

Comprehensive Annual Financial Report



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

Fiscal Year Ended June 30, 2019

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

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019



*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, 2019**

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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 20, 2019

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

SUBJECT: Comprehensive Annual Financial Report – June 30, 2019

The Comprehensive Annual Financial Report (CAFR) for the City of Carmel-by-the-Sea for the fiscal year ended June 30, 2019 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, 2019, 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, 2019. 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 City's 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 3,987 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 55.8 years. Nearly 65 percent of the population age 25 or older have a bachelor's degree. The City's per capita income is \$57,307. 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 which 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. The 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. Specifically, the City Administrator oversees the departments of Community Planning and Building, Library, Community Activities, Public Safety and Public Works and serves as the director of 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.

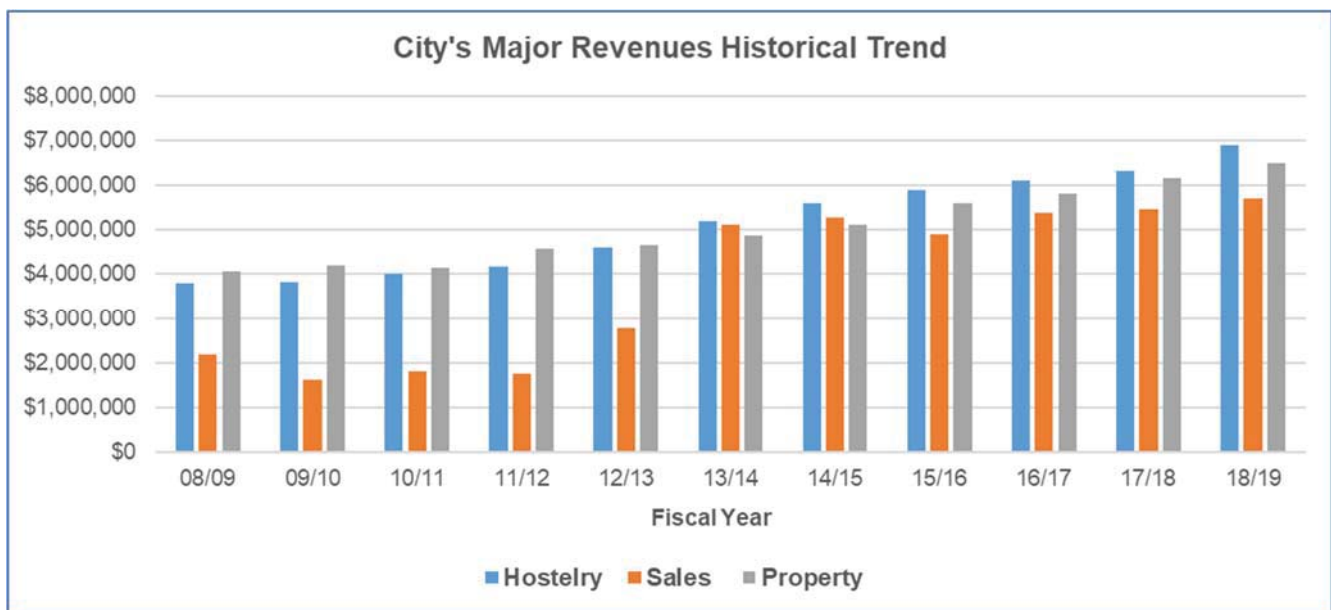
Local Economy

The City's three major sources of General Fund revenue include Property Tax, Sales and Use Tax and Transient Occupancy Tax, which make up about 80% 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. Sales taxes have become increasingly important to the City, especially after the passage of a local 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, which refers to itself as a Village. 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 a multitude of lodging options within the Village and these lodging establishments charge a 10% transient occupancy tax for stays of 30 days or less.

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 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 "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 source.

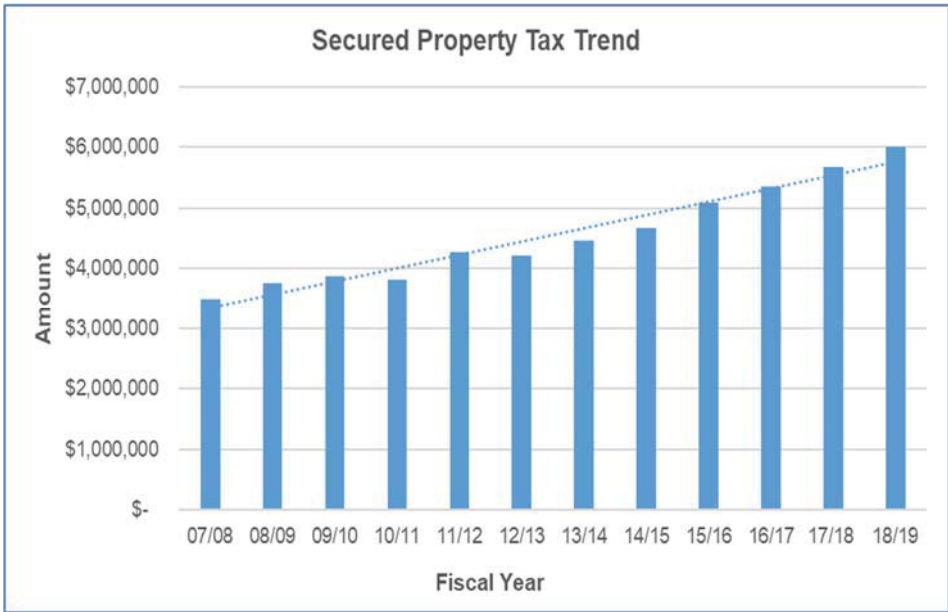


These three revenue sources continue to remain stable and sound. The economic health of these revenues reflect strong property values and high consumer confidence and associated spending due to continued economic growth and low unemployment rates. Transient occupancy taxes are particularly sensitive to changes in consumer spending, travel preferences and the international economy and policies to some extent. However, the City remains a desirable location to visit and expects transient occupancy taxes to remain strong. The City's economic viability relies on all three of these revenues.

Property Taxes

The desirability of Carmel-by-the-Sea as a place to reside, coupled with its limited housing stock, contributed to a strong local real estate market. In addition, the City's close proximity to the Bay Area, where six of the nine Bay area counties reported annual sales increases, also bolstered housing prices. According to the California Association of Realtors, the median selling price for Monterey County for

April 2018 was \$607,750 compared to \$569,000 in April 2017, reflecting an increase of 7%. 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. The median home price is \$1,290,070.



The City has historically averaged a 5% 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 nearly \$6.0 million in fiscal year 2018-2019.

In fiscal year 2018-2019, 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 \$6.5 million. Property taxes represented 31% of the total citywide revenues received in fiscal year 2018-2019.

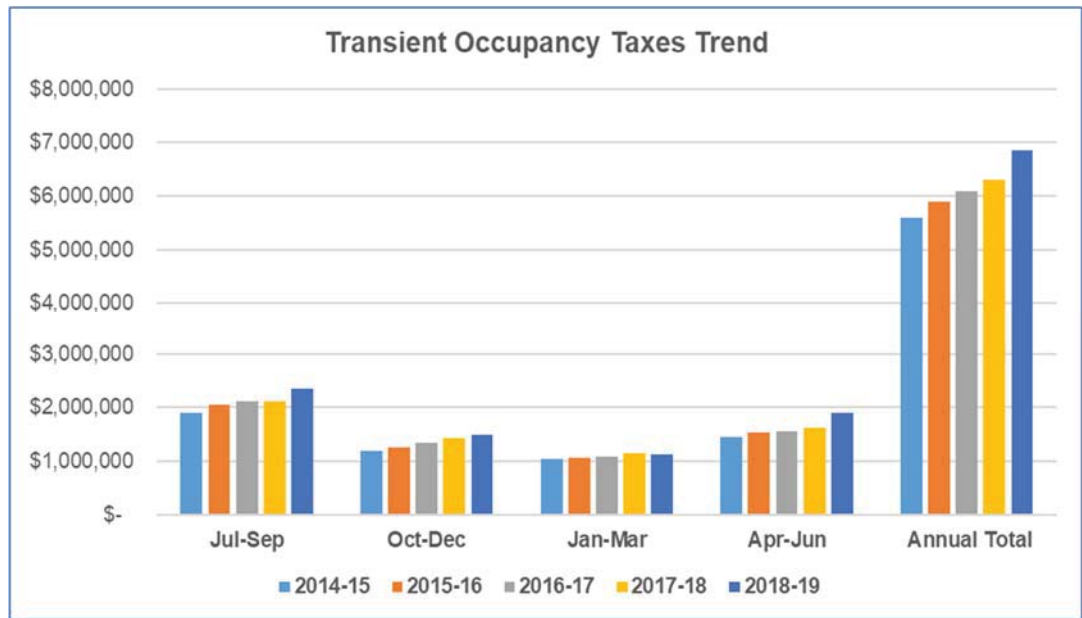
Sales and Use Taxes

Sales and use taxes includes the City’s share of the statewide sales tax (Bradley Burns) as well as the City’s 1% local sales tax known as Measure D. Together sales tax revenue totaled \$5.7 million in fiscal year 2018-2019, which represented 27% of total citywide revenues. The majority of sales are attributed to General Consumer Goods (47%) and Restaurants and Hotels (36%). Sales tax revenue slightly exceeded the City’s budgeted expectations, finishing the fiscal year at 4% over the fiscal year 2018-2019 adopted budget target.

Transient Occupancy Taxes

In addition to being a desirable place to live, Carmel-by-the-Sea also has a reputation for being a visitor destination and the City imposes a transient occupancy tax, or “hotel tax” of 10% of the rent charged by a lodging provider for stay of 30 days or less. There are currently 46 lodging establishments (hotels/inns/motels) that are subject to this tax. As shown on the chart “Transient Occupancy Taxes Trend” on the next page, transient occupancy taxes have been on the rise over the last five fiscal years.

Carmel-by-the-Sea continued to remain a popular travel destination, due in part to the popularity of golf and automobile-themed special events. The summer season of July through September is a popular time for guests to visit, although the autumn months have recently shown an uptick. Calendar year



2018 was plagued by a series of devastating wildfires, particularly to the northern part of the State, which also contributed to an increase in visitors. Moreover, the actual room rates imposed by lodging providers remained strong, which also contributed to the healthy performance of this revenue.

Transient occupancy tax generated \$6.9 million in fiscal year 2018-2019, making it the City’s leading revenue source, and representing 34% of total revenues. This revenue ended the fiscal year nearly \$500,000 over the budget projection of \$6.4 million. The fiscal year 2018-2019 actual was 8% over the fiscal year 2018-2019 adopted budget and well above the 3% anticipated growth.

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.

Several capital policy guidelines were met, or exceeding, including:

- Capital improvement expenditures, less road maintenance expenditures, were budgeted at 18% of total revenues, well above the policy guideline of budgeting capital at 3.5% of total revenues.
- Funding for road maintenance has improved the Pavement Condition Index (PCI). The PCI has increased from 62 in 2017 to 78 in 2018.
- Public participation remained a priority. The development of the capital improvement program included several workshops and public meetings to solicit public comment.
- All projects were consistent with the City’s General Plan.
- Capital projects that were not encumbered or completed during the fiscal year were re-budgeted.

The City was not financially able to set aside 20% of the estimated total five-year capital improvement plan project expenditures in a reserve nor was it able to set aside 10% of unrestricted capital project funds for unanticipated capital project expenditures.

Adherence to these guidelines would require additional revenues or a re-direction of funding for other planned expenditures, including foregoing funding for necessary capital projects pertaining to public safety, the protection of natural resources and critical infrastructure in order to place funds into a reserve for future capital projects.

Policy guidelines pertaining to the operating management were adhered to as feasible; although the increase in expenditure costs such as personnel and retirement, constrained the City from being able to implement guidelines to include a “revenue buffer” of at least 5% of projected expenditures and a City Discretionary Account of .5% of total General Fund expenditures within the adopted budget. However, the budget was balanced and ongoing expenses were not funded with one-time revenues. The fiscal year 2018-2019 adopted budget included the use of \$1.9 million in General Fund balance; however, this was to support a one-time capital project, the Police Department Renovation, and no reserves were used. This project was modified throughout the course of the fiscal year and the project budget reduced to \$900,000 with \$1 million of the project’s budget being returned to the General Fund.

In accordance with the City’s Municipal Code, the General Fund Reserve is to be maintained at no less than 10% of annual revenues. This threshold was exceeded as the committed General Fund balance of \$2.8 million is about \$800,000 over the statutory required reserve limit.

Major Initiatives

Continued Investment in Protecting Natural Resources and Critical Infrastructure

The fiscal year 2018-2019 adopted budget allocated \$4.1 million for capital improvement projects (CIP) intended to rehabilitate City facilities; address sidewalks and street improvements; enhance public safety, and protect and preserve the natural environment. These capital expenditures, contained within the Capital Projects Fund and the Vehicle and Equipment Fund, continue efforts to address deferred infrastructure and natural asset maintenance and improvement and deferred structural facilities maintenance and improvements.

In September 2018, the City Council adopted the City’s Strategic Plan, which includes the goal of financial sustainability. Under this goal, two objectives have been established: (1) develop and implement a balanced, long-term sustainable plan to maintain fiscal stability and (2) develop additional funding strategies, which will be incorporated into the annual budget process moving forward. Two major initiatives were launched during fiscal year 2018-2019 as a two-pronged approach to fiscal stability: (1) to control citywide expenditures and mitigate the increased cost of pension liabilities and (2) to augment citywide revenues available for general purposes.

