditures for the General Fund are $13.9 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 underutilization of appropriations contributed to the positive net change in fund balances compared to budget of $26.7 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, 2016 amount to $581.3 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, 2016 is $11.2 million or 1.9 percent due to depreciation of assets.

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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	
	2016	2015	2016	2015	2016	2015
Land	$ 100,519	99,596	220	220	100,739	99,816
Construction in progress	50,634	52,670	14,134	14,931	64,768	67,601
Buildings	164,543	164,543	8,748	8,748	173,291	173,291
Improvements other than building	176,434	165,843	134,553	130,265	310,987	296,108
Machinery and equipment	34,161	33,869	5,496	5,357	39,657	39,226
Traffic signals	12,349	10,709	-	-	12,349	10,709
Streetlights	7,960	8,024	-	-	7,960	8,024
Bridges and culverts	18,305	18,305	-	-	18,305	18,305
Sidewalks, curbs and gutters	113,043	111,764	-	-	113,043	111,764
Streets and roads	261,585	258,840	-	-	261,585	258,840
Less accumulated depreciation	(450,128)	(425,754)	(71,241)	(65,396)	(521,369)	(491,150)
	$ 489,405	498,409	91,910	94,125	581,315	592,534

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

- Total capital assets decreased a net of $11.2 million, due to an increase in assets of $19.0 million, offset by a $30.2 million increase in accumulated depreciation.

- Land increased by $923,000, the net of the acquisition of a parcel on Franklin Street and the sale of the parcel on El Camino Alley.

- Total improvements other than buildings increased by $14.9 million. Some of the major assets capitalized from construction in progress were the View Teen Center Project, Facility Major Plan and Emergency Repairs Project, Water Maintenance Line Replacement Project, and Mechanical System Replacement and Eagle/ Rengstorff Pool Project.

- 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, 2016, the City had $97.4 million of outstanding long-term obligations related to governmental activities and $10.6 million related to business-type activities, for a total of $108.0 million. Debt outstanding as of June 30, 2016 with a comparison to prior year and the net change follows:

Debt Outstanding
(Dollars in Thousands)

	2016	2015	Net Change
Tax allocation bonds	$ 32,955	34,550	(1,595)
Certificates of participation	-	2,530	(2,530)
Bank loan	6,265	9,293	(3,028)
Special assessment debt	174	208	(34)
Compensated absences	9,339	8,715	624
Landfill containment	38,554	38,172	382
Claims liabilities	10,109	9,480	629
Total governmental activity debt	97,396	102,948	(5,552)
Business-type activities	10,619	11,153	(534)
Total	$ 108,015	114,101	(6,086)

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, 2016.

Standard & Poor's reconfirmed the City's underlying "AAA" credit rating in July 2015.

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 that resulted in increased revenues. Revenues are projected to continue to be higher for next fiscal year as the economy remains strong.

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- 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 1.525 percent increase in assessed values due to the positive California Consumer Price Index.

- Sales tax revenue is expected to be slightly higher than the current fiscal year; however, this revenue appears lower due to the timing and true-up of the "Triple Flip" at the end of the current fiscal year that resulted in a one-time increase in sales tax.

- Other taxes comprised of Transient Occupancy Tax (TOT) and Utility Users Tax (UUT) are anticipated to continue to rise for Fiscal Year 2016-17 as a result of the continued strong economy.

- Average increases in water, wastewater, and solid waste rates of 10.0 percent, 19.0 percent, and 10.0 percent, respectively, have been adopted for Fiscal Year 2016-17 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 2016-17.

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, 2016
(Dollars in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	$ 379,852	26,698	406,550
Restricted cash and investments	3,935	-	3,935
Receivables, net of allowance:			
Accounts	1,219	9,445	10,664
Taxes	8,042	-	8,042
Special assessments	135	-	135
Interest	1,642	159	1,801
Loans	55,244	-	55,244
Internal balances	(22,130)	22,130	-
Inventory	416	-	416
Deposits and prepaid items	33	-	33
Net OPEB asset	42,600	-	42,600
Capital assets:			
Nondepreciable	151,153	14,354	165,507
Depreciable, net of accumulated depreciation	338,252	77,556	415,808
Total assets	960,393	150,342	1,110,735
Deferred outflows of resources:			
Pension items	20,117	1,976	22,093
Liabilities:			
Accounts payable and accrued liabilities	6,026	2,618	8,644
Interest payable	765	-	765
Refundable deposits	5,310	217	5,527
Unearned revenue	4,544	-	4,544
Long-term liabilities:			
Due within one year	9,646	848	10,494
Due in more than one year	87,750	9,771	97,521
Net pension liability	160,130	16,856	176,986
Total liabilities	274,171	30,310	304,481
Deferred inflows of resources:			
Pension items	11,349	1,209	12,558
Net position:			
Net investment in capital assets	450,011	82,555	532,566
Restricted for:			
Capital projects	96,436	-	96,436
Debt service	3,015	-	3,015
Low and moderate income housing	65,504	-	65,504
Shoreline Regional Park Community	46,018	-	46,018
Grants and regulations	45,498	-	45,498
Unrestricted	(11,492)	38,244	26,752
Total net position	$ 694,990	120,799	815,789

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, 2016
(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	$ 35,510	28,846	887	-
Public safety	53,538	1,643	270	-
Public works	31,052	3,911	1,699	11,079
Community development	11,991	11,941	1,287	12,571
Culture and recreation	30,105	5,106	154	7,641
Interest on long-term debt	1,860	-	-	-
Total governmental activities	164,056	51,447	4,297	31,291
Business-type activities:				
Water	27,809	27,953	-	168
Wastewater	17,332	19,730	-	217
Solid Waste	11,945	13,125	-	-
Total business-type activities	57,086	60,808	-	385
Total primary government	$ 221,142	112,255	4,297	31,676

General revenues and transfers:
Property taxes
Sales taxes
Transient occupancy tax
Utility users tax
Nonregulatory franchise and business, unrestricted
Intergovernmental - Not restricted to specific programs
Investment income
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(5,777)	-	(5,777)
(51,625)	-	(51,625)
(14,363)	-	(14,363)
13,808	-	13,808
(17,204)	-	(17,204)
(1,860)	-	(1,860)
(77,021)	-	(77,021)
-	312	312
-	2,615	2,615
-	1,180	1,180
-	4,107	4,107
(77,021)	4,107	(72,914)
71,563	-	71,563
21,401	-	21,401
6,591	-	6,591
9,898	-	9,898
4,954	-	4,954
211	-	211
8,551	498	9,049
1,724	-	1,724
386	(386)	-
125,279	112	125,391
48,258	4,219	52,477
646,732	116,580	763,312
694,990	120,799	815,789

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CITY OF MOUNTAIN VIEW
Governmental Funds
Balance Sheet
June 30, 2016
(Dollars in Thousands)

		General	Shoreline Regional Park Community	Housing
Assets:				
Cash and investments	$	108,557	50,424	28,565
Restricted cash and investments		-	-	-
Receivables, net of allowance:				
Accounts		604	1	-
Taxes		8,042	-	-
Special assessments		-	-	-
Interest		484	225	136
Loans		134	-	24,812
Due from other funds		354	-	-
Inventory		359	-	-
Deposits and prepaid items		30	-	-
Total assets	$	118,564	50,650	53,513
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable and accrued liabilities	$	2,021	2,959	219
Due to other funds		-	-	-
Refundable deposits		4,118	201	984
Unearned revenue		4,184	-	-
Advances from other funds		-	-	-
Total liabilities		10,323	3,160	1,203
Deferred inflows of resources:				
Unavailable revenues - special assessment		-	-	-
Fund balances:				
Nonspendable		523	-	-
Restricted		-	46,018	52,310
Committed		53,399	1,472	-
Assigned		1,860	-	-
Unassigned		52,459	-	-
Total fund balances		108,241	47,490	52,310
Total liabilities, deferred inflows of resources and fund balances	$	118,564	50,650	53,513

See accompanying notes to the financial statements.

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	General Capital Projects	Park Land Dedication Capital Projects	Other Governmental Funds	Total Governmental Funds
	71,115	47,387	31,473	337,521
	-	-	2,916	2,916
	-	-	614	1,219
	-	-	-	8,042
	-	-	135	135
	-	194	153	1,192
	-	-	30,298	55,244
	-	-	-	354
	-	-	57	416
	-	-	-	30
	71,115	47,581	65,646	407,069
	573	-	98	5,870
	-	-	354	354
	-	-	7	5,310
	-	-	360	4,544
	22,130	-	-	22,130
	22,703	-	819	38,208
	-	-	136	136
	-	-	57	580
	48,412	47,581	61,960	256,281
	-	-	2,677	57,548
	-	-	-	1,860
	-	-	(3)	52,456
	48,412	47,581	64,691	368,725
	71,115	47,581	65,646	407,069

See accompanying notes to the financial statements.

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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, 2016
(Dollars in Thousands)

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds		$ 368,725
Capital assets net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		489,075
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.		33,686
Long-term special assessments receivables are not available to pay for current period expenditures and, therefore, are considered unavailable on the modified accrual basis of accounting.		136
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.		(765)
Deferred outflows and inflows of resources for pension items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources		20,117
Deferred inflows of resources		(11,349)
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 OPEB asset	$ 42,600	
Net pension liability	(160,130)	
Bonds and loans payable	(39,394)	
Landfill containment	(38,554)	
Compensated absences	(9,157)	(204,635)
Net position of governmental activities		$ 694,990

See accompanying notes to the financial statements.

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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, 2016
(Dollars in Thousands)

	General	Shoreline Regional Park Community	Housing
Revenues:			
Taxes	$ 77,600	31,304	-
Licenses, permits and fees	11,279	-	8,672
Fines and forfeitures	697	-	-
Use of money and property	14,537	1,245	756
Intergovernmental	1,159	-	-
Charges for services	24,691	623	-
Other	2,862	62	1
Total revenues	132,825	33,234	9,429
Expenditures:			
Current:			
General government	18,679	15,393	-
Public safety	54,526	140	-
Public works	11,048	747	-
Community development	9,878	365	772
Culture and recreation	19,126	2,807	-
Capital outlay	1,343	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	114,600	19,452	772
Excess (deficiency) of revenues over (under) expenditures	18,225	13,782	8,657
Other financing sources (uses):			
Proceeds from the sale of capital assets	1,950	-	-
Transfers in	2,037	246	-
Transfers out	(15,129)	(15,836)	(5)
Total other financing sources (uses)	(11,142)	(15,590)	(5)
Net change in fund balances	7,083	(1,808)	8,652
Fund balances, beginning of year	101,158	49,298	43,658
Fund balances, end of year	$ 108,241	47,490	52,310

See accompanying notes to the financial statements.

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General Capital Projects	Park Land Dedication Capital Projects	Other Governmental Funds	Total Governmental Funds
-	-	7,879	116,783
-	7,641	544	28,136
-	-	-	697
1,625	933	634	19,730
1,589	-	3,667	6,415
-	-	2,568	27,882
1,548	-	3,208	7,681
4,762	8,574	18,500	207,324
-	-	197	34,269
-	-	124	54,790
-	-	129	11,924
-	-	926	11,941
-	20	2,026	23,979
16,571	-	-	17,914
-	-	7,187	7,187
-	-	1,936	1,936
16,571	20	12,525	163,940
(11,809)	8,554	5,975	43,384
-	-	-	1,950
30,353	120	9,544	42,300
(1,345)	(4,671)	(12,972)	(49,958)
29,008	(4,551)	(3,428)	(5,708)
17,199	4,003	2,547	37,676
31,213	43,578	62,144	331,049
48,412	47,581	64,691	368,725

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, 2016
(Dollars in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		$ 37,676
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	$ 14,709	
Donated assets received	2,142	
Capital assets retirements	(226)	
Depreciation	(25,922)	(9,297)
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.		(39)
Pension contribution made subsequent to the measurement date is an expenditure in the governmental funds, but reported as a deferred outflows of resources in the government-wide financial statements.		19,246
Pension 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.		(10,511)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		7,187
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 net OPEB asset	$ 1,862	
Change in accrued interest payable	76	
Change in landfill containment	(382)	
Change in compensated absences	(659)	897
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.		3,099
Change in net position of governmental activities		$ 48,258

CITY OF MOUNTAIN VIEW
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 69,645	69,645	77,600	7,955
Licenses, permits and fees	10,692	10,692	11,279	587
Fines and forfeitures	1,095	1,095	697	(398)
Use of money and property	12,607	12,607	14,537	1,930
Intergovernmental	566	713	1,159	446
Charges for services	21,093	21,832	24,691	2,859
Other	2,565	3,363	2,862	(501)
Total revenues	118,263	119,947	132,825	12,878
Expenditures:				
Current:				
General government:				
City council	358	387	275	112
City clerk	639	644	540	104
City attorney	1,781	1,834	1,628	206
City manager	3,595	4,990	4,474	516
Information technology	3,428	3,446	3,136	310
Finance and administrative services	9,570	9,855	8,626	1,229
Public safety:				
Fire	22,020	22,905	21,892	1,013
Police	33,563	34,016	32,634	1,382
Public works	11,265	12,811	11,048	1,763
Community development	11,540	14,362	9,878	4,484
Culture and recreation:				
Community services	15,089	15,460	13,703	1,757
Library services	5,579	5,864	5,423	441
Capital outlay	1,647	1,878	1,343	535
Total expenditures	120,074	128,452	114,600	13,852
Excess (deficiency) of revenues over (under) expenditures	(1,811)	(8,505)	18,225	26,730
Other financing sources (uses):				
Proceeds from the sale of capital assets	-	-	1,950	1,950
Transfers in	3,622	3,622	2,037	(1,585)
Transfers out	(14,101)	(15,129)	(15,129)	-
Total other financing sources (uses)	(10,479)	(11,507)	(11,142)	365
Net change in fund balance	$ (12,290)	(20,012)	7,083	27,095
Fund balance, beginning of year			101,158	
Fund balance, end of year			$ 108,241	

See accompanying notes to the financial statements.

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CITY OF MOUNTAIN VIEW
Shoreline Regional Park Community Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 32,732	32,732	31,304	(1,428)
Use of money and property	1,130	1,130	1,245	115
Intergovernmental	-	10	-	(10)
Charges for services	25	25	623	598
Other	40	40	62	22
Total revenues	33,927	33,937	33,234	(703)
Expenditures:				
Current:				
General government:				
City attorney	10	15	-	15
Finance and administrative services	15,320	15,436	15,393	43
Public safety:				
Fire	136	139	100	39
Police	40	40	40	-
Public works	927	939	747	192
Community development	610	615	365	250
Culture and recreation:				
Community services	3,314	3,346	2,807	539
Total expenditures	20,357	20,530	19,452	1,078
Excess of revenues over expenditures	13,570	13,407	13,782	375
Other financing sources (uses):				
Transfers in	-	-	246	246
Transfers out	(16,873)	(17,277)	(15,836)	1,441
Total other financing sources (uses)	(16,873)	(17,277)	(15,590)	1,687
Net change in fund balance	$ (3,303)	(3,870)	(1,808)	2,062
Fund balance, beginning of year			49,298	
Fund balance, end of year			$ 47,490	

See accompanying notes to the financial statements.

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CITY OF MOUNTAIN VIEW
Housing Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Licenses, permits and fees	$ -	-	8,672	8,672
Use of money and property	383	383	756	373
Other	-	-	1	1
Total revenues	383	383	9,429	9,046
Expenditures:				
Current:				
Community development	2,232	33,918	772	33,146
Total expenditures	2,232	33,918	772	33,146
Excess (deficiency) of revenues over (under) expenditures	(1,849)	(33,535)	8,657	42,192
Other financing uses:				
Transfers out	(5)	(5)	(5)	-
Total other financing uses	(5)	(5)	(5)	-
Net change in fund balance	$ (1,854)	(33,540)	8,652	42,192
Fund balance, beginning of year			43,658	
Fund balance, end of year			$ 52,310	

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CITY OF MOUNTAIN VIEW
Proprietary Funds
Statement of Net Position
June 30, 2016
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds		
	Water	**Wastewater**	**Solid Waste**
Assets:			
Current assets:			
Cash and investments	$ 15,330	5,490	5,878
Restricted cash and investments	-	-	-
Receivables, net of allowance:			
Accounts	4,136	2,491	2,818
Interest	88	53	18
Deposits and prepaid items	-	-	-
Total current assets	19,554	8,034	8,714
Noncurrent assets:			
Advance to other funds	10,054	11,697	379
Capital assets:			
Nondepreciable	9,144	4,717	493
Depreciable, net of accumulated depreciation	55,814	19,382	2,360
Total noncurrent assets	75,012	35,796	3,232
Total assets	94,566	43,830	11,946
Deferred outflows of resources:			
Pension items	1,011	545	420
Liabilities:			
Current liabilities:			
Accounts payable	1,607	16	995
Refundable deposits	217	-	-
Current portion of accrued compensated absences	85	57	41
Current portion of accrued self-insurance costs	-	-	-
Current portion of revenue bonds	365	-	-
Current portion of loans payable	300	-	-
Total current liabilities	2,574	73	1,036
Noncurrent liabilities:			
Noncurrent portion of accrued compensated absences	500	338	243
Noncurrent portion of accrued self-insurance costs	-	-	-
Noncurrent portion of revenue bonds	5,740	-	-
Noncurrent portion of loans payable	2,950	-	-
Net pension liability	8,559	4,659	3,638
Total liabilities	20,323	5,070	4,917
Deferred inflows of resources:			
Pension items	603	336	270
Net position:			
Net investment in capital assets	55,603	24,099	2,853
Unrestricted	19,048	14,870	4,326
Total net position	$ 74,651	38,969	7,179

See accompanying notes to the financial statements.

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Business-type Activities - Enterprise Funds Total	Governmental Activities - Internal Service Funds
26,698	42,331
-	1,019
9,445	-
159	450
-	3
36,302	43,803
22,130	-
14,354	304
77,556	26
114,040	330
150,342	44,133
1,976	-
2,618	156
217	-
183	26
-	3,537
365	-
300	-
3,683	3,719
1,081	156
-	6,572
5,740	-
2,950	-
16,856	-
30,310	10,447
1,209	-
82,555	330
38,244	33,356
120,799	33,686

See accompanying notes to the financial statements.

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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, 2016
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Solid Waste
Operating revenues:			
Charges for services	$ 26,443	19,207	12,841
Other	1,510	523	284
Total operating revenues	27,953	19,730	13,125
Operating expenses:			
Salaries and related expenses	5,627	3,115	1,974
Self-funded insurance	-	-	-
Cost of sales and services	14,862	10,100	7,777
General and administrative	2,983	2,502	1,864
Depreciation	4,010	1,615	330
Total operating expenses	27,482	17,332	11,945
Operating income (loss)	471	2,398	1,180
Nonoperating revenues (expenses):			
Investment income	331	74	93
Interest expense	(327)	-	-
Total nonoperating revenues (expenses)	4	74	93
Income (loss) before contributions and transfers	475	2,472	1,273
Capital contributions	168	217	-
Transfers in	195	261	15
Transfers out	(449)	(254)	(154)
Change in net position	389	2,696	1,134
Net position, beginning of year	74,262	36,273	6,045
Net position, end of year	$ 74,651	38,969	7,179

See accompanying notes to the financial statements.

