

From: [Phil Koen](#)
To: [Gitta Ungvari](#); [Wendy Wood](#)
Cc: [Laurel Prevetti](#)
Subject: Additional comment on the ACFR
Date: Tuesday, December 5, 2023 7:53:40 PM
Attachments: [Comments of the FY 23 ACFR.docx](#)

[EXTERNAL SENDER]

Gitta,

Attached are my additional comments on the ACFR for your review and consideration.

Phil

Comments on the FY 23 ACFR

The discussion at last night's FC was constructive and hopefully provided sufficient clarity for the Staff to revise the current draft. Let me try and summarize the major discussion points and recommendations that I heard. Please note I do not speak for the FC and no one on the FC has reviewed my work product. These are solely my own thoughts to help Staff.

Transmittal Letter

- Confirm the trend in economically sensitive revenue items including Sales Tax, TOT tax and Property Taxes is accurate. FY 23 results are showing strong recovery and in total exceed FY 21 levels (low point) and FY 19 levels (pre-pandemic).
- Discuss more fully what actions were taken in FY 23 to address rising pension contributions (an element of pension expense) and increasing unfunded pension liabilities. Transmittal letter is confusing regarding actions taken in FY 23 vs prior periods.
- The mention of "revenue constraints" is confusing in that FY 23 General Fund revenues exceeded General Fund Expenditures and resulted in a \$5.7m surplus.
- For sake of clarity, provide an example of an unfunded federal or state mandate that is driving cost increases.

Management Discussion and Analysis

The goal of this section is to provide objective and easily readable analysis of the government's financial activities based on current known facts, decisions, or conditions. The section needs to be simplified and the explanations made more. The explanations are complex and too detail.

- Staff should consider including more graphs as a basis for explanation (less text) such as the ones provided by the Auditor.
- Staff should consider showing only two years comparison (FY 23 and FY 22) since FY 21 is not presented in the financial statements.
- Staff should highlight the good news story that revenues exceeded operating expenditures and there was an operating surplus for both FY 23 and FY 22.
- Staff should discuss in a revenue comment and a separate expenditure comment for both the government wide financial activities analysis and for the general fund analysis, all one-time revenue and expense items that are materially impacting year over year comparisons. The objective is to present on a "pro-forma" basis normalized total revenues and normalized total expenditures so the reader can easily understand underlying operating revenue and expenditure trends. The number of onetime events in just FY 22 is material. A partial list includes:
 - Fire Safety pass through grant - \$6.9mm
 - ARPA revenues - \$3.6m
 - Pensions expense and OPEB credits - \$4.4m
 - Mark to market adjustments – (\$1.6m)
 - Expensing affordable housing loan - \$1.2m
 - Pass through developer contributions - \$1.1m

- Total impact on all salary adjustments - ?
- Staff should provide more information regarding the legal settlement of \$1,565,000. This could be done in the litigation footnote.
- A special revenue fund for BMP Housing Program In-Lieu fee should be established given the current balance (\$3.7m) and the fact that the funds are restricted for BMP Housing Program activities. Additionally, there are numerous Housing Element programs that are planned to be funded from the BMP fees as outlined in the adopted Housing Element.
- The discussion of general fund budgetary highlights needs to be rewritten to make it more easily understood and to discuss variances from the original adopted budget and the final budget. This section is critical in that it provides the reader the necessary information to assess the Town's ability to estimate and manage general fund resources throughout the year. The magnitude of change from the adopted budget to actuals is material. For example, the original adopted budget planned for an ending GF Balance of \$19,493,386. The actual ending balance was \$29,528,304 or 52% greater. Why did this occur ? A partial explanation is during the year the Town Council approved additional expenditures of \$2,850,676 increasing the budget to \$50,204,894 presumably for additionally needed services. However, actual expenditures were \$44,890,847 or a total of \$5,314,047 (11%) less. This reduction in planned expenditures was a major component in increasing the general fund balance. But was this reduction a "savings" in the sense the Town was more productive or was it a "reduction in service levels" in that planned services were not delivered? This is not explained. A thoughtful analysis of budget vs actuals will address a subtle "theme" that seemingly weaves through the ACFR that there is some type of "imbalance between revenues and expenditures". This is stated a few times in the ACFR in different areas. And yet the actual results do not support this conclusion.
- The economic factors and next year's budget should be shortened and rewritten as well. Most importantly the section should provide up to date information regarding current facts as known. For example, SCC Assessor's Office has released the FY 2023 net assessment roll for Los Gatos which increased 7.72% from the prior year. In addition, the SCC Finance Agency has published revenue estimates for property taxes (including ERAF and VLF) which forecast a 6.7% growth over prior year. These would suggest that the Town's property taxes will be higher than the FY 24 budget which was built on a 3.6% growth. This is good news and should be disclosed.
- There should also be a discussion of the future pension expense (or pension contributions) as a result of the increased unfunded pension liability. It is clear – pension contributions are materially increasing unless action is taken. With the GF balance ending over \$10m greater than what was originally planned, perhaps the Town should consider making additional ADPs like those made in FY 20 and FY 21.

That summarizes the major discussion items. I will now provide new comments on the financial statements and footnotes to the financials.

Financial Statements

Governmental Funds – Balance Sheet

- ERAF Risk – what is the basis of accounting for creating an assigned fund reserve in the General Fund for ERAF risk as opposed to a liability for claim or judgment? Does the risk not rise to the level of being probable or reasonably estimated?

Footnotes

- Footnote 1 – Basis of Accounting – consider adding a paragraph which discusses claims and judgments. Disclose how the Town accounts for material claims and judgments and associated legal and administrative costs when it is probable that the liability claim has been incurred and the amount of the loss can be reasonably estimated. Disclose where (which fund) the Town records estimated loss liabilities, including a) known loss events expected to be presented as claims later, b) unknown loss events that are expected to be claims and c) expected future development on claims are ready reported.
- Footnote 2 – should the BMP funds be included in Restricted Cash and Investments?
- Footnote 10 – Please explain the addition and deletion accounting for ERAF Risk. Why is \$2,298,692 shown as an addition to fund balance? Was \$2,298,692 recorded as General Fund Revenue – Property Tax? (Please see ERAF Risk comment above). Discuss why the Town does not have an unassigned fund balance to fund unplanned expenditures. Historically the Town has used the Capital/Special Projects assigned fund balance to cover unplanned expenditures.
- Footnote 11 – is the notation “for the year ended June 20, 2023, pension expense for each plan ...” correct? Should this say pension contribution?
- Footnote 14 – Litigation – discuss the litigation settlement of \$1,565,000 and that it was recorded in the Appropriated Reserve Fund. Discuss the ERAF set aside for potential settlement of lawsuit between the State and the School districts.
- Footnote 16 – Covid – please disclose in detail which funds the FY 23 ARPA revenue of \$3.6m was transferred to. Please also disclose for FY 22 ARPA revenue of \$3.4m which funds the money was transferred to.

