

Comprehensive Annual Financial Report



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

Fiscal Year Ended June 30, 2020

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

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020



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

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**CITY OF CARMEL-BY-THE-SEA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2020**

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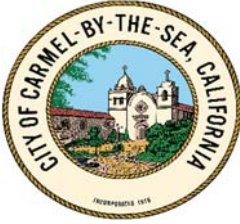
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TRANSMITTAL LETTER

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

December 18, 2020

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

SUBJECT: Comprehensive Annual Financial Report – June 30, 2020

The Comprehensive Annual Financial Report (CAFR) for the City of Carmel-by-the-Sea for the fiscal year ended June 30, 2020 is hereby submitted.

REPORT PURPOSE AND ORGANIZATION

In accordance with State law, which requires that the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant, 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, 2020, are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements, are submitted as the Comprehensive Annual Financial Report (CAFR) for the City for the fiscal year ended June 30, 2020. 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

Located 120 miles south of San Francisco on the Monterey Peninsula, the City of Carmel-by-the-Sea is a coastal village with a population of 3,949 that is renowned for its natural beauty, including a white sand beach, urban forest of over 9,000 public trees comprised of Monterey pines, live oaks, and Monterey cypress and natural parklands all within a one-square-mile, built-out community. In addition to recreational opportunities afforded by such scenery, the City is also known for its architecture and dining and shopping opportunities, which may be found in the walkable downtown area. In addition to many City sponsored events like the City Parade, Sandcastle Contest and Pumpkin Roll, other special events also occur throughout the year and cultural activities abound, including 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 61.3 years. Nearly 64 percent of the population age 25 or older have a bachelor's degree. The City's per capita income is \$51,778. 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 City of Carmel-by-the-Sea was incorporated on 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.

All legislative power is held by the publicly elected, five-member City Council that 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; ensuring that the orders of the City Council are executed; for supporting Council, which includes the preparation of agendas and the maintenance of records; 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. 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 related to ambulance, law enforcement, crime prevention and fire protection are provided by the Ambulance and Police Department respectively while fire services are provided through a contract with the City of Monterey. Public Works is responsible for facility and vehicle maintenance, development and management of capital projects; construction,

improvement and repair of streets, sidewalks, pathways and storm drain systems and maintaining the Village forest, parks and shoreline areas.

The CAFR 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

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

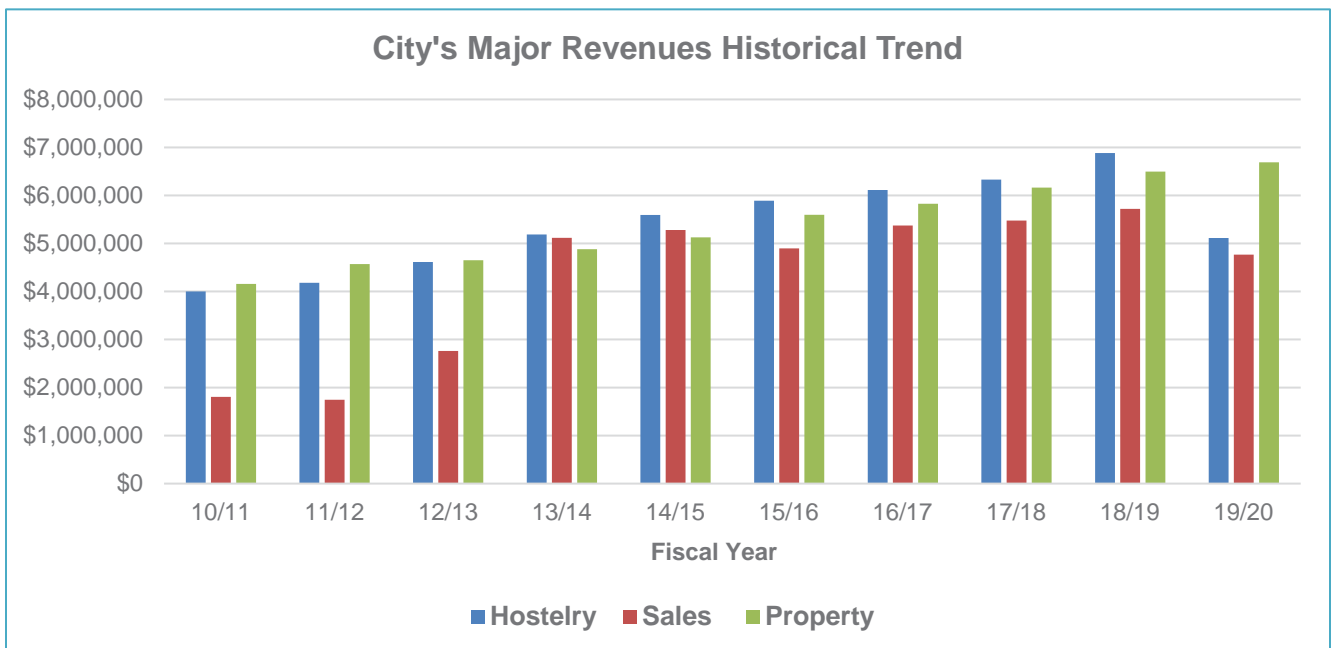
The City's three major sources of General Fund revenue include Property Tax, Sales and Use Tax and Transient Occupancy Tax, which make up approximately 80 percent of the City's revenues. As shown on the chart on the next page entitled "City's Major Revenues Historical Trend", property taxes have been a strong component to the City's financial health. Revenue generated from sales and use taxes have become increasingly important to the City, especially after the passage of a local one percent sales tax measure by Carmel voters in 2012. Transient occupancy taxes also have significantly

contributed to the City's revenues and started to outpace property taxes as the leading source of revenue beginning in fiscal year 2013-2014.

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 is considered to be built out, which limits the availability of new housing stock. This limited supply, coupled with a high demand for housing driven by the City's desirability as a place to live, contributes to the City's strong 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 a 10% transient occupancy tax for stays of 30 days or less, which is remitted to the City.

Accordingly, both sales and use tax and transient occupancy tax are also significant sources of the City's revenue stream. On November 6, 2012, the Carmel electorate approved a temporary one percent 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. Transient occupancy tax ("hostelry tax") has eclipsed other revenues and become the City's leading revenue since fiscal year 2013-2014.



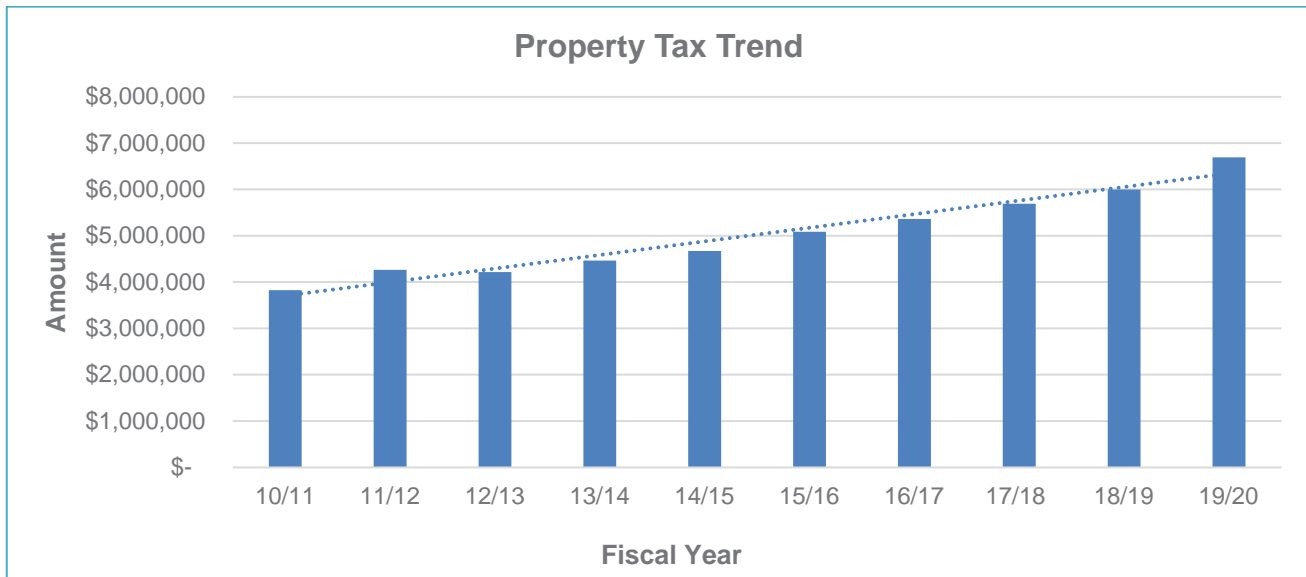
While fiscal year 2019-2020 was on track to meet revenue projections, the City's economic forecast for two of its major revenue streams quickly began to change as news regarding the coronavirus ("COVID-19") emerged. By March 2020, while the initial news focused on the spread of the virus internationally, the associated economic effects were already beginning to materialize locally. Decreased consumer

spending and demand, particularly in the areas of travel and leisure, resulted in the underperformance of sales and use and transient occupancy taxes in fiscal year 2019-2020.

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. According to the US Census and the 2013-2017 American Community Survey 5-Year Estimate data, there are 3,630 housing units within the City with a median home price of \$1.29 million. In fiscal year 2019-2020 the total amount of revenue received from property taxes, which includes secured property tax, unsecured property tax, unitary property taxes and property transfer taxes, was \$6.7 million.

The City has historically averaged a 5 percent growth in property taxes each fiscal year, largely due to the increase in secured property taxes. As illustrated in the chart to the left entitled “*Secured Property Tax Trend*”, secured property taxes rose from \$3.5 million in fiscal year 2007-2008 to \$6.2 million in fiscal year 2019-2020.



Based upon the City’s historical trends, as well as other economic indicators such as attractive mortgage rates and increased personal income largely attributed to low statewide unemployment rates, the City anticipated receiving \$6.6 million in property taxes in fiscal year 2019-2020, or 4 percent more than the fiscal year 2018-2019 Estimated Actual. Either due to timing of property tax payments and/or other economic factors, this revenue has been more resilient to the economic impacts associated with COVID-19. At fiscal year-end 2020, all property taxes totaled \$6.7 million, which is approximately \$100,000, or 15 percent, greater than budgeted and accounted for 31 percent of citywide revenues. Anecdotal, real estate demand is on the rise and may exceed budgeted expectations in fiscal year 2020-2021.

Sales and Use Taxes

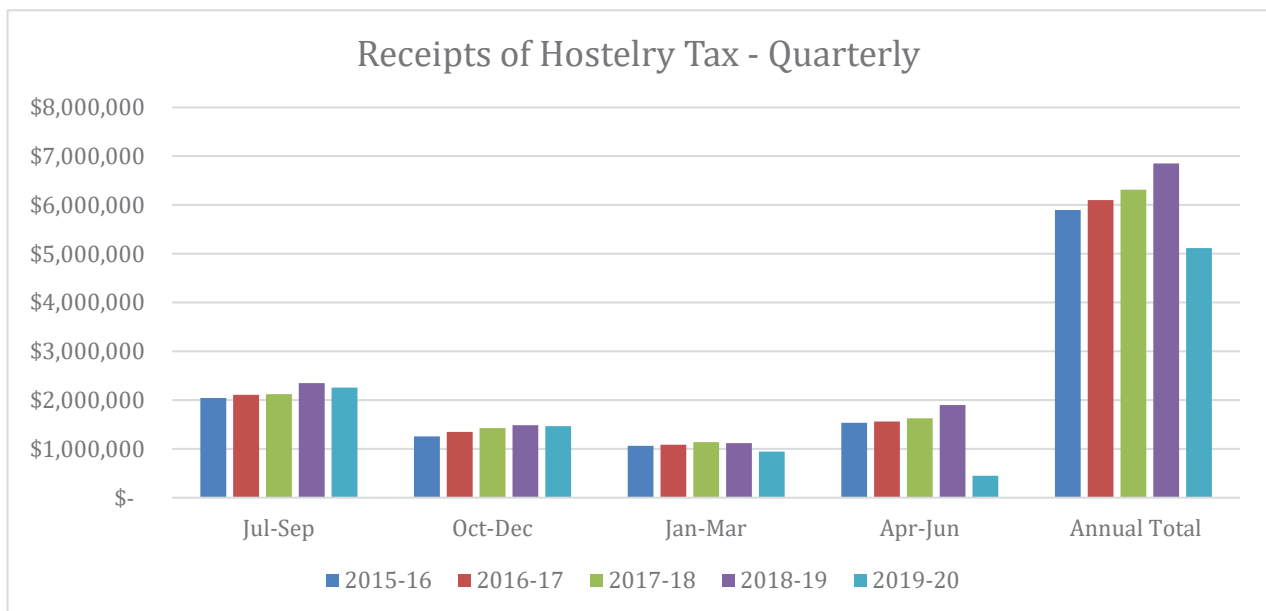
Sales and use taxes include the City’s one percent share of the statewide sales tax (Bradley Burns) as well as the City’s one percent local sales tax known as Measure D. Together sales tax revenue totaled \$4.7 million in fiscal year 2019-2020, which represented 27 percent of citywide revenues. Heading into fiscal year 2019-2020, sales and use taxes were expected to remain stagnant compared to the fiscal year 2018-2019 Estimated Actual. However, the economic impacts of COVID-19 resulted in sales taxes generating approximately \$1.0 million less than budgeted.

With approximately 83 percent of sales tax generated attributed to the businesses within the categories known as general consumer goods and restaurants, tourism impacts the City's sales and use taxes, especially the local sales tax component. 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. 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. The implementation of COVID-19 protocols resulted in limiting the seating capacity, and thus sales, of many dining establishments and retail also suffered economically due to COVID-19 restrictions and declining consumer demand for certain products. Some of the loss was mitigated by increased online shopping and implementation efforts by the State of California to collect taxes from out-of-state and online vendors. On March 3, 2020, Carmel voters approved Measure C, which increases the local sales tax by 0.5 percent to a new rate of 1.5 percent for twenty years. However, the new sales tax rate will become effective on July 1, 2020.

Transient Occupancy Taxes

Carmel-by-the-Sea also has a reputation for being a visitor destination, including for international travelers. With the global news emerging in February 2020 regarding the coronavirus, local hotels experienced an immediate decline in occupancy due to international travel restrictions, thereby affecting the transient occupancy tax ("TOT") collected by hotels on behalf of the City. This was followed by a shelter in place ("SIP") order issued by Monterey County on March 17, 2020, and subsequently, 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 shown in the chart below entitled "*Transient Occupancy Taxes Trend*", compared to the prior year, TOT performed at par for the first two quarters, followed by a noticeable decline in the third quarter and ended the year with a sharp decline in the fourth quarter. Occupancy rates and average daily room rates followed the same trend. Consequently, TOT generated \$5.1 million in fiscal year 2019-2020. This amount is \$1.7 million, or 25 percent, less than the fiscal year 2019-2020 Adopted Budget. Unlike fiscal year 2018-2019 when TOT was the City's leading revenue source at 34 percent of total revenues, TOT accounted for just 30 percent of total revenues in fiscal year 2019-2020.



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

- Total capital expenditures were budgeted at \$1.7 million. When omitting the fiscal year 2019-2020 paving project of \$918,000, capital expenses were budgeted at \$786,000, or just above three percent of total revenue. However, capital projects were placed on hold in the spring of 2020. Actual expenditures totaled \$869,596.
- Ten percent of unrestricted funds for capital projects were not set aside for unanticipated expenditures. Nor was a capital reserve policy of twenty percent of estimated five-year CIP expenditures maintained. The reserve amount is calculated at \$2.7 million.
- While included within the fiscal year 2019-2020 Adopted Budget, the fiscal year 2019-2020 paving project was deferred due to the loss of revenue associated with the economic impacts of COVID-19. The Pavement Condition Index was 78 in 2018 and 76 in 2019.
- The Five-Year Capital Improvement Program (CIP) was updated. Several workshops were held regarding the CIP to encourage public participation. All fiscal year 2019-2020 funded projects are consistent with the City's General Plan.

Operating

- The fiscal year 2019-2020 Adopted Budget did not include a revenue buffer of five percent of projected expenditures, or \$1.1 million based upon the operating budget (General Fund) expenditures. Nor did it include \$106,000 for the City Discretionary Account, which is based upon one-half of one percent of General Fund expenditures.
- A cost of services study was updated to review the relationship between fees /charges for services and the cost of providing services.
- The fiscal year 2019-2020 Adopted Budget projected a surplus of \$80,000 and thus funding sources exceeded uses. Ongoing expenses were not funded with one-time revenues. At fiscal year-end, governmental fund sources were greater than uses by \$210,194.

Fund Balance

- General Fund and Hostelry Fund reserves were maintained at no less than ten percent of their annual projected revenue. In particular, due to the economic impact of COVID-19, transient occupancy taxes were significantly below the fiscal year 2019-2020 Adopted Budget. To make up for this shortfall, an additional \$1.36 million from the Hostelry Fund was transferred to the General Fund beyond the actual revenue received, leaving \$1.0 million or 19.5 percent of the Hostelry Fund intact. The General Fund Balance of \$8.7 million, significantly exceeds the statutory required reserve limit.

Major Initiatives

Continued Investment in Protecting Natural Resources and Critical Infrastructure

The fiscal year 2019-2020 Adopted Budget allocated \$1.7 million in funding for capital projects and vehicle and equipment purchases intended to rehabilitate City facilities; address sidewalks and street improvements; enhance public safety, and protect and preserve the natural environment. In particular, the budget funding the next phases of the multi-year Mission Trail Nature Preserve tree removal and North Dunes Habitat Restoration projects. Funding for both a climate change plan and a storm drain plan were intended to help identify and prioritize future capital projects to protect the City's natural assets, including the Carmel Beach and Shoreline, and drainage infrastructure. Additional capital funding included the exterior painting of the Main Library, the design of the Scout House, the Sunset Center boiler, ongoing implementation of accessibility improvements and upgraded energy efficient lighting at various City facilities, a community activities van, a traffic sign plotter and upgraded public safety radios.

Addressing Pension and other Post Employment Benefit Liabilities

With a workforce staff of 92 full-time equivalent positions, salaries and benefits make up \$11.5 million, or 48% of citywide budgeted expenditures. Part of the cost of benefits includes retirement, and the City is a participating member of CalPERS, which is the State retirement and health systems for state, school and various public agency members. Similar to other governmental entities, the City is challenged by the increasing cost of CalPERS pensions and continues to explore options to mitigate these expenses.

In 2012, the City issued a pension obligation bond to address pension costs. However, largely due to changes in actuarial assumptions, including discount rate, mortality rates, and amortization policies, the City's normal and unfunded actuarial liability has increased, and these amounts are anticipated to continue to rise in future years. The City Council has continued to examine a variety of options to address pension costs including developing and implementing a plan to pay down the City's Unfunded Actuarial Liability (UAL); considering a local ballot measure to enhance revenues through the renewal of a local sales tax (Measure D); creating a Pension Rate Stabilization Program (PRSP); reviewing service delivery methods and levels of certain public services; using procedures and transparent bargaining to increase employee pension contributions, and reviewing opportunities to issue pension obligation bonds. 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. Council and City staff continued discussion throughout the course of fiscal year 2019-2020 regarding the benefits of various pension mitigation strategies including the establishment of a trust, increasing City reserves, making additional payments to CalPERS and refinancing the Sunset Center Lease Revenue Bond as a cost saving measure.

Revenue Enhancement and Stability

On November 6, 2012, the Carmel electorate approved a temporary one percent transaction and use tax ("sales tax") known as Measure D. This local sales tax measure 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 and developed ballot measure language to increase the local sales tax by half a percent. On March 3, 2020, Carmel voters approved Measure C, which authorizes a one and half percent sales tax for twenty years for general City purposes.

AWARDS

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, 2018 and June 30, 2019. In order to be awarded 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

As a result of the professionalism and dedication of the Finance Division staff, the City continues to make strides in updating and enhancing its financial policies, procedures and systems and its financial reporting capabilities, as evidenced by the production of this comprehensive annual financial report. 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.