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Business-type Activities - Enterprise Funds Total	Governmental Activities - Internal Service Funds
58,491	10,385
2,317	706
60,808	11,091
10,716	10,192
-	3,278
32,739	-
7,349	3,332
5,955	11
56,759	16,813
4,049	(5,722)
498	777
(327)	-
171	777
4,220	(4,945)
385	-
471	8,988
(857)	(944)
4,219	3,099
116,580	30,587
120,799	33,686

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CITY OF MOUNTAIN VIEW
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds		
	Water	**Wastewater**	**Solid Waste**
Cash flows from operating activities:			
Cash receipts from customers	$ 26,624	19,195	12,918
Cash paid to suppliers for goods and services	(17,473)	(12,617)	(9,654)
Cash paid to employees for services	(6,113)	(3,408)	(2,181)
Claims paid	-	-	-
Other receipts	1,515	523	284
Net cash provided by (used in) operating activities	4,553	3,693	1,367
Cash flows from noncapital financing activities			
Transfers in	195	261	15
Transfers out	(449)	(254)	(154)
Advances paid to (repaid by) other funds	(3,146)	(7,083)	(75)
Net cash provided by (used in) noncapital financing activities	(3,400)	(7,076)	(214)
Cash flows from capital and related financing activities:			
Principal payment on capital debt	(350)	-	-
Principal payment on loan	(300)	-	-
Interest paid on capital debt	(277)	-	-
Acquisition of capital assets	(1,860)	(1,251)	(244)
Net cash used in capital and related financing activities	(2,787)	(1,251)	(244)
Cash flows from investing activities:			
Interest received	329	70	94
Net cash provided by investing activities	329	70	94
Net increase (decrease) in cash and cash equivalents	(1,305)	(4,564)	1,003
Cash and cash equivalents, beginning of year	16,635	10,054	4,875
Cash and cash equivalents, end of year	$ 15,330	5,490	5,878
Reconciliation of cash and cash equivalents:			
Cash and investments	$ 15,330	5,490	5,878
Restricted cash and investments	-	-	-
Total cash and cash equivalents	$ 15,330	5,490	5,878
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 471	2,398	1,180
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	4,010	1,615	330
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	181	(12)	77
Increase (decrease) in accounts payable	372	(15)	(13)
Increase (decrease) in refundable deposits	5	-	-
Increase (decrease) in accrued compensated absences	52	(2)	16
Increase (decrease) in accrued self-insurance costs	-	-	-
Decrease (increase) in deferred outflows of resources - pension items	(270)	(141)	(104)
Increase (decrease) in deferred inflows of resources - pension items	(1,023)	(551)	(424)
Increase (decrease) in net pension liability	755	401	305
Net cash provided by (used in) operating activities	$ 4,553	3,693	1,367
Supplemental disclosure of noncash capital and related financing activities:			
Receipt of capital assets contributions	$ 168	217	-

See accompanying notes to the financial statements.

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Business-type Activities - Enterprise Funds Total	Governmental Activities - Internal Service Funds
58,737	11,091
(39,744)	(4,521)
(11,702)	(10,227)
-	(1,467)
2,322	-
9,613	(5,124)
471	8,988
(857)	(944)
(10,304)	-
(10,690)	8,044
(350)	-
(300)	-
(277)	-
(3,355)	(304)
(4,282)	(304)
493	478
493	478
(4,866)	3,094
31,564	40,256
26,698	43,350
26,698	42,331
-	1,019
26,698	43,350
4,049	(5,722)
5,955	11
246	-
344	(7)
5	-
66	(35)
-	629
(515)	-
(1,998)	-
1,461	-
9,613	(5,124)
385	-

See accompanying notes to the financial statements.

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CITY OF MOUNTAIN VIEW
Agency Funds
Statement of Fiduciary Net Position
June 30, 2016
(Dollars in Thousands)

	Total Agency Funds
Assets:	
Cash and investments	$ 29,047
Restricted cash and investments	352
Deposits and prepaid items	838
Total assets	$ 30,237
Liabilities:	
Accrued payroll	$ 2,766
Collection payable	390
Deposits payable	27,081
Total liabilities	$ 30,237

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 first 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 Community Park 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 consist 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)

The 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.

Wastewater Fund – This fund accounts for the revenues and expenses related to the operation, maintenance and capital outlays 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.

Solid Waste Fund – This fund accounts for the revenues and expenses related to disposal services, recycling operations, other solid waste operations 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 County of Santa Clara's (County) final distribution of sales taxes revenue. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general 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 acquisitions under capital leases 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 to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 from 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 assesses properties and it bills, collects and distributes property taxes to the City. The County remits 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 is due in two installments, on November 1 and February 1, and becomes a lien on January 1. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes 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 assessed, 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 Items*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. 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 following GASB Statements during the fiscal year ended June 30, 2016:

- In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements.

- In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statements Nos. 67 and 68.

- In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which supersedes Statement No. 55.

- In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The statement addresses accounting and financial reporting for certain external investment pools and pool participants.

- In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues raised with respect to the GASB Statements Nos. 67, 68, and 73, regarding: (1) the presentation of payroll-related measures in required supplementary information;

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standards of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Implementation of these statements did not have a significant impact on the City for the fiscal year ended June 30, 2016.

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

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This statement addresses reporting by Other Postemployment Benefits (OPEB) plans that administer benefits on behalf of governments. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

- 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. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

- In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (i) brief descriptive information; (ii) the gross dollar amount of taxes abated during the period; and (iii) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established by GASB Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

- 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. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

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 and the Housing Successor 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.

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NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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 generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

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.

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.

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NOTE 3 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except Restricted Cash and Investments with Fiscal Agents, 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.

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 used in preparing proprietary fund Statements of Cash Flows because these assets are highly liquid and are expended to liquidate liabilities arising during the fiscal year.

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NOTE 3 – CASH AND INVESTMENTS (Continued)

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, 2016. Cash and investments are as follows (dollars in thousands):

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	$ 379,852	26,698	29,047	435,597
Restricted cash and investments	3,935	-	352	4,287
Total cash and investments	$ 383,787	26,698	29,399	439,884

Cash and investments as of June 30, 2016 consist of the following (dollars in thousands):

Cash on hand	$ 12
Deposits with financial institutions	9,764
Investments	430,108
Total cash and investments	$ 439,884

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.

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NOTE 3 – CASH AND INVESTMENTS (Continued)

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.

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 risk, credit risk and concentration of credit risk.

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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

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.

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NOTE 3 – CASH AND INVESTMENTS (Continued)

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	$ 58,028	N/A	
U.S. Treasury Obligations	161,939	2.27	
U.S. Agency Securities	153,980	2.29	
Medium-Term Notes	37,668	2.35	
Supranational Securities	6,049	2.28	
Municipal Bonds - Yardis Assessment District	55	1.99	
Municipal Bonds - Shoreline Community 2011 Revenue Bonds	9,191	4.04	
Money Market Mutual Funds	293	N/A	
The modified duration of the City's portfolio as of June 30, 2016		2.01	
The modified duration of the City's portfolio as of June 30, 2016, excluding Shoreline Community 2011 Bonds		1.97	
Held by Bond Trustee:			
U.S. Agency Securities:			
Federal Home Loan Banks	2,905		June 9, 2017
Total investments	$ 430,108		

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, 2016, the allowed modified duration ranged from 1.71 to 2.31 years.

Investments in municipal bonds shown above represent the City's investment in the 2000 Yardis Court Special Assessment Debt and 2011 Shoreline Regional Parks Community Revenue Bonds. The balance as of June 30, 2016 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 of California. 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 $75.4 billion as of June 30, 2016. Of that

NOTE 3 – CASH AND INVESTMENTS (Continued)

amount, 97.19 percent was invested in nonderivative financial products and 2.81 percent in structured notes and asset backed securities. As of June 30, 2016, LAIF has an average maturity of 167 days.

Mutual Money Market Funds investments are available for withdrawal on demand and as of June 30, 2016 have an average maturity of less than 60 days.

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, 2016, City's investment in Money Market Mutual Funds, and Supra National Securities are rated AAA by Standard & Poor's. U.S. Agency Securities are rated AA by Standard & Poor's. The Medium-Terms 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 and Local Agency Investment Fund were not rated as of June 30, 2016.

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, 2016, those investments consisted of (dollars in thousands):

Issuer	Investment Type	Amount
Federal Home Loan Banks	Federal Agency Securities	$ 55,215
Federal National Mortgage Association	Federal Agency Securities	56,407
Federal Home Loan Mortgage Association	Federal Agency Securities	42,358

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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.

NOTE 4 – LOANS RECEIVABLE

As of June 30, 2016, the City's loans receivable are as follows (dollars in thousands):

CDBG Rehabilitation	$ 95
Mid-Peninsula Support network	55
Ginzton Terrace	517
Latham Street Apartments	2,561
Project Match	132
Central Park Apartments	4,970
Sierra Vista Apartments Affordance Housing	238
Stoney Pine Charities	124
HomeSafe	100
San Antonio Place LP	5,465
Tyrella Gardens	1,015
Bill Wilson Center	133
San Veron Park	1,087
SR Fountains LP	981
Franklin Street Family Apartments	12,547
El Camino West Affordable Studios	3,452
Rengstorff Affordable Housing	8,953
Employee Housing	134
Palo Alto Housing	286
East Evelyn Affordable Housing	12,395
Deferred Assessments	4
Total	$ 55,244

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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 payment.

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 Funds (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, 2016.

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.

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

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NOTE 4 – LOANS RECEIVABLE (Continued)

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. The loan is collateralized by a first deed of trust.

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. During Fiscal Year 2015-16, $265,000 was repaid against the loans.

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.

As of June 30, 2016, the total outstanding balance of all loans related to the Latham Street Apartments is $2.6 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.

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NOTE 4 – LOANS RECEIVABLE (Continued)

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. As of June 30, 2016, the $1.2 million CDBG loan was outstanding.

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 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. During Fiscal Year 2015-16, the Coalition made a repayment of $93,000 against the Housing Successor's loan and the outstanding balance was $566,000.

A loan of $1.3 million to be funded by HOME grant funds was approved on June 1, 2007. The loan bears 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, 2016, the amount of this CDBG loan was $367,000.

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NOTE 4 – LOANS RECEIVABLE (Continued)

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, 2016, the total outstanding balance of all loans related to Central Park apartments is $5.0 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, 2016, the amount of the loans outstanding are $238,000.

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.

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NOTE 4 – LOANS RECEIVABLE (Continued)

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, 2016, the amount of the loan outstanding is $5.5 million.

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 $453,000 has been funded as

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NOTE 4 – LOANS RECEIVABLE (Continued)

of June 30, 2016. The HOME loan funds has a term of 3.0 percent simple interest rate and is due in 43 years. As of June 30, 2016, the total amount of all loans outstanding related to Tyrella Gardens is $1.0 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, 2016, 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, 2016, $1.1 million of the loan had been funded.

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. As of June 30, 2016, the total outstanding loan amount is $981,000.

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 November 1, 2011 the full loan was assigned to Franklin Street Family Apartments.

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NOTE 4 – LOANS RECEIVABLE (Continued)

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. On November 1, 2011 the full loan was assigned to Franklin Street Family Apartments. 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.

As of June 30, 2016 the total outstanding balance of all loans related to Franklin Street Family Apartments is $12.5 million.

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, 2016 the amount of the loans 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. The loan was funded by Housing funds with 3.0 percent interest and a term of 55 years. As of June 30, 2016, $9.0 million of the loan had been funded.

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 is fund 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. As of June 30, 2016, the amount of the loan outstanding is $134,000.

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NOTE 4 – LOANS RECEIVABLE (Continued)

S. Palo Alto Housing

On December 20, 2015, the City entered into a predevelopment funding agreement with Palo Alto Housing Corporation for prefunding of $1.0 million from Housing funds. As of June 30, 2016, the amount of the loan outstanding is $286,000.

T. East Evelyn Affordable Housing

On May 31, 2016, the City entered into a loan agreement with Evelyn Avenue Family Apartments, L.P. 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, 2016, the amount of the loan outstanding is $12.4 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, 2016, $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.

Transfers between funds during the fiscal year ended June 30, 2016 are as follows (dollars in thousands):

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NOTE 5 – INTERFUND TRANSACTIONS

Funds Receiving Transfers	Funds Making Transfers	Amount Transferred	Funding Purpose
General Fund	Shoreline Regional Park Community	$ 160	A,C
	Housing	2	C
	General Capital Projects	122	B
	Nonmajor Governmental	1,485	C
	Water	220	C
	Internal Service	48	C
		2,037	
Shoreline Regional Park Community	General Capital Projects	246	B
General Capital Projects	General Fund	5,574	C
	Shoreline Regional Park Community	9,139	C
	Park Land Dedication Capital Projects	4,671	C
	Nonmajor Governmental	10,269	C
	Internal Service	700	C
		30,353	
Park Land Dedication Capital Projects	General Capital Projects	120	B
Nonmajor Governmental	General Fund	1,561	A
	Shoreline Regional Park Community	6,406	A
	General Capital Projects	568	B
	Nonmajor Governmental	1,009	A
		9,544	
Water	General Capital Projects	129	B
	Internal Service	66	C
		195	
Wastewater	General Capital Projects	144	B
	Internal Service	117	C
		261	
Solid Waste	General Capital Projects	6	B
	Internal Service	9	C
		15	
Internal Service Funds	General Fund	7,994	C
	Shoreline Regional Park Community	131	C
	General Capital Projects	10	B
	Housing	3	C
	Nonmajor Governmental	209	C
	Water	229	C
	Wastewater	254	C
	Solid Waste	154	C
	Internal Service	4	C
		8,988	
	Total Interfund Transfers	$ 51,759	

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, retirees' health plan, 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, 2016, the General Capital Projects Fund has outstanding advances of $10.1 million, $11.7 million, and $379,000 from the Water, Wastewater, and Solid Waste enterprise funds, respectively.

C. Interfund Due To/From

Due to/from balances are expected to be repaid within the next fiscal year. As of June 30, 2016, $354,000 is due to the General Fund from the Grants nonmajor fund caused by a negative cash position at fiscal year end.

D. 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. Contributed capital assets are valued at their estimated fair value on the date contributed. 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
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, 2016 is as follows (dollars in thousands):

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Governmental activities					
Capital assets not being depreciated:					
Land	$ 99,596	987	(64)	-	100,519
Construction in progress	52,670	12,495	-	(14,531)	50,634
Total capital assets not being depreciated	152,266	13,482	(64)	(14,531)	151,153
Capital assets being depreciated:					
Buildings	164,543	-	-	-	164,543
Improvements other than buildings	165,843	-	-	10,591	176,434
Machinery and equipment	33,869	1,531	(1,264)	25	34,161
Traffic signals	10,709	480	(91)	1,251	12,349
Streetlights	8,024	15	(79)	-	7,960
Bridges and culverts	18,305	-	-	-	18,305
Sidewalks, curbs and gutters	111,764	787	(214)	706	113,043
Streets and roads	258,840	860	(73)	1,958	261,585
Total capital assets being depreciated	771,897	3,673	(1,721)	14,531	788,380
Less accumulated depreciation for:					
Buildings	(73,714)	(4,832)	-	-	(78,546)
Improvements other than buildings	(114,794)	(8,768)	-	-	(123,562)
Machinery and equipment	(24,622)	(2,088)	1,256	-	(25,454)
Traffic signals	(4,672)	(561)	59	-	(5,174)
Streetlights	(6,853)	(43)	77	-	(6,819)
Bridges and culverts	(4,337)	(306)	-	-	(4,643)
Sidewalks, curbs and gutters	(60,374)	(2,754)	123	-	(63,005)
Streets and roads	(136,388)	(6,581)	44	-	(142,925)
Total accumulated depreciation	(425,754)	(25,933)	1,559	-	(450,128)
Net capital assets being depreciated	346,143	(22,260)	(162)	14,531	338,252
Governmental activities capital assets, net	$ 498,409	(8,778)	(226)	-	489,405

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NOTE 6 – CAPITAL ASSETS (Continued)

	Balance 6/30/2015	Additions	Retirements	Transfers	Balance 6/30/2016
Business-type activities					
Capital assets not being depreciated:					
Land	$ 220	-	-	-	220
Construction in progress	14,931	3,150	-	(3,947)	14,134
Total capital assets not being depreciated	15,151	3,150	-	(3,947)	14,354
Capital assets being depreciated:					
Buildings	8,748	-	-	-	8,748
Improvements other than buildings	130,265	385	(44)	3,947	134,553
Machinery and equipment	5,357	205	(66)	-	5,496
Total capital assets being depreciated	144,370	590	(110)	3,947	148,797
Less accumulated depreciation for:					
Buildings	(8,508)	(9)	-	-	(8,517)
Improvements other than buildings	(52,703)	(5,709)	44	-	(58,368)
Machinery and equipment	(4,185)	(237)	66	-	(4,356)
Total accumulated depreciation	(65,396)	(5,955)	110	-	(71,241)
Net capital assets being depreciated	78,974	(5,365)	-	3,947	77,556
Business-type activities capital assets, net	$ 94,125	(2,215)	-	-	91,910

B. *Depreciation Allocation*

Depreciation expense was 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, 2016 are as follows (dollars in thousands):

Governmental Activities:	
General government	$ 2,005
Public safety	1,427
Public works	15,314
Community development	510
Culture and recreation	6,677
Total	$ 25,933
Business-type Activities:	
Water	$ 4,010
Wastewater	1,615
Solid Waste	330
Total	$ 5,955

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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, 2016, are as follows (dollars in thousands):

	Spent to Date	Remaining Commitment
Governmental activities:		
Improvements other than buildings	$ 43,583	4,218
Infrastructure	7,051	484
Total governmental activities	$ 50,634	4,702
Business-type activities:		
Water projects	$ 8,937	3
Wastewater projects	4,704	197
Solid Waste projects	493	72
Total business-type activities	$ 14,134	272

Commitments are funded from 1) revenues received directly by the capital projects funds 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, 2016 are as follows (dollars in thousands):

	Original Issue Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Governmental Activities:						
Tax Allocation Bonds:						
Shoreline Regional Park Community						
2011 Revenue Refunding Bonds						
2.0% to 5.75%, due Fiscal Year 2040-41	$ 39,030	34,550	-	(1,595)	32,955	1,665
Certificates of Participation:						
City						
2001 Refunding						
3.5% to 4.75%, due Fiscal Year 2015-16	10,720	985	-	(985)	-	-
2008 Childcare Center (COP)						
1.0%, due Fiscal Year 2015-16	2,800	1,545	-	(1,545)	-	-
Total Certificates of Participation	13,520	2,530	-	(2,530)	-	-
Bank Loan:						
Shoreline Regional Park Community						
2014 Bank Loan						
1.65%, due Fiscal Year 2018-19	12,135	9,293	-	(3,028)	6,265	3,078
Special Assessment Debt with City Commitment:						
1996 Centre-Church-El Ranchito-Bay						
4.10%-6.375%, due Fiscal Year 2019-20	561	145	-	(25)	120	30
2000 Yardis Court						
7.0%, due Fiscal Year 2020-21	195	63	-	(9)	54	10
Total Special Assessment Debt with City Commitment	756	208	-	(34)	174	40
Compensated Absences	-	8,715	661	(37)	9,339	1,326
Landfill Containment	-	38,172	382	-	38,554	-
Claims liabilities	-	9,480	2,096	(1,467)	10,109	3,537
Total governmental activities	$ 65,441	102,948	3,139	(8,691)	97,396	9,646

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NOTE 7 – NONCURRENT LIABILITIES (Continued)

	Original Issue Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Business-type activities:						
Water Revenue Bonds						
2004 Series A						
3.0%-4.5%, due Fiscal Year 2028-29	$ 9,700	6,455	-	(350)	6,105	365
City of Palo Alto Loan						
2007, 0%, due Fiscal Year 2028-29	6,000	4,200	-	(300)	3,900	300
Less unamortized discount	(1,000)	(700)	-	50	(650)	-
Compensated Absences	-	1,198	100	(34)	1,264	183
Total business-type activities	$ 14,700	11,153	100	(634)	10,619	848

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.

B. *Descriptions of Noncurrent Liabilities*

Tax Allocation Bonds:

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 was 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.

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NOTE 7 – NONCURRENT LIABILITIES (Continued)

Certificates of Participation (COPs):

2001 Refunding Certificates of Participation - On July 24, 2001, the City issued $10.7 million of 2001 Refunding Certificates of Participation to refund and retire a portion of the City's obligations under a 1992 Lease Agreement. The 2001 Refunding COPs are collateralized by revenue received from the City by the Trustee under the City Hall/Community Theater complex lease agreement. On August 1, 2015, the City made the final principal and interest payment to fully retire this debt obligation.

2008 Certificates of Participation - On January 11, 2008, the Financing Authority issued $2.8 million of 2008 Certificates of Participation for the construction of a Child-Care Center Project. On January 11, 2016, the City made the final payment to fully retire this debt obligation.

Bank Loan:

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.

Other:

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.

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NOTE 7 – NONCURRENT LIABILITIES (Continued)

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.

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.

C. Debt Service Requirements

The pledge of future tax increment revenues ends upon repayment of the $61.8 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. For Fiscal Year 2015-16, tax increment revenues amounted to $31.3 million, which represented coverage of 4.8 over the $6.5 million in debt service.

