

# *Annual Comprehensive Financial Report*



*City of Carmel-by-the-Sea  
California*

*Fiscal Year Ended June 30, 2021*

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*City of Carmel-by-the-Sea  
California*

*Annual Comprehensive Financial Report*

*For the Fiscal Year Ended June 30, 2021*



*Prepared by the Finance Department  
Robin Scattini, Finance Manager*

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**CITY OF CARMEL-BY-THE-SEA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF CARMEL-BY-THE-SEA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
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## **TRANSMITTAL LETTER**





CITY OF CARMEL-BY-THE-SEA  
P.O. BOX CC  
CARMEL-BY-THE-SEA, CA 93921

December 17, 2021

Honorable Mayor Dave Potter  
Members of the Carmel-by-the-Sea City Council, and  
Citizens of Carmel-by-the-Sea

SUBJECT: Annual Comprehensive Financial Report – June 30, 2021

The Annual Comprehensive Financial Report (ACFR) for the City of Carmel-by-the-Sea for the fiscal year ended June 30, 2021 is hereby submitted.

## REPORT PURPOSE AND ORGANIZATION

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California State law requires that an independent certified public accountant annually examine the accounts and fiscal affairs of all municipal entities. Accordingly, the City of Carmel-by-the-Sea retained an independent auditor, Chavan and Associates, LLP, to audit the City's financial statements. Chavan and Associates, LLP, has issued an unmodified opinion that the financial statements for the year ended June 30, 2021, are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements, are submitted as the Annual Comprehensive Financial Report (ACFR) for the City for the fiscal year ended June 30, 2021. The information included in the financial section of this report fulfills the above requirement.

This report consists of City management's representations regarding the finances of the City of Carmel-by-the-Sea. Management assumes full responsibility for the completeness, data accuracy, and fairness of the information presented, including all footnotes and disclosures. Management believes the data presented are accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the City.

To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls that is designed to both protect the City'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.

Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements. The audit is intended to provide users with reasonable assurance that the information presented is free from material misstatements. As management, we assert, that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Generally accepted accounting principles require management to provide a narrative introduction, overview, and analysis that accompanies the basic financial statements in a format known as the Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to augment the MD&A and is meant to be read in conjunction with the MD&A. The MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.



## **CITY OF CARMEL-BY-THE-SEA PROFILE**

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The City of Carmel-by-the-Sea is a coastal village with a population of 4,023 that is located 120 miles south of San Francisco on the Monterey Peninsula. Carmel's natural beauty includes a white sand beach, an urban forest of over 9,000 public trees comprised of Monterey pines, live oaks, and Monterey cypress and natural parklands all contained within a one-square-mile, built-out community. In addition to recreational opportunities afforded by such scenery, dining and shopping opportunities are available within the walkable downtown area. The City sponsors community events such as the City Parade, Sandcastle Contest and Pumpkin Roll; supports other special events throughout the year and offers cultural activities at such venues as the Sunset Center performing arts center and the Forest Theater, an outdoor amphitheater.

The median age of the City's residents is 59.6 years. Approximately 55 percent of the population age 25 or older possess a bachelor's degree. The City's per capita income is \$53,961. The Carmel area offers outstanding educational opportunities through the Carmel Unified School District as well as institutions of higher learning on the Monterey Peninsula including the Monterey Peninsula College, the Monterey Institute for International Studies, California State University Monterey Bay, and the Hopkins Marine Station operated by Stanford University.

### **Form of Government**

The incorporation date of the City of Carmel-by-the-Sea is October 31, 1916. As a General Law City, Carmel-by-the-Sea operates under a Council-City Manager (City Administrator) style of government and derives its power from the California Constitution and laws enacted by the State legislature.

The publicly elected five-member City Council holds all legislative power. The Council consists of the Mayor and four Councilmembers. The Mayor serves a two-year term while Council members serve a four-year term, with overlapping terms with municipal elections occurring in November of each even numbered year. City Council is the policy making legislative body of the City and it adopts the annual budget, enacts ordinances, and approves major contracts, acquisitions and leases. The Council appoints the City Administrator to serve as the City's chief administrative officer.

The City Administrator is responsible for the enforcement of City laws and ordinances, implementation of Council orders and overseeing the City's day-to-day operations. This includes oversight of the departments of Community Planning and Building, Library, Community Activities, Public Safety and Public Works. The City Administrator also directs the centralized administrative functions of the City Clerk, Finance, Human Resources and Information Technology.

### **City Services**

The City provides a variety of services to the residents, businesses and visitors to the village of Carmel-by-the-Sea. Administration provides oversight of daily City functions and financial activity. The Department of Community Planning and Building provides building safety services, code compliance and planning functions while Community Activities and Library manage new and ongoing special events and provide library services at two branch locations. Public safety services include crime prevention, emergency medical response, law enforcement, and fire protection, with the latter provided through a contractual arrangement with the City of Monterey. Public Works is responsible for facility and vehicle maintenance, capital projects; construction, improvement and repair of the City's streets, sidewalk, pathway and storm drain systems and maintaining the Village forest, parks and shoreline areas.

The ACFR includes all financial activities of the City. Financial data for all funds through which services are provided by the City have been included in this report using criteria adopted by the Governmental Accounting Standards Board (GASB), which is the authoritative body establishing U.S. Generally Accepted Accounting Principles (GAAP) for local governments.

## **Budgetary Policy and Control**

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balanced set of accounts. The minimum number of funds is maintained consistent with legal and managerial requirements. Annually appropriated budgets are legally adopted on a budgetary basis for the governmental fund types and are controlled on a fund and departmental level. These funds are used to account for most of the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified-accrual basis of accounting and budgeting. Expenditures are recognized as encumbrances when a commitment is made. Unencumbered appropriations lapse at year-end.

The goal of the City Administrator is to present a balanced budget to the City Council for review and adoption. A balanced budget is a budget in which sources meet or exceed uses. Available funding sources shall be at least equal to recommended appropriations. As a general rule, the year-end undesignated General Fund balance should not be used to fund ongoing operations.

As set in the Carmel Municipal Code prior to the beginning of each fiscal year, the City Council shall adopt a budget for expenditures and anticipated revenues. On or before 15 February of each year, the City Administrator will present to the City Council a proposed budget schedule. The City Administrator prepares and submits to the City Council a proposed operating and capital budget for the forthcoming fiscal year. The City Council shall adopt the budget by 1 July.

The City Administrator shall have the right to approve the transfer of appropriations within a departmental budget; however, no additional positions shall be created without the authorization of the City Council. All transfers of appropriations between departments or in regards to capital items or projects shall be approved by the City Council. The City Administrator shall be charged with the responsibility of controlling the expenditures for all departments in accordance with the approved budget. A report on current year revenues, expenditures and fund balances shall be maintained.

## **FACTORS AFFECTING FINANCIAL CONDITION**

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This brief narrative on the local economy, City financial policies and major initiatives outlined within the annual budget are intended to provide context to the MD&A and financial statements.

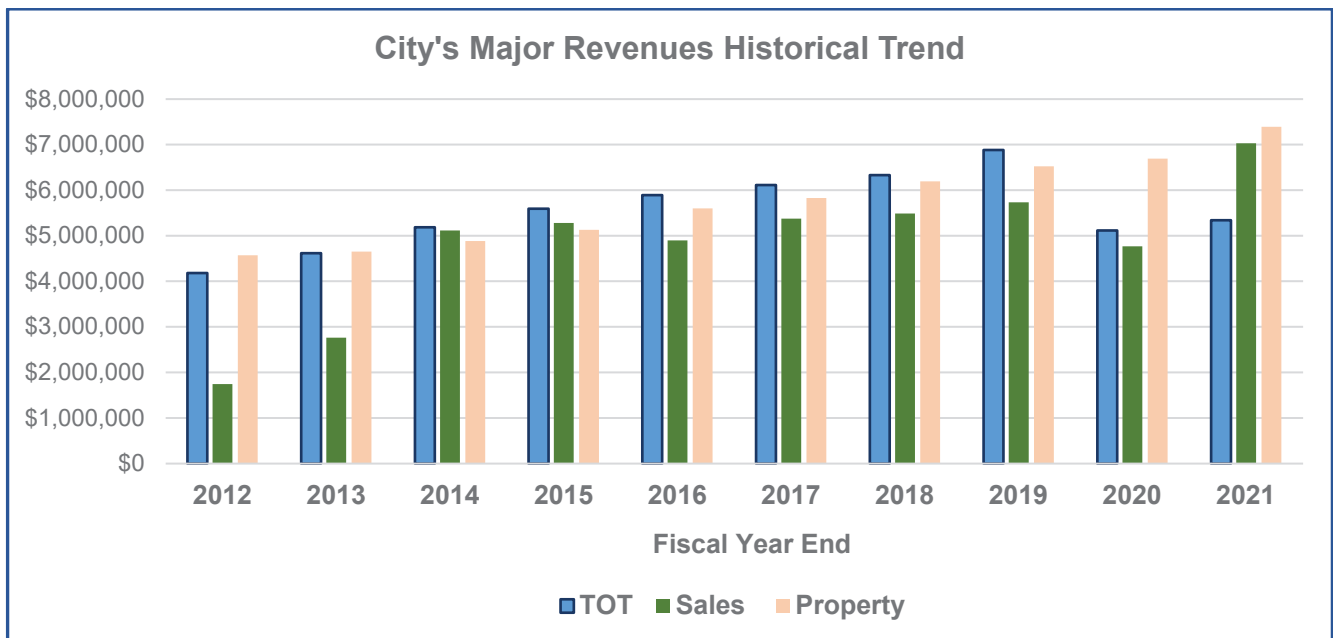
### **Local Economy**

The City's three major sources of General Fund revenue are property tax, sales and use tax and transient occupancy tax. As shown on the chart on the next page entitled "City's Major Revenues Historical Trend", property taxes have been a strong component to the City's financial health over the last ten years, with a steady annual increase year over year. Revenue generated from sales and use taxes have become increasingly important to the City, especially after the initial passage of a local 1% sales tax measure by Carmel voters in 2012 and the subsequent approval of a new 1.5% sales tax for 20 years in March 2020. Transient occupancy taxes ("TOT") also have significantly contributed to the City's revenues, eclipsing nearly \$7 million in fiscal year 2018-2019 and rebounding to approximately \$5.3 million in fiscal year 2020-2021 after sustaining losses related to COVID-19 travel restrictions.

Historically, these revenues each represent about 1/3 of the City’s total General Fund revenues. These revenues also illustrate the unique opportunities attributed to the City of Carmel-by-the-Sea. Located within one square mile, the City’s land capacity for new housing is limited, which curtails the availability of housing stock. This limited supply, coupled with a high demand for housing driven by the City’s desirability as a place to live and close proximity to the San Francisco metropolitan area, contributes to a healthy real estate market and thus the stability and strength of property tax revenues.

Many of the features that contribute to residential quality of life, such as a temperate climate, natural beauty, architecture and unique design standards and cultural, dining and shopping opportunities also attract visitors. The variety of restaurants and other dining options located within the City’s boundary as well as art galleries, jewelry and clothing retailers contributes to shopping opportunities for residents and visitors alike. Similarly, visitors have many lodging options to choose from when staying overnight within the City. The lodging establishments charge, on behalf of the City, a 10% transient occupancy tax for stays of 30 days or less.

On November 6, 2012, the Carmel electorate approved a temporary 1% transaction and use tax (“sales tax”) for ten years to raise revenue for general purposes, known as Measure D. The City received its first tranche of Measure D in the spring of 2013, and, as shown in the chart below entitled “City’s Major Revenues Historical Trend”, the advent of Measure D has increased the viability of sales tax as one of the City’s three major revenue sources.



While fiscal year 2019-2020 was on track to meet revenue projections, the City’s economic forecast for two of its major revenue streams quickly began to change as news regarding the coronavirus (“COVID-19”) emerged. By March 2020, while the initial news focused on the spread of the virus internationally, the associated economic effects were already beginning to materialize locally. Travel restrictions coupled with decreased consumer spending and demand, particularly in the areas of travel and leisure, resulted in the underperformance of sales and transient occupancy taxes in fiscal year 2019-2020 when compared to both the adopted budget and prior year actuals. However, TOT continued to grow in fiscal year 2020-2021 despite ongoing pandemic-related travel restrictions and sales and use taxes reached a ten-year high of \$7.0 million due to increased consumer spending, including online sales, deferred payment of sales tax to the State, which was delayed as part of State-enacted COVID-19 relief and the collection of the local 1.5% sales tax.

### *Property Taxes*

The desirability of Carmel-by-the-Sea as a place to reside, coupled with its limited housing stock, contribute to a strong local real estate market. Property tax revenue totaled \$4.6 million in fiscal year 2011-2012, increasing on average by 6% over the past 9 years, until reaching \$7.4 million in fiscal year 2020-2021. Unlike sales tax and transient occupancy tax, the fiscal year 2020-2021 budget assumed that property taxes remained resilient to potential negative economic impacts associated with COVID-19. As such, the budget projected incremental growth of 3% in property tax. In actuality, the performance of the real estate market improved during the pandemic.

The Economic Outlook contained within the Governor's Fiscal Year 2021-2022 Budget discusses the strong housing market despite the COVID-19 recession as well as the ability of high-income households to purchase homes. The State median home price averaged over \$600,000 in March through May, set new record highs from June to September 2020 and reached a record high of \$712,430 in September 2020. The California median home sales price through November 2020 reflected a 9.2% increase, on average, compared to the same period in 2019. This real estate phenomenon affected Carmel, which already had a consistently strong property tax base. In fiscal year 2020-2021, the total amount of revenue received from property taxes was \$7.4 million, a 10% increase over fiscal year 2019-2020.

### *Sales and Use Taxes*

The majority of the City's sales and use taxes are attributed to businesses within the categories known as general consumer goods and restaurants. The City receives a portion (1%) of the statewide sales tax as well as revenue from a local sales tax. The Carmel electorate approved a local 1% sales tax measure in November 2012. Sales tax has steadily increased each year since 2012, dropping slightly in 2016 and then rising each year thereafter to reach approximately \$5.7 million in 2019. As explained in more detail within the transient occupancy tax narrative below, the City faced a decline in the number of visitors due to COVID-19 for the last quarter of fiscal year 2019-2020, which also impacted sales tax. In addition, restaurants and other eating establishments were initially only able to serve patrons through pick-up orders and delivery, and then through outdoor dining. Sales tax in 2020 totaled approximately \$4.8 million. Moving forward, consumer spending for certain goods and services remained high, particularly for online shopping, dining and certain retail sectors. In addition, on March 3, 2020, Carmel voters approved Measure C, which increased the local sales tax by 0.5 percent to a new rate of 1.5 percent effective on July 1, 2020. Sales tax in 2021 generated approximately \$7.0 million.

### *Transient Occupancy Taxes*

Transient occupancy taxes ("TOT") contributed \$4.2 million toward citywide revenues in fiscal year 2011-2012. TOT grew, on average, by 9% over the next 4 fiscal years until reaching \$6.1 million in fiscal year 2016-2017. Revenues continued to rise and TOT totaled \$6.8 million in fiscal year 2018-2019 with expected strong performance on the horizon. However, with global news emerging in February 2020 regarding the coronavirus, local hotels experienced an immediate decline in occupancy due to international travel restrictions. Subsequently Monterey County issued a shelter in place ("SIP") order on March 17, 2020 followed by a statewide SIP issued by Governor Newsom on March 19, 2020. Hotels faced a near absolute shut down with little to no guests in February and March 2020 and entered the early summer, which is one of the City's busier periods for tourism, with decreased occupancy rates. As a result, TOT generated \$5.1 million in fiscal year 2019-2020, or \$1.7 million (25%), less than the fiscal year 2019-2020 Adopted Budget. The City assumed a continued loss of revenue for fiscal year 2020-2021 due to the pandemic and associated ongoing travel restrictions. However, domestic travel remained strong and the sector started to rebound ahead of the projected 3-5 year schedule. TOT generated approximately \$5.3 million in fiscal year 2020-2021.

## **Relevant Financial Policies**

### *Financial and Budget Policies*

The City Council adopted Council *Policy C94-01: Financial and Budget Policies* to provide direction to help ensure sound fiscal planning and the management of fiscal integrity. The Policies pertain to the capital and operating budgets, fund balance, debt management and investments.

Highlights of policy guidelines include the following:

#### *Capital*

- The City deferred capital projects for most of fiscal year 2020-2021 in order to control expenditures in light of anticipated decreased revenues due to the economic impact of COVID-19 on the City's revenues.

#### *Operating*

- The fiscal year 2020-2021 Adopted Budget did not include a revenue buffer of five percent of projected expenditures.

#### *Fund Balance*

- General Fund and Hostelry Fund reserves were maintained at no less than ten percent of their annual projected revenue. In addition, depleted reserves shall be restored as soon as possible in accordance with policies. The increase in transient occupancy taxes over the budgeted revenue shall be used to replace hostelry fund balance that was used to address the shortfall in revenue in fiscal year 2019-2020.

## **Major Initiatives**

### *Revenue Enhancement and Stability*

On November 6, 2012, the Carmel electorate approved a temporary 1% transaction and use tax ("sales and use tax") known as Measure D. Measure D sunsets in 2023. Recognizing the importance of this revenue to the City's financial health, the City Council began discussions regarding the renewal of Measure D well ahead of the sunset date. Council drafted a new sales tax initiative to replace the existing Measure D and increase the local sales tax by 0.50%. On March 3, 2020, Carmel voters approved Measure C, which authorizes a 1.5% tax for 20 years for general City purposes. The criticality of Measure C to both the City's short and long-term fiscal sustainability immediately became apparent with the emergence of the coronavirus pandemic in the spring of 2020. As the new sales tax rate became effective on July 1, 2020, the additional 0.50% tax rate mitigated projected decreases in visitor-driven sales tax performance. In addition, online purchases are subject to local sales tax and this type of spending greatly increased during the pandemic.

### *Addressing Pension Liabilities*

The California Public Employees' Retirement System ("CalPERS") is the largest pension fund in the country, managing investments for nearly 2 million members on behalf of the state, schools and other public agencies. The City is a participating member of CalPERS and has two primary CalPERS plans, one for miscellaneous members and one for safety members.

Annually, the City makes a payment to CalPERS that consists of (1) the annual cost for current employees ("normal cost") and (2) the unfunded accrued liability ("UAL"). The UAL is the actuarial liability less the actuarial value of the assets. In other words, it is the difference between what CalPERS needs in order to pay for retirement benefits when people retire as compared to the amount that CalPERS currently has on hand to pay for the estimated costs of the retirement benefits. Similar to other public agencies, the City's pension costs have risen. The UAL for the City, as of 6/30/2020, is \$26.2 million.



The City has historically used a combination of strategies to help mitigate the costs associated with pension liability, such as the:

- Issuance of pension obligation bonds;
- Negotiation of employee contributions toward the employer's cost of pensions; and
- Prepaying the annual UAL payment in order to save interest.

More recently, the City Council considered additional pension cost management strategies including:

- Developing a "fresh start" amortization and new amortization schedule with CalPERS;
- Establishing a Pension Rate Stabilization Program (e.g. Section 115 Trust);
- Making additional lump sum payment to CalPERS to pay down the UAL;
- Issuing new pension obligation bonds (POB); and/or
- Restructuring remaining debt service payments on the existing POB.

In January 2019, Council endorsed the City's participation in a Pension Rate Stabilization Program to pre-fund pension obligations and authorized staff to issue a request for proposals for a Section 115 Trust Administrator. A Section 115 Trust is a tax-exempt investment vehicle authorized by the Internal Revenue Services to prefund government expenses, such as retirement plan benefits. Funds placed within the trust can remain within the trust until such time that the City chooses to draw on its assets to pay an annual benefit obligation (i.e. make either an annual and/or additional payment to CalPERS) or seek reimbursement for a pension-related expense. Other benefits associated with the establishment of a trust include (1) greater investment flexibility and risk diversification compared to the City's general investment options and (2) City oversight of investment and control over the risk tolerance of its investment portfolio as compared to investments managed by CalPERS. On August 2, 2021, Council authorized the adoption of a Section 115 Trust known as the Public Agencies Post-Employment Benefits Trust administered by the Public Agency Retirement Services (PARS) and authorized the City's participation within this program. Subsequently, on September 7, 2021, Council authorized City staff to make an initial deposit of \$1 million into the Trust.

### *Bond Refinancing*

On September 30, 2020, the City refinanced the 2010 Refunding Lease Revenue Bond related to improvements at the Sunset Center (the Sunset Theater Project). Payments for Fiscal Year 2021-2022 approach \$163,000. Future payments approximate \$500,000 annually until the bond matures on November 1, 2032.

## **AWARDS**

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Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carmel-by-the-Sea for its comprehensive annual financial report for the fiscal year ended June 30, 2020. In order to receive a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGEMENTS

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The comprehensive annual financial report is a document that strives to achieve transparency and full disclosure in financial reporting. Its production is possible due to the continued dedication and professionalism of the Finance staff and their efforts to ensure the continuity of financial operations and continuous improvement as evident by pursuing the GFOA Award for the fourth consecutive year. The preparation of this report also required the involvement of many City departments in gathering statistics, as well as the guidance and support of the City's independent auditor, and we extend our appreciation to these individuals for the assistance provided. Finally, we wish to acknowledge the City Council's leadership, support and commitment to organizational excellence, public transparency and fiscal stability throughout the course of the fiscal year.



Chip Rerig  
City Administrator



Sharon Friedrichsen  
Director of Budget and Contracts



**Fiscal Year 2020-21**

**City Council**

Dave Potter, Mayor

Bobby Richards, Mayor Pro Tempore

Jeff Baron, Councilmember

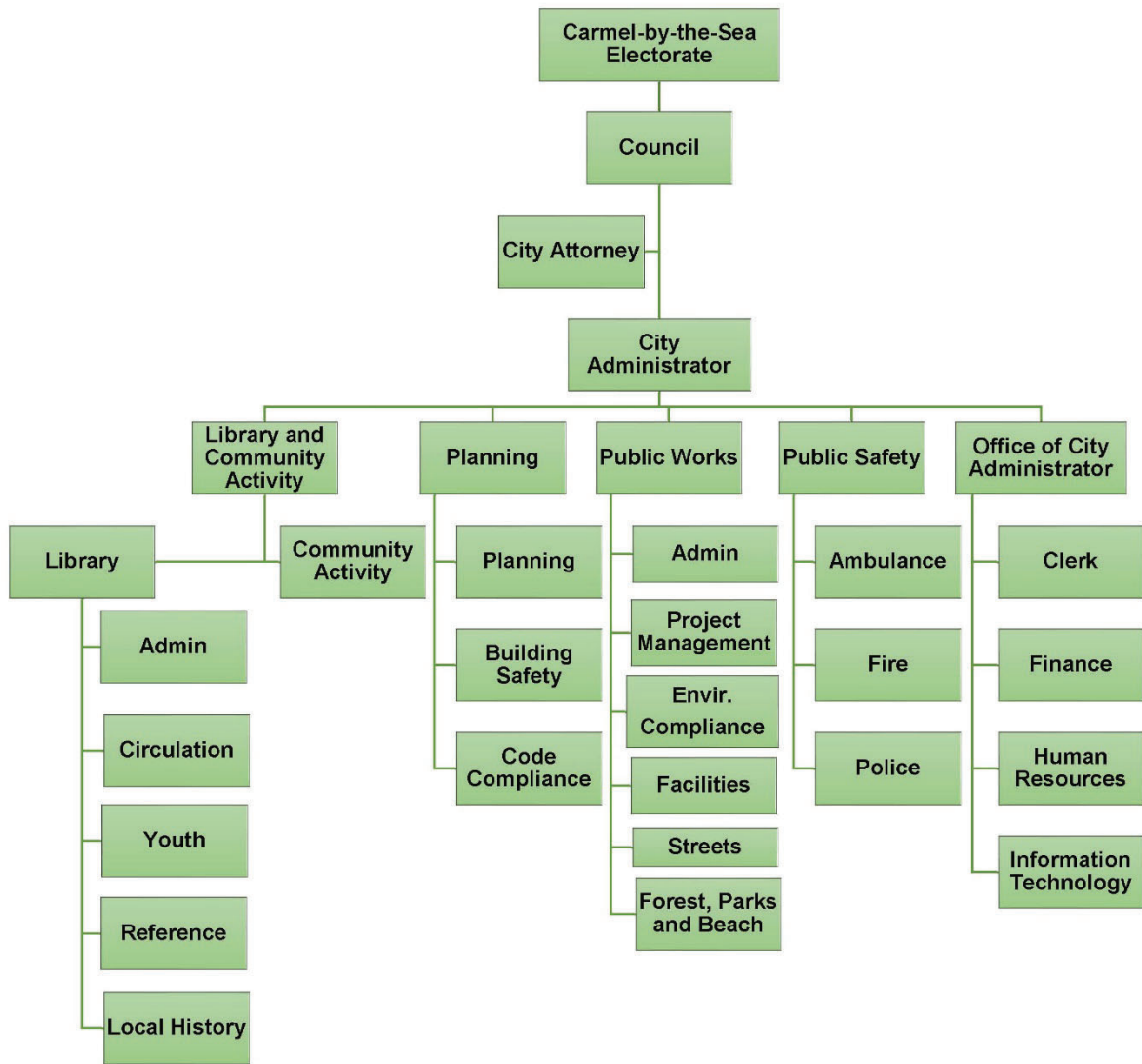
Karen Ferlito, Councilmember

Carrie Theis, Councilmember

**City Administrator**

Chip Rerig

# CITY OF CARMEL-BY-THE-SEA ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Carmel-by-the-Sea  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO



## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the  
City Council of the City of Carmel-By-The-Sea  
Carmel-by-the-Sea, 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 City of Carmel-By-The-Sea (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The City's 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, 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 City'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 City'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 City of Carmel-By-The-Sea, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 other required supplementary information, 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining individual non-major fund schedules, statistical data, and other information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor 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 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 nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.