The comprehensive annual financial report is a document that strives to achieve transparency and full disclosure in financial reporting. As such, the preparation of this document would not be possible without the support of the City Council. We wish to acknowledge the City Council's leadership and commitment to organizational excellence, public transparency and sound fiscal management.

Chip Rerig
City Administrator

Sharon Friedrichsen
Director of Budget and Contracts

Fiscal Year 2019-20

City Council

Dave Potter, Mayor

Bobby Richards, Mayor Pro Tempore

Jeff Baron, Councilmember

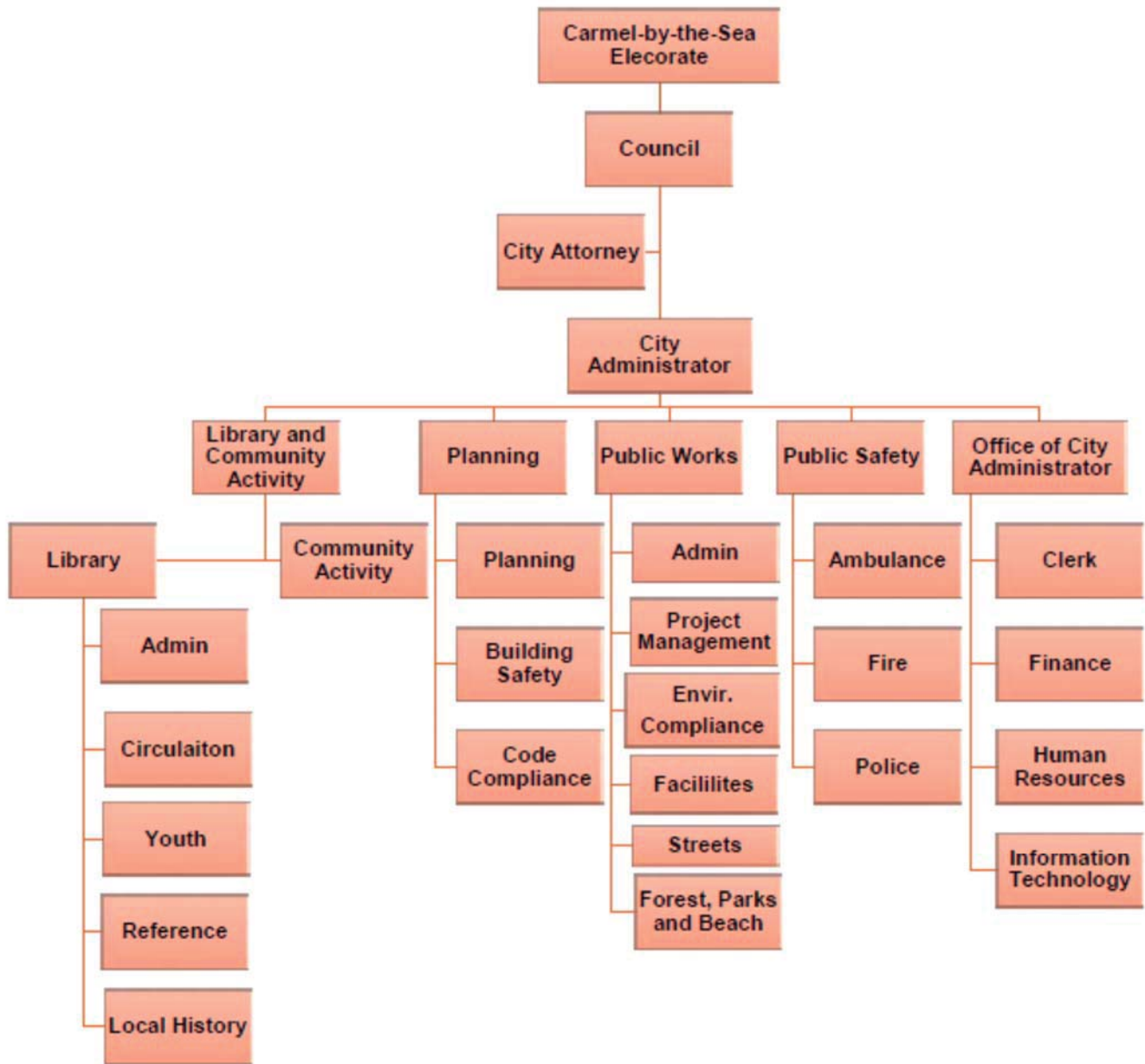
Jan Reimers, Councilmember

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, 2019

Christopher P. Morrill

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, 2020, 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, 2020, 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 18, 2020 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 18, 2020
San Jose, California

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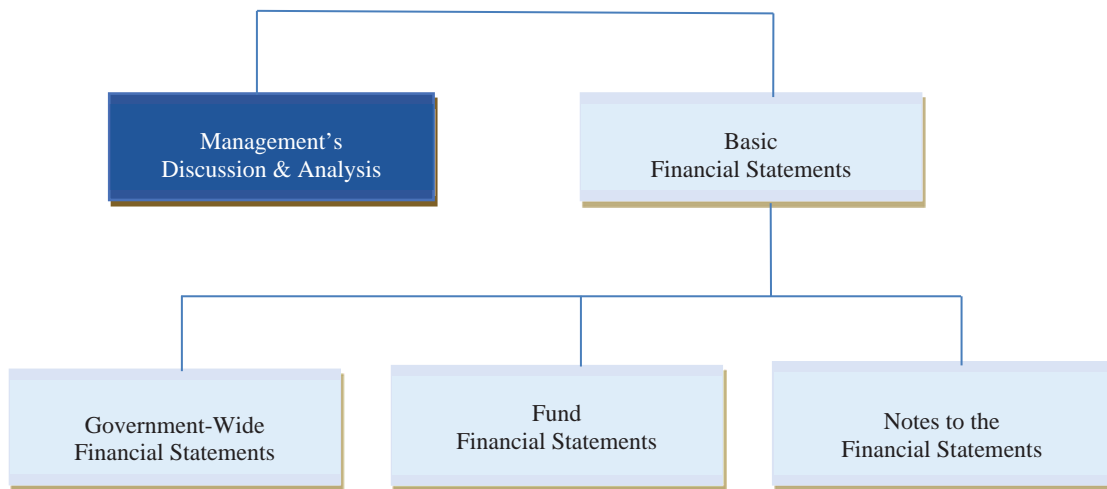
MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2020. 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 2019/20 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 \$25.4 million (net position). Of this amount, net position included \$36.6 million classified as net investment in capital assets; \$3.3 million as restricted; and \$14.5 million as a deficit unrestricted net position (negative net position). The negative unrestricted net position is largely due to the implementation of *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, 2020 was \$21.6 million.
- The City of Carmel-by-the-Sea’s total net position decreased by \$1.86 million from last fiscal year mostly due to a decrease in cash and investments.

Fund Highlights

- At the close of Fiscal Year 19/20 the City of Carmel-by-the-Sea's governmental funds reported combined fund balances of \$12.6 million, an increase of \$210 thousand in comparison with the prior year. Approximately 40% or \$5 million is classified as unassigned fund balance and is available for spending at the government's discretion, which is up from \$4.5 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 \$8.8 million, or 46% of total general fund expenditures, prior to transfers, versus \$9.3 million and 48% in the prior year.
- The City's long-term liabilities increased by \$1.1 million primarily as the result of increases to employee benefit liabilities totaling \$2.4 million which were offset by scheduled debt service payments totaling \$972 thousand.
- The City's net capital assets decreased by 2% or \$867 thousand primarily as a result of construction in progress and infrastructure improvements net 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 41-42 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 D 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 44-46 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 48-50 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reported in the Government-Wide financial statements because the resources of these funds are not available to support the City of Carmel-by-the-Sea's own programs. The accounting for fiduciary funds is much like that used for business type activities. See pages 52 and 112 for fiduciary fund financial activity during the year and statements at the end of the year.

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 87-92 of this report.87-92

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 96-112 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 116-136 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 \$25.4 million at the close of the Fiscal Year. This represents a decrease of \$1.86 million over the prior year.

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

| | Governmental Activities | | Increase |
|---------------------------------------|--------------------------------|----------------------|-----------------------|
| | 2020 | 2019 | (Decrease) |
| Assets | | | |
| Current and other assets | \$ 16,253,649 | \$ 17,980,918 | \$ (1,727,269) |
| Capital assets | 41,666,561 | 42,533,614 | (867,053) |
| Total Assets | \$ 57,920,210 | \$ 60,514,532 | \$ (2,594,322) |
| Deferred Outflows of Resources | \$ 5,152,629 | \$ 4,959,711 | \$ 192,918 |
| Liabilities | | | |
| Current and other liabilities | \$ 2,486,282 | \$ 2,811,982 | \$ (325,700) |
| Noncurrent liabilities | 33,060,079 | 33,355,596 | (295,517) |
| Total Liabilities | \$ 35,546,361 | \$ 36,167,578 | \$ (621,217) |
| Deferred Inflows of Resources | \$ 2,083,689 | \$ 2,002,392 | \$ 81,297 |
| Net Position | | | |
| Net investment in capital assets | \$ 36,611,510 | \$ 37,132,103 | \$ (520,593) |
| Restricted | 3,310,294 | 2,817,741 | 492,553 |
| Unrestricted | (14,479,015) | (12,645,571) | (1,833,444) |
| Total Net Position | \$ 25,442,789 | \$ 27,304,273 | \$ (1,861,484) |

A significant portion or \$36.6 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 \$3.3 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 \$14.5 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, 2020, the City's proportionate share of the CalPERS pension liability was \$21.6 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 decreased from a surplus balance of \$1.48 million in the prior year to a deficit balance of \$1.86 million in the current fiscal year. This decrease is largely due to a decrease of \$2.57 million in taxes which is a direct result of COVID-19 which caused a reduction in transient occupancy taxes of \$1.77 million. Total revenues from governmental activities decreased by \$2.6 million from the prior year, which included a \$432 thousand decrease in program revenues and a \$2.6 million decrease in general revenues. The net change in expenses from the prior year was an increase of \$510 thousand.

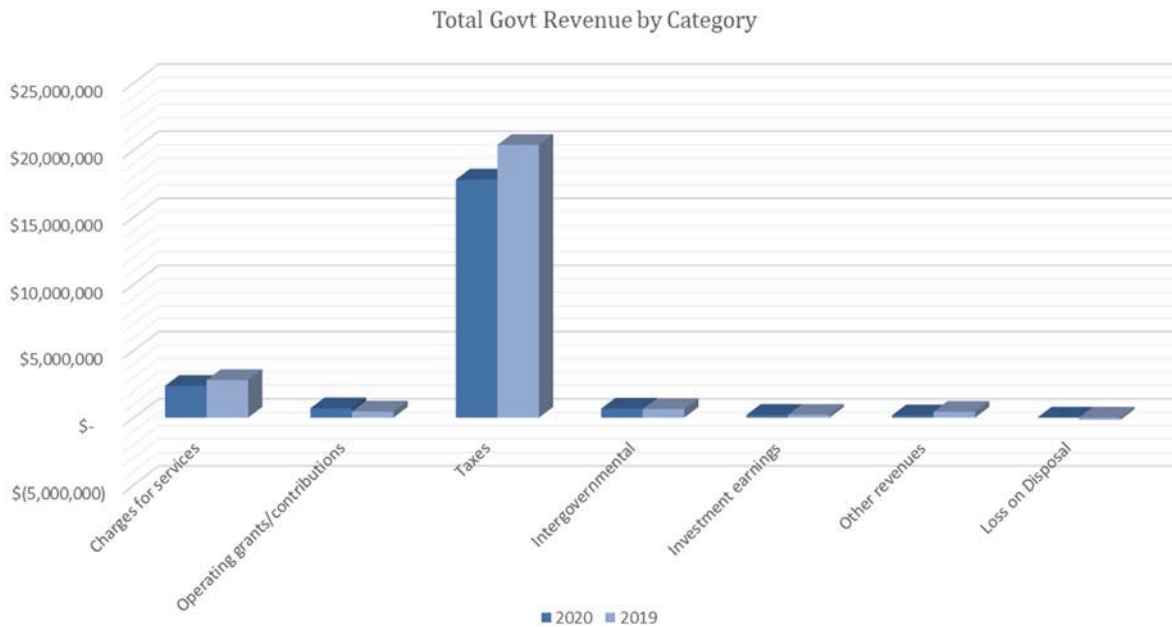
With total revenues for the fiscal year at \$21.9 million and total expenses at \$23.8 million, the change in net position for current activity yielded a decrease of \$1.9 million. An analysis of the changes in revenues and expenses is as follows:

Table 2 - Statement of Changes in Net Position

| Functions/Programs | Governmental Activities | | Increase (Decrease) |
|---|-------------------------|----------------------|------------------------|
| | 2020 | 2019 | |
| Program Revenues | | | |
| Charges for services | \$ 2,362,914 | \$ 2,795,041 | \$ (432,127) |
| Operating grants and contributions | 695,186 | 450,920 | 244,266 |
| Total Program Revenues | 3,058,100 | 3,245,961 | (187,861) |
| General Revenues | | | |
| Taxes | 17,798,280 | 20,370,569 | (2,572,289) |
| Intergovernmental | 672,399 | 637,124 | 35,275 |
| Investment earnings | 207,153 | 205,791 | 1,362 |
| Other revenues | 169,680 | 437,475 | (267,795) |
| Special item - loss on disposal of capital assets | - | (160,794) | 160,794 |
| Total General Revenues | 18,847,512 | 21,490,165 | (2,642,653) |
| Expenses | | | |
| General government | 5,356,174 | 5,906,304 | (550,130) |
| Community Planning and Building | 1,214,005 | 1,191,826 | 22,179 |
| Public Safety | 9,166,804 | 8,390,616 | 776,188 |
| Public Works | 4,410,995 | 4,162,376 | 248,619 |
| Library | 2,011,886 | 1,894,410 | 117,476 |
| Community Activities | 256,698 | 283,512 | (26,814) |
| Economic Revitalization | 1,081,813 | 1,144,022 | (62,209) |
| Interest on fiscal charges | 268,721 | 283,606 | (14,885) |
| Total Expenses | 23,767,096 | 23,256,672 | 510,424 |
| Increase / (Decrease) in Net Position | (1,861,484) | 1,479,454 | (3,340,938) |
| Prior Period Adjustments | - | 121,416 | (121,416) |
| Net Position, Beginning of Year | 27,304,273 | 25,703,403 | 1,600,870 |
| Net Position, End of Year | \$ 25,442,789 | \$ 27,304,273 | \$ (1,861,484) |

Governmental Revenues

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

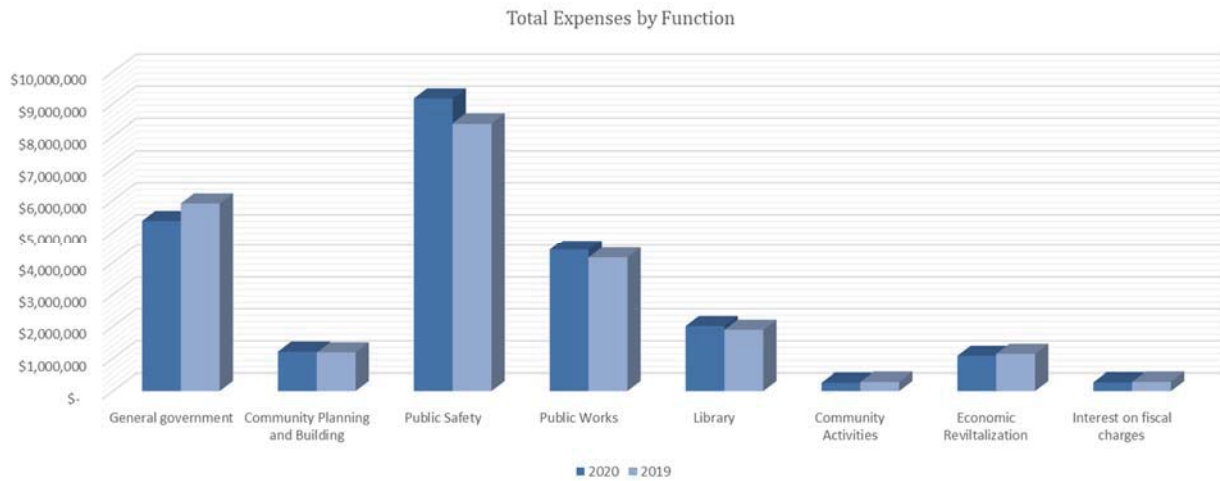


Significant changes in governmental revenues consisted of the following:

- Charge for Services, which included building permits, building plan check fees, planning permits, ambulance service fees, parking related service fees, in addition to other various City fees for services, decreased by \$432,127, or 15%, primarily due COVID-19.
- Taxes decreased by \$2.6 million, or 13%, primarily due to the following:
 - Transient occupancy taxes decreased by \$1,766,744 as a result of lower than expected hotel occupancy rates and tourism, including special events such as the Car Week, related to COVID-19.
 - Sales tax revenues decreased by \$966,123 largely due to decrease in sales tax statewide, related to COVID-19.

Governmental Expenses

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



Significant changes in governmental expenses include a decrease to General Government of \$550 thousand and increases to Public Safety, Public Works and Library expenses of \$776 thousand, \$248 thousand and \$117 thousand, respectively. In general, City services and related costs were reduced because of COVID-19. However, those reductions were more than 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:

| | Major Funds | | | | | Total |
|------------------------------------|---------------|--------------|------------|--------------|--------------|---------------|
| | General | Measure D | Capital | Harrison | Other | |
| | Fund | Sales Tax | Projects | Memorial | Governmental | |
| Total Revenues | \$ 18,414,344 | \$ 2,611,802 | \$ 41,777 | \$ 279,985 | \$ 528,796 | \$ 21,876,704 |
| Total Expenditures | 19,086,277 | - | 869,596 | 268,956 | 1,244,181 | 21,469,010 |
| Revenues Over (Under) Expenditures | (671,933) | 2,611,802 | (827,819) | 11,029 | (715,385) | 407,694 |
| Transfers in | 906,286 | - | 1,037,442 | - | 1,244,728 | 3,188,456 |
| Transfers out | (726,335) | (2,113,787) | - | - | (545,834) | (3,385,956) |
| Net change in fund balances | (491,982) | 498,015 | 209,623 | 11,029 | (16,491) | 210,194 |
| Beginning of year | 9,250,129 | 180,787 | 362,034 | 1,410,220 | 1,226,734 | 12,429,904 |
| End of year | \$ 8,758,147 | \$ 678,802 | \$ 571,657 | \$ 1,421,249 | \$ 1,210,243 | \$ 12,640,098 |

The fund balance of the City’s General Fund decreased by \$492 thousand mostly due to lower than expected tax revenues. The fund balance in the Measure D Sales Tax Fund increased by \$498 thousand mostly due to a reduction in transfers out because there was a decrease in sales tax revenue of approximately \$500 thousand due to COVID-19.