I want to thank Staff for the countless hours they have spent in preparing the ACFR. Please let me know if you have any questions on the comments above.

Phil Koen

From: [Phil Koen](#)
To: [Gitta Ungvari](#); [Wendy Wood](#)
Cc: [Laurel Prevetti](#)
Subject: Pages from los_altos_fy22_acfr-final.pdf - FC discussion item
Date: Friday, December 8, 2023 7:55:32 AM
Attachments: [Pages from los_altos_fy22_acfr-final.pdf](#)

[EXTERNAL SENDER]

Gitta,

I have attached the MD&A section from the City of Los Altos FY 22 ACFR. I think it is well done and effectively discusses the City's financials. As you think about re-drafting the Town's MD&A, you might look at Los Altos for thoughts and guidance. It isn't a perfect fit, but it provides a good template.

I hope this helps.

Phil



City of Los Altos Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022

Adobe Creek, Shoup Park, Los Altos

City of Los Altos

Management's Discussion and Analysis

For the year ended June 30, 2022

As management of the City of Los Altos (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022, in accordance with standards established by the Governmental Accounting Standards Board. We encourage readers to consider the information presented here, in conjunction with the additional information furnished in the Letter of Transmittal, which can be found in the preceding introductory section of this report, and with the City's basic financial statements and accompanying notes to those financial statements.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of 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.

Reporting on the City as a Whole

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 City assets, deferred outflows of resources, liability, and deferred inflows of resources, with the difference between the assets plus deferred outflows of resources and liability plus deferred inflows of resources as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents 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 (e.g., uncollected taxes and earned but unused vacation leave).

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, maintenance, and public works services, planning, building, engineering, and recreation. The City's business-type activities include sewer, solid waste, and storm drain.

The government-wide financial statements can be found on pages 27 to 31 of this report.

Reporting on the City's Most Significant Funds

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds.

City of Los Altos

Management's Discussion and Analysis, Continued

For the year ended June 30, 2022

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information, such as budgetary comparison information relating to the City's General Fund. The report added major special revenue fund, the schedule of changes in the City's net pension liability for the miscellaneous plan, the schedule of the City's proportionate share of the safety cost-sharing plan and the schedules of the City's pension contributions to each plan. This information is intended to furnish additional detail to support the basic financial statements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, In-Lieu Park Land Special Revenue Fund, and Capital Project Fund, each of which are major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund financial statements section of this report.

The City adopts a budget annually for the General Fund, Special Revenue Funds, (except for the Storm Drain Deposits Fund), and Equipment Replacement Capital Projects Fund that is effective July 1 for the ensuing fiscal year. A budgetary comparison statement has been provided for several key governmental funds.

The basic governmental fund financial statements can be found on pages 33 to 37 of this report.

Proprietary Funds: The City maintains two types of *proprietary funds*. Services for which the City charges customers a fee are generally reported in the City's *enterprise funds*. These proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its City dental plan and unemployment insurance, as well as Workers' Compensation and Liability Insurance costs. Because these services predominantly benefit the governmental function, they have been included in the government-wide financial statements and, accordingly, the related intra-fund charges have been eliminated.

City of Los Altos

Management's Discussion and Analysis, Continued

For the year ended June 30, 2022

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The City's three enterprise funds (Sewer, Solid Waste and Storm Drain) are considered major funds and are presented as such in the fund financial statements. The City follows the practice of adopting annual budgets for these operations as well.

The combining statements referred to earlier in relation to non-major governmental funds, proprietary and internal service funds, are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 109 to 119 of this report.

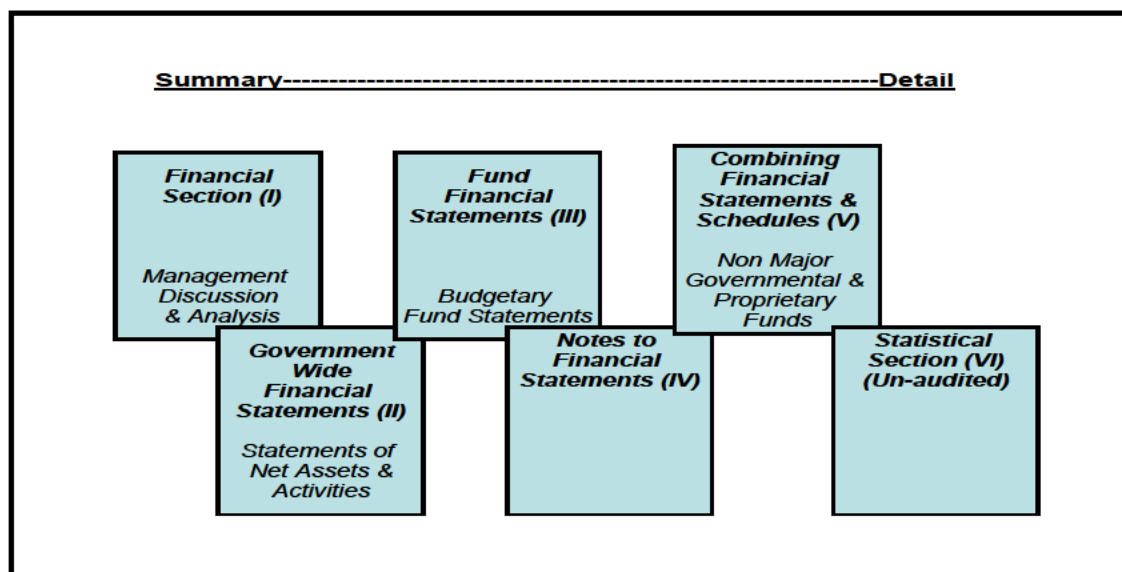
Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 47 to 91 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budget-to-actual financial comparisons for the General Fund. The City has elected to present this information within the basic financial statement and financial statement sections of the report.