The introductory, budgetary 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 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.

C & A LLP

December 17, 2021  
San Jose, California

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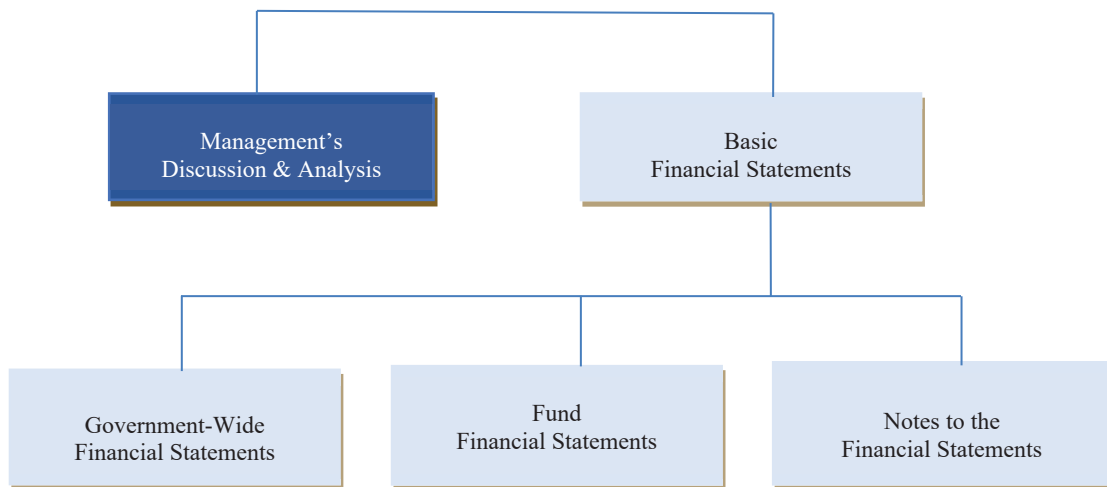
## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**INTRODUCTION**

As management of the City of Carmel-By-The-Sea, we offer readers of the City’s financial statements this narrative overview and analysis of financial activities of the City of Carmel-By-The-Sea for the fiscal year that ended on June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the other sections of the attached audited financial statements, required supplemental information and other supplemental information. The required components of the report are listed below.

**Required Components of the Annual Financial Report**



**FISCAL YEAR 2020/21 FINANCIAL HIGHLIGHTS**

*Government-Wide Highlights*

- The assets and deferred outflows of resources of the City of Carmel-by-the-Sea exceeded the liabilities at the close of the most recent fiscal year by \$27.82 million (net position). Of this amount, net position included \$34.85 million classified as net investment in capital assets; \$4.75 million as restricted; and \$11.78 million as a deficit unrestricted net position (negative net position). The negative unrestricted net position is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. This pronouncement requires local governments to record pension liabilities on the government-wide financial statements. The City’s pension liability in accordance with GASB 68 as of June 30, 2021 was \$24.3 million.
- The City of Carmel-by-the-Sea’s total net position decreased by \$2.4 million from last fiscal year mostly due to a decrease in cash and investments.

*Fund Highlights*

- At the close of Fiscal Year 20/21 the City of Carmel-by-the-Sea's governmental funds reported combined fund balances of \$17.9 million, an increase of \$5.26 million in comparison with the prior year. Approximately 51% or \$9.2 million is classified as unassigned fund balance and is available for spending at the government's discretion, which is up from \$4.1 million in the prior year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$12.6 million, or 69% of total general fund expenditures, prior to transfers, versus \$8.76 million and 46% in the prior year.
- The City's long-term liabilities increased by \$1.4 million primarily as the result of increases to employee benefit liabilities totaling \$2.2 million which were offset by the refunding of the Sunset Center COP.
- The City's net capital assets decreased by 4.5% or \$1.89 million primarily as a result of depreciation during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the City of Carmel-by-the-Sea's financial statements. The City of Carmel-by-the-Sea's basic financial statements are comprised of (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 of Carmel-by-the-Sea's finances, in a manner similar to a private-sector business. Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. Government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents financial information on all of the City of Carmel-by-the-Sea's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 City of Carmel-by-the-Sea is improving or deteriorating.

The *Statement of Activities* presents information showing how the City of Carmel-by-the-Sea'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. This is consistent with a full accrual concept, which may result in the reporting of revenues and expenses in the current fiscal year, with cash flows occurring in future fiscal periods (e.g. uncollected revenues and earned but not used vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Carmel-by-the-Sea that are principally support 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*). An overview of the City's functions associated with each classification is listed below.

*Governmental Activities* – All of the City's basic services are considered to be governmental activities. This includes general government, public safety, public works, library, and community planning and building. These services are supported by general City revenues such as taxes, and by specific program revenues such as development and general government program fees. The City also operates three internal service funds, which are combined with the governmental funds and reported as governmental activities. The government-wide financial statements can be found on pages 38-39 of this report.

### **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.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds are presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the fiscal year and may change from year to year as a result of changes in the pattern of the City's activities. The City's funds are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### *Governmental Funds*

*Governmental funds* are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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. This represents a modified accrual basis of accounting, with capital assets, long-lived assets, and long-term liabilities excluded from the financial statements. Such information may be useful in evaluating the City'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 the *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 the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City maintains eleven 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, the Measure C Sales Tax Fund, the Capital Projects Fund and the Harrison Memorial Library Fund. These funds are considered to be major funds. Data from the other 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 in the combining and individual fund statements and schedules section of this report.

The City of Carmel-by-the-Sea adopts an annual budget for its governmental funds. A budgetary comparison statements have been provided to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 41-44 of this report.



### *Proprietary Funds*

*Internal service funds* are an accounting mechanism used to accumulate and allocate costs internally among the City of Carmel-by-the-Sea's various functions. The City uses internal service funds to account for the management of its retained risks associated with liability self-insurance, workers compensation and other post-employment benefits (OPEB). The City also uses an internal service fund, the Vehicle & Equipment Replacement Fund, to manage the costs of various equipment purchased, maintained and utilized to operate City services for various departments. Because these internal services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. The basic proprietary fund financial statements can be found on pages 45-47 of this report.

### **NOTES TO THE FINANCIAL STATEMENTS**

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

### **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Carmel-by-the-Sea's budgetary information for the General Fund and Major Special Revenue Funds, and the City's funding progress for its employee pension and OPEB benefit obligations. The required supplementary information can be found on pages 82-87 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the *required supplementary information*. Combining and individual fund statements and schedules can be found on pages 91-105 of this report.

An un-audited statistical section provides historical and current data on financial trends, revenue and debt capacity, demographic and economic information, and operating information. This information can be found on pages 110-132 of this document.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position may serve as an indicator of a government's financial position. In the case of the City of Carmel-by-the-Sea, assets and deferred outflows of resources exceeded liabilities by \$27.8 million at the close of the Fiscal Year. This represents an increase of \$2.4 million over the prior year.

The following table summarizes the City's ending net position:

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2021</b>	<b>2020</b>	<b>(Decrease)</b>
<b>Assets</b>			
Current and other assets	\$ 21,417,241	\$ 16,253,649	\$ 5,163,592
Capital assets	39,773,062	41,666,561	(1,893,499)
<b>Total Assets</b>	<b>\$ 61,190,303</b>	<b>\$ 57,920,210</b>	<b>\$ 3,270,093</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 5,875,068</b>	<b>\$ 5,152,629</b>	<b>\$ 722,439</b>
<b>Liabilities</b>			
Current and other liabilities	\$ 2,302,046	\$ 2,486,283	\$ (184,237)
Noncurrent liabilities	34,703,650	33,060,079	1,643,571
<b>Total Liabilities</b>	<b>\$ 37,005,696</b>	<b>\$ 35,546,362</b>	<b>\$ 1,459,334</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 2,240,132</b>	<b>\$ 2,083,689</b>	<b>\$ 156,443</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 34,846,110	\$ 36,611,510	\$ (1,765,400)
Restricted	4,748,736	3,310,294	1,438,442
Unrestricted	(11,775,303)	(14,479,016)	2,703,713
<b>Total Net Position</b>	<b>\$ 27,819,543</b>	<b>\$ 25,442,788</b>	<b>\$ 2,376,755</b>

A significant portion or \$34.85 million of the City's net position reflects its investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.), less accumulated depreciation and any outstanding debt that was used to acquire or construct those assets. Capital assets represent infrastructure which provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

An additional \$4.75 million of the City of Carmel-by-the-Sea's net position represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$11.78 million is classified as unrestricted. This negative unrestricted balance is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. The City participates in the CalPERS Miscellaneous and Safety pension plans. GASB 68 impacted local governments by requiring them to report a proportional share of their pension plan's net pension liabilities on financial statements. As of June 30, 2021, the City's proportionate share of the CalPERS pension liability was \$24.3 million. See note 8 for detailed information related to the Plans, along with the required supplementary information section of this report.

At the end of the current fiscal year, the City of Carmel-by-the-Sea is able to report a positive balance for the government as a whole. The reasons for the overall financial changes are discussed in the following

sections for governmental activities.

### Governmental Activities

As shown in the *Statement of Changes in Net Position* schedule below, the change in net position for governmental activities increased by \$4.2 million. This increase is largely due to an increase of \$3.24 million in taxes which is a direct result of increased property values and a new sales tax measure (Measure C). Total revenues from governmental activities increased by \$3.2 million from the prior year, which included a \$166 thousand increase in program revenues and a \$3 million increase in general revenues. The net change in expenses from the prior year was a decrease of \$1.07 million.

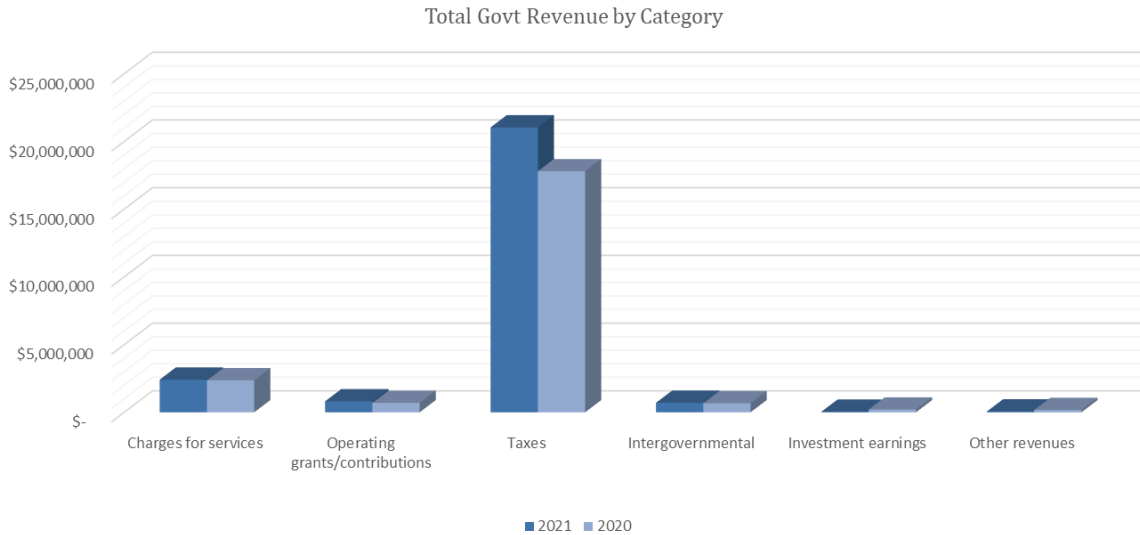
With total revenues for the fiscal year at \$25.08 million and total expenses at \$22.7 million, the change in net position for current activity was \$2.38 million. An analysis of the changes in revenues and expenses is as follows:

**Table 2 - Statement of Changes in Net Position**

Functions/Programs	Governmental Activities		Increase
	2021	2020	(Decrease)
<b>Program Revenues</b>			
Charges for services	\$ 2,410,904	\$ 2,362,914	\$ 47,990
Operating grants and contributions	813,139	695,186	117,953
<b>Total Program Revenues</b>	<b>3,224,043</b>	<b>3,058,100</b>	<b>165,943</b>
<b>General Revenues</b>			
Taxes	21,037,561	17,798,280	3,239,281
Intergovernmental	704,337	672,399	31,938
Investment earnings	47,554	207,153	(159,599)
Other revenues	63,692	169,680	(105,988)
<b>Total General Revenues</b>	<b>21,853,144</b>	<b>18,847,512</b>	<b>3,005,632</b>
<b>Expenses</b>			
General government	5,423,821	5,356,175	67,646
Community Planning and Building	1,280,518	1,214,005	66,513
Public Safety	8,968,364	9,166,804	(198,440)
Public Works	4,162,030	4,410,995	(248,965)
Library	1,539,410	2,011,886	(472,476)
Community Activities	119,562	256,698	(137,136)
Economic Revitalization	819,202	1,081,813	(262,611)
Interest on fiscal charges	387,525	268,721	118,804
<b>Total Expenses</b>	<b>22,700,432</b>	<b>23,767,097</b>	<b>(1,066,665)</b>
Increase / (Decrease) in Net Position	2,376,755	(1,861,485)	4,238,240
<b>Net Position, Beginning of Year</b>	<b>25,442,788</b>	<b>27,304,273</b>	<b>(1,861,485)</b>
<b>Net Position, End of Year</b>	<b>\$ 27,819,543</b>	<b>\$ 25,442,788</b>	<b>\$ 2,376,755</b>

**Governmental Revenues**

The following chart summarizes the changes in revenues by category during the fiscal year:

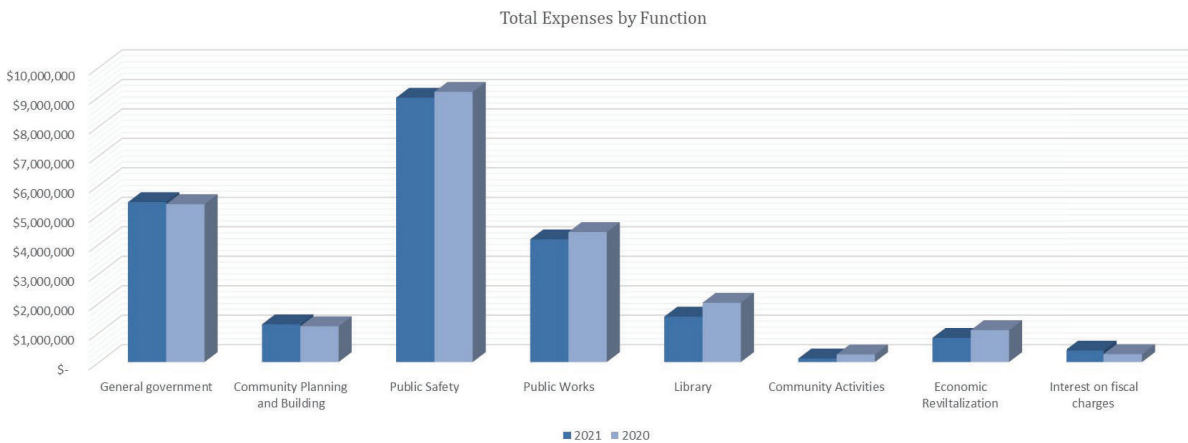


Significant changes in governmental revenues consisted of the following:

- Property tax increased by \$698,709, or approximately 10%, over the prior year due to a strong real estate market bolstered by the coronavirus pandemic, the ability of high-income households to purchase homes and the desirability of Carmel-by-the-Sea as a place to reside, coupled with its limited housing stock.
- Travel and tourism remained strong during the pandemic even with ongoing travel restrictions. Sales and use taxes increased by \$2,261,728 over the prior year due to a combination of factors including greater than expected consumer spending for online purchases and other types of goods and services; receipt of prior year sales tax revenue related to the State’s extension for businesses to file taxes as part of a COVID-19 relief package; strong restaurant and dining sales, bolstered in part by outdoor dining options; and a new local sales tax measure that increased the local sales tax rate from 1% to 1.5% effective on July 1, 2020. Transient occupancy taxes increased by \$224,014 over the prior year primarily due to an increase in the average daily room rates charged by lodging operators.

**Governmental Expenses**

The following chart summarizes the changes in expenses by category during the fiscal year:



Significant changes in governmental expenses include decreases to Public Safety, Public Works and Library expenses of \$198 thousand, \$249 thousand and \$472 thousand, respectively. In general, City services and related costs were reduced because of COVID-19. However, those reductions were offset by increased pension and other postemployment benefit expenses related to actuarial assumption changes and estimated provided by CalPERS and the City’s OPEB actuary.

**FINANCIAL ANALYSIS OF THE CITY’S GOVERNMENTAL FUNDS**

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

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City of Carmel-by-the-Sea’s Council.

The following is a summary of the changes in fund balance of the major and other (nonmajor) governmental funds:

**Table 3 - Summary of Changes in Fund Balance - Governmental Funds**

	Major Funds					Total
	General Fund	Measure C Sales Tax Fund	Capital Projects Fund	Harrison Memorial Library Fund	Other Governmental Funds	
Total Revenues	\$ 20,197,923	\$ 4,007,104	\$ 22,249	\$ 320,415	\$ 521,976	\$ 25,069,667
Total Expenditures	18,306,686	-	54,043	270,944	1,046,525	19,678,198
Revenues Over (Under) Expenditures	1,891,237	4,007,104	(31,794)	49,471	(524,549)	5,391,469
Other Financing Sources (Uses)	-	-	-	-	(128,099)	(128,099)
Transfers in	1,965,485	-	-	-	1,244,515	3,210,000
Transfers out	-	(3,050,000)	-	-	(160,000)	(3,210,000)
Net change in fund balances	3,856,722	957,104	(31,794)	49,471	431,867	5,263,370
Beginning of year	8,758,147	678,802	571,657	1,421,249	1,210,243	12,640,098
End of year	\$ 12,614,869	\$ 1,635,906	\$ 539,863	\$ 1,470,720	\$ 1,642,110	\$ 17,903,468

The fund balance of the City’s General Fund increased by \$3.86 million mostly due to transfers if from the Measure C Sales Tax fund. The fund balance in the Measure C Sales Tax Fund increased by \$957 thousand mostly due to the collection of sales tax revenue related to Measure C.

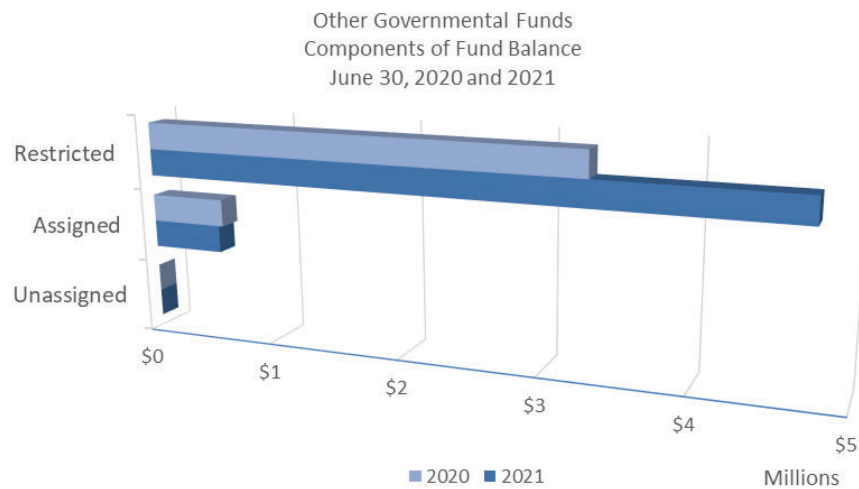
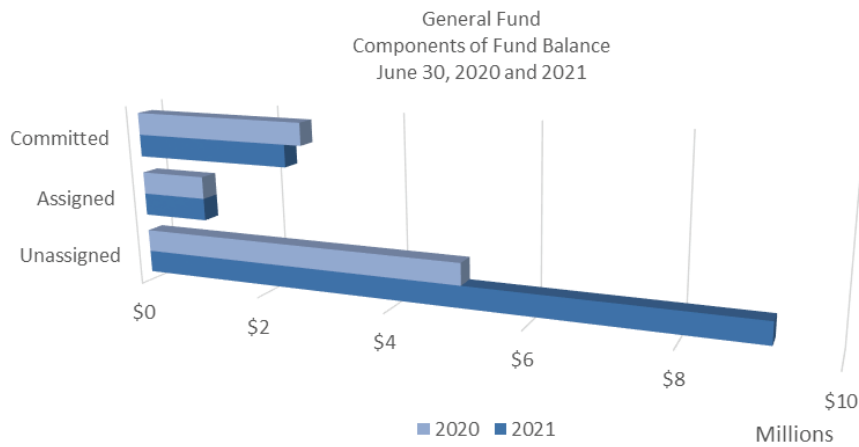
*Combined Funds – Components of Fund Balance*

As of June 30, 2021, the City of Carmel-by-the-Sea’s reported combined fund balances of \$17.9 million, which represents a \$4.1 million increase over the prior year. Approximately 51%, or \$9.2 million, was classified as unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance was either committed, restricted, or assigned. The committed balance of \$2.4 million represents funds that are set-aside for specific purposes via resolution of the City Council. The restricted balance of \$4.75 million reflects fund that are legally required to remain intact, while the remainder of \$1.56 million represents funds that were assigned to a particular purpose by the City Council or management given legal authority by the Council.

*General Fund – Components of Fund Balance*

The general fund is the chief operating fund of the City of Carmel-by-the-Sea. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$9.2 million, and the total fund balance decreased to \$12.6 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 general fund expenditures. The total general fund expenditures, prior to transfers was \$18.3 million. Unassigned fund balance represents approximately 50% of the total general fund expenditures, while total fund balance represents approximately 69% of total general fund expenditures.

The following charts provide an annual comparison of the fund balance components included in the general fund and the other governmental funds.



The assigned fund balance in other governmental funds was from the Capital Projects Fund which had \$539,863 in fund balance assigned for capital projects.