Addressing Pension and other Post Employment Benefit Liabilities

With a workforce staff of 90 full-time equivalent positions, salaries and benefits make up \$11.2 million, or 44% of citywide budgeted expenditures. Part of the cost of benefits includes retirement, and the City, similar to other governmental entities, is challenged by the increasing cost of CalPERS pensions, which is the State retirement and health systems for state, school and various public agency members. In 2012, the City issued a pension obligation bond to mitigate these 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.

In order to help mitigate these costs, the City Council examined a variety of options 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 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.

Sales Tax Renewal Measure

The City's current 1% 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 in March 2019. Since then, the City Council has taken action to place an alternative sales tax measure that would increase the sales tax to 1.5% for 20 years on the ballot as part of the March 3, 2020 election.

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. This was the first year that the government has achieved this prestigious award. 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.


Sharon Friedrichsen
Director of Budget and Contracts


Chip Rerig
City Administrator

Fiscal Year 2018-19

City Council

Dave Potter, Mayor

Bobby Richards, Mayor Pro Tempore

Jeff Baron, Councilmember

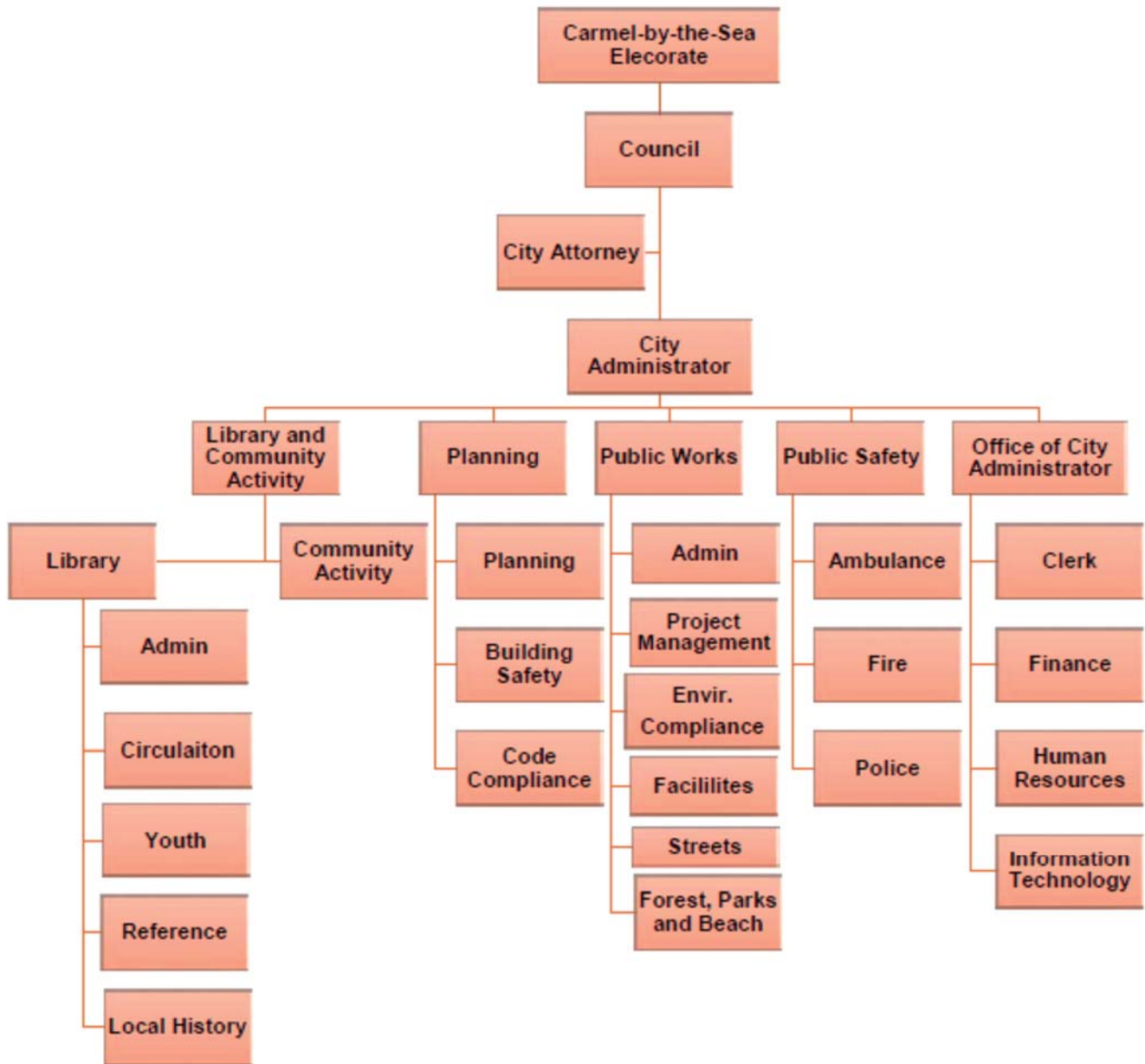
Jan Reimers, Councilmember

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, 2018

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION



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, 2019, 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, 2019, 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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The City's financial statements were not significantly impacted by the implementation of this standard as of June 30, 2019. Our opinion has not been modified with respect to this matter.

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 20, 2019 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 20, 2019
San Jose, California

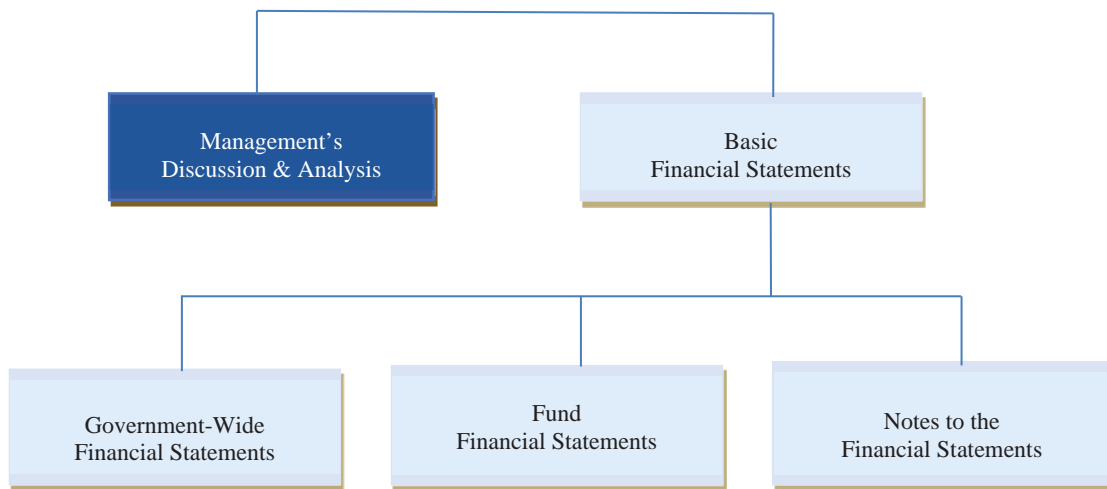


MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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 2018/19 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The assets and deferred outflows of resources of the City of Carmel-by-the-Sea exceeded the liabilities at the close of the most recent fiscal year by \$27.3 million (net position). Of this amount, net position included \$37.1 million classified as net investment in capital assets; \$2.8 million as restricted; and \$12.6 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, 2019 was \$19.9 million.
- The City of Carmel-by-the-Sea’s total net position increased by \$1.6 million from last fiscal year mostly due to an increase in taxes and intergovernmental revenue of \$718 thousand and \$545 thousand, respectively.

Fund Highlights

- At the close of Fiscal Year 18/19 the City of Carmel-by-the-Sea's governmental funds reported combined fund balances of \$12.4 million, an increase of \$169 thousand in comparison with the prior year. Approximately 36% or \$4.5 million is classified as unassigned fund balance and is available for spending at the government's discretion, which is up from \$3.3 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 \$9.3 million, or 49% of total general fund expenditures, prior to transfers, versus \$8 million and 45% in the prior year.
- The City's long-term liabilities decreased by \$316 thousand primarily as the result of a scheduled debt service payments totaling \$951 thousand which were offset by increases to employee benefit liabilities totaling \$635 thousand.
- The City's net capital assets increased by 4% or \$1.6 million primarily as a result of 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 23-24 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 and the Capital Projects 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 25-27 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 29-31 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 32 and 92 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 67-71 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the *required supplementary information*. Combining and individual fund statements and schedules can be found on pages 75-92 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 126-153 of this document.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position may serve as an indicator of a government's financial position. In the case of the City of Carmel-by-the-Sea, assets and deferred outflows of resources exceeded liabilities by \$27.3 million at the close of the Fiscal Year. This represents an increase of \$1.6 million over the prior year.

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

Table 1 - Net Position			
	Governmental Activities		Increase
	2019	2018	(Decrease)
Assets			
Current and other assets	\$ 17,980,918	\$ 16,486,095	\$ 1,494,823
Capital assets	42,533,614	40,953,831	1,579,783
Total Assets	\$ 60,514,532	\$ 57,439,926	\$ 3,074,606
Deferred Outflows of Resources			
	\$ 4,959,711	\$ 5,606,418	\$ (646,707)
Liabilities			
Current and other liabilities	\$ 2,811,982	\$ 1,344,148	\$ 1,467,834
Noncurrent liabilities	33,355,596	33,671,349	(315,753)
Total Liabilities	\$ 36,167,578	\$ 35,015,497	\$ 1,152,081
Deferred Inflows of Resources			
	\$ 2,002,392	\$ 2,327,444	\$ (325,052)
Net Position			
Net investment in capital assets	\$ 37,132,103	\$ 35,216,550	\$ 1,915,553
Restricted	2,817,741	2,628,238	189,503
Unrestricted	(12,645,571)	(12,141,385)	(504,186)
Total Net Position	\$ 27,304,273	\$ 25,703,403	\$ 1,600,870

A significant portion or \$37.1 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 \$2.8 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 \$12.6 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, 2019, the City's proportionate share of the CalPERS pension liability was \$19.9 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, with financial strength increasing. The reasons for the overall financial changes are discussed in the following sections for governmental activities.

Governmental Activities

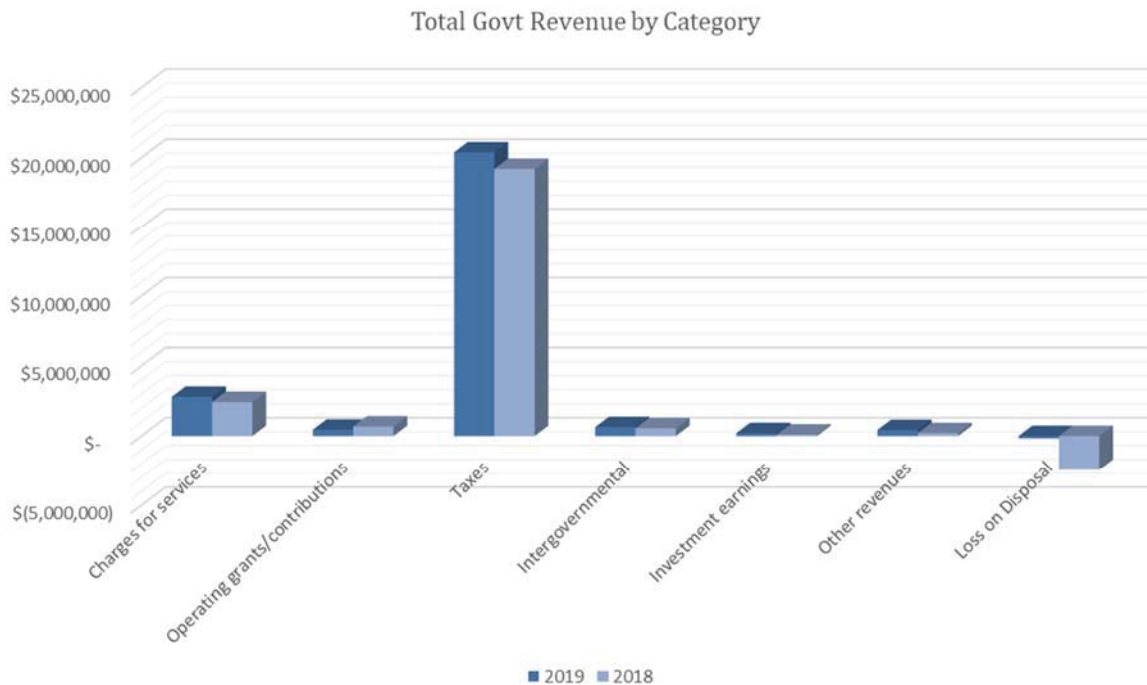
As shown in the *Statement of Changes in Net Position* schedule below, the change in net position for governmental activities increased from a deficit balance of \$784 thousand in the prior year to a surplus balance of \$1.48 million in the current fiscal year. This increase is largely due to a one-time loss to write-off construction in-progress in the prior year that was not recurring, that was reported as a special item called "loss on the disposal of capital assets" in 2017/18. The loss on disposal totaled \$2.4 million but was not a cash item or outflow of resources, but simply an accounting entry to adjust for ongoing construction that has not been completed and placed in service. Total governmental revenues increased by \$2 million from the prior year, which included a \$136 thousand increase in program revenues and a \$1.6 million increase in general revenues. The net change in expenses from the prior year was an increase of \$1.7 million.