The pledge of future special assessment levies ends upon repayment of the $200,000 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 2015-16, special assessment revenues plus interest earned amounted to $50,000, which was used to pay debt service of $46,000.

The pledge of future water fund revenues ends upon repayment of the $12.1 million in remaining debt service on the Water Revenue Bonds and City of Palo

NOTE 7 – NONCURRENT LIABILITIES (Continued)

Alto Loan, which are scheduled to occur in Fiscal Year 2028-29. For Fiscal Year 2015-16, Water Fund revenues including operating revenues, non-operating interest earnings and transfers in amounted to $28.5 million and operating costs including operating expenses, but not interest, depreciation or amortization amounted to $23.5 million. Net Revenues available for debt service amounted to $5.0 million, which represented coverage of 5.4 over the $927,000 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
2017	$ 4,783	1,779	6,562	665	264	929
2018	3,355	1,669	5,024	680	250	930
2019	3,453	1,561	5,014	690	234	924
2020	1,927	1,453	3,380	710	219	929
2021	1,996	1,354	3,350	725	202	927
2022-2026	5,080	5,761	10,841	3,910	721	4,631
2027-2031	4,680	4,663	9,343	2,625	158	2,783
2032-2036	6,095	3,201	9,296	-	-	-
2037-2041	8,025	1,205	9,230	-	-	-
Total	$ 39,394	22,646	62,040	10,005	2,048	12,053

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.

D. 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, 2016, is approximately $38.6 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 $2.5 million as of June 30, 2016 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)

E. Debt without City Commitment

As part of the City's program to provide affordable rental housing for low and moderate income households, the City assisted the developer of the Villa-Mariposa housing project in the issuance of multifamily housing revenue bonds. These bonds are secured by a First Deed of Trust on the project and by municipal insurance and are payable solely out of revenues from the project. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the bonds. The outstanding balance due on these bonds as of June 30, 2016, is $17.5 million.

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 Safety (police and fire) or Miscellaneous (all other) plans (Plans), agent multiple-employer defined benefit pension plans 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 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.

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NOTE 8 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, 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	7.962%	6.25%
Required employer contribution rates	25.192%	25.192% (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%	11.25%
Required employer contribution rates	34.890%	34.890% (A)

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

Employees Covered – Employees covered by the benefit terms for each Plan as of June 30, 2016 are as follows:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	564	263
Inactive employees entitled to but not yet receiving benefits	417	89
Active employees	419	162
Total	1,400	514

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires the employer contribution rates for all public employers 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

NOTE 8 – PENSION PLANS (Continued)

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.

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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using actuarial assumptions as follows:

	Miscellaneous and Safety Plans
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.65% 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 CalPERS website.

All other actuarial assumptions used in the June 30, 2014 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.

NOTE 8 – PENSION PLANS (Continued)

Change in Assumptions - GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 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 7.65 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 7.65 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.

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 PLANS (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, 2014, are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

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

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, 2014	$ 338,379	253,338	85,041
Changes during the measurement period:			
Service cost	6,412	-	6,412
Interest on the total pension liability	25,058	-	25,058
Changes in assumptions	(6,028)	-	(6,028)
Differences between expected and actual experience	(568)	-	(568)
Contributions - employer	-	8,673	(8,673)
Contributions - employee	-	3,148	(3,148)
Investment income	-	5,709	(5,709)
Administrative expenses	-	(288)	288
Benefit payments, including refunds of employee contributions	(14,861)	(14,861)	-
Net changes	10,013	2,381	7,632
Balance at June 30, 2015	$ 348,392	255,719	92,673

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at June 30, 2014	$ 292,808	216,804	76,004
Changes during the measurement period:			
Service cost	6,061	-	6,061
Interest on the total pension liability	21,792	-	21,792
Changes in assumptions	(5,345)	-	(5,345)
Differences between expected and actual experience	1,234	-	1,234
Plan to plan resource movement	-	32	(32)
Contributions - employer	-	8,139	(8,139)
Contributions - employee	-	2,656	(2,656)
Investment income	-	4,852	(4,852)
Administrative expenses	-	(246)	246
Benefit payments, including refunds of employee contributions	(13,721)	(13,721)	-
Net changes	10,021	1,712	8,309
Balance at June 30, 2015	$ 302,829	218,516	84,313
Total - All Plans at June 30, 2015	$ 651,221	474,235	176,986

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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% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Miscellaneous Plan	$ 138,483	92,673	54,676
Safety Plan	125,016	84,313	50,751
Total	$ 263,499	176,986	105,427

* The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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, 2016, the City recognized pension expense of $5.2 million and $6.3 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, 2016 are as follows (dollars in thousands):

Miscellaneous Plan:	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,318	-
Differences between expected and actual experience	-	(350)
Changes in assumptions	-	(3,709)
Net differences between projected and actual earnings on plan investments	-	(2,516)
Total	$ 11,318	(6,575)

Safety Plan:	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,904	-
Differences between expected and actual experience	871	-
Changes in assumptions	-	(3,773)
Net differences between projected and actual earnings on plan investments	-	(2,210)
Total	$ 10,775	(5,983)
Total - All Plans	$ 22,093	(12,558)

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NOTE 8 – PENSION PLANS (Continued)

As of June 30, 2016, the City reported $11.3 million and $9.9 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, 2017. 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
2017	$ (4,273)	(2,717)	(6,990)
2018	(3,259)	(2,717)	(5,976)
2019	(1,736)	(1,992)	(3,728)
2020	2,693	2,314	5,007
Total	$ (6,575)	(5,112)	(11,687)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (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.

The City also offers a Defined Contribution (DC) Plan to the following employee groups: SEIU Clerical and Technical, EAGLES, Non-Sworn POA, Miscellaneous and Management employees (excluding CalPERS Safety Management). 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 Retirees' Health.

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

The City Paid Benefit provided by group and eligibility is as follows:

Group	Hire Date	Minimum Years of Service	Retirement Date	City-Paid Benefit
MVFF Safety	Any	5 years PERS service	Any	PEMHCA benefits; Same contribution % as active employees
POA Safety				
Fire and Police Safety 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, 2007	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, 1998	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, 2007	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, 1997	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 POST-EMPLOYMENT BENEFITS (Continued)

As of June 30, 2016, approximately 371 participants received benefits.

Contributions to PEHMCA Plans:

- For single-level coverage, the City pays the full premium for full-time regular employees and eligible retirees for any plan, up to, but not exceeding, the single-coverage premium for the maximum plan.
- For dependent level coverage, the City pays 92 percent of the total premium for the employee and dependents, up to, but not exceeding, 92 percent of the two-party or family premium for the maximum plan. The maximum plan for active employees and pre- Medicare retirees is the plan with the third-highest Bay Area Region Basic plan rate (United Health Care in 2016).
- For Medicare-eligible retirees, the maximum plan is the average of all Bay Area Region "Supplement to Medicare" or "Combination" rates, depending on the plan selected by the retiree.

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) an inflation rate of 2.75% each year, (b) 6.73 percent investment rate of return, (c) 3.00 percent projected annual salary increase, and (d) 7.50 percent health care cost trend rate increase declining to an ultimate rate of 4.75 percent. The health care cost trend rate is the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biennially as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed 30 year amortization period with 23 years remaining as of July 1, 2015.

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

In accordance with the City's budget, the ARC is to be funded throughout the year as a percentage of payroll. During Fiscal Year 2007-08, the City Council passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of the City Council. This trust is not considered a component unit of the City and has been excluded from these financial statements. Separately issued financial statements for CalPERS, which include CERBT, can be found on the CalPERS website at www.calpers.ca.gov.

B. Annual Other Post-Employment Benefits Cost and Net Asset

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the actuarial accrued liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. In Fiscal Year 2015-16, the City made contributions in excess of the annual ARC and the net OPEB asset activity for the fiscal year ended June 30, 2016 is as follows (dollars in thousands):

Annual required contribution (ARC)	$ 5,465
Interest on net OPEB asset	(2,742)
Adjustment to ARC	2,799
Annual OPEB Cost (expense)	5,522
Contributions made:	
Contributions to OPEB Trust	3,681
Current year premiums paid	3,703
Total contributions made	7,384
Contributions in excess of the Annual OPEB Cost	1,862
Net OPEB Asset at June 30, 2015	40,738
Net OPEB Asset at June 30, 2016	$ 42,600

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Plan's annual OPEB costs and actual contributions for the three years ended June 30 are as follows (dollar in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2014	$ 3,437	3,894	113%	37,123
2015	4,130	7,745	188%	40,738
2016	5,522	7,384	134%	42,600

After the production of the actuarial reports used to prepare the above table, the City made additional contributions to CERBT, and as of June 30, 2016 the fair value of the accumulated contributions and investment income is $96.3 million. In addition to the above amounts, the City held $344,000 of cash and investments in its retirees' health plan internal service fund as of June 30, 2016.

C. *Funded Status and Funding Progress*

The funded status and funding progress were determined as part of the July 1, 2015 actuarial valuation (the most recent valuation available). The schedule of funding progress for the OPEB plan, with AAL, the actuarial value of plan assets, funded ratio, and the relationship of the unfunded AAL to covered payroll is as follows (dollar in thousands):

	As of July 1, 2015
Actuarial accrued liability (AAL)	$ 123,829
Actuarial value of plan assets	90,248
Unfunded actuarial accrued liability (UAAL)	$ 33,581
Funded ratio (actuarial value of plan assests/AAL)	72.9%
Covered payroll (active plan members)	$ 44,447
UAAL as a percentage of covered payroll	75.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and, if applicable, the disclosure that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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):

	2015	2016
Beginning Balance	$ 9,480	9,480
Liability for current and change in prior fiscal year claims and claims incurred but not reported (IBNR)	1,411	2,096
Claims paid	(1,411)	(1,467)
Ending Balance	$ 9,480	10,109
Current portion	$ 3,277	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 – NET POSITION AND FUND BALANCES

A. *Net Position*

Net position is the excess of all the City's assets and deferred outflows of resources over all its 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 11 – 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 11 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2016 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	$ 359	-	-	-	-	57	416
Deposits and prepaid costs	30	-	-	-	-	-	30
Employee loan	134	-	-	-	-	-	134
Total nonspendable	523	-	-	-	-	57	580
Restricted:							
Shoreline Regional Park Community	-	42,018	-	-	-	-	42,018
Landfill Containment	-	4,000	-	-	-	-	4,000
Housing	-	-	52,310	-	-	-	52,310
General Capital Projects	-	-	-	48,412	-	-	48,412
Park Land Dedication Fees	-	-	-	-	47,581	-	47,581
Gas Tax	-	-	-	-	-	2,043	2,043
Vehicle Registration Fee	-	-	-	-	-	498	498
Construction & Conveyance Tax	-	-	-	-	-	11,729	11,729
Other Developer Fees	-	-	-	-	-	894	894
Housing Successor	-	-	-	-	-	13,194	13,194
Downtown Benefit Assessment District	-	-	-	-	-	10,791	10,791
Grants	-	-	-	-	-	18,086	18,086
Police Asset Forfeitures	-	-	-	-	-	74	74
Cable Television	-	-	-	-	-	841	841
Deferred Assessments	-	-	-	-	-	352	352
Debt Service	-	-	-	-	-	3,015	3,015
Storm Drain Construction	-	-	-	-	-	443	443
Total Restricted	-	46,018	52,310	48,412	47,581	61,960	256,281
Committed:							
Development Services	14,081	-	-	-	-	2,677	16,758
Budget Contingency	5,209	-	-	-	-	-	5,209
Earned Lease Revenue	2,547	-	-	-	-	-	2,547
Property Management	1,560	-	-	-	-	-	1,560
Graham School Field Maintenance	670	-	-	-	-	-	670
Capital Improvement Program	9,939	-	-	-	-	-	9,939
Open Space Acquisition	562	-	-	-	-	-	562
Strategic Property Acquisition	11,687	-	-	-	-	-	11,687
Childcare Commitment	261	-	-	-	-	-	261
Compensated Absences	6,883	-	-	-	-	-	6,883
Capital Projects	-	1,472	-	-	-	-	1,472
Total Committed	53,399	1,472	-	-	-	2,677	57,548
Assigned:							
Contractual Obligations	1,860	-	-	-	-	-	1,860
Unassigned:	52,459	-	-	-	-	(3)	52,456
Total Fund Balances	$ 108,241	47,490	52,310	48,412	47,581	64,691	368,725

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

C. Committed Fund Balances

On December 13, 1976, the City Council adopted Council Policy A-11, revised subsequently, 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 Budget Contingency Reserve shall be used for the City to adjust to anticipated lower revenues and provide financial flexibility in case revenue estimates are not met or State actions force further budget reductions.

3. The Earned Lease Revenue Reserve was created for the lease revenue recognized by the City from the 53-year lease with Google Inc. (Google). The reserve shall be used for future activities as determined by the City Council.

4. The Property Management Reserve shall be used to provide a source of funds for obligations, which could arise from the City's leasing of property in the North Bayshore Area, including legal, environmental testing, or other costs normally incurred by a lessor.

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

6. The Capital Improvement Program Reserve shall be used for the funding of 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.

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

8. The 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 properties.

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NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

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 to separated or retired employees for accrued vacation and sick leave, as applicable.

D. Minimum Fund Balance/Net Position Policies

The City's Financial and Budgetary Policy requires the City to strive to maintain 1) 25 percent of General Operating Fund appropriations in the General Fund Reserve, 2) $5.0 million in the Capital Improvement Program Reserve, 3) a minimum provision to cover projected liabilities and two catastrophic losses at the City's current level of self-insured retention in the Workers' Compensation Reserve, 4) $2.0 million plus expected claims settlements in the Liability Self-Insurance Reserve and 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.

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 Vista 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 in Fiscal Year 2015-16. As of June 30, 2016, the City restricted $4.0 million for landfill containment.

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NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. *Encumbrances*

The City's outstanding encumbrances as of June 30, 2016, are as follows (dollars in thousands):

General Fund	$ 4,330
Shoreline Regional Park Community	205
Housing	9,996
General Capital Projects	13,719
Nonmajor Governmental Funds	825
Total	$ 29,075

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 has an agreement with the City of Palo Alto (Palo Alto) to purchase treatment capacity at the Palo Alto Regional Water Quality Control Plant (Treatment Plan). The agreement provides that the City will purchase capacity for 50 years and for 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, 2016, these costs totaled $10.1 million.

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. Annual service charges are determined based on actual per-ton charges. For the fiscal year ended June 30, 2016, these costs totaled $7.3 million.

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NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

E. Education Enhancement Reserve Joint Powers Agreement

On June 30, 2013, the Shoreline Community entered into an Education Enhancement JPA with the School Districts effective July 1, 2013, for a period of 10 years, superseding any prior agreements. The agreement provides for minimum annual payments commencing with Fiscal Year 2013-14 of $1.8 million and $2.9 million to Mountain View Los Altos Unified High School District and Mountain View Whisman School District, 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, 2016, the Shoreline Community paid $4.7 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, 2016, $1.4 million and $1.6 million in retirement tax override levies and pass-through payments, respectively, were paid to the County.

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 of 5.341MGD is included. 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.

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NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2016, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for Fiscal Year 2016-17 is estimated to be $1.4 million.

G. 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. On September 13, 2016, the Council authorized the City to provide a loan guaranty for SVCEA (along with three other agencies) of up to $700,000 to secure a nonrevolving line of credit (NRLOC) for SVCEA operations prior to launch and revenues being received. SVCEA anticipates repaying the NRLOC within 12 months of launch.

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NOTE 13 – 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. As required by the Agreement, the lessee pays annual base rent of $1.8 million to the City, due in $200,000 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, 2016, lease payments of $1.8 million were received.

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
2017	$ 1,800
2018	1,812
2019	1,848
2020	1,885
2021	1,273
Total	$ 8,618

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NOTE 13 – LEASING ARRANGEMENTS (Continued)

B. Google Inc.

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.

The 1995 and 1997 lease agreements provide for rent increases of 4.0 percent per annum and the rent is to be readjusted every 10 years to the greater of 7.0 percent of the then fair market value of the property or the initial base rent.

The second ten year rent adjustment for the 1995 Lease was completed in arbitration which resulted in fair market value and fair rate of return determinations to be effective April 1, 2016.

On August 31, 2007, the City, as lessor, entered into a 55-year lease with Google (2008 Lease). The 2008 lease agreement provides for rent increases of 3.0 percent per annum and the rent is to be readjusted every 10 years to the greater of 7.0 percent of the then fair market value of the property or the initial base rent.

For the fiscal year ended June 30, 2016, $7.4 million of lease revenue has been recognized under the aforementioned three leases.

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NOTE 13 – LEASING ARRANGEMENTS (Continued)

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

Fiscal Year Ending June 30,	Amount
2017	$ 9,345
2018	8,758
2019	8,871
2020	9,215
2021	9,571
Thereafter	181,467
Total	$ 227,227

On April 1, 2011, the City, as lessor, entered into a 53-year lease with Google. The lease provides for the rental of land within the Shoreline Community. Google deposited the rent for the initial 53 year lease term in the amount of $30.0 million, which was held in 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, 2016, $583,000 of lease revenue has been recognized by the general fund.

C. ROEM Development Corporation

In Fiscal Year 2010-11, 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, 2016, $59,000 of lease revenue has been recognized by the General Fund.

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NOTE 13 – LEASING ARRANGEMENTS (Continued)

D. MV 101 Development, LLC

On April 1, 2015, the City, as lessor, entered into a Disposition and Development Agreement (DDA) and a 55-year ground lease with MV 101 Development, LLC, (Developer), 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 Moffett Gateway), in conjunction with adjacent land to be obtained by Developer, with a hotel and office building.

The ground lease provides for the rental of the City land, Moffett Gateway, 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 market value of the land, with increases of 3.0 percent per annum. Commencing with the 15th 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 market value of the property or the initial base rent, whichever is higher. The City will begin receiving lease revenue upon the issuance of the building permit and no lease revenue has been recognized during the fiscal year ended June 30, 2016.

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CITY OF MOUNTAIN VIEW
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios - Miscellaneous Plan
Last 2 Fiscal Years *
(Dollar in Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015
Measurement period	2015	2014
Total pension liability		
Service cost	$ 6,412	6,218
Interest on the total pension liability	25,058	23,873
Changes of assumptions	(6,028)	-
Differences between expected and actual experience	(568)	-
Benefit payments, including refunds of employee contributions	(14,861)	(13,823)
Net change in total pension liability	10,013	16,268
Total pension liability, beginning	338,379	322,111
Total pension liability, ending	**$ 348,392**	**338,379**
Plan fiduciary net position		
Contributions, employer	$ 8,673	7,796
Contributions, employee	3,148	3,147
Investment income	5,709	38,300
Benefit payments, including refunds of employee contributions	(14,861)	(13,823)
Administrative expenses	(288)	-
Net change in plan fiduciary net position	2,381	35,420
Plan fiduciary net position, beginning	253,338	217,918
Plan fiduciary net position, ending	**$ 255,719**	**253,338**
Plan net pension liability	**$ 92,673**	**85,041**
Plan fiduciary net position as a percentage of the total pension liability	**73.4%**	**74.9%**
Covered payroll	**$ 37,331**	**35,178**
Plan net pension liability as a percentage of covered payroll	**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, 2014 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 - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only two 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
Last 2 Fiscal Years *
(Dollar in Thousands)

	Fiscal Year Ended June 30, 2016	2015
Measurement period	2015	2014
Total pension liability		
Service cost	$ 6,061	6,311
Interest on the total pension liability	21,792	20,641
Changes of assumptions	(5,345)	-
Differences between expected and actual experience	1,234	-
Benefit payments, including refunds of employee contributions	(13,721)	(12,416)
Net change in total pension liability	10,021	14,536
Total pension liability, beginning	292,808	278,272
Total pension liability, ending	**$ 302,829**	**292,808**
Plan fiduciary net position		
Contributions, employer	$ 8,139	7,244
Contributions, employee	2,656	2,924
Plan to plan resource movement	32	-
Investment income	4,852	32,936
Benefit payments, including refunds of employee contributions	(13,721)	(12,416)
Administrative expenses	(246)	-
Net change in plan fiduciary net position	1,712	30,688
Plan fiduciary net position, beginning	216,804	186,116
Plan fiduciary net position, ending	**$ 218,516**	**216,804**
Plan net pension liability	**$ 84,313**	**76,004**
Plan fiduciary net position as a percentage of the total pension liability	**72.2%**	**74.0%**
Covered payroll	**$ 21,838**	**21,891**
Plan net pension liability as a percentage of covered payroll	**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, 2014 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 - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only two 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
Last 3 Fiscal Years *
(Dollar in Thousands)

Miscellaneous Plan	**Fiscal Year Ended June 30,**		
	2016	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 8,806	8,073	7,796
Contributions in relation to the ADC	(11,318)	(8,673)	(7,796)
Contribution deficiency (excess)	**$ (2,512)**	**(600)**	-
Covered payroll	$ 37,415	37,331	35,178
Contributions as a percentage of covered payroll	30.2%	23.2%	22.2%

Safety Plan	**Fiscal Year Ended June 30,**		
	2016	**2015**	**2014**
Actuarially determined contributions	$ 8,229	7,739	7,244
Contributions in relation to the ADC	(9,904)	(8,139)	(7,244)
Contribution deficiency (excess)	**$ (1,675)**	**(400)**	-
Covered payroll	$ 22,368	21,838	21,891
Contributions as a percentage of covered payroll	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, 2016 were as follows:

ADC for fiscal year	June 30, 2016
Actuarial valuation date	June 30, 2013
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 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA 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 three years of information is shown.