**FINANCIAL ANALYSIS OF CITY’S INTERNAL SERVICE FUNDS**

The following is a summary of the changes in fund balance of the City’s internal service funds:

	<b>Workers Compensation Fund</b>	<b>OPEB Reserve Fund</b>	<b>Vehicle &amp; Equipment Replacement Fund</b>	<b>Total</b>
Total Revenues	\$ -	\$ -	\$ -	\$ -
Total Expenditures	21,965	-	281,403	303,368
Revenues Over (Under) Expenditures	(21,965)	-	(281,403)	(303,368)
Nonoperating Revenue (Expense)	1,621	5,900	-	7,521
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balances	(20,344)	5,900	(281,403)	(295,847)
Beginning of year	-	1,839,429	1,063,997	2,903,426
End of year	<u>\$ (20,344)</u>	<u>\$ 1,845,329</u>	<u>\$ 782,594</u>	<u>\$ 2,607,579</u>

**CAPITAL ASSETS**

The City of Carmel-by-the-Sea’s investment in capital assets includes land, buildings, systems, improvements, machinery, equipment, facilities, roads, and other similar assets and infrastructure. The following table summarizes the City’s capital assets at the end of the year:

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2021</b>	<b>2020</b>	<b>(Decrease)</b>
Land	\$ 5,101,641	\$ 5,101,641	\$ -
Construction in Progress	50,529	260,965	(210,436)
Buildings and improvements	15,089,245	15,520,829	(431,584)
Infrastructure	18,949,776	19,973,392	(1,023,616)
Vehicles	162,735	172,899	(10,164)
Technology/Hardware and Software	120,343	244,735	(124,392)
Machinery and equipment	298,793	392,100	(93,307)
Total Capital Assets, Net	<u>\$ 39,773,062</u>	<u>\$ 41,666,561</u>	<u>\$ (1,893,499)</u>

The City reported depreciation expense of \$2.16 million for fiscal year 2020-21 as compared to \$1.86 million for fiscal year 2019-20.

See Note 5 in the notes to financial statements section for additional information.



**DEBT ADMINISTRATION (LONG-TERM LIABILITIES)**

During the year, Long-Term Liabilities from governmental activities increased by \$1.4 million primarily due to increase in the net pension liability and the net OPEB liability as shown below and described in the financial highlights section.

The following table summarizes the City's debt at the end of the year:

**Table 6 - Outstanding Long-Term Liabilities**

	Governmental Activities		Increase
	2021	2020	(Decrease)
Sunset Center COP	\$ -	\$ 4,890,000	\$ (4,890,000)
Sunset Center LRB	3,895,000	-	3,895,000
Sunset Center LRB Premium	866,901	-	866,901
Countywide Radio Project	165,051	165,051	-
Pension Obligation Bonds	1,340,000	1,980,000	(640,000)
Compensated Absences	598,095	581,520	16,575
Net Pension Liability	24,342,598	21,666,416	2,676,182
Claims Liability	575,000	575,000	-
Net OPEB Liability	4,140,591	4,640,704	(500,113)
Total Long-Term Liabilities	\$ 35,923,236	\$ 34,498,691	\$ 1,424,545

See Note 6 in the notes to financial statements section for additional information.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Changes from the City's General Fund original budget to the final budget are detailed in the *Required Supplementary Information* section along with a comparison to actual activity for the year ended. In Fiscal Year 20/21, the City originally estimated a decrease of \$1.02 million in fund balance; however due to increased performance in revenues, transfers from other funds, and decreased annual spending, the City ended the year with an excess of expenditures over revenues of \$3.86 million.

*Revenues*

The General Fund adopted and final revenue budgets were \$15.5 and \$16.2 million, with actual revenues recorded at \$20.2 million. This \$4 million difference primarily increased property tax values and transient occupancy tax collections.

*Expenditures*

The General Fund adopted expenditure budget was \$18.45 million and the final budget was \$19 million. The actual expenditures totaled \$18.3 million, which resulted in a net difference of \$711,682. Most of the savings can be attributed to salary and benefit savings and overall reductions related to COVID-19.

## ECONOMIC OUTLOOK

### *Summary*

Consistent with prior years, the City's primary revenue sources include property taxes, sales and use taxes, and transient occupancy taxes. The City anticipated a significant decline in revenue resulting from the coronavirus and associated travel restrictions in Fiscal Year 2020-2021. However, efforts by the State of California to collect taxes from online sales, strong consumer spending during the pandemic on certain goods and services and the passage of a 1.5% local sales tax by the Carmel electorate, effective on July 1, 2020, buffered some of the revenue loss. In addition, Carmel-by-the-Sea remained a popular travel destination during the pandemic positively affecting both sales and use taxes and transient occupancy taxes.

Assuming a phased recovery and incremental return to pre-pandemic tourism and related spending levels, projections for the City's three major revenues total \$19.6 million, or 78%, of the \$25.3 million in estimated total citywide revenues for Fiscal Year 2021-2022. This represents an increase of \$5.3 million in revenue when compared to the Fiscal Year 2020-2021 Adopted Budget, primarily driven by strong performance in transient occupancy taxes. However, while the approaching fiscal year reflects increased revenue receipts, the economic outlook assumes the recovery of sales and use taxes to pre-pandemic levels over two years. Similarly, projected growth in transient occupancy taxes spans three to five years before reaching receipts similar to Fiscal Year 2018-2019. In addition to the three primary revenue sources, the infusion of federal recovery funds over the next two years, bolsters the economic outlook.

Anticipating improvements in citywide revenues, planned expenditures also increase in the upcoming fiscal year. After enacting workforce reductions in Fiscal Year 2020-2021 due to the projected loss of revenue, City staffing levels increase from 72.5 full-time equivalents (FTE) to 81 FTE in Fiscal Year 2021-2022. As such, the cost of staffing increases from \$9.6 million to \$11.1 million due to a combination of factors such as negotiated salary and benefit adjustments, personnel advancement (annual merit or salary step adjustments), rising retirement and health insurance costs and additional staff. Personnel costs steadily increase, approaching \$12.2 million by Fiscal Year 2023-2024, without any additional increase in FTE beyond the Fiscal Year 2021-2022 staffing levels.

However, even without an increase in staffing levels, the City faces rising personnel costs primarily attributed to pension-related expenses. In addition to its annual contributions toward retirement costs for existing employees, the City makes an annual required payment to the California Public Employees' Retirement System (CalPERS) for the City's unfunded actuarial liability ("UAL"). The UAL payment for the upcoming fiscal year approaches \$1.9 million, an increase of approximately \$235,000 over the prior year. Projections indicate an annual increase of a similar magnitude over the next three years. To help address its pension obligations, the City established a Section 115 Trust with an initial investment of \$1 million into the trust and a desire to fund the trust upwards of \$1 million on an annual basis.

The City's ability to providing ongoing funding into the trust while maintaining an annual balanced budget is contingent on (1) revenues beginning to rebound from the pandemic and sustaining annual growth over the next several years and (2) controlling increases in citywide expenses, particularly regarding salary and benefits and capital outlay. Emerging reports regarding inflation also affect the ability to reduce costs for staffing, services and supplies.

### *Outlook for Major Revenues*

#### *Property Taxes*

Located within one square mile, the City's land capacity for new housing is limited, which curtails the

availability of housing stock. This limited supply, coupled with a high demand for housing driven by the City's desirability as a place to live and close proximity to the San Francisco metropolitan area, contributes to a healthy real estate market and thus the stability and strength of property tax revenues.

Unlike sales tax and transient occupancy tax, the Fiscal Year 2020-2021 budget assumed incremental growth in property tax and a resiliency to potential negative economic impacts associated with COVID-19. In actuality, the performance of the real estate market improved during the pandemic. The Economic Outlook contained within the Governor's Fiscal Year 2021-2022 Budget discusses the strong housing market despite the COVID-19 recession as well as the ability of high-income households to purchase homes. The State median home price averaged over \$600,000 in March through May, set new record highs from June to September 2020 and reached a record high of \$712,430 in September 2020. The California median home sales price through November 2020 reflected a 9.2% increase, on average, compared to the same period in 2019. This real estate phenomenon affects Carmel, which has a consistently strong property tax base. While Fiscal Year 2020-2021 property tax revenue outpaces projections, growth of this magnitude is not sustainable and annual growth of 3% is more realistic. Historically, the City's annual increase in property taxes over the last ten years averages 5.1%. The financial forecast assumes 3% annual growth over the next several years.

#### *Sales and Use Taxes*

Many of the features that contribute to residential quality of life, such as a temperate climate, natural beauty, architecture and unique design standards and cultural, dining and shopping opportunities also attract visitors. The variety of restaurants and other dining options located within the City, as well as art galleries, jewelry and clothing retailers contributes to shopping opportunities for residents and visitors alike.

Restaurants and general consumer goods (retail) are the City's leading drivers of sales and use tax revenue. The pandemic negatively affected restaurants in particular, especially at the beginning of the emergence of COVID-19, and this sector continued to face economic challenges in Fiscal Year 2020-2021 due to shelter-in-place restrictions and other COVID-19 protocols that affected seating capacity on already spatial-constrained dining establishments.

Consumer preferences and spending patterns have varied since the pandemic. From a timing perspective, the State's implementation for the collection of taxes from out-of-state vendors and online sales coincided with the start of the pandemic and helped buffer the loss of sales tax revenues. Moreover, the pandemic shifted consumer spending from services to goods, which are more likely to be subject to taxes.

Projections statewide for the restaurant category anticipate growth of nearly 30% in 2021-2022, which includes recovery of lost revenue from the two prior fiscal years due to restaurant closures, limited hours of operations and reduced customers. After the initial recovery, growth tapers to 6% in 2022-2023. General consumer goods also rebound and show resiliency in the second quarter of 2021 with growth at 9% in 2021-2022, followed by 2% in 2022-2023. The return to in-person shopping and spending driven by consumers returning to school and work, as well as the holiday season, bolster anticipated growth in this sector.

For Carmel, the number of visitors within the Village, the permitted sale of food "to go" and the City support for the use of the right-of-way for "parklets" for outdoor dining are factors that potentially impact sales tax revenues. As the restaurant and retail sectors rebound from the pandemic, the extent of their recovery is contingent on factors such as consumer comfort level to dine and/or shop indoors, policies requiring vaccination and/or masks to enter dining and retail establishments, the continued allowance of "parklets" for outdoor dining, labor shortages, supply issues for obtaining various goods and inflation. Fiscal Year 2021-2022 projects an increase of 38% and 29% respectively in the local sales tax (Measure C)

and the City's share of the statewide sales tax when compared to the Fiscal Year 2020-2021 Adopted Budget. However, a rebound to pre-pandemic sales tax receipts occurs in Fiscal Year 2022-2023.

#### *Transient Occupancy Taxes*

Various lodging options are available to visitors and these lodging establishments charge a 10% transient occupancy tax for stays of 30 days or less. Transient occupancy taxes (TOT) are challenging to predict as they are based upon personal choices regarding travel, be it the decision on whether to travel, where to travel, and how much to spend on travel, such as the amount to pay for a hotel room. In addition to facing competition from other popular US destinations that neighbor the Monterey Peninsula to the north and south, the City also competes with other international destinations. On the other hand, given its proximity to San Francisco and location on the California central coast between San Francisco and Los Angeles the City is accessible to many visitors, including guests from California, other states and other countries. Thus, the City's TOT is sensitive to changes in consumer spending, economic conditions, and, to some extent, statewide, national and international policies.

However, based upon preliminary data, the projected loss of revenue attributed to tourism for Fiscal Year 2020-2021 is less than originally projected. While there is optimism about vaccine deployment and the lifting of travel restrictions, variants of the pandemic are also emerging, potentially affecting ongoing travel and leisure spending. Based upon industry-specific literature, which indicated recovery to pre-pandemic levels for domestic travel spending and international travel in 2024 and 2025 respectively, the City's financial forecast assumes a phased approach to recovery. The Fiscal Year 2021-2022 budget target represents 78% of the Fiscal Year 2018-2019 actual, adjusted incrementally to 85%, 90% and 95% of 2018-2019 levels over the following three fiscal years.

#### *Outlook for Major Expenditures*

##### *Salaries and Benefits*

After enacting workforce reductions in Fiscal Year 2020-2021 due to the projected loss of revenue, City staffing levels increase from 72.5 full-time equivalents (FTE) to 81 FTE in Fiscal Year 2021-2022. Correspondingly, the cost of staffing increases from \$9.6 million to \$11.1 million due to a combination of factors such as negotiated salary and benefit adjustments, step increases, rising retirement and health care costs and additional staff. In comparison, the adopted budget for salaries and benefits in Fiscal Year 2019-2020 totaled \$11.5 million while funded 92 FTE, illustrating the upward pressure on staffing costs even without significantly increasing the number of positions. Personnel costs steadily increase, approaching \$12.2 million by Fiscal Year 2023-2024, without any additional increase in FTE beyond the Fiscal Year 2021-2022 staffing levels.

##### *Pension Costs*

The City provides a defined pension plan through the California Public Employees' Retirement System (CalPERS) for its full-time employees. As such, the City is responsible for contributing toward current employees' retirement packages based upon a set amount determined by CalPERS based upon a percentage of salary ("employer contribution"). The employer contribution is included within the City's overall budgeted salary and benefit costs. In addition, the City is obligated to make additional pension payments to CalPERS known as the unfunded actuarial liability ("UAL"). The UAL addresses any shortfall between funding CalPERS needs to pay for retirement benefits when people retire compared to the funding that CalPERS currently has on hand to pay for the estimated costs of these benefits. As calculated by CalPERS, the City's UAL payment steadily increases from \$1.4 million in Fiscal Year 2019-2020, to \$1.6 million in Fiscal Year 2020-2021, to \$1.9 million in Fiscal Year 2021-2022 and then to \$2.1 million in Fiscal Year

2021-2022. A similar planned increase of approximately \$200,000 in Fiscal Year 2022-2023 results in a new payment of \$2.1 million, with annual cost increases of roughly the same magnitude spanning over the next several years. However, CalPERS plans to review its investment returns and potentially lower the discount rate, which affects the UAL amount.

To help address its pension obligations, the City established a Section 115 Trust with an initial investment of \$1 million into the trust. Current City Council wishes to provide funding of \$1 million annually into the trust. Based upon preliminary forecasts, overall citywide expenditures outpace revenues. In particular, increases in personnel and capital outlay minimize the amount of funding available to allocate to the trust. However, the maturity of the pension obligation bond in 2023 provides for a potential funding source for the trust moving forward.

#### *Other Operating Costs*

In order to deliver services to the community, the City procures various types of goods and services. The category of services and supplies assumes 5% annual growth. However, in addition to overall sensitivity to inflation, certain expenses also increase beyond 5% such as fuel, (general liability, property and workers compensation) insurance premiums and utilities. The City contracts for specialized professional services and costs trend upward based upon credentials, certifications and qualifications of the individuals provided the service. Moreover, the City currently contracts with another governmental agency for fire prevention and response services, subject to increases based upon salary and benefits, including pension.

#### *Capital Projects*

After deferring capital projects in Fiscal Year 2020-2021 due to the projected loss of revenue, capital expenditures increase to \$2.3 million in Fiscal Year 2021-2022. In future years, in accordance with the City's financial policies, capital outlay expenses represent 3.5% of projected revenue, or approximately \$1 million annually based upon current revenue assumptions. However, the City's Five-Year Capital Improvement Plan totals \$19.8 million and identifies needs of \$2.5-4 million annually over the next four fiscal years. Similar to service and supplies, inflation and other market-based conditions drive the availability of contractors and costs to implement public works projects, subject to prevailing wage. In addition, deferring building and infrastructure maintenance drives long-term costs for repair and replacement.

#### *Debt Service*

On July 3, 2012, the City Council authorized the issuance of pension obligation bonds to refinance the City's outstanding side fund obligations to CalPERS. The annual debt service is approximately \$700,000 until the bond matures on June 1, 2023. On September 30, 2020, the City refinanced the 2010 Refunding Lease Revenue Bond related to improvements at the Sunset Center (the Sunset Theater Project). Payments for Fiscal Year 2021-2022 approach \$163,000. Future payments approximate \$500,000 annually until the bond matures on November 1, 2032.

### **REQUEST FOR FINANCIAL INFORMATION**

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Carmel-by-the-Sea-by-the-Sea Finance Department, P O Box CC, Carmel-by-the-Sea, CA 93921, or visit the City's web page at <http://ci.carmel.ca.us/carmel>.



## **BASIC FINANCIAL STATEMENTS**

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**City of Carmel-By-The-Sea**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 17,677,724
Receivables:	
Accounts	2,509,808
Due from other governments	1,229,709
Total Current Assets	<u>21,417,241</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	5,152,170
Depreciable, net of accumulated depreciation	34,620,892
Total Capital Assets - Net	<u>39,773,062</u>
<b>Total Assets</b>	<u>\$ 61,190,303</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB Adjustments	\$ 331,678
Pension Adjustments	5,543,390
<b>Total Deferred outflows of Resources</b>	<u>\$ 5,875,068</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 300,549
Payroll related liabilities	307,919
Deposits and other liabilities	443,992
Interest payable	30,000
Claims payable - current portion	57,500
Compensated absences - current portion	450,000
Long-term debt - due within one year	712,086
Total Current Liabilities	<u>2,302,046</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	5,554,866
Claims payable	517,500
Compensated absences	148,095
Net pension liability	24,342,598
Net OPEB liability	4,140,591
Total Noncurrent Liabilities	<u>34,703,650</u>
<b>Total Liabilities</b>	<u>\$ 37,005,696</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB Adjustments	\$ 742,308
Pension Adjustments	1,497,824
<b>Total Deferred Inflows of Resources</b>	<u>\$ 2,240,132</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 34,846,110
Restricted for:	
Transportation	450,532
Public safety	55,866
Debt service	393,133
Library	1,470,720
Public parking	737,124
Measure D	1,635,906
Asset seizure	5,455
Total Restricted	<u>4,748,736</u>
Unrestricted	<u>(11,775,303)</u>
<b>Total Net Position</b>	<u>\$ 27,819,543</u>

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



**City of Carmel-By-The-Sea**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Total		
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General government	\$ 5,423,821	\$ 165,541	\$ 508,169	\$ 673,710	\$ (4,750,111)	
Community Planning and Building	1,280,518	1,142,277	-	1,142,277	(138,241)	
Public Safety	8,968,364	796,471	-	796,471	(8,171,893)	
Public Works	4,162,030	156,838	-	156,838	(4,005,192)	
Library	1,539,410	5,544	304,970	310,514	(1,228,896)	
Community Activities	119,562	33,140	-	33,140	(86,422)	
Economic Revitalization	819,202	111,093	-	111,093	(708,109)	
Interest and fiscal charges	387,525	-	-	-	(387,525)	
<b>Total Governmental Activities</b>	<b>\$ 22,700,432</b>	<b>\$ 2,410,904</b>	<b>\$ 813,139</b>	<b>\$ 3,224,043</b>	<b>(19,476,389)</b>	
<b>General Revenues:</b>						
Taxes:						
Property taxes					7,389,657	
Sales and use taxes					7,028,041	
Transient occupancy taxes					5,339,285	
Franchise fees					756,358	
Business license tax					524,220	
Total taxes					<u>21,037,561</u>	
Intergovernmental revenues not restricted to specific programs					704,337	
Investment earnings					47,554	
Other revenues					63,692	
Total General Revenues					<u>21,853,144</u>	
Change in Net Position					2,376,755	
Net Position - Beginning of Year					<u>25,442,788</u>	
Net Position - End of Year					<u>\$ 27,819,543</u>	

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

## MAJOR GOVERNMENTAL FUNDS

Fund Title	Fund Description
General Fund	This fund is used to account for all of the general operations and other financial transactions of the City, which are not accounted for by another fund.
Measure C Sales Tax	This fund is used to account for the transaction and use tax increase to be used to maintain essential services, including fire, ambulance and police response times; fund capital needs, including streets, beach, parks, forest and trails; increase code compliance; maintain libraries, Sunset Center and other public facilities; address CalPERS pension liabilities and other debt; and provide other general City services.
Capital Projects	This fund accounts for resources utilized, committed, assigned or restricted for capital projects.
Harrison Memorial Library	This fund is used to account for activities associated with the Harrison Memorial Library.

**City of Carmel-By-The-Sea**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	Major Funds					
	General Fund	Measure C Sales Tax Fund	Capital Projects Fund	Harrison Memorial Library Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 11,101,414	\$ 436,205	\$ 544,713	\$ 1,473,080	\$ 1,612,102	\$ 15,167,514
Receivables:						
Accounts	2,509,808	-	-	-	-	2,509,808
Due from other governments	-	1,199,701	-	-	30,008	1,229,709
<b>Total assets</b>	<b>\$ 13,611,222</b>	<b>\$ 1,635,906</b>	<b>\$ 544,713</b>	<b>\$ 1,473,080</b>	<b>\$ 1,642,110</b>	<b>\$ 18,907,031</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 244,442	\$ -	\$ 4,850	\$ 2,360	\$ -	\$ 251,652
Accrued liabilities	307,919	-	-	-	-	307,919
Deposits	443,992	-	-	-	-	443,992
<b>Total liabilities</b>	<b>996,353</b>	<b>-</b>	<b>4,850</b>	<b>2,360</b>	<b>-</b>	<b>1,003,563</b>
<b>Fund Balances:</b>						
Restricted:						
Transportation	-	-	-	-	450,532	450,532
Public safety	-	-	-	-	55,866	55,866
Debt service	-	-	-	-	393,133	393,133
Library	-	-	-	1,470,720	-	1,470,720
Asset seizure	-	-	-	-	5,455	5,455
Public parking	-	-	-	-	737,124	737,124
Measure C	-	1,635,906	-	-	-	1,635,906
Committed:						
Holstery tax	248,820	-	-	-	-	248,820
Budget stabilization	2,173,138	-	-	-	-	2,173,138
Assigned:						
Operational reserves	1,025,194	-	-	-	-	1,025,194
Capital projects	-	-	539,863	-	-	539,863
Unassigned	9,167,717	-	-	-	-	9,167,717
<b>Total fund balances</b>	<b>12,614,869</b>	<b>1,635,906</b>	<b>539,863</b>	<b>1,470,720</b>	<b>1,642,110</b>	<b>17,903,468</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,611,222</b>	<b>\$ 1,635,906</b>	<b>\$ 544,713</b>	<b>\$ 1,473,080</b>	<b>\$ 1,642,110</b>	<b>\$ 18,907,031</b>

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

**City of Carmel-By-The-Sea**  
**Reconciliation of the Government Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2021**

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**Total Fund Balances - Total Governmental Funds** \$ 17,903,468

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

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Capital assets	63,284,650
Less: accumulated depreciation	<u>(24,232,854)</u>
Total Capital Assets	<u>39,051,796</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (30,000)

Internal service funds are used by management to charge the costs of stores, vehicle maintenance and various insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 2,607,580

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position. 3,634,935

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt	(6,266,952)
Compensated absences	(598,095)
Net pension obligation	(24,342,598)
Net OPEB liability	<u>(4,140,591)</u>
Total Long-Term Obligations	<u>(35,348,236)</u>

**Net Position of Governmental Activities** \$ 27,819,543

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

**City of Carmel-By-The-Sea**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	Major Funds					Total Governmental Funds
	General Fund	Measure C Sales Tax Fund	Capital Projects Fund	Harrison Memorial Library Fund	Other Governmental Funds	
<b>REVENUES</b>						
Taxes:						
Property taxes	\$ 7,389,657	\$ -	\$ -	\$ -	\$ -	\$ 7,389,657
Sales and use taxes	3,020,937	4,007,104	-	-	-	7,028,041
Transient occupancy taxes	5,339,285	-	-	-	-	5,339,285
Franchise fees	756,358	-	-	-	-	756,358
Business license tax	524,220	-	-	-	-	524,220
Intergovernmental revenues	693,873	-	-	-	518,633	1,212,506
License and permits	889,822	-	-	-	-	889,822
Contributions	-	-	-	304,972	-	304,972
Fines and forfeitures	48,947	-	-	-	-	48,947
Charges for services	1,198,569	-	-	5,544	-	1,204,113
Interest	26,791	-	-	9,899	3,343	40,033
Rents and concessions	138,138	-	-	-	-	138,138
Other revenues	171,326	-	22,249	-	-	193,575
<b>Total Revenues</b>	<b>20,197,923</b>	<b>4,007,104</b>	<b>22,249</b>	<b>320,415</b>	<b>521,976</b>	<b>25,069,667</b>
<b>EXPENDITURES</b>						
Current:						
General government	5,083,467	-	-	-	-	5,083,467
Community Planning and Building	1,172,337	-	-	-	-	1,172,337
Public Safety	7,833,156	-	-	-	-	7,833,156
Public Works	2,635,206	-	-	-	-	2,635,206
Library	646,750	-	-	270,944	-	917,694
Community Activities	82,366	-	-	-	-	82,366
Economic Revitalization	808,540	-	-	-	-	808,540
Capital outlay	44,864	-	54,043	-	-	98,907
Debt service						
Principal	-	-	-	-	640,000	640,000
Interest and fiscal charges	-	-	-	-	406,525	406,525
<b>Total Expenditures</b>	<b>18,306,686</b>	<b>-</b>	<b>54,043</b>	<b>270,944</b>	<b>1,046,525</b>	<b>19,678,198</b>
Excess (Deficiency) of						
Revenues over Expenditures	1,891,237	4,007,104	(31,794)	49,471	(524,549)	5,391,469
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond issuances	-	-	-	-	4,761,901	4,761,901
Bond defeasance	-	-	-	-	(4,890,000)	(4,890,000)
Transfers in	1,965,485	-	-	-	1,244,515	3,210,000
Transfers out	-	(3,050,000)	-	-	(160,000)	(3,210,000)
<b>Total Other Financing Sources (Uses)</b>	<b>1,965,485</b>	<b>(3,050,000)</b>	<b>-</b>	<b>-</b>	<b>956,416</b>	<b>(128,099)</b>
Net Change in Fund Balances	3,856,722	957,104	(31,794)	49,471	431,867	5,263,370
Fund Balances Beginning	8,758,147	678,802	571,657	1,421,249	1,210,243	12,640,098
Fund Balances Ending	\$ 12,614,869	\$ 1,635,906	\$ 539,863	\$ 1,470,720	\$ 1,642,110	\$ 17,903,468

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

**City of Carmel-By-The-Sea**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Government-Wide**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 5,263,370
Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	
Capital outlay	133,875
Depreciation expense	(1,854,789)
Gains and losses from the disposal of capital assets are recorded in the government-wide statement of activities as a special item, but only the proceeds from disposals are reported in the fund statements.	(30,306)
Internal service funds are used by management to charge the costs of stores, vehicle maintenance, and various insurance costs to individual funds.	
Net revenue (excess expenses) reported with governmental activities	(295,847)
Long-term compensated absences and claims payables were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources and were not reported as expenditures in governmental funds.	
Compensated absences	(16,575)
In governmental funds, actual contributions to benefit plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year benefit expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	(1,369,229)
Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of net position.	768,099
Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the fund statements as follows:	
Other postemployment benefits	(240,843)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from and accreted interest from prior year.	19,000
	<hr/>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,376,755</b>
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The accompanying notes are an integral part of these financial statements.