With total revenues for the fiscal year at \$24.7 million and total expenses at \$23.3 million, the change in net position for current activity yielded an increase of \$1.48 million. An analysis of the changes in revenues and expenses is as follows:

Functions/Programs	Governmental Activities		Increase
	2019	2018	(Decrease)
Program Revenues			
Charges for services	\$ 2,795,041	\$ 2,427,843	\$ 367,198
Operating grants and contributions	450,920	681,240	(230,320)
Total Program Revenues	3,245,961	3,109,083	136,878
General Revenues			
Taxes	20,370,569	19,189,177	1,181,392
Intergovernmental	637,124	555,144	81,980
Investment earnings	205,791	101,743	104,048
Other revenues	437,475	212,820	224,655
Special item - loss on disposal of capital assets	(160,794)	(2,439,255)	2,278,461
Total General Revenues	21,490,165	17,619,629	3,870,536
Expenses			
General government	5,906,304	5,015,389	890,915
Community Planning and Building	1,191,826	1,207,555	(15,729)
Public Safety	8,390,616	7,919,720	470,896
Public Works	4,162,376	3,901,197	261,179
Library	1,894,410	1,790,210	104,200
Community Activities	283,512	233,794	49,718
Economic Revitalization	1,144,022	1,125,261	18,761
Interest on fiscal charges	283,606	319,974	(36,368)
Total Expenses	23,256,672	21,513,100	1,743,572
Increase / (Decrease) in Net Position	1,479,454	(784,388)	2,263,842
Prior Period Adjustments	121,416	38,904	82,512
Prior Period Adjustment - Pensions	-	99,832	(99,832)
Prior Period Adjustment - GASB 75 OPEB	-	(1,442,248)	1,442,248
Net Position, Beginning of Year	25,703,403	27,791,303	(2,087,900)
Net Position, End of Year	\$ 27,304,273	\$ 25,703,403	\$ 1,600,870

Governmental Revenues

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

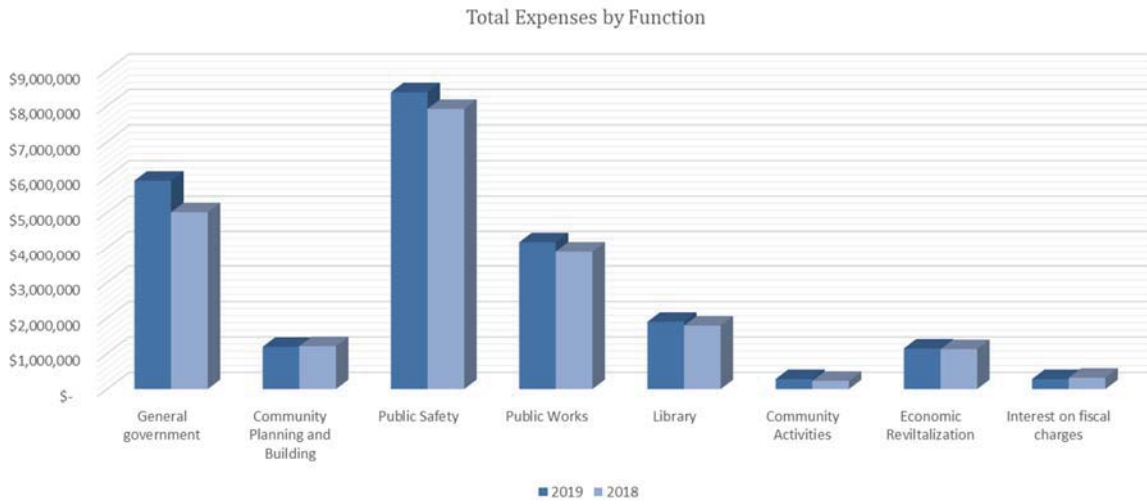


Significant changes in governmental revenues consisted of the following:

- 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, increased by approximately by \$367,198, or 15%, primarily due to an adjustment in citywide fees for services, increases in city services and popular annual special events.
- Taxes increased by \$1.18 million, or 6%, primarily due to the following:
 - Property tax revenue increased \$332,205 over the prior year as a result of a strong real estate market.
 - Transient occupancy taxes increased by \$552,941 as a result of higher than expected hotel occupancy rates and tourism, including special events such as the US Open.
 - Sales tax revenues increased by \$246,436 largely due to a strong economy and an increase in sales tax statewide.
- The loss on disposal in the prior year was a one-time loss to write-off construction in-progress totaling \$2.4 million. The loss on disposal was not a cash item or outflow of resources in the current year, but simply an accounting entry to adjust for ongoing construction that has not been completed and placed in service.
- Investment earnings increased by \$104,048 primarily due to fair market value adjustments associated with GASB Statement 72 – Fair Value and Measurement Application.

Governmental Expenses

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



Significant changes in governmental expenses include increased contract costs for fire services, public safety salary increases, additional building and vehicle maintenance expenditures, and one time increased claims liability totaling approximately \$1.3 million.

FINANCIAL ANALYSIS OF THE CITY’S GOVERNMENTAL FUNDS

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

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

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

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

	Major Funds				Total
	General	Measure D	Capital	Other	
	Fund	Sales Tax	Projects	Governmental	
Total Revenues	\$ 20,881,206	\$ 3,079,914	\$ 25,253	\$ 872,300	\$ 24,858,673
Total Expenditures	19,403,120	-	3,778,271	1,530,041	24,711,432
Revenues Over (Under) Expenditures	1,478,086	3,079,914	(3,753,018)	(657,741)	147,241
Transfers in	855,660	-	2,487,954	1,237,980	4,581,594
Transfers out	(1,111,477)	(3,104,753)	-	(465,364)	(4,681,594)
Net change in fund balances	1,222,269	(24,839)	(1,265,064)	114,875	47,241
Beginning of year	8,006,394	205,626	1,627,098	2,422,129	12,261,247
Prior Period Adjustment	21,466	-	-	99,950	121,416
End of year	<u>\$ 9,250,129</u>	<u>\$ 180,787</u>	<u>\$ 362,034</u>	<u>\$ 2,636,954</u>	<u>\$ 12,429,904</u>

The fund balance of the City’s General Fund increased by \$1.2 million mostly due to higher than expected tax and service revenues. The fund balance in the Capital Projects fund decreased by \$1.3 million mostly due to significant investment in streets and storm drain improvements and replacements totaling \$2.6 million.

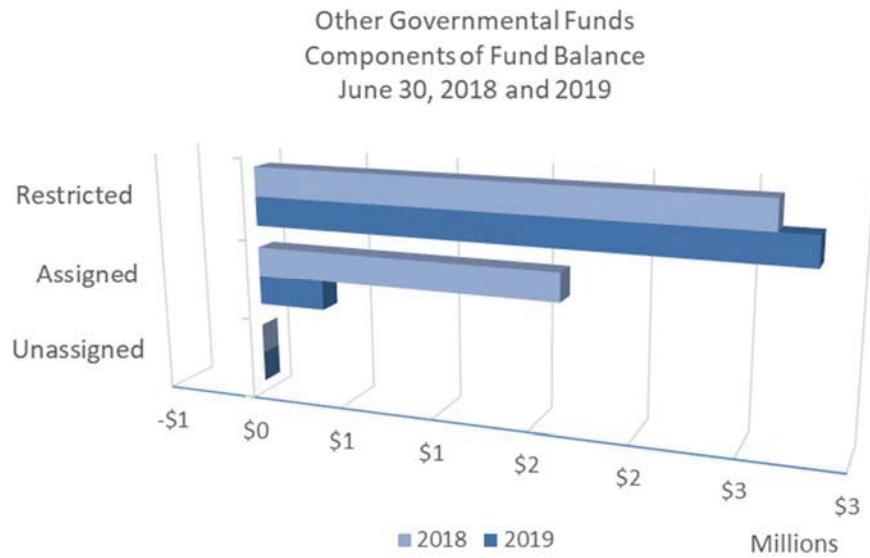
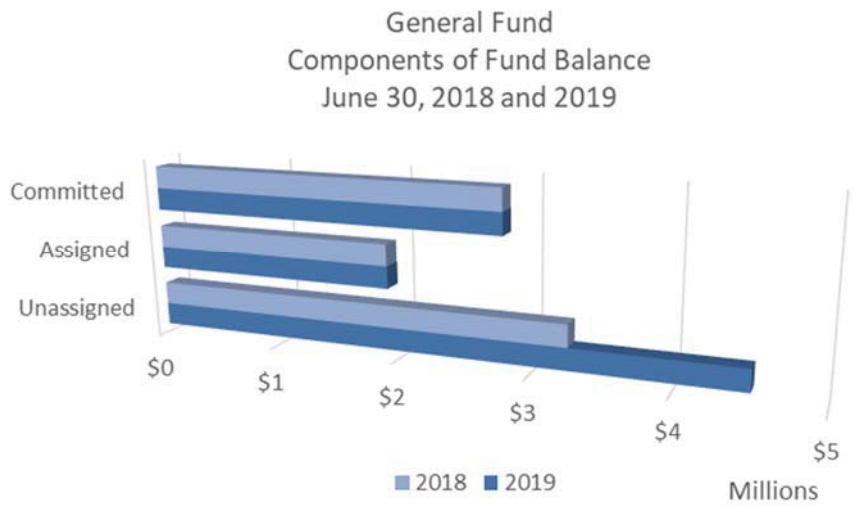
Combined Funds – Components of Fund Balance

As of June 30, 2019, the City of Carmel-by-the-Sea's reported combined fund balances of \$12.4 million, which represents a \$168,657 increase over the prior year. Approximately 36%, or \$4.5 million, is classified as unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either committed, restricted, or assigned. The committed balance of \$2.8 million represents funds that are set-aside for specific purposes via resolution of the City Council. The restricted balance of \$2.8 million reflects fund that are legally required to remain intact, while the remainder of \$2.3 million represents funds that are 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 \$4.5 million, and the total fund balance increased to \$9.25 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 \$19.4 million. Unassigned fund balance represents approximately 23% of the total general fund expenditures, while total fund balance represents approximately 48% 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 \$362,034 in fund balance assigned for capital projects; a decrease from last year’s assigned fund balance of \$1.6 million.

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 Fund Balances - Internal Service Funds

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total
Total Revenues	\$ -	\$ -	\$ -	\$ -
Total Expenditures	27,570	-	244,575	272,145
Revenues Over (Under) Expenditures	(27,570)	-	(244,575)	(272,145)
Nonoperating Revenue (Expense)	9,628	28,619	17,823	56,070
Transfers in	-	-	100,000	100,000
Transfers out	-	-	-	-
Net change in fund balances	(17,942)	28,619	(126,752)	(116,075)
Beginning of year	49,275	1,788,432	1,275,549	3,113,256
End of year	\$ 31,333	\$ 1,817,051	\$ 1,148,797	\$ 2,997,181

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
	2019	2018	(Decrease)
Land	\$ 5,101,641	\$ 5,101,641	\$ -
Construction in Progress	621,085	1,799,679	(1,178,594)
Buildings and improvements	15,711,182	16,246,372	(535,190)
Infrastructure	20,187,281	17,102,239	3,085,042
Vehicles	193,180	164,091	29,089
Technology/Hardware and Software	347,859	419,675	(71,816)
Machinery and equipment	371,386	120,134	251,252
Total Capital Assets, Net	\$ 42,533,614	\$ 40,953,831	\$ 1,579,783

The City reported additions to construction-in-progress totaling \$3.8 million during the year and depreciation expense of \$2 million.

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 decreased by \$315,753 million primarily due to schedule debt service payments, net of slight increases in pension and OPEB obligations 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
	2019	2018	(Decrease)
Sunset Center COP	\$ 5,215,000	5,530,000	\$ (315,000)
Countywide Radio Project	186,511	207,281	(20,770)
Pension Obligation Bonds	2,605,000	3,220,000	(615,000)
Compensated Absences	831,579	580,146	251,433
Net Pension Liability	19,920,568	19,908,483	12,085
Claims Liability	575,000	575,000	-
Net OPEB Liability	4,021,938	3,650,439	371,499
Total Long-Term Liabilities	\$ 33,355,596	\$ 33,671,349	\$ (315,753)

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 18/19, the City originally estimated that a \$1.9 million drawdown from fund balance was needed to fund operating activities; however due to increased performance in revenues and decreased annual spending, the City ended the year with an excess of revenues over expenditures of \$1.2 million.

Revenues

The General Fund adopted and final revenue budgets were \$19.3 and \$19.6 million, with actual revenues recorded at \$20.9 million. This \$1.3 million difference primarily related to greater than anticipated performance in most tax categories and charges for services.

Expenditures

The General Fund adopted expenditure budget was \$20.1 million and the final budget was \$20.3 million. The actual expenditures totaled \$19.4 million, which resulted in a net difference of \$940,163. Most of the savings can be attributed to salary and benefit savings due to vacant positions.

ECONOMIC OUTLOOK

The City's foundation of revenue is based primarily on three pillars: (1) property taxes; (2) sales and use taxes and (3) transient occupancy taxes. In fiscal year 2019-2020, these revenues are collectively projected to generate \$19 million, or 79% of total citywide budgeted revenues.

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, contributes to the City's strong property tax revenues. Staff anticipates property tax growth will remain strong in the upcoming fiscal year. The fiscal year 2019-2020 Recommended Budget of \$6.6 million in property taxes reflects a 4% increase over the fiscal year 2018-2019 Estimated Actual. This assumption is based on the City's historical and recent performance and other indications of a continued strong housing market.

Low unemployment rates and increased personal income coupled with attractive mortgage rates indicate sustained growth in the real estate market. The California Department of Finance April 2019 *Finance Bulletin* notes that California personal income increased by 4.7% in 2018 while U.S. personal income rose by 4.5% since last year. The State's unemployment rate of 4.2% remained unchanged. The Governor's Proposed Budget forecasts a 6.8% increase in property taxes statewide. Beacon Economic predicts an increase of 4% for 2019-20 in median home prices. Recent data from the California Department of Finance (DOF) and the California Association of Realtors (C.A.R.) show improvements within the real estate market in the recent months. The DOF reports real estate sales statewide increased in February and the statewide median home price rose 2.2% from February 2018 to February 2019. C.A.R. also reports that statewide median home prices in March 2019 were up 5.9% from February and up .2% from March 2018. While sales were down 6.3% compared to March 2018, median prices were at their highest point since October 2018. In addition, mortgage rates are up one percentage point compared to a couple of year ago, rates are below 4.5%, with the 30-year fixed mortgage rate averaging 4.37% in February 2019, the lowest in a year. Low interest rates are expected to stimulate the housing market.