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CITY OF MOUNTAIN VIEW
Required Supplementary Information (Unaudited)
Schedule of Funding Progress - Other Post-Employment Benefits
(Dollar in Thousands)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll ((b-a)/c)
7/1/2011	$ 53,984	82,688	28,704	65.3%	44,844	64.0%
7/1/2013	69,469	101,917	32,448	68.2%	49,890	65.0%
7/1/2015	90,248	123,829	33,581	72.9%	44,447	75.6%

See Note 9 to the basic financial statements for actuarial assumptions and other information related to the schedule of funding progress.

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CITY OF MOUNTAIN VIEW
Park Land Dedication Capital Projects Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Licenses, permits and fees	$ -	-	7,641	7,641
Use of money and property	584	584	933	349
Total revenues	584	584	8,574	7,990
Expenditures:				
Current:				
Culture and recreation:				
Community services	-	20	20	-
Total expenditures	-	20	20	-
Excess of revenues over expenditures	584	564	8,554	7,990
Other financing sources (uses):				
Transfers in	-	-	120	120
Transfers out	(4,287)	(4,671)	(4,671)	-
Total other financing sources (uses)	(4,287)	(4,671)	(4,551)	120
Net change in fund balance	$ (3,703)	(4,107)	4,003	8,110
Fund balance, beginning of year			43,578	
Fund balance, end of year			$ 47,581	

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

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.

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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 **2001 Refunding Certificates of Participation Fund** accounts for the resources used for the purpose of paying the principal, interest and related costs on the 2001 Refunding Certificates of Participation as they become due.

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.

The **City Child Care Center Financing 2008 Fund** accounts for the resources used for the purpose of paying the principal, interest and related costs on the 2008 Certificates of Participation 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, 2016
(Dollars in Thousands)

	SPECIAL REVENUE FUNDS			
	Gas Tax	Vehicle Registration Fees	Construction & Conveyance Tax	Other Developer Fees
Assets:				
Cash and investments	$ 2,026	498	11,656	3,552
Restricted cash and investments	-	-	-	-
Receivables, net of allowance:				
Accounts	-	-	-	-
Special assessments	-	-	-	-
Interest	17	-	76	19
Loans	-	-	-	-
Inventory	-	-	-	-
Total assets	$ 2,043	498	11,732	3,571
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable and accrued liabilities	$ -	-	3	-
Due to other funds	-	-	-	-
Refundable deposits	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	3	-
Deferred inflows of resources:				
Unavailable revenues - special assessment	-	-	-	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	2,043	498	11,729	894
Committed	-	-	-	2,677
Unassigned	-	-	-	-
Total fund balances	2,043	498	11,729	3,571
Total liabilities, deferred inflows of resources and fund balances	$ 2,043	498	11,732	3,571

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SPECIAL REVENUE FUNDS				
Housing Successor	Shoreline Golf Links	Downtown Benefit Assessment District	Grants	Police Asset Forfeitures
777	393	10,764	-	74
-	5	-	-	-
-	2	2	610	-
-	-	-	-	-
-	1	36	-	-
12,417	-	-	17,877	-
-	57	-	-	-
13,194	458	10,802	18,487	74
-	41	7	47	-
-	-	-	354	-
-	3	4	-	-
-	360	-	-	-
-	404	11	401	-
-	-	-	-	-
-	57	-	-	-
13,194	-	10,791	18,086	74
-	-	-	-	-
-	(3)	-	-	-
13,194	54	10,791	18,086	74
13,194	458	10,802	18,487	74

(Continued)

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CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016
(Dollars in Thousands)

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS	
	Cable Television	Deferred Assessments	2001 Refunding COPS	Special Assessments
Assets:				
Cash and investments	841	352	-	101
Restricted cash and investments	-	-	-	-
Receivables, net of allowance:				
Accounts	-	-	-	-
Special assessments	-	-	-	135
Interest	-	-	-	-
Loans	-	4	-	-
Inventory	-	-	-	-
Total assets	841	356	-	236
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable and accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Refundable deposits	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenues - special assessment	-	4	-	132
Fund balances:				
Nonspendable	-	-	-	-
Restricted	841	352	-	104
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	841	352	-	104
Total liabilities, deferred inflows of resources and fund balances	841	356	-	236

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DEBT SERVICE FUNDS			CAPITAL PROJECTS FUND	
Shoreline Regional Park Community 2011 Revenue Bonds	Shoreline Regional Park Community 2014 Bank Loan	City Child Care Center Financing 2008	Storm Drain Construction	Total Nonmajor Governmental Funds
-	-	-	439	31,473
2,911	-	-	-	2,916
-	-	-	-	614
-	-	-	-	135
-	-	-	4	153
-	-	-	-	30,298
-	-	-	-	57
2,911	-	-	443	65,646
-	-	-	-	98
-	-	-	-	354
-	-	-	-	7
-	-	-	-	360
-	-	-	-	819
-	-	-	-	136
-	-	-	-	57
2,911	-	-	443	61,960
-	-	-	-	2,677
-	-	-	-	(3)
2,911	-	-	443	64,691
2,911	-	-	443	65,646

CITY OF MOUNTAIN VIEW
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	SPECIAL REVENUE FUNDS			
	Gas Tax	Vehicle Registration Fees	Construction & Conveyance Tax	Other Developer Fees
Revenues:				
Taxes	$ -	-	7,081	-
Licenses, permits and fees	-	-	-	-
Use of money and property	32	6	164	35
Intergovernmental	1,699	472	-	-
Charges for services	-	-	-	-
Other	-	-	-	2,658
Total revenues	1,731	478	7,245	2,693
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	17	-	110	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	17	-	110	-
Excess (deficiency) of revenues over (under) expenditures	1,714	478	7,135	2,693
Other financing sources (uses):				
Transfers in	86	14	372	85
Transfers out	(2,096)	(480)	(6,592)	(3,000)
Total other financing sources (uses)	(2,010)	(466)	(6,220)	(2,915)
Net change in fund balances	(296)	12	915	(222)
Fund balances, beginning of year	2,339	486	10,814	3,793
Fund balances, end of year	$ 2,043	498	11,729	3,571

SPECIAL REVENUE FUNDS				
Housing Successor	Shoreline Golf Links	Downtown Benefit Assessment District	Grants	Police Asset Forfeitures
-	-	798	-	-
-	-	544	-	-
53	5	205	110	-
-	-	4	1,439	53
-	2,316	213	-	-
-	24	1	-	-
53	2,345	1,765	1,549	53
-	-	-	-	-
-	-	-	116	8
-	-	-	-	-
-	-	414	512	-
-	2,026	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,026	414	628	8
53	319	1,351	921	45
-	-	1	-	-
-	(316)	(109)	(350)	-
-	(316)	(108)	(350)	-
53	3	1,243	571	45
13,141	51	9,548	17,515	29
13,194	54	10,791	18,086	74

(Continued)

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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, 2016

(Dollars in Thousands)

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS	
	Cable Television	Deferred Assessments	2001 Refunding COPS	Special Assessments
Revenues:				
Taxes	-	-	-	-
Licenses, permits and fees	-	-	-	-
Use of money and property	-	-	-	11
Intergovernmental	-	-	-	-
Charges for services	-	-	-	39
Other	258	-	-	-
Total revenues	258	-	-	50
Expenditures:				
Current:				
General government	197	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	985	34
Interest and fiscal charges	-	-	24	12
Total expenditures	197	-	1,009	46
Excess (deficiency) of revenues over (under) expenditures	61	-	(1,009)	4
Other financing sources (uses):				
Transfers in	-	-	1,009	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	1,009	-
Net change in fund balances	61	-	-	4
Fund balances, beginning of year	780	352	-	100
Fund balances, end of year	841	352	-	104

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	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUND	
	Shoreline Regional Park Community 2011 Revenue Bonds	Shoreline Regional Park Community 2014 Bank Loan	City Child Care Center Financing 2008	Storm Drain Construction	Total Nonmajor Governmental Funds
	-	-	-	-	7,879
	-	-	-	-	544
	8	-	-	5	634
	-	-	-	-	3,667
	-	-	-	-	2,568
	-	-	-	267	3,208
	8	-	-	272	18,500
	-	-	-	-	197
	-	-	-	-	124
	-	-	-	2	129
	-	-	-	-	926
	-	-	-	-	2,026
	1,595	3,028	1,545	-	7,187
	1,756	128	16	-	1,936
	3,351	3,156	1,561	2	12,525
	(3,343)	(3,156)	(1,561)	270	5,975
	3,249	3,156	1,561	11	9,544
	-	-	-	(29)	(12,972)
	3,249	3,156	1,561	(18)	(3,428)
	(94)	-	-	252	2,547
	3,005	-	-	191	62,144
	2,911	-	-	443	64,691

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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, 2016
(Dollars in Thousands)

	Gas Tax			Vehicle Registration Fees		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes	$ -	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-	-
Use of money and property	50	32	(18)	8	6	(2)
Intergovernmental	1,622	1,699	77	400	472	72
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	1,672	1,731	59	408	478	70
Expenditures:						
Current:						
General government:						
City manager	-	-	-	-	-	-
Public safety:						
Police	-	-	-	-	-	-
Public works	17	17	-	-	-	-
Community Development	-	-	-	-	-	-
Culture and recreation:						
Community services	-	-	-	-	-	-
Total expenditures	17	17	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,655	1,714	59	408	478	70
Other financing sources (uses):						
Transfers in	-	86	86	-	14	14
Transfers out	(2,096)	(2,096)	-	(480)	(480)	-
Total other financing sources (uses)	(2,096)	(2,010)	86	(480)	(466)	14
Net change in fund balances	$ (441)	(296)	145	(72)	12	84
Fund balances, beginning of year		2,339			486	
Fund balances, end of year		$ 2,043			498	

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Construction & Conveyance Tax			Other Developer Fees			Housing Successor		
Final Budget	Actual	Variance	Final Budget	Actual	Variance	Final Budget	Actual	Variance
4,004	7,081	3,077	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
258	164	(94)	45	35	(10)	-	53	53
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	2,658	2,658	-	-	-
4,262	7,245	2,983	45	2,693	2,648	-	53	53
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
110	110	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
110	110	-	-	-	-	-	-	-
4,152	7,135	2,983	45	2,693	2,648	-	53	53
-	372	372	-	85	85	-	-	-
(6,594)	(6,592)	2	(3,000)	(3,000)	-	-	-	-
(6,594)	(6,220)	374	(3,000)	(2,915)	85	-	-	-
(2,442)	915	3,357	(2,955)	(222)	2,733	-	53	53
	10,814			3,793			13,141	
	11,729			3,571			13,194	

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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, 2016
(Dollars in Thousands)

	Shoreline Golf Links			Downtown Benefit Assessment District		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes	-	-	-	636	798	162
Licenses, permits and fees	-	-	-	316	544	228
Use of money and property	3	5	2	114	205	91
Intergovernmental	-	-	-	4	4	-
Charges for services	2,689	2,316	(373)	214	213	(1)
Other	9	24	15	-	1	1
Total revenues	2,701	2,345	(356)	1,284	1,765	481
Expenditures:						
Current:						
General government:						
City manager	-	-	-	-	-	-
Public safety:						
Police	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community Development	-	-	-	705	414	291
Culture and recreation:						
Community services	2,312	2,026	286	-	-	-
Total expenditures	2,312	2,026	286	705	414	291
Excess (deficiency) of revenues over (under) expenditures	389	319	(70)	579	1,351	772
Other financing sources (uses):						
Transfers in	-	-	-	-	1	1
Transfers out	(384)	(316)	68	(109)	(109)	-
Total other financing sources (uses)	(384)	(316)	68	(109)	(108)	1
Net change in fund balances	5	3	(2)	470	1,243	773
Fund balance, beginning of year		51			9,548	
Fund balance, end of year		54			10,791	

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Grants			Police Asset Forfeitures			Cable Television		
Final Budget	Actual	Variance	Final Budget	Actual	Variance	Final Budget	Actual	Variance
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	110	110	-	-	-	-	-	-
877	1,439	562	53	53	-	-	-	-
-	-	-	-	-	-	-	-	-
50	-	(50)	-	-	-	252	258	6
927	1,549	622	53	53	-	252	258	6
-	-	-	-	-	-	269	197	72
147	116	31	83	8	75	-	-	-
-	-	-	-	-	-	-	-	-
2,144	512	1,632	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,291	628	1,663	83	8	75	269	197	72
(1,364)	921	2,285	(30)	45	75	(17)	61	78
-	-	-	-	-	-	-	-	-
(350)	(350)	-	-	-	-	-	-	-
(350)	(350)	-	-	-	-	-	-	-
(1,714)	571	2,285	(30)	45	75	(17)	61	78
	17,515			29			780	
	18,086			74			841	

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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, 2016
(Dollars in Thousands)

	Deferred Assessments			Storm Drain Construction		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes	-	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-	-
Use of money and property	-	-	-	15	5	(10)
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	10	267	257
Total revenues	-	-	-	25	272	247
Expenditures:						
Current:						
General government:						
City manager	-	-	-	-	-	-
Public safety:						
Police	-	-	-	-	-	-
Public works	-	-	-	2	2	-
Community Development	-	-	-	-	-	-
Culture and recreation:						
Community services	-	-	-	-	-	-
Total expenditures	-	-	-	2	2	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	23	270	247
Other financing sources (uses):						
Transfers in	-	-	-	-	11	11
Transfers out	-	-	-	(29)	(29)	-
Total other financing sources (uses)	-	-	-	(29)	(18)	11
Net change in fund balances	-	-	-	(6)	252	258
Fund balances, beginning of year		352			191	
Fund balances, end of year		352			443	

CITY OF MOUNTAIN VIEW
Internal Service Funds
For the Fiscal Year Ended June 30, 2016

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 expenses incurred 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, 2016
(Dollars in Thousands)

	Equipment Maintenance & Replacement	Workers' Compensation Insurance	Unemployment Self-Insurance
Assets:			
Current assets:			
Cash and investments	$ 26,304	10,251	471
Restricted cash and investments	-	22	-
Receivables:			
Interest	395	34	2
Deposits and prepaid items	-	-	-
Total current assets	26,699	10,307	473
Noncurrent assets:			
Capital assets:			
Nondepreciable	304	-	-
Depreciable, net of accumulated depreciation	26	-	-
Total noncurrent assets	330	-	-
Total assets	27,029	10,307	473
Liabilities:			
Current liabilities:			
Accounts payable	140	-	-
Current portion of accrued compensated absences	26	-	-
Current portion of accrued self-insurance costs	-	1,523	-
Total current liabilities	166	1,523	-
Noncurrent liabilities:			
Noncurrent portion of accrued compensated absences	156	-	-
Noncurrent portion of accrued self-insurance costs	-	6,123	-
Total liabilities	322	7,646	-
Net position:			
Net investment in capital assets	330	-	-
Unrestricted	26,377	2,661	473
Total net position	$ 26,707	2,661	473

Liability Self-Insurance	Retirees' Health Plan	Employee Benefits Plan	Total Internal Service Funds
4,595	344	366	42,331
997	-	-	1,019
16	2	1	450
-	3	-	3
5,608	349	367	43,803
-	-	-	304
-	-	-	26
-	-	-	330
5,608	349	367	44,133
12	2	2	156
-	-	-	26
2,014	-	-	3,537
2,026	2	2	3,719
			-
-	-	-	156
449	-	-	6,572
2,475	2	2	10,447
-	-	-	330
3,133	347	365	33,356
3,133	347	365	33,686

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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, 2016
(Dollars in Thousands)

	Equipment Maintenance & Replacement	Workers' Compensation Insurance	Unemployment Self-Insurance
Operating revenues:			
Charges for services	$ 2,141	2,051	143
Other	412	128	-
Total operating revenues	2,553	2,179	143
Operating expenses:			
Salaries and related expenses	1,168	-	-
Self-funded insurance	-	1,581	40
General and administrative	2,575	153	2
Depreciation	11	-	-
Total operating expenses	3,754	1,734	42
Operating income (loss)	(1,201)	445	101
Nonoperating revenues:			
Investment income	503	188	9
Income (loss) before transfers	(698)	633	110
Transfers in	3,722	1,000	-
Transfers out	(896)	-	-
Change in net position	2,128	1,633	110
Net position, beginning of year	24,579	1,028	363
Net position, end of year	$ 26,707	2,661	473

Liability Self-Insurance	Retirees' Health Plan	Employee Benefits Plan	Total Internal Service Funds
1,376	4,616	58	10,385
134	32	-	706
1,510	4,648	58	11,091
-	8,975	49	10,192
1,657	-	-	3,278
576	20	6	3,332
-	-	-	11
2,233	8,995	55	16,813
(723)	(4,347)	3	(5,722)
89	(19)	7	777
(634)	(4,366)	10	(4,945)
-	4,266	-	8,988
(48)	-	-	(944)
(682)	(100)	10	3,099
3,815	447	355	30,587
3,133	347	365	33,686

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CITY OF MOUNTAIN VIEW
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Equipment Maintenance & Replacement	Workers' Compensation Insurance	Unemployment Self-Insurance
Cash flows from operating activities:			
Cash receipts from customers	$ 2,553	2,179	143
Cash paid to suppliers for goods and services	(2,575)	(442)	(42)
Cash paid to employees for services	(1,203)	-	-
Claims paid	-	(1,228)	-
Net cash provided by (used in) operating activities	(1,225)	509	101
Cash flows from noncapital financing activities:			
Transfers in	3,722	1,000	-
Transfers out	(896)	-	-
Net cash provided by (used in) noncapital financing activities	2,826	1,000	-
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(304)	-	-
Net cash used in capital and related financing activities	(304)	-	-
Cash flows from investing activities:			
Interest received	195	184	8
Net cash provided by investing activities	195	184	8
Net increase (decrease) in cash and cash equivalents	1,492	1,693	109
Cash and cash equivalents, beginning of year	24,812	8,580	362
Cash and cash equivalents, end of year	$ 26,304	10,273	471
Reconciliation of cash and cash equivalents:			
Cash and investments	$ 26,304	10,251	471
Restricted cash and investments	-	22	-
Total cash and cash equivalents	$ 26,304	10,273	471
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (1,201)	445	101
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	11	-	-
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	-	-	-
Increase (decrease) in accrued compensated absences	(35)	-	-
Increase (decrease) in accrued self-insurance costs	-	64	-
Net cash provided by (used in) operating activities	$ (1,225)	509	101

Liability Self-Insurance	Retirees' Health Plan	Employee Benefits Plan	Total Internal Service Funds
1,510	4,648	58	11,091
(1,435)	(21)	(6)	(4,521)
-	(8,975)	(49)	(10,227)
(239)	-	-	(1,467)
(164)	(4,348)	3	(5,124)
-	4,266	-	8,988
(48)	-	-	(944)
(48)	4,266	-	8,044
-	-	-	(304)
-	-	-	(304)
89	(6)	8	478
89	(6)	8	478
(123)	(88)	11	3,094
5,715	432	355	40,256
5,592	344	366	43,350
4,595	344	366	42,331
997	-	-	1,019
5,592	344	366	43,350
(723)	(4,347)	3	(5,722)
-	-	-	11
(6)	(1)	-	(7)
-	-	-	(35)
565	-	-	629
(164)	(4,348)	3	(5,124)