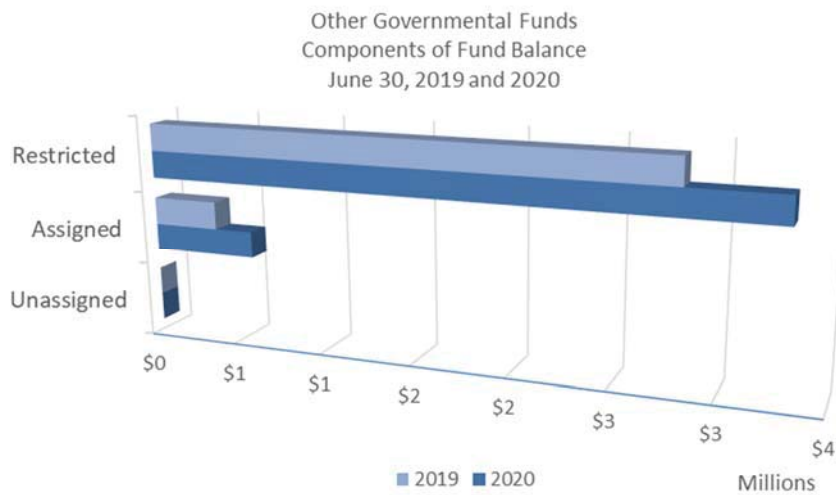
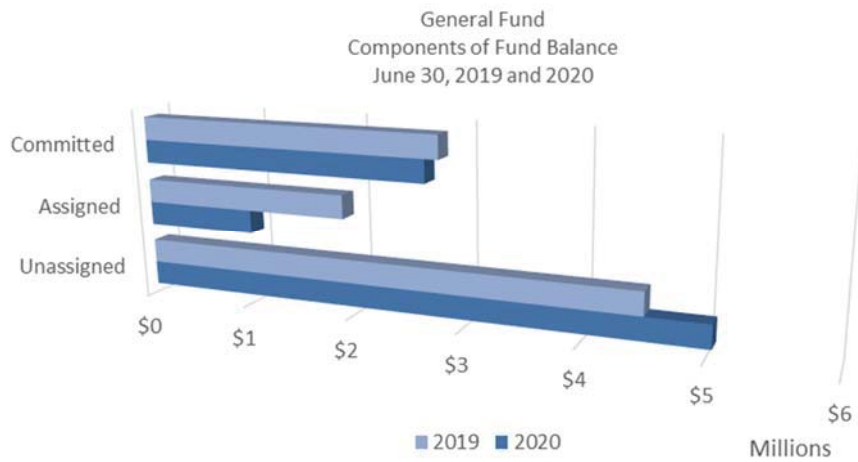
Combined Funds – Components of Fund Balance

As of June 30, 2020, the City of Carmel-by-the-Sea’s reported combined fund balances of \$12.64 million, which represents a \$210,194 increase over the prior year. Approximately 40%, or \$5 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 \$2.684 million represents funds that are set-aside for specific purposes via resolution of the City Council. The restricted balance of \$3.3 million reflects fund that are legally required to remain intact, while the remainder of \$1.6 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 \$5 million, and the total fund balance decreased to \$8.76 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 \$19.1 million. Unassigned fund balance represents approximately 26% of the total general fund expenditures, while total fund balance represents approximately 46% 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 \$571,657 in fund balance assigned for capital projects; an increase from last year’s assigned fund balance of \$362,034.

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:

Table 4 - Summary of Changes in Net Position - Internal Service Funds

| | Workers Compensation Fund | OPEB Reserve Fund | Vehicle & Equipment Replacement Fund | Total |
|------------------------------------|--|----------------------------------|---|--------------|
| Total Revenues | \$ 54,440 | \$ - | \$ 86 | \$ 54,526 |
| Total Expenditures | 92,304 | - | 282,385 | 374,689 |
| Revenues Over (Under) Expenditures | (37,864) | - | (282,299) | (320,163) |
| Nonoperating Revenue (Expense) | 6,531 | 22,378 | - | 28,909 |
| Transfers in | - | - | 197,500 | 197,500 |
| Transfers out | - | - | - | - |
| Net change in fund balances | (31,333) | 22,378 | (84,799) | (93,754) |
| Beginning of year | 31,333 | 1,817,051 | 1,148,797 | 2,997,181 |
| End of year | \$ - | \$ 1,839,429 | \$ 1,063,998 | \$ 2,903,427 |

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:

Table 5 - Capital Assets at Year End - Net

| | Governmental Activities | | Increase |
|----------------------------------|--------------------------------|---------------|-------------------|
| | 2020 | 2019 | (Decrease) |
| Land | \$ 5,101,641 | \$ 5,101,641 | \$ - |
| Construction in Progress | 260,965 | 621,085 | (360,120) |
| Buildings and improvements | 15,520,829 | 15,711,182 | (190,353) |
| Infrastructure | 19,973,392 | 20,187,281 | (213,889) |
| Vehicles | 172,899 | 193,180 | (20,281) |
| Technology/Hardware and Software | 244,735 | 347,859 | (103,124) |
| Machinery and equipment | 392,100 | 371,386 | 20,714 |
| Total Capital Assets, Net | \$ 41,666,561 | \$ 42,533,614 | \$ (867,053) |

The City reported depreciation expense of \$1.868 million for fiscal year 2019-20 as compared to \$2 million for fiscal year 2018-19.

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 \$1.14 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 |
|-----------------------------|--------------------------------|---------------|-------------------|
| | 2020 | 2019 | (Decrease) |
| Sunset Center COP | \$ 4,890,000 | 5,215,000 | \$ (325,000) |
| Countywide Radio Project | 165,051 | 186,511 | (21,460) |
| Pension Obligation Bonds | 1,980,000 | 2,605,000 | (625,000) |
| Compensated Absences | 581,520 | 831,579 | (250,059) |
| Net Pension Liability | 21,666,416 | 19,920,568 | 1,745,848 |
| Claims Liability | 575,000 | 575,000 | - |
| Net OPEB Liability | 4,640,704 | 4,021,938 | 618,766 |
| Total Long-Term Liabilities | \$ 34,498,691 | \$ 33,355,596 | \$ 1,143,095 |

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 19/20, the City originally estimated an increase of \$97 thousand in fund balance; however due to decreased performance in revenues and increased annual spending and benefit expense adjustments, the City ended the year with an excess of expenditures over revenues of \$491 thousand.

Revenues

The General Fund adopted and final revenue budgets were \$20.67 and \$20.78 million, with actual revenues recorded at \$18.4 million. This \$2.37 million difference primarily related to less than anticipated performance in most tax categories and charges for services, mostly due to COVID-19.

Expenditures

The General Fund adopted expenditure budget was \$21.2 million and the final budget was \$21.3 million. The actual expenditures totaled \$19.1 million, which resulted in a net difference of \$2.2 million. Most of the savings can be attributed to salary and benefit savings and overall reductions related to COVID-19.

ECONOMIC OUTLOOK

Summary

The City's primary revenue sources include property taxes, sales and use taxes, and transient occupancy taxes. In fiscal year 2020-2021, these revenues are projected to generate \$14.3 million, or 76%, of the \$18.7 million in estimated total citywide revenues. Overall, these revenues are expected to decrease significantly due to the economic impact associated with the coronavirus (COVID-19). However, other known expenditures, primarily related to personnel costs, are anticipated to increase. Absent reductions in expenditures, fiscal year 2020-2021 will face a structural imbalance whereby proposed expenditures outpace estimated revenues.

Property taxes have historically been one of the City's three major sources of revenue and are expected to remain strong in the upcoming fiscal year. Budgeted at \$6.8 million, property taxes will account for 37% of total budgeted revenue in fiscal year 2020-2021 and will be the City's leading revenue. The financial forecast assumes growth of 3% in fiscal year 2020-2021 and annual growth of 2% in future fiscal years.

Sales and use taxes include the City's 1% share of statewide taxes as well as a local sales tax component. The City also collects a transient occupancy tax of 10% of the hotel room rate charged on guests for overnight stays. While these revenues have been steadily increasing over the past several fiscal years, they are projected to decline significantly in fiscal year 2020-2021 due to the economic impacts associated with the coronavirus. Sales and use and transient occupancy taxes are not expected to return to pre-COVID levels of performance for some time, likely 2 years for sales taxes and 3-5 years for transient occupancy taxes.

Similar to other communities that rely on tourism, the combination of less consumer spending on certain taxable goods and services and decreased hotel stays due to travel restrictions are predicted to have immediate and long-term impacts on the City's revenues. However, the projected sales and use tax loss is likely to be partially offset by an 0.5% increase in the local sales tax, which becomes effective on July 1, 2020. Together, the City's allocation of the statewide sales tax of \$1.9 million and the local sales tax of \$3.1 million are expected to generate \$5.0 million, or 27%, of the City's revenues. The fiscal year 2020-2021 budget also includes \$2.5 million in transient occupancy taxes, which will represent 13% of total budgeted revenues, far less than the 28% it has previously contributed in prior fiscal years.

While revenues are projected to significantly decrease in fiscal year 2020-2021 and likely to continue to underperform in the next several fiscal years, certain expenditures are on the rise, including personnel-related costs. In particular, the City's payments toward pension have already been projected to steadily increase from \$1.4 million in fiscal year 2019-2020 to \$2.1 million in fiscal year 2021-2022, not factoring in anticipated investment losses resulting from COVID-19. In addition, the City is obligated to make debt service payments of approximately \$1.2 million through fiscal year 2023-2024. Other operating and capital expenditures will need to be significantly curtailed to offset the revenue loss in fiscal year 2020-2021 and beyond in order to mitigate a structural deficit.

Outlook for Major Revenues

Property Taxes

Located within one square mile, the City is considered to be built out, which limits 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. The fiscal year 2020-2021 Adopted Budget of \$6.8 million in property taxes assumes a 3%

increase over the fiscal year 2019-2020 Estimated Actual. This assumption is based on the City's historical performance, which has averaged a 5.6% increase over the past five years, and other indications of continued growth in the housing market.

While the real estate market is currently impacted by COVID-19, property tax is usually more resilient to economic conditions in terms of timing and sensitivity to other fiscal indicators. Therefore, staff believes that modest growth of 3% is possible in fiscal year 2020-2021. COVID-19 is unparalleled; however, economic literature uses the Great Recession of 2009 and the September 11, 2001 terrorist attacks to model possible economic impacts of the coronavirus. For comparison, in fiscal year 2001-2002, which included the time frame associated with 911, the City's overall property tax increased by 11% over the prior fiscal year.

The property tax growth projection is also consistent with models used by the State of California. Specifically, the May Revise to the Governor's 2020-2021 Budget adjusted its budgeted property tax expectations downward from 5.7% to 3.5% for fiscal year 2020-2021.

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's boundary as well as art galleries, jewelry and clothing retailers contributes to shopping opportunities for residents and visitors alike.

The economic impact of COVID-19 has influenced consumer spending patterns, particularly in areas of leisure and travel and other discretionary spending. As reported in HdL Companies' California Forecast Sales Tax Trends and Economic Drivers April 2020 Revised, many sectors are projected to sustain losses in the second quarter of 2020 including restaurants/hotels (-60%), auto/transportation (-55%), fuel/service stations (-50%), general consumer goods (-45%), building and construction (-40%) and business/industry (-30%). Most of the sales tax within the City is generated by restaurants and general consumer goods and both of these sectors that have been particularly hard hit by the pandemic.

There are many unknown variables in developing an outlook for sales and use taxes, such as:

- When consumer spending will increase, especially for leisure travel, dining and other areas of discretionary spending;
- Changing consumer preferences for online shopping and delivery;
- Implementation of social distancing protocols on retail and dining, including limiting the seating capacity of restaurants;
- The extent to which businesses rebound or permanently close;
- When the economy reopens and shelter-in place restrictions are lifted, and
- Whether the coronavirus returns and warrants a second wave of shelter in place restrictions.

The forecast assumes shelter in place restrictions through May 2020 and the impact of ongoing social distancing protocols on retail and restaurants. The fiscal year 2020-2021 Adopted Budget for the City's allocation of the statewide sales tax (Bradley Burns) is \$1.9 million, which is a decrease of 28%, compared to the fiscal year 2019-2020 Adopted Budget. For comparison, the May Revise to the Governor's 2020-2021 Budget projects a decrease of 27% in sales tax revenues. On March 3, 2020, Carmel voters approved Measure C, which increases the local sales tax within the City from 1% to 1.5%. As the additional 0.5% sales tax will become effective on July 1, 2020, it is anticipated that the increased sales tax will buffer some

of the expected decline in revenue for the upcoming fiscal year. The fiscal year 2020-2021 Adopted Budget of approximately \$3.1 million is just under 1% more than the fiscal year 2019-2020 Adopted Budget. Absent the passage of Measure C, the fiscal year 2020-2021 budget target, based upon a 1% local sales tax rate, is \$2,405,000, meaning the increased sales tax rate of 1.5% is expected to generate \$645,000 more in revenue.

Transient Occupancy Taxes

Visitors have a multitude of lodging options within the City and these lodging establishments charge a 10% transient occupancy tax for stays of 30 days or less. Transient occupancy taxes are more challenging to predict as the taxes 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 and is sensitive to changes in consumer spending, economic conditions, and to some extent, international policies.

The difficulty in estimating transient occupancy taxes has been exacerbated by COVID-19, primarily due to international, national, state and local travel restrictions and shelter in place protocols. In addition, consumer spending on travel and leisure has decreased due to unemployment and other economic losses stemming from the pandemic. First international travel restrictions, followed by statewide and local shelter in place restrictions imposed in March 2020, lead to nearly vacant hotel rooms and assumptions that both occupancy and room rates would remain low for the remainder of fiscal year 2019-2020. The outlook assumes lower occupancy and reduced room rates, particularly in the summer months which have historically generated the majority of the transient occupancy tax revenue, resulting from ongoing shelter in place restrictions and diminished consumer demand. With a fiscal year 2020-2021 Adopted Budget of \$2.5 million, transient occupancy taxes are estimated to be \$2.0 million less than the fiscal year 2019-2020 Estimated Actual and \$4.4 million less than the fiscal year 2019-2020 Adopted Budget.

Other Revenues

Charges for Services: The City provides a variety of services that benefit specific customers, such as the administration of business licenses, ambulance transport, police response to false alarms and the issuance of planning and building, encroachment, tree removal and special event permits. Together charges for services are budgeted at \$2.1 million in fiscal year 2020-2021, which includes \$1.2 million in charges for building services. When compared to the Adopted Budget, the fiscal year 2019-2020 Estimated Actual reflects a decrease of 15% in anticipated revenue. The forecast assumes that Planning and Building staff are able to provide services virtually and by accommodating social distancing protocols through June 30 and expects that the demand for other services, such as special event permits, is curtailed due to COVID-19. In fiscal year 2020-2021, the budget declines by about 2% overall, with anticipated decreases in ambulance transports and special events offset by continued demand for residential and commercial remodels and other planning and building services. Long-term, the forecast assumes a 2% annual growth for inflation.

Other Revenues: This category includes a variety of other types of revenue such as franchise fees imposed on utilities for the use of public streets and roadways; business license tax; parking permits and other licenses; fines and forfeitures; intergovernmental revenue and investment earnings. Funding received from the federal Community Oriented Policing (COPS) grant is transferred into the General Fund to support the Police Department. Other restricted revenue for street maintenance and paving is also received from the State of California through gas taxes and local sales taxes administered by the Transportation Agency of Monterey County. The economic impacts of COVID-19 are anticipated to affect transportation-related funding due to declining fuel and sales taxes and local business taxes. Fiscal year 2020-2021 reflects a 7%

decrease in other revenues compared to the fiscal year 2019-2020 Adopted Budget. An increase of 2% annually is expected in future years.

Outlook for Major Expenditures

Salaries and Benefits

The majority of services provided by the City are delivered by City personnel. As a result, the category of salaries and benefits is projected to be the City's largest expenditure at \$9.6 million, or 49% of total citywide expenditures. The City anticipated this expenditure to rise by 5% over the fiscal year 2019-2020 Adopted Budget due to negotiated salary and benefit increases, personnel advancement (annual merit or salary step adjustments) and growing retirement and health insurance costs. However, based upon the projected revenue outlook, these expenditures are planned to be reduced by \$2.1 million, or -18%, compared to fiscal year 2019-2020. The reduction will be attributed primarily to un-funding vacant positions and other reductions within the City's overall workforce. Future years' expenses are assumed to grow each year, particularly the City's retirement costs; however, the City's ability to meet these ongoing costs is contingent upon the performance of its major revenues.

Projected expenses by function align with salary and benefit costs. For example, together the public safety functions of Ambulance, Fire and Police make up 41% of the planned fiscal year 2020-2021 budget. These functions also contribute to 39% of the citywide workforce. Public Works is the second largest function in terms of staffing and will represent 21% of City personnel. Both public safety and public works also utilize contract services and these planned expenses also contribute to the respective budgets of these functions.

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 derived from a percentage of salary. This is known as the employer contribution and this expense is included within the City's 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 is intended to address any shortfall between the amount CalPERS needs to pay for retirement benefits when people retire compared to the amount that CalPERS currently has on hand to pay for the estimated costs of these benefits. As calculated by CalPERS, the City's UAL payment is projected to steadily increase 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 to \$2.1 million in fiscal year 2021-2022.

However, these costs are expected to be recalculated and rise well beyond these estimates. First, there are lower than unexpected CalPERS investment earnings, which are likely to be under the projected 7% return due to the economic environment associated with COVID-19. Second, actuarial assumptions were last updated in December 2017. Revised actuarial assumptions are expected to be available in August 2020 that will review retirement rates, termination rates, mortality rates, rates of salary increases and inflation. It is presumed the updated actuarial valuations will result in an additional increase in the City's costs over what the City had initially planned over the next several years.

Other Operating Costs

The second largest type of expenditures is known as outside services, which includes such expenses as legal noticing, community promotions and contract services. Contract services are used as an alternative to City

staff directly providing the service to achieve cost savings or due to the specialized nature of the work being performed. Outside services are projected at \$5.3 million, or 27% of the citywide budget. This expense reflects a planned decrease of 15% compared to the fiscal year 2019-2020 Adopted Budget. Some of the largest expenses within this category include \$2.5 million for fire service provided by the City of Monterey (Public Safety); \$845,000 for the support for the operations of the Sunset Center and other marketing activities (Economic Revitalization); legal services of \$285,000 (General Government); and janitorial service for \$192,000 and tree care services at \$115,000 (Public Works). As the costs associated with these various services are anticipated to increase annually by 3% due to inflation and other factors, similar to fiscal year 2020-2021, the City will need to prioritize the use of contract services and curtail other expenses to meet planned revenue projections.

Capital Projects

Due to the projected decline in revenue for fiscal year 2020-2021, no capital expenditures are planned for the upcoming fiscal year. Capital projects expenditures will likely increase in the future as the City's revenues rebound.

Debt Service

Debt service is estimated at \$1.2 million, or 6% of the citywide budget, in fiscal year 2020-2021 and is similar to fiscal year 2019-2020 expenses. This category includes payments for the Next Generation Countywide Radio Project, the Sunset Center, and the Pension Obligation bonds. The Radio Project is intended to enhance communication among public safety agencies and the payment is estimated at \$30,000 annually until the bond matures on June 30, 2023. Approximately \$500,000 a year is allocated toward the 2010 Refunding Lease Revenue Bonds related to improvements at the Sunset Center (the Sunset Theater Project). This bond matures on November 1, 2031 and the City will be exploring the possibility of refinancing this bond to achieve cost savings. On July 3, 2012, the City Council authorized the issuance of pension obligation bonds to refinance the City's outstanding side fund obligations to California Public Employees Retirement System (CalPERS). The annual debt service is approximately \$700,000 until the bond matures on June 1, 2023.

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>.