The City as Trustee

Fiduciary Funds: The City is the trustee, or fiduciary, for the North County Library Authority (NCLA) and one special assessment districts –Blue Oak Sewer Lane improvements. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

In summary, the various sections of this financial report are arranged as follows:



City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

FINANCIAL HIGHLIGHTS

Financial highlights for the year ended June 30, 2022, include the following:

The City ended its fiscal year on a government-wide basis with total revenues of \$67.3 million, which was an increase of \$5.8 million or 9.5% compared to the prior year, and total expenses of \$68.5 million, an increase of \$18.5 million or 37.0%. The results represent combined government and business operations, with an overall decrease in net position of \$1.2 million primarily due to a one-time \$6.5 million elective contribution to CalPERS, increased salary, benefits, and inflationary pressure on the supply chain. The payments to CalPERS will provide long-term stability to the City's pension costs and future liabilities. (See tables 2 and 5 for additional information).

Operational revenue gains were predominantly in Community Development and recreation activities. Sales tax, utility tax, and hotel occupancy tax have gradually recovered to pre-pandemic levels and have exceeded the projected budget. Property tax increased by \$1.7 million. Sewer revenues increased by \$1.2 million as projected, and solid waste revenues were stable and positioned to facilitate future operational and capital needs.

The increase in Government-wide expenses is the result of salary and benefit adjustments and using consultants and overtime to address existing staff vacancies. Expense increases also reflect inflation caused by supply chain shortages related to COVID-19. Resource use continues to reflect an emphasis on public safety, infrastructure maintenance, quality of life, and community development activity.

The General Fund reported an operating surplus of \$1.6 million before transfers in/(out). The General Fund transferred funds to the Capital Projects Fund to support the rehabilitation and replacement of City's infrastructure.

General Fund revenues increased to \$52.0 million, up \$3.6 million from the prior year's \$48.4 million. Expenditure increased to \$50.4 million, up \$9.5 million from prior year's \$40.9 million.

General Fund unassigned/unrestricted fund balance for the current year totaled \$9.1 million, an increase of \$4.2 million or 85.7% when compared to prior year reported at \$4.9 million. The unassigned fund balance represents 18% of General Fund expenditures. The Government Finance Officers Association guidelines state that General Fund reserves should be 10% to 25%. The City of Los Altos ended the fiscal year 2022 on a healthy reserve balance for general services.

Other Post-Employment Benefits (OPEB) liabilities for the City of Los Altos decreased by \$0.8 million in the current fiscal year. The primary reason for the decrease in OPEB liabilities is due to an investment return of approximately \$545,000. The funding status for the OPEB liabilities increased from 54.9% in fiscal year 2021 to 76.4% in fiscal year 2022. The OPEB funding status is above average when compared to most agencies in the State of California.

Net Pension Liability for the City of Los Altos decreased by \$14.8 million to \$27.7 million when compared to prior year reported at \$42.4 million. The decrease is mostly attributable to the 21.3% investment earnings from California Public Employees' Retirement System (CalPERS). It is important to note that in fiscal year 2023, the City expects to experience a loss based on the July 20, 2022, news release by CalPERS. CalPERS announced a preliminary -6.1% net return on investments for the 12-month period that ended June 30, 2022.

The City made significant progress on many capital improvement initiatives, which include maintenance and street resurfacing, streetscape and intersection improvements, and pedestrian and traffic safety

City of Los Altos

Management's Discussion and Analysis, Continued

For the year ended June 30, 2022

enhancements throughout the City. The City has also made significant capital investments in the maintenance and improvement of the City-wide sewer systems.

Government-Wide View

This section focuses on the net assets and changes in net assets of the City's governmental activities and business-type activities presented in the Government-wide Statement of Net Position and Statement of Activities. Changes in net position may serve over time as a beneficial indicator of the City's financial position.

- City total assets increased by \$3.6 million to \$202.1 million, of which \$170.1 million represented governmental assets and \$32.1 million represented business-type assets.
- City total liabilities decreased by \$20.0 million to \$48.9 million, of which \$47.5 million were governmental liabilities and \$1.4 million were business-type liabilities.
- City total deferred outflows of resources related to its pension and OPEB obligations increased by \$3.7 million to \$13.5 million, of which \$12.8 million represented governmental deferred outflows and \$0.7 million were business-type deferred outflows.
- City total deferred inflows of resources related to the lease, pension, and OPEB increased by \$28.4 million to \$30.1 million, of which \$29.0 million represented governmental deferred inflows and \$1.1 million were business-type deferred inflows.
- City net position decreased by \$1.2 million to \$136.7 million, unrestricted net position increased \$6.3 million to \$10.1 million from \$3.8 million, of which -\$4.9 million represented governmental unrestricted net positions \$14.9 million were business type.
- Total government-wide revenues were \$67.3 million, an increase of \$5.8 million from the prior year's \$61.5 million. The City's governmental activities generated \$58.5 million in revenue, while the business-type activities generated \$8.8 million in revenue.
- Total government-wide expenses were \$68.5 million, an increase of \$18.5 million from the prior year's \$50.0 million. The City's governmental activities reported \$60.5 million in expenses, while the business-type activities reported \$8.0 million in expenses.
- Total governmental fund revenues increased \$5.1 million to \$58.5 million. Total governmental fund expenditures decreased to \$60.5 million in fiscal year 2021-22, a decrease of \$16.3 million from the prior year's \$44.2 million.
- As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Los Altos, the governmental activities total assets exceeded liabilities by \$106.4 million as of June 30, 2022, and \$107.7 million as of June 30, 2021. The net assets for governmental activities decreased by a total of \$1.3 million when compared to prior year.
- Recorded capital assets, including infrastructure, represent only a portion of the City's non-business-type assets. Of the total net assets, \$96.9 million is invested in capital assets, net of related debt, in the current year and \$95.5 million in fiscal year 2021.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