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CITY OF MOUNTAIN VIEW
Agency Funds
For the Fiscal Year Ended June 30, 2016

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 Inc. per the lease agreement between Google Inc. 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, 2016
(Dollars in Thousands)

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Payroll				
Assets:				
Cash and investments	$ 2,025	109,021	(109,118)	1,928
Deposits and prepaid items	-	838	-	838
Total assets	$ 2,025	109,859	(109,118)	2,766
Liabilities:				
Accrued payroll	$ 2,025	122,729	(121,988)	2,766
Center For the Performing Arts				
Assets:				
Restricted cash and investments	$ 128	24	-	152
Liabilities:				
Collection payable	$ 128	24	-	152
Fire Union				
Assets:				
Cash and investments	$ 9	35	(26)	18
Liabilities:				
Collection payable	$ 9	53	(44)	18
Police Union				
Assets:				
Cash and investments	$ 19	24	(23)	20
Liabilities:				
Collection payable	$ 19	44	(43)	20

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	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Flexible Benefits Plan				
Assets:				
Restricted cash and investments	$ 142	81	(23)	200
Liabilities:				
Collection payable	$ 142	81	(23)	200
Education Enhancement JPA				
Assets:				
Cash and investments	$ -	4,715	(4,715)	-
Liabilities:				
Collection payable	$ -	4,715	(4,715)	-
Refundable Land Lease Rent				
Assets:				
Cash and investments	$ 27,664	310	(893)	27,081
Liabilities:				
Deposits payable	$ 27,664	-	(583)	27,081
Total Agency Funds				
Assets:				
Cash and investments	$ 29,717	114,105	(114,775)	29,047
Restricted cash and investments	270	105	(23)	352
Deposits and prepaid items	-	838	-	838
Total assets	$ 29,987	115,048	(114,798)	30,237
Liabilities:				
Accrued payroll	$ 2,025	122,729	(121,988)	2,766
Collection payable	298	4,917	(4,825)	390
Deposits payable	27,664	-	(583)	27,081
Total liabilities	$ 29,987	127,646	(127,396)	30,237

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CITY OF MOUNTAIN VIEW
Statistical Section
For the Fiscal Year Ended June 30, 2016

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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CITY OF MOUNTAIN VIEW, CALIFORNIA

Net Position by Component

Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year Ended June 30,			
	2007	**2008**	**2009**	**2010**
Governmental activities				
Net investment in capital assets	$ 440,910	451,123	458,072	464,498
Restricted	67,454	75,918	74,391	88,252
Unrestricted	159,556	167,625	169,023	148,139
Total governmental activities net position	667,920	694,666	701,486	700,889
Business-type activities				
Net investment in capital assets	58,491	60,569	61,307	76,592
Unrestricted	35,029	34,997	37,865	38,691
Total business-type activities net position	$ 93,520	95,566	99,172	115,283
Primary government				
Net investment in capital assets	499,401	511,692	519,379	541,090
Restricted	67,454	75,918	74,391	88,252
Unrestricted	194,585	202,622	206,888	186,830
Total primary government net position	$ 761,440	790,232	800,658	816,172

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

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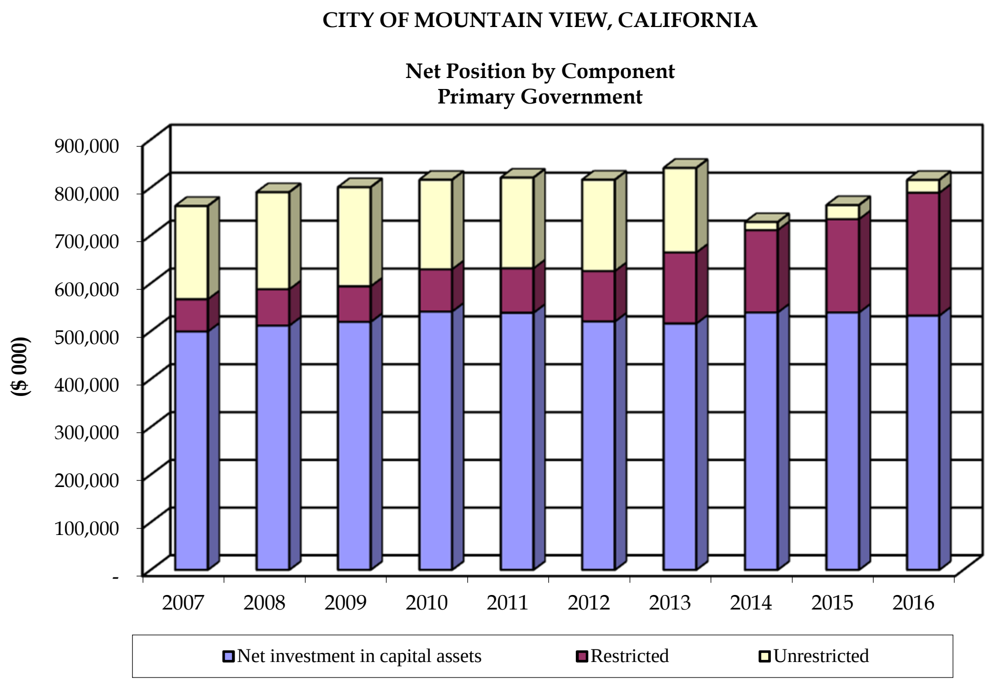
Schedule 1



Fiscal Year Ended June 30,

2011	2012	2013	2014	2015	2016
464,111	440,921	433,059	456,410	454,939	450,011
92,781	105,365	148,253	171,881	194,850	256,471
141,891	145,497	134,551	(13,764)	(3,057)	(11,492)
698,783	691,783	715,863	614,527	646,732	694,990
74,436	79,412	83,040	82,850	84,170	82,555
47,420	45,032	41,971	30,417	32,410	38,244
121,856	124,444	125,011	113,267	116,580	120,799
538,547	520,333	516,099	539,260	539,109	532,566
92,781	105,365	148,253	171,881	194,850	256,471
189,311	190,529	176,522	16,653	29,353	26,752
820,639	816,227	840,874	727,794	763,312	815,789

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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,			
	2007	2008	2009	2010
Expenses				
Governmental activities				
General government	$ 27,247	25,753	24,787	27,689
Public safety	40,293	43,610	47,990	51,909
Public works	14,419	15,593	17,857	20,565
Community development	7,162	8,216	8,819	10,878
Culture and recreation	29,515	31,067	31,590	32,525
Interest on long term debt	3,741	3,913	3,537	3,327
Total governmental activities expenses	122,377	128,152	134,580	146,893
Business-type activities				
Water	16,298	16,727	17,069	18,923
Wastewater	12,660	12,546	13,440	11,141
Solid Waste	8,802	11,235	8,638	10,085
Total business-type activities expenses	37,760	40,508	39,147	40,149
Total primary government expenses	$ 160,137	168,660	173,727	187,042
Program Revenues				
Governmental activities:				
Charges for services:				
General government	19,833	19,340	22,556	23,161
Public safety	1,225	1,349	1,235	1,382
Public works	970	4,565	3,565	3,225
Community development	8,260	5,313	3,609	4,299
Culture and recreation	5,805	5,278	4,984	4,868
Operating grants and contributions	3,872	5,268	3,815	4,639
Capital grants and contributions	10,541	11,305	4,350	4,864
Total government activities program revenues	50,506	52,418	44,114	46,438
Business-type activities				
Charges for services:				
Water	17,895	19,102	19,291	18,408
Wastewater	12,540	14,346	14,472	14,302
Solid Waste	8,650	8,665	8,736	9,245
Capital grants and contributions	563	-	-	13,003
Total business-type activities program revenues	39,648	42,113	42,499	54,958
Total primary government program revenues	$ 90,154	94,531	86,613	101,396
Net (Expense) Revenue				
Governmental activities	(71,871)	(75,734)	(90,466)	(100,455)
Business-type activities	1,888	1,605	3,352	14,809
Total primary government net expense	$ (69,983)	(74,129)	(87,114)	(85,646)

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Fiscal Year Ended June 30,					
2011	2012	2013	2014	2015	2016
29,967	30,983	31,825	32,517	33,782	35,510
46,782	51,302	50,818	51,719	51,946	53,538
17,489	16,487	26,967	13,264	30,630	31,052
9,378	10,611	8,134	15,013	10,501	11,991
32,070	31,403	29,703	30,623	30,083	30,105
3,097	3,459	3,368	2,998	2,178	1,860
138,783	144,245	150,815	146,134	159,120	164,056
20,269	23,812	26,199	24,168	26,001	27,809
10,822	13,413	14,167	13,962	15,433	17,332
9,557	9,963	10,989	12,124	11,199	11,945
40,648	47,188	51,355	50,254	52,633	57,086
179,431	191,433	202,170	196,388	211,753	221,142
21,275	22,893	25,966	24,584	26,852	28,846
1,418	1,436	1,952	1,988	1,849	1,643
3,423	4,777	10,753	10,276	10,122	3,911
5,479	8,409	13,117	14,483	10,487	11,941
4,913	4,868	4,631	5,023	5,313	5,106
5,109	4,147	4,643	4,507	4,756	4,297
5,879	12,806	20,293	21,859	21,895	31,291
47,496	59,336	81,355	82,720	81,274	87,035
19,775	23,183	25,823	28,887	26,914	27,953
14,039	13,296	14,558	15,367	15,925	19,730
9,884	11,048	11,445	11,864	12,462	13,125
3,296	2,078	776	187	552	385
46,994	49,605	52,602	56,305	55,853	61,193
94,490	108,941	133,957	139,025	137,127	148,228
(91,287)	(84,909)	(69,460)	(63,414)	(77,846)	(77,021)
6,346	2,417	1,247	6,051	3,220	4,107
(84,941)	(82,492)	(68,213)	(57,363)	(74,626)	(72,914)

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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,			
	2007	**2008**	**2009**	**2010**
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes:				
Property taxes	$ 49,979	52,352	53,264	60,311
Sales taxes	17,223	17,274	16,264	15,242
Transient occupancy tax	3,936	4,299	3,155	3,267
Utility users tax	5,199	5,812	5,866	5,651
Nonregulatory franchise and business	3,896	3,967	3,974	3,845
Intergovernmental revenue	480	313	213	231
Investment income	14,529	17,667	13,716	9,801
Other	-	52	8	-
Transfers	3,744	744	826	1,510
Total government activities	98,986	102,480	97,286	99,858
Business-type activities				
Investment income	1,044	1,185	1,080	930
Transfers	(3,744)	(744)	(826)	(1,510)
Total business-type activities	(2,700)	441	254	(580)
Total primary government	$ 96,286	102,921	97,540	99,278
Change in Net Position				
Change in net position before extraordinary and special items:				
Governmental activities	27,115	26,746	6,820	(597)
Business-type activities	(812)	2,046	3,606	14,229
Total primary government	26,303	28,792	10,426	13,632
Extraordinary items:				
Assets transferred to/liabilities assumed by Successor Agency, net of LAIF rate remeasurement	-	-	-	-
Special items:				
Capital assets contributed from Successor Agency	-	-	-	-
Land held contributed from Successor Agency	-	-	-	-
Change in net position	$ 26,303	28,792	10,426	13,632

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Schedule 2

Fiscal Year Ended June 30,					
2011	2012	2013	2014	2015	2016
54,749	57,709	58,515	62,601	64,954	71,563
15,501	15,939	16,744	16,935	19,773	21,401
3,914	4,397	4,668	5,595	6,559	6,591
5,711	6,157	7,954	7,335	7,988	9,898
4,084	4,204	4,241	4,633	4,793	4,954
243	194	222	209	209	211
4,784	6,363	966	3,870	4,944	8,551
-	-	-	1,091	575	1,724
195	355	510	739	256	386
89,181	95,318	93,820	103,008	110,051	125,279
422	526	22	394	349	498
(195)	(355)	(510)	(739)	(256)	(386)
227	171	(488)	(345)	93	112
89,408	95,489	93,332	102,663	110,144	125,391
(2,106)	10,409	24,360	39,594	32,205	48,258
6,573	2,588	759	5,706	3,313	4,219
4,467	12,997	25,119	45,300	35,518	52,477
-	(17,409)	-	-	-	-
-	-	-	16,679	-	-
-	-	-	6,250	-	-
4,467	(4,412)	25,119	68,229	35,518	52,477

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year Ended June 30,			
	2007	**2008**	**2009**	**2010**
General Fund				
Nonspendable	$ 15,717	14,809	14,221	10,415
Committed	41,486	58,349	54,601	46,201
Assigned	1,677	1,927	1,649	1,828
Unassigned	53,369	31,573	30,452	30,055
Total General Fund	$ 112,249	106,658	100,923	88,499
All Other Governmental Funds				
Nonspendable	147	151	148	664
Restricted	118,813	135,101	138,279	140,215
Committed	1,832	1,695	1,287	647
Unassigned	-	-	-	-
Total all other governmental funds	$ 120,792	136,947	139,714	141,526

(1) The changes in total fund balance for the General Fund and other governmental funds are explained in Management's Discussion and Analysis.

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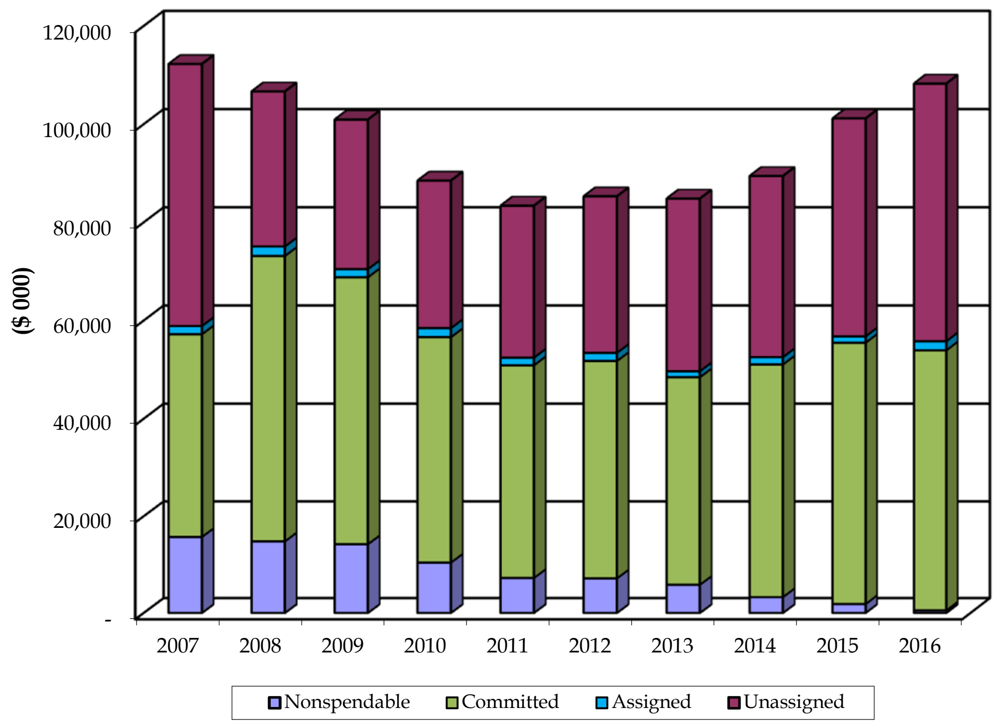
Schedule 3

CITY OF MOUNTAIN VIEW, CALIFORNIA

Fund Balance for General Fund



Fiscal Year Ended June 30,

2011	2012	2013	2014	2015	2016 (1)
7,233	7,147	5,828	3,276	1,847	523
43,651	44,609	42,626	47,771	53,622	53,399
1,548	1,648	1,222	1,498	1,294	1,860
30,950	31,882	35,150	36,880	44,395	52,459
83,382	85,286	84,826	89,425	101,158	108,241
694	47	76	67	69	57
141,867	159,532	191,843	218,699	228,910	256,281
-	-	-	-	930	4,149
(488)	-	-	(18)	(18)	(3)
142,073	159,579	191,919	218,748	229,891	260,484

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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,			
	2007	**2008**	**2009**	**2010**
Revenues				
Taxes	$ 82,318	83,997	81,309	87,035
Licenses, permits and fees	10,202	9,366	6,514	6,754
Fines and forfeitures	775	876	800	909
Use of money and property	18,753	24,146	20,685	17,570
Intergovernmental revenues	5,305	7,367	4,353	6,667
Charges for services	22,558	22,567	21,224	20,915
Other	3,359	1,771	2,903	4,096
Total Revenues	143,270	150,090	137,788	143,946
Expenditures				
Current:				
General government	24,314	23,469	22,081	24,357
Public safety	38,791	41,252	44,369	45,399
Public works	7,726	8,382	9,068	16,541
Community development	6,666	7,541	6,909	9,016
Culture and recreation	19,996	21,354	21,560	21,645
Capital outlay	28,728	28,900	23,373	25,651
Debt service:				
Principal	5,088	4,748	5,115	5,304
Interest and fiscal charges	3,633	3,627	3,270	3,065
Total Expenditures	134,942	139,273	135,745	150,978
Excess (deficiency) of revenues over (under) expenditures	8,328	10,817	2,043	(7,032)
Other Financing Sources (Uses)				
Sale of capital assets	-	52	8	-
Certificates of participation issued	-	2,800	-	-
Proceeds from debt issuance	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-
Transfers in	28,904	48,332	46,663	34,912
Transfers (out)	(33,875)	(51,437)	(51,682)	(38,492)
Total other financing sources (uses)	(4,971)	(253)	(5,011)	(3,580)
Net Change in fund balances before extraordinary items	3,357	10,564	(2,968)	(10,612)
Extrordinary Items:				
Assets transferred to/liabilities assumed by Successor Agency, net of LAIF rate remeasurement	-	-	-	-
Net Change in fund balances	$ 3,357	10,564	(2,968)	(10,612)
Debt service as a percentage of noncapital expenditures	8.2%	7.6%	7.5%	6.9%

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		Fiscal Year Ended June 30,			
2011	2012	2013	2014	2015	2016
82,904	89,496	93,385	98,806	107,135	116,783
8,385	15,614	22,482	23,677	31,421	28,136
930	954	1,043	1,068	920	697
13,177	15,112	10,659	14,878	14,932	19,730
6,861	5,622	7,200	7,840	6,255	6,415
21,069	23,339	36,221	33,810	24,323	27,882
2,707	3,528	4,415	3,212	5,091	7,681
136,033	153,665	175,405	183,291	190,077	207,324
26,896	28,707	29,653	30,475	31,714	34,269
46,212	48,364	49,474	50,517	52,457	54,790
7,907	8,377	8,736	9,340	10,098	11,924
7,468	9,581	8,316	14,494	10,275	11,941
21,407	20,997	21,072	21,904	22,899	23,979
19,449	23,940	15,493	14,148	28,080	17,914
5,705	18,093	5,103	5,296	5,535	7,187
2,842	3,736	2,872	2,895	2,056	1,936
137,886	161,795	140,719	149,069	163,114	163,940
(1,853)	(8,130)	34,686	34,222	26,963	43,384
-	-	-	1,469	1,910	1,950
-	-	-	-	-	-
-	39,454	-	12,135	-	-
-	-	-	(12,035)	-	-
30,355	50,417	32,211	34,028	33,286	42,300
(33,072)	(53,032)	(35,017)	(38,391)	(39,283)	(49,958)
(2,717)	36,839	(2,806)	(2,794)	(4,087)	(5,708)
(4,570)	28,709	31,880	31,428	22,876	37,676
-	(9,299)	-	-	-	-
(4,570)	19,410	31,880	31,428	22,876	37,676
7.3%	16.0%	6.4%	6.2%	5.6%	6.1%

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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
2006-07	$ 7,542,836	1,627,386	2,054,691	639,081
2007-08	8,110,176	1,777,751	2,440,922	698,104
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