**City of Carmel-By-The-Sea**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

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	Governmental Activities - Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 2,510,210
Total current assets	<u>2,510,210</u>
Noncurrent Assets:	
Capital assets - net	721,266
<b>Total assets</b>	<u><u>\$ 3,231,476</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 48,897
Claims payable - current	57,500
Total current liabilities	<u>106,397</u>
Non-current liabilities:	
Claims payable	517,500
<b>Total liabilities</b>	<u><u>\$ 623,897</u></u>
 <b>NET POSITION</b>	
Net Investment in capital assets	\$ 721,266
Unrestricted	1,886,313
<b>Total net position</b>	<u><u>\$ 2,607,579</u></u>

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

**City of Carmel-By-The-Sea**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

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	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>	
Charges for services	\$ -
<b>Total operating revenues</b>	<u>-</u>
<b>OPERATING EXPENSES</b>	
Claims	21,965
Depreciation	281,403
<b>Total operating expenses</b>	<u>303,368</u>
Operating income (loss)	(303,368)
<b>NONOPERATING REVENUES(EXPENSES)</b>	
Investment earnings	7,521
<b>Total nonoperating revenues(expenses)</b>	<u>7,521</u>
Income (loss) before operating transfers	(295,847)
Transfers in	-
Transfers out	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>
Change in net position	(295,847)
Total net position - beginning	2,903,426
Total net position - ending	<u>\$ 2,607,579</u>

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



**City of Carmel-By-The-Sea**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

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	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>	
Receipts from interfund services provided	\$ 54,440
Payments for claims	(21,965)
Payments for supplies and materials	48,501
Net cash provided (used) by operating activities	<u>80,976</u>
<b>Cash flows from capital financing activities:</b>	
Purchases of property and equipment	<u>(139,124)</u>
Net cash provided (used) by capital financing activities	<u>(139,124)</u>
<b>Cash flows from investing activities:</b>	
Investment income received	<u>7,521</u>
Net cash provided (used) by investing activities	<u>7,521</u>
Net increase (decrease) in cash and cash equivalents	(50,627)
Cash and cash equivalents - beginning	2,560,837
Cash and cash equivalents - ending	<u><u>\$ 2,510,210</u></u>
<b>Reconciliation of operating income to net cash provided (used)</b>	
<b>by operating activities:</b>	
Operating income (loss)	\$ (303,368)
Adjustments to reconcile operating income (loss)	
to net cash provided (used) by operating activities:	
Depreciation	281,403
Change in operating assets and liabilities:	
Due from other funds	54,440
Accounts payable	48,501
Net cash provided (used) by operating activities	<u><u>\$ 80,976</u></u>

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

**City of Carmel-by-the-Sea**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Carmel-by-the-Sea, California, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

***A. Financial Reporting Entity***

The City of Carmel-by-the-Sea, California was incorporated on October 31, 1916, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: general government, community planning and building, public safety (fire, police and ambulance), public works, library, economic revitalization and other community activities.

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance. All property taxes are paid to Monterey County (County) as part of the revenue neutrality payment obligation. The financial statements do not reflect the amounts received on behalf of the City and retained by the County.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by US GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Carmel-by-the-Sea, Finance Department, Post Office Box CC, Carmel-by-the-Sea, CA 93921.

The City's reporting entity includes the following blended component units:

- Carmel Public Improvement Authority
- Harrison Memorial Library

The above component units are included in the City's basic financial statements using the blended method since the component unit's governing body is substantively the same as the governing body of the City and there is a financial benefit and a burden relationship between the City and the component units. There are no component units of the City that meet the criteria for discrete presentation.

**City of Carmel-by-the-Sea**  
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The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

***B. Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present summaries of governmental and business-type activities for the City. Fiduciary activities of the City are not included in these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City did not report any business-type activities for the year.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources (including capital assets, as well as infrastructure assets, and long-term liabilities), are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. In conformity with the City's indirect cost allocation plan, certain indirect costs are included in the program expense reported for individual functions and activities. Certain types of

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transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in-regards-to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. Interfund services provided and used are not eliminated in the process of consolidation. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Internal Service Fund charges

**Governmental Fund Financial Statements**

Governmental fund financial statements include a *Balance Sheet* and a *Statement of Revenues, Expenditures and Changes in Fund Balances* for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets. The *Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales taxes, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, licenses and permits and parking meter revenues are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

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The following funds are major funds:

**General Fund**

The General Fund is used to account for all of the general operations and other financial transactions of the City, which are not accounted for by another fund.

**The Measure C Sales Tax Fund**

The Measure C Sales Tax Fund used to account for the transaction and use tax increase to be used to maintain essential services, including fire, ambulance and police response times; fund capital needs, including streets, beach, parks, forest and trails; increase code compliance; maintain libraries, Sunset Center and other public facilities; address CalPERS pension liabilities and other debt; and provide other general City services.

**Capital Projects Fund**

This fund accounts for resources utilized, committed, assigned or restricted for capital projects.

**Harrison Memorial Library Fund**

This fund accounts for the contributions, revenues and resources used to operate the Harrison Memorial Library.

Additionally, the City reports the following nonmajor fund types of governmental funds:

**Special Revenue Funds**

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to specific purposes other than debt service or capital projects.

**Debt Service Funds**

Debt service funds account for the accumulation of resources for, and payment on, long-term obligation debt principal and interest.

**Proprietary Funds**

In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the “economic resources measurement focus”. This means all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the internal service funds financial statements.

The City’s internal service funds are proprietary funds. Internal service funds account for charges to City departments for services provided, on a cost reimbursement basis. The City has the following internal service funds:

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**Worker's Compensation Fund**

This fund accounts for workers compensation insurance provided to departments on a cost reimbursement basis.

**OPEB Reserve Fund**

This fund accounts for other postemployment benefits provided to departments on a cost reimbursement basis.

**Vehicle & Equipment Replacement Fund**

This fund is to set aside financial resources for future purchases of replacement equipment essential to the operations of the City.

***C. Cash, Cash Equivalents and Investments***

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas: Interest Rate Risk, Overall Credit Risk, Custodial Credit Risk, Concentrations of Credit Risk, and Foreign Currency Risk. Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.



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***D. Interfund Receivables and Payables***

Items classified as interfund receivables/payables are referred to as “advances to/advances from other funds” or as “due to/from other funds”. Due to/from other funds include short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund. Advances to/advances from other funds represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation.

***E. Receivables***

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City’s experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

The County of Monterey is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

***F. Capital Assets***

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement that are reported at acquisition value rather than fair value. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds’ infrastructure assets were not capitalized, since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. No

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depreciation is recorded in the year of acquisition or in the year of disposition. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	20-50 Years
Improvements other than buildings	35 Years
Vehicles, machinery and equipment	5-20 Years
Infrastructure	20-50 Years
Technology/Hardware and Software	5-20 Years

***G. Deferred Outflows/Deferred Inflows of Resources***

Deferred outflows of resources are a consumption of net assets by the City that is applicable to a future reporting period; for example, prepaid items and deferred charges.

Deferred inflows of resources are an acquisition of net assets by the City that is applicable to a future reporting period; for example, unavailable revenue and advance collections.

***H. Interest Payable***

In the government-wide financial statements, interest payable of long-term debt is recognized as an incurred liability for governmental fund types. The City has not allocated the interest on long-term debt to departments.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statements when payment is made.

***I. Claims Payable***

The City records a liability for claims, judgments, and litigation when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

***J. Compensated Absences***

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for up to 40 hours of unused annual leave. However, this is contingent upon the employee using at least 40 hours during the previous year and, the employee having a minimum balance of 80 annual leave hours after the payment. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.



***K. Long-Term Liabilities***

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed in year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***L. Benefit Plans***

**Pension Expense**

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 City's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit (OPEB) Expense**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

***M. Fund Balances***

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

**Nonspendable**

Nonspendable fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

**Restricted**

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed**

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council, the

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City's highest level of decision-making authority, for specific purposes pursuant to constraints imposed by formal action taken such as resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting periods; however the amount can be determined subsequently.

**Assigned**

Assigned fund balance includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the City Council and the City Manager.

**Unassigned**

The Unassigned Fund Balance category represents fund balance which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet and in the combining nonmajor fund balance sheets.

**Flow Assumption / Spending Order Policy**

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

***N. Net Position***

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets**

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that are attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position

**Restricted Net Position**

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

**Unrestricted Net Position**

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

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The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

**Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

***Interfund Transactions***

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except for interfund services provided and used and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

***O. Property Taxes***

County tax assessments include secured and unsecured property taxes and special assessments. "Unsecured" refers to taxes on personal property. These tax assessments are secured by liens on the property being taxed.

Secured property taxes are levied on or before the first day of July of each year. They become a lien on real property on January 1 proceeding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and is delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 each year and are delinquent, if unpaid, on August 31.

The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the "Teeter Plan", as described by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

***P. Budgetary Information***

In accordance with applicable sections of the California Government Code and the Carmel-by-the-Sea Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds, Capital Projects Funds and the Debt Service Fund.

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Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Administrator. The City Administrator prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Administrator is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Administrator is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year.

Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2021, based on calculations by City management, proceeds of taxes did not exceed appropriations.

***Q. Encumbrances***

Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. All appropriations, except open project appropriations, and unexpended grant appropriations and encumbrances, lapse at year end. Valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

***R. Unearned Revenue***

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unavailable revenue.

***S. Use of Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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***T. Implemented New Accounting Pronouncements***

*GASB Statement No. 84, "Fiduciary Activities."* Issued in January 2017, this statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and describes four fiduciary funds that should be reported, if applicable. The statement is effective beginning fiscal year 2021. Items previously reported as part of the agency fund classification of the Fiduciary Funds statements were reviewed to evaluate if they met the new custodial funds criteria. The City determined that the Refundable Deposits fund did not meet the definition of a custodial fund per GASB 84. As of June 30, 2021, this fund has been included with the General Fund. Since the Refundable Deposits fund only accounted for \$340,994 in deposits held and related cash, there were no beginning fund balance restatements.

***U. Upcoming New Accounting Pronouncements***

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

*GASB Statement No. 87, "Leases."* Issued in June 2017, this statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It provides guidance on accounting treatment of lease assets, lease liability, short-term leases, certain regulated leases, measurement for leases other than short-term leases and contracts that transfer ownership, subleases, lease-leaseback transactions, intra-entity leases, and leases between related parties. The statement will be effective beginning fiscal year 2022.

*GASB Statement No. 91, "Conduit Debt Obligations."* Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement will be effective beginning fiscal year 2023.

*GASB Statement No. 92, "Omnibus 2020."* Issued in January 2020, this statement was issued for clarity and consistency by addressing practice issues identified from the implementation and application of certain GASB statements. The statement will be effective beginning fiscal year 2022.

*GASB Statement No. 93, "Replacement of Interbank Offered Rates."* Issued in March 2020, this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The statement will be effective beginning fiscal year 2022.

*GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements."* Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement will be effective beginning fiscal year 2023.

*GASB Statement No. 96, "Subscription-Based Information Technology Arrangements."* Issued in May 2020, the statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a

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corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023.

*GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32."* Issued in June 2020, the statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (e.g., certain Section 457 plans), while mitigating the costs associated with reporting those plans. The statement will be effective beginning fiscal year 2022.

**NOTE 2 - CASH AND INVESTMENTS**

As of June 30, 2021, cash and investments were reported in the financial statements as follows:

Pooled cash and investments	\$ 17,677,724
Total cash and investments	<u>\$ 17,677,724</u>

The following summarized cash and investments by type:

Cash on hand	\$ 1,545
Demand Deposits	10,434,606
Investments	<u>7,241,573</u>
Total cash and investments	<u>\$ 17,677,724</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**A. Cash Deposits**

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution.

The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The bank balances before reconciling items totaled \$10,865,629 at June 30, 2021 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$10,615,629 which was collateralized by securities held by pledging financial institutions.



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**B. Fair Value Measurements**

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

**C. Investment Policies**

**City Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of bond indentures of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Issues	5 years	None	None
U.S. Government Agency Securities	5 years	50%	50%
California State and Local Bonds, Notes, & Warrants	None	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	15%	10%
Medium Term Corporate Notes	5 years	30%	30%
Negotiable Certificates of Deposit	5 years	30%	30%
Repurchase Agreements	92 days	None	None
Passbook Savings/Money Market	None	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Federal Instrumentalities	None	None	None

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**Authorized Investments - Debt Agreements**

Investments held by bond fiscal agents (trustees) are governed by the provisions of the underlying indenture agreements rather than the general provisions of the City's investment policy or California Government Code. The indenture agreements identify the following permitted investments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Issues	None	None	None
U.S. Government Agency Securities	None	None	None
Banker's Acceptance	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Funds	None	None	None
Investment Agreements	None	None	None
Local Agency Bonds	None	None	None
Medium Term Notes	None	None	None
Negotiable Certificate of Deposits	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

***D. External Investment Pool***

The City's investments with LAIF at June 30, 2021, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

**Structured Notes**

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

**Asset-Backed Securities**

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

***D. Risk Disclosures***

**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 term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to manage its exposure to interest rate risk is by



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purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that 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 City’s operations.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, Standards and Poor. As of June 30, 2021, the City’s investments were in compliance with the ratings required by the City’s investment policy, indenture agreements and Government Code.

**Concentrations of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2021, the City had no investments in any one issuer (other than external investment pools which are exempt) that represented 5% or more of the total City investments.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2021, the City’s investments had the following maturities and ratings:

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 36 Months</u>	<u>Total</u>	<u>Rating</u>	<u>Fair Value Input Levels</u>
LAIF (state pool)	\$ 5,347,352	\$ -	\$ -	\$ 5,347,352	not rated	n/a
Money market funds	877,916	-	-	877,916	AAA	1
Bonds	-	257,159	-	257,159	AAA	1
Certificate of deposits	498,991	-	260,155	759,146	not rated	1
<b>Total Investments</b>	<b>\$ 6,724,259</b>	<b>\$ 257,159</b>	<b>\$ 260,155</b>	<b>\$ 7,241,573</b>		

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**NOTE 3 - ACCOUNTS RECEIVABLE**

The following summarizes accounts receivable as of June 30, 2021:

Ambulance	\$	450,201
Holstery Tax		1,251,785
Measure C		1,199,701
Sales and Use Tax		547,633
Accruals		290,197
Total Accounts Receivable	\$	<u>3,739,517</u>

**NOTE 4 - INTERFUND TRANSACTIONS**

***A. Inter-fund Receivables and Payables***

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years. There were no interfund balances as of June 30, 2021.

***Transfers In/Out***

With Council approval, resources may be transferred from one fund to another. Transfers may be made to pay for capital projects or capital outlays, lease or debt service payments, operating expenses, and to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following summarizes transfers between funds during the fiscal year ended June 30, 2021:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 1,965,485	\$ -
Measure C Sales Tax Fund	-	3,050,000
Nonmajor Funds	1,244,515	160,000
Total Transfers	<u>\$ 3,210,000</u>	<u>\$ 3,210,000</u>

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**NOTE 5 - CAPITAL ASSETS**

Capital assets for governmental activities consisted of the following as of June 30, 2021:

	Balance July 01, 2020	Additions	Transfers/ Deletions	Balance June 30, 2021
<b>Governmental Activities</b>				
<b>Non-depreciable:</b>				
Land	\$ 5,101,641	\$ -	\$ -	\$ 5,101,641
Construction in Progress	260,965	54,042	(264,478)	50,529
Total Non-Depreciable	5,362,606	54,042	(264,478)	5,152,170
<b>Depreciable:</b>				
Buildings and improvements	26,215,531	208,800	-	26,424,331
Infrastructure	26,917,801	201,835	-	27,119,636
Vehicles	2,891,605	57,420	(30,306)	2,918,719
Technology/Hardware and Software	621,959	-	-	621,959
Machinery and equipment	2,886,049	15,380	-	2,901,429
Total Depreciable	59,532,945	483,435	(30,306)	59,986,074
<b>Less Accumulated Depreciation for:</b>				
Buildings and improvements	(10,694,702)	(640,384)	-	(11,335,086)
Infrastructure	(6,944,409)	(1,225,451)	-	(8,169,860)
Vehicles	(2,718,706)	(67,584)	30,306	(2,755,984)
Technology/Hardware and Software	(377,224)	(124,392)	-	(501,616)
Machinery and equipment	(2,493,949)	(108,687)	-	(2,602,636)
Total Accumulated Depreciation	(23,228,990)	(2,166,498)	30,306	(25,365,182)
Total Depreciable Capital Assets - Net	36,303,955	(1,683,063)	-	34,620,892
Total Governmental Capital Assets	\$ 41,666,561	\$ (1,629,021)	\$ (264,478)	\$ 39,773,062
<b>Internal Service Funds (Included with Governmental Activities)</b>				
Buildings and improvements	\$ 145,355	\$ 139,123	-	\$ 284,478
Technology/Hardware and Software	607,507	-	-	607,507
Vehicle, Machinery and Equipment	961,609	-	-	961,609
Accumulated Depreciation	(850,925)	(281,403)	-	(1,132,328)
Total Internal Service Funds - Net	\$ 863,546	\$ (142,280)	\$ -	\$ 721,266

Depreciation expense was allocated to the following governmental activities:

General Government	\$ 120,094
Community Planning and Building	1,257
Public Safety	161,347
Public Works	1,312,290
Library	543,479
Community Activities	28,031
Total depreciation expense	<u>\$ 2,166,498</u>

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**NOTE 6 - NONCURRENT LIABILITIES**

The City's noncurrent liabilities consisted of the following as of June 30, 2021:

Noncurrent Liabilities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Sunset Center COP	\$ 4,890,000	\$ -	\$ 4,890,000	\$ -	\$ -
Sunset Center LRB	-	3,895,000	-	3,895,000	-
Sunset Center LRB Premium	-	866,901	-	866,901	28,897
Countywide Radio Project (Direct)	165,051	-	-	165,051	23,189
Pension Obligation Bonds	1,980,000	-	640,000	1,340,000	660,000
Compensated Absences	581,520	466,972	450,397	598,095	450,000
Net Pension Liability	21,666,416	19,967,868	17,291,686	24,342,598	-
Claims Liability	575,000	-	-	575,000	57,500
Net OPEB Liability	4,640,704	711,027	1,211,140	4,140,591	-
Total Noncurrent Liabilities	\$ 34,498,691	\$ 25,907,768	\$ 24,483,223	\$ 35,923,236	\$ 1,219,586

**Certificates of Participation - Sunset Center COP**

In 2010, the Carmel Public Improvement Authority, a component unit of the City, refunded previously issued Certificates of Participation in the amount of \$7,485,000, bearing an average interest rate of 4.73%, secured by general revenues of the City, and matures in October 2031. The original proceeds were used to remodel the Sunset Cultural Center property. The City issued 2020 Refunding Lease Revenue bonds to refund the COP during the fiscal year.

**2020 Refunding Lease Revenue Bonds - Sunset Center**

On September 23, 2020, the City issued \$3,895,000 in 2020 Refunding Lease Revenue Bonds at a \$866,901 premium with interest at 4%. The issuance costs were \$183,992. The bonds were issued to refund the Sunset Center COPs. The net savings on the defeasance totaled \$1,042,418 in future debt service payments. The annual debt service requirements were as follows

Fiscal Year Ending June 30:	Principal	Interest	Total
2022	\$ -	\$ 160,128	\$ 160,128
2023	-	155,800	155,800
2024	355,000	155,800	510,800
2025	375,000	141,600	516,600
2026	380,000	126,600	506,600
2027-2031	2,200,000	387,800	2,587,800
2031-2035	585,000	27,600	612,600
Total	\$ 3,895,000	\$ 1,155,328	\$ 5,050,328

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**Countywide Radio Project**

In 2009, the City entered into a participation agreement with Monterey County to provide funding related to the "Next Generation Radio Project," a Federal Communications Commission mandated alteration of public safety and local government radio systems. Estimated payments will change should individual local jurisdictions elect out of the project. The annual debt service requirements were as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2022	\$ 22,308	\$ 7,356	\$ 29,664
2023	23,189	6,475	29,664
2024	24,105	5,559	29,664
2025	25,057	4,607	29,664
2026	26,047	3,617	29,664
2027-2028	44,345	4,107	48,452
Total	\$ 165,051	\$ 31,721	\$ 196,772

**Pension Obligation Bond**

On November 29, 2012, the City issued \$6,280,000 in 2012 Taxable Pension Obligation Bonds, the purpose of which was to fund certain PERS side fund obligations. The bonds bear an interest rate of 0.55% to 3.1% and mature on June 1, 2023. The annual debt service requirements were as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2022	\$ 660,000	\$ 40,428	\$ 700,428
2023	680,000	21,080	701,080
Total	\$ 1,340,000	\$ 61,508	\$ 1,401,508

**Compensated Absences**

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences.

**Net Pension Liability**

In accordance with GASB Statement No. 68, the City has recorded its net pension liability of CalPERS benefits for retirees. Pension benefits and associated liabilities are paid from the General Fund. See Note 8 for further discussion on the net pension liability.

**Claims Liability**

The City has recorded a liability for potential claims in excess of amounts covered by the insurance pool. See Note 7 for further discussion on the City's risk management activities.

**Net OPEB Liability**

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. OPEB liabilities are paid from the General Fund. See Note 9 for further discussion on OPEB.

**NOTE 7 - RISK MANAGEMENT**

The City of Carmel-by-the-Sea (City) is a member of CSAC-EIA (California State Association of Counties Excess Insurance Authority) which is a shared risk pool. CSAC-EIA covers claims for City for both Workers Compensation and General Liability. The City's Liability SIR is pre-funded through

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CSAC-EIA for 8 quarters of payments made on behalf of City. Currently, the SIR fund for the City with CSAC-EIA is maintained at \$8,183. If the pre-funded SIR balance drops below this amount, the City is billed by CSAC-EIA to replenish the fund to the \$8,183 level. The City does not make claim payments, they are all issued by the city's third-party administrator from a CSA-EIA account.