Fund Level View

- The General Fund realized an operating surplus of \$1.6 million. Revenue surplus came from property tax \$1.6 million, other taxes \$1.3 million, sales tax \$0.7 million, and charge for services \$0.7 million. These increases were offset by reduced interest and rental income \$1.1 million.
- Total governmental fund balances equaled \$46.3 million at fiscal year-end, a slight increase from prior year's fund balance of \$46.2 million.
- General government capital spending totaled \$6.7 million. The level of capital reinvestment in Los Altos reflects a sustained focus on the maintenance of streets, facilities, traffic calming efforts, and safety. The Capital Improvements Projects Fund balance increased by \$0.3 million from \$11.5 million in fiscal year 2021 \$11.8 million due to the transfer of a part of the unassigned general fund balance from the prior year to the end of the year.
- The In Lieu Park Land Fund ended the year with a fund balance of \$8.4 million with revenues of \$3.5 million with expenditures and transfers out of \$1.0 million spent on eligible projects and debt service payments.
- The Gas Tax Fund balance increased by \$0.2 million to \$1.8 million after funds were used for capital projects, including surplus revenue for the year.
- Sewer operations ended the year favorably with a net position of \$25.1 million. Operating expenses increased by \$1.6 million from \$5.3 million in fiscal year 2021 to \$6.9 million because of the planned activity to system maintenance.
- Solid waste operations ended the year favorably in net position of \$5.2 million. Operating expenses increased by \$0.7 million from \$0.4 million in fiscal year 2021 to \$1.1 million.
- As in the prior year, the Storm Drain Fund has been exhausted. These operations are now funded by the General Fund and will continue to be so unless and until a fee-based model is implemented.
- The Workers' Compensation Fund ended the year with an unrestricted net position of \$1.3 million, a decrease of \$0.3 million compared to prior year's \$1.6 million due to claim activity and not providing additional funding.
- The General Liability Fund ended the year with a small negative balance in unrestricted net position, a decrease of \$0.3 million compared to the prior year's balance.
- Other Non-Major Governmental Funds ended the year with a total combined fund balance of \$6.5 million, an increase of \$0.3 million from \$6.2 million in fiscal year 2021.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position at the City-wide level as presented in the statement of net position and statement of activities which are summarized in the tables below as of June 30, 2022.

As noted earlier, the net position represents the difference between assets, the deferred outflow of resources and liabilities, and the deferred inflow of resources of the City's governmental activities and may over time serve as a useful indicator of the City's financial position. The City's governmental activities, assets, and deferred outflows exceeded liabilities and deferred inflows by \$106.4 million on June 30, 2022. Table 1 summarizes the City's governmental wide activities net position.

Restricted net assets of \$14.4 million account for approximately 13.6% of the total net assets in the current year, which were \$24.0 million in FISCAL YEAR 2021. The total restricted assets decreased by \$9.6 million or 39.9% when compared to prior year. The decrease in restricted assets is primarily due to significant investments made by the City to improve the City's infrastructure.

Table 1
Governmental Wide Activities Statement of Net Position (In Millions)

	Governmental Activities		Business- Type Activities	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 49.2	\$ 50.8	\$ 16.5	\$ 17.0
Other assets	7.3	9.8	0.3	0.4
Capital assets	<u>113.5</u>	<u>105.8</u>	<u>15.4</u>	<u>14.7</u>
Total assets	170.1	166.4	32.1	32.1
Deferred outflows of resources	<u>12.8</u>	<u>9.5</u>	<u>0.7</u>	<u>0.4</u>
Current liabilities	5.5	10.0	0.2	0.4
Non-current liabilities	<u>42.0</u>	<u>56.7</u>	<u>1.2</u>	<u>1.8</u>
Total liabilities	47.5	66.7	1.4	2.2
Deferred inflows of resources	<u>29.0</u>	<u>1.5</u>	<u>1.1</u>	<u>0.1</u>
Net Position				
Net investment in capital assets	96.9	95.5	15.4	14.7
Restricted	14.4	24.0	0.0	0.0
Unrestricted	<u>(4.9)</u>	<u>(11.8)</u>	<u>14.9</u>	<u>15.5</u>
Total net position	\$ 106.4	\$ 107.7	\$ 30.3	\$ 30.2

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

Governmental Activities

Of the governmental activities total net position, \$96.9 million, or 91.0%, reflects its net investment in capital assets (e.g., land, infrastructure, buildings, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The governmental activities total Assets of \$170.1 million represent a \$3.6 million or a 2.2% increase, driven by higher receipts, capital activity, and lower spending due to the pandemic.

Capital Assets (net) increased by \$7.7 million or 7.2% compared to prior year primarily driven by additions from capital projects activity in the current year.