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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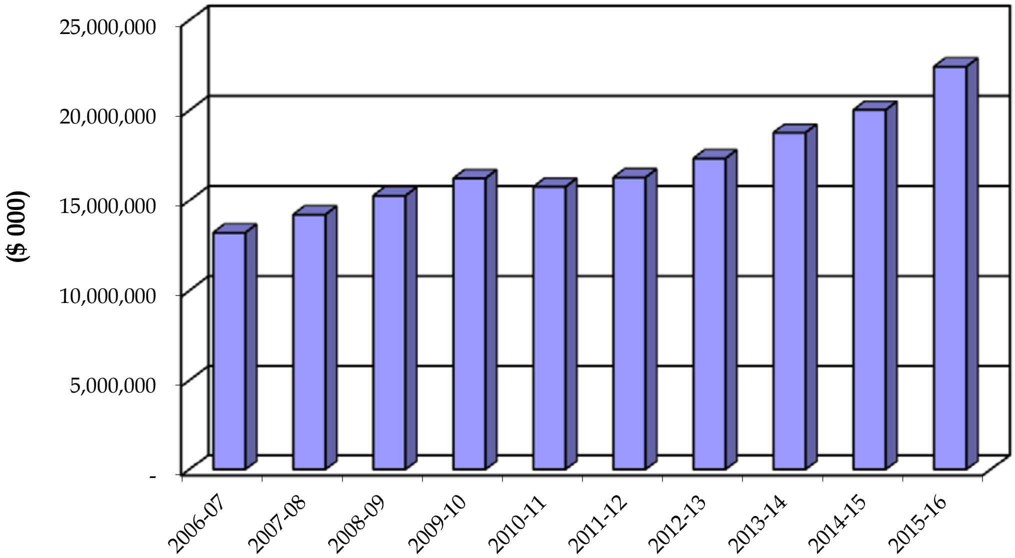
CITY OF MOUNTAIN VIEW, CALIFORNIA

Total Taxable Assessed Value



Unsecured	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (1)
1,656,266	(293,644)	13,226,616	1%
1,606,465	(417,248)	14,216,170	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%

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Schedule 6

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
2006-07	1.00	1.00	0.0388	0.0412	0.0855	0.1066	0.0000	0.0129	0.0072
2007-08	1.00	1.00	0.0388	0.0412	0.0584	0.0815	0.0000	0.0129	0.0071
2008-09	1.00	1.00	0.0388	0.0412	0.0565	0.0801	0.0000	0.0129	0.0061
2009-10	1.00	1.00	0.0510	0.0534	0.0757	0.1008	0.0000	0.0129	0.0074
2010-11	1.00	1.00	0.0483	0.0507	0.0799	0.1081	0.0000	0.0129	0.0072
2011-12	1.00	1.00	0.0388	0.0459	0.0747	0.1110	0.0000	0.0129	0.0064
2012-13	1.00	1.00	0.0439	0.0463	0.1005	0.1149	0.0000	0.0129	0.0069
2013-14	1.00	1.00	0.0423	0.0423	0.0941	0.1059	0.0000	0.0129	0.0070
2014-15	1.00	1.00	0.0479	0.0479	0.0747	0.1164	0.0000	0.0129	0.0065
2015-16	1.00	1.00	0.0476	0.0476	0.0632	0.1174	0.0000	0.0129	0.0065

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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Total Direct and Overlapping	
1.1315	1.1679
1.1043	1.1427
1.1014	1.1403
1.1341	1.1745
1.1354	1.1789
1.1199	1.1762
1.1513	1.1810
1.1434	1.1681
1.1291	1.1837
1.1173	1.1844

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Principal Property Tax Payers

Current Year and Nine Years Ago
(Dollars in Thousands)

Taxpayer	2015-16 Taxable Assessed Value	2015-16 Rank	2015-16 Percentage of Total City Taxable Assessed Value	2006-07 Taxable Assessed Value	2006-07 Rank	2006-07 Percentage of Total City Taxable Assessed Value
Google Inc.	$ 3,036,853	1	13.5%	422,708	1	3.2%
HCP Life Science REIT Inc.	347,804	2	1.6%	-	-	-
Baccarat Shoreline LLC	188,422	3	0.8%	-	-	-
Richard T. Peery Trustee	138,079	4	0.6%	109,893	7	0.8%
P A Charleston Road LLC	106,034	5	0.5%	87,000	8	0.7%
Intuit Inc.	135,371	6	0.6%	72,587	10	0.5%
Microsoft Corporation	80,831	7	0.4%	138,501	5	1.0%
Richard M. & Beverly J. Salado Trustee	78,908	8	0.4%	-	-	-
LinkedIn Corporation	56,027	9	0.2%	-	-	-
Murphy Road Apartments-San Jose LP	49,069	10	0.2%	-	-	-
Legacy Partners, Inc.	-	-	-	227,500	2	1.7%
Alza Corporation	-	-	-	209,179	3	1.6%
Slough CDEC II LLC	-	-	-	195,600	4	1.5%
Mission West Shoreline LLC	-	-	-	120,287	6	0.9%
SIC - Mountain Bay Plaza LLC	-	-	-	65,200	9	0.5%
Subtotal	$ 4,217,398		18.8%	1,648,455		12.4%

Fiscal Year 2015-2016 Total Net Assessed Valuation: $ 22,425,807
Fiscal Year 2006-2007 Total Net Assessed Valuation: $ 13,226,616

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
2006-07	$ 49,979	49,979	100%	-	49,979	100%
2007-08	52,352	52,352	100%	-	52,352	100%
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%

Source: City of Mountain View

Fiscal Years prior to 2012-13 have been restated to match schedule 2, which excludes Homeowner's Property Tax Rebate (HOPTR) reimbursed by the State.

(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
2006-07	$ 51,017	22,190	-	431
2007-08	47,779	22,348	-	411
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 (2)	5,779 (2)	-	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

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) See Schedule 14 (Demographic Statistics) for personal income and population data.
(2) In Fiscal Year ended June 30, 2012, the Revitalization Authority was dissolved and its assets transferred/liabilities assumed by the Successor Agency.
(3) Includes City of Palo Alto Loan. See Note 7 for additional information.
(4) Beginning in Fiscal Year 2012-13, Business-Type activities amount includes premiums and discounts.
(5) Personal income data for Fiscal Year 2015-16 is not available until May of 2017.

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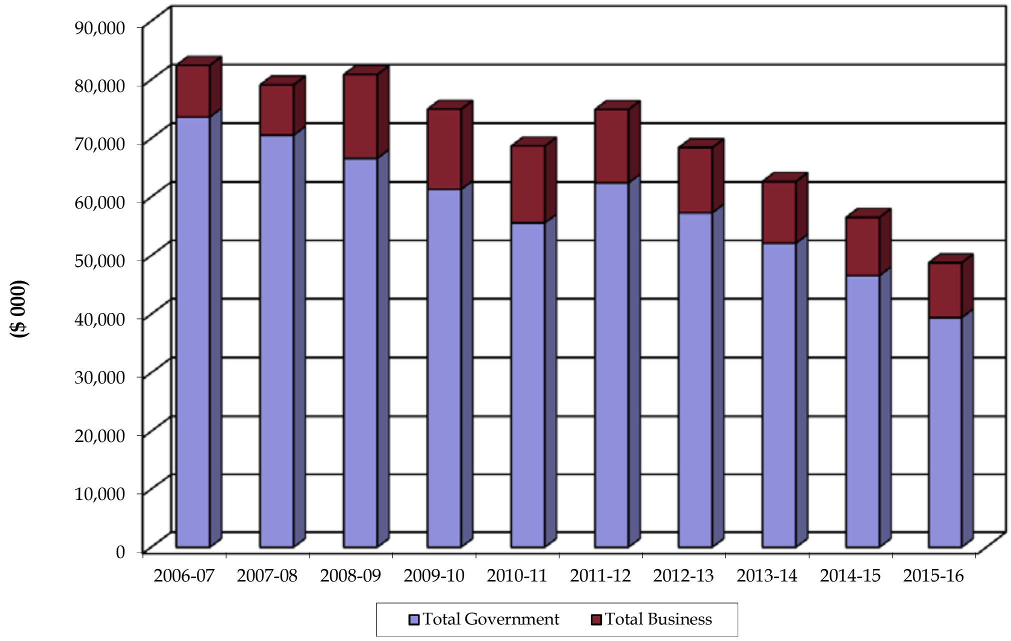
CITY OF MOUNTAIN VIEW, CALIFORNIA

Outstanding Debt by Activity Type



Business-Type Activities			
Water Bonds (3)	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
8,830	82,468	2.01%	1.13
8,565	79,103	1.78%	1.07
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%	0.82
9,955	56,536	0.97%	0.73
9,355	48,749	(5)	0.63

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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
2006-07	$ 51,017	51,017	0.39%	0.70
2007-08	47,779	47,779	0.34%	0.65
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%	0.47
2014-15	34,550	34,550	0.17%	0.44
2015-16	32,955	32,955	0.15%	0.42

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Schedule 11

CITY OF MOUNTAIN VIEW, CALIFORNIA

Direct and Overlapping Governmental Activities Debt

As of June 30, 2016

2015-16 Assessed Valuation: $22,425,807,479

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/16	% Applicable (1)	City's Share of Debt 6/30/16
Santa Clara County	$792,585,000	5.779%	$ 45,803,487
Foothill-DeAnza Community College District	584,782,455	16.838	98,465,670
Fremont Union High School District	365,975,088	0.344	1,258,954
Mountain View-Los Altos Union High School District	59,156,005	55.480	32,819,752
Los Altos School District	73,555,000	13.937	10,251,360
Mountain View School District	15,830,000	92.718	14,677,259
Sunnyvale School District	159,445,820	0.849	1,353,695
Mountain View-Whisman School District	189,475,000	94.481	179,017,875
Whisman School District	19,357,334	37.494	18,872,239
El Camino Hospital District	136,280,000	32.056	43,685,917
Midpeninsula Regional Open Space District	45,000,000	9.945	4,475,250
City of Mountain View 1915 Act Bonds	**174,649**	**100.000**	**174,649**
Santa Clara Valley Water District Benefit Assessment District	99,060,000	5.779	5,724,677
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$456,580,784
OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	$683,441,121	5.779%	$39,496,062
Santa Clara County Pension Obligation Bonds	367,118,349	5.779	21,215,769
Santa Clara County Board of Education Certificates of Participation	6,380,000	5.779	368,700
Foothill-DeAnza Community College District Certificates of Participation	9,723,341	16.838	1,637,216
Mountain View-Los Altos Union High School District Certificates of Participation	2,415,000	55.480	1,339,842
Midpeninsula Regional Park District General Fund Obligations	122,305,886	9.945	12,163,320
Santa Clara County Vector Control District Certificates of Participation	2,890,000	5.779	167,013
TOTAL OVERLAPPING GENERAL FUND DEBT			$76,387,922
Less: Santa Clara County supported obligations			21,166,778
NET OVERLAPPING GENERAL FUND DEBT			$55,221,144
DIRECT TAX INCREMENT DEBT:			
Mountain View Shoreline Park Community Tax Allocation Bonds	$32,955,000	100.000%	$32,955,000
Mountain View Shoreline Park Community Loan Agreement	6,265,000	100.000	6,265,000
TOTAL DIRECT TAX INCREMENT DEBT			$39,220,000
TOTAL DIRECT DEBT			**$39,394,649**
TOTAL GROSS OVERLAPPING DEBT			$572,188,706
TOTAL NET OVERLAPPING DEBT			$551,021,928
GROSS COMBINED TOTAL DEBT			$572,188,706 (2)
NET COMBINED TOTAL DEBT			$551,021,928

(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 2015-16 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 2.04%
Total Direct Debt ($39,394,649) 0.18%
Gross Combined Total Debt 2.55%
Net Combined Total Debt 2.46%

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			
	2006-07	**2007-08**	**2008-09**	**2009-10**
Debt limit	$ 1,610,172	1,739,259	1,913,541	1,970,420
Total net debt applicable to limit	-	-	-	-
Legal debt margin	$ 1,610,172	1,739,259	1,913,541	1,970,420
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 2015-16

Assessed value (net) - June 30, 2016 (1)	$	22,425,807
Debt limit: 15% of assessed value		3,363,871
Less total bonded debt, general obligation		-
Legal debt margin (2)	$	3,363,871

Fiscal Year					
2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1,947,008	1,982,930	2,601,716	2,813,949	3,004,005	3,363,871
-	-	-	-	-	-
1,947,008	1,982,930	2,601,716	2,813,949	3,004,005	3,363,871
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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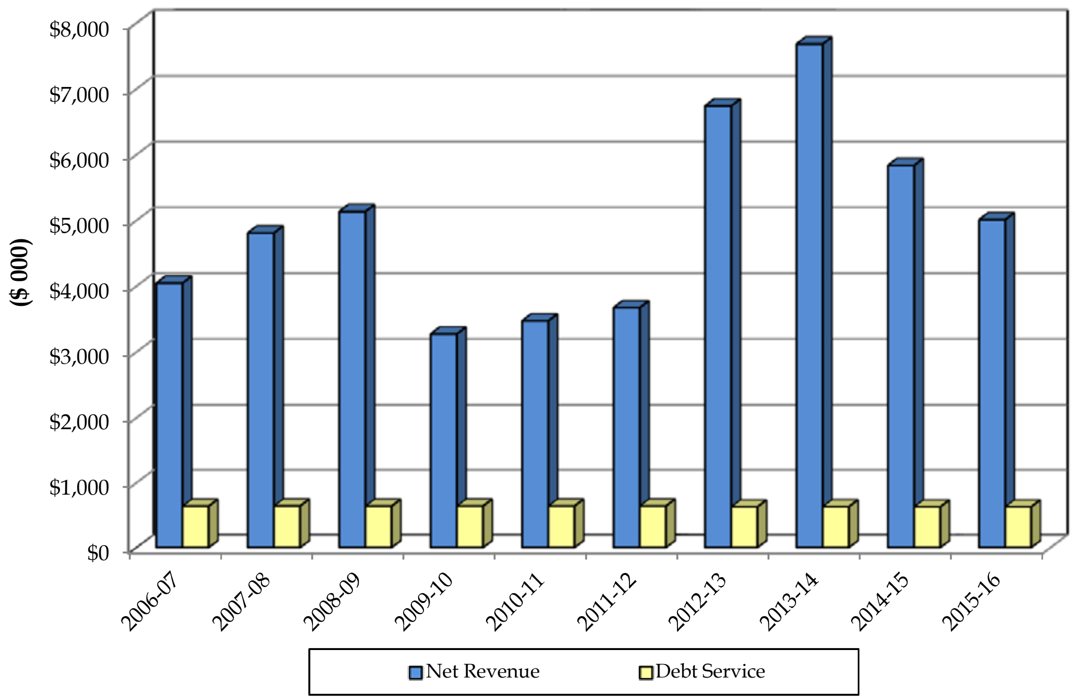
CITY OF MOUNTAIN VIEW, CALIFORNIA

Bonded Debt Pledged-Revenue Coverage

Last Ten Fiscal Years
(Dollars in Thousands)

Water Revenue Bonds



Fiscal Year	Gross Revenues	Less: Operating Costs	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
2006-07	$ 18,205	14,162	4,043	255	382	6.3
2007-08	19,505	14,699	4,806	265	375	7.5
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

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

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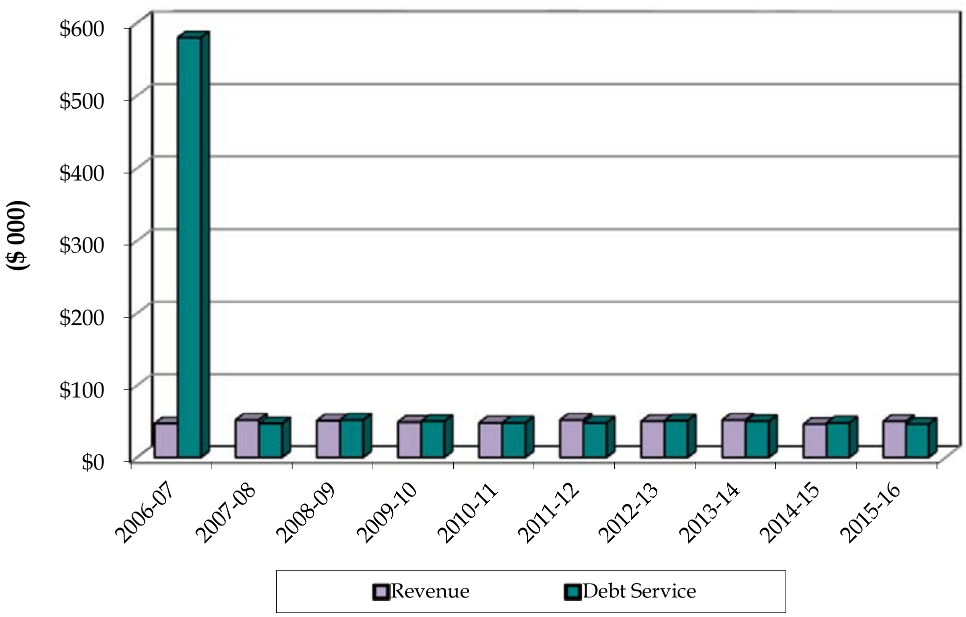
CITY OF MOUNTAIN VIEW, CALIFORNIA

Bonded 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
2006-07	$ 47	530	50	0.1
2007-08	52	20	27	1.1
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

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

(1) Collections includes interest payments from property owners.

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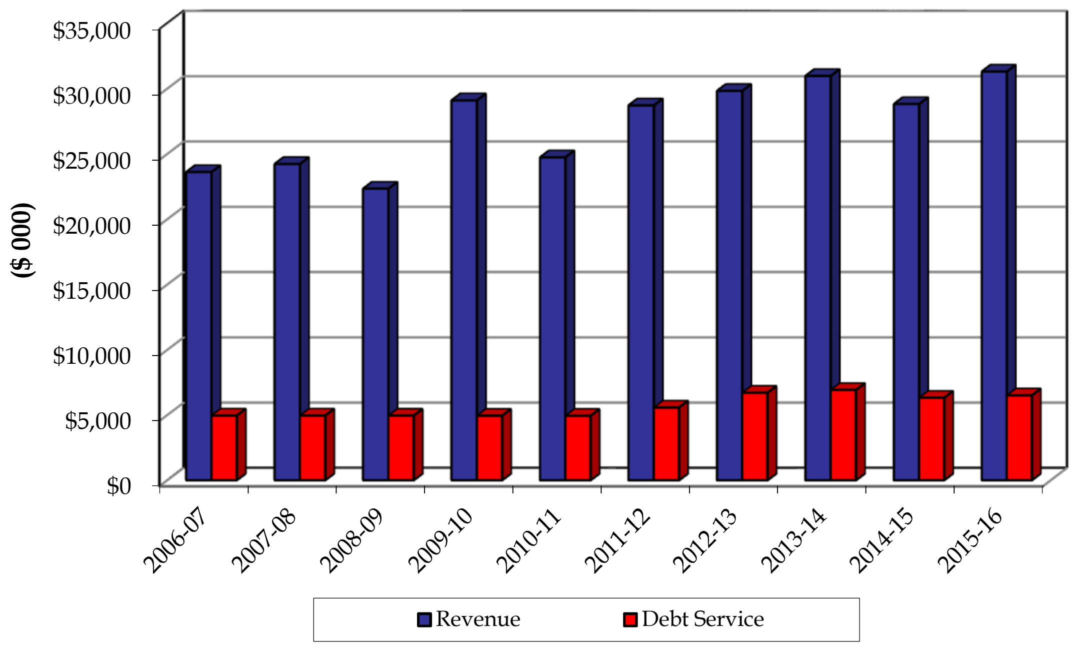
CITY OF MOUNTAIN VIEW, CALIFORNIA

Bonded Debt Pledged-Revenue Coverage

Last Ten Fiscal Years
(Dollars in Thousands)

Tax Allocation Bonds - Shoreline Regional Park Community



Fiscal Year	Tax Allocation Bonds-Shoreline Regional Park Community (2) Tax Increment Revenues	Debt Service Principal	Interest (1)	Coverage
2006-07	$ 23,612	2,785	2,179	4.8
2007-08	24,232	2,880	2,081	4.9
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

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

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Demographic Statistics

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Population	Population Density (Sq. Mile) (3)	Personal Income (1)	Per Capita Personal Income (1)	School Enrollment	Unemployment Rate (%) (1)
2006-07	73,262	6,005	$ 4,102,672	56	6,664	4.7%
2007-08	73,932	6,060	4,435,920	60	6,816	6.0%
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	74,723	6,125	4,333,934	58	7,311	10.3%
2011-12	75,275	6,170	4,667,050	62	7,351	8.7%
2012-13	76,260	6,251	5,109,420	67	7,524	6.8%
2013-14	76,781	6,294	5,374,670	70	7,535	5.4%
2014-15	77,914	6,386	5,843,550	75	7,552	3.9%
2015-16	77,925	6,387	(2)	(2)	7,577	4.0%

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

(1) 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.
(2) Data for fiscal year 2015-16 not available until May of 2017.
(3) Population Density per square mile calculations were restated from 11.7 to 12.2 square miles.