The City has two layers of Liability coverage through CSAC-EIA and under the first layer, the Primary General Liability layer, there is an SIR (Self Insured Retention) of \$10,000 per claim. Thereafter, the next layer of coverage kicks in (General Liability 1 program) which carries an SIR of \$100,000 which is satisfied by exhausting the coverage limit of \$100,000 under the Primary Liability program. The maximum limit of coverage under the primary General Liability 1 program is \$25 million. The City retains the risk of loss above \$25 million.

For Workers Compensation, the City is a member of both the CSAC-EI Primary Workers Compensation program and then, the CSAC-EIA Excess Workers Compensation program. The Primary Workers compensation program provides dollar 1 coverage to the City for Workers Compensation claims. In other words, City has no deductible or SIR. This layer of Workers Compensation coverage carries a maximum limit o \$125,000 per occurrence. Thereafter, CSAC EIA's excess coverage steps in and the SIR (Self Insured Retention) is \$125,000 which again, is satisfied by exhausting the limits of coverage under the Primary Workers Compensation program. The upper limit of coverage under the Excess Workers Compensation program is "statutory". What this means is that regardless of the total cost of the claim, it is covered under the CSAC-EIA Excess Workers Compensation program. There is absolutely no monetary exposure to the City under these two Workers Compensation programs except for the premium costs to purchase this coverage. The City has had no settlements which exceeded insurance coverage in the last three fiscal years and no significant changes or reductions in insurance coverage during the current year.

The following summarizes the change in the estimated liability over the last two fiscal years:

	Year Ended June 30, 2021	Year Ended June 30, 2020
Beginning of year	\$ 575,000	\$ 575,000
Increase (decrease) in current year claims	3,218	1,566
Changes in estimates	21,965	92,303
Claims paid	(25,183)	(93,869)
Ending balance	575,000	575,000
Current portion	(57,500)	(57,500)
Non-current portion	\$ 517,500	\$ 517,500

**NOTE 8 - RETIREMENT PLANS**

***General Information about the Pension Plans***

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous and Safety Employee Pension Plans (the Plans); cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). 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,

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assumptions and membership information that can be found on the CalPERS website.

**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, equal to one year of full-time employment. The cost-of-living adjustments for the Plans are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<b>Miscellaneous</b>		
	Tier 1	Tier 2	PEPRA
Hire date	< 4/15/2012	>= 4/15/2012	>= 1/1/2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%	2.00%
Required employee contribution rates	7.000%	7.000%	6.750%
Required employer contribution rates	11.031%	8.794%	7.732%
Contractual employee contribution rates	10.000%	10.000%	9.750%
Contractual employer contribution rates	8.031%	5.794%	4.732%

	<b>Safety</b>		
	Tier 1	Tier 2	PEPRA
Hire date	< 4/15/2012	>= 4/15/2012	>= 1/1/2013
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	50	50	57
Monthly benefits as a % of eligible compensation	2.00%	2.00%	2.00%
Required employee contribution rates	9.000%	9.000%	13.000%
Required employer contribution rates	23.674%	18.152%	13.044%
Contractual employee contribution rates	12.000%	12.000%	16.000%
Contractual employer contribution rates	20.674%	15.152%	10.044%

**Employees Covered**

At June 30, 2021, the following employees were covered by the benefit terms for the Plans:

	<b>Miscellaneous</b>	<b>Safety</b>
Active	55	19
Transferred	24	22
Separated	31	15
Retired	104	59
<b>Total</b>	<b>214</b>	<b>115</b>

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**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the following contributions were made:

	<b>Employer Contributions</b>
Miscellaneous	\$ 1,048,291
Safety	1,135,314
<b>Total Employer Contributions</b>	<b>\$ 2,183,606</b>

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
Miscellaneous	\$ 11,969,788
Safety	12,372,810
<b>Total</b>	<b>\$ 24,342,598</b>

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2020, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plans as of June 30, 2020 and 2021 was as follows:

	<b>Miscellaneous</b>	<b>Safety</b>	<b>Combined Plans</b>
Proportion - June 30, 2020	0.27533%	0.17046%	0.21144%
Proportion - June 30, 2021	0.28377%	0.18571%	0.22373%
<b>Change - Increase/(Decrease)</b>	<b>0.00844%</b>	<b>0.01526%</b>	<b>0.01229%</b>

For the year ended June 30, 2021, the City recognized pension expense of \$3,552,834.



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At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Miscellaneous</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ -	\$ 85,373
Differences between Expected and Actual Experience	616,839	-
Differences between Projected and Actual Investment Earnings	355,582	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	821,393
Change in Employer's Proportion	393,174	-
Pension Contributions Made Subsequent to Measurement Date	1,048,291	-
<b>Total</b>	<b>\$ 2,413,885</b>	<b>\$ 906,766</b>

	<b>Safety</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ -	\$ 41,214
Differences between Expected and Actual Experience	959,449	-
Differences between Projected and Actual Investment Earnings	268,913	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	549,843
Change in Employer's Proportion	765,828	-
Pension Contributions Made Subsequent to Measurement Date	1,135,314	-
<b>Total</b>	<b>\$ 3,129,505</b>	<b>\$ 591,057</b>

	<b>Misc and Safety</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ -	\$ 126,587
Differences between Expected and Actual Experience	1,576,287	-
Differences between Projected and Actual Investment Earnings	624,495	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	1,371,235
Change in Employer's Proportion	1,159,002	-
Pension Contributions Made Subsequent to Measurement Date	2,183,606	-
<b>Total</b>	<b>\$ 5,543,390</b>	<b>\$ 1,497,822</b>

The City reported \$2,183,606 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

**City of Carmel-by-the-Sea**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year</b>	<b>Deferred Outflows/(Inflows) of Resources</b>		
	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>
<b>Ending June 30:</b>			
2022	\$ (105,624)	\$ 328,186	\$ 222,562
2023	189,654	532,760	722,414
2024	204,251	407,447	611,698
2025	170,547	134,741	305,288
2026	-	-	-
Thereafter	-	-	-
<b>Total</b>	<b>\$ 458,828</b>	<b>\$ 1,403,134</b>	<b>\$ 1,861,962</b>

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan 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 employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return

**City of Carmel-by-the-Sea**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

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assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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 Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (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 the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

**City of Carmel-by-the-Sea**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

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***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City’s proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Combined</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 17,921,227	\$ 17,751,639	\$ 35,672,866
Current	7.15%	7.15%	7.15%
Net Pension Liability	\$ 11,969,788	\$ 12,372,810	\$ 24,342,598
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 7,052,301	\$ 7,958,972	\$ 15,011,273

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS PLAN**

**Plan Description and Benefits**

The City of Carmel-by-the-Sea Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides access to lifetime healthcare benefits to eligible retirees and their dependents. The City provides retiree medical benefits through the California Public Employees’ Retirement System healthcare program (PEMHCA). For eligible retirees, the City contributes not less than 5% of the active contribution times years in PEMHCA (max \$100/month increase). For purposes of its contract with PEMHCA, the City uses a statutory schedule to determine its monthly contribution on behalf of each active employee. The statutory amount is \$133.00 for 2018 and will be indexed by the Medical CPI each year thereafter.

The City offers the same medical plans to its retirees and surviving spouses as to its active employees, with the exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of service (age 52 for Miscellaneous PEPRAs employees). The City contribution towards retiree health benefits is determined under the "equal contribution method" under PEMHCA, whereby the contribution is 100% of the City's statutory minimum contribution for active employees (\$133/month for 2018 and scheduled to be indexed by medical inflation for years after 2018). No stand-alone financial are issued for this plan as it is not a trusted plan.

**City of Carmel-by-the-Sea**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

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**Employees Covered by Benefit Terms**

At June 30, 2021, the benefit terms covered the following employees:

Active employees	63
Inactive employees	41
<b>Total employees</b>	<u>104</u>

**Contributions**

The City makes contributions based on a pay-as-you go basis as approved by the authority of the City's Board. Total benefit payments included in the measurement period were \$152,834. The actuarially determined contribution for the measurement period was \$605,749. The City's contributions and benefit payments were 2.27% of payroll during the measurement period June 30, 2021. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

**Actuarial Assumptions**

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	2.16%
Inflation	2.50%
Payroll Increases	2.75%
Trend Rate	4.00%
Municipal Bond Rate	2.20%
Mortality	2017 CalPERS Mortality for Safety Employees 2017 CalPERS Retiree Mortality for All Employees 2017 CalPERS Mortality for Miscellaneous and Schools Employees

**Discount Rate**

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

**Total OPEB Liability**

The City's total OPEB liability was measured as of June 30, 2021 (measurement date) and was determined by an actuarial valuation as of June 30, 2021 (valuation date) for the fiscal year ended June 30, 2021 (reporting date).

**City of Carmel-by-the-Sea**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

**Changes in the Total OPEB Liability**

The following summarizes the changes in the Total OPEB liability during the year:

<b>Fiscal Year Ended June 30, 2021</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2020</b>	\$ 4,640,703	\$ -	\$ 4,640,703
Service cost	348,597	-	348,597
Interest in Total OPEB Liability	105,930	-	105,930
Actual and exp experience	(823,299)	-	(823,299)
Changes in assumptions	21,493	-	21,493
Benefit payments	(152,834)	-	(152,834)
<b>Net changes</b>	<b>(500,113)</b>	<b>-</b>	<b>(500,113)</b>
<b>Balance at June 30, 2021</b>	<b>\$ 4,140,590</b>	<b>\$ -</b>	<b>\$ 4,140,590</b>
Covered Employee Payroll	\$ 6,734,318		
Total OPEB Liability as a % of Covered Employee Payroll	61.48%		
Service Cost as a % of Covered Employee Payroll	5.18%		
Net OPEB Liability as a % of Covered Employee Payroll	61.48%		

The City's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

**Deferred Inflows and Outflows of Resources**

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 43,141	\$ 709,063
Change in assumptions	288,537	33,245
<b>Totals</b>	<b>\$ 331,678</b>	<b>\$ 742,308</b>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2022	\$ (60,849)
2023	(41,506)
2024	(60,463)
2025	(70,318)
2026	(70,318)
Thereafter	(107,176)
<b>Total</b>	<b>\$ (410,630)</b>

**City of Carmel-by-the-Sea**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

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**OPEB Expense**

The following summarizes the OPEB expense by source during the year ended June 30, 2021:

Service cost	\$ 348,597
Interest in TOL	105,930
Difference between actual and expected experience	(108,945)
Change in assumptions	<u>48,096</u>
<b>OPEB Expense</b>	<b><u>\$ 393,678</u></b>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2021:

Total OPEB liability ending	\$ 4,140,590
Total OPEB liability beginning	<u>(4,640,703)</u>
Change in total OPEB liability	(500,113)
Changes in deferred outflows	60,706
Changes in deferred inflows	680,252
Employer contributions and implicit subsidy	<u>152,833</u>
<b>OPEB Expense</b>	<b><u>\$ 393,678</u></b>

**Sensitivity to Changes in the Discount Rate**

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	<u>Municipal Bond Rate</u>		
	<u>1% Decrease</u>	<u>2.20%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 4,739,417	\$ 4,140,590	\$ 3,651,151

**Sensitivity to Changes in the Healthcare Cost Trend Rates**

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	<u>Trend Rate</u>		
	<u>1% Decrease</u>	<u>4.00%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,542,804	\$ 4,140,590	\$ 4,898,613

**City of Carmel-by-the-Sea**  
**Notes to the Basic Financial Statements**  
**June 30, 2021**

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**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

***A. Lawsuits***

The City may be involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that any cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

***B. Federal and State Grant Programs***

The City participates in Federal, State and County grant programs. These programs are audited by the City's independent accountants, if required, in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. For Federal programs, the City did not reach the level of qualifying expenditures during the current fiscal year that would require a single audit. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**NOTE 11 - SUBSEQUENT EVENTS**

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). Since the inception of the pandemic, the City had experienced significant declines in revenue, especially sales and transient occupancy taxes. However, in fiscal year 2020-21, the City reported an increase in total revenues, had sufficient reserves, and had prudently balanced budget. Therefore, management believes the City will be able to maintain a consistent level of operations for at least one year from the date of the issuance of this report.



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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 6,848,991	\$ 7,081,488	\$ 7,389,657	\$ 308,169
Sales and use taxes	1,896,796	2,163,454	3,020,937	857,483
Transient occupancy taxes	2,488,198	2,488,198	5,339,285	2,851,087
Franchise fees	654,088	654,088	756,358	102,270
Business license tax	505,750	505,750	524,220	18,470
Intergovernmental revenues	706,961	787,241	693,873	(93,368)
License and permits	1,010,027	1,010,027	889,822	(120,205)
Fines and forfeitures	64,180	64,180	48,947	(15,233)
Charges for services	1,089,360	1,089,360	1,198,569	109,209
Interest	75,000	75,000	26,791	(48,209)
Rents and concessions	89,269	89,269	138,138	48,869
Other revenues	32,163	155,116	171,326	16,210
<b>Total Revenues</b>	<b>15,460,783</b>	<b>16,163,171</b>	<b>20,197,923</b>	<b>4,034,752</b>
<b>EXPENDITURES</b>				
Current:				
General government	5,070,986	5,245,636	5,083,467	162,169
Community Planning and Building	1,224,098	1,224,099	1,172,337	51,762
Public Safety	8,077,474	8,273,490	7,833,156	440,334
Public Works	2,482,660	2,639,035	2,635,206	3,829
Library	676,254	676,254	646,750	29,504
Community Activities	90,490	90,490	82,366	8,124
Economic Revitalization	824,500	824,500	808,540	15,960
Capital outlay	-	44,864	44,864	-
<b>Total Expenditures</b>	<b>18,446,462</b>	<b>19,018,368</b>	<b>18,306,686</b>	<b>711,682</b>
Excess (Deficiency) of Revenues over Expenditures	(2,985,679)	(2,855,197)	1,891,237	4,746,434
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,965,485	1,965,485	1,965,485	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,965,485</b>	<b>1,965,485</b>	<b>1,965,485</b>	<b>-</b>
Net Change in Fund Balance	(1,020,194)	(889,712)	3,856,722	4,746,434
Fund Balance Beginning	8,758,147	8,758,147	8,758,147	-
Fund Balance Ending	\$ 7,737,953	\$ 7,868,435	\$ 12,614,869	\$ 4,746,434

**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Measure C Sales Tax Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Sales and use taxes	\$ 3,050,000	\$ 3,050,000	\$ 4,007,104	\$ 957,104
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(3,050,000)	(3,050,000)	(3,050,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(3,050,000)</b>	<b>(3,050,000)</b>	<b>(3,050,000)</b>	<b>-</b>
Net Change in Fund Balance	-	-	957,104	957,104
Fund Balance Beginning	678,802	678,802	678,802	-
Fund Balance Ending	\$ 678,802	\$ 678,802	\$ 1,635,906	\$ 957,104

**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Harrison Memorial Library Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Contributions	\$ 304,715	\$ 304,715	\$ 304,972	\$ 257
Charges for services	2,000	2,000	5,544	3,544
Interest	8,000	8,000	9,899	1,899
<b>Total Revenues</b>	<b>314,715</b>	<b>314,715</b>	<b>320,415</b>	<b>5,700</b>
<b>EXPENDITURES</b>				
Current:				
Library	314,715	314,715	270,944	43,771
<b>Total Expenditures</b>	<b>314,715</b>	<b>314,715</b>	<b>270,944</b>	<b>43,771</b>
Excess (Deficiency) of Revenues over Expenditures	-	-	49,471	49,471
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	-	-	49,471	49,471
Fund Balance Beginning	1,421,249	1,421,249	1,421,249	-
Fund Balance Ending	\$ 1,421,249	\$ 1,421,249	\$ 1,470,720	\$ 49,471

**City of Carmel-by-the-Sea**  
**Schedule of Pension Contributions**  
**June 30, 2021**

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**Miscellaneous and Safety Plan**

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contributions	\$ 725,205	\$ 1,124,776	\$ 1,279,565	\$ 1,317,381	\$ 1,566,319	\$ 1,864,910	\$ 2,183,606
Contributions in Relation to Contractually Required Contributions	725,205	1,124,776	1,279,565	1,317,381	1,566,319	1,864,910	2,183,606
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 4,894,966</b>	<b>\$ 5,193,071</b>	<b>\$ 5,725,559</b>	<b>\$ 5,897,326</b>	<b>\$ 6,074,246</b>	<b>\$ 6,591,573</b>	<b>\$ 6,772,841</b>
<b>Contributions as a % of Covered Payroll</b>	<b>14.82%</b>	<b>21.66%</b>	<b>22.35%</b>	<b>22.34%</b>	<b>25.79%</b>	<b>28.29%</b>	<b>32.24%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2019  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
3.8 Years Remaining Amortization Period  
Inflation Assumed at 2.5%  
Investment Rate of Returns set at 7.15%  
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.  
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.  
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

**City of Carmel-by-the-Sea**  
**Schedule of Proportionate Share of Net Pension Liability**  
**June 30, 2021**

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<b>Miscellaneous and Safety Plan</b> Fiscal Year Ended	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Proportion of Net Pension Liability (Safety and Misc)	0.18745%	0.19035%	0.19840%	0.20075%	0.20672%	0.21144%	0.22373%
Proportionate Share of Net Pension Liability	\$ 11,664,146	\$ 13,065,617	\$ 17,167,636	\$ 19,908,483	\$ 19,920,568	\$ 21,666,416	\$ 24,342,598
Covered Payroll	\$ 4,748,117	\$ 4,894,966	\$ 5,193,071	\$ 5,725,559	\$ 5,897,326	\$ 6,074,246	\$ 6,591,573
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>245.66%</b>	<b>266.92%</b>	<b>330.59%</b>	<b>347.71%</b>	<b>337.79%</b>	<b>356.69%</b>	<b>369.30%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>80.11%</b>	<b>77.73%</b>	<b>74.70%</b>	<b>73.44%</b>	<b>74.18%</b>	<b>72.78%</b>	<b>71.13%</b>

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.  
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.  
The CalPERS mortality assumptions was adjusted in fiscal year 2019.



**City of Carmel-by-the-Sea  
Retiree Health Care Plan  
Schedule of Total OPEB Liability  
June 30, 2021**

<b>Fiscal Year Ended</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Total OPEB liability</b>				
Service cost	\$ 199,013	\$ 193,586	\$ 295,059	\$ 348,597
Interest	134,202	146,765	143,565	105,930
Differences between expected and actual experience	(2,625)	(2,524)	59,118	(823,299)
Changes of assumptions	(137,699)	192,779	256,216	21,493
Benefit payments	(145,196)	(159,107)	(135,193)	(152,834)
Net change in Total OPEB Liability	47,695	371,499	618,765	(500,113)
Total OPEB Liability - beginning	3,602,744	3,650,439	4,021,938	4,640,703
Total OPEB Liability - ending	\$ 3,650,439	\$ 4,021,938	\$ 4,640,703	\$ 4,140,590
<b>Plan fiduciary net position</b>				
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset)	\$ 3,650,439	4,021,938	4,640,703	4,140,590
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 6,021,711	\$ 6,207,949	\$ 6,378,668	\$ 6,554,081
Net OPEB liability as a percentage of covered employee payroll	60.62%	64.79%	72.75%	63.18%
Total OPEB liability as a percentage of covered employee payroll	60.62%	64.79%	72.75%	63.18%

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

The discount rate decreased from 3.5% to 2.2%, the inflation rate increased from 2.25% to 2.75%, the payroll rate decreased from 3% to 2.75%, and the trend rate changed from 8% to 4% from 2019 to 2020.

The discount rate decreased from 2.2% to 2.16% from 2020 to 2021.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

No assets have been accumulated in a trust for the City's OPEB plan.



## SUPPLEMENTARY INFORMATION

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## COMBINING NONMAJOR GOVERNMENTAL FUNDS

<b>Fund Title</b>	<b>Fund Description</b>
Gast Tax	This fund is used to account for revenues collected in accordance with the Streets and Highway Code.
Transportation Safety	This fund accounts for the expenditures related to resources provided for transportation safety as required by Measure X.
COPS Grant	This fund accounts for the expenditures related to the COP's grant for public safety.
Parking in Lieu	This fund is used to account for activities associate with parking in-lieu fees.
Asset Seizure	This fund accounts for the expenditures related to asset seizures.
Debt Service	This fund is used to account for activities related to the repayment of the Certificate of Participation, Pension Obligation Bond, and capital lease obligations.

**City of Carmel-By-The-Sea**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

**June 30, 2021**

	Special Revenue Funds			
	Gas Tax Fund	Transportation Safety Fund	COPS Grant Fund	Parking In-Lieu Fund
<b>ASSETS</b>				
Cash and investments	\$ 199,482	\$ 237,709	\$ 39,199	\$ 737,124
Receivables:				
Due from other governments	13,341	-	16,667	-
<b>Total assets</b>	<b>\$ 212,823</b>	<b>\$ 237,709</b>	<b>\$ 55,866</b>	<b>\$ 737,124</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted:				
Transportation	212,823	237,709	-	-
Public safety	-	-	55,866	-
Debt service	-	-	-	-
Asset seizure	-	-	-	-
Public parking	-	-	-	737,124
<b>Total fund balances</b>	<b>212,823</b>	<b>237,709</b>	<b>55,866</b>	<b>737,124</b>
<b>Total liabilities and fund balances</b>	<b>\$ 212,823</b>	<b>\$ 237,709</b>	<b>\$ 55,866</b>	<b>\$ 737,124</b>

Cont'd

**City of Carmel-By-The-Sea**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

**June 30, 2021**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Asset Seizure Fund	Debt Service Fund	
<b>ASSETS</b>			
Cash and investments	\$ 5,455	\$ 393,133	\$ 1,612,102
Receivables:			
Due from other governments	-	-	30,008
<b>Total assets</b>	<b>\$ 5,455</b>	<b>\$ 393,133</b>	<b>\$ 1,642,110</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Restricted:			
Transportation	-	-	450,532
Public safety	-	-	55,866
Debt service	-	393,133	393,133
Asset seizure	5,455	-	5,455
Public parking	-	-	737,124
<b>Total fund balances</b>	<b>5,455</b>	<b>393,133</b>	<b>1,642,110</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,455</b>	<b>\$ 393,133</b>	<b>\$ 1,642,110</b>

Concluded

**City of Carmel-By-The-Sea**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds			
	Gas Tax Fund	Transportation Safety Fund	COPS Grant Fund	Parking In-Lieu Fund
<b>REVENUES</b>				
Intergovernmental revenues	\$ 161,065	\$ 200,841	\$ 156,727	\$ -
Interest	333	416	168	2,357
<b>Total Revenues</b>	<b>161,398</b>	<b>201,257</b>	<b>156,895</b>	<b>2,357</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	161,398	201,257	156,895	2,357
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuances	-	-	-	-
Bond defeasance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(160,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(160,000)</b>	<b>-</b>
Net Change in Fund Balances	161,398	201,257	(3,105)	2,357
Fund Balances Beginning	51,425	36,452	58,971	734,767
Fund Balances Ending	\$ 212,823	\$ 237,709	\$ 55,866	\$ 737,124

Cont'd

**City of Carmel-By-The-Sea**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Special Revenue		Total Nonmajor Governmental Funds
	Funds	Debt Service	
	Asset Seizure Fund	Debt Service Fund	
<b>REVENUES</b>			
Intergovernmental revenues	\$ -	\$ -	\$ 518,633
Interest	18	51	3,343
<b>Total Revenues</b>	<b>18</b>	<b>51</b>	<b>521,976</b>
<b>EXPENDITURES</b>			
Debt service			
Principal	-	640,000	640,000
Interest and fiscal charges	-	406,525	406,525
<b>Total Expenditures</b>	<b>-</b>	<b>1,046,525</b>	<b>1,046,525</b>
Excess (Deficiency) of Revenues over Expenditures	18	(1,046,474)	(524,549)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond issuances	-	4,761,901	4,761,901
Bond defeasance	-	(4,890,000)	(4,890,000)
Transfers in	-	1,244,515	1,244,515
Transfers out	-	-	(160,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>1,116,416</b>	<b>956,416</b>
Net Change in Fund Balances	18	69,942	431,867
Fund Balances Beginning	5,437	323,191	1,210,243
Fund Balances Ending	\$ 5,455	\$ 393,133	\$ 1,642,110