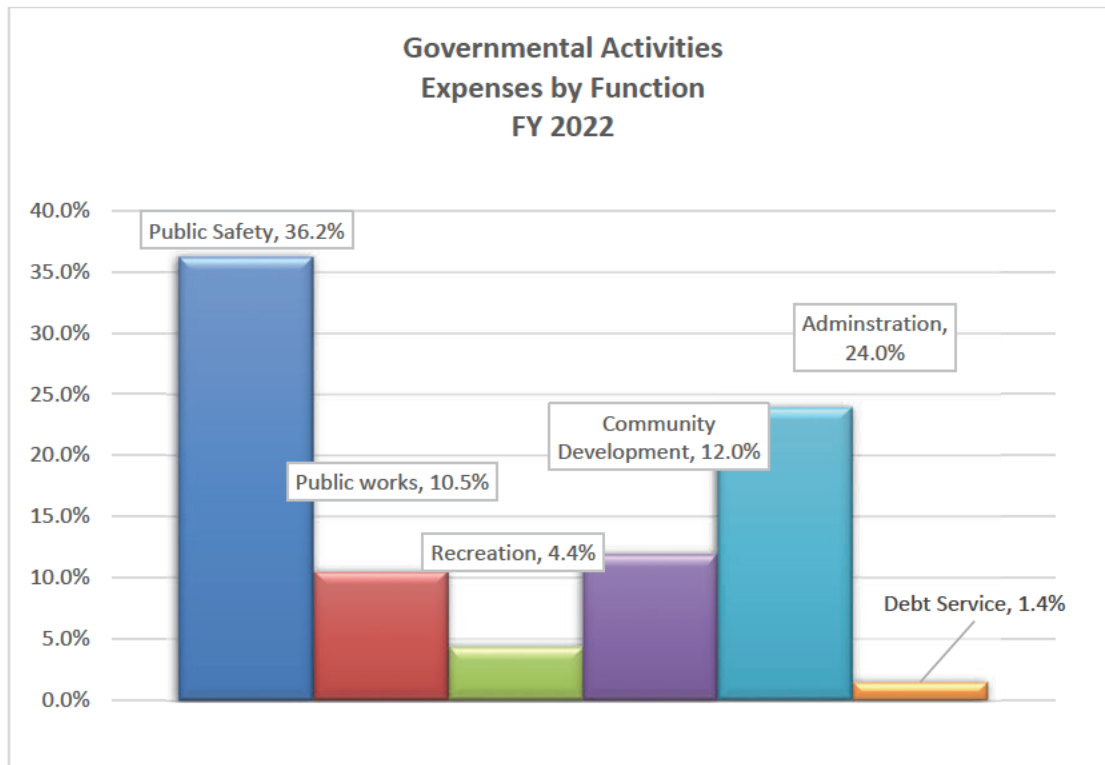
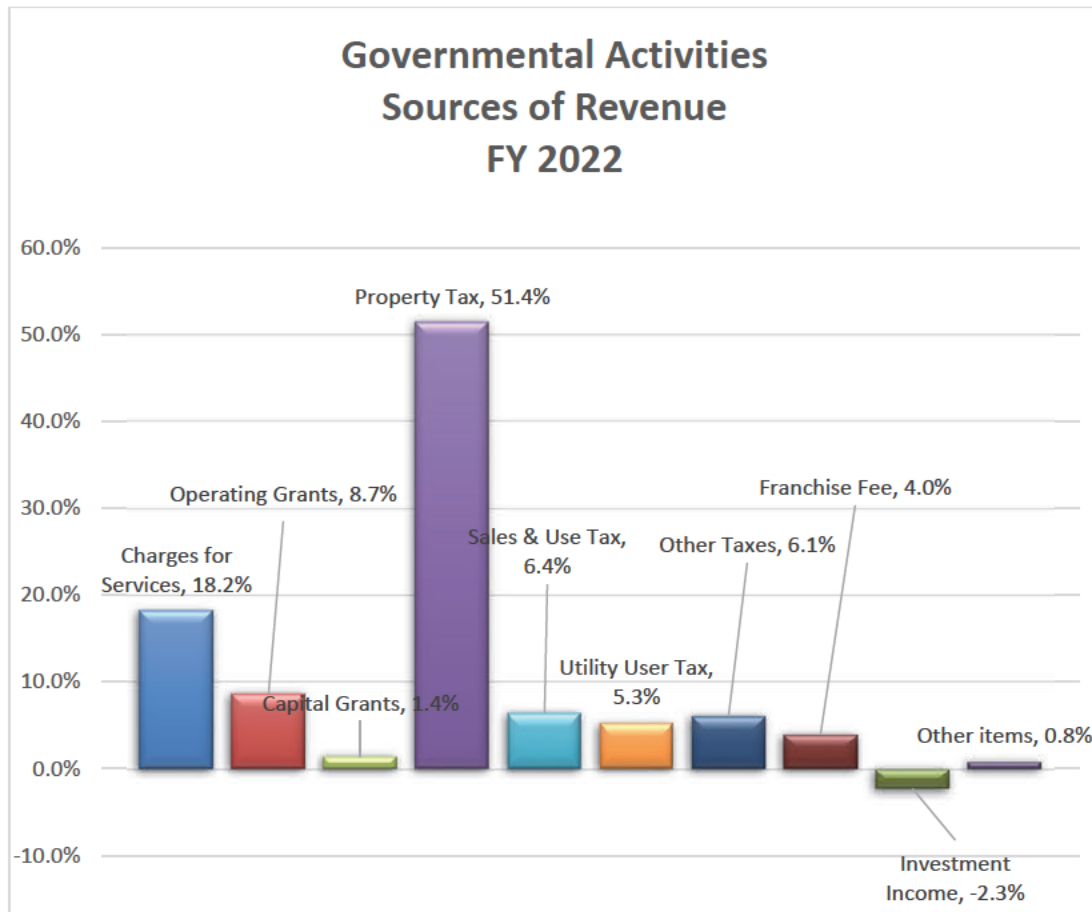
The governmental activities, total liabilities of \$47.5 million represent outstanding obligations for operations, capital projects, deposits held for development projects, long-term debt, and net pension liability. A portion of the governmental activities net position represents resources that are subject to restriction on how they may be used. Total liabilities decreased by \$19.1 million or 28.7%.

The governmental activities deferred outflows of resources and deferred inflows of resources are related to the lease, pension and OPEB obligations. The total deferred outflows of resources increased \$3.4 million, and deferred inflows of resources increased \$27.5 million compared to the prior year.

The following charts summarize governmental activities programs and general City revenues available for funding all City programs and major expense program categories.

For the fiscal year ended June 30, 2022, total revenues from all sources relating to governmental activities excluding transfers were \$58.5 million, and total expenses for all City programs relating to governmental activities were \$60.5 million.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022



City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

TABLE 2
Change in Net Position - Governmental Activities
(In Millions)

Revenues	2022	2021
Program revenues		
	\$	\$
Charges for service	10.7	7.3
Operating contributions and grants	5.1	4.8
Capital grants	0.8	1.8
Total program revenues	16.6	13.9
General revenues		
Taxes:		
Property	30.1	28.4
Sales and use	3.7	3.0
Utility User	3.1	2.9
Other taxes	3.5	2.3
Franchise fees	2.3	2.2
Investment income	(1.3)	0.2
Other	0.5	0.4
Total general revenues	41.9	39.5
Total revenues	58.5	53.4
Expenses		
Public Safety	23.8	21.4
Public works	11.5	4.7
Recreation	2.9	2.6
Community Development	7.6	7.0
Administration / Finance	14.3	8.3
Interest on Long Term Debt	0.3	0.2
Total expenses	60.5	44.2
Excess (deficiency) before transfers	(2.0)	9.1
Transfers (Net)	0.7	(2.8)
Change in net position - Governmental Activities	(1.3)	6.3
Net Position - Beginning of year	107.7	101.4
	\$	\$
Net Position - End of year	106.4	107.7

Table 2 shows that governmental activities expenses, which totaled \$60.5 million, were lower than program revenues for governmental activities of \$58.5 million. These program revenues included \$10.7 million in charges for services, \$5.1 million in operating grants and contributions, and \$0.8 million in capital grants and contributions.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

Governmental Fund Revenues

Charges for services include traffic safety fines, plan check fees, building inspection fees, other charges related to new construction, and fees charged for recreational activities and programs; these charges increased by \$3.4 million or 46.4% primarily due to the community development activity and recreation programs being robust during the year.