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BASIC FINANCIAL STATEMENTS

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City of Carmel-By-The-Sea
Statement of Net Position
June 30, 2020

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and investments | \$ 14,688,792 |
| Receivables: | |
| Accounts | 1,132,596 |
| Due from other governments | 432,261 |
| Total Current Assets | <u>16,253,649</u> |
| Noncurrent Assets: | |
| Capital Assets: | |
| Nondepreciable | 5,362,606 |
| Depreciable, net of accumulated depreciation | 36,303,955 |
| Total Capital Assets - Net | <u>41,666,561</u> |
| Total Assets | <u><u>\$ 57,920,210</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| OPEB Adjustments | \$ 392,384 |
| Pension Adjustments | 4,760,245 |
| Total Deferred outflows of Resources | <u><u>\$ 5,152,629</u></u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | \$ 665,172 |
| Payroll related liabilities | 331,998 |
| Deposits and other liabilities | 1,500 |
| Interest payable | 49,000 |
| Claims payable - current portion | 57,500 |
| Compensated absences - current portion | 383,804 |
| Long-term debt - due within one year | 997,308 |
| Total Current Liabilities | <u>2,486,282</u> |
| Noncurrent Liabilities: | |
| Long-term debt - due in more than one year | 6,037,743 |
| Claims payable | 517,500 |
| Compensated absences | 197,716 |
| Net pension liability | 21,666,416 |
| Net OPEB liability | 4,640,704 |
| Total Noncurrent Liabilities | <u>33,060,079</u> |
| Total Liabilities | <u><u>\$ 35,546,361</u></u> |
| DEFERRED INFLOWS OF RESOURCES | |
| OPEB Adjustments | \$ 62,057 |
| Pension Adjustments | 2,021,632 |
| Total Deferred Inflows of Resources | <u><u>\$ 2,083,689</u></u> |
| NET POSITION | |
| Net investment in capital assets | \$ 36,611,510 |
| Restricted for: | |
| Transportation | 87,877 |
| Public safety | 58,971 |
| Debt service | 323,191 |
| Library | 1,421,249 |
| Public parking | 734,767 |
| Measure D | 678,802 |
| Asset seizure | 5,437 |
| Total Restricted | <u>3,310,294</u> |
| Unrestricted | <u>(14,479,015)</u> |
| Total Net Position | <u><u>\$ 25,442,789</u></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, 2020

| Functions/Programs | Expenses | Program Revenues | | | Total | Net (Expense) Revenue and Change in Net Position |
|--------------------------------------|----------------------|----------------------|------------------------------------|-------------------------|---------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 5,356,174 | \$ 211,067 | \$ 453,861 | \$ 664,928 | \$ (4,691,246) | |
| Community Planning and Building | 1,214,005 | 1,112,512 | - | 1,112,512 | (101,493) | |
| Public Safety | 9,166,804 | 808,559 | - | 808,559 | (8,358,245) | |
| Public Works | 4,410,995 | 42,395 | - | 42,395 | (4,368,600) | |
| Library | 2,011,886 | 11,793 | 241,325 | 253,118 | (1,758,768) | |
| Community Activities | 256,698 | 85,060 | - | 85,060 | (171,638) | |
| Economic Revitalization | 1,081,813 | 91,528 | - | 91,528 | (990,285) | |
| Interest and fiscal charges | 268,721 | - | - | - | (268,721) | |
| Total Governmental Activities | \$ 23,767,096 | \$ 2,362,914 | \$ 695,186 | \$ 3,058,100 | (20,708,996) | |

General Revenues:

Taxes:

| | |
|---------------------------|-------------------|
| Property taxes | 6,690,948 |
| Sales and use taxes | 4,766,762 |
| Transient occupancy taxes | 5,115,271 |
| Franchise fees | 632,833 |
| Business license tax | 592,466 |
| Total taxes | <u>17,798,280</u> |

| | |
|------------------------|-------------------|
| Intergovernmental | 672,399 |
| Investment earnings | 207,153 |
| Other revenues | <u>169,680</u> |
| Total General Revenues | <u>18,847,512</u> |

Change in Net Position (1,861,484)

Net Position - Beginning of Year 27,304,273

Net Position - End of Year \$ 25,442,789

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 D 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, 2020

| | Major Funds | | | | | |
|--|---------------------|--------------------------|-----------------------|--------------------------------|--------------------------|--------------------------|
| | General Fund | Measure D Sales Tax Fund | Capital Projects Fund | Harrison Memorial Library Fund | Other Governmental Funds | Total Governmental Funds |
| ASSETS | | | | | | |
| Cash and investments | \$ 8,592,380 | \$ 277,758 | \$ 618,544 | \$ 1,437,351 | \$ 1,201,922 | \$ 12,127,955 |
| Receivables: | | | | | | |
| Accounts | 1,132,596 | - | - | - | - | 1,132,596 |
| Due from other governments | - | 401,044 | - | - | 31,217 | 432,261 |
| Total assets | \$ 9,724,976 | \$ 678,802 | \$ 618,544 | \$ 1,437,351 | \$ 1,233,139 | \$ 13,692,812 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 578,891 | \$ - | \$ 46,887 | \$ 16,102 | \$ 22,896 | \$ 664,776 |
| Accrued liabilities | 331,998 | - | - | - | - | 331,998 |
| Deposits | 1,500 | - | - | - | - | 1,500 |
| Due to other funds | 54,440 | - | - | - | - | 54,440 |
| Total liabilities | 966,829 | - | 46,887 | 16,102 | 22,896 | 1,052,714 |
| Fund Balances: | | | | | | |
| Restricted: | | | | | | |
| Transportation | - | - | - | - | 87,877 | 87,877 |
| Public safety | - | - | - | - | 58,971 | 58,971 |
| Debt service | - | - | - | - | 323,191 | 323,191 |
| Library | - | - | - | 1,421,249 | - | 1,421,249 |
| Asset seizure | - | - | - | - | 5,437 | 5,437 |
| Public parking | - | - | - | - | 734,767 | 734,767 |
| Measure D | - | 678,802 | - | - | - | 678,802 |
| Committed: | | | | | | |
| Holstery tax | 511,527 | - | - | - | - | 511,527 |
| Budget stabilization | 2,173,138 | - | - | - | - | 2,173,138 |
| Assigned: | | | | | | |
| Operational reserves | 1,025,194 | - | - | - | - | 1,025,194 |
| Capital projects | - | - | 571,657 | - | - | 571,657 |
| Unassigned | 5,048,288 | - | - | - | - | 5,048,288 |
| Total fund balances | 8,758,147 | 678,802 | 571,657 | 1,421,249 | 1,210,243 | 12,640,098 |
| Total liabilities and fund balances | \$ 9,724,976 | \$ 678,802 | \$ 618,544 | \$ 1,437,351 | \$ 1,233,139 | \$ 13,692,812 |

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, 2020

Total Fund Balances - Total Governmental Funds \$ 12,640,098

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 | 63,181,080 |
| Less: accumulated depreciation | (22,378,065) |
| Total Capital Assets | <u>40,803,015</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. (49,000)

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. 2,903,428

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. 3,068,939

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 | (7,035,051) |
| Compensated absences | (581,520) |
| Net pension obligation | (21,666,416) |
| Net OPEB liability | (4,640,704) |
| Total Long-Term Obligations | <u>(33,923,691)</u> |

Net Position of Governmental Activities \$ 25,442,789

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, 2020

| | Major Funds | | | | | Total Governmental Funds |
|---|-------------------|--------------------------------|-----------------------------|---|--------------------------------|--------------------------------|
| | General Fund | Measure D Sales Tax Fund | Capital Projects Fund | Harrison Memorial Library Fund | Other Governmental Funds | |
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| Property taxes | \$ 6,690,948 | \$ - | \$ - | \$ - | \$ - | \$ 6,690,948 |
| Sales and use taxes | 2,154,960 | 2,611,802 | - | - | - | 4,766,762 |
| Transient occupancy taxes | 5,115,271 | - | - | - | - | 5,115,271 |
| Franchise fees | 632,833 | - | - | - | - | 632,833 |
| Business license tax | 592,466 | - | - | - | - | 592,466 |
| Intergovernmental revenues | 610,960 | - | - | - | 515,300 | 1,126,260 |
| License and permits | 928,752 | - | - | - | - | 928,752 |
| Contributions | - | - | - | 241,324 | - | 241,324 |
| Fines and forfeitures | 72,152 | - | - | - | - | 72,152 |
| Charges for services | 1,177,695 | - | - | 11,793 | 4,504 | 1,193,992 |
| Interest | 142,384 | - | - | 26,868 | 8,992 | 178,244 |
| Rents and concessions | 130,792 | - | - | - | - | 130,792 |
| Other revenues | 165,131 | - | 41,777 | - | - | 206,908 |
| Total Revenues | 18,414,344 | 2,611,802 | 41,777 | 279,985 | 528,796 | 21,876,704 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 5,008,054 | - | - | - | - | 5,008,054 |
| Community Planning and Building | 1,094,736 | - | - | - | - | 1,094,736 |
| Public Safety | 7,774,916 | - | - | - | - | 7,774,916 |
| Public Works | 2,847,091 | - | - | - | - | 2,847,091 |
| Library | 1,075,384 | - | - | 268,956 | - | 1,344,340 |
| Community Activities | 209,554 | - | - | - | - | 209,554 |
| Economic Revitalization | 1,076,542 | - | - | - | - | 1,076,542 |
| Capital outlay | - | - | 869,596 | - | - | 869,596 |
| Debt service | | | | | | |
| Principal | - | - | - | - | 971,460 | 971,460 |
| Interest and fiscal charges | - | - | - | - | 272,721 | 272,721 |
| Total Expenditures | 19,086,277 | - | 869,596 | 268,956 | 1,244,181 | 21,469,010 |
| Excess (Deficiency) of | | | | | | |
| Revenues over Expenditures | (671,933) | 2,611,802 | (827,819) | 11,029 | (715,385) | 407,694 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 906,286 | - | 1,037,442 | - | 1,244,728 | 3,188,456 |
| Transfers out | (726,335) | (2,113,787) | - | - | (545,834) | (3,385,956) |
| Total Other Financing Sources (Uses) | 179,951 | (2,113,787) | 1,037,442 | - | 698,894 | (197,500) |
| Net Change in Fund Balances | (491,982) | 498,015 | 209,623 | 11,029 | (16,491) | 210,194 |
| Fund Balances Beginning | 9,250,129 | 180,787 | 362,034 | 1,410,220 | 1,226,734 | 12,429,904 |
| Fund Balances Ending | \$ 8,758,147 | \$ 678,802 | \$ 571,657 | \$ 1,421,249 | \$ 1,210,243 | \$ 12,640,098 |

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

June 30, 2020

| | |
|--|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 210,194 |
| 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 | 918,075 |
| Depreciation expense | (1,868,526) |
| 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 | (93,754) |
| 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 | 250,059 |
| 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. | (1,897,481) |
| 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. | 971,460 |
| 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 | (355,511) |
| 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. | 4,000 |
| | <hr/> |
| Change in Net Position of Governmental Activities | \$ (1,861,484) |
| | <hr/> <hr/> |

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, 2020

| | Governmental Activities - Internal Service Funds |
|----------------------------------|---|
| ASSETS | |
| Current assets: | |
| Cash and investments | \$ 2,560,837 |
| Due from other funds | 54,440 |
| Total current assets | <u>2,615,277</u> |
| Noncurrent Assets: | |
| Capital assets - net | <u>863,546</u> |
| Total assets | <u><u>\$ 3,478,823</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 396 |
| Claims payable - current | 57,500 |
| Total current liabilities | <u>57,896</u> |
| Non-current liabilities: | |
| Claims payable | <u>517,500</u> |
| Total liabilities | <u><u>\$ 575,396</u></u> |
| NET POSITION | |
| Net Investment in capital assets | \$ 863,546 |
| Unrestricted | <u>2,039,881</u> |
| Total net position | <u><u>\$ 2,903,427</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, 2020

| | Governmental Activities - Internal Service Funds |
|--|---|
| OPERATING REVENUES | |
| Charges for services | \$ 54,440 |
| Total operating revenues | <u>54,526</u> |
| OPERATING EXPENSES | |
| Claims | 92,304 |
| Depreciation | 282,385 |
| Total operating expenses | <u>374,689</u> |
| Operating income (loss) | (320,163) |
| NONOPERATING REVENUES(EXPENSES) | |
| Investment earnings | 28,909 |
| Total nonoperating revenues(expenses) | <u>28,909</u> |
| Income (loss) before operating transfers | (291,254) |
| Transfers in | <u>197,500</u> |
| Change in net position | (93,754) |
| Total net position - beginning | <u>2,997,181</u> |
| Total net position - ending | <u><u>\$ 2,903,427</u></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, 2020

| | Governmental Activities - Internal Service Funds |
|--|---|
| Cash flows from operating activities: | |
| Receipts from interfund services provided | \$ 86 |
| Payments for claims | (92,304) |
| Payments for supplies and materials | (64,161) |
| Net cash provided (used) by operating activities | <u>(156,379)</u> |
| Cash flows from noncapital financing activities: | |
| Interfund transactions | 197,500 |
| Net cash provided (used) by noncapital financing activities | <u>197,500</u> |
| Cash flows from capital financing activities: | |
| Purchases of property and equipment | (365,782) |
| Net cash provided (used) by capital financing activities | <u>(365,782)</u> |
| Cash flows from investing activities: | |
| Investment income received | 28,909 |
| Net cash provided (used) by investing activities | <u>28,909</u> |
| Net increase (decrease) in cash and cash equivalents | (295,752) |
| Cash and cash equivalents - beginning | 2,856,589 |
| Cash and cash equivalents - ending | <u>\$ 2,560,837</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (320,163) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 282,385 |
| Change in operating assets and liabilities: | |
| Due from other funds | (54,440) |
| Accounts payable | (64,161) |
| Net cash provided (used) by operating activities | <u>\$ (156,379)</u> |

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

City of Carmel-By-The-Sea
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

| | <u>Agency Funds</u> |
|--------------------------|--------------------------|
| ASSETS | |
| Current assets: | |
| Cash and investments | \$ 340,994 |
| Total assets | <u><u>\$ 340,994</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 866 |
| Interest payable | 15,631 |
| Deposits | 324,497 |
| Total liabilities | <u><u>\$ 340,994</u></u> |

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

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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. There are no component units of the City that meet the criteria for discrete presentation.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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 D Sales Tax Fund

The Measure D 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:

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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.

Fiduciary Funds

Agency Funds

Agency Funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not presented in the government-wide financial statements.

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.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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.

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.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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 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:

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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 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

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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."

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.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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.

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, 2020, 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.

City of Carmel-by-the-Sea
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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.

T. Upcoming New Accounting Pronouncements

GASB Statement No. 84, Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2018 but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the City's financial statements.

GASB issued Statement No. 87, Leases

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the City's financial statements.

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GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2020, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2018, but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The City does not believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 91, Conduit Debt Obligations

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 92, Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers

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of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 93, Replacement of Interbank Offered Rates

This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 94, Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the City's financial statements.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
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NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2020, cash and investments were reported in the financial statements as follows:

| | |
|--|----------------------|
| Pooled cash and investments | \$ 14,288,411 |
| Cash with fiscal agent | <u>400,381</u> |
| Total cash and investments - fund statements | 14,688,792 |
| Cash and investments - agency funds | <u>340,994</u> |
| Total cash and investments | <u>\$ 15,029,786</u> |

The following summarized cash and investments by type:

| | |
|----------------------------|----------------------|
| Cash on hand | \$ 1,545 |
| Demand Deposits | 7,471,460 |
| Investments | <u>7,556,781</u> |
| Total cash and investments | <u>\$ 15,029,786</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 \$7,500,108 at June 30, 2020 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$7,250,108 which was collateralized by securities held by pledging financial institutions.

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.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
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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 |

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 |

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
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D. External Investment Pool

The City's investments with LAIF at June 30, 2020, 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 by 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, 2020, 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, 2020, 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).

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

As of June 30, 2020, the City's investments had the following maturities and ratings:

| Investment Type | 12 Months or Less | 13 to 24 Months | 25 to 36 Months | 37 to 48 Months | Total | Rating | Fair Value Input Levels |
|--------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|-----------|-------------------------|
| LAIF (state pool) | \$ - | \$ 5,302,436 | \$ - | \$ - | \$ 5,302,436 | not rated | n/a |
| Money market funds | 966,411 | - | - | - | 966,411 | AAA | 1 |
| Bonds | - | - | 261,874 | - | 261,874 | AAA | 1 |
| Certificate of deposits | 248,977 | 505,711 | - | 271,372 | 1,026,060 | not rated | 1 |
| Total Investments | \$ 1,215,388 | \$ 5,808,147 | \$ 261,874 | \$ 271,372 | \$ 7,556,781 | | |

NOTE 3 - ACCOUNTS RECEIVABLE

The following summarizes accounts receivable as of June 30, 2020:

| | |
|----------------------------------|---------------------|
| Ambulance | \$ 349,560 |
| Holstery Tax | 146,732 |
| Measure D | 401,044 |
| Sales and Use Tax | 322,917 |
| Accruals | 344,604 |
| Total Accounts Receivable | \$ 1,564,857 |

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. The following summarizes interfund balances as of June 30, 2020:

| Fund | Due from Other Funds | Due to Other Funds |
|--------------------------------------|----------------------|--------------------|
| General Fund | \$ - | \$ 54,440 |
| Internal Service Funds | 54,440 | - |
| Total Due From/To Other Funds | \$ 54,440 | \$ 54,440 |

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, 2020:

| Fund | Transfer in | Transfer out |
|--------------------------|---------------------|---------------------|
| General Fund | \$ 906,286 | \$ 726,335 |
| Measure D Sales Tax Fund | - | 2,113,787 |
| Capital Projects Fund | 1,037,442 | - |
| Internal Service Funds | 197,500 | - |
| Nonmajor Funds | 1,244,728 | 545,834 |
| Total Transfers | \$ 3,385,956 | \$ 3,385,956 |

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
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NOTE 5 - CAPITAL ASSETS

Capital assets for governmental activities consisted of the following as of June 30, 2020:

| <i>Governmental Activities</i> | Balance July 01, 2019 | Additions | Adjustments/ Deletions | Balance June 30, 2020 |
|---|--------------------------|--------------------|---------------------------|--------------------------|
| Non-depreciable: | | | | |
| Land | \$ 5,101,641 | \$ - | \$ - | \$ 5,101,641 |
| Construction in Progress | 621,085 | 918,076 | (1,278,196) | 260,965 |
| Total Non-Depreciable | <u>5,722,726</u> | <u>918,076</u> | <u>(1,278,196)</u> | <u>5,362,606</u> |
| Depreciable: | | | | |
| Buildings and improvements | 25,786,510 | 429,021 | - | 26,215,531 |
| Infrastructure | 25,936,021 | 981,780 | - | 26,917,801 |
| Vehicles | 2,825,439 | 66,166 | - | 2,891,605 |
| Technology/Hardware and Software | 602,625 | 19,334 | - | 621,959 |
| Machinery and equipment | 2,738,372 | 147,677 | - | 2,886,049 |
| Total Depreciable | <u>57,888,967</u> | <u>1,643,978</u> | <u>-</u> | <u>59,532,945</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and improvements | (10,075,328) | (619,374) | - | (10,694,702) |
| Infrastructure | (5,748,740) | (1,195,669) | - | (6,944,409) |
| Vehicles | (2,632,259) | (86,447) | - | (2,718,706) |
| Technology/Hardware and Software | (254,766) | (122,458) | - | (377,224) |
| Machinery and equipment | (2,366,986) | (126,963) | - | (2,493,949) |
| Total Accumulated Depreciation | <u>(21,078,079)</u> | <u>(2,150,911)</u> | <u>-</u> | <u>(23,228,990)</u> |
| Total Depreciable Capital Assets - Net | <u>36,810,888</u> | <u>(506,933)</u> | <u>-</u> | <u>36,303,955</u> |
| Total Governmental Capital Assets | <u>\$ 42,533,614</u> | <u>\$ 411,143</u> | <u>\$ (1,278,196)</u> | <u>\$ 41,666,561</u> |
| Internal Service Funds (Included with Governmental Activities) | | | | |
| Buildings and improvements | \$ 12,750 | \$ 132,605 | - | \$ 145,355 |
| Technology/Hardware and Software | 588,173 | 19,334 | - | 607,507 |
| Vehicle, Machinery and Equipment | 747,766 | 213,843 | - | 961,609 |
| Accumulated Depreciation | (568,540) | (282,385) | - | (850,925) |
| Total Internal Service Funds - Net | <u>\$ 780,149</u> | <u>\$ 83,397</u> | <u>\$ -</u> | <u>\$ 863,546</u> |

Depreciation expense was allocated to the following governmental activities:

| | |
|---------------------------------|---------------------|
| General Government | \$ 126,837 |
| Community Planning and Building | 629 |
| Public Safety | 168,663 |
| Public Works | 1,313,919 |
| Library | 522,828 |
| Community Activities | 18,035 |
| Total depreciation expense | <u>\$ 2,150,911</u> |