Concluded



**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Gas Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 146,214	\$ 146,214	\$ 161,065	\$ 14,851
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	333	333
<b>Total Revenues</b>	<b>146,214</b>	<b>146,214</b>	<b>161,398</b>	<b>15,184</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	146,214	146,214	161,398	15,184
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	146,214	146,214	161,398	15,184
Fund Balances Beginning	51,425	51,425	51,425	-
Fund Balances Ending	<b>\$ 197,639</b>	<b>\$ 197,639</b>	<b>\$ 212,823</b>	<b>\$ 15,184</b>

Cont'd

**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Transportation Safety Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 183,000	\$ 183,000	\$ 200,841	\$ 17,841
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	416	416
<b>Total Revenues</b>	<b>183,000</b>	<b>183,000</b>	<b>201,257</b>	<b>18,257</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	183,000	183,000	201,257	18,257
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	183,000	183,000	201,257	18,257
Fund Balances Beginning	36,452	36,452	36,452	-
Fund Balances Ending	<b>\$ 219,452</b>	<b>\$ 219,452</b>	<b>\$ 237,709</b>	<b>\$ 18,257</b>

Cont'd

**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	COPS Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 160,000	\$ 160,000	\$ 156,727	\$ (3,273)
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	168	168
<b>Total Revenues</b>	<b>160,000</b>	<b>160,000</b>	<b>156,895</b>	<b>(3,105)</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	160,000	160,000	156,895	(3,105)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(160,000)	(160,000)	(160,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(160,000)</b>	<b>(160,000)</b>	<b>(160,000)</b>	<b>-</b>
Net Change in Fund Balances	-	-	(3,105)	(3,105)
Fund Balances Beginning	58,971	58,971	58,971	-
Fund Balances Ending	<b>\$ 58,971</b>	<b>\$ 58,971</b>	<b>\$ 55,866</b>	<b>\$ (3,105)</b>

Cont'd

**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Parking In-Lieu Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	2,357	2,357
<b>Total Revenues</b>	-	-	2,357	2,357
<b>EXPENDITURES</b>				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	2,357	2,357
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
Net Change in Fund Balances	-	-	2,357	2,357
Fund Balances Beginning	734,767	734,767	734,767	-
Fund Balances Ending	\$ 734,767	\$ 734,767	\$ 737,124	\$ 2,357

Cont'd

**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Asset Seizure Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	18	18
<b>Total Revenues</b>	-	-	18	18
<b>EXPENDITURES</b>				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	18	18
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
Net Change in Fund Balances	-	-	18	18
Fund Balances Beginning	5,437	5,437	5,437	-
Fund Balances Ending	\$ 5,437	\$ 5,437	\$ 5,455	\$ 18

Cont'd

**City of Carmel-By-The-Sea**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Debt Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	51	51
<b>Total Revenues</b>	-	-	51	51
<b>EXPENDITURES</b>				
Debt service				
Principal	1,003,770	5,530,000	640,000	4,890,000
Interest and fiscal charges	240,745	425,467	406,525	18,942
<b>Total Expenditures</b>	1,244,515	5,955,467	1,046,525	4,908,942
Excess (Deficiency) of Revenues over Expenditures	(1,244,515)	(5,955,467)	(1,046,474)	4,908,993
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,244,515	1,244,515	1,244,515	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	1,244,515	1,244,515	1,244,515	-
Net Change in Fund Balances	-	(4,710,952)	198,041	4,908,993
Fund Balances Beginning	323,191	323,191	323,191	-
Fund Balances Ending	\$ 323,191	\$ (4,387,761)	\$ 521,232	\$ 4,908,993

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## INTERNAL SERVICE FUNDS

Fund Title	Fund Description
Worker's Compensation	This fund accounts for workers compensation insurance provided to departments on a cost reimbursement basis.
OPEB Reserve Fund	This fund accounts for other postemployment benefits provided to departments on a cost reimbursement basis.
Vehicle & Equipment Replacement	This fund is to set aside financial resources for future purchases of replacement equipment essential to the operations of the City.



**City of Carmel-By-The-Sea**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2021**

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 554,656	\$ 1,845,329	\$ 110,225	\$ 2,510,210
Total current assets	<u>554,656</u>	<u>1,845,329</u>	<u>110,225</u>	<u>2,510,210</u>
Noncurrent assets:				
Capital assets - net	-	-	721,266	721,266
<b>Total assets</b>	<u>\$ 554,656</u>	<u>\$ 1,845,329</u>	<u>\$ 831,491</u>	<u>\$ 3,231,476</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ 48,897	\$ 48,897
Claims payable - current	57,500	-	-	57,500
Total current liabilities	<u>57,500</u>	<u>-</u>	<u>48,897</u>	<u>106,397</u>
Noncurrent liabilities:				
Claims payable	517,500	-	-	517,500
<b>Total liabilities</b>	<u>\$ 575,000</u>	<u>\$ -</u>	<u>\$ 48,897</u>	<u>\$ 623,897</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ -	\$ -	\$ 721,266	\$ 721,266
Unrestricted	(20,344)	1,845,329	61,328	1,886,313
<b>Total net position</b>	<u>\$ (20,344)</u>	<u>\$ 1,845,329</u>	<u>\$ 782,594</u>	<u>\$ 2,607,579</u>

**City of Carmel-By-The-Sea**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2021**

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
<b>Total operating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>				
Claims	21,965	-	-	21,965
Supplies and materials	-	-	-	-
Depreciation	-	-	281,403	281,403
<b>Total operating expenses</b>	<b>21,965</b>	<b>-</b>	<b>281,403</b>	<b>303,368</b>
Operating income (loss)	(21,965)	-	(281,403)	(303,368)
<b>NONOPERATING REVENUES(EXPENSES)</b>				
Investment income	1,621	5,900	-	7,521
<b>Total nonoperating revenues(expenses)</b>	<b>1,621</b>	<b>5,900</b>	<b>-</b>	<b>7,521</b>
Income (loss) before operating transfers	(20,344)	5,900	(281,403)	(295,847)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in net position	(20,344)	5,900	(281,403)	(295,847)
Total net position - beginning	-	1,839,429	1,063,997	2,903,426
Total net position - ending	\$ (20,344)	\$ 1,845,329	\$ 782,594	\$ 2,607,579

**City of Carmel-By-The-Sea**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2021**

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>				
Receipts from interfund services provided	\$ 54,440	\$ -	\$ -	\$ 54,440
Payments for claims	(21,965)	-	-	(21,965)
Payments for supplies and materials	-	-	48,501	48,501
Net cash provided (used) by operating activities	<u>32,475</u>	<u>-</u>	<u>48,501</u>	<u>80,976</u>
<b>Cash flows from capital financing activities:</b>				
Purchases of property and equipment	-	-	(139,124)	(139,124)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(139,124)</u>	<u>(139,124)</u>
<b>Cash flows from investing activities:</b>				
Investment income received	1,621	5,900	-	7,521
Net cash provided (used) by investing activities	<u>1,621</u>	<u>5,900</u>	<u>-</u>	<u>7,521</u>
Net increase (decrease) in cash and cash equivalents	34,096	5,900	(90,623)	(50,627)
Cash and cash equivalents - beginning	520,560	1,839,429	200,848	2,560,837
Cash and cash equivalents - ending	<u>\$ 554,656</u>	<u>\$ 1,845,329</u>	<u>\$ 110,225</u>	<u>\$ 2,510,210</u>
<b>Reconciliation of operating income to net cash provided (used)</b>				
<b>by operating activities:</b>				
Operating income (loss)	\$ (21,965)	\$ -	\$ (281,403)	\$ (303,368)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	281,403	281,403
Change in operating assets and liabilities:				
Due from other funds	54,440	-	-	54,440
Accounts payable	-	-	48,501	48,501
Net cash provided (used) by operating activities	<u>\$ 32,475</u>	<u>\$ -</u>	<u>\$ 48,501</u>	<u>\$ 80,976</u>



## **STATISTICAL SECTION**

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## **STATISTICAL SECTION**

### **(Unaudited)**

This part of the City of Carmel-by-the-Sea'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 tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.*

#### **Revenue Capacity**

*These tables contain information to help the reader assess the city's most significant local revenue source, the property tax.*

#### **Debt Capacity**

*These tables 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 tables offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.*

#### **Operating Information**

*These tables 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.*

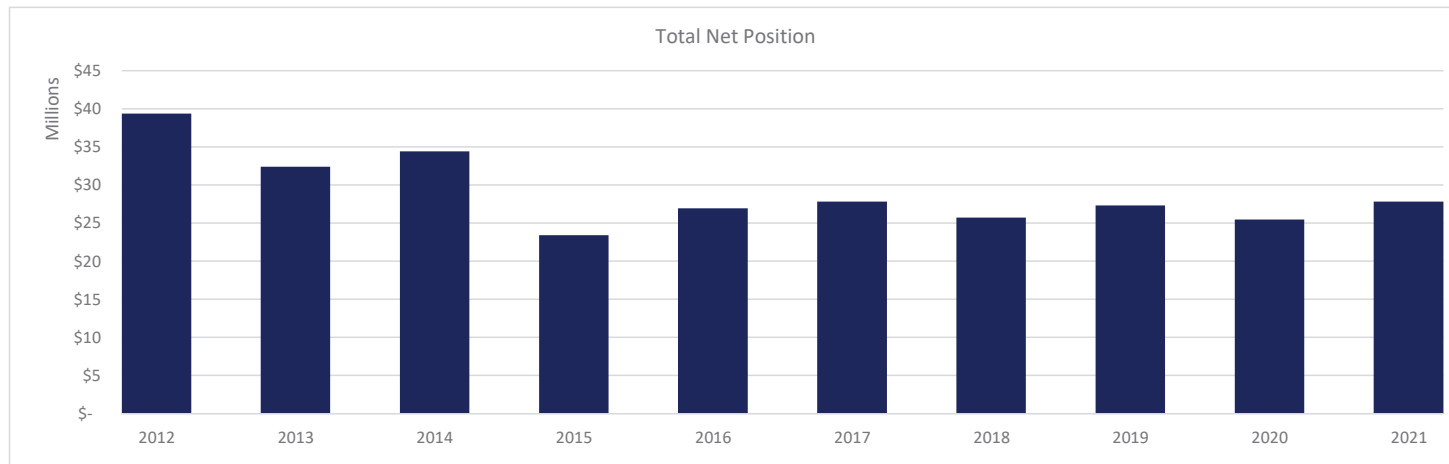
Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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**City of Carmel-by-the-Sea**  
**Net Position By Component**  
**Last Ten Fiscal Years**

TABLE 1

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Net investment in capital assets	\$ 31,374,354	\$ 29,605,438	\$ 25,522,348	\$ 32,547,268	\$ 36,006,046	\$ 36,931,575	\$ 35,216,550	\$ 37,132,103	\$ 36,611,510	\$ 34,846,110
Restricted	555,524	566,992	2,616,731	3,862,473	3,584,687	5,027,082	2,628,238	2,817,741	3,310,294	4,748,736
Unrestricted	7,408,523	2,205,463	6,266,725	(12,992,711)	(12,666,545)	(14,167,354)	(12,141,385)	(12,645,571)	(14,479,015)	(11,775,303)
Total governmental activities net position	\$ 39,338,401	\$ 32,377,893	\$ 34,405,804	\$ 23,417,030	\$ 26,924,188	\$ 27,791,303	\$ 25,703,403	\$ 27,304,273	\$ 25,442,789	\$ 27,819,543



**Notes:**

- 1) In 2012 net position increased mostly due to capital additions and investments in capital assets
- 2) In 2015, net position decreased mostly due to the implementation of GASB 68 for pension benefit liabilities and related amounts.

Source: City of Carmel-by-the-Sea Finance Department



**City of Carmel-by-the-Sea**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

TABLE 2

	2012	2013	2014	2015	2016
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,904,382	\$ 9,481,135	\$ 4,067,934	\$ 3,724,546	\$ 5,162,323
Community planning and building	-	-	-	-	-
Public safety	4,694,672	4,193,157	4,299,954	6,685,310	6,445,695
Public works	1,790,684	1,896,305	2,227,067	2,003,332	1,454,895
Library	-	-	-	-	-
Community activities	-	-	-	-	-
Economic revitalization	361,458	304,587	363,342	326,956	306,505
Building maintenance	2,718,581	3,763,094	2,924,447	1,832,618	1,542,170
Forest, parks and beach	1,578,381	472,123	484,119	581,319	558,592
Culture and recreation	1,314,073	2,405,481	2,453,842	2,605,877	2,082,591
Interest and fiscal charges on long-term debt	194,153	376,787	346,674	365,043	336,551
Depreciation (Unallocated)	-	-	-	-	1,528,260
<b>Total governmental activities expenses</b>	<b>15,556,384</b>	<b>22,892,669</b>	<b>17,167,379</b>	<b>18,125,001</b>	<b>19,417,582</b>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	4,735	19,821	15,644	66,190	34,040
Community planning and building	-	-	-	-	-
Public safety	39,878	167,723	184,338	918,644	684,612
Public works	412,605	433,928	467,392	525,310	534,224
Library	-	-	-	-	-
Community activities	-	-	-	-	-
Economic revitalization	-	-	-	-	-
Forest, parks and beach	-	-	165,406	-	-
Culture and recreation	36,030	80,909	91,804	18,953	20,326
Operating grants and contributions	871,230	1,474,331	1,282,214	1,444,296	668,239
Capital grants and contributions	-	-	-	331,719	327,029
<b>Total governmental activities program revenues</b>	<b>1,364,478</b>	<b>2,176,712</b>	<b>2,206,798</b>	<b>3,305,112</b>	<b>2,268,470</b>
Net (expense)/revenue:					
Governmental activities	(14,191,906)	(20,715,957)	(14,960,581)	(14,819,889)	(17,149,112)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	4,571,481	4,652,176	4,881,534	5,127,974	5,598,743
Sales and use taxes	1,743,748	2,760,414	5,115,880	5,280,418	4,897,325
Transient occupancy taxes	4,179,900	4,615,598	5,185,880	5,593,689	5,890,538
Franchise taxes	491,674	981,831	994,468	430,430	587,514
Business license tax	532,019	577,364	549,190	606,128	626,625
Intergovernmental	-	-	-	382,145	413,334
Unrestricted grants and contributions	-	-	-	-	-
Unrestricted investment earnings	55,995	69,735	76,880	163,648	160,172
Gain (loss) on sale of assets	-	-	-	-	-
Special item - infrastructure capitalization	13,760,000	-	-	-	-
Miscellaneous or other revenues	276,751	98,331	184,660	249,537	1,963,750
<b>Total governmental activities</b>	<b>25,611,568</b>	<b>13,755,449</b>	<b>16,988,492</b>	<b>17,833,969</b>	<b>20,138,001</b>
<b>Change in Net Position</b>	<b>\$ 11,419,662</b>	<b>\$ (6,960,508)</b>	<b>\$ 2,027,911</b>	<b>\$ 3,014,080</b>	<b>\$ 2,988,889</b>

Note: In 2012 and 2018, the City changed the classification of its program expenses and revenues based on operations at the time.

Cont'd

Source: City of Carmel-by-the-Sea Finance Department

**City of Carmel-by-the-Sea**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

TABLE 2

	2017	2018	2019	2020	2021
<b>Expenses</b>					
Governmental activities:					
General government	\$ 4,981,304	\$ 4,896,809	\$ 5,906,304	\$ 5,356,174	\$ 5,423,821
Community planning and building	1,146,860	1,206,295	1,191,826	1,214,005	1,280,518
Public safety	7,281,137	7,771,104	8,390,616	9,166,804	8,968,364
Public works	2,605,036	2,950,423	4,162,376	4,410,995	4,162,030
Library	1,144,883	1,303,989	1,894,410	2,011,886	1,539,410
Community activities	446,445	153,224	283,512	256,698	119,562
Economic revitalization	1,110,857	1,125,261	1,144,022	1,081,813	819,202
Building maintenance	-	-	-	-	-
Forest, parks and beach	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Interest and fiscal charges on long-term debt	322,181	319,974	283,606	268,721	387,525
Depreciation (Unallocated)	1,747,960	1,786,021	-	-	-
<b>Total governmental activities expenses</b>	<b>20,786,663</b>	<b>21,513,100</b>	<b>23,256,672</b>	<b>23,767,096</b>	<b>22,700,432</b>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	38,795	318,414	256,645	211,067	165,541
Community planning and building	-	1,167,308	1,454,523	1,112,512	1,142,277
Public safety	373,716	692,187	790,428	808,559	796,471
Public works	751,844	58,931	44,636	42,395	156,838
Library	-	14,794	10,097	11,793	5,544
Community activities	-	79,067	146,443	85,060	33,140
Economic revitalization	-	97,142	102,366	91,528	111,093
Forest, parks and beach	-	-	-	-	-
Culture and recreation	31,817	-	-	-	-
Operating grants and contributions	675,765	681,240	865,370	695,186	813,139
Capital grants and contributions	166,726	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>2,038,663</b>	<b>3,109,083</b>	<b>3,670,508</b>	<b>3,058,100</b>	<b>3,224,043</b>
Net (expense)/revenue:					
Governmental activities	(18,748,000)	(18,404,017)	(19,586,164)	(20,708,996)	(19,476,389)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	5,825,889	6,192,126	6,524,331	6,690,948	7,389,657
Sales and use taxes	5,373,800	5,486,449	5,732,885	4,766,762	7,028,041
Transient occupancy taxes	6,112,347	6,329,074	6,882,015	5,115,271	5,339,285
Franchise taxes	672,554	637,136	636,397	632,833	756,358
Business license tax	649,525	544,392	594,941	592,466	524,220
Intergovernmental	436,073	462,989	-	672,399	704,337
Unrestricted grants and contributions	-	92,155	637,124	-	-
Unrestricted investment earnings	182,366	101,743	205,791	207,153	47,554
Gain (loss) on sale of assets	-	(2,439,255)	(160,794)	-	-
Special item - infrastructure capitalization	-	-	-	-	-
Miscellaneous or other revenues	362,561	212,820	12,928	169,680	63,692
<b>Total governmental activities</b>	<b>19,615,115</b>	<b>17,619,629</b>	<b>21,065,618</b>	<b>18,847,512</b>	<b>21,853,144</b>
<b>Change in Net Position</b>	<b>\$ 867,115</b>	<b>\$ (784,388)</b>	<b>\$ 1,479,454</b>	<b>\$ (1,861,484)</b>	<b>\$ 2,376,755</b>

Note: In 2012 and 2018, the City changed the classification of its program expenses and revenues based on operations at the time.

Concluded

Source: City of Carmel-by-the-Sea Finance Department

**City of Carmel-by-the-Sea**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

TABLE 3

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Fund</b>										
Nonspendable	\$ -	\$ -	\$ 73,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	4,258,441	2,898,615	2,888,306	4,561,070	2,166,165	2,173,138	2,806,045	2,808,138	2,684,665	2,421,958
Assigned	-	-	-	1,747,589	3,308,636	2,448,461	1,922,008	1,926,008	1,025,194	1,025,194
Unassigned	3,001,120	5,253,298	4,172,077	1,541,150	1,738,067	4,693,897	3,278,341	4,515,984	5,048,288	9,167,717
<b>Total Fund Balance</b>	<b>7,259,561</b>	<b>8,151,913</b>	<b>7,133,421</b>	<b>7,849,809</b>	<b>7,212,868</b>	<b>9,315,496</b>	<b>8,006,394</b>	<b>9,250,130</b>	<b>8,758,147</b>	<b>12,614,869</b>
<b>Other Governmental Funds</b>										
Nonspendable	\$ 46,747	\$ 46,747	\$ 46,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	555,524	566,992	2,543,658	3,903,533	3,624,383	5,065,310	2,628,238	2,817,741	3,310,294	4,748,736
Committed	-	-	-	1,783,310	-	-	-	-	-	-
Assigned	1,506,992	1,793,249	1,477,680	90,158	1,146,832	-	1,627,098	362,034	571,657	539,863
Unassigned	-	-	(479,166)	(684,400)	(706,427)	(1,264,197)	(483)	-	-	-
<b>Total Fund Balance</b>	<b>2,109,263</b>	<b>2,406,988</b>	<b>3,588,919</b>	<b>5,092,601</b>	<b>4,064,788</b>	<b>3,801,113</b>	<b>4,254,853</b>	<b>3,179,775</b>	<b>3,881,951</b>	<b>5,288,599</b>
<b>Total Fund Balance</b>	<b>\$ 9,368,824</b>	<b>\$ 10,558,901</b>	<b>\$ 10,722,340</b>	<b>\$ 12,942,410</b>	<b>\$ 11,277,656</b>	<b>\$ 13,116,609</b>	<b>\$ 12,261,247</b>	<b>\$ 12,429,905</b>	<b>\$ 12,640,098</b>	<b>\$ 17,903,468</b>

Note: The City implemented GASB 54 in 2011 and prior fund balances were not restated or reclassified.  
Source: City of Carmel-by-the-Sea Finance Department

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**City of Carmel-by-the-Sea**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

TABLE 4

	2012	2013	2014	2015	2016
<b>Revenues</b>					
Taxes	\$ 11,497,256	\$ 12,505,034	\$ 12,727,944	\$ 17,420,784	\$ 18,014,079
Intergovernmental revenues	635,386	609,304	3,864,416	874,152	294,952
License and permits	612,356	1,195,092	1,114,927	720,257	788,578
Contributions	329,160	354,785	313,895	686,025	314,600
Fines and forfeitures	127,354	133,168	138,713	119,152	111,930
Charges for services	597,302	738,366	508,563	905,526	712,321
Interest	-	-	-	-	-
Use of money and property	231,975	284,674	314,248	163,648	163,875
Other revenues	93,944	109,392	193,336	249,537	389,136
<b>Total revenues</b>	<b>14,124,733</b>	<b>15,929,815</b>	<b>19,176,042</b>	<b>21,139,081</b>	<b>20,789,471</b>
<b>Expenditures</b>					
General government	3,122,302	3,029,816	4,305,440	3,593,094	5,045,332
Community Planning and Building	-	-	-	-	-
Public Safety	3,363,428	4,026,884	4,245,184	6,398,876	6,264,950
Public Works	1,166,299	1,341,604	1,609,402	1,284,030	1,301,160
Library	-	-	-	-	-
Community Activities	-	-	-	-	-
Economic Revitalization	361,458	304,587	363,342	315,780	306,505
Building maintenance	2,633,987	2,263,763	2,798,314	1,637,602	1,525,038
Forest, parks and beach	1,122,795	466,021	468,247	544,902	547,211
Culture and recreation	1,298,938	1,918,196	1,963,003	1,999,728	2,054,872
Capital Outlay	1,599,462	651,785	1,993,305	2,396,667	4,439,279
Debt Service					
Principal	315,570	410,434	927,774	1,046,128	898,379
Interest and fiscal charges	257,771	328,994	357,840	360,610	337,915
<b>Total expenditures</b>	<b>15,242,010</b>	<b>14,742,084</b>	<b>19,031,851</b>	<b>19,577,417</b>	<b>22,720,641</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,117,277)</b>	<b>1,187,731</b>	<b>144,191</b>	<b>1,561,664</b>	<b>(1,931,170)</b>
<b>Other financing sources (uses)</b>					
Asset dispositions	-	2,346	19,248	-	-
Long-term debt issued	-	6,280,000	-	-	-
Retirement of PERS side fund	-	(6,280,000)	-	-	-
Defeasance of debt	-	-	-	-	-
Interagency transfers in (out)	-	-	-	-	-
Transfers in	7,749,165	6,301,989	9,724,198	4,927,935	6,483,069
Transfers out	(7,749,165)	(6,301,989)	(9,724,198)	(4,927,935)	(6,483,069)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>2,346</b>	<b>19,248</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (1,117,277)</b>	<b>\$ 1,190,077</b>	<b>\$ 163,439</b>	<b>\$ 1,561,664</b>	<b>\$ (1,931,170)</b>
<b>Total Expenditures</b>	<b>\$ 15,242,010</b>	<b>\$ 14,742,084</b>	<b>\$ 19,031,851</b>	<b>\$ 19,577,417</b>	<b>\$ 22,720,641</b>
Capitalized Portion of Capital Outlay	1,066,867	651,397	1,993,170	2,396,667	4,311,179
<b>Total Non-Capitalized Expenditures</b>	<b>\$ 14,175,143</b>	<b>\$ 14,090,687</b>	<b>\$ 17,038,681</b>	<b>\$ 17,180,750</b>	<b>\$ 18,409,462</b>
<b>Debt Service: Principal &amp; Interest</b>	<b>\$ 573,341</b>	<b>\$ 739,428</b>	<b>\$ 1,285,614</b>	<b>\$ 1,406,738</b>	<b>\$ 1,236,294</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.0%</b>	<b>5.2%</b>	<b>7.5%</b>	<b>8.2%</b>	<b>6.7%</b>

Note: In 2012 and 2018, the City changed the classification of its program expenditures and revenues based on operations at the time.