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Principal Employers

Current Year and Nine Years Ago

	2015-16			2006-07		
Employer	**Estimated Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Estimated Number of Employees**	**Rank**	**Percentage of Total City Employment**
Google Inc.	19,711	1	17.1%	10,000	1	8.5%
LinkedIn Corporation	2,018	2	1.8%	-	-	-
Microsoft Corporation	1,668	3	1.5%	1,480	4	1.3%
Intuit Inc.	1,287	4	1.1%	1,700	3	1.5%
El Camino Hospital	1,273	5	1.1%	4,000	2	3.4%
Samsung Research America Inc.	1,085	6	0.9%	-	-	-
Synopsys Inc.	1,031	7	0.9%	965	6	0.8%
Pure Storage	900	8	0.8%	-	-	-
Veritas Technologies	801	9	0.7%	1,280	5	1.1%
City of Mountain View	596	10	0.5%	-	-	-
Verisign	-	-	-	920	7	0.8%
KPMG	-	-	-	680	8	0.6%
Actel Corporation	-	-	-	488	9	0.4%
Siemens Corporation	-	-	-	354	10	0.3%
Subtotal	30,370		26.3%	21,867		18.7%
Total City Daytime Population	115,000			117,000		

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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,			
	2007	**2008**	**2009**	**2010 (1)**
Function				
General government	68.00	69.25	78.50	78.50
Public safety:				
Fire:				
Firefighters and Safety Officers	72.00	73.00	73.00	73.00
Civilians	7.85	9.10	9.10	9.10
Police:				
Sworn Police	96.00	97.00	98.00	98.00
Civilians	49.50	50.50	50.50	50.50
Public works	57.87	58.07	59.57	58.75
Community development	29.00	32.00	33.00	33.00
Culture and recreation:				
Community Services	103.75	104.50	104.50	104.50
Library	33.75	33.75	33.75	33.50
Water	37.07	37.27	37.07	38.41
Wastewater	20.93	21.18	21.48	21.63
Solid Waste	16.03	15.63	15.03	15.36
Total Regular Positions	591.75	601.25	613.50	614.25
Limited-Period Positions	0.00	2.00	3.00	2.00
Total	591.75	603.25	616.50	616.25

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 private operator.

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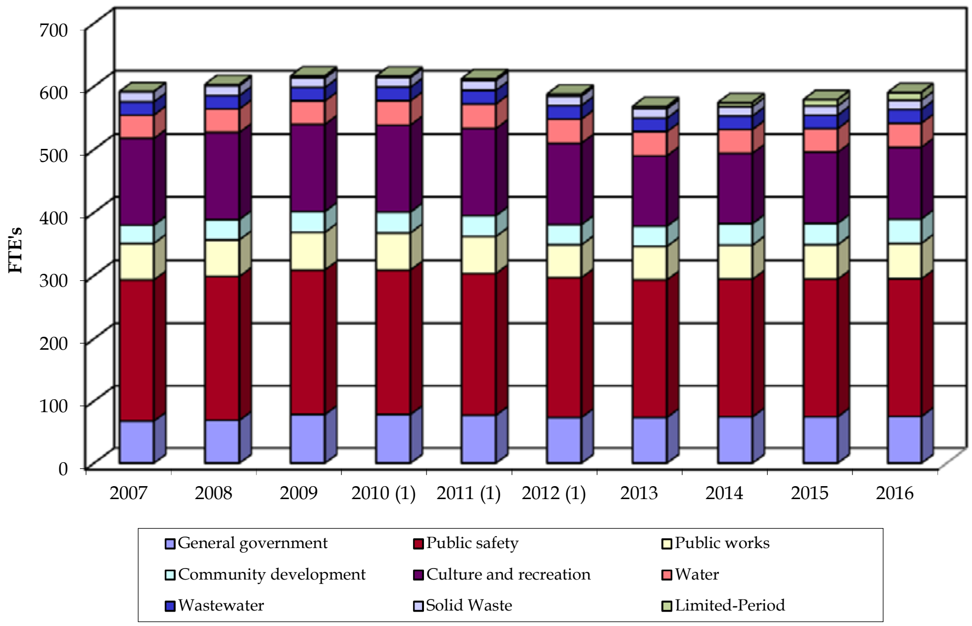
CITY OF MOUNTAIN VIEW, CALIFORNIA

Employees by Function



Adopted for Fiscal Year Ended June 30,

2011 (1)	2012 (1)	2013	2014	2015	2016
77.25	73.75	73.75	74.75	74.75	75.40
73.00	73.00	74.00	74.00	74.00	74.00
8.60	8.60	5.60	5.60	5.60	5.60
95.00	95.00	96.00	96.00	96.00	96.00
49.50	46.50	44.00	44.00	44.00	44.00
58.75	52.05	53.05	54.05	54.55	56.20
33.00	32.00	32.00	34.00	34.00	38.75
104.75	99.25	81.75 (2)	81.75	82.75	83.75
33.50	30.00	30.00	30.00	30.00	30.00
38.91	38.15	38.15	37.65	37.50	38.25
21.63	21.50	21.50	21.50	21.45	21.60
15.36	14.95	14.95	14.95	14.65	14.70
609.25	584.75	564.75	568.25	569.25	578.25
3.00	3.00	3.50	6.25	10.00	12.25
612.25	587.75	568.25	574.50	579.25	590.50

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CITY OF MOUNTAIN VIEW, CALIFORNIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30, 2007	2008	2009	2010
Public safety:				
Fire:				
Fire calls for service	4,937	5,046	4,916	4,710
Primary fire inspections conducted	1,100	1,116	887	1,160
Environmental safety inspections conducted	1,349	1,280	1,744	1,895
Police:				
Communication Center calls answered	105,582	101,426	98,865	86,763
Police calls for service	75,864	74,563	76,328	81,027
Law violations:				
Part I and Part II crimes	6,191	5,566	6,122	6,214
Physical arrests (adult and juvenile)	3,649	3,287	2,991	2,898
Traffic violations	12,249	9,384	11,672	14,772
Parking violations	5,459	6,011	5,716	5,969
Public works				
Street resurfacing (miles)	7.92	10.42	0 (5)	5.28 (5)
Potholes repaired (square feet)	279	929	867	208
Culture and recreation:				
Community Services:				
Recreation class participants	9,408	9,376	9,772	9,542
Performing Arts Center performances	391	360	328	331
Library:				
Volumes in Collection (thousands)	293	299	317	318
Total Volumes Borrowed (thousands)	1,405	1,320 (10)	1,569	1,688
Water				
Water service connections	15,796	17,065	17,458	17,277
Water main breaks	2	8	10	1
Average daily consumption (thousands of gallons)	11,200	11,300	11,009	11,000
Wastewater				
Storm drain inlets	2,640	2,664	2,664	2,664
Sewer service connections	15,796	16,000	16,959	16,944
Sewer main blockages	17	16	10	11
Average daily treatment (thousands of gallons)	9,010	8,540	8,120	7,903
Solid Waste				
Landfilled (tons per year)	53,058	56,491	52,677 (13)	47,976
Recyclables Processed (tons per year) (11)	31,972	24,293	20,295 (13)	22,828

Source: City of Mountain View

(1) Lower due to turnover in personnel resulting in reduced staffing.
(2) Beginning in fiscal eear 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 Divison (FEPD).
(3) Fiscal Year ended June 30, 2016 includes total multi-family housing inpections completed by FEPD not previously accounted for.
(4) Fewer Traffic and Parking violations due to less officers were available in the Traffic and Parking Enforcement Units.
(5) Work on Federal Stimulus Package delayed work on street resurfacing and will be reflected in following fiscal years.
(6) Diversion of street resurfacing funds to a Federally funded streets project contributed to lower than average street resurfacing miles.
(7) Reflects focus on other street improvements such as drain grates, sidewalks, gutters, and curbs; which has diverted funding away from resurfacing efforts.
(8) The City was not able to advertise and bid the surface project in fiscal year ended June 30, 2014 and therefore street resurfacing project was delayed.
(9) 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.
(10) Lower due to Library closure during remodeling/upgrades.
(11) 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.
(12) Beginning inthe fiscal year ended June 30, 2015, includes food scrap recycling and the prior four fiscal years have been restated.
(13) Fiscal years ended June 30, 2009 and 2015 are restated due to incorrect caluclations were used in those two years.

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Fiscal Year Ended June 30,					
2011	2012	2013	2014	2015	2016
5,033	5,141	5,196	5,526	5,703	5,955
1,257	965 (1)	999 (1)	957 (1)	1,857 (2)	2,844 (3)
2,000	1,626 (1)	1,593 (1)	1,851	1,769	1,641
84,313	81,820	79,662	85,175	90,559	91,826
77,854	71,758	72,318	61,525	63,093	59,908
5,075	4,548	4,465	4,384	4,369	4,901
2,538	2,346	2,706	2,320	2,262	1,978
14,245	10,789 (4)	18,908	13,411	13,745	11,821
7,296	4,755 (4)	4,120	8,235	5,990	6,733
3.40 (5)	1.83 (6)	1.20 (7)	1.49	0 (8)	2.40
342	430	1,102 (9)	821	1,439	1,800
8,595	7,604	7,020	8,558	9,438	8,697
339	348	340	399	394	399
321	333	331	337	337	326
1,722	1,799	1,747	1,685	1,564	1,416
17,433	17,497	17,636	17,781	17,858	17,516
12	6	6	8	9	5
9,868	10,350	10,520	10,475	8,713	6,917
2,664	2,767	2,776	2,776	2,829	3,030
17,099	17,149	17,373	17,377	17,461	16,906
4	4	6	5	15	4
8,090	7,860	7,608	6,980	6,750	6,235
45,491	48,332	46,894	44,878	46,865 (13)	40,961
24,291 (12)	24,703 (12)	28,136 (12)	30,411 (12)	35,465 (12)	40,499

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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,			
Function/Program	**2007**	**2008**	**2009**	**2010**
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	139.9	139.9
Street lights	3,579	3,757	4,117	4,117
Traffic Signals	77	78	78	80
Culture and recreation:				
Community services:				
City parks (2)	31	35	35	35
City parks acreage (2)	191.3	194.7	194.7	194.7
Playgrounds (2)	26	28	28	28
City trails (2)	5	5	5	5
City trails miles (2)	7.95	8.27	9.02	9.02
Roadway landscaping acreage	120.25	120.25	120.25	120.25
Regional park acreage (including trails) (2)	772	778	781.79	781.79
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 house	1	1	1	1
Community gardens	2	2	2	2
Community centers	1	1	1	1
Senior centers	1	1	1	1
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	12	6 (5)	6	6
Soccer/football fields	9	14 (5)	14	14
Library:				
City Libraries	1	1	1	1
Water				
Miles of water mains	176	175	179	172
Fire hydrants	1,993	1,993	1,993	1,993
Storage capacity (thousands of gallons)	38,530	38,530	38,530	38,530
Wastewater				
Miles of sanitary sewers	156	158	159	159
Miles of storm sewers	109	108	108	108
Number of treatment plants (6)	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) The total length of the trails adjusted due to more precise Geographic Information Systems measurement.
(4) No longer includes the Dog Park and Charleston Park.
(5) Numbers are from the updated Recreation Plan. Some play fields are multi-use and may have been reported differently in prior years. No fields have been lost or converted.
(6) The City of Mountain View owns treatment capacity at the Palo Alto Treatment Plant.
(7) Shoreline Athletic Fields converted 12 acres of Regional park acreage to City parks acreage.

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Fiscal Year Ended June 30,					
2011	2012	2013	2014	2015	2016
5	5	5	5	5	5
1	1	1	1	1	1
38	38	38	38	38	38
139.2 (1)	139.2	140.2	140.2	140.2	140.2
4,117	4,117	4,117	4,117	4,117	4,120
80	80	83	83	85	85
35	37	37	39	41	42
194.7	195.7	195.7	196.35	199.12	212.32 (7)
28	30	30	30	30	30
5	5	5	5	5	5
9.02	9.35	9.35	9.26 (3)	9.26	9.26
120.25	120.25	120.25	120.25	120.25	120.25
781.79	796.63	796.63	796.13 (4)	796.13	784.13 (7)
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	1	1
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	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	6	6	8
14	14	14	14	14	16
1	1	1	1	1	1
172	172	176	176	176	176
2,065	2,070	2,072	2,074	2,091	2,118
38,530	38,530	38,530	38,530	38,530	38,530
159	159	158	158	158	158
108	108	108	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, 2016

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, 2016

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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, 2016, 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, 2016, and the respective changes in financial position 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.

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, and the schedule of Shoreline Community 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 statement listed as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual fund financial statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 statement is 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 21, 2016 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 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 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 21, 2016

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Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2016

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, 2016. 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 been volatile due to economic conditions that have resulted in fluctuations in the commercial vacancy rate and assessed values. For Fiscal Year 2015-16, Property taxes have increased with the continuation of a strong local economy. Fiscal year 2015-16 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, 2016 by $102.2 million (net position). Of this amount, $42.8 million (unrestricted net position) may be used to meet the Shoreline Community's ongoing obligations.

- The Shoreline Community's total net position increased by $496,000 during the fiscal year compared to the prior fiscal year increase of $12.1 million. The significant change is primarily due to a decrease in Capital Contributions in the current fiscal year as there was a significant Capital Contribution transfer for the Athletic Fields project in the prior fiscal year.

- Shoreline Communitywide revenues of $36.1 million included program revenues, and general revenues excluding net transfers, $7.6 million less than the prior fiscal year. The significant change is again primarily due to the $13.2 million Capital Contributions from the City for the Athletic Fields project in the prior fiscal year.

- Shoreline Community-wide expenses are $26.5 million, slightly higher than the prior fiscal year.

- Governmental fund balances for the fiscal year ended June 30, 2016 decreased $1.9 million, to $50.4 million, comparable to the prior fiscal year.

- Governmental fund revenues are $33.2 million for the fiscal year ended June 30, 2016, up $2.7 million from the prior fiscal year's revenues, primarily due to an

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increase in property tax revenues. The increase is primarily due to the changes in assessed values from the 1.998 percent California Consumer Price Index (CCPI), changes in ownership, and completed new development. Also, in the prior fiscal year, the resolution by the County of Santa Clara (County) of the backlog of assessment appeals occurring from the past recession resulted in reduced property tax revenues.

- Governmental fund expenditures are $26.0 million for the fiscal year ended June 30, 2016, up $1.6 million from the prior fiscal year's expenditures of $24.4 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 General 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.

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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.

Analysis of Net Position

A summary of net position follows:

Statement of Net Position
(Dollars in Thousands)

	2016	2015
Assets:		
Current and other assets	$ 53,561	56,645
Capital assets	95,697	98,241
Total assets	149,258	154,886
Deferred outflows of resources:		
Deferred outflows related to pension	509	359
Liabilities:		
Current and other liabilities	8,664	9,774
Noncurrent liabilities	34,477	39,220
Net pension liability	4,177	3,783
Total liabilities	47,318	52,777
Deferred inflows of resources:		
Deferred inflows related to pension	273	788
Net Position:		
Net investment in capital assets	56,477	57,509
Restricted for debt service	2,911	3,005
Unrestricted	42,788	41,166
Total net position	$ 102,176	101,680

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 $102.2 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 $56.5 million is net investment in capital assets, and is a decrease of $1.0 million compared to the prior fiscal year. This is primarily related to the increase in accumulated depreciation recorded in the normal course of the fiscal year, net of additions to capital assets.

- Another significant portion of the Shoreline Community's net position of $42.8 million is unrestricted, an increase of $1.6 million, which may be used to meet the Shoreline Community's ongoing obligations.

The Shoreline Community's net position increased $496,000 for the fiscal year, which is reflected in the increase of unrestricted net position, netted against the decrease in net investment in capital assets.

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Statement of Activities

A summary of the changes in net position follows:

	2016	2015
Revenues:		
Program revenues	$ 1,049	1,054
General revenues:		
Taxes	31,304	28,821
Capital contributions	2,889	13,157
Investment income	889	676
Total revenues	36,131	43,708
Expenses:		
General government	15,393	13,978
Public safety	175	154
Public works	2,161	2,174
Community development	405	402
Culture and recreation	6,480	7,269
Interest on long-term debt	1,836	1,945
Total expenses	26,450	25,922
Increase in net position before transfers	9,681	17,786
Transfers (net)	(9,185)	(5,728)
Change in net position	496	12,058
Beginning net position	101,680	89,622
Ending net position	$ 102,176	101,680

The major component of the Shoreline Community's Fiscal Year 2015-16 revenues is $31.3 million from property taxes. This is an increase of $2.5 million from Fiscal Year 2014-15. The increase is primarily due the increase of assessed values from the 1.998 percent CCPI, changes in ownership, and completed new development. Also, in the prior fiscal year, the resolution of the backlog of assessment appeals occurring from the past recession by the County resulted in reduced property tax revenues. Capital contributions of $2.9 million are added as projects funded are capitalized; this was primarily for the construction in progress for the Athletic Fields project and the Landfill

Gas Flare Replacement project. Program revenues are $1.0 million and investment earnings accounted for $889,000 of Shoreline Community revenues, both comparable to the prior fiscal year.

Expenses totaled $26.5 million, comparable to the prior fiscal year of $25.9 million. The components are $15.4 million for general government, $2.2 million for public works, $6.5 million for culture and recreation, and $1.8 million for interest on long-term debt. The change in net position is an increase of $496,000 compared to the prior fiscal year increase of $12.1 million. The difference is due to the significant Capital Contributions from the City for the construction in progress of the Athletic Fields project in the prior fiscal year.

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, 2016, the Shoreline Community's funds reported combined fund balances of $50.4 million, a decrease of $1.9 million, in comparison to the prior fiscal year's fund balances of $52.3 million. Unassigned fund balance of $42.0 million is available for spending at the Shoreline Community's discretion, $4.0 million is assigned, $1.5 million is committed, and $2.9 million is restricted. These amounts are comparable to the prior fiscal year.

Revenues for the fiscal year ended June 30, 2016 totaled $33.2 million, an increase of $2.7 million, or 8.8 percent, compared to the prior fiscal year. The increase represents the added assessed value from the 1.998 percent CCPI, changes in ownership, and completed new development. Also, in the prior fiscal year, the County's resolution of the backlog of assessment appeals occurring from the past recession resulted in reduced property tax revenues. Expenditures totaled $26.0 million, an increase of $1.6 million from the prior fiscal year.

The SRPC Fund is the general fund for the Shoreline Community and 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 unassigned fund balance is $42.0 million. As a measure of the fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The

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unassigned fund balance represents 216.0 percent of the total fund expenditures of $19.5 million.

The fund balance of the SRPC Fund decreased by $1.8 million during the current fiscal year. Key factors in this decrease are as follows:

- Total revenues are $33.2 million in Fiscal Year 2015-16, an increase of $2.8 million from the prior fiscal year. Property tax revenues are $31.3 million for the fiscal year ended June 30, 2016, an increase of $2.5 million from the prior fiscal year. The increase is due to the increase in assessed values as described above.

- Expenditures are $19.5 million for the fiscal year ended June 30, 2016, an increase of 7.8 percent over the prior fiscal year. The increase is primarily related to the increase in reimbursed costs for services provided by the City, including public safety.

- Net transfers out were $15.6 million in for the fiscal year ended June 30, 2016 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 Improvement Projects, specifically the Shoreline Boulevard Interim Bus Lane and Utility Improvements, Design and Construction project.

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 $1.6 million in principal retirement and $1.8 million in interest and fiscal charges in for the fiscal year ended June 30, 2016, 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 $3.0 million in principal retirement and $128,000 in interest and fiscal charges in for the fiscal year ended June 30, 2016, comparable to the prior fiscal year.