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

NOTE 6 - NONCURRENT LIABILITIES

The City's noncurrent liabilities consisted of the following as of June 30, 2020:

| Noncurrent Liabilities | Beginning | | Deletions | Ending | | Due Within One Year |
|-------------------------------------|----------------------|----------------------|---------------------|----------------------|---------------------|---------------------------|
| | Balance | Additions | | Balance | | |
| Sunset Center COP | \$ 5,215,000 | \$ - | \$ 325,000 | \$ 4,890,000 | \$ 335,000 | |
| Countywide Radio Project (Direct) | 186,511 | - | 21,460 | 165,051 | 22,308 | |
| Pension Obligation Bonds | 2,605,000 | - | 625,000 | 1,980,000 | 640,000 | |
| Compensated Absences | 831,579 | 546,765 | 796,824 | 581,520 | 383,804 | |
| Net Pension Liability | 19,920,568 | 8,901,185 | 7,155,337 | 21,666,416 | - | |
| Claims Liability | 575,000 | 93,869 | 93,869 | 575,000 | 57,500 | |
| Net OPEB Liability | 4,021,938 | 910,179 | 291,413 | 4,640,704 | - | |
| Total Noncurrent Liabilities | \$ 33,355,596 | \$ 10,451,998 | \$ 9,308,903 | \$ 34,498,691 | \$ 1,438,612 | |

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. Interest is payable semi-annually on October 1st and April 1st with principal payments due each October 1st. The annual debt service requirements were as follows:

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|-----------------------------|---------------------|---------------------|---------------------|
| 2021 | \$ 335,000 | \$ 171,663 | \$ 506,663 |
| 2022 | 345,000 | 161,463 | 506,463 |
| 2023 | 355,000 | 150,963 | 505,963 |
| 2024 | 370,000 | 139,857 | 509,857 |
| 2025 | 385,000 | 127,819 | 512,819 |
| 2026-2030 | 2,135,000 | 392,981 | 2,527,981 |
| 2031-2033 | 965,000 | 58,000 | 1,023,000 |
| Total | \$ 4,890,000 | \$ 1,202,746 | \$ 6,092,746 |

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 |
|-----------------------------|-------------------|------------------|-------------------|
| 2021 | \$ 22,308 | \$ 7,356 | \$ 29,664 |
| 2022 | 23,189 | 6,475 | 29,664 |
| 2023 | 24,105 | 5,559 | 29,664 |
| 2024 | 25,057 | 4,607 | 29,664 |
| 2025 | 26,047 | 3,617 | 29,664 |
| 2026-2028 | 44,345 | 4,107 | 48,452 |
| Total | \$ 165,051 | \$ 31,721 | \$ 196,772 |

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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 |
|-----------------------------|--------------|------------|--------------|
| 2021 | \$ 640,000 | \$ 57,698 | \$ 697,698 |
| 2022 | 660,000 | 40,428 | 700,428 |
| 2023 | 680,000 | 21,080 | 701,080 |
| Total | \$ 1,980,000 | \$ 119,206 | \$ 2,099,206 |

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. 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. 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 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

City of Carmel-by-the-Sea
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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, 2020 | Year Ended June 30, 2019 |
|--|-----------------------------|-----------------------------|
| Beginning of year | \$ 575,000 | \$ 575,000 |
| Increase (decrease) in current year claims | 1,566 | 65,021 |
| Changes in estimates | 92,303 | (42,789) |
| Claims paid | (93,869) | (22,232) |
| Ending balance | 575,000 | 575,000 |
| Current portion | (57,500) | (57,500) |
| Non-current portion | <u>\$ 517,500</u> | <u>\$ 517,500</u> |

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, 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.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | Miscellaneous | | |
|--|----------------------|------------------|------------------|
| | 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 | 10.221% | 8.081% | 6.985% |
| Contractual employee contribution rates | 10.000% | 10.000% | 9.750% |
| Contractual employer contribution rates | 7.221% | 5.081% | 3.985% |

| | Safety | | |
|--|------------------|------------------|------------------|
| | 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% | 12.000% |
| Required employer contribution rates | 21.927% | 16.636% | 13.034% |
| Contractual employee contribution rates | 12.000% | 12.000% | 15.000% |
| Contractual employer contribution rates | 18.927% | 13.636% | 10.034% |

Employees Covered

At June 30, 2020, the following employees were covered by the benefit terms for the Plans:

| | Miscellaneous | Safety |
|--------------|---------------|------------|
| Active | 51 | 31 |
| Transferred | 23 | 38 |
| Separated | 32 | 20 |
| Retired | 105 | 104 |
| Total | 211 | 193 |

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.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

For the year ended June 30, 2020, the following contributions were made:

| | | |
|---------------|-----------|------------------|
| Miscellaneous | \$ | 898,263 |
| Safety | | 966,647 |
| Total | \$ | 1,864,910 |

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

| | | |
|---------------|-----------|---|
| | | Proportionate Share of Net Pension Liability/(Asset) |
| Miscellaneous | \$ | 11,025,590 |
| Safety | | 10,640,826 |
| Total | \$ | 21,666,416 |

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2019 and 2020 was as follows:

| | |
|------------------------------|-----------------------|
| | Combined Plans |
| Proportion - June 30, 2019 | 0.20672% |
| Proportion - June 30, 2020 | 0.21144% |
| Change - Increase/(Decrease) | 0.00472% |

For the year ended June 30, 2020, the City recognized pension expense of \$3,762,391.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Miscellaneous Plan | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Changes of Assumptions | \$ 525,751 | \$ 186,374 |
| Differences between Expected and Actual Experience | 765,774 | 59,332 |
| Differences between Projected and Actual Investment Earnings | - | 192,761 |
| Differences between Employer's Contributions and Proportionate Share of Contributions | - | 835,479 |
| Change in Employer's Proportion | 271,852 | 33,801 |
| Pension Contributions Made Subsequent to Measurement Date | 898,263 | - |
| Total | \$ 2,461,640 | \$ 1,307,748 |

| Safety Plan | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Changes of Assumptions | \$ 436,149 | \$ 85,114 |
| Differences between Expected and Actual Experience | 694,750 | - |
| Differences between Projected and Actual Investment Earnings | - | 146,383 |
| Differences between Employer's Contributions and Proportionate Share of Contributions | - | 435,436 |
| Change in Employer's Proportion | 201,059 | 46,950 |
| Pension Contributions Made Subsequent to Measurement Date | 966,647 | - |
| Total | \$ 2,298,605 | \$ 713,883 |

| Miscellaneous and Safety Plan | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Changes of Assumptions | \$ 961,900 | \$ 271,488 |
| Differences between Expected and Actual Experience | 1,460,524 | 59,332 |
| Differences between Projected and Actual Investment Earnings | - | 339,144 |
| Differences between Employer's Contributions and Proportionate Share of Contributions | - | 1,270,915 |
| Change in Employer's Proportion | 472,911 | 80,752 |
| Pension Contributions Made Subsequent to Measurement Date | 1,864,910 | - |
| Total | \$ 4,760,245 | \$ 2,021,631 |

The City reported \$1,864,910 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, 2021.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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

| Fiscal Year Ending | Deferred Outflows/(Inflows) of Resources | | |
|---------------------------|---|-------------------|-------------------|
| | Miscellaneous | Safety | Total |
| June 30: | | | |
| 2021 | \$ 457,724 | \$ 610,761 | \$ 1,068,485 |
| 2022 | (265,406) | (106,167) | (371,573) |
| 2023 | 24,360 | 85,000 | 109,360 |
| 2024 | 38,950 | 28,482 | 67,432 |
| 2025 | - | - | - |
| Thereafter | - | - | - |
| Total | \$ 255,628 | \$ 618,076 | \$ 873,704 |

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|------------------------------------|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| 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

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return 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 the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the 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 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, 2020

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 | \$ 16,841,177 | 15,623,902 | 32,465,079 |
| Current | 7.15% | 7.15% | 7.15% |
| Net Pension Liability | \$ 11,025,590 | 10,640,826 | 21,666,416 |
| 1% Increase | 8.15% | 8.15% | 8.15% |
| Net Pension Liability | \$ 6,225,234 | 6,555,485 | 12,780,718 |

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 financials 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, 2020

Employees Covered by Benefit Terms

At June 30, 2020, the benefit terms covered the following employees:

| | |
|------------------------|--------------------------|
| Active employees | 90 |
| Inactive employees | <u>40</u> |
| Total employees | <u><u>130</u></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 \$135,193. The actuarially determined contribution for the measurement period was \$584,376. The City's contributions and benefit payments were 2.06% of payroll during the measurement period June 30, 2020 (reporting period June 30, 2020). 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, 2019 |
| Measurement Date: | June 30, 2020 |
| Actuarial Cost Method: | Entry-Age Normal Cost Method |
| Amortization Period: | 20 years |
| Actuarial Assumptions: | |
| Discount Rate | 2.20% |
| Inflation | 2.75% |
| 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, 2020 (measurement date) and was determined by an actuarial valuation as of June 30, 2019 (valuation date) for the fiscal year ended June 30, 2020 (reporting date).

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

Changes in the Total OPEB Liability

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

| Fiscal Year Ended June 30, 2020 | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
|---|---------------------------------|--|---|
| Balance at June 30, 2019 | \$ 4,021,938 | \$ - | \$ 4,021,938 |
| Service cost | 295,059 | - | 295,059 |
| Interest in Total OPEB Liability | 143,565 | - | 143,565 |
| Actual and exp experience | 59,118 | - | 59,118 |
| Changes in assumptions | 256,216 | - | 256,216 |
| Benefit payments | (135,193) | - | (135,193) |
| Net changes | 618,765 | - | 618,765 |
| Balance at June 30, 2020 | \$ 4,640,703 | \$ - | \$ 4,640,703 |
| Covered Employee Payroll | \$ 6,554,081 | | |
| Total OPEB Liability as a % of Covered Employee Payroll | 70.81% | | |
| Service Cost as a % of Covered Employee Payroll | 4.50% | | |
| Net OPEB Liability as a % of Covered Employee Payroll | 70.81% | | |

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, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between actual and expected experience | \$ 51,130 | \$ 2,698 |
| Change in assumptions | 341,254 | 59,359 |
| Totals | \$ 392,384 | \$ 62,057 |

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, | |
| 2021 | \$ 52,081 |
| 2022 | 52,081 |
| 2023 | 71,425 |
| 2024 | 52,468 |
| 2025 | 42,613 |
| Thereafter | 59,659 |
| Total | \$ 330,327 |

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2020:

| | |
|---|--------------------------|
| Service cost | \$ 295,059 |
| Interest in TOL | 143,565 |
| Difference between actual and expected experience | 7,012 |
| Change in assumptions | 45,069 |
| OPEB Expense | <u><u>\$ 490,705</u></u> |

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2020:

| | |
|---|--------------------------|
| Total OPEB liability ending | \$ 4,640,703 |
| Total OPEB liability beginning | <u>(4,021,938)</u> |
| Change in total OPEB liability | 618,765 |
| Changes in deferred outflows | (236,164) |
| Changes in deferred inflows | (27,089) |
| Employer contributions and implicit subsidy | 135,193 |
| OPEB Expense | <u><u>\$ 490,705</u></u> |

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 | \$ 5,280,353 | \$ 4,640,703 | \$ 4,114,885 |

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 | \$ 4,420,385 | \$ 4,640,703 | \$ 4,899,277 |

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2020

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

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through December 18, 2020 and noted a \$3,895,000 issuance of 2020 Refunding Lease Revenue Bonds. The bonds were issued on October 21, 2020 to refund a portion of the City's existing "Sunset Center COP" lease revenue bonds.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the City had experienced significant declines in revenue, especially sales and transient occupancy taxes. However, the City had sufficient reserves and a 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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 6,601,976 | \$ 6,601,976 | \$ 6,690,948 | \$ 88,972 |
| Sales and use taxes | 2,618,240 | 2,618,240 | 2,154,960 | (463,280) |
| Transient occupancy taxes | 6,842,900 | 6,842,900 | 5,115,271 | (1,727,629) |
| Franchise fees | 655,144 | 655,144 | 632,833 | (22,311) |
| Business license tax | 605,000 | 605,000 | 592,466 | (12,534) |
| Intergovernmental revenues | 530,508 | 650,872 | 610,960 | (39,912) |
| License and permits | 1,203,797 | 1,203,797 | 928,752 | (275,045) |
| Fines and forfeitures | 133,445 | 133,445 | 72,152 | (61,293) |
| Charges for services | 1,158,388 | 1,158,388 | 1,177,695 | 19,307 |
| Interest | 60,000 | 60,000 | 142,384 | 82,384 |
| Rents and concessions | 188,940 | 188,940 | 130,792 | (58,148) |
| Other revenues | 66,995 | 66,995 | 165,131 | 98,136 |
| Total Revenues | 20,665,333 | 20,785,697 | 18,414,344 | (2,371,353) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 5,459,626 | 5,441,706 | 5,008,054 | 433,652 |
| Community Planning and Building | 1,143,753 | 1,144,353 | 1,094,736 | 49,617 |
| Public Safety | 8,501,170 | 8,535,170 | 7,774,916 | 760,254 |
| Public Works | 3,523,964 | 3,644,328 | 2,847,091 | 797,237 |
| Library | 1,183,675 | 1,183,675 | 1,075,384 | 108,291 |
| Community Activities | 251,265 | 246,449 | 209,554 | 36,895 |
| Economic Revitalization | 1,120,097 | 1,106,097 | 1,076,542 | 29,555 |
| Total Expenditures | 21,183,550 | 21,301,778 | 19,086,277 | 2,215,501 |
| Excess (Deficiency) of Revenues over Expenditures | (518,217) | (516,081) | (671,933) | (155,852) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,569,810 | 1,569,810 | 906,286 | (663,524) |
| Transfers out | (955,060) | (955,060) | (726,335) | 228,725 |
| Total Other Financing Sources (Uses) | 614,750 | 614,750 | 179,951 | (434,799) |
| Net Change in Fund Balance | 96,533 | 98,669 | (491,982) | (590,651) |
| Fund Balance Beginning | 6,088,614 | 6,080,386 | 9,250,129 | 3,169,743 |
| Fund Balance Ending | \$ 6,185,147 | \$ 6,179,055 | \$ 8,758,147 | \$ 2,579,092 |

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Measure D Sales Tax Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|------------------|--------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes: | | | | |
| Sales and use taxes | \$ 3,023,000 | \$ 3,023,000 | \$ 2,611,802 | \$ (411,198) |
| EXPENDITURES | | | | |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues over Expenditures | 3,023,000 | 3,023,000 | 2,611,802 | (411,198) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (3,023,000) | (3,023,000) | (2,113,787) | 909,213 |
| Total Other Financing Sources (Uses) | (3,023,000) | (3,023,000) | (2,113,787) | 909,213 |
| Net Change in Fund Balance | - | - | 498,015 | 498,015 |
| Fund Balance Beginning | 180,787 | 180,787 | 180,787 | - |
| Fund Balance Ending | \$ 180,787 | \$ 180,787 | \$ 678,802 | \$ 498,015 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Contributions | \$ 315,000 | \$ 315,000 | \$ 241,324 | \$ (73,676) |
| Charges for services | 9,500 | 9,500 | 11,793 | 2,293 |
| Interest | 4,000 | 4,000 | 26,868 | 22,868 |
| Total Revenues | 328,500 | 328,500 | 279,985 | (48,515) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Library | 328,500 | 328,500 | 268,956 | 59,544 |
| Total Expenditures | 328,500 | 328,500 | 268,956 | 59,544 |
| Excess (Deficiency) of Revenues over Expenditures | - | - | 11,029 | 11,029 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balance | - | - | 11,029 | 11,029 |
| Fund Balance Beginning | 1,410,220 | 1,410,220 | 1,410,220 | - |
| Fund Balance Ending | \$ 1,410,220 | \$ 1,410,220 | \$ 1,421,249 | \$ 11,029 |

City of Carmel-by-the-Sea
Schedule of Pension Contributions
June 30, 2020

Miscellaneous and Safety Plan

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

Notes to Schedule:

Valuation Date: June 30, 2018
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 six 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 were adjusted in fiscal year 2019.

City of Carmel-by-the-Sea
Schedule of Proportionate Share of Net Pension Liability
June 30, 2020

| Miscellaneous and Safety Plan | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Fiscal Year Ended | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Proportion of Net Pension Liability | 0.18745% | 0.19035% | 0.19840% | 0.20075% | 0.20672% | 0.21144% |
| Proportionate Share of Net Pension Liability | \$ 11,664,146 | \$ 13,065,617 | \$ 17,167,636 | \$ 19,908,483 | \$ 19,920,568 | \$ 21,666,416 |
| Covered Payroll | \$ 4,748,117 | \$ 4,894,966 | \$ 5,193,071 | \$ 5,725,559 | \$ 5,897,326 | \$ 8,296,468 |
| Proportionate Share of NPL as a % of Covered Payroll | 245.66% | 266.92% | 330.59% | 347.71% | 337.79% | 261.15% |
| Plan's Fiduciary Net Position as a % of the TPL | 80.11% | 77.73% | 74.70% | 73.44% | 74.18% | 72.78% |

Fiscal year 2015 was the first year of implementation, therefore only six 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, 2020

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

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 3.50% to 2.20%, the inflation rate increased from 2.25% to 2.75%, the payroll rate decreased from 3.00% to 2.75%, the trend rate changed from 8% to 5% to 4.00%, and the investment rate of return decreased from 3.50% to 2.20% from 2019 to 2020.

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.



SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

| Fund Title | Fund Description |
|-----------------------|---|
| 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, 2020

| | Special Revenue Funds | | | |
|--|-----------------------|----------------------------------|-----------------------|----------------------------|
| | Gas Tax Fund | Transportation Safety Fund | COPS Grant Fund | Parking In-Lieu Fund |
| ASSETS | | | | |
| Cash and investments | \$ 36,875 | \$ 36,452 | \$ 42,304 | \$ 734,767 |
| Receivables: | | | | |
| Due from other governments | 14,550 | - | 16,667 | - |
| Total assets | \$ 51,425 | \$ 36,452 | \$ 58,971 | \$ 734,767 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | - | - | - | - |
| Fund Balances: | | | | |
| Restricted: | | | | |
| Transportation | 51,425 | 36,452 | - | - |
| Public safety | - | - | 58,971 | - |
| Debt service | - | - | - | - |
| Asset seizure | - | - | - | - |
| Public parking | - | - | - | 734,767 |
| Total fund balances | 51,425 | 36,452 | 58,971 | 734,767 |
| Total liabilities and fund balances | \$ 51,425 | \$ 36,452 | \$ 58,971 | \$ 734,767 |

Cont'd

City of Carmel-By-The-Sea

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

| | Special Revenue | | Total Nonmajor Governmental Funds |
|--|--------------------------|-------------------------|--|
| | Funds | Debt Service | |
| | Asset Seizure Fund | Debt Service Fund | |
| ASSETS | | | |
| Cash and investments | \$ 5,437 | \$ 346,087 | \$ 1,201,922 |
| Receivables: | | | |
| Due from other governments | - | - | 31,217 |
| Total assets | \$ 5,437 | \$ 346,087 | \$ 1,233,139 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ 22,896 | \$ 22,896 |
| Total liabilities | - | 22,896 | 22,896 |
| Fund Balances: | | | |
| Restricted: | | | |
| Transportation | - | - | 87,877 |
| Public safety | - | - | 58,971 |
| Debt service | - | 323,191 | 323,191 |
| Asset seizure | 5,437 | - | 5,437 |
| Public parking | - | - | 734,767 |
| Total fund balances | 5,437 | 323,191 | 1,210,243 |
| Total liabilities and fund balances | \$ 5,437 | \$ 346,087 | \$ 1,233,139 |

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, 2020

| | Special Revenue Funds | | | |
|---|-----------------------|----------------------------------|-----------------------|----------------------------|
| | Gas Tax Fund | Transportation Safety Fund | COPS Grant Fund | Parking In-Lieu Fund |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 156,810 | \$ 202,543 | \$ 155,947 | \$ - |
| Contributions | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | 247 | 350 | 1,399 | 8,939 |
| Total Revenues | <u>157,057</u> | <u>202,893</u> | <u>157,346</u> | <u>8,939</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Library | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>157,057</u> | <u>202,893</u> | <u>157,346</u> | <u>8,939</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (106,558) | (196,514) | (242,762) | - |
| Total Other Financing Sources (Uses) | <u>(106,558)</u> | <u>(196,514)</u> | <u>(242,762)</u> | <u>-</u> |
| Net Change in Fund Balances | 50,499 | 6,379 | (85,416) | 8,939 |
| Fund Balances Beginning | <u>926</u> | <u>30,073</u> | <u>144,387</u> | <u>725,828</u> |
| Fund Balances Ending | <u>\$ 51,425</u> | <u>\$ 36,452</u> | <u>\$ 58,971</u> | <u>\$ 734,767</u> |

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, 2020

| | Special Revenue | | Total Nonmajor Governmental Funds |
|---|--------------------------|-------------------------|--|
| | Funds | Debt Service | |
| | Asset Seizure Fund | Debt Service Fund | |
| REVENUES | | | |
| Intergovernmental revenues | \$ - | \$ - | \$ 515,300 |
| Contributions | - | - | - |
| Charges for services | 4,504 | - | 4,504 |
| Interest | 12 | (1,955) | 8,992 |
| Total Revenues | 4,516 | (1,955) | 528,796 |
| EXPENDITURES | | | |
| Current: | | | |
| Library | - | - | - |
| Debt service | | | |
| Principal | - | 971,460 | 971,460 |
| Interest and fiscal charges | - | 272,721 | 272,721 |
| Total Expenditures | - | 1,244,181 | 1,244,181 |
| Excess (Deficiency) of Revenues over Expenditures | 4,516 | (1,246,136) | (715,385) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 1,244,728 | 1,244,728 |
| Transfers out | - | - | (545,834) |
| Total Other Financing Sources (Uses) | - | 1,244,728 | 698,894 |
| Net Change in Fund Balances | 4,516 | (1,408) | (16,491) |
| Fund Balances Beginning | 921 | 324,599 | 1,226,734 |
| Fund Balances Ending | \$ 5,437 | \$ 323,191 | \$ 1,210,243 |
| | | | 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, 2020

| | Gas Tax Fund | | | |
|---|------------------|------------------|-------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 161,370 | \$ 161,370 | \$ 156,810 | \$ (4,560) |
| Contributions | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | 247 | 247 |
| Total Revenues | <u>161,370</u> | <u>161,370</u> | <u>157,057</u> | <u>(4,313)</u> |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>161,370</u> | <u>161,370</u> | <u>157,057</u> | <u>(4,313)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (161,370) | (161,370) | (106,558) | 54,812 |
| Total Other Financing Sources (Uses) | <u>(161,370)</u> | <u>(161,370)</u> | <u>(106,558)</u> | <u>54,812</u> |
| Net Change in Fund Balances | - | - | 50,499 | 50,499 |
| Fund Balances Beginning | 926 | 926 | 926 | - |
| Fund Balances Ending | <u>\$ 926</u> | <u>\$ 926</u> | <u>\$ 51,425</u> | <u>\$ 50,499</u> |

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, 2020

| | Transportation Safety Fund | | | |
|---|----------------------------|------------------|------------------|---------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 199,854 | \$ 199,854 | \$ 202,543 | \$ 2,689 |
| Contributions | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | 350 | 350 |
| Total Revenues | 199,854 | 199,854 | 202,893 | 3,039 |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues over Expenditures | 199,854 | 199,854 | 202,893 | 3,039 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (199,854) | (199,854) | (196,514) | 3,340 |
| Total Other Financing Sources (Uses) | (199,854) | (199,854) | (196,514) | 3,340 |
| Net Change in Fund Balances | - | - | 6,379 | 6,379 |
| Fund Balances Beginning | 30,073 | 30,073 | 30,073 | - |
| Fund Balances Ending | \$ 30,073 | \$ 30,073 | \$ 36,452 | \$ 6,379 |

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, 2020

| | COPS Grant Fund | | | |
|---|------------------|------------------|-------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 149,000 | \$ 149,000 | \$ 155,947 | \$ 6,947 |
| Contributions | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | 1,399 | 1,399 |
| Total Revenues | 149,000 | 149,000 | 157,346 | 8,346 |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues over Expenditures | 149,000 | 149,000 | 157,346 | 8,346 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (242,762) | (242,762) | (242,762) | - |
| Total Other Financing Sources (Uses) | (242,762) | (242,762) | (242,762) | - |
| Net Change in Fund Balances | (93,762) | (93,762) | (85,416) | 8,346 |
| Fund Balances Beginning | 144,387 | 144,387 | 144,387 | - |
| Fund Balances Ending | \$ 50,625 | \$ 50,625 | \$ 58,971 | \$ 8,346 |

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, 2020

| | Parking In-Lieu Fund | | | |
|---|----------------------|-------------------|-------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ - | \$ - | \$ - | \$ - |
| Contributions | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | 8,939 | 8,939 |
| Total Revenues | - | - | 8,939 | 8,939 |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues over Expenditures | - | - | 8,939 | 8,939 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balances | - | - | 8,939 | 8,939 |
| Fund Balances Beginning | 725,828 | 725,828 | 725,828 | - |
| Fund Balances Ending | \$ 725,828 | \$ 725,828 | \$ 734,767 | \$ 8,939 |

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, 2020

| | Asset Seizure Fund | | | |
|---|--------------------|----------|--------------|---------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES | | | | |
| Intergovernmental revenues | \$ - | \$ - | \$ - | \$ - |
| Contributions | - | - | - | - |
| Charges for services | - | - | 4,504 | 4,504 |
| Interest | - | - | 12 | 12 |
| Total Revenues | - | - | 4,516 | 4,516 |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues over Expenditures | - | - | 4,516 | 4,516 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balances | - | - | 4,516 | 4,516 |
| Fund Balances Beginning | 921 | 921 | 921 | - |
| Fund Balances Ending | \$ 921 | \$ 921 | \$ 5,437 | \$ 4,516 |

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, 2020

| | Debt Service Fund | | | |
|---|-------------------|-------------|-------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ - | \$ - | \$ - | \$ - |
| Contributions | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | (1,955) | (1,955) |
| Total Revenues | - | - | (1,955) | (1,955) |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | 978,770 | 978,770 | 971,460 | 7,310 |
| Interest and fiscal charges | 265,957 | 265,957 | 272,721 | (6,764) |
| Total Expenditures | 1,244,727 | 1,244,727 | 1,244,181 | 546 |
| Excess (Deficiency) of Revenues over Expenditures | (1,244,727) | (1,244,727) | (1,246,136) | (1,409) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,244,727 | 1,244,727 | 1,244,728 | 1 |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | 1,244,727 | 1,244,727 | 1,244,728 | 1 |
| Net Change in Fund Balances | - | - | (1,408) | (1,408) |
| Fund Balances Beginning | 324,599 | 324,599 | 324,599 | - |
| Fund Balances Ending | \$ 324,599 | \$ 324,599 | \$ 323,191 | \$ (1,408) |

Concluded

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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, 2020

| | Workers Compensation Fund | OPEB Reserve Fund | Vehicle & Equipment Replacement Fund | Total Governmental Activities - Internal Service Funds |
|----------------------------------|---------------------------------|-------------------------|---|--|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 520,560 | \$ 1,839,429 | \$ 200,848 | \$ 2,560,837 |
| Due from other funds | 54,440 | - | - | 54,440 |
| Total current assets | <u>575,000</u> | <u>1,839,429</u> | <u>200,848</u> | <u>2,615,277</u> |
| Noncurrent assets: | | | | |
| Capital assets - net | - | - | 863,546 | 863,546 |
| Total assets | <u>\$ 575,000</u> | <u>\$ 1,839,429</u> | <u>\$ 1,064,394</u> | <u>\$ 3,478,823</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 396 | \$ 396 |
| Claims payable - current | 57,500 | - | - | 57,500 |
| Total current liabilities | <u>57,500</u> | <u>-</u> | <u>396</u> | <u>57,896</u> |
| Noncurrent liabilities: | | | | |
| Claims payable | 517,500 | - | - | 517,500 |
| Total liabilities | <u>\$ 575,000</u> | <u>\$ -</u> | <u>\$ 396</u> | <u>\$ 575,396</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ - | \$ - | \$ 863,546 | \$ 863,546 |
| Unrestricted | - | 1,839,429 | 200,452 | 2,039,881 |
| Total net position | <u>\$ -</u> | <u>\$ 1,839,429</u> | <u>\$ 1,063,998</u> | <u>\$ 2,903,427</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, 2020

| | Workers Compensation Fund | OPEB Reserve Fund | Vehicle & Equipment Replacement Fund | Total Governmental Activities - Internal Service Funds |
|--|---------------------------------|-------------------------|---|--|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 54,440 | \$ - | \$ - | \$ 54,440 |
| Other | - | - | 86 | 86 |
| Total operating revenues | 54,440 | - | 86 | 54,526 |
| OPERATING EXPENSES | | | | |
| Claims | 92,304 | - | - | 92,304 |
| Depreciation | - | - | 282,385 | 282,385 |
| Total operating expenses | 92,304 | - | 282,385 | 374,689 |
| Operating income (loss) | (37,864) | - | (282,299) | (320,163) |
| NONOPERATING REVENUES(EXPENSES) | | | | |
| Investment income | 6,531 | 22,378 | - | 28,909 |
| Total nonoperating revenues(expenses) | 6,531 | 22,378 | - | 28,909 |
| Income (loss) | (31,333) | 22,378 | (282,299) | (291,254) |
| Transfers in | - | - | 197,500 | 197,500 |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | 197,500 | 197,500 |
| Change in net position | (31,333) | 22,378 | (84,799) | (93,754) |
| Total net position - beginning | 31,333 | 1,817,051 | 1,148,797 | 2,997,181 |
| Total net position - ending | \$ - | \$ 1,839,429 | \$ 1,063,998 | \$ 2,903,427 |

City of Carmel-By-The-Sea
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

| | Workers Compensation Fund | OPEB Reserve Fund | Vehicle & Equipment Replacement Fund | Total Governmental Activities - Internal Service Funds |
|--|---------------------------------|-------------------------|---|--|
| Cash flows from operating activities: | | | | |
| Receipts from interfund services provided | \$ - | \$ - | \$ 86 | \$ 86 |
| Payments for claims | (92,304) | - | - | (92,304) |
| Payments for supplies and materials | - | - | (64,161) | (64,161) |
| Net cash provided (used) by operating activities | <u>(92,304)</u> | <u>-</u> | <u>(64,075)</u> | <u>(156,379)</u> |
| Cash flows from noncapital financing activities: | | | | |
| Interfund transactions | - | - | 197,500 | 197,500 |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>-</u> | <u>197,500</u> | <u>197,500</u> |
| Cash flows from capital financing activities: | | | | |
| Purchases of property and equipment | - | - | (365,782) | (365,782) |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>-</u> | <u>(365,782)</u> | <u>(365,782)</u> |
| Cash flows from investing activities: | | | | |
| Investment income received | 6,531 | 22,378 | - | 28,909 |
| Net cash provided (used) by investing activities | <u>6,531</u> | <u>22,378</u> | <u>-</u> | <u>28,909</u> |
| Net increase (decrease) in cash and cash equivalents | (85,773) | 22,378 | (232,357) | (295,752) |
| Cash and cash equivalents - beginning | 606,333 | 1,817,051 | 433,205 | 2,856,589 |
| Cash and cash equivalents - ending | <u>\$ 520,560</u> | <u>\$ 1,839,429</u> | <u>\$ 200,848</u> | <u>\$ 2,560,837</u> |
| Reconciliation of operating income to net cash provided (used) | | | | |
| by operating activities: | | | | |
| Operating income (loss) | \$ (37,864) | \$ - | \$ (282,299) | \$ (320,163) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | - | - | 282,385 | 282,385 |
| Change in operating assets and liabilities: | | | | |
| Due from other funds | (54,440) | - | - | (54,440) |
| Accounts payable | - | - | (64,161) | (64,161) |
| Net cash provided (used) by operating activities | <u>\$ (92,304)</u> | <u>\$ -</u> | <u>\$ (64,075)</u> | <u>\$ (156,379)</u> |

AGENCY FUNDS

| Fund Title | Fund Description |
|---------------------|---|
| Refundable Deposits | This fund accounts for monies received that are unearned and required to be returned by the City. |

City of Carmel-By-The-Sea
Combining Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

| REFUNDABLE DEPOSITS | Balance July 01, 2019 | Additions | Deductions | Balance June 30, 2020 |
|----------------------------|--------------------------|-------------------|-------------------|--------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 286,807 | \$ 176,519 | \$ 122,332 | \$ 340,994 |
| Receivables | 3,086 | - | 3,086 | - |
| Total assets | \$ 289,893 | \$ 176,519 | \$ 125,418 | \$ 340,994 |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 124,374 | \$ 123,508 | \$ 866 |
| Interest payable | 11,501 | 4,130 | - | 15,631 |
| Deposits | 278,392 | 343,518 | 297,413 | 324,497 |
| Total liabilities | \$ 289,893 | \$ 472,022 | \$ 420,921 | \$ 340,994 |



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

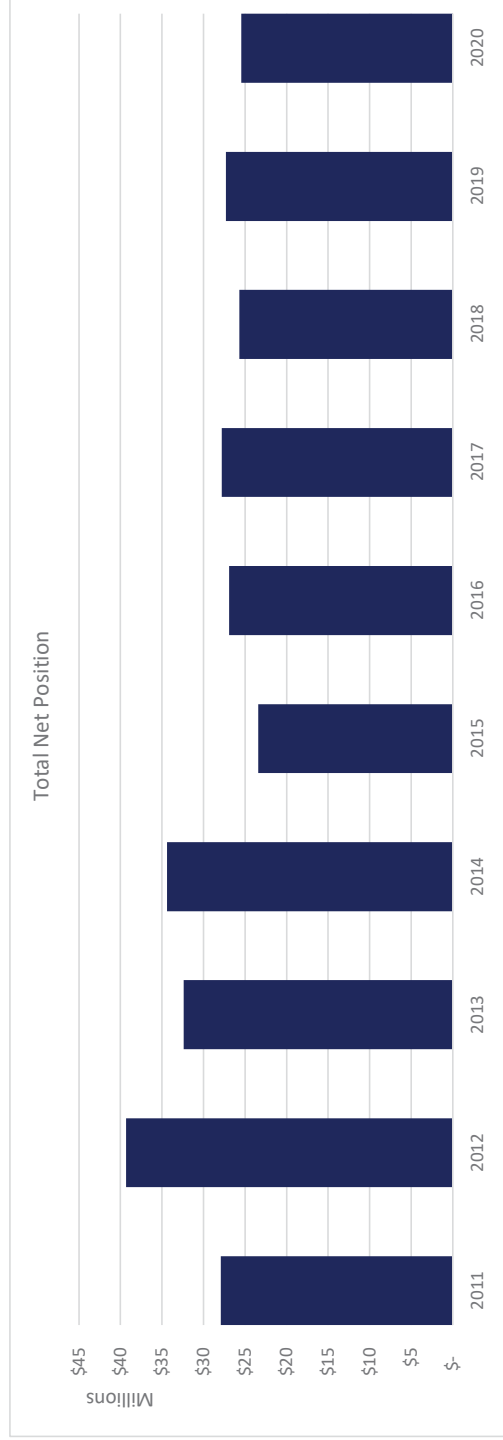
These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

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

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

TABLE 1

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 18,594,000 | \$ 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 |
| Restricted | 441,000 | 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 |
| Unrestricted | 8,884,000 | 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) |
| Total governmental activities net position | \$ 27,919,000 | \$ 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 |



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

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------------------|----------------------|-----------------------|---------------------|---------------------|
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 3,448,824 | \$ 2,904,382 | \$ 9,481,135 | \$ 4,067,934 | \$ 3,724,546 |
| Community planning and building | - | - | - | - | - |
| Public safety | 5,142,244 | 4,694,672 | 4,193,157 | 4,299,954 | 6,685,310 |
| Public works | 1,271,318 | 1,790,684 | 1,896,305 | 2,227,067 | 2,003,332 |
| Library | - | - | - | - | - |
| Community activities | - | - | - | - | - |
| Economic revitalization | - | 361,458 | 304,587 | 363,342 | 326,956 |
| Building maintenance | - | 2,718,581 | 3,763,094 | 2,924,447 | 1,832,618 |
| Forest, parks and beach | - | 1,578,381 | 472,123 | 484,119 | 581,319 |
| Culture and recreation | 2,619,273 | 1,314,073 | 2,405,481 | 2,453,842 | 2,605,877 |
| Interest and fiscal charges on long-term debt | 50,576 | 194,153 | 376,787 | 346,674 | 365,043 |
| Depreciation (Unallocated) | 638,255 | - | - | - | - |
| Total governmental activities expenses | 13,170,490 | 15,556,384 | 22,892,669 | 17,167,379 | 18,125,001 |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | 329,666 | 4,735 | 19,821 | 15,644 | 66,190 |
| Community planning and building | - | - | - | - | - |
| Public safety | 49,725 | 39,878 | 167,723 | 184,338 | 918,644 |
| Public works | - | 412,605 | 433,928 | 467,392 | 525,310 |
| Library | - | - | - | - | - |
| Community activities | - | - | - | - | - |
| Economic revitalization | - | - | - | - | - |
| Building maintenance | - | - | - | - | - |
| Forest, parks and beach | - | - | - | 165,406 | - |
| Culture and recreation | 30,286 | 36,030 | 80,909 | 91,804 | 18,953 |
| Operating grants and contributions | 435,046 | 871,230 | 1,474,331 | 1,282,214 | 1,444,296 |
| Capital grants and contributions | - | - | - | - | 331,719 |
| Total governmental activities program revenues | 844,723 | 1,364,478 | 2,176,712 | 2,206,798 | 3,305,112 |
| Net (expense)/revenue: | | | | | |
| Governmental activities | (12,325,767) | (14,191,906) | (20,715,957) | (14,960,581) | (14,819,889) |
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property taxes | 4,157,789 | 4,571,481 | 4,652,176 | 4,881,534 | 5,127,974 |
| Sales and use taxes | 1,805,510 | 1,743,748 | 2,760,414 | 5,115,880 | 5,280,418 |
| Transient occupancy taxes | 4,002,509 | 4,179,900 | 4,615,598 | 5,185,880 | 5,593,689 |
| Franchise taxes | 476,597 | 491,674 | 981,831 | 994,468 | 430,430 |
| Business license tax | 591,248 | 532,019 | 577,364 | 549,190 | 606,128 |
| Intergovernmental | 233,716 | - | - | - | 382,145 |
| Unrestricted grants and contributions | 465,881 | - | - | - | - |
| Unrestricted investment earnings | 109,602 | 55,995 | 69,735 | 76,880 | 163,648 |
| Gain (loss) on sale of assets | - | - | - | - | - |
| Special item - infrastructure capitalization | - | 13,760,000 | - | - | - |
| Miscellaneous or other revenues | 142,923 | 276,751 | 98,331 | 184,660 | 249,537 |
| Total governmental activities | 11,985,775 | 25,611,568 | 13,755,449 | 16,988,492 | 17,833,969 |
| Change in Net Position | \$ (339,992) | \$ 11,419,662 | \$ (6,960,508) | \$ 2,027,911 | \$ 3,014,080 |