Operating grants and contributions include amounts contributed by developers and pandemic-related stimulus funds received from the federal government. Those funds are restricted to either grant requirements, or have been designated for one-time expenses, while capital grants and contributions are required to fund capital investments. General revenues, as shown in Table 2 on the previous page, are available to pay for expenses not fully covered by program-generated revenues. During the year the City was granted \$5.1 million in operating grants including the receipt of federal ARPA monies, while capital grants awarded decreased to \$0.8 million from \$1.8 million in fiscal year 2021 due to the impact of the pandemic.

Governmental Fund Expenditures

Public Safety expenditures increased by \$2.4 million or 11.4% from the prior year. This increase is primarily due to higher pension costs from the City's share of the Safety pension pool and higher depreciation charges and fire service contract costs, partly offset by vacant positions that decreased other personnel and benefit costs.

Public works expenditures increased by \$6.8 million (144.6%) compared to the prior year primarily due to consultants filling vacant positions as well as higher operating and maintenance expenses due to inflation.

Community Development expenditures increased \$0.6 million or 9.1% from the prior fiscal year primarily attributable to larger expenses in the housing element and increased community development activity.

Recreation expenditures were \$0.3 million (13.2%) more than the prior year primarily due to an overall increase in operations and facilities costs, including costs related to the opening of the new community center.

Administration and Finance expenditures increased by \$6.0 million (71.9%) compared to the prior year primarily due to a one-time elective contribution of \$6.5 million to CalPERS and OPEB.

Table 3
Governmental Activities
Program Revenues and Net (Expense) Revenue From Services
(In Millions)

	Program Revenues		Net (Expense) Revenue	
	2022	2021	2022	2021
Public Safety	\$ 5.1	\$ 4.3	\$ (18.8)	\$ (17.0)
Public works	1.3	2.2	(10.2)	(2.5)
Recreation	1.1	0.3	(1.8)	(2.3)
Community Development	9.1	6.1	1.4	(0.9)
Administration / Finance	0.0	1.0	(14.2)	(7.4)
Interest on Long Term Debt			(0.3)	(0.2)
Totals	\$ 16.6	\$ 13.9	\$ (43.9)	\$ (30.3)

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For the year ended June 30, 2022

Business-Type Activities

As shown in Table 4 below, the net position of the City's business-type activities was \$30.3 million on June 30, 2022. Assets totaling \$32.1 million included a total of \$16.5 million in cash and investments, \$0.3 in receivables and other assets, and \$15.4 million in capital assets. Liabilities totaled \$1.4 million including \$0.2 million in current liabilities and \$1.2 million in non-current liabilities such as compensated absences and other liabilities.

Table 4
Business - Type Activities Statement of Net Position
(In Millions)

	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 16.5	\$ 17.0
Other assets	0.3	0.4
Capital assets	15.4	14.7
Total assets	<u>32.1</u>	<u>32.1</u>
 Deferred outflows of resources	 <u>0.7</u>	 <u>0.4</u>
 Current liabilities	 0.2	 0.4
Non-current liabilities	1.2	1.8
Total liabilities	<u>1.4</u>	<u>2.2</u>
 Deferred inflows of resources	 <u>1.1</u>	 <u>0.1</u>
 Net Position		
Net investment in capital assets	15.4	14.7
Restricted	0.0	0.0
Unrestricted	14.9	15.5
Total net position	<u>\$ 30.3</u>	<u>\$ 30.2</u>

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Table 5 shows that Business type activities expenses, which totaled \$8.0 million, were augmented by revenues of \$8.8 million. These revenues included \$9.2 million in charges for services and a \$0.4 million reduction in interest earnings, and others, thus adding \$0.1 million to the net position at the end of the year.

Table 5
Change in Net Position - Business-type Activities
(In Millions)

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues		
Charges for services	\$ 9.2	\$ 8.0
Total program revenues	<u>9.2</u>	<u>8.0</u>
General revenues		
Investment income and other	<u>(0.4)</u>	<u>0.1</u>
Total revenues	<u>8.8</u>	<u>8.1</u>
Expenses		
Outside Services	5.7	4.4
Employee services	2.0	0.9
Depreciation	<u>0.3</u>	<u>0.4</u>
Total expenses	<u>8.0</u>	<u>5.7</u>
Excess (deficiency) before transfers	<u>0.8</u>	<u>2.4</u>
Transfers	<u>(0.7)</u>	<u>0.0</u>
	<u>0.1</u>	<u>2.4</u>
Change in net position - Business-type Activities		
Net Position - Beginning of year	30.2	27.8
Net Position - End of year	<u>\$ 30.3</u>	<u>\$ 30.2</u>

The Joint Sewer System Authority (JSSA) formed in 1968 by a joint exercise of powers among the Cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains, and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. Los Altos is obligated through the year 2022 under an operating agreement with the City of Palo Alto for the water treatment plant and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.

As projected in budgetary estimates and the prior year's financial reports, the Storm Drain fund has exhausted its reserves. Currently, the Storm Drain and Urban Runoff Pollution Control Programs (URPP) are categorized as enterprise activities but lack a fee that pays for these services.

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FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

These statements provide more detailed information about the City's major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has several governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The City's three major funds are - the General Fund, the In Lieu Parkland Fund, and the Capital Investment Program Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The City Council adopts a biennial appropriated budget for its General Fund and other funds. Budgetary comparison statements have been provided in the Required Supplementary Information section for the general fund and major special revenue funds that demonstrate compliance with their budgets.

Proprietary funds

The City maintains two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its Sewer, Solid Waste, and Storm Drain operations, all of which are classified as major funds in the City's Statement of Net Position. Internal service funds are used to accumulate and allocate costs internally among the City's various functions and to build up reserves for future liabilities related to the workforce. The City uses internal service funds to account for such activities as dental reimbursements, Unemployment Insurance, Workers' compensation, and liability insurance. Because these services solely benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as government-wide financial statements, only in more detail. All nine internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the Supplemental Information section of this report.

City of Los Altos
Management's Discussion and Analysis, Continued
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Fiduciary Funds

The City is the agent for certain agencies and assessment districts, holding amounts collected that await payment as directed. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City is acting as a trustee for these funds and cannot use these assets to finance its own operations. The City's fiduciary funds include The North Country Library Authority, and the Blue Oak Lane Sewer special district.