Source: City of Carmel-by-the-Sea Finance Department

Cont'd

**City of Carmel-by-the-Sea**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

TABLE 4

	2017	2018	2019	2020	2021
<b>Revenues</b>					
Taxes	\$ 19,041,911	\$ 19,652,166	\$ 20,370,569	\$ 21,037,561	\$ 21,037,561
Intergovernmental revenues	365,304	454,997	1,088,044	1,126,260	1,212,506
License and permits	850,547	1,087,953	1,192,242	928,752	889,822
Contributions	323,495	318,398	314,450	241,324	304,972
Fines and forfeitures	87,154	91,813	121,470	72,152	48,947
Charges for services	440,439	1,070,999	1,261,169	1,193,992	1,204,113
Interest	-	58,055	167,544	178,244	40,033
Use of money and property	182,367	100,899	185,156	130,792	138,138
Other revenues	1,979,561	211,153	158,029	206,908	193,575
<b>Total revenues</b>	<b>23,270,778</b>	<b>23,046,433</b>	<b>24,858,673</b>	<b>25,115,985</b>	<b>25,069,667</b>
<b>Expenditures</b>					
General government	5,681,103	4,696,923	5,517,516	5,008,054	5,083,467
Community Planning and Building	-	1,128,977	1,116,689	1,094,736	1,172,337
Public Safety	7,033,862	7,024,092	7,617,310	7,774,916	7,833,156
Public Works	2,554,752	2,769,129	2,902,461	2,847,091	2,635,206
Library	-	1,217,687	1,258,390	1,344,340	917,694
Community Activities	-	141,378	179,426	209,554	82,366
Economic Revitalization	351,425	1,095,636	1,103,993	1,076,542	808,540
Building maintenance	1,138,983	-	-	-	-
Forest, parks and beach	108,764	-	-	-	-
Culture and recreation	1,448,129	-	-	-	-
Capital Outlay	1,877,053	1,833,014	3,778,271	869,596	98,907
Debt Service					
Principal	914,105	934,860	950,770	971,460	640,000
Interest and fiscal charges	323,649	302,202	286,606	272,721	406,525
<b>Total expenditures</b>	<b>21,431,825</b>	<b>21,143,898</b>	<b>24,711,432</b>	<b>21,469,010</b>	<b>19,678,198</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,838,953</b>	<b>1,902,535</b>	<b>147,241</b>	<b>3,646,975</b>	<b>5,391,469</b>
<b>Other financing sources (uses)</b>					
Asset dispositions	-	-	-	-	-
Long-term debt issued	-	-	-	-	4,761,901
Retirement of PERS side fund	-	-	-	-	-
Defeasance of debt	-	-	-	-	(4,890,000)
Interagency transfers in (out)	-	31,000	-	-	-
Transfers in	3,405,710	13,924,490	4,581,594	3,188,456	3,210,000
Transfers out	(3,405,710)	(16,713,387)	(4,681,594)	(3,385,956)	(3,210,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,757,897)</b>	<b>(100,000)</b>	<b>(197,500)</b>	<b>(128,099)</b>
<b>Net change in fund balances</b>	<b>\$ 1,838,953</b>	<b>\$ (855,362)</b>	<b>\$ 47,241</b>	<b>\$ 3,449,475</b>	<b>\$ 5,263,370</b>
<b>Total Expenditures</b>	<b>\$ 21,431,825</b>	<b>\$ 21,143,898</b>	<b>\$ 24,711,432</b>	<b>\$ 21,469,010</b>	<b>\$ 19,678,198</b>
Capitalized Portion of Capital Outlay	1,870,844	1,900,132	3,533,858	918,075	133,875
<b>Total Non-Capitalized Expenditures</b>	<b>\$ 19,560,981</b>	<b>\$ 19,243,766</b>	<b>\$ 21,177,574</b>	<b>\$ 20,550,935</b>	<b>\$ 19,544,323</b>
<b>Debt Service: Principal &amp; Interest</b>	<b>\$ 1,237,754</b>	<b>\$ 1,237,062</b>	<b>\$ 1,237,376</b>	<b>\$ 1,244,181</b>	<b>\$ 1,046,525</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>6.3%</b>	<b>6.4%</b>	<b>5.8%</b>	<b>6.1%</b>	<b>5.4%</b>

Note: In 2012 and 2018, the City changed the classification of its program expenditures and revenues based on operations at the time.

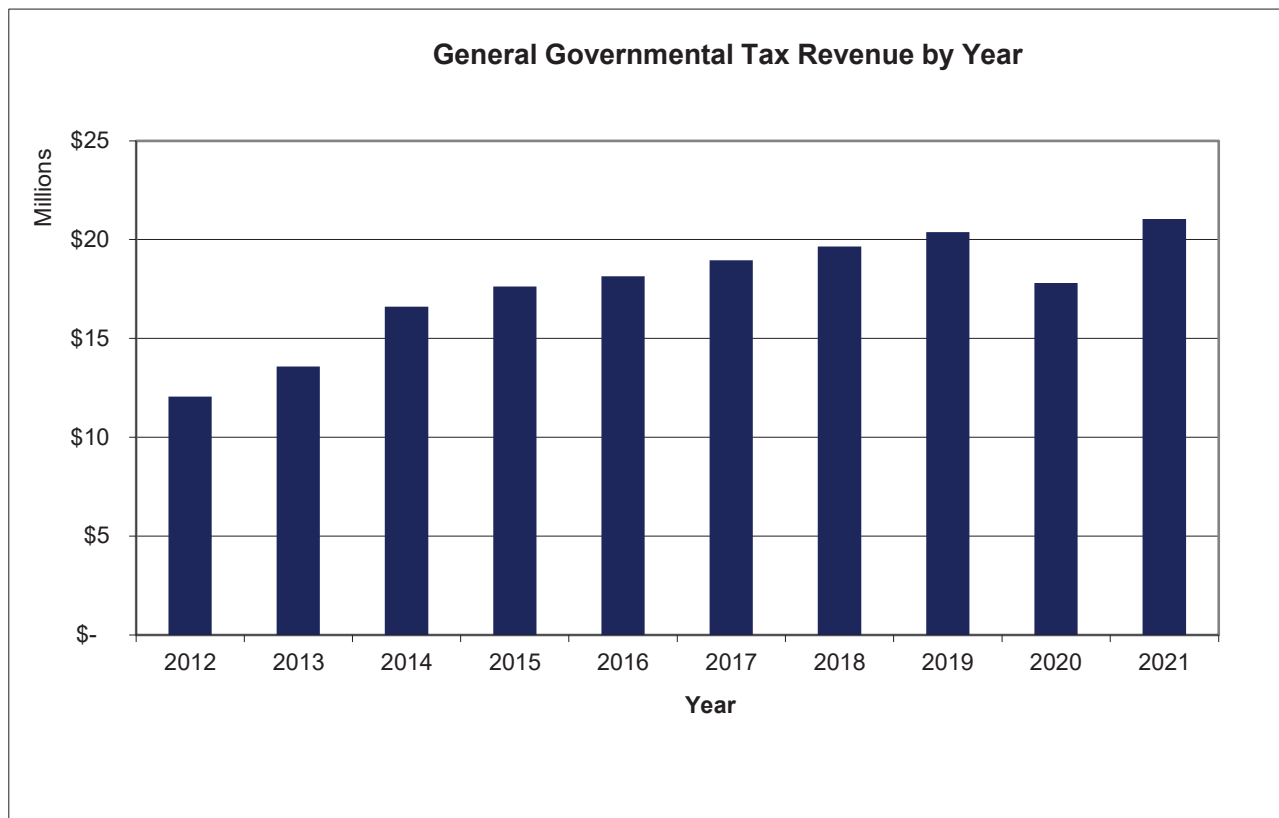
Source: City of Carmel-by-the-Sea Finance Department

Concluded

**City of Carmel-by-the-Sea**  
**General Governmental Tax Revenues by Source**  
**Last Ten Fiscal Years**

TABLE 5

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Business License	Other Tax	Total
2012	\$ 4,571,481	\$ 1,743,748	\$ 981,831	\$ 4,179,900	\$ 577,364	\$ -	\$ 12,054,324
2013	\$ 4,652,176	\$ 2,760,414	\$ 994,468	\$ 4,615,598	\$ 549,190	\$ -	\$ 13,571,846
2014	\$ 4,881,534	\$ 5,115,880	\$ 430,430	\$ 5,185,880	\$ 606,128	\$ 382,145	\$ 16,601,997
2015	\$ 5,127,974	\$ 5,280,418	\$ 587,514	\$ 5,593,689	\$ 626,625	\$ 413,334	\$ 17,629,554
2016	\$ 5,598,743	\$ 4,897,325	\$ 672,554	\$ 5,890,538	\$ 649,525	\$ 436,073	\$ 18,144,758
2017	\$ 5,825,889	\$ 5,373,800	\$ 637,136	\$ 6,112,347	\$ 544,392	\$ 462,989	\$ 18,956,553
2018	\$ 6,192,126	\$ 5,486,449	\$ 637,136	\$ 6,329,074	\$ 544,392	\$ 462,989	\$ 19,652,166
2019	\$ 6,524,331	\$ 5,732,885	\$ 636,397	\$ 6,882,015	\$ 594,941	\$ -	\$ 20,370,569
2020	\$ 6,690,948	\$ 4,766,762	\$ 632,833	\$ 5,115,271	\$ 592,466	\$ -	\$ 17,798,280
2021	\$ 7,389,657	\$ 7,028,041	\$ 756,358	\$ 5,339,285	\$ 524,220	\$ -	\$ 21,037,561

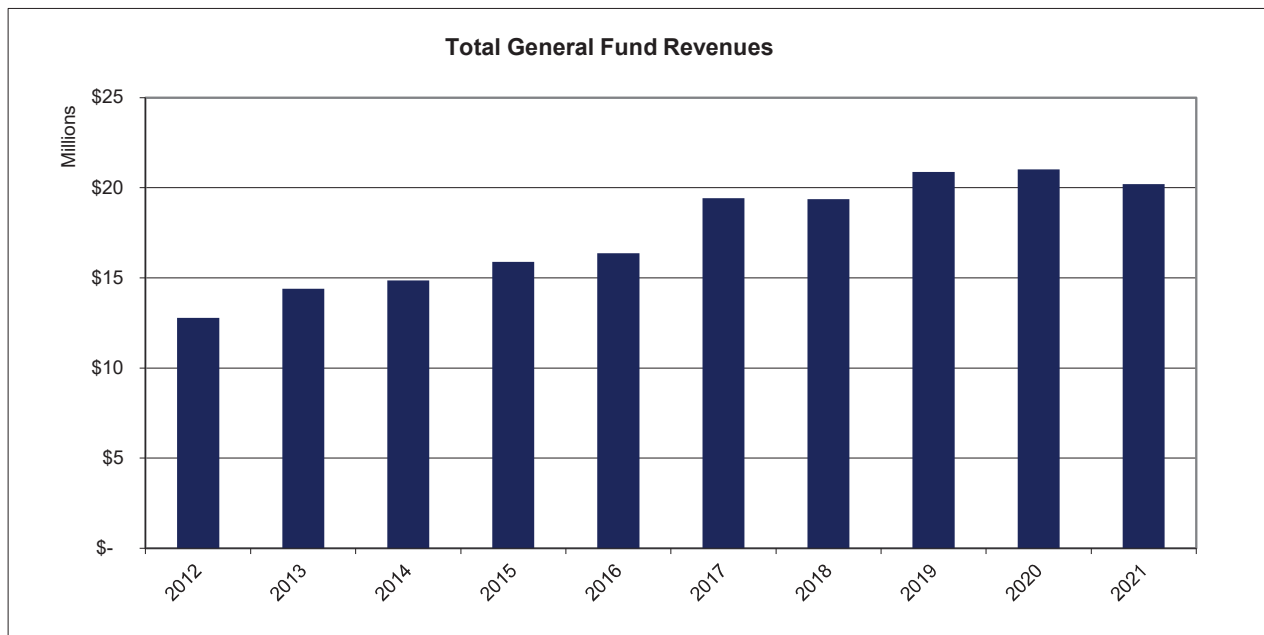


Source: City of Carmel-by-the-Sea Finance Department

**City of Carmel-by-the-Sea**  
**General Fund Revenues by Source**  
**Last Ten Fiscal Years**

TABLE 6

Fiscal Year Ended June 30	Taxes	Inter-Governmental	Licenses and Permits	Contributions	Fines and Forfeitures	Charges for Services	Interest, Rents and Concessions	Other Revenues	Total
2012	\$ 11,497,256	\$ 419,326	\$ 430,250	\$ 26,830	\$ 27,385	\$ 60,228	\$ 226,616	\$ 93,944	\$ 12,781,835
2013	\$ 12,505,034	\$ 378,410	\$ 1,011,292	\$ 3,884	\$ 16,647	\$ 88,200	\$ 283,233	\$ 109,392	\$ 14,396,092
2014	\$ 12,727,944	\$ 481,310	\$ 997,334	\$ -	\$ 30,489	\$ 106,065	\$ 313,076	\$ 193,336	\$ 14,849,554
2015	\$ 14,702,528	\$ -	\$ 504,419	\$ -	\$ 9,246	\$ 256,097	\$ 161,620	\$ 249,537	\$ 15,883,447
2016	\$ 15,124,699	\$ 74,014	\$ 553,602	\$ -	\$ 7,245	\$ 57,818	\$ 159,632	\$ 389,136	\$ 16,366,146
2017	\$ 16,296,757	\$ 136,367	\$ 762,257	\$ -	\$ 8,422	\$ 66,957	\$ 170,631	\$ 1,979,561	\$ 19,420,952
2018	\$ 16,753,721	\$ 42,846	\$ 1,087,953	\$ -	\$ 91,813	\$ 1,056,205	\$ 123,382	\$ 211,133	\$ 19,367,053
2019	\$ 17,290,655	\$ 583,573	\$ 1,192,242	\$ -	\$ 121,470	\$ 1,251,072	\$ 309,418	\$ 132,776	\$ 20,881,206
2020	\$ 17,798,280	\$ 610,960	\$ 928,752	\$ -	\$ 72,152	\$ 1,177,695	\$ 273,176	\$ 165,131	\$ 21,026,146
2021	\$ 17,030,457	\$ 693,873	\$ 889,822	\$ -	\$ 48,947	\$ 1,198,569	\$ 164,929	\$ 171,329	\$ 20,197,926



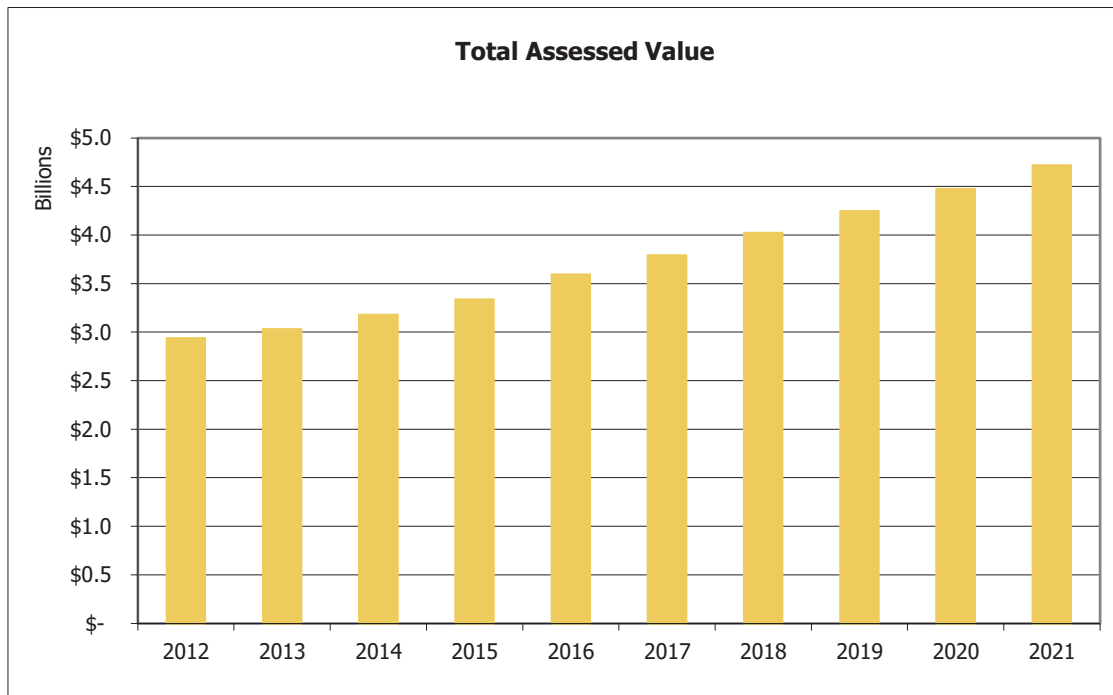
Source: City of Carmel-by-the-Sea Finance Department



**City of Carmel-by-the-Sea**  
**Net Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

TABLE 7

Fiscal Year Ended June 30	Secured	Unsecured	Total Assessed Value	Total Direct Tax Rate
2012	\$ 2,908,891,597	\$ 30,254,516	\$ 2,939,146,113	1.00%
2013	\$ 3,001,630,584	\$ 28,759,821	\$ 3,030,390,405	1.00%
2014	\$ 3,153,416,179	\$ 27,307,767	\$ 3,180,723,946	1.00%
2015	\$ 3,309,856,089	\$ 26,813,656	\$ 3,336,669,745	1.00%
2016	\$ 3,569,065,524	\$ 26,719,717	\$ 3,595,785,241	1.00%
2017	\$ 3,766,258,441	\$ 26,280,598	\$ 3,792,539,039	1.00%
2018	\$ 3,999,182,757	\$ 25,708,168	\$ 4,024,890,925	1.00%
2019	\$ 4,220,683,852	\$ 26,668,954	\$ 4,247,352,806	1.00%
2020	\$ 4,446,041,301	\$ 28,251,679	\$ 4,474,292,980	1.00%
2021	\$ 4,686,463,940	\$ 31,785,264	\$ 4,718,249,204	1.00%



Notes:

Total Direct Tax Rate is from Table 8. Rates are based on a \$100 of taxable value.

Exempt values are not included in Total.

With the passage of a constitutional amendment (Proposition 13) and subsequently enacted State legislation, property is assessed according to a base year rather than on a percentage of market value. Accordingly, a reliable estimate of actual value of taxable property within the City is not possible.

Source: County of Monterey Assessors Office

**City of Carmel-by-the-Sea**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(Rate per \$100 of Taxable Value)**

TABLE 8

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Direct Rates:	(1)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates:	(2)										
Carmel Unified		0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.016	0.015	0.010
Monterey Peninsula Community College		0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.021	0.021	0.027
Total Direct and Overlapping Rate		1.036	1.036	1.036	1.036	1.036	1.036	1.036	1.037	1.036	1.037
City Share of 1% Levy per Prop. 13	(3)	0.827	0.903	0.913	0.904	0.918	0.925	0.929	0.919	0.906	0.918

Notes:

- 1 The passage of a constitutional amendment (Proposition 13) in June 1978 limits the property tax rate to a base of \$1.00 per \$100.00. The \$1.00 rate is levied by the County and apportioned to local agencies according to a formula prescribed by the California legislature.
- 2 Overlapping rates are those of entities that apply to property owners within the City of Pacific Grove. Not all overlapping rates apply to all property owners (e.g., the rates for school districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the school district).
- 3 This is the percentage of \$1 countywide tax levy

Source: County of Monterey Assessors Office

Source: County of Monterey CAFR

**City of Carmel-by-the-Sea**  
**Principal Property Tax Owners**  
**Current Year and Nine Years Ago**

TABLE 9

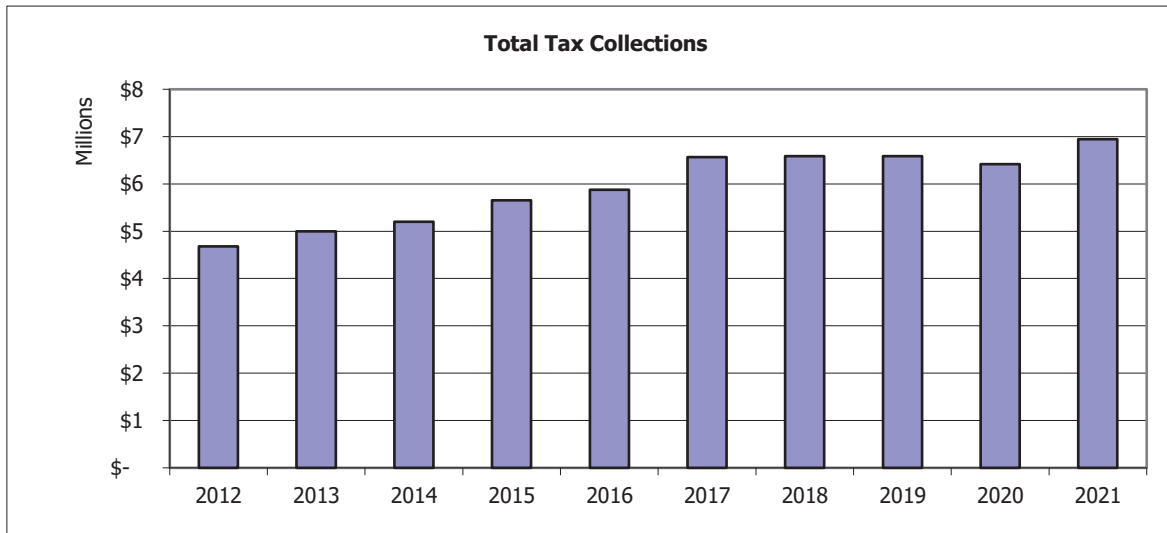
Tax Owner	2021			2012		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
OWRF CARMEL LLC	\$ 60,224,916	1	1.28%	na		na
PAUL ANDREW M	30,284,601	2	0.64%	na		na
HINES JEFFREY C	18,906,545	3	0.40%	na		na
LA PLAYA CARMEL HOTEL LLC	18,089,171	4	0.38%	na		na
HINES JEFFREY C	16,890,958	5	0.36%	na		na
ESPERANZA CARMEL COMMERCIAL LLC	14,525,404	6	0.31%	na		na
DEBRUCE PAUL TR	14,156,630	7	0.30%	na		na
CVI INVESTORS LLC	13,372,666	8	0.28%	na		na
MOORE FAMILY TR	12,967,752	9	0.27%	na		na
GUNNER RICHARD V & MARGARET S GUNNER TRS	12,926,156	10	0.27%	na		na
Totals	\$ 212,344,799		4.50%	\$ -		na
Total assessed value	\$ 4,718,249,204			\$ -		

Source: County of Monterey Assessors Office  
na= not available

**City of Carmel-by-the-Sea**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Table 8

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections <sup>1</sup>	Percent of Levy Collected	Supplemental Tax Collections	Delinquent Tax Collections	Total Collections
2012	\$ 4,652,176	\$ 4,480,045	96.3%	\$ 59,551	\$ 140,827	\$ 4,680,423
2013	\$ 4,881,534	\$ 4,827,837	98.9%	\$ 72,123	\$ 98,220	\$ 4,998,180
2014	\$ 5,127,974	\$ 5,004,903	97.6%	\$ 98,094	\$ 94,859	\$ 5,197,856
2015	\$ 5,598,743	\$ 5,469,972	97.7%	\$ 104,109	\$ 79,701	\$ 5,653,782
2016	\$ 5,825,889	\$ 5,674,416	97.4%	\$ 122,069	\$ 77,571	\$ 5,874,056
2017	\$ 6,524,331	\$ 6,354,698	97.4%	\$ 119,343	\$ 90,035	\$ 6,564,076
2018	\$ 6,524,331	\$ 6,374,271	97.7%	\$ 131,185	\$ 80,213	\$ 6,585,669
2019	\$ 6,524,331	\$ 6,374,271	97.7%	\$ 131,185	\$ 80,213	\$ 6,585,669
2020	\$ 6,890,120	\$ 6,242,449	90.6%	\$ 107,412	\$ 64,523	\$ 6,414,384
2021	\$ 7,311,845	\$ 6,712,274	91.8%	\$ 144,856	\$ 85,217	\$ 6,942,348