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

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------------|-------------------|---------------------|---------------------|-----------------------|
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 5,162,323 | \$ 4,981,304 | \$ 4,896,809 | \$ 5,906,304 | \$ 5,356,174 |
| Community planning and building | - | 1,146,860 | 1,206,295 | 1,191,826 | 1,214,005 |
| Public safety | 6,445,695 | 7,281,137 | 7,771,104 | 8,390,616 | 9,166,804 |
| Public works | 1,454,895 | 2,605,036 | 2,950,423 | 4,162,376 | 4,410,995 |
| Library | - | 1,144,883 | 1,303,989 | 1,894,410 | 2,011,886 |
| Community activities | - | 446,445 | 153,224 | 283,512 | 256,698 |
| Economic revitalization | 306,505 | 1,110,857 | 1,125,261 | 1,144,022 | 1,081,813 |
| Building maintenance | 1,542,170 | - | - | - | - |
| Forest, parks and beach | 558,592 | - | - | - | - |
| Culture and recreation | 2,082,591 | - | - | - | - |
| Interest and fiscal charges on long-term debt | 336,551 | 322,181 | 319,974 | 283,606 | 268,721 |
| Depreciation (Unallocated) | 1,528,260 | 1,747,960 | 1,786,021 | - | - |
| Total governmental activities expenses | 19,417,582 | 20,786,663 | 21,513,100 | 23,256,672 | 23,767,096 |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | 34,040 | 38,795 | 318,414 | 256,645 | 211,067 |
| Community planning and building | - | - | 1,167,308 | 1,454,523 | 1,112,512 |
| Public safety | 684,612 | 373,716 | 692,187 | 790,428 | 808,559 |
| Public works | 534,224 | 751,844 | 58,931 | 44,636 | 42,395 |
| Library | - | - | 14,794 | 10,097 | 11,793 |
| Community activities | - | - | 79,067 | 146,443 | 85,060 |
| Economic revitalization | - | - | 97,142 | 102,366 | 91,528 |
| Building maintenance | - | - | - | - | - |
| Forest, parks and beach | - | - | - | - | - |
| Culture and recreation | 20,326 | 31,817 | - | - | - |
| Operating grants and contributions | 668,239 | 675,765 | 681,240 | 865,370 | 695,186 |
| Capital grants and contributions | 327,029 | 166,726 | - | - | - |
| Total governmental activities program revenues | 2,268,470 | 2,038,663 | 3,109,083 | 3,670,508 | 3,058,100 |
| Net (expense)/revenue: | | | | | |
| Governmental activities | (17,149,112) | (18,748,000) | (18,404,017) | (19,586,164) | (20,708,996) |
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property taxes | 5,598,743 | 5,825,889 | 6,192,126 | 6,524,331 | 6,690,948 |
| Sales and use taxes | 4,897,325 | 5,373,800 | 5,486,449 | 5,732,885 | 4,766,762 |
| Transient occupancy taxes | 5,890,538 | 6,112,347 | 6,329,074 | 6,882,015 | 5,115,271 |
| Franchise taxes | 587,514 | 672,554 | 637,136 | 636,397 | 632,833 |
| Business license tax | 626,625 | 649,525 | 544,392 | 594,941 | 592,466 |
| Intergovernmental | 413,334 | 436,073 | 462,989 | - | 672,399 |
| Unrestricted grants and contributions | - | - | 92,155 | 637,124 | - |
| Unrestricted investment earnings | 160,172 | 182,366 | 101,743 | 205,791 | 207,153 |
| Gain (loss) on sale of assets | - | - | (2,439,255) | (160,794) | - |
| Special item - infrastructure capitalization | - | - | - | - | - |
| Miscellaneous or other revenues | 1,963,750 | 362,561 | 212,820 | 12,928 | 169,680 |
| Total governmental activities | 20,138,001 | 19,615,115 | 17,619,629 | 21,065,618 | 18,847,512 |
| Change in Net Position | \$ 2,988,889 | \$ 867,115 | \$ (784,388) | \$ 1,479,454 | \$ (1,861,484) |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 73,038 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 400,000 | - | - | - | - | - | - | - | - | - |
| Committed | 7,358,390 | 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 |
| Assigned | - | - | - | - | 1,747,589 | 3,308,636 | 2,448,461 | 1,922,008 | 1,926,008 | 1,025,194 |
| Unassigned | 1,573,080 | 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 |
| Total Fund Balance | 9,331,470 | 7,259,561 | 8,151,913 | 7,133,421 | 7,849,809 | 7,212,868 | 9,315,496 | 8,006,394 | 9,250,130 | 8,758,147 |
| Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ 46,747 | \$ 46,747 | \$ 46,747 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 40,523 | 555,524 | 566,992 | 2,543,658 | 3,903,533 | 3,624,583 | 5,065,310 | 2,628,238 | 2,817,741 | 3,310,294 |
| Committed | 1,045,909 | - | - | - | 1,783,310 | - | - | - | - | - |
| Assigned | 68,199 | 1,506,992 | 1,793,249 | 1,477,680 | 90,158 | 1,146,832 | - | 1,627,098 | 362,034 | 571,657 |
| Unassigned | - | - | - | (479,166) | (684,400) | (706,427) | (1,264,197) | (483) | - | - |
| Total Fund Balance | 1,154,631 | 2,109,263 | 2,406,988 | 3,588,919 | 5,092,601 | 4,064,788 | 3,801,113 | 4,254,853 | 3,179,775 | 3,881,951 |
| Total Fund Balance | \$ 10,486,101 | \$ 9,368,824 | \$ 10,558,901 | \$ 10,722,340 | \$ 12,942,410 | \$ 11,277,656 | \$ 13,116,609 | \$ 12,261,247 | \$ 12,429,905 | \$ 12,640,098 |

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

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

TABLE 4

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | | |
| Taxes | \$ 10,442,405 | \$ 11,497,256 | \$ 12,505,034 | \$ 12,727,944 | \$ 17,420,784 |
| Intergovernmental revenues | 456,821 | 635,386 | 609,304 | 3,864,416 | 874,152 |
| License and permits | 916,989 | 612,356 | 1,195,092 | 1,114,927 | 720,257 |
| Contributions | 326,185 | 329,160 | 354,785 | 313,895 | 686,025 |
| Fines and forfeitures | 19,314 | 127,354 | 133,168 | 138,713 | 119,152 |
| Charges for services | 49,725 | 597,302 | 738,366 | 508,563 | 905,526 |
| Interest | - | - | - | - | - |
| Use of money and property | 247,683 | 231,975 | 284,674 | 314,248 | 163,648 |
| Other revenues | 149,634 | 93,944 | 109,392 | 193,336 | 249,537 |
| Total revenues | 12,608,756 | 14,124,733 | 15,929,815 | 19,176,042 | 21,139,081 |
| Expenditures | | | | | |
| General government | 3,109,461 | 3,122,302 | 3,029,816 | 4,305,440 | 3,593,094 |
| Community Planning and Building | - | - | - | - | - |
| Public Safety | 4,955,512 | 3,363,428 | 4,026,884 | 4,245,184 | 6,398,876 |
| Public Works | 1,122,225 | 1,166,299 | 1,341,604 | 1,609,402 | 1,284,030 |
| Library | - | - | - | - | - |
| Community Activities | - | - | - | - | - |
| Economic Revitalization | 317,983 | 361,458 | 304,587 | 363,342 | 315,780 |
| Building maintenance | - | 2,633,987 | 2,263,763 | 2,798,314 | 1,637,602 |
| Forest, parks and beach | - | 1,122,795 | 466,021 | 468,247 | 544,902 |
| Culture and recreation | 2,240,365 | 1,298,938 | 1,918,196 | 1,963,003 | 1,999,728 |
| Capital Outlay | 1,085,637 | 1,599,462 | 651,785 | 1,993,305 | 2,396,667 |
| Debt Service | | | | | |
| Principal | 318,070 | 315,570 | 410,434 | 927,774 | 1,046,128 |
| Interest and fiscal charges | 201,964 | 257,771 | 328,994 | 357,840 | 360,610 |
| Total expenditures | 13,351,217 | 15,242,010 | 14,742,084 | 19,031,851 | 19,577,417 |
| Excess of revenues over (under) expenditures | (742,461) | (1,117,277) | 1,187,731 | 144,191 | 1,561,664 |
| Other financing sources (uses) | | | | | |
| Proceeds from asset dispositions | - | - | 2,346 | 19,248 | - |
| Proceeds from long-term debt issued | 7,657,787 | - | 6,280,000 | - | - |
| Retirement of PERS side fund | - | - | (6,280,000) | - | - |
| Payment to refunded bond escrow agent | (7,850,977) | - | - | - | - |
| Interagency transfers in (out) | - | - | - | - | - |
| Transfers in | 4,973,143 | 7,749,165 | 6,301,989 | 9,724,198 | 4,927,935 |
| Transfers out | (4,640,460) | (7,749,165) | (6,301,989) | (9,724,198) | (4,927,935) |
| Total other financing sources (uses) | 139,493 | - | 2,346 | 19,248 | - |
| Net change in fund balances | \$ (602,968) | \$ (1,117,277) | \$ 1,190,077 | \$ 163,439 | \$ 1,561,664 |
| Total Expenditures | \$ 13,351,217 | \$ 15,242,010 | \$ 14,742,084 | \$ 19,031,851 | \$ 19,577,417 |
| Capitalized Portion of Capital Outlay | 748,979 | 1,066,867 | 651,397 | 1,993,170 | 2,396,667 |
| Total Non-Capitalized Expenditures | \$ 12,602,238 | \$ 14,175,143 | \$ 14,090,687 | \$ 17,038,681 | \$ 17,180,750 |
| Debt Service: Principal & Interest | \$ 520,034 | \$ 573,341 | \$ 739,428 | \$ 1,285,614 | \$ 1,406,738 |
| Debt service as a percentage of noncapital expenditures | 4.1% | 4.0% | 5.2% | 7.5% | 8.2% |

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

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | | |
| Taxes | \$ 18,014,079 | \$ 19,041,911 | \$ 19,652,166 | \$ 20,370,569 | \$ 17,798,280 |
| Intergovernmental revenues | 294,952 | 365,304 | 454,997 | 1,088,044 | 1,126,260 |
| License and permits | 788,578 | 850,547 | 1,087,953 | 1,192,242 | 928,752 |
| Contributions | 314,600 | 323,495 | 318,398 | 314,450 | 241,324 |
| Fines and forfeitures | 111,930 | 87,154 | 91,813 | 121,470 | 72,152 |
| Charges for services | 712,321 | 440,439 | 1,070,999 | 1,261,169 | 1,193,992 |
| Interest | - | - | 58,055 | 167,544 | 178,244 |
| Use of money and property | 163,875 | 182,367 | 100,899 | 185,156 | 130,792 |
| Other revenues | 389,136 | 1,979,561 | 211,153 | 158,029 | 206,908 |
| Total revenues | 20,789,471 | 23,270,778 | 23,046,433 | 24,858,673 | 21,876,704 |
| Expenditures | | | | | |
| General government | 5,045,332 | 5,681,103 | 4,696,923 | 5,517,516 | 5,008,054 |
| Community Planning and Building | - | - | 1,128,977 | 1,116,689 | 1,094,736 |
| Public Safety | 6,264,950 | 7,033,862 | 7,024,092 | 7,617,310 | 7,774,916 |
| Public Works | 1,301,160 | 2,554,752 | 2,769,129 | 2,902,461 | 2,847,091 |
| Library | - | - | 1,217,687 | 1,258,390 | 1,344,340 |
| Community Activities | - | - | 141,378 | 179,426 | 209,554 |
| Economic Revitalization | 306,505 | 351,425 | 1,095,636 | 1,103,993 | 1,076,542 |
| Building maintenance | 1,525,038 | 1,138,983 | - | - | - |
| Forest, parks and beach | 547,211 | 108,764 | - | - | - |
| Culture and recreation | 2,054,872 | 1,448,129 | - | - | - |
| Capital Outlay | 4,439,279 | 1,877,053 | 1,833,014 | 3,778,271 | 869,596 |
| Debt Service | | | | | |
| Principal | 898,379 | 914,105 | 934,860 | 950,770 | 971,460 |
| Interest and fiscal charges | 337,915 | 323,649 | 302,202 | 286,606 | 272,721 |
| Total expenditures | 22,720,641 | 21,431,825 | 21,143,898 | 24,711,432 | 21,469,010 |
| Excess of revenues over (under) expenditures | (1,931,170) | 1,838,953 | 1,902,535 | 147,241 | 407,694 |
| Other financing sources (uses) | | | | | |
| Proceeds from asset dispositions | - | - | - | - | - |
| Proceeds from long-term debt issued | - | - | - | - | - |
| Retirement of PERS side fund | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - |
| Interagency transfers in (out) | - | - | 31,000 | - | - |
| Transfers in | 6,483,069 | 3,405,710 | 13,924,490 | 4,581,594 | 3,188,456 |
| Transfers out | (6,483,069) | (3,405,710) | (16,713,387) | (4,681,594) | (3,385,956) |
| Total other financing sources (uses) | - | - | (2,757,897) | (100,000) | (197,500) |
| Net change in fund balances | \$ (1,931,170) | \$ 1,838,953 | \$ (855,362) | \$ 47,241 | \$ 210,194 |
| Total Expenditures | \$ 22,720,641 | \$ 21,431,825 | \$ 21,143,898 | \$ 24,711,432 | \$ 21,469,010 |
| Capitalized Portion of Capital Outlay | 4,311,179 | 1,870,844 | 1,900,132 | 3,533,858 | 918,075 |
| Total Non-Capitalized Expenditures | \$ 18,409,462 | \$ 19,560,981 | \$ 19,243,766 | \$ 21,177,574 | \$ 20,550,935 |
| Debt Service: Principal & Interest | \$ 1,236,294 | \$ 1,237,754 | \$ 1,237,062 | \$ 1,237,376 | \$ 1,244,181 |
| Debt service as a percentage of noncapital expenditures | 6.7% | 6.3% | 6.4% | 5.8% | 6.1% |

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

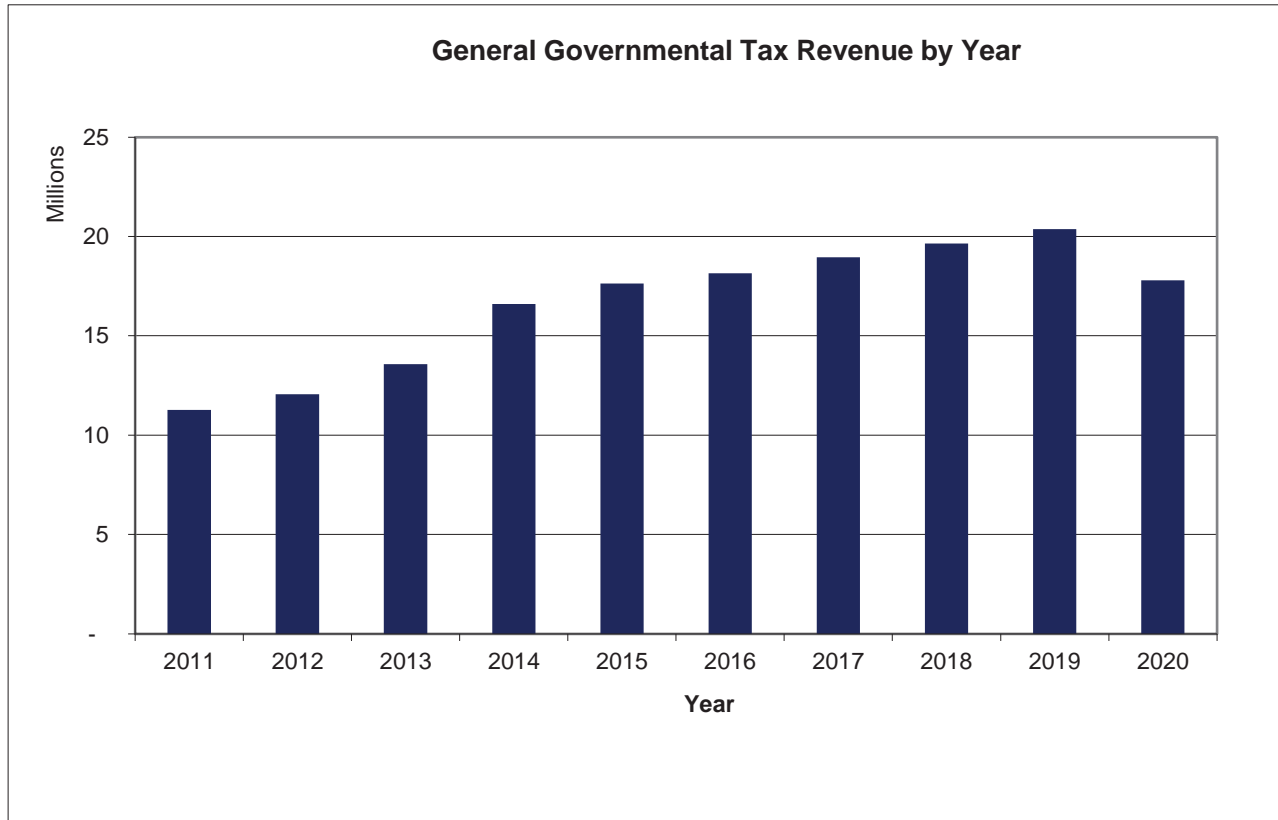
Source: City of Carmel-by-the-Sea Finance Department

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 |
|---------------------------|-----------|---------------|-----------|---------------------|------------------|-----------|------------|
| 2011 | 4,157,789 | 1,805,510 | 476,597 | 4,002,509 | 591,248 | 233,716 | 11,267,369 |
| 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 |

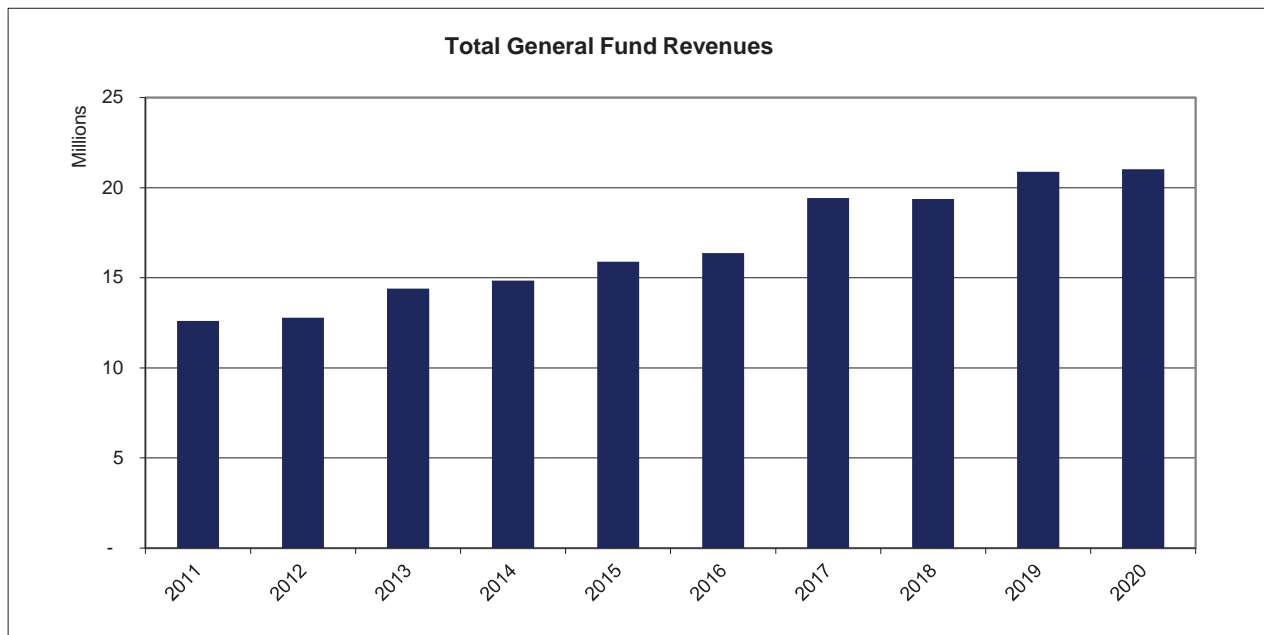


Source: City of Carmel-by-the-Sea Finance Department

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 |
|---------------------------|------------|--------------------|----------------------|---------------|-----------------------|----------------------|---------------------------------|----------------|------------|
| 2011 | 10,442,405 | 456,821 | 916,989 | 326,185 | 19,314 | 49,725 | 247,683 | 149,634 | 12,608,756 |
| 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 |