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CAPITAL ASSETS

A summary of capital assets follows:

Capital Assets
(Dollars in Thousands)

		2016	2015
Land	$	14,332	14,332
Construction in progress		23,444	22,005
Buildings		23,908	23,908
Improvements other than building		80,818	79,425
Machinery and equipment		1,965	1,924
Traffic signals		796	796
Streetlights		1,009	1,014
Bridges and culverts		11,347	11,347
Sidewalks, curbs, and gutters		7,421	7,421
Streets and roads		21,820	21,820
Less accumulated depreciation		(91,163)	(85,751)
Total	$	95,697	98,241

For the fiscal year ended June 30, 2016, capital assets recorded on the Shoreline Community's financial statements amount to $95.7 million (net of accumulated depreciation). There are additions of $2.8 million and transfers from construction in progress of $1.4 million for the fiscal year ended June 30, 2016. Net depreciation of $5.4 million is provided for in Fiscal Year 2015-16. Further details on capital assets and depreciation charges are discussed in Note 6 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2016, the Shoreline Community has $39.2 million of outstanding long-term debt and all debt principal payments were made as scheduled. 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 increase for the upcoming fiscal year, compared to the July 1, 2015 tax roll, due to the 1.525 CCPI applied to secured property and increases in property values due to changes in ownership and new development added to the tax role. Property values are rising due to the continued improved economy, but there are still pending appeals filed

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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 2016-17.

REQUEST 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*.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Statement of Net Position - Governmental Activities
June 30, 2016
(Dollars in Thousands)

Assets:		
Cash and investments	$	50,424
Restricted cash and investments		2,911
Receivables, net of allowance:		
Accounts		1
Interest		225
Capital assets:		
Nondepreciable		37,776
Depreciable, net of accumulated depreciation		57,921
Total assets		149,258
Deferred outflows of resources:		
Pension items		509
Liabilities:		
Accounts payable and accrued liabilities		2,959
Interest payable		761
Refundable deposits		201
Long-term liabilities:		
Due within one year		4,743
Due in more than one year		34,477
Net pension liability		4,177
Total liabilities		47,318
Deferred inflows of resources:		
Pension items		273
Net position:		
Net investment in capital assets		56,477
Restricted for:		
Debt service		2,911
Unrestricted		42,788
Total net position	$	102,176

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, 2016
(Dollars in Thousands)

	Expenses	Program Revenues - Charges for Services	Net (Expense) Revenue and Changes in Net Position
Function/Program Activities:			
General government	$ 15,393	-	(15,393)
Public safety	175	-	(175)
Public works	2,161	578	(1,583)
Community development	405	47	(358)
Culture and recreation	6,480	424	(6,056)
Interest on long-term debt	1,836	-	(1,836)
Total governmental activities	$ 26,450	1,049	(25,401)
General revenues:			
Property taxes			31,304
Capital contributions from the City of Mountain View			2,889
Investment income			889
Transfers from the City of Mountain View			246
Transfers to the City of Mountain View			(9,431)
Total general revenues and transfers			25,897
Change in net position			496
Net position, beginning of year			101,680
Net position, end of year			$ 102,176

See accompanying notes to the financial statements.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Governmental Funds
Balance Sheet
June 30, 2016
(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	$ 50,424	-	-	50,424
Restricted cash and investments	-	2,911	-	2,911
Receivables, net of allowance:				
Accounts	1	-	-	1
Interest	225	-	-	225
Total assets	$ 50,650	2,911	-	53,561
Liabilities and fund balances:				
Liabilities:				
Accounts payable and accrued liabilities	$ 2,959	-	-	2,959
Refundable deposits	201	-	-	201
Total liabilities	3,160	-	-	3,160
Fund Balances:				
Restricted	-	2,911	-	2,911
Committed	1,472	-	-	1,472
Assigned	4,000	-	-	4,000
Unassigned	42,018	-	-	42,018
Total fund balances	47,490	2,911	-	50,401
Total liabilities and fund balances	$ 50,650	2,911	-	53,561

See accompanying notes to the financial statements.

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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, 2016
(Dollars in Thousands)

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	$	50,401
Capital assets net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		95,697
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.		(761)
Deferred outflows and inflows of resources for pension items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources		509
Deferred inflows of resources		(273)
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		(4,177)
Bonds and loans payable		(39,220)
Net position of governmental activities	$	102,176

See accompanying notes to the financial statements.

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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, 2016
(Dollars in Thousands)

	Shoreline Regional Park Community	Shoreline Regional Park Community 2011 Revenue Bonds	Shoreline Regional Park Community 2014 Bank Loan	Total
Revenues:				
Taxes	$ 31,304	-	-	31,304
Use of money and property	1,245	8	-	1,253
Charges for services	623	-	-	623
Other	62	-	-	62
Total revenues	33,234	8	-	33,242
Expenditures:				
Current:				
General government	15,393	-	-	15,393
Public safety	140	-	-	140
Public works	747	-	-	747
Community development	365	-	-	365
Culture and recreation	2,807	-	-	2,807
Debt service:				
Principal	-	1,595	3,028	4,623
Interest and fiscal charges	-	1,756	128	1,884
Total expenditures	19,452	3,351	3,156	25,959
Excess (deficiency) of revenues over (under) expenditures	13,782	(3,343)	(3,156)	7,283
Other financing sources (uses):				
Transfers in	-	3,249	3,156	6,405
Transfers out	(6,405)	-	-	(6,405)
Transfers from the City of Mountain View	246	-	-	246
Transfers to the City of Mountain View	(9,431)	-	-	(9,431)
Total other financing sources (uses)	(15,590)	3,249	3,156	(9,185)
Net change in fund balances	(1,808)	(94)	-	(1,902)
Fund balance, beginning of year	49,298	3,005	-	52,303
Fund balance, end of year	$ 47,490	2,911	-	50,401

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, 2016
(Dollars in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		$ (1,902)
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 contributions from the City of Mountain View	$ 2,889	
Capital assets retirements	(3)	
Depreciation	(5,430)	(2,544)
Pension contribution made subsequent to the measurement date is an expenditure in the governmental funds, but reported as a deferred outflows of resources in the government-wide financial statements.		509
Pension 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.		(238)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		4,623
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		48
Change in net position of governmental activities		$ 496

See accompanying notes to the financial statements.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Shoreline Regional Park Community Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 32,732	32,732	31,304	(1,428)
Use of money and property	1,130	1,130	1,245	115
Intergovernmental	-	10	-	(10)
Charges for services	25	25	623	598
Other	40	40	62	22
Total revenues	33,927	33,937	33,234	(703)
Expenditures:				
Current:				
General government:				
City attorney	10	15	-	15
Finance and administrative services	15,320	15,436	15,393	43
Public safety:				
Fire	136	139	100	39
Police	40	40	40	-
Public works	927	939	747	192
Community development	610	615	365	250
Culture & recreation:				
Community services	3,314	3,346	2,807	539
Total expenditures	20,357	20,530	19,452	1,078
Excess of revenues over expenditures	13,570	13,407	13,782	375
Other financing sources (uses):				
Transfers out	(6,510)	(6,510)	(6,405)	105
Transfers from the City of Mountain View	-	-	246	246
Transfers to the City of Mountain View	(10,363)	(10,767)	(9,431)	1,336
Total other financing sources (uses)	(16,873)	(17,277)	(15,590)	1,687
Net change in fund balances	$ (3,303)	(3,870)	(1,808)	2,062
Fund balance, beginning of year			49,298	
Fund balance, end of year			$ 47,490	

MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Agency Fund
Statement of Fiduciary Net Position
June 30, 2016
(Dollars in Thousands)

Assets:	
Cash and investments	$ -
Liabilities:	
Collection payable	$ -

See accompanying notes to the financial statements.

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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. 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 of the Shoreline Community by a designation of a fiscal year assessment roll.

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 districts 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 setting body for establishing accounting and financial reporting

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 charges paid by the recipients of goods or services offered by the programs. 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'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 (General Fund) - 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 general 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.

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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or 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 and investment revenue. All other revenue items are considered to be measurable and available only when cash is received.

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 expense 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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 is due in two installments, on November 1 and February 1, and becomes a lien on January 1. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes 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 Shoreline Community in the fiscal year they are assessed, provided they become available as defined above.

E. 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)

F. Pension Items

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. 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.

G. Effects of New GASB Pronouncements

The Shoreline Community adopted the provisions of the following GASB Statements during the fiscal year ended June 30, 2016:

- In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements.

- In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statements Nos. 67 and 68.

- In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which supersedes Statement No. 55.

- In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The statement addresses accounting and financial reporting for certain external investment pools and pool participants.

- In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues raised with respect to the GASB Statements Nos. 67, 68, and 73, regarding: (1) the presentation of payroll-related measures in required supplementary information;

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standards of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Implementation of these statements did not have a significant impact on the Shoreline Community's for the fiscal year ended June 30, 2016.

H. 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, 2016. Cash and investments are as follows (dollars in thousands):

Cash and investments	$ 50,424
Restricted cash and investments	2,911
Total cash and investments	$ 53,335

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NOTE 3 – CASH AND INVESTMENTS (Continued)

The Shoreline Community's cash and investments of $50.4 million are invested in the City's cash and investments pool. Restricted cash and investments are held by bond trustee of which $2.9 million are invested in the Federal Home Loan Banks, a U.S. Agency Security and $6,000 represents deposits held by the bond trustee.

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, 2016, 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, supra national securities, LAIF, bonds issued by Shoreline Community, and money market mutual funds. The City's cash and investments pool is unrated and has a modified duration of 2.01 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 agreement does 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 investments in the Federal Home Loan Banks has a maturity date of June 9, 2017.

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, 2016, the Shoreline Community's investments in the Federal Home Loan Bank is rated AA by Standard & Poor's.

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 Federal Home Loan Banks is measured using level 2 inputs, while investment in the City's cash and investments pool is not subject to fair value hierarchy.

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, 2016, Shoreline Regional Park Community Fund transferred $3.2 million and $3.2 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

A. 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 the fiscal year ended June 30, 2016, the Shoreline Community transferred to the City $9.4 million to fund debt service payments, capital projects and equipment replacement. The City transferred $246,000 to the Shoreline Community to return interest earnings on available capital projects balances and unspent funds on completed capital projects.

B. Advances from the City

Improvements to the Shoreline Community have been partially funded by advances from the City. During the fiscal year ended June 30, 2016, the Shoreline Community repaid the remaining annual installment of $1.3 million to the City.

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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. Contributed capital assets are valued at their estimated fair value on the date contributed. 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, 2016 is as follows (dollars in thousands):

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Capital assets not being depreciated:					
Land	$ 14,332	-	-	-	14,332
Construction in progress	22,005	2,832	-	(1,393)	23,444
Total capital assets not being depreciated	36,337	2,832	-	(1,393)	37,776
Capital assets being depreciated:					
Buildings	23,908	-	-	-	23,908
Improvements other than buildings	79,425	-	-	1,393	80,818
Machinery and equipment	1,924	57	(16)	-	1,965
Traffic signals	796	-	-	-	796
Streetlights	1,014	-	(5)	-	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	147,655	57	(21)	1,393	149,084
Less accumulated depreciation for:					
Buildings	(7,223)	(857)	-	-	(8,080)
Improvements other than buildings	(57,811)	(3,478)	-	-	(61,289)
Machinery and equipment	(1,369)	(112)	16	-	(1,465)
Traffic signals	(514)	(42)	-	-	(556)
Streetlights	(508)	(20)	2	-	(526)
Bridges and culverts	(1,832)	(189)	-	-	(2,021)
Sidewalks, curbs and gutters	(4,347)	(186)	-	-	(4,533)
Streets and roads	(12,147)	(546)	-	-	(12,693)
Total accumulated depreciation	(85,751)	(5,430)	18	-	(91,163)
Net capital assets being depreciated	61,904	(5,373)	(3)	1,393	57,921
Total capital assets, net	$ 98,241	(2,541)	(3)	-	95,697

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NOTE 6 – CAPITAL ASSETS (Continued)

B. *Depreciation Allocation*

Depreciation expense was 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, 2016 are as follows (dollars in thousands):

Public safety	$ 35
Public works	1,476
Community development	64
Culture and recreation	3,855
Total	$ 5,430

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, 2016, are as follows (dollars in thousands):

	Spent to Date	Remaining Commitment
Improvements other than buildings	$ 22,621	466
Infrastructure	823	54
Total	$ 23,444	520

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, 2016 are as follows (dollars in thousands):

	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Tax Allocation Bonds:					
Shoreline Regional Park Community					
2011 Revenue Refunding Bonds					
2.0% to 5.75%, due Fiscal Year 2040-41	$ 39,030	34,550	(1,595)	32,955	1,665
Bank Loan:					
Shoreline Regional Park Community					
2014 Bank Loan					
1.65%, due Fiscal Year 2018-19	12,135	9,293	(3,028)	6,265	3,078
Total noncurrent liabilities	$ 51,165	43,843	(4,623)	39,220	4,743

B. *Descriptions of Noncurrent Liabilities*

Tax Allocation Bonds:

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 was 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.

Bank Loan:

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.

NOTE 7 – NONCURRENT LIABILITIES (Continued)

C. *Debt Service Requirements*

The pledge of future tax increment revenues ends upon repayment of the $61.8 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. For the year ended June 30, 2016, tax increment revenues amounted to $31.3 million, which represented coverage of 4.8 over the $6.5 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
2017	$ 4,743	1,768	6,511
2018	3,315	1,662	4,977
2019	3,407	1,556	4,963
2020	1,890	1,451	3,341
2021	1,985	1,354	3,339
2022-2026	5,080	5,761	10,841
2027-2031	4,680	4,663	9,343
2032-2036	6,095	3,201	9,296
2037-2041	8,025	1,205	9,230
Total	$ 39,220	22,621	61,841

NOTE 8 – PENSION PLANS

A. *General Information about the Pension Plans*

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 plans 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 Plan.

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

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NOTE 8 – PENSION PLANS (Continued)

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, 2016, 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	7.962%	6.25%
Required employer contribution rates	25.192%	25.192% (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 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 the difference between the actuarially determined rate and the contribution rate of employees. For Fiscal Year 2015-16, the employer contribution recognized was $359,000.

B. *Net Pension Liability*

The Shoreline Community's net pension liability in the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation

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NOTE 8 – PENSION PLANS (Continued)

as of June 30, 2014 rolled forward to June 30, 2015 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, 2016 (measurement date June 30, 2015) and 2015 (measurement date June 30, 2014) for the Plan are as follows (dollars in thousands):

	Net Pension Liability	Proportion of the City's Miscellaneous Plan
Proportion - Measurement date June 30, 2015	$ 4,177	4.51%
Proportion - Measurement date June 30, 2014	3,783	4.45%
Change	$ 394	0.06%

Actuarial Assumptions – The total pension liability for the Plan in the June 30, 2014 actuarial valuation is determined using actuarial assumptions as follows:

	Miscellaneous Plan
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.65% 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 CalPERS website.

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NOTE 8 – PENSION PLANS (Continued)

All other actuarial assumptions used in the June 30, 2014 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 in Assumptions - GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 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 7.65 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 7.65 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.

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

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NOTE 8 – PENSION PLANS (Continued)

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, 2014, are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Shoreline Community's proportionate share as of the measurement date, calculated using the discount rate of 7.65 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% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Shoreline Community's proportionate share of the City's Miscellaneous Plan net pension liability	$ 6,242	4,177	2,465

* The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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NOTE 8 – PENSION PLANS (Continued)

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

For the fiscal year ended June 30, 2016, the Shoreline Community recognized pension expense of $238,000. 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, 2016 are as follows (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 509	-
Differences between expected and actual experience	-	(15)
Changes in assumptions	-	(153)
Net differences between projected and actual earnings on plan investments	-	(105)
Total	$ 509	(273)

As of June 30, 2016, the Shoreline Community reported $509,000 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, 2017. 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
2017	$ (178)
2018	(135)
2019	(72)
2020	112
Total	$ (273)

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

By City Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (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.

The City also offers a Defined Contribution (DC) Plan to the following employee groups: SEIU Clerical and Technical, EAGLES, Non-Sworn POA, Miscellaneous and Management employees (excluding CalPERS Safety Management). 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 Retirees' Health.

As a component unit of the City, the Shoreline Community shares in the risks, rewards and costs including benefit costs with the City. The Shoreline Community presents the related Other Post-Employment Benefits (OPEB) disclosures as a participant in a cost-sharing arrangement with the City. The City has determined the Shoreline Community's annual required contribution (ARC) and OPEB cost based upon an actuarial valuation performed in accordance with GASB Statement No. 45. The City's Fiscal Year 2015-16 ARC, based on the City's July 1, 2015 actuarial valuation, was $5.5 million. For the fiscal years ended June 30, 2016, 2015, and 2014, the Shoreline Community paid $96,000, $475,000, and $74,000, respectively, as requested by the City.

Additional information regarding the contribution requirements, funding status and progress of the City's other post-employment benefits can be found in the notes to the City's basic financial statements.

NOTE 10 – RISK MANAGEMENT

The Shoreline Community is covered under the City's insurance program. 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.

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NOTE 10 – RISK MANAGEMENT (Continued)

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.

NOTE 11 – NET POSITION AND FUND BALANCES

A. *Net Position*

Net position is the excess of all the Shoreline Community's assets and deferred outflows of resources over all its 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 City is bound to honor constraints on how specific amounts in the funds can be spent. For programs with multiple funding sources, the City

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NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

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 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, 2016, the Shoreline Community committed fund balances 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 of 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 Shoreline Regional Park Community fund balance and residual fund deficits, if any, of debt service funds.

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 Vista 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 and the Board's intent is to set-aside funds for landfill containment in the Landfill reserve of the Shoreline Community Fund. The Shoreline Community estimated the costs for the corrective actions to be $1.3 million in Fiscal Year 2015-16. As of June 30, 2016, the Shoreline Community assigned $4.0 million for the landfill containment.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. *Encumbrances*

The Shoreline Community's outstanding encumbrances as of June 30, 2016 were $205,000.

B. *Education Enhancement Reserve Joint Powers Agreement*

On June 30, 2013, the Shoreline Community entered into an Education Enhancement JPA with the School Districts effective July 1, 2013, for a period of 10 years, superseding any prior agreements. The agreement provides for minimum annual payments commencing with Fiscal Year 2013-14 of $1.8 million and $2.9 million to Mountain View Los Altos Unified High School District and Mountain View Whisman School District, 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, 2016, the Shoreline Community paid $4.7 million in contributions and recorded the passed-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, 2016, $1.4 million and $1.6 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 Shoreline Community's Proportionate Share of the Net Pension Liability
Last 2 Fiscal Years *
(Dollar in Thousands)

	Fiscal Year Ended June 30,	
	2016	**2015**
Measurement period	2015	2014
Shoreline Community's proportion of the net pension liability (NPL)	4.51%	4.45%
Shoreline Community's proportionate share of the NPL	$ 4,177	3,783
Shoreline Community's covered payroll	1,520	1,429
Shoreline Community's proportionate share of the NPL as a percentage of its covered payroll	274.8%	264.6%
City Miscellaneous Plan's fiduciary net position as a percentage of the City Miscellaneous Plan's total pension liability	73.4%	74.9%

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

MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Required Supplementary Information (Unaudited)
Schedule of Shoreline Community Contributions
Last 3 Fiscal Years *
(Dollar in Thousands)

	Fiscal Year Ended June 30,		
Fiscal Year Ended June 30	**2016**	**2015**	**2014**
Contractually required contributions (actuarially determined) (CRC)	$ 509	359	284
Contributions in relation to the CRC	(509)	(359)	(284)
Contribution deficiency (excess)	$ -	-	-
Covered payroll	$ 1,622	$ 1,520	1,429
Contributions as a percentage of covered payroll	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, 2016 are as follows:

Actuarially determined contribution for fiscal year	June 30, 2016
Actuarial valuation date	June 30, 2013
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 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA 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 three years of information is shown.

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MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY
Agency Funds
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

Education Enhancement JPA				
Assets:				
Cash and investments	$ -	4,715	(4,715)	-
Liabilities:				
Collection payable	$ -	4,715	(4,715)	-

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Woodland Hills

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 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, 2016, 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 21, 2016.

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*.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

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 21, 2016

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