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. Accordingly, both sales and use tax and transient occupancy tax are also significant sources of the City's revenue, including the local sales tax known as Measure D. The variety of restaurants and other dining options located within the City's boundary as well as art galleries, jewelry and clothing retailers contribute to shopping opportunities for residents and visitors alike.

While sales tax has been on the rise over the last several fiscal years, this trend is not expected to continue into fiscal year 2019-2020. HdI and Beacon Economic predict no growth in 2019-2020 for the category known as general consumer goods. This is largely due to consumer preferences for online shopping. Sales tax from online retailers largely benefits State and county pools rather than a specific locality like the City. Modest growth of 2% is forecasted for the category of restaurants/hotels, down from prior years due to competition among restaurants and rising industry costs. Together, the categories of general consumer goods and restaurants make up 83% of sales tax generated within the City. As a result, the fiscal year 2019-2020 Recommended Budget assumes a 0.1% decrease in statewide sales tax over the fiscal year 2018-2019 Estimated Actual and a 1% decrease in Measure D in the upcoming fiscal year.

Visitors have a multitude of lodging options within the Village 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 destinations. 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. While the popularity of special events has helped to attract and retain visitors, overall occupancy rates have not rebounded from 2009. However, lodging providers have been able to offset this decline by increasing room rates. The fiscal year 2019-2020 adopted budget assumes a 3% growth over the fiscal year 2018-2019 estimated actual.

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 and tree removal and special event permits. Some of the larger types of charges for services are planning and building fees and these also sensitive to economic conditions. Charges for building service is the largest type of fee with a budget of \$1.2 million. In terms of building fees, while staff have assumed the same volume of activity in fiscal year 2019-2020 as in the current fiscal year, building charges are reduced by \$50,000 to reflect the continuation of a Council directed fee waiver program. Adopted by Council in November 2018, this pilot program is intended to promote hotel and commercial property improvements by waiving all planning and building fees. The program expires in December 2019.

The majority of services provided by government are people-driven, which is why salaries and benefits is the City's largest expenditure at \$11.5 million, or 48% of the fiscal year 2019-2020 adopted budget, Salaries and benefits are projected to increase 3% compared to the fiscal year 2018-2019 adopted budget. In addition, the City anticipates its pension-related cost known as the unfunded actuarial liability to increase by \$400,000 in fiscal year 2019-2020.

The City anticipates a 4% increase in the upcoming fiscal year for contract services and other operational items such as office supplies, postage and shipping, telecommunications, fuel, vehicle maintenance, and materials and supplies.

REQUEST FOR FINANCIAL INFORMATION

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



BASIC FINANCIAL STATEMENTS

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City of Carmel-By-The-Sea
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 15,057,500
Receivables:	
Accounts	2,367,659
Due from other governments	555,355
Total Current Assets	<u>17,980,918</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	5,722,726
Depreciable, net of accumulated depreciation	36,810,888
Total Capital Assets - Net	<u>42,533,614</u>
Total Assets	<u><u>\$ 60,514,532</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB Adjustments	\$ 156,220
Pension Adjustments	4,803,491
Total Deferred outflows of Resources	<u><u>\$ 4,959,711</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 1,596,023
Payroll related liabilities	1,161,459
Deposits and other liabilities	1,500
Interest payable	53,000
Claims payable - current portion	57,500
Compensated absences - current portion	551,190
Long-term debt - due within one year	971,460
Total Current Liabilities	<u>4,392,132</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	7,035,051
Claims payable	517,500
Compensated absences	280,389
Net pension obligation	19,920,568
Net OPEB liability	4,021,938
Total Noncurrent Liabilities	<u>31,775,446</u>
Total Liabilities	<u><u>\$ 36,167,578</u></u>
DEFERRED INFLOWS OF RESOURCES	
OPEB Adjustments	\$ 89,147
Pension Adjustments	1,913,245
Total Deferred Inflows of Resources	<u><u>\$ 2,002,392</u></u>
NET POSITION	
Net investment in capital assets	\$ 37,132,103
Restricted for:	
Transportation	30,999
Public safety	144,387
Debt service	324,599
Library	1,410,220
Public parking	725,828
Measure D	180,787
Asset seizure	921
Total Restricted	<u>2,817,741</u>
Unrestricted	<u>(12,645,571)</u>
Total Net Position	<u><u>\$ 27,304,273</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, 2019

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	\$ 5,906,304	\$ 256,645	\$ 450,920	\$ 707,565	\$ (5,198,739)	
Community Planning and Building	1,191,826	1,454,523	-	1,454,523	262,697	
Public Safety	8,390,616	790,428	-	790,428	(7,600,188)	
Public Works	4,162,376	44,636	-	44,636	(4,117,740)	
Library	1,894,410	-	-	-	(1,894,410)	
Community Activities	283,512	146,443	-	146,443	(137,069)	
Economic Revitalization	1,144,022	102,366	-	102,366	(1,041,656)	
Interest and fiscal charges	283,606	-	-	-	(283,606)	
Total Governmental Activities	\$ 23,256,672	\$ 2,795,041	\$ 450,920	\$ 3,245,961	(20,010,711)	

General Revenues and Special Items:

Taxes:	
Property taxes	6,524,331
Sales and use taxes	5,732,885
Transient occupancy taxes	6,882,015
Franchise fees	636,397
Business license tax	594,941
Total taxes	<u>20,370,569</u>
Intergovernmental	637,124
Investment earnings	205,791
Other revenues	437,475
Special item - loss on disposal of capital assets	(160,794)
Total General Revenues and Special Item	<u>21,490,165</u>
Change in Net Position	<u>1,479,454</u>
Net Position - Beginning of Year	25,703,403
Prior Period Adjustment	121,416
Net Position - Beginning of Year, As Adjusted	<u>25,824,819</u>
Net Position - End of Year	<u>\$ 27,304,273</u>

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

MAJOR GOVERNMENTAL FUNDS

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

City of Carmel-By-The-Sea
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds				
	General Fund	Measure D Sales Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 8,456,322	\$ -	\$ 1,047,492	\$ 2,697,097	\$ 12,200,911
Receivables:					
Accounts	2,367,659	-	-	-	2,367,659
Due from other governments	-	526,415	-	28,940	555,355
Due from other funds	434,711	-	-	-	434,711
Other assets	404	-	-	-	404
Total assets	\$ 11,259,096	\$ 526,415	\$ 1,047,492	\$ 2,726,037	\$ 15,559,040
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 895,637	\$ -	\$ 635,829	\$ -	\$ 1,531,466
Accrued liabilities	1,111,830	-	49,629	-	1,161,459
Deposits	1,500	-	-	-	1,500
Due to other funds	-	345,628	-	89,083	434,711
Total liabilities	2,008,967	345,628	685,458	89,083	3,129,136
Fund Balances:					
Restricted:					
Transportation	-	-	-	30,999	30,999
Public safety	-	-	-	144,387	144,387
Debt service	-	-	-	324,599	324,599
Library	-	-	-	1,410,220	1,410,220
Asset seizure	-	-	-	921	921
Public parking	-	-	-	725,828	725,828
Measure D	-	180,787	-	-	180,787
Committed:					
Holstery tax	635,000	-	-	-	635,000
Budget stabilization	2,173,138	-	-	-	2,173,138
Assigned:					
Operational reserves	1,926,008	-	-	-	1,926,008
Capital projects	-	-	362,034	-	362,034
Unassigned	4,515,983	-	-	-	4,515,983
Total fund balances	9,250,129	180,787	362,034	2,636,954	12,429,904
Total liabilities and fund balances	\$ 11,259,096	\$ 526,415	\$ 1,047,492	\$ 2,726,037	\$ 15,559,040

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, 2019

Total Fund Balances - Total Governmental Funds \$ 12,429,904

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	62,263,004
Less: accumulated depreciation	(20,509,539)
Total Capital Assets	<u>41,753,465</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. (53,000)

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. 2,997,181

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. 2,957,319

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	(8,006,511)
Compensated absences	(831,579)
Net pension obligation	(19,920,568)
Net OPEB liability	(4,021,938)
Total Long-Term Obligations	<u>(32,780,596)</u>

Net Position of Governmental Activities \$ 27,304,273

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, 2019

	Major Funds				Total Governmental Funds
	General Fund	Measure D Sales Tax Fund	Capital Projects Fund	Other Governmental Funds	
REVENUES					
Taxes:					
Property taxes	\$ 6,524,331	\$ -	\$ -	\$ -	\$ 6,524,331
Sales and use taxes	2,652,971	3,079,914	-	-	5,732,885
Transient occupancy taxes	6,882,015	-	-	-	6,882,015
Franchise fees	636,397	-	-	-	636,397
Business license tax	594,941	-	-	-	594,941
Intergovernmental revenues	583,573	-	-	504,471	1,088,044
License and permits	1,192,242	-	-	-	1,192,242
Contributions	-	-	-	314,450	314,450
Fines and forfeitures	121,470	-	-	-	121,470
Charges for services	1,251,072	-	-	10,097	1,261,169
Interest	124,262	-	-	43,282	167,544
Rents and concessions	185,156	-	-	-	185,156
Other revenues	132,776	-	25,253	-	158,029
Total Revenues	20,881,206	3,079,914	25,253	872,300	24,858,673
EXPENDITURES					
Current:					
General government	5,517,516	-	-	-	5,517,516
Community Planning and Building	1,116,689	-	-	-	1,116,689
Public Safety	7,617,310	-	-	-	7,617,310
Public Works	2,902,461	-	-	-	2,902,461
Library	965,725	-	-	292,665	1,258,390
Community Activities	179,426	-	-	-	179,426
Economic Revitalization	1,103,993	-	-	-	1,103,993
Capital outlay	-	-	3,778,271	-	3,778,271
Debt service					
Principal	-	-	-	950,770	950,770
Interest and fiscal charges	-	-	-	286,606	286,606
Total Expenditures	19,403,120	-	3,778,271	1,530,041	24,711,432
Excess (Deficiency) of					
Revenues over Expenditures	1,478,086	3,079,914	(3,753,018)	(657,741)	147,241
OTHER FINANCING SOURCES (USES)					
Transfers in	855,660	-	2,487,954	1,237,980	4,581,594
Transfers out	(1,111,477)	(3,104,753)	-	(465,364)	(4,681,594)
Total Other Financing Sources (Uses)	(255,817)	(3,104,753)	2,487,954	772,616	(100,000)
Net Change in Fund Balances	1,222,269	(24,839)	(1,265,064)	114,875	47,241
Fund Balances Beginning	8,006,394	205,626	1,627,098	2,422,129	12,261,247
Prior Period Adjustment	21,466	-	-	99,950	121,416
Fund Balances Beginning, Adjusted	8,027,860	205,626	1,627,098	2,522,079	12,382,663
Fund Balances Ending	\$ 9,250,129	\$ 180,787	\$ 362,034	\$ 2,636,954	\$ 12,429,904

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

City of Carmel-By-The-Sea
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Government-Wide
Statement of Activities
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 47,241
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	3,533,858
Depreciation expense	(1,818,185)
Gains and losses from the disposal of capital assets are recorded in the government-wide statement of activities as a special item, but only the proceeds from disposals are reported in the fund statements.	(164,483)
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	(116,075)
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	(251,433)
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.	(514,526)
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.	950,770
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	(190,713)
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.	3,000
	<hr/>
Change in Net Position of Governmental Activities	\$ 1,479,454
	<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, 2019

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	\$ 2,856,589
Noncurrent Assets:	
Capital assets - net	780,149
Total assets	<u><u>\$ 3,636,738</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 64,557
Claims payable - current	57,500
Total current liabilities	<u>122,057</u>
Non-current liabilities:	
Claims payable	517,500
Total liabilities	<u><u>\$ 639,557</u></u>
NET POSITION	
Net Investment in capital assets	\$ 780,149
Unrestricted	2,217,032
Total net position	<u><u>\$ 2,997,181</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, 2019

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Other	\$ -
Total operating revenues	<u>-</u>
OPERATING EXPENSES	
Claims	27,570
Depreciation	244,575
Total operating expenses	<u>272,145</u>
Operating income (loss)	(272,145)
NONOPERATING REVENUES(EXPENSES)	
Gain (loss) on disposal of capital assets	17,823
Investment earnings	38,247
Income (loss) before operating transfers	(216,075)
Transfers in	100,000
Transfers out	<u>-</u>
Change in net position	(116,075)
Total net position - beginning	<u>3,113,256</u>
Total net position - ending	<u><u>\$ 2,997,181</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, 2019

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Payments for claims	\$ (487,570)
Payments for supplies and materials	48,592
Net cash provided (used) by operating activities	<u>(438,978)</u>
Cash flows from noncapital financing activities:	
Interfund transactions	560,000
Net cash provided (used) by noncapital financing activities	<u>560,000</u>
Cash flows from capital financing activities:	
Purchases of property and equipment	(255,345)
Net cash provided (used) by capital financing activities	<u>(255,345)</u>
Cash flows from investing activities:	
Investment income received	38,247
Net cash provided (used) by investing activities	<u>38,247</u>
Net increase (decrease) in cash and cash equivalents	(96,076)
Cash and cash equivalents - beginning	2,952,665
Cash and cash equivalents - ending	<u><u>\$ 2,856,589</u></u>
Reconciliation of operating income to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ (272,145)
Adjustments to reconcile operating income (loss)	
to net cash provided (used) by operating activities:	
Depreciation	244,575
Change in operating assets and liabilities:	
Accounts payable	48,592
Claims payable	(460,000)
Net cash provided (used) by operating activities	<u><u>\$ (438,978)</u></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, 2019

	Agency Funds
ASSETS	
Current assets:	
Cash and investments	\$ 286,807
Accounts receivable	3,086
Total assets	\$ 289,893
LIABILITIES	
Current liabilities:	
Interest payable	\$ 11,501
Deposits	278,392
Total liabilities	\$ 289,893

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, 2019

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, 2019

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, 2019

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, 2019

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.