Summary Analysis of Governmental Funds

On June 30, 2022, the City's governmental fund balances were \$46.3 million, which is an overall increase of \$0.1 million, or 0.2 %, as compared to the prior fiscal year. The following describes the specifics related to this increase:

- A decrease of \$3.1 million in the General Fund fund balance, primarily due to the transfer of \$6.5 million as an elective additional payment to CalPERS and OPEB.
- The In-lieu Park Land fund had higher revenues from development activity of \$3.5 million that were offset by transfers to the Capital projects fund for eligible projects and debt service payments related to the community center and the 2004 general obligation bond of \$1.0 million.
- An increase of \$0.4 million in the capital projects funds was due to increased transfers from the general fund and the facilities reserve to fund capital projects such as facilities maintenance and construction of the Community Center.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

Table 6
Statement of Revenues, Expenditures and Other Financing Sources/Uses
Governmental Funds
(In Millions)

Revenues	2022	2021
Taxes:		
Property	\$ 30.1	\$ 28.5
Sales and Use	3.7	3.0
Utility Users	3.1	2.9
Other taxes	3.5	2.3
Licenses, permits and fees	4.9	4.6
Intergovernmental	5.8	4.2
Grants and Donations	0.5	4.0
Charges for services	4.1	3.2
Fines, forfeitures and penalties	0.2	0.1
Interest and Rentals	(1.3)	0.2
Other	3.8	0.4
	<u>58.5</u>	<u>53.4</u>
Expenditures		
Current:		
Public Safety	21.1	19.4
Public works	6.1	5.6
Recreation	2.5	1.8
Community Development	7.0	6.5
Administration / Finance	14.0	7.7
Capital Improvements	6.7	23.3
<i>Debt Service</i>		
Principal	0.5	0.6
Interest and Fiscal Charges	0.3	0.2
Total expenditures	<u>58.3</u>	<u>65.1</u>
Excess (deficiency) before transfers	<u>0.2</u>	<u>(11.7)</u>
Other		
Transfers (net)	(0.1)	10.0
Net change in fund balance	0.1	(1.7)
Beginning Fund Balance* Reinstated	\$ 46.2	47.9
Ending Fund Balance	<u>\$ 46.3</u>	<u>\$ 46.2</u>

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

Detailed Analysis of Major Governmental Funds by Fund

General Fund

The General Fund is the chief operating fund of the City. For the year ending June 30, 2022, the total fund balance was \$19.6 million, \$10.5 million of which is non-spendable, restricted, or has been committed or assigned to cover contingencies, claims, encumbrances, advances to other funds, and other City projects. The unrestricted unassigned fund balance is \$9.1 million, an increase of \$4.1 million from the prior year.

Revenues were \$3.7 million higher in the fiscal year ended June 30, 2022, compared to last fiscal year, a change of 7.4%.

Expenditures increased \$6.8 million in the fiscal year ended June 30, 2022, compared to the last fiscal year, a change of 10.5%. Significant changes in revenues and expenditures that affected the General Fund balances are discussed below:

General Fund Revenues

Property Taxes overall increased by \$1.6 million, or 5.7% compared to the prior year. This increase is primarily attributable to continued increases in property values (assessed value) and residential sales activity that increased the tax roll.

Sales and Use Taxes overall increased by \$0.7 million, or 24.8% compared to the prior year. The revenue is almost recovered to the pre-pandemic level.

Utility user Taxes overall increased by \$0.2 million, or 6.7% compared to the prior year. This increase was due to inflationary increases rather than an increased tax base.

Charges for Services increased by \$0.7 million, or 23.1% compared to the prior year, mainly related to city facilities for recreational activities including the opening of the new Community Center.

Grants and donations decreased by \$0.1 million or 2.5% compared to the prior year, mainly due to a reduction in CARES Act stimulus funds allocated to the City in fiscal year 2022.

Other Taxes increased significantly by \$1.2 million, or 54.2% compared to the prior fiscal year, primarily due to the recovery from the pandemic of Transient Occupancy Taxes and real estate document transfer tax.

Interest and Rentals decreased by \$1.1 million compared to the prior fiscal year, primarily due to the significant reduction in market interest rates applicable to the City's investment funds.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

General Fund Expenditures

Public Safety expenditures increased by \$1.7 million, or 8.9% compared to the prior year primarily due to increased personnel and benefit costs and fire services contract costs, offset by lower other expenses.

Public works expenditures increased by \$0.5 million, or 9.5% compared to the prior year, primarily due to salary increases.

Community development expenditures increased \$0.1 million, or 1.8% compared to the prior fiscal year, primarily attributable to salary adjustments.

Recreation expenditures were \$0.7 million, or 41.1% more than the prior year, primarily due to an overall increase in operations and the opening of the new Community Center and costs related to other city facilities.

Administration and Finance expenditures increased by \$6.3 million, or 81.4% compared to the prior year, primarily due to a one-time elective contribution of \$6.5 million to CalPERS Pension and OPEB.

In-lieu Parkland

The In-lieu Parkland Fund had revenues of \$3.8 million from In Lieu fees received during the year which was \$2.2 million higher than the prior year. Expenses included a transfer out to the capital projects fund of \$0.04 million and the debt service payments of \$0.9 million.

Capital Investment Program Fund

The Capital Investment Program Fund accounts for funds used for capital improvements and significant maintenance projects. As of June 30, 2022, its fund balance was \$11.8 million, primarily due to monies transferred from the General Fund.

The Capital budget also has planned appropriations of almost \$48.8 million over the fiscal year 2023-fiscal year 2026 CIP plan from various funding sources such as Gas tax, General fund, and enterprise funds.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

Summary Analysis of Proprietary Funds

As of June 30, 2022, the Enterprise Funds had a net position balance of \$30.3 million, an increase of \$0.1 million from the prior year. The net position balance of the Internal Service Funds is \$1.3 million, down \$1.0 million from the previous fiscal year, due to the underfunding of workers' compensation and liability insurance.

Table 7
Change in Fund Net Position - Proprietary Funds
(In Millions)

	Total Enterprise Funds		Total Internal Service Funds	
	2022	2021	2022	2021
Operating revenues	\$ 9.2	\$ 8.0	\$ 1.6	\$ 0.3
Operating expenses	8.0	5.7	3.3	2.1
Operating income (loss)	1.2	2.3	(1.8)	(1.9)
Non-operating revenues (expenses)	(0.4)	0.1	0.0	0.0
Net income (loss) before contributions and operating transfers	0.8	2.4	(1.8)	(1.9)
Transfers in (out) and Capital Contributions	(0.7)	0.0	0.8	0.0
Change in net position	\$ 0.1	\$ 2.4	\$ (1.0)	\$ (1.9)

Sewer Fund

This fund accounts for the administration and operation of the City's sewer system. The total net position is \$25.1 million, an increase of \$0.5 million.