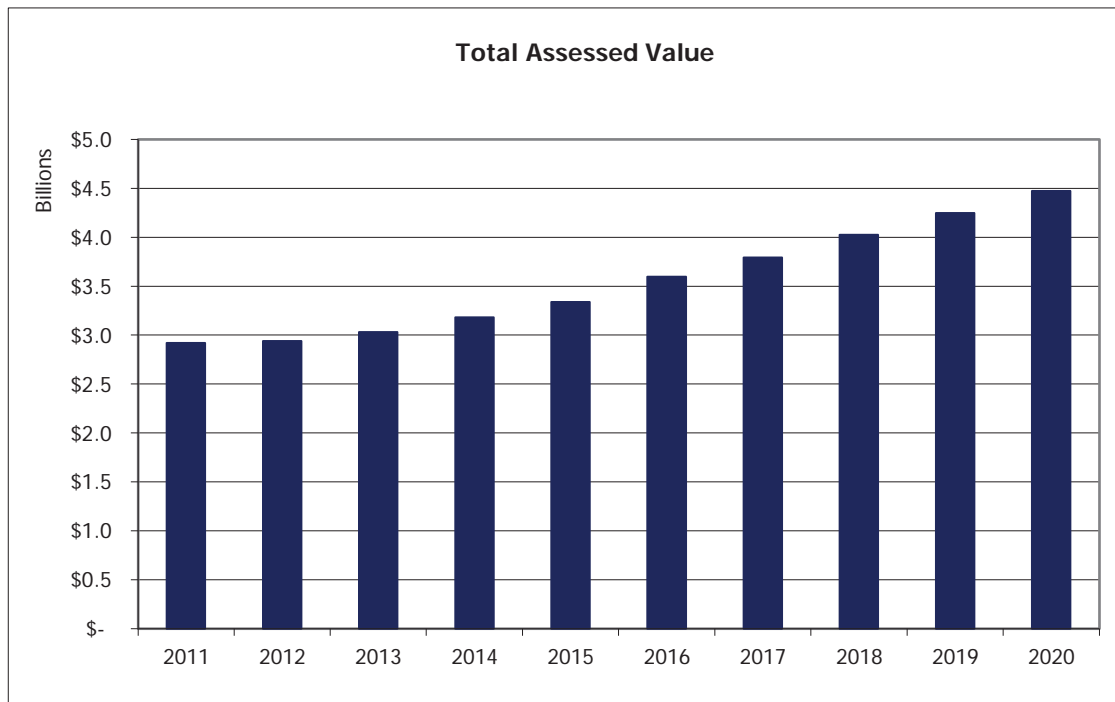


Source: City of Carmel-by-the-Sea Finance Department

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 |
|---------------------------|---------------|------------|----------------------|-----------------------|
| 2011 | 2,885,547,810 | 34,821,845 | 2,920,369,656 | 1.00% |
| 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% |



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

| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------------------|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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 | 0.014 | 0.016 | 0.015 |
| Monterey Peninsula Community College | | 0.022 | 0.022 | 0.022 | 0.022 | 0.022 | 0.022 | 0.022 | 0.022 | 0.021 | 0.021 |
| Total Direct and Overlapping Rate | | 1.036 | 1.036 | 1.036 | 1.036 | 1.036 | 1.036 | 1.036 | 1.036 | 1.037 | 1.036 |
| City Share of 1% Levy per Prop. 13 | (3) | 0.823 | 0.827 | 0.903 | 0.913 | 0.904 | 0.918 | 0.925 | 0.929 | 0.919 | 0.906 |

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

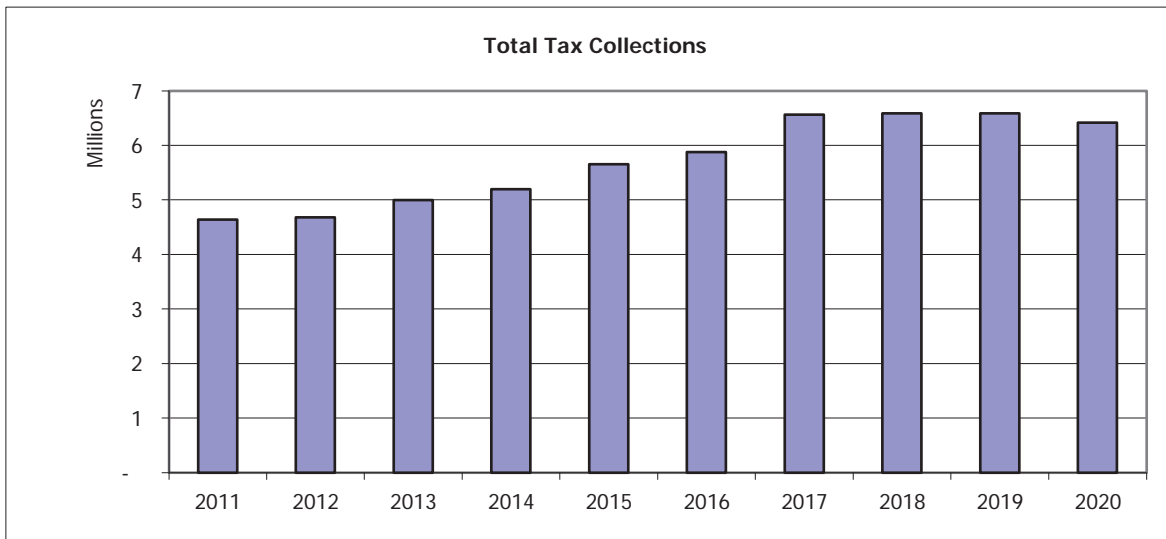
| Tax Owner | 2020 | | | 2011 | | |
|---------------------------------------|-------------------------|------|--|--------------------|------|--|
| | Assessed Valuation | Rank | Percentage of Total Assessed Valuation | Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| OWRF Carmel LLC | \$ 59,607,384 | 1 | 1.33% | na | | na |
| Esperanza Carmel Commercial LLC | 33,507,013 | 2 | 0.75% | na | | na |
| Jeffrey C. Hines | 32,138,368 | 3 | 0.72% | na | | na |
| Andrew M. Paul | 28,161,918 | 4 | 0.63% | na | | na |
| Esperanza Carmel LLC | 22,385,779 | 5 | 0.50% | na | | na |
| Richard and Margaret Gunner, Trustees | 21,993,438 | 6 | 0.49% | na | | na |
| La Playa Carmel Hotel LLC | 18,108,021 | 7 | 0.40% | na | | na |
| Alan R. Porter | 14,373,354 | 8 | 0.32% | na | | na |
| Hoseit Management LLC | 14,240,263 | 9 | 0.32% | na | | na |
| Paul DeBruce, Trust | 14,011,472 | 10 | 0.31% | na | | na |
| Totals | <u>\$ 258,527,010</u> | | <u>5.78%</u> | <u>\$ -</u> | | <u>0.00%</u> |
| Total assessed value | <u>\$ 4,474,292,980</u> | | | <u>\$ -</u> | | |

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 ¹ | Percent of Levy Collected | Supplemental Tax Collections | Delinquent Tax Collections | Total Collections |
|---------------------------|----------------|--------------------------------------|---------------------------|------------------------------|----------------------------|-------------------|
| 2011 | 4,571,481 | 4,365,764 | 95.5% | 62,915 | 211,192 | 4,639,871 |
| 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 |



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 | | | | | |
| 2011 | \$ - | \$ 7,575,000 | \$ 360,054 | \$ 465,566 | \$ 8,400,620 | \$ 76,463 | 0.91% | 3,766 | \$ 2,231 | |
| 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 | |

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

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

TABLE 12

2018-2019 Assessed Value

\$ 4,474,292,980

| | Total Debt Outstanding | Percentage Applicable to City ⁽¹⁾ | Amount Applicable to City |
|---|------------------------------|--|---------------------------------|
| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Monterey Peninsula Community College District | \$ 117,618,522 | 11.567% | \$ 13,604,934 |
| Carmel Unified School District | 21,678,445 | 23.783% | 5,155,785 |
| Total Direct and Overlapping Tax and Assessment Debt | <u>\$ 139,296,967</u> | | <u>\$ 18,760,719</u> |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Monterey County General Fund Obligations | 148,222,616 | 6.278% | 9,305,416 |
| Monterey County Judgment Obligations | 1,335,000 | 6.278% | 83,811 |
| Monterey County Water Resources Agency Gen Fund Debt | 21,130,000 | 6.278% | 1,326,541 |
| City of Carmel-by-the-Sea General Fund Obligations | 4,890,000 | 100.000% | 4,890,000 |
| City of Carmel-by-the-Sea Pension Obligation Bonds | <u>1,980,000</u> | 100.000% | <u>1,980,000</u> |
| Total Gross Direct and Overlapping General Fund Debt | | | 17,585,768 |
| Less: Monterey County supported obligations | | | <u>219,776</u> |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$ 17,365,992</u> |
| TOTAL DIRECT DEBT | | | \$ 6,870,000 |
| TOTAL GROSS OVERLAPPING DEBT | | | \$ 29,476,487 |
| TOTAL NET OVERLAPPING DEBT | | | \$ 29,256,711 |
| GROSS COMBINED TOTAL DEBT ² | | | \$ 36,346,487 |
| NET COMBINED TOTAL DEBT | | | \$ 36,126,711 |

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 2018-19 Assessed Valuation:

Direct Debt

| | |
|--|--------------|
| Total Direct and Overlapping Tax and Assessment Debt | 0.42% |
| Total Direct Debt (\$8,750,000) | 0.15% |
| Gross Combined Total Debt | 0.81% |
| Net Combined Total Debt | 0.81% |

Source: MuniServices, LLC

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

TABLE 13

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt limit | \$ 109,513,862 | \$ 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 |
| Total net debt applicable to limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | \$ 109,513,862 | \$ 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 |

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%.

Legal Debt Margin Calculation For Fiscal Year 2019-20:

| | |
|--|------------------|
| Total assessed value | \$ 4,474,292,980 |
| Debt limit (3.75% of total assessed value) | 167,785,987 |
| 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 | \$ 167,785,987 |

Source: City of Carmel by the Sea Finance Department

City of Carmel-by-the-Sea
Pledged-Revenue Coverage
Last Ten Fiscal Years

TABLE 14

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sunset Center Certificates of Participation | | | | | | | | | | |
| General City Revenues | \$ 12,830,497 | \$ 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 |
| Less: operating expenses | (12,481,658) | (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) |
| Net available revenue | 348,839 | (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 |
| Debt service: | | | | | | | | | | |
| Principal | 210,000 | 280,000 | 285,000 | 285,000 | 290,000 | 295,000 | 300,000 | 310,000 | 315,000 | 325,000 |
| Interest | 354,837 | 231,163 | 225,463 | 219,763 | 213,963 | 208,063 | 202,063 | 198,188 | 190,375 | 173,320 |
| Total | 564,837 | 511,163 | 510,463 | 504,763 | 503,963 | 503,063 | 502,063 | 508,188 | 505,375 | 498,320 |
| Coverage | 0.62 | (2.80) | (10.44) | 7.30 | 9.54 | 9.65 | 5.85 | 7.40 | 7.90 | 1.09 |
| Pension Obligation Bonds | | | | | | | | | | |
| General City Revenues | NA | 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 |
| 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) |
| 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 |
| Debt service: | | | | | | | | | | |
| Principal | NA | NA | 115,000 | 580,000 | 580,000 | 585,000 | 595,000 | 605,000 | 615,000 | 625,000 |
| Interest | | | 57,848 | 122,593 | 118,243 | 112,443 | 105,131 | 96,206 | 85,120 | 71,892 |
| Total | | | 172,848 | 702,593 | 698,243 | 697,443 | 700,131 | 701,206 | 700,120 | 696,892 |
| Coverage | | | (30.82) | 5.24 | 6.88 | 6.96 | 4.20 | 4.91 | 5.70 | 0.78 |
| Combined coverage | 0.62 | (4.20) | (7.80) | 3.05 | 4.00 | 4.04 | 2.44 | 2.85 | 3.31 | 3.31 |

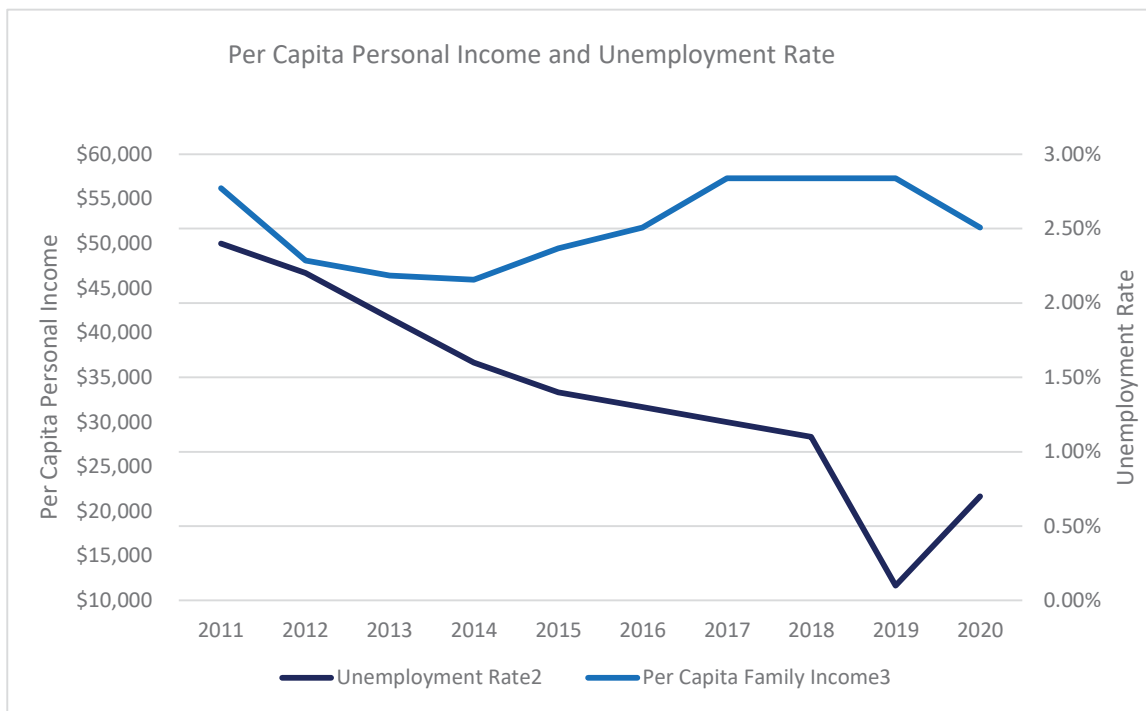
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

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

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

TABLE 15

| Fiscal Year Ended June 30 | Population ¹ | Unemployment Rate ² | Median Household Income | Per Capita Family Income ³ | Median Age | % of Population 25+ with High School Diploma | % of Population 25+ with Bachelor's Degree |
|---------------------------|-------------------------|--------------------------------|-------------------------|---------------------------------------|------------|--|--|
| 2011 | 3,766 | 2.40% | \$ 76,463 | \$ 56,172 | 57.4 | 97.40% | 63.30% |
| 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 | 0.10% | \$ 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% |



Notes:

- A For calendar year ending during the fiscal year.
- B Total Personal Income is presented in thousands.

Source: ¹ California Department of Finance
² California Employment Development Department
³ U.S. Department of Commerce, Bureau of Economic Analysis

City of Carmel-by-the-Sea
Principal Employers
Current Year and Nine Years Ago ⁽¹⁾

TABLE 16

| | Fiscal Year Ended June 30 | | | | | |
|----------------------------|---------------------------|------|--------------------------------------|------------------------|------|--------------------------------------|
| | 2020 | | | 2011 | | |
| | Number of Employees | Rank | Percentage of Total Employment | Number of Employees | Rank | Percentage of Total Employment |
| Employer: | | | | | | |
| Carmel Realty | 100 | 1 | 7.14% | na | na | na |
| City of Carmel-by-the- Sea | 87 | 2 | 6.21% | na | na | na |
| Cypress Inn/Terry's Lounge | 80 | 3 | 5.71% | na | na | na |
| La Playa Hotel | 73 | 4 | 5.21% | na | na | na |
| Casanova | 60 | 5 | 4.29% | na | na | na |
| Dametra | 50 | 6 | 3.57% | na | na | na |
| Catinetta Luca | 41 | 7 | 2.93% | na | na | na |
| Auberge | 40 | 8 | 2.86% | na | na | na |
| Forge in the Forest | 36 | 9 | 2.57% | na | na | na |
| Bruno's Market | 33 | 10 | 2.36% | na | na | na |
| Totals | <u>500</u> | | <u>42.86%</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 17

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Departments: | | | | | | | | | | |
| General Government | 8.01 | 9.77 | 10.78 | 10.72 | 18.20 | 17.60 | 18.60 | 16.20 | 15.70 | 15.66 |
| Public Safety | 33.09 | 31.71 | 27.02 | 28.02 | 28.80 | 30.70 | 30.70 | 31.70 | 32.00 | 32.00 |
| Public Works | 15.35 | 14.35 | 13.15 | 13.90 | 14.00 | 18.00 | 21.00 | 21.00 | 21.00 | 21.00 |
| Community Activities | 1.08 | 1.08 | 1.18 | 1.43 | 1.70 | 1.70 | 1.50 | 1.40 | 1.50 | 1.50 |
| Library | 10.68 | 11.29 | 10.40 | 11.65 | 11.60 | 12.40 | 12.40 | 12.80 | 14.00 | 13.98 |
| Community Plng. and Bldg. | 7.50 | 6.00 | 9.68 | 10.02 | 6.97 | 7.00 | 7.00 | 9.00 | 9.00 | 9.00 |
| Totals | 75.71 | 74.20 | 72.21 | 75.74 | 81.27 | 87.40 | 91.20 | 92.10 | 93.20 | 93.14 |



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

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

TABLE 18

| Function: | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|--------|---------|---------|
| Police | | | | | | | | | | |
| Calls for service | 14,867 | 13,232 | 10,889 | 10,023 | 14,813 | 14,360 | 13,701 | 12,674 | 13,252 | 11,385 |
| Fire | | | | | | | | | | |
| Calls for service | na | 742 | 648 | 759 | 851 | 925 | 856 | 843 | 1,006 | 803 |
| Inspections | na | 321 | 645 | 725 | 822 | 636 | 346 | 504 | 112 | 184 |
| Public Works | | | | | | | | | | |
| Potholes patched | | | | | | | 18 | 52 | 25 | 20 |
| Tree permits Issued | | | | | | | | 166 | 90 | 177 |
| Calls for service | | | | | | | 300 | 250 | 500 | 750 |
| Road asphalt used | | | | | | | | 48 | 34 | 28 |
| Trees planted | | | | 60 | | | 32 | 82 | 82 | 59 |
| Library | | | | | | | | | | |
| Circulation of library materials | 109,350 | 150,280 | 155,630 | 153,227 | 140,848 | 114,137 | 106,976 | 99,802 | 104,456 | 104,456 |
| Reference questions | 28,539 | 32,512 | 33,176 | 37,010 | 24,318 | 20,233 | 19,252 | 16,276 | 15,789 | 15,789 |
| Community Activities | | | | | | | | | | |
| Special Event permits | na | na | na | 39 | 45 | 30 | 81 | 75 | 42 | 35 |
| Community Development | | | | | | | | | | |
| Building Permits | 333 | 306 | 286 | 340 | 500 | 422 | 416 | 580 | 590 | 677 |
| Architectural Approvals | 211 | 234 | 305 | 273 | 466 | 524 | 468 | 440 | 452 | 402 |
| Administration | | | | | | | | | | |
| Business Licenses (All businesses) | 1058 | 1132 | 1208 | 1280 | 1350 | 1472 | 1615 | 1836 | 2187 | 2276 |
| Public Records Requests (Calendar Yr) | na | na | 83 | 143 | 147 | 127 | 160 | 184 | 187 | 199 |

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

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

TABLE 19

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------|------|------|------|------|------|------|------|------|------|------|
| 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 | 3 | 11 | 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 | 43 | 45 | 41 |
| 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



**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, 2020, 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 18, 2020.

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 18, 2020
San Jose, California