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:

Worker's Compensation Fund

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

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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. 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.

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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.

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.

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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

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.

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M. Fund Balances

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

Nonspendable

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

Restricted

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

Committed

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council, the 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 detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet and in the combining nonmajor fund balance sheets.

Flow Assumption / Spending Order Policy

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

N. Net Position

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

Net Investment in Capital Assets

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

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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.

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

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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, 2019, 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.

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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. Implemented New GASB Pronouncements

GASB Statement No. 83, Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the City's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have a significant impact on the City's financial statements.

U. 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 are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The City is in the process of determining the impact this Statement will have on the financial statements.

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GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The City is in the process of determining the impact this Statement will have on the financial statements.

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 are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The City doesn't 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 are effective for financial statements for periods beginning after December 15, 2018. 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 doesn't 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

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with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The City is in the process of determining the impact this Statement will have on the financial statements.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2019, cash and investments were reported in the financial statements as follows:

Pooled cash and investments	\$ 14,655,165
Cash with fiscal agent	<u>402,335</u>
Total cash and investments - fund statements	15,057,500
Cash and investments - agency funds	<u>286,807</u>
Total cash and investments	<u>\$ 15,344,307</u>

The following summarized cash and investments by type:

Cash on hand	\$ 1,545
Demand Deposits	7,991,028
Investments	<u>7,351,734</u>
Total cash and investments	<u>\$ 15,344,307</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 \$8,147,203 at June 30, 2019 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$7,897,203 which was collateralized by securities held by pledging financial institutions.

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B. Fair Value Measurements

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

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

C. Investment Policies

City Investment Policy

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

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

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Authorized Investments - Debt Agreements

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

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

D. External Investment Pool

The City's investments with LAIF at June 30, 2019, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes

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

Asset-Backed Securities

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

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

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to manage its exposure to interest rate risk is by 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.

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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, 2019, 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, 2019, the City had no investments in any one issuer (other than external investment pools which are exempt) that represented 5% or more of the total City investments.

Custodial Credit Risk

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

As of June 30, 2019, the City's investments had the following maturities and ratings:

Investment Type	12 Months or Less	13 to 24 Months	25 to 36 Months	More than 60 Months	Total	Rating	Fair Value Input Levels
LAIF (state pool)	\$ -	\$ 4,755,275	\$ -	\$ -	\$ 4,755,275	not rated	n/a
Money market funds	1,171,956	-	-	-	1,171,956	AAA	2
Bonds	-	-	-	249,551	249,551	AAA	2
Certificate of deposits	-	-	749,698	-	749,698	not rated	2
Total Investments	<u>\$ 1,171,956</u>	<u>\$ 4,755,275</u>	<u>\$ 749,698</u>	<u>\$ 249,551</u>	<u>\$ 6,926,480</u>		

NOTE 3 - ACCOUNTS RECEIVABLE

The following summarizes accounts receivable as of June 30, 2019:

Ambulance	\$ 354,615
Holstery Tax	1,412,274
Measure D	526,415
Sales and Use Tax	436,864
Accruals	192,846
Total Accounts Receivable	<u>\$ 2,923,014</u>

City of Carmel-by-the-Sea
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June 30, 2019

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. As of June 30, 2019, inter-fund receivables and payables consisted of the following:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 434,711	\$ -
Measure D Sales Tax Fund	-	345,628
Nonmajor Funds	-	89,083
Total Due from/to	\$ 434,711	\$ 434,711

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, 2019:

Fund	Transfer in	Transfer out
General Fund	\$ 855,660	\$ 1,111,477
Measure D Sales Tax Fund	-	3,104,753
Capital Projects Fund	2,487,954	-
Internal Service Funds	100,000	-
Nonmajor Funds	1,237,980	465,364
Total Transfers	\$ 4,681,594	\$ 4,681,594

During the year, the City opened and closed various funds. In the process, residual equity transfers were made which is a transfer of fund balance. Governmental accounting standards require that residual equity transfers be treated as operating transfers. The following residual equity transfers were included in the transfers-in and transfers-out noted above.

City of Carmel-by-the-Sea
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NOTE 5 - CAPITAL ASSETS

Capital assets for governmental activities consisted of the following as of June 30, 2019:

<i>Governmental Activities</i>	Balance July 01, 2018	Additions	Adjustments/ Deletions	Balance June 30, 2019
Non-depreciable:				
Land	\$ 5,101,641	\$ -	\$ -	\$ 5,101,641
Construction in Progress	1,799,679	3,357,471	(4,536,065)	621,085
Total Non-Depreciable	<u>6,901,320</u>	<u>3,357,471</u>	<u>(4,536,065)</u>	<u>5,722,726</u>
Depreciable:				
Buildings and improvements	25,508,680	162,692	115,138	25,786,510
Infrastructure	21,595,601	4,371,671	(31,251)	25,936,021
Vehicles	2,743,943	80,884	612	2,825,439
Technology/Hardware and Software	559,838	42,787	-	602,625
Machinery and equipment	2,710,894	168,960	(141,482)	2,738,372
Total Depreciable	<u>53,118,956</u>	<u>4,826,994</u>	<u>(56,983)</u>	<u>57,888,967</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(9,262,308)	(601,921)	(211,099)	(10,075,328)
Infrastructure	(4,493,362)	(1,058,511)	(196,867)	(5,748,740)
Vehicles	(2,579,852)	(150,347)	97,940	(2,632,259)
Technology/Hardware and Software	(140,163)	(116,246)	1,643	(254,766)
Machinery and equipment	(2,590,760)	(121,601)	345,375	(2,366,986)
Total Accumulated Depreciation	<u>(19,066,445)</u>	<u>(2,048,626)</u>	<u>36,992</u>	<u>(21,078,079)</u>
Total Depreciable Capital Assets - Net	<u>34,052,511</u>	<u>2,778,368</u>	<u>(19,991)</u>	<u>36,810,888</u>
Total Governmental Capital Assets	<u>\$ 40,953,831</u>	<u>\$ 6,135,839</u>	<u>\$ (4,556,056)</u>	<u>\$ 42,533,614</u>
Internal Service Funds (Included with Governmental Activities)				
Buildings and improvements	\$ -	\$ 12,750	\$ -	\$ 12,750
Technology/Hardware and Software	559,838	28,335	-	588,173
Vehicle, Machinery and Equipment	566,809	237,851	(56,894)	747,766
Accumulated Depreciation	(375,091)	(244,575)	51,126	(568,540)
Total Internal Service Funds - Net	<u>\$ 751,556</u>	<u>\$ 34,361</u>	<u>\$ (5,768)</u>	<u>\$ 780,149</u>

Depreciation expense was allocated to the following governmental activities:

General Government	\$ 136,015
Community Planning and Building	1,445
Public Safety	170,468
Public Works	1,090,570
Library	557,712
Community Activities	92,416
Total depreciation expense	<u>\$ 2,048,626</u>

City of Carmel-by-the-Sea
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NOTE 6 - NONCURRENT LIABILITIES

The City's noncurrent liabilities consisted of the following as of June 30, 2019:

Noncurrent Liabilities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Sunset Center COP	\$ 5,530,000	\$ -	\$ 315,000	\$ 5,215,000	\$ 325,000
Countywide Radio Project (Direct)	207,281	-	20,770	186,511	21,460
Pension Obligation Bonds	3,220,000	-	615,000	2,605,000	625,000
Compensated Absences	580,146	868,861	617,428	831,579	551,190
Net Pension Liability	19,908,483	10,226,628	10,214,543	19,920,568	-
Claims Liability	575,000	65,021	65,021	575,000	57,500
Net OPEB Liability	3,650,439	534,281	162,782	4,021,938	-
Total Noncurrent Liabilities	\$ 33,671,349	\$ 11,694,791	\$ 12,010,544	\$ 33,355,596	\$ 1,580,150

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
2020	\$ 325,000	\$ 181,563	\$ 506,563
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
2025-2029	2,060,000	463,800	2,523,800
2030-2033	1,425,000	115,000	1,540,000
Total	\$ 5,215,000	\$ 1,384,309	\$ 6,599,309

City of Carmel-by-the-Sea
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Countywide Radio Project

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

The annual debt service requirements were as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2020	\$ 21,460	\$ 8,204	\$ 29,664
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
2025-2029	70,392	7,724	78,116
Total	\$ 186,511	\$ 39,925	\$ 226,436

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
2020	\$ 625,000	\$ 73,010	\$ 698,010
2021	640,000	57,698	697,698
2022	660,000	40,428	700,428
2023	680,000	21,080	701,080
Total	\$ 2,605,000	\$ 192,216	\$ 2,797,216

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.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2019

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 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, 2019	Year Ended June 30, 2018
Beginning of year	\$ 575,000	\$ 460,000
Increase (decrease) in current year claims	65,021	147,052
Changes in estimates	(42,789)	-
Claims paid	(22,232)	(32,052)
Ending balance	<u>575,000</u>	<u>575,000</u>
Current portion	(57,500)	(57,500)
Non-current portion	<u>\$ 517,500</u>	<u>\$ 517,500</u>

City of Carmel-by-the-Sea
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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. The Plans' provisions and benefits in effect at June 30, 2019, 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	6.902%	6.912%	6.250%
Required employer contribution rates	9.409%	7.634%	6.842%
Contractual employee contribution rates	9.902%	9.912%	9.250%
Contractual employer contribution rates	6.409%	4.634%	3.842%
	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	8.989%	8.936%	12.000%
Required employer contribution rates	20.556%	15.719%	12.141%
Contractual employee contribution rates	11.989%	11.936%	15.000%
Contractual employer contribution rates	17.556%	12.719%	9.141%

City of Carmel-by-the-Sea
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Employees Covered

At June 30, 2019, the following employees were covered by the benefit terms for the Plans:

	<u>Miscellaneous</u>	<u>Safety</u>
Active	53	19
Transferred	17	19
Separated	33	11
Retired	104	51
Total	<u>207</u>	<u>100</u>

Contributions

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

For the year ended June 30, 2019, the following contributions were made:

Miscellaneous	\$ 741,167
Safety	<u>825,152</u>
Total	<u>\$ 1,566,319</u>

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

As of June 30, 2019, 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	\$ 10,060,596
Safety	<u>9,859,972</u>
Total	<u>\$ 19,920,568</u>

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, 2018, 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, 2017 rolled forward to June 30, 2018 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.

City of Carmel-by-the-Sea
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The City's proportionate share of the net pension liability for the Plans as of June 30, 2018 and 2019 was as follows:

	<u>Combined Plans</u>	<u>Safety</u>	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.20075%	0.16263%	0.25853%
Proportion - June 30, 2019	0.20672%	0.16804%	0.26695%
Change - Increase/(Decrease)	<u>0.00598%</u>	<u>0.00542%</u>	<u>0.00842%</u>

For the year ended June 30, 2019, the City recognized pension expense of \$2,089,536. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Miscellaneous Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 1,146,938	\$ 281,092
Differences between Expected and Actual Experience	386,007	131,356
Differences between Projected and Actual Investment Earnings	49,737	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	798,738
Change in Employer's Proportion	194,356	76,053
Pension Contributions Made Subsequent to Measurement Date	741,167	-
Total	<u>\$ 2,518,205</u>	<u>\$ 1,287,239</u>

<u>Safety Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 967,435	\$ 130,524
Differences between Expected and Actual Experience	211,858	804
Differences between Projected and Actual Investment Earnings	66,757	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	389,039
Change in Employer's Proportion	214,084	105,638
Pension Contributions Made Subsequent to Measurement Date	825,152	-
Total	<u>\$ 2,285,285</u>	<u>\$ 626,005</u>

<u>Miscellaneous and Safety Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 2,114,373	\$ 411,617
Differences between Expected and Actual Experience	597,865	132,160
Differences between Projected and Actual Investment Earnings	116,494	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	1,187,777
Change in Employer's Proportion	408,440	181,691
Pension Contributions Made Subsequent to Measurement Date	1,566,319	-
Total	<u>\$ 4,803,491</u>	<u>\$ 1,913,245</u>

City of Carmel-by-the-Sea
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The City reported \$1,566,319 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, 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 June 30:	Deferred Outflows/(Inflows) of Resources		Total
	Miscellaneous	Safety	
2020	\$ 671,263	\$ 773,312	\$ 1,444,575
2021	302,386	417,323	719,710
2022	(393,361)	(288,212)	(681,573)
2023	(90,489)	(68,295)	(158,784)
2024	-	-	-
Thereafter	-	-	-
Total	\$ 489,799	\$ 834,128	\$ 1,323,928

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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 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.

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

<u>Asset Class (a)</u>	Assumed	Real Return	Real Return
	<u>Asset Allocation</u>	<u>Years 1 - 10 (b)</u>	<u>Years 11+ (c)</u>
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	<u>100.00%</u>		

- (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.