Solid Waste Fund

This fund accounts for the administration and operation of the City's solid waste system. The total net position is \$5.2 million, a decrease of \$0.4 million.

BUDGETARY HIGHLIGHTS OF THE CITY'S GENERAL FUND

Over the course of the year, the City Council revised the City's budget with adjustments for various revenue and expenditure changes. After taking into account these adjustments, General Fund actual revenues were higher than the final budget by \$2.1 million, or 4.1%, which is primarily attributable to higher recreation fees, transient occupancy tax, sales tax, business License tax, and development fees offset by lower investment income.

General Fund actual expenditures were \$2.5 million or 4.6% under the final budget, with savings from Community Development of \$0.6 million, Public Works of \$0.6 million, Administrative Services of \$0.6 million, and Public Safety of \$1.0 million, partly offset by higher Recreation of \$0.7 million due to additional staff cost related to the reopening city's facilities and the opening of the Community Center.

Net unassigned fund balance for the year was \$9.1 million after accounting for contributions to the Capital projects, Debt service, and others. This amount represents a \$4.1 million increase from the prior fiscal year.

City of Los Altos
Management's Discussion and Analysis, Continued
For the year ended June 30, 2022

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City records all of its capital assets, including infrastructure in the Statement of Net Position. Infrastructure includes roads, bridges, signals, and similar assets used by the entire population. The City has recorded its capital assets at historical cost or estimated historical cost if the actual historical cost was not available. In addition, donated fixed assets have been valued at their estimated acquisition value on the date donated.

On June 30, 2022, the cost of infrastructure and other capital assets recorded on the City's financial statements is shown in Table 8 on the next page:

Table 8
Capital Assets
(in Millions)

	2022	2021
Governmental activities		
Land	\$ 11.7	\$ 14.5
Construction in progress	30.8	45.6
Buildings	21.6	21.6
Improvements	6.5	6.5
Machinery and equipment	7.2	7.1
Infrastructure	68.1	46.6
Less accumulated depreciation	(39.2)	(36.1)
Totals	\$ 106.7	\$ 105.8
Business-type activities		
Construction in progress	\$ 2.0	\$ 1.4
Buildings	18.0	17.9
Machinery and equipment	1.1	1.1
Infrastructure	8.4	8.1
Less accumulated depreciation	(14.1)	(13.8)
Totals	\$ 15.4	\$ 14.7

On June 30, 2022, the City had assets of \$106.7 million, net of depreciation, invested in a broad range of capital assets used in governmental activities, and \$15.4 million, also net of depreciation, invested in Business-type activities assets, as shown in Table 8 above.

The City depreciates all its capital assets on a straight-line basis over their estimated useful lives. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets may be found in Notes 1 and 5 to the Basic Financial Statements.

City of Los Altos
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Long Term Debt

On June 30, 2022, the City's debt was comprised of the following:

Table 9
Outstanding Debt
(In Millions)

	<u>2022</u>	<u>2021</u>
Governmental activities		
2004 Certificate of Participation	\$ 0.8	\$ 0.9
Community Center Lease	9.1	9.5
Compensated Absences	1.5	1.9
Total governmental activities debt	<u>\$ 11.3</u>	<u>\$ 12.3</u>
 Business-type activities		
Compensated Absences	\$ 0.1	\$ 0.1
Total business-type activities debt	<u>\$ 0.1</u>	<u>\$ 0.1</u>
 Total debt	 <u>\$ 11.4</u>	 <u>\$ 12.4</u>

The City made all required debt service payments on the issues listed above.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The City has enjoyed several consecutive strong financial years principally driven by growth in property tax. Economic development and the strength of the Bay Area and national economy have driven continued growth in revenues. Meanwhile, expenses have grown due to inflationary increases, negotiated wage increases, and pension cost increases.

In fiscal year 2022, Los Altos gradually recovered from COVID-19. Sales tax increased to \$ 3.7 million and Transit Occupancy Tax (TOT) increased to \$1.8 million from \$0.7 million in fiscal year 2021.

Even with the ongoing recovery from the COVID-19 pandemic, the city will continue to face financial challenges. There is economic uncertainty remaining from the pandemic and actions taken by the Federal Reserve to address inflationary pressures, and projected increases in pension costs. The City also faces the need to identify resources to replace aging capital infrastructure, which resources are presently inadequate to address all of the City's forecast facilities needs.

The pension rate for fiscal year 2022 is based on information provided by the California Public Employee's Retirement System (CalPERS). On July 20, 2022, CALPERS announced preliminary net investment rate of -6.1% for the fiscal year 2022¹. This action, coupled with other assumption changes made by CalPERS, is resulting in a substantial increase in pension contributions for employers.

To address increasing retirement obligations, the City Council approved an elective contribution of \$5 million to reduce future pension costs and \$1.5 million to reduce future retiree health costs.

City of Los Altos
Management's Discussion and Analysis, Continued
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The City Council has also identified funding capital infrastructure as a high-priority area and is working to identify current and future facility needs and potential funding options to address those needs.

Major Capital Projects in construction for fiscal years 2022 and beyond include:

- \$2,161,056 – Annual Street & City Alley Resurfacing
- \$1,102,380.32 – Fremont Avenue Pavement Rehabilitation
- \$988,017- Annual Sewer System Repair Program
- \$911,682 – Los Altos Community Center Redevelopment
- \$514,711 – Community Chamber AV Equipment
- \$328,980 – Housing Element Update
- \$411,758 – Annual Street Slurry Seal and Stripping
- \$265,553 – Police Records Management & Dispatch system

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Comprehensive Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the following address: City of Los Altos, Finance Department, 1 North San Antonio Road, Los Altos, California 94022.

A copy of this financial report can be found on the City's website at <http://www.losaltosca.gov>, by selecting "Audited Financials" in the "Quick Links" section and then selecting "Other Financial Reports."

1. <https://www.calpers.ca.gov/page/newsroom/calpers-news/2022/calpers-preliminary-investment-return-2021-22>

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**