Source: County of Monterey Auditor-Controller's Office  
City of Carmel-by-the-Sea Finance Department

**City of Carmel-by-the-Sea**  
**Ratios of Outstanding Debt By Type**  
**Last Ten Fiscal Years**

**Table 11**

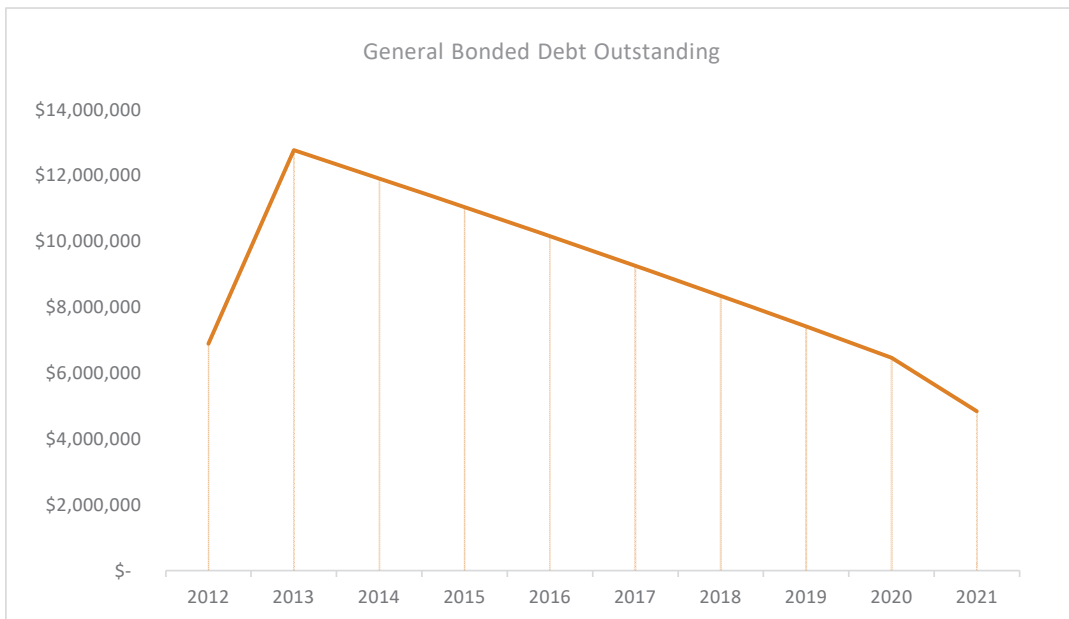
Fiscal Year Ending June 30	Pension Obligation Bonds	Lease Revenue Bonds	Governmental Activities				Median Household Income	Percentage of Household Income	Population	Debt per Capita
			NGEN Public Safety Joint Agree	Fire Capital Lease	Total Outstanding Debt					
2012	\$ 6,280,000	\$ 7,295,000	\$ 336,050	\$ 344,131	\$ 14,255,181	\$ 72,582	0.51%	3,807	3,744	
2013	\$ 6,165,000	\$ 7,010,000	\$ 320,375	\$ 349,372	\$ 13,844,747	\$ 71,719	0.52%	3,840	3,605	
2014	\$ 3,585,000	\$ 6,725,000	\$ 303,366	\$ 137,387	\$ 10,750,753	\$ 62,460	0.58%	3,867	2,780	
2015	\$ 5,005,000	\$ 6,435,000	\$ 264,625	\$ -	\$ 11,704,625	\$ 74,758	0.64%	3,886	3,012	
2016	\$ 4,420,000	\$ 6,140,000	\$ 246,246	\$ -	\$ 10,806,246	\$ 81,607	0.76%	3,903	2,769	
2017	\$ 3,825,000	\$ 5,840,000	\$ 227,141	\$ -	\$ 9,892,141	\$ 87,532	0.88%	3,897	2,538	
2018	\$ 3,220,000	\$ 5,530,000	\$ 207,281	\$ -	\$ 8,957,281	\$ 87,532	0.98%	3,897	2,299	
2019	\$ 2,605,000	\$ 5,215,000	\$ 186,511	\$ -	\$ 8,006,511	\$ 87,532	1.09%	3,987	2,008	
2020	\$ 1,980,000	\$ 4,890,000	\$ 157,741	\$ -	\$ 7,027,741	\$ 98,638	1.40%	3,949	1,780	
2021	\$ 1,340,000	\$ 3,895,000	\$ 165,051	\$ -	\$ 5,400,051	\$ 98,188	1.82%	4,023	1,342	

Source: City of Carmel-by-the-Sea Finance Department  
Demographics from Table 16

City of Carmel-by-the-Sea  
Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	General Obligation Bonds	Lease Revenue Bonds	Less: Amount Available in Debt Service Fund	Net Obligation Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value	Population
2012	\$ -	\$ 7,295,000	\$ 400,007	\$ 6,894,993	0.23%	\$ 1,811	\$ 2,939,146,113	3,807
2013	\$ 6,165,000	\$ 7,010,000	\$ 400,007	\$ 12,774,993	0.42%	\$ 3,327	\$ 3,030,390,405	3,840
2014	\$ 5,585,000	\$ 6,725,000	\$ 400,014	\$ 11,909,986	0.37%	\$ 3,080	\$ 3,180,723,946	3,867
2015	\$ 5,005,000	\$ 6,435,000	\$ 400,015	\$ 11,039,985	0.33%	\$ 2,841	\$ 3,336,669,745	3,886
2016	\$ 4,420,000	\$ 6,140,000	\$ 400,381	\$ 10,159,619	0.28%	\$ 2,603	\$ 3,595,785,241	3,903
2017	\$ 3,825,000	\$ 5,840,000	\$ 400,582	\$ 9,264,418	0.24%	\$ 2,377	\$ 3,792,539,039	3,897
2018	\$ 3,220,000	\$ 5,530,000	\$ 405,742	\$ 8,344,258	0.21%	\$ 2,141	\$ 4,024,890,925	3,897
2019	\$ 2,605,000	\$ 5,215,000	\$ 402,335	\$ 7,417,665	0.17%	\$ 1,860	\$ 4,247,352,806	3,987
2020	\$ 1,980,000	\$ 4,890,000	\$ 400,381	\$ 6,469,619	0.14%	\$ 1,638	\$ 4,474,292,980	3,949
2021	\$ 1,340,000	\$ 3,895,000	\$ 393,132	\$ 4,841,868	0.10%	\$ 1,204	\$ 4,718,249,204	4,023



Source: California Department of Finance  
City of Carmel-by-the-Sea Finance Department

**City of Carmel-by-the-Sea**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2020**

TABLE 13

2020-2021 Assessed Value

\$ 4,718,249,204

	Total Debt Outstanding	Percentage Applicable to City <sup>(1)</sup>	Amount Applicable to City
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Monterey Peninsula Community College District	\$ 109,868,522	11.570%	\$ 12,711,915
Carmel Unified School District	19,418,445	23.935%	4,647,805
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 129,286,967</u>		<u>\$ 17,359,720</u>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Monterey County General Fund Obligations	138,253,793	6.371%	8,808,149
Monterey County Judgment Obligations	5,006,000	6.371%	318,932
Monterey County Water Resources Agency Gen Fund Debt	20,370,000	6.371%	1,297,773
<b>City of Carmel-by-the-Sea General Fund Obligations</b>	<b>3,895,000</b>	<b>100.000%</b>	<b>3,895,000</b>
<b>City of Carmel-by-the-Sea Pension Obligation Bonds</b>	<b>1,340,000</b>	<b>100.000%</b>	<b>1,340,000</b>
Total Gross Direct and Overlapping General Fund Debt			15,659,854
Less: Monterey County supported obligations			219,776
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<u><b>\$ 15,440,078</b></u>
<b>TOTAL DIRECT DEBT</b>			<b>\$ 5,235,000</b>
TOTAL GROSS OVERLAPPING DEBT			\$ 27,784,574
TOTAL NET OVERLAPPING DEBT			\$ 27,564,798
GROSS COMBINED TOTAL DEBT <sup>2</sup>			\$ 33,019,574
NET COMBINED TOTAL DEBT			\$ 32,799,798

Notes:

- (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, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2020-21 Assessed Valuation:

**Direct Debt**

Total Direct and Overlapping Tax and Assessment Debt	0.37%
<b>Total Direct Debt (\$8,750,000)</b>	<b>0.11%</b>
Gross Combined Total Debt	0.70%
Net Combined Total Debt	0.70%

Source: MuniServices, LLC

**City of Carmel-by-the-Sea**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

TABLE 14

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 110,217,979	\$ 113,639,640	\$ 119,277,148	\$ 125,125,115	\$ 134,841,947	\$ 142,220,214	\$ 150,933,410	\$ 159,275,730	167,785,987	176,934,345
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 110,217,979	\$ 113,639,640	\$ 119,277,148	\$ 125,125,115	\$ 134,841,947	\$ 142,220,214	\$ 150,933,410	\$ 159,275,730	\$ 167,785,987	\$ 176,934,345
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

California Government Code, Section 43605, sets the debt limit at 15% of the total assessed valuation of all real personal property within the city, when assessed values were at 25% of full market value. This has changed to 100% of full market value, with the rate adjusting to 1/4 of 15%.

Source: City of Carmel by the Sea Finance Department

**Legal Debt Margin Calculation For Fiscal Year 2019-20:**

Total assessed value	\$ 4,718,249,204
Debt limit (3.75% of total assessed value)	176,934,345
Debt applicable to limit:	
General obligation bonds	-
Less: Amount available in debt service fund for repayment of bonds	-
Total net debt applicable to limit	-
Legal debt margin	\$ 176,934,345



# City of Carmel-by-the-Sea

TABLE 15

## Pledged-Revenue Coverage

### Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Sunset Center Certificates of Participation</b>										
General City Revenues	\$ 13,216,046	\$ 15,932,161	\$ 19,195,290	\$ 21,139,081	\$ 22,406,471	\$ 21,653,778	\$ 23,167,967	\$ 24,061,114	\$ 21,424,311	\$ 26,120,715
Less: operating expenses	(14,648,160)	(21,259,578)	(15,512,429)	(16,332,293)	(17,552,771)	(18,716,522)	(19,407,105)	(20,069,662)	(20,883,375)	(18,148,230)
Net available revenue	(1,432,114)	(5,327,417)	3,682,861	4,806,788	4,853,700	2,937,256	3,760,862	3,991,452	540,936	7,972,485
Debt service:										
Principal	280,000	285,000	285,000	290,000	295,000	300,000	310,000	315,000	325,000	-
Interest	231,163	225,463	219,763	213,963	208,063	202,063	198,188	190,375	173,320	106,957
Total	511,163	510,463	504,763	503,963	503,063	502,063	508,188	505,375	498,320	106,957
Coverage	(2.80)	(10.44)	7.30	9.54	9.65	5.85	7.40	7.90	1.09	74.54
<b>Pension Obligation Bonds</b>										
General City Revenues	NA	\$ 15,932,161	\$ 19,195,290	\$ 21,139,081	\$ 22,406,471	\$ 21,653,778	\$ 23,167,967	\$ 24,061,114	\$ 21,424,311	\$ 26,120,715
Less: operating expenses		(21,259,578)	(15,512,429)	(16,332,293)	(17,552,771)	(18,716,522)	(19,407,105)	(20,069,662)	(20,883,375)	(18,148,230)
Net available revenue		(5,327,417)	3,682,861	4,806,788	4,853,700	2,937,256	3,760,862	3,991,452	540,936	7,972,485
Debt service:										
Principal	NA	115,000	580,000	580,000	585,000	595,000	605,000	615,000	625,000	640,000
Interest		57,848	122,593	118,243	112,443	105,131	96,206	85,120	71,892	57,666
Total		172,848	702,593	698,243	697,443	700,131	701,206	700,120	696,892	697,666
Coverage		(30.82)	5.24	6.88	6.96	4.20	4.91	5.70	0.78	11.43
Combined coverage	(4.20)	(7.80)	3.05	4.00	4.04	2.44	2.85	3.31	3.31	9.91

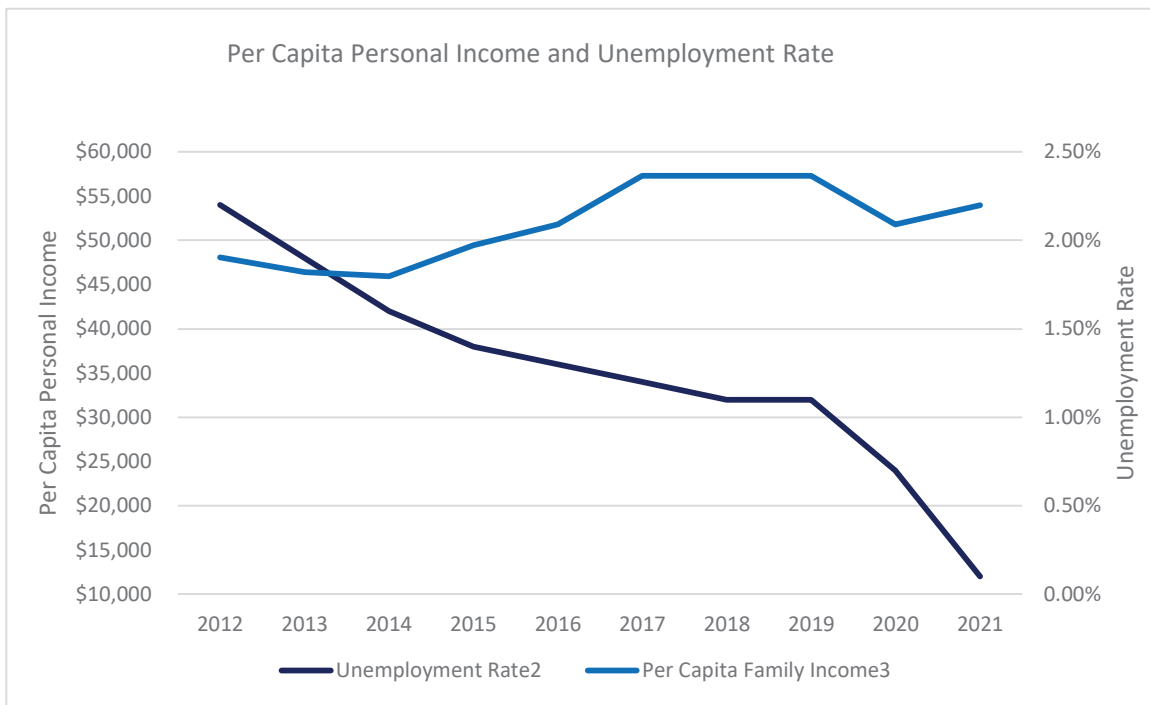
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Carmel-by-the-Sea Finance Department

**City of Carmel-by-the-Sea**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

TABLE 16

Fiscal Year Ended June 30	Population <sup>1</sup>	Unemployment Rate <sup>2</sup>	Median Household Income	Per Capita Family Income <sup>3</sup>	Median Age	% of Population 25+ with High School Diploma	% of Population 25+ with Bachelor's Degree
2012	3,807	2.20%	\$ 72,582	\$ 48,062	56.3	96.90%	58.50%
2013	3,840	1.90%	\$ 71,719	\$ 46,391	53.9	96.60%	60.80%
2014	3,867	1.60%	\$ 62,460	\$ 45,928	55.1	95.70%	57.60%
2015	3,886	1.40%	\$ 74,758	\$ 49,425	54.3	97.30%	58.60%
2016	3,903	1.30%	\$ 81,607	\$ 51,778	53.1	97.30%	63.70%
2017	3,897	1.20%	\$ 87,532	\$ 57,307	55.8	96.90%	64.70%
2018	3,897	1.10%	\$ 87,532	\$ 57,307	55.8	96.90%	64.70%
2019	3,987	1.10%	\$ 87,532	\$ 57,307	55.8	96.90%	64.80%
2020	3,949	0.70%	\$ 81,607	\$ 51,778	61.3	97.30%	63.70%
2021	4,023	0.10%	\$ 98,188	\$ 53,961	59.6	82.72%	55.03%



Notes:

A For calendar year ending during the fiscal year.

B Total Personal Income is presented in thousands.

Source: <sup>1</sup> California Department of Finance

<sup>2</sup> California Employment Development Department

<sup>3</sup> U.S. Department of Commerce, Bureau of Economic Analysis

**City of Carmel-by-the-Sea**  
**Principal Employers**  
**Current Year and Nine Years Ago <sup>(1)</sup>**

TABLE 17

	Fiscal Year Ended June 30					
	2021			2012		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
<b>Employer:</b>						
Carmel Realty	100	1	6.25%	na	na	na
City of Carmel-by-the- Sea	80	2	5.00%	na	na	na
Cypress Inn/Terry's Lounge	73	3	4.56%	na	na	na
La Playa Hotel	68	4	4.25%	na	na	na
Casanova	60	5	3.75%	na	na	na
Dametra	50	6	3.13%	na	na	na
Catinetta Luca	41	7	2.56%	na	na	na
Auberge	40	8	2.50%	na	na	na
Forge in the Forest	36	9	2.25%	na	na	na
Bruno's Market	33	10	2.06%	na	na	na
Totals	<u>481</u>		<u>36.31%</u>			
Total employment	<u>1,400</u>					

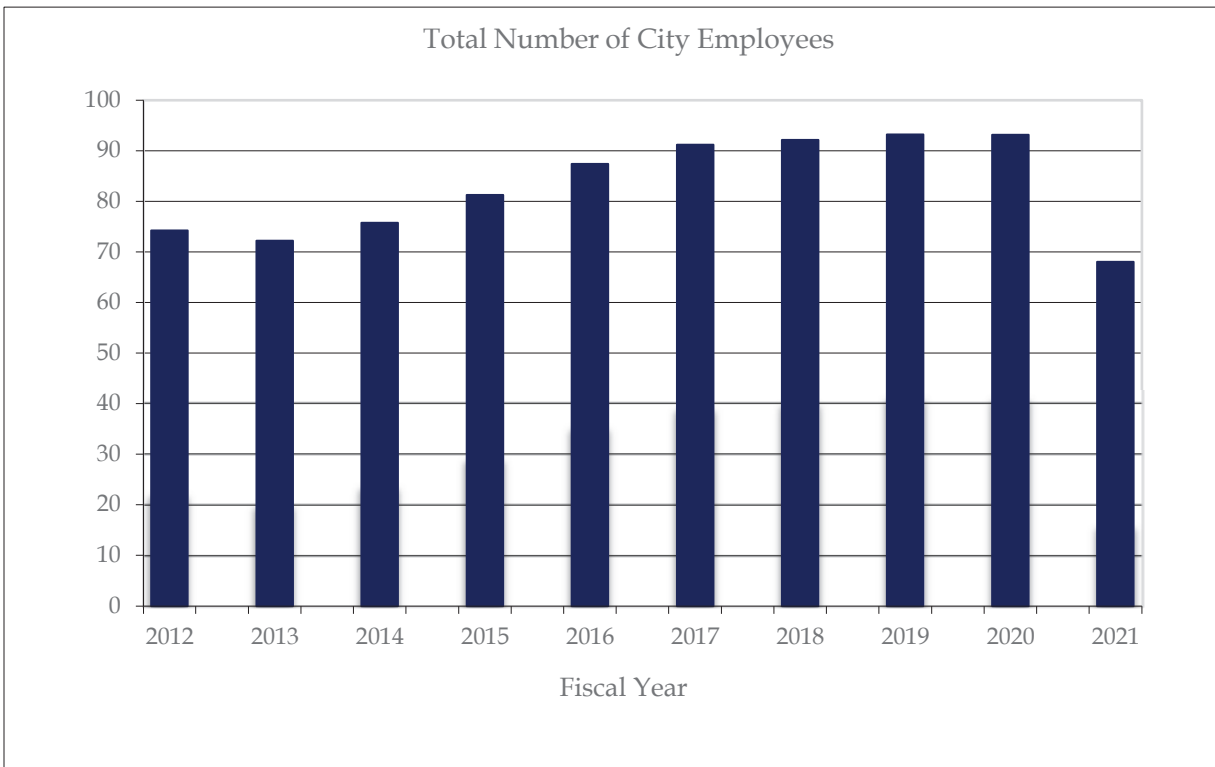
Notes: This is the second year that the City is including a statistical section. Due to the small size of the City, employee counts for prior years were not available through a database or third party. Prior year information will be included as the City reports this information in forthcoming years.

Source: City of Carmel-by-the-Sea Finance Department

**City of Carmel-by-the-Sea**  
**Number of City Employees by Department**  
**Last Ten Fiscal Years**

TABLE 18

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Departments:</b>										
General Government	9.77	10.78	10.72	18.20	17.60	18.60	16.20	15.70	15.66	15.00
Public Safety	31.71	27.02	28.02	28.80	30.70	30.70	31.70	32.00	32.00	25.00
Public Works	14.35	13.15	13.90	14.00	18.00	21.00	21.00	21.00	21.00	15.00
Community Activities	1.08	1.18	1.43	1.70	1.70	1.50	1.40	1.50	1.50	0.50
Library	11.29	10.40	11.65	11.60	12.40	12.40	12.80	14.00	13.98	5.50
Community Plng. and Bldg.	6.00	9.68	10.02	6.97	7.00	7.00	9.00	9.00	9.00	7.00
<b>Totals</b>	<b>74.20</b>	<b>72.21</b>	<b>75.74</b>	<b>81.27</b>	<b>87.40</b>	<b>91.20</b>	<b>92.10</b>	<b>93.20</b>	<b>93.14</b>	<b>68.00</b>



Source: City of Carmel-by-the-Sea Finance Department

**City of Carmel-by-the-Sea**  
**Operating Indicators By Function**  
**Last Ten Fiscal Years**

TABLE 19

Function:	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Police</b>										
Calls for service	13,232	10,889	10,023	14,813	14,360	13,701	12,674	13,252	11,385	8,778
<b>Fire</b>										
Calls for service	742	648	759	851	925	856	843	1,006	803	754
Inspections	321	645	725	822	636	346	504	112	184	107
<b>Public Works</b>										
Potholes patched						18	52	25	20	25
Tree permits Issued							166	90	177	216
Calls for service						300	250	500	750	433
Road asphalt used							48	34	28	32
Trees planted			60			32	82	82	59	57
<b>Library</b>										
Circulation of library materials	150,280	155,630	153,227	140,848	114,137	106,976	99,802	104,456	104,456	84,810
Reference questions	32,512	33,176	37,010	24,318	20,233	19,252	16,276	15,789	15,789	13,579
<b>Community Activities</b>										
Special Event permits	na	na	39	45	30	81	75	42	35	5
<b>Community Development</b>										
Building Permits	306	286	340	500	422	416	580	590	677	446
Architectural Approvals	234	305	273	466	524	468	440	452	402	280
<b>Administration</b>										
Business Licenses (All businesses)	1132	1208	1280	1350	1472	1615	1836	2187	2276	1,984
Public Records Requests (Calendar Yr)	na	83	143	147	127	160	184	187	199	248

Source: City of Carmel-by-the-Sea Departments

**City of Carmel-by-the-Sea**  
**Capital Asset Statistics By Function**  
**Last Ten Fiscal Years**

TABLE 20

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function:										
General Government										
Number of buildings	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Parking meters	3	3	11	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of paved streets	27	27	27	27	27	27	27	27	27	27
Parking lots	3	3	3	3	3	3	3	3	3	3
Fleet Vehicles (City-wide)	43	43	43	43	43	43	43	45	41	42
Recreation										
Parks	10	10	10	10	10	10	10	10	10	10
Playgrounds	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Library										
Library facilities	2	2	2	2	2	2	2	2	2	2

Source: City of Carmel-by-the-Sea Departments

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**OTHER INDEPENDENT  
AUDITOR'S REPORTS**





**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**

To the Honorable Mayor and Members of the  
City Council of the City of Carmel-By-The-Sea  
Carmel-by-the-Sea, 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 City of Carmel-By-The-Sea (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not



express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

December 17, 2021  
Morgan Hill, California