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

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability \$	15,699,467	14,750,813
Current	7.15%	7.15%
Net Pension Liability \$	10,060,596	9,859,972
1% Increase	8.15%	8.15%
Net Pension Liability \$	5,405,801	5,852,804

Pension Plan Fiduciary Net Position

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description and Benefits

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

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

Employees Covered by Benefit Terms

At June 30, 2019, the benefit terms covered the following employees:

Active employees	68
Inactive employees	38
Total employees	<u><u>106</u></u>

City of Carmel-by-the-Sea
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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 \$159,107. The actuarially determined contribution for the measurement period was \$476,574. The City's contributions and benefit payments were 2.49% of payroll during the measurement period June 30, 2019 (reporting period June 30, 2019). 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:	July 1, 2017
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	3.50%
Inflation	2.25%
Payroll Increases	3.00%
Trend Rate	8% to 5%
Municipal Bond Rate	3.50%
Mortality	RP-2014 Employee and Healthy Annuitant Mortality Tables

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, 2019 (measurement date) and was determined by an actuarial valuation as of July 1, 2017 (valuation date) for the fiscal year ended June 30, 2019 (reporting date).

Changes in the Total OPEB Liability

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

Fiscal Year Ended June 30, 2019	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018	\$ 3,650,439	\$ -	\$ 3,650,439
Service cost	193,586	-	193,586
Interest in Total OPEB Liability	146,765	-	146,765
Actual and exp experience	(2,524)	-	(2,524)
Changes in assumptions	192,779	-	192,779
Benefit payments	(159,107)	-	(159,107)
Net changes	371,499	-	371,499
Balance at June 30, 2019	\$ 4,021,938	\$ -	\$ 4,021,938
Covered Employee Payroll	\$ 6,394,187		
Total OPEB Liability as a % of Covered Employee Payroll	62.90%		
Service Cost as a % of Covered Employee Payroll	3.03%		
Net OPEB Liability as a % of Covered Employee Payroll	62.90%		

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2019

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, 2019, 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	\$ -	\$ 3,675
Change in assumptions	156,220	85,472
Totals	<u>\$ 156,220</u>	<u>\$ 89,147</u>

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,	
2020	\$ 9,469
2021	9,469
2022	9,469
2023	28,812
2024	9,854
Thereafter	-
Total	<u>\$ 67,073</u>

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2019:

Service cost	\$ 193,586
Interest in TOL	146,765
Difference between actual and expected experience	(975)
Change in assumptions	10,444
OPEB Expense	<u>\$ 349,820</u>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2019:

Total OPEB liability ending	\$ 4,021,938
Total OPEB liability beginning	<u>(3,650,439)</u>
Change in total OPEB liability	371,499
Changes in deferred outflows	(156,220)
Changes in deferred inflows	(24,566)
Employer contributions and implicit subsidy	159,107
OPEB Expense	<u>\$ 349,820</u>

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2019

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:

	Municipal Bond Rate		
	1% Decrease	3.50%	1% Increase
Total OPEB Liability	\$ 4,576,301	\$ 4,021,938	\$ 3,566,230

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:

	Trend Rate		
	1% Decrease	8% to 5%	1% Increase
Total OPEB Liability	\$ 3,830,996	\$ 4,021,938	\$ 4,246,035

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.



REQUIRED SUPPLEMENTARY INFORMATION

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 6,382,985	\$ 6,382,985	\$ 6,524,331	\$ 141,346
Sales and use taxes	2,559,835	2,559,835	2,652,971	93,136
Transient occupancy taxes	6,350,000	6,350,000	6,882,015	532,015
Franchise fees	667,175	667,175	636,397	(30,778)
Business license tax	548,000	588,000	594,941	6,941
Intergovernmental revenues	559,345	559,345	583,573	24,228
License and permits	1,092,625	1,134,785	1,192,242	57,457
Fines and forfeitures	97,000	97,000	121,470	24,470
Charges for services	881,495	970,860	1,251,072	280,212
Interest	50,000	50,000	124,262	74,262
Rents and concessions	115,240	124,905	185,156	60,251
Other revenues	38,200	88,200	132,776	44,576
Total Revenues	19,341,900	19,573,090	20,881,206	1,308,116
EXPENDITURES				
Current:				
General government	5,083,905	5,183,270	5,517,516	(334,246)
Community Planning and Building	1,200,350	1,200,350	1,116,689	83,661
Public Safety	7,936,540	8,072,365	7,617,310	455,055
Public Works	3,367,667	3,371,895	2,902,461	469,434
Library	1,146,145	1,146,145	965,725	180,420
Community Activities	265,260	265,260	179,426	85,834
Economic Revitalization	1,103,995	1,103,995	1,103,993	2
Total Expenditures	20,103,862	20,343,280	19,403,120	940,160
Excess (Deficiency) of Revenues over Expenditures	(761,962)	(770,190)	1,478,086	2,248,276
OTHER FINANCING SOURCES (USES)				
Transfers in	855,660	855,660	855,660	-
Transfers out	(2,011,478)	(2,011,478)	(1,111,477)	900,001
Total Other Financing Sources (Uses)	(1,155,818)	(1,155,818)	(255,817)	900,001
Net Change in Fund Balance	(1,917,780)	(1,926,008)	1,222,269	3,148,277
Prior Period Adjustment	-	-	21,466	21,466
Fund Balance Beginning	8,006,394	8,006,394	8,006,394	-
Fund Balance Ending	\$ 6,088,614	\$ 6,080,386	\$ 9,250,129	\$ 3,169,743

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales and use taxes	\$ 2,964,870	\$ 2,964,870	\$ 3,079,914	\$ 115,044
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	2,964,870	2,964,870	3,079,914	115,044
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2,964,870)	(3,165,659)	(3,104,753)	60,906
Total Other Financing Sources (Uses)	(2,964,870)	(3,165,659)	(3,104,753)	60,906
Net Change in Fund Balance	-	(200,789)	(24,839)	175,950
Fund Balance Beginning	205,626	205,626	205,626	-
Fund Balance Ending	\$ 205,626	\$ 4,837	\$ 180,787	\$ 175,950

City of Carmel-by-the-Sea
Schedule of Pension Contributions
June 30, 2019

Miscellaneous and Safety Plan

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

Notes to Schedule:

Valuation Date: June 30, 2017
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 five years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

City of Carmel-by-the-Sea
Schedule of Proportionate Share of Net Pension Liability
June 30, 2019

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

Fiscal year 2015 was the first year of implementation, therefore only five 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, 2019

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

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.

No change in benefit terms; discount rates increased from 3.9% to 3.5%.

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.
Harrison Memorial Library	This fund is used to account for activities associated with the Harrison Memorial Library.
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, 2019

	Special Revenue Funds			
	Gas Tax Fund	Transportation Safety Fund	COPS Grant Fund	Parking In-Lieu Fund
ASSETS				
Cash and investments	\$ -	\$ 30,073	\$ 127,720	\$ 725,828
Receivables:				
Due from other governments	12,273	-	16,667	-
Total assets	<u>12,273</u>	<u>30,073</u>	<u>144,387</u>	<u>725,828</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 11,347	\$ -	\$ -	\$ -
Total liabilities	<u>11,347</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted:				
Transportation	926	30,073	-	-
Public safety	-	-	144,387	-
Debt service	-	-	-	-
Library	-	-	-	-
Asset seizure	-	-	-	-
Public parking	-	-	-	725,828
Total fund balances	<u>926</u>	<u>30,073</u>	<u>144,387</u>	<u>725,828</u>
Total liabilities and fund balances	<u>\$ 12,273</u>	<u>\$ 30,073</u>	<u>\$ 144,387</u>	<u>\$ 725,828</u>

Cont'd

City of Carmel-By-The-Sea

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds		Debt Service	Total Nonmajor Governmental Funds
	Asset Seizure Fund	Harrison Memorial Library Fund	Debt Service Fund	
ASSETS				
Cash and investments	\$ 921	\$ 1,410,220	\$ 402,335	\$ 2,697,097
Receivables:				
Due from other governments	-	-	-	28,940
Total assets	921	1,410,220	402,335	2,726,037
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 77,736	\$ 89,083
Total liabilities	-	-	77,736	89,083
Fund Balances:				
Restricted:				
Transportation	-	-	-	30,999
Public safety	-	-	-	144,387
Debt service	-	-	324,599	324,599
Library	-	1,410,220	-	1,410,220
Asset seizure	921	-	-	921
Public parking	-	-	-	725,828
Total fund balances	921	1,410,220	324,599	2,636,954
Total liabilities and fund balances	\$ 921	\$ 1,410,220	\$ 402,335	\$ 2,726,037

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, 2019

	Special Revenue Funds			
	Gas Tax Fund	Transportation Safety Fund	COPS Grant Fund	Parking In-Lieu Fund
REVENUES				
Intergovernmental revenues	\$ 150,679	\$ 205,045	\$ 148,747	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	508	1,877	11,432
Total Revenues	150,679	205,553	150,624	11,432
EXPENDITURES				
Current:				
Library	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	150,679	205,553	150,624	11,432
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(149,270)	(216,094)	(100,000)	-
Total Other Financing Sources (Uses)	(149,270)	(216,094)	(100,000)	-
Net Change in Fund Balances	1,409	(10,541)	50,624	11,432
Prior Period Adjustment	-	-	-	-
Fund Balances Beginning	(483)	40,614	93,763	714,396
Fund Balances Ending	\$ 926	\$ 30,073	\$ 144,387	\$ 725,828

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, 2019

	Special Revenue Funds		Debt Service	
	Asset Seizure Fund	Harrison Memorial Library Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 504,471
Contributions	-	314,450	-	314,450
Charges for services	-	10,097	-	10,097
Interest	15	25,300	4,150	43,282
Total Revenues	15	349,847	4,150	872,300
EXPENDITURES				
Current:				
Library	-	292,665	-	292,665
Debt service				
Principal	-	-	950,770	950,770
Interest and fiscal charges	-	-	286,606	286,606
Total Expenditures	-	292,665	1,237,376	1,530,041
Excess (Deficiency) of Revenues over Expenditures	15	57,182	(1,233,226)	(657,741)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,237,980	1,237,980
Transfers out	-	-	-	(465,364)
Total Other Financing Sources (Uses)	-	-	1,237,980	772,616
Net Change in Fund Balances	15	57,182	4,754	114,875
Prior Period Adjustment	-	99,950	-	99,950
Fund Balances Beginning	906	1,253,088	319,845	2,422,129
Fund Balances Ending	\$ 921	\$ 1,410,220	\$ 324,599	\$ 2,636,954

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, 2019

	Gas Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 162,252	\$ 162,252	\$ 150,679	\$ (11,573)
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Total Revenues	162,252	162,252	150,679	(11,573)
EXPENDITURES				
Current:				
Library	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	162,252	162,252	150,679	(11,573)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(162,250)	(162,250)	(149,270)	12,980
Total Other Financing Sources (Uses)	(162,250)	(162,250)	(149,270)	12,980
Net Change in Fund Balances	2	2	1,409	1,407
Prior Period Adjustment	-	-	-	-
Fund Balances Beginning	(483)	(483)	(483)	-
Fund Balances Ending	\$ (481)	\$ (481)	\$ 926	\$ 1,407

Cont'd

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

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, 2019

	Transportation Safety Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 175,480	\$ 175,480	\$ 205,045	\$ 29,565
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	508	508
Total Revenues	175,480	175,480	205,553	30,073
EXPENDITURES				
Current:				
Library	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	175,480	175,480	205,553	30,073
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(175,480)	(216,094)	(216,094)	-
Total Other Financing Sources (Uses)	(175,480)	(216,094)	(216,094)	-
Net Change in Fund Balances	-	(40,614)	(10,541)	30,073
Prior Period Adjustment	-	-	-	-
Fund Balances Beginning	40,614	40,614	40,614	-
Fund Balances Ending	\$ 40,614	\$ -	\$ 30,073	\$ 30,073

Cont'd

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

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, 2019

	COPS Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 148,747	\$ 48,747
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	1,877	1,877
Total Revenues	100,000	100,000	150,624	50,624
EXPENDITURES				
Current:				
Library	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	100,000	100,000	150,624	50,624
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(100,000)	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(100,000)	-
Net Change in Fund Balances	-	-	50,624	50,624
Prior Period Adjustment	-	-	-	-
Fund Balances Beginning	93,763	93,763	93,763	-
Fund Balances Ending	\$ 93,763	\$ 93,763	\$ 144,387	\$ 50,624

Cont'd

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

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, 2019

	Parking In-Lieu Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	11,432	11,432
Total Revenues	-	-	11,432	11,432
EXPENDITURES				
Current:				
Library	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	11,432	11,432
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	11,432	11,432
Prior Period Adjustment	-	-	-	-
Fund Balances Beginning	714,396	714,396	714,396	-
Fund Balances Ending	\$ 714,396	\$ 714,396	\$ 725,828	\$ 11,432

Cont'd

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

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, 2019

	Asset Seizure Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	15	15
Total Revenues	-	-	15	15
EXPENDITURES				
Current:				
Library	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	15	15
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	15	15
Prior Period Adjustment	-	-	-	-
Fund Balances Beginning	906	906	906	-
Fund Balances Ending	\$ 906	\$ 906	\$ 921	\$ 15

Cont'd

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

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, 2019

	Harrison Memorial Library Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	313,000	313,000	314,450	1,450
Charges for services	13,000	13,000	10,097	(2,903)
Interest	3,000	3,000	25,300	22,300
Total Revenues	329,000	329,000	349,847	20,847
EXPENDITURES				
Current:				
Library	329,495	329,495	292,665	36,830
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	329,495	329,495	292,665	36,830
Excess (Deficiency) of Revenues over Expenditures	(495)	(495)	57,182	57,677
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(495)	(495)	57,182	57,677
Prior Period Adjustment	-	-	99,950	99,950
Fund Balances Beginning	1,253,088	1,253,088	1,253,088	-
Fund Balances Ending	\$ 1,252,593	\$ 1,252,593	\$ 1,410,220	\$ 157,627

Cont'd

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

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, 2019

	Debt Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	4,150	4,150
Total Revenues	-	-	4,150	4,150
EXPENDITURES				
Current:				
Library	-	-	-	-
Debt service				
Principal	950,770	950,770	950,770	-
Interest and fiscal charges	287,210	287,210	286,606	604
Total Expenditures	1,237,980	1,237,980	1,237,376	604
Excess (Deficiency) of Revenues over Expenditures	(1,237,980)	(1,237,980)	(1,233,226)	4,754
OTHER FINANCING SOURCES (USES)				
Transfers in	1,237,980	1,237,980	1,237,980	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	1,237,980	1,237,980	1,237,980	-
Net Change in Fund Balances	-	-	4,754	4,754
Prior Period Adjustment	-	-	-	-
Fund Balances Beginning	319,845	319,845	319,845	-
Fund Balances Ending	\$ 319,845	\$ 319,845	\$ 324,599	\$ 4,754

Concluded

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

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, 2019

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 606,333	\$ 1,817,051	\$ 433,205	\$ 2,856,589
Noncurrent assets:				
Capital assets - net	-	-	780,149	780,149
Total assets	\$ 606,333	\$ 1,817,051	\$ 1,213,354	\$ 3,636,738
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ -	64,557	\$ 64,557
Claims payable - current	57,500	-	-	57,500
Total current liabilities	57,500	-	64,557	122,057
Noncurrent liabilities:				
Claims payable	517,500	-	-	517,500
Total liabilities	\$ 575,000	\$ -	\$ 64,557	\$ 639,557
NET POSITION				
Net investment in capital assets	\$ -	\$ -	\$ 780,149	\$ 780,149
Unrestricted	31,333	1,817,051	368,648	2,217,032
Total net position	\$ 31,333	\$ 1,817,051	\$ 1,148,797	\$ 2,997,181

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, 2019

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
OPERATING REVENUES				
Other	\$ -	\$ -	\$ -	\$ -
Total operating revenues	-	-	-	-
OPERATING EXPENSES				
Claims	27,570	-	-	27,570
Depreciation	-	-	244,575	244,575
Total operating expenses	27,570	-	244,575	272,145
Operating income (loss)	(27,570)	-	(244,575)	(272,145)
NONOPERATING REVENUES(EXPENSES)				
Gain (loss) on disposal of capital assets	-	-	17,823	17,823
Investment income	9,628	28,619	-	38,247
Total nonoperating revenues(expenses)	9,628	28,619	17,823	56,070
Income (loss)	(17,942)	28,619	(226,752)	(216,075)
Transfers in	-	-	100,000	100,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	100,000	100,000
Change in net position	(17,942)	28,619	(126,752)	(116,075)
Total net position - beginning	49,275	1,788,432	1,275,549	3,113,256
Total net position - ending	\$ 31,333	\$ 1,817,051	\$ 1,148,797	\$ 2,997,181

City of Carmel-By-The-Sea
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
Cash flows from operating activities:				
Payments for claims	\$ (487,570)	\$ -	\$ -	\$ (487,570)
Payments for supplies and materials	-	-	48,592	48,592
Net cash provided (used) by operating activities	<u>(487,570)</u>	<u>-</u>	<u>48,592</u>	<u>(438,978)</u>
Cash flows from noncapital financing activities:				
Interfund transactions	460,000	-	100,000	560,000
Net cash provided (used) by noncapital financing activities	<u>460,000</u>	<u>-</u>	<u>100,000</u>	<u>560,000</u>
Cash flows from capital financing activities:				
Purchases of property and equipment	-	-	(255,345)	(255,345)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(255,345)</u>	<u>(255,345)</u>
Cash flows from investing activities:				
Investment income received	9,628	28,619	-	38,247
Net cash provided (used) by investing activities	<u>9,628</u>	<u>28,619</u>	<u>-</u>	<u>38,247</u>
Net increase (decrease) in cash and cash equivalents	(17,942)	28,619	(106,753)	(96,076)
Cash and cash equivalents - beginning	624,275	1,788,432	539,958	2,952,665
Cash and cash equivalents - ending	<u>\$ 606,333</u>	<u>\$ 1,817,051</u>	<u>\$ 433,205</u>	<u>\$ 2,856,589</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (27,570)	\$ -	\$ (244,575)	\$ (272,145)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	244,575	244,575
Change in operating assets and liabilities:				
Accounts payable	-	-	48,592	48,592
Claims payable	(460,000)	-	-	(460,000)
Net cash provided (used) by operating activities	<u>\$ (487,570)</u>	<u>\$ -</u>	<u>\$ 48,592</u>	<u>\$ (438,978)</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, 2019

REFUNDABLE DEPOSITS	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and investments	\$ 357,801	\$ 93,512	\$ 164,506	\$ 286,807
Receivables	495	3,086	495	3,086
Total assets	\$ 358,296	\$ 96,598	\$ 165,001	\$ 289,893
LIABILITIES				
Accounts payable	\$ 3,557	\$ 71,013	\$ 74,570	\$ -
Interest payable	6,551	4,950	-	11,501
Deposits	348,188	93,584	163,380	278,392
Total liabilities	\$ 358,296	\$ 169,547	\$ 237,950	\$ 289,893



STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

This part of the City of Carmel-by-the-Sea's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends

These tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity

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

Debt Capacity

These tables present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information

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

Operating Information

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

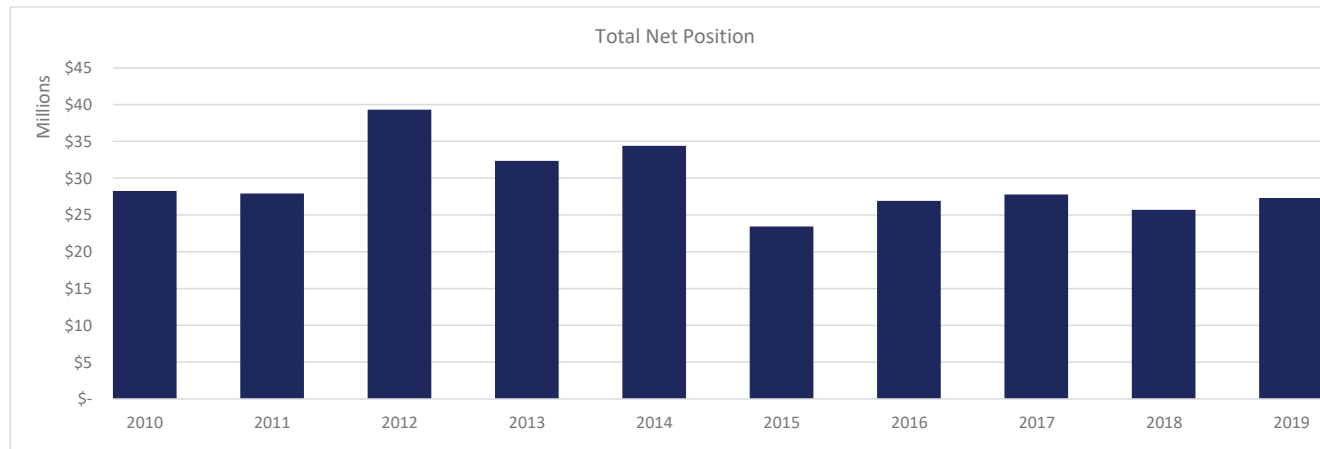
Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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

TABLE 1

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	\$ 18,483,000	\$ 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
Restricted	593,000	441,000	555,524	566,992	2,616,731	3,862,473	3,584,687	5,027,082	2,628,238	2,817,741
Unrestricted	9,183,000	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)
Total governmental activities net position	\$ 28,259,000	\$ 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



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

	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Expenses					
Governmental activities:					
General government	\$ 3,838,650	\$ 3,448,824	\$ 2,904,382	\$ 9,481,135	\$ 4,067,934
Community planning and building	-	-	-	-	-
Public safety	5,185,540	5,142,244	4,694,672	4,193,157	4,299,954
Public works	1,239,275	1,271,318	1,790,684	1,896,305	2,227,067
Library	-	-	-	-	-
Community activities	-	-	-	-	-
Economic revitalization	-	-	361,458	304,587	363,342
Building maintenance	-	-	2,718,581	3,763,094	2,924,447
Forest, parks and beach	-	-	1,578,381	472,123	484,119
Culture and recreation	2,617,067	2,619,273	1,314,073	2,405,481	2,453,842
Interest and fiscal charges on long-term debt	271,808	50,576	194,153	376,787	346,674
Depreciation (Unallocated)	-	638,255	-	-	-
Total governmental activities expenses	13,152,340	13,170,490	15,556,384	22,892,669	17,167,379
Program Revenues					
Governmental activities:					
Charges for services:					
General government	376,591	329,666	4,735	19,821	15,644
Community planning and building	-	-	-	-	-
Public safety	50,417	49,725	39,878	167,723	184,338
Public works	-	-	412,605	433,928	467,392
Library	-	-	-	-	-
Community activities	-	-	-	-	-
Economic revitalization	-	-	-	-	-
Building maintenance	-	-	-	-	-
Forest, parks and beach	-	-	-	-	165,406
Culture and recreation	19,845	30,286	36,030	80,909	91,804
Operating grants and contributions	117,841	435,046	871,230	1,474,331	1,282,214
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	564,694	844,723	1,364,478	2,176,712	2,206,798
Net (expense)/revenue:					
Governmental activities	(12,587,646)	(12,325,767)	(14,191,906)	(20,715,957)	(14,960,581)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	4,189,288	4,157,789	4,571,481	4,652,176	4,881,534
Sales and use taxes	1,619,968	1,805,510	1,743,748	2,760,414	5,115,880
Transient occupancy taxes	3,830,432	4,002,509	4,179,900	4,615,598	5,185,880
Franchise taxes	452,935	476,597	491,674	981,831	994,468
Business license tax	625,600	591,248	532,019	577,364	549,190
Inte Other taxes	264,150	233,716	-	-	-
Unrestricted grants and contributions	383,827	465,881	-	-	-
Unrestricted investment earnings	269,276	109,602	55,995	69,735	76,880
Gain (loss) on sale of assets	-	-	-	-	-
Special item - infrastructure capitalization	-	-	13,760,000	-	-
Miscellaneous or other revenues	211,612	142,923	276,751	98,331	184,660
Total governmental activities	11,847,088	11,985,775	25,611,568	13,755,449	16,988,492
Change in Net Position	\$ (740,558)	\$ (339,992)	\$ 11,419,662	\$ (6,960,508)	\$ 2,027,911

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

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Expenses					
Governmental activities:					
General government	\$ 3,724,546	\$ 5,162,323	\$ 4,981,304	\$ 4,896,809	\$ 5,906,304
Community planning and building	-	-	1,146,860	1,206,295	1,191,826
Public safety	6,685,310	6,445,695	7,281,137	7,771,104	8,390,616
Public works	2,003,332	1,454,895	2,605,036	2,950,423	4,162,376
Library	-	-	1,144,883	1,303,989	1,894,410
Community activities	-	-	446,445	153,224	283,512
Economic revitalization	326,956	306,505	1,110,857	1,125,261	1,144,022
Building maintenance	1,832,618	1,542,170	-	-	-
Forest, parks and beach	581,319	558,592	-	-	-
Culture and recreation	2,605,877	2,082,591	-	-	-
Interest and fiscal charges on long-term debt	365,043	336,551	322,181	319,974	283,606
Depreciation (Unallocated)	-	1,528,260	1,747,960	1,786,021	-
Total governmental activities expenses	18,125,001	19,417,582	20,786,663	21,513,100	23,256,672
Program Revenues					
Governmental activities:					
Charges for services:					
General government	66,190	34,040	38,795	318,414	256,645
Community planning and building	-	-	-	1,167,308	1,454,523
Public safety	918,644	684,612	373,716	692,187	790,428
Public works	525,310	534,224	751,844	58,931	44,636
Library	-	-	-	14,794	-
Community activities	-	-	-	79,067	146,443
Economic revitalization	-	-	-	97,142	102,366
Building maintenance	-	-	-	-	-
Forest, parks and beach	-	-	-	-	-
Culture and recreation	18,953	20,326	31,817	-	-
Operating grants and contributions	1,444,296	668,239	675,765	681,240	450,920
Capital grants and contributions	331,719	327,029	166,726	-	-
Total governmental activities program revenues	3,305,112	2,268,470	2,038,663	3,109,083	3,245,961
Net (expense)/revenue:					
Governmental activities	(14,819,889)	(17,149,112)	(18,748,000)	(18,404,017)	(20,010,711)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	5,127,974	5,598,743	5,825,889	6,192,126	6,524,331
Sales and use taxes	5,280,418	4,897,325	5,373,800	5,486,449	5,732,885
Transient occupancy taxes	5,593,689	5,890,538	6,112,347	6,329,074	6,882,015
Franchise taxes	430,430	587,514	672,554	637,136	636,397
Business license tax	606,128	626,625	649,525	544,392	594,941
Inte Other taxes	382,145	413,334	436,073	462,989	-
Unrestricted grants and contributions	-	-	-	92,155	637,124
Unrestricted investment earnings	163,648	160,172	182,366	101,743	205,791
Gain (loss) on sale of assets	-	-	-	(2,439,255)	(160,794)
Special item - infrastructure capitalization	-	-	-	-	-
Miscellaneous or other revenues	249,537	1,963,750	362,561	212,820	437,475
Total governmental activities	17,833,969	20,138,001	19,615,115	17,619,629	21,490,165
Change in Net Position	\$ 3,014,080	\$ 2,988,889	\$ 867,115	\$ (784,388)	\$ 1,479,454

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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
Assigned	-	-	-	-	-	1,747,589	3,308,636	2,448,461	1,922,008	1,926,008
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
Reserved	593,207	-	-	-	-	-	-	-	-	-
Designated	8,097,783	-	-	-	-	-	-	-	-	-
Unreserved	1,243,449	-	-	-	-	-	-	-	-	-
Total Fund Balance	9,934,439	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
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ 46,747	\$ 46,747	\$ 46,747	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	40,523	555,524	566,992	2,543,658	3,903,533	3,624,383	5,065,310	2,628,238	2,817,741
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
Unassigned	-	-	-	-	(479,166)	(684,400)	(706,427)	(1,264,197)	(483)	-
Reserved	20,203	-	-	-	-	-	-	-	-	-
Designated	1,031,025	-	-	-	-	-	-	-	-	-
Unreserved	45,767	-	-	-	-	-	-	-	-	-
Total Fund Balance	1,096,995	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
Total Fund Balance	\$ 11,031,434	\$ 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

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 Fur
Last Ten Fiscal Years

TABLE 4

	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Revenues					
Taxes	\$ 10,159,244	\$ 10,442,405	\$ 11,497,256	\$ 12,505,034	\$ 12,727,944
Intergovernmental revenues	430,867	456,821	635,386	609,304	3,864,416
License and permits	1,061,757	916,989	612,356	1,195,092	1,114,927
Contributions	10,900	326,185	329,160	354,785	313,895
Fines and forfeitures	197,528	19,314	127,354	133,168	138,713
Charges for services	47,584	49,725	597,302	738,366	508,563
Interest	-	-	-	-	-
Use of money and property	284,754	247,683	231,975	284,674	314,248
Other revenues	219,232	149,634	93,944	109,392	193,336
Total revenues	12,411,866	12,608,756	14,124,733	15,929,815	19,176,042
Expenditures					
General government	3,422,352	3,109,461	3,122,302	3,029,816	4,305,440
Community Planning and Building	-	-	-	-	-
Public Safety	4,993,039	4,955,512	3,363,428	4,026,884	4,245,184
Public Works	1,162,274	1,122,225	1,166,299	1,341,604	1,609,402
Library	-	-	-	-	-
Community Activities	-	-	-	-	-
Economic Revitalization	300,796	317,983	361,458	304,587	363,342
Building maintenance	-	-	2,633,987	2,263,763	2,798,314
Forest, parks and beach	-	-	1,122,795	466,021	468,247
Culture and recreation	2,220,171	2,240,365	1,298,938	1,918,196	1,963,003
Capital Outlay	266,413	1,085,637	1,599,462	651,785	1,993,305
Debt Service					
Principal	220,000	318,070	315,570	410,434	927,774
Interest and fiscal charges	359,349	201,964	257,771	328,994	357,840
Total expenditures	12,944,394	13,351,217	15,242,010	14,742,084	19,031,851
Excess of revenues					
over (under) expenditures	(532,528)	(742,461)	(1,117,277)	1,187,731	144,191
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	336,778	4,973,143	7,749,165	6,301,989	9,724,198
Transfers out	(336,778)	(4,640,460)	(7,749,165)	(6,301,989)	(9,724,198)
Total other financing sources (uses)	-	139,493	-	2,346	19,248
Net change in fund balances	\$ (532,528)	\$ (602,968)	\$ (1,117,277)	\$ 1,190,077	\$ 163,439
Total Expenditures	\$ 12,944,394	\$ 13,351,217	\$ 15,242,010	\$ 14,742,084	\$ 19,031,851
Capitalized Portion of Capital Outlay	305,503	748,979	1,066,867	651,397	1,993,170
Total Non-Capitalized Expenditures	\$ 12,638,891	\$ 12,602,238	\$ 14,175,143	\$ 14,090,687	\$ 17,038,681
Debt Service: Principal & Interest	\$ 579,349	\$ 520,034	\$ 573,341	\$ 739,428	\$ 1,285,614
Debt service as a percentage of noncapital expenditures	4.6%	4.1%	4.0%	5.2%	7.5%

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 Fund
Last Ten Fiscal Years

TABLE 4

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Revenues					
Taxes	\$ 17,420,784	\$ 18,014,079	\$ 19,041,911	\$ 19,652,166	\$ 20,370,569
Intergovernmental revenues	874,152	294,952	365,304	454,997	1,088,044
License and permits	720,257	788,578	850,547	1,087,953	1,192,242
Contributions	686,025	314,600	323,495	318,398	314,450
Fines and forfeitures	119,152	111,930	87,154	91,813	121,470
Charges for services	905,526	712,321	440,439	1,070,999	1,261,169
Interest	-	-	-	58,055	167,544
Use of money and property	163,648	163,875	182,367	100,899	185,156
Other revenues	249,537	389,136	1,979,561	211,153	158,029
Total revenues	21,139,081	20,789,471	23,270,778	23,046,433	24,858,673
Expenditures					
General government	3,593,094	5,045,332	5,681,103	4,696,923	5,517,516
Community Planning and Building	-	-	-	1,128,977	1,116,689
Public Safety	6,398,876	6,264,950	7,033,862	7,024,092	7,617,310
Public Works	1,284,030	1,301,160	2,554,752	2,769,129	2,902,461
Library	-	-	-	1,217,687	1,258,390
Community Activities	-	-	-	141,378	179,426
Economic Revitalization	315,780	306,505	351,425	1,095,636	1,103,993
Building maintenance	1,637,602	1,525,038	1,138,983	-	-
Forest, parks and beach	544,902	547,211	108,764	-	-
Culture and recreation	1,999,728	2,054,872	1,448,129	-	-
Capital Outlay	2,396,667	4,439,279	1,877,053	1,833,014	3,778,271
Debt Service					
Principal	1,046,128	898,379	914,105	934,860	950,770
Interest and fiscal charges	360,610	337,915	323,649	302,202	286,606
Total expenditures	19,577,417	22,720,641	21,431,825	21,143,898	24,711,432
Excess of revenues over (under) expenditures	1,561,664	(1,931,170)	1,838,953	1,902,535	147,241
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	4,927,935	6,483,069	3,405,710	13,924,490	4,581,594
Transfers out	(4,927,935)	(6,483,069)	(3,405,710)	(16,713,387)	(4,681,594)
Total other financing sources (uses)	-	-	-	(2,757,897)	(100,000)
Net change in fund balances	\$ 1,561,664	\$ (1,931,170)	\$ 1,838,953	\$ (855,362)	\$ 47,241
Total Expenditures	\$ 19,577,417	\$ 22,720,641	\$ 21,431,825	\$ 21,143,898	\$ 24,711,432
Capitalized Portion of Capital Outlay	2,396,667	4,311,179	1,870,844	1,900,132	3,778,271
Total Non-Capitalized Expenditures	\$ 17,180,750	\$ 18,409,462	\$ 19,560,981	\$ 19,243,766	\$ 20,933,161
Debt Service: Principal & Interest	\$ 1,406,738	\$ 1,236,294	\$ 1,237,754	\$ 1,237,062	\$ 1,237,376
Debt service as a percentage of noncapital expenditures	8.2%	6.7%	6.3%	6.4%	5.9%

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

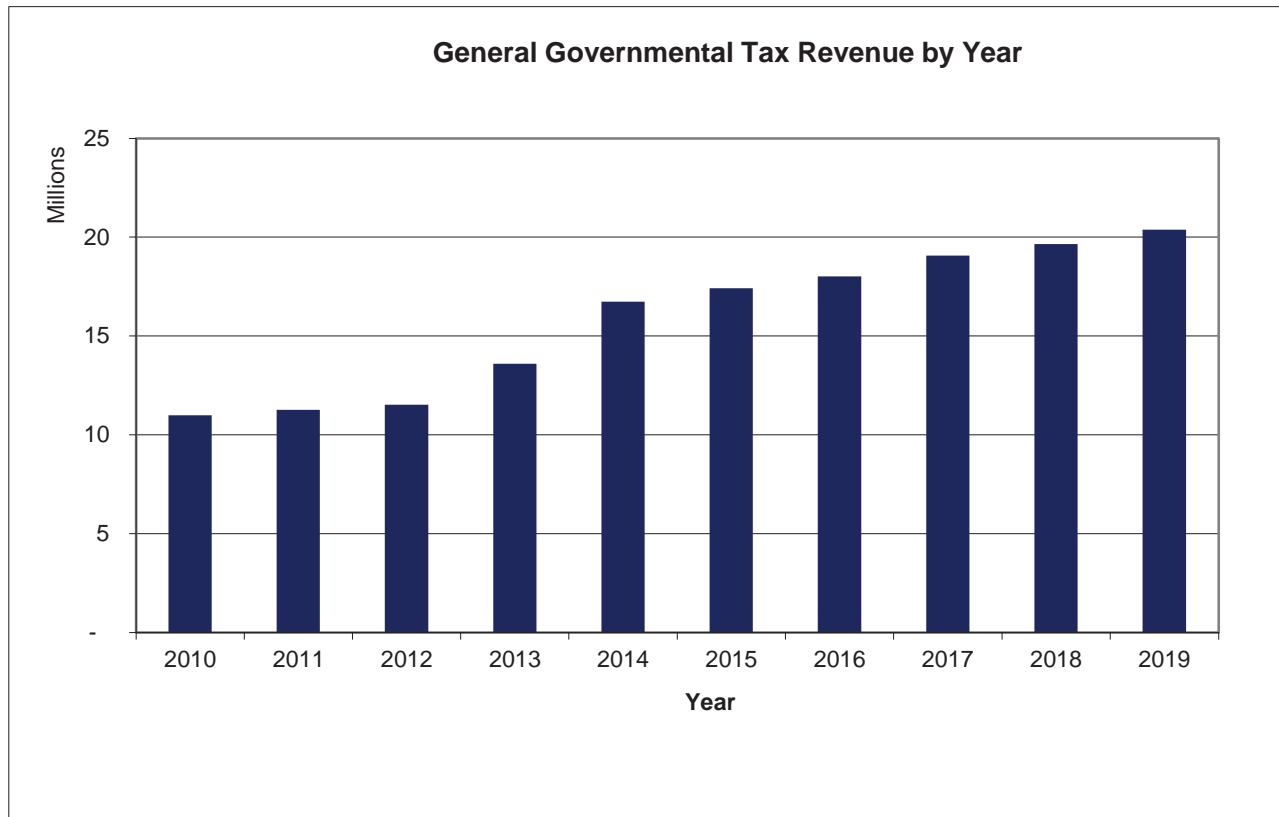
Source: City of Carmel-by-the-Sea Finance Department

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
2010	4,189,288	1,619,968	452,935	3,830,432	625,600	264,150	10,982,373
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	491,674	4,179,900	532,019	-	11,518,822
2013	4,652,176	2,760,414	981,831	4,615,598	577,364	-	13,587,383
2014	4,881,534	5,115,880	994,468	5,185,880	549,190	-	16,726,952
2015	5,127,974	5,280,418	430,430	5,593,689	606,128	382,145	17,420,784
2016	5,598,743	4,897,325	587,514	5,890,538	626,625	413,334	18,014,079
2017	5,825,889	5,373,800	672,554	6,112,347	649,525	436,073	19,070,188
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

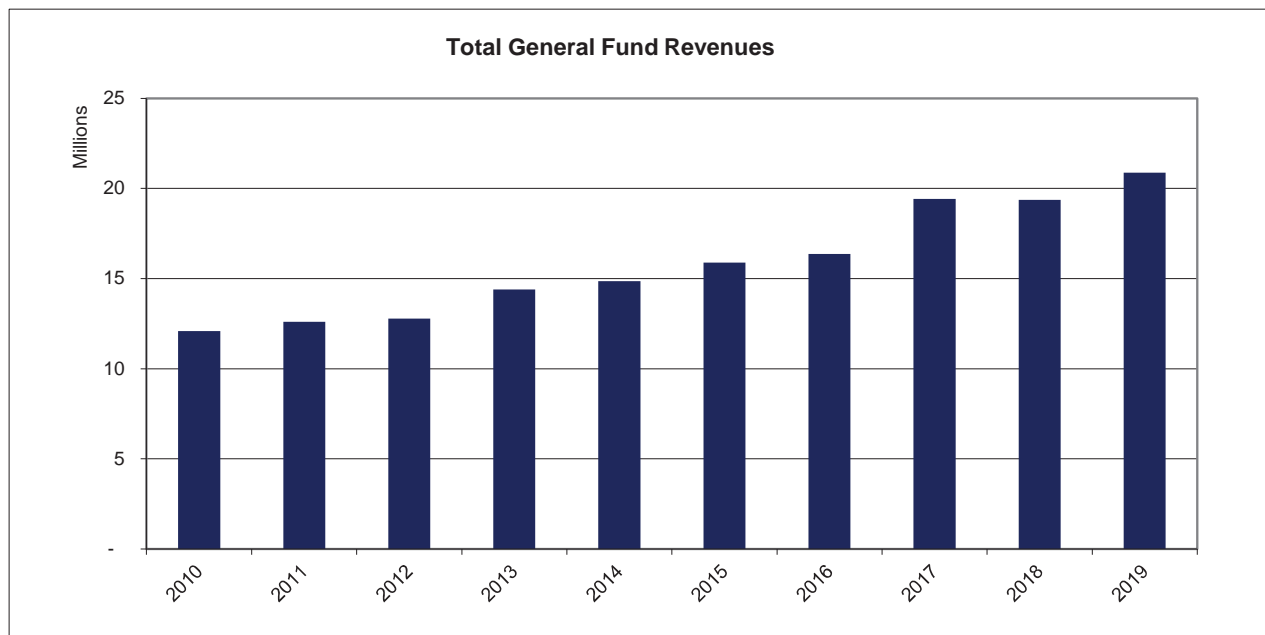


Source: City of Carmel-by-the-Sea Finance Department

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
2010	10,092,623	430,867	999,023	10,900	17,006	47,584	265,618	218,490	12,082,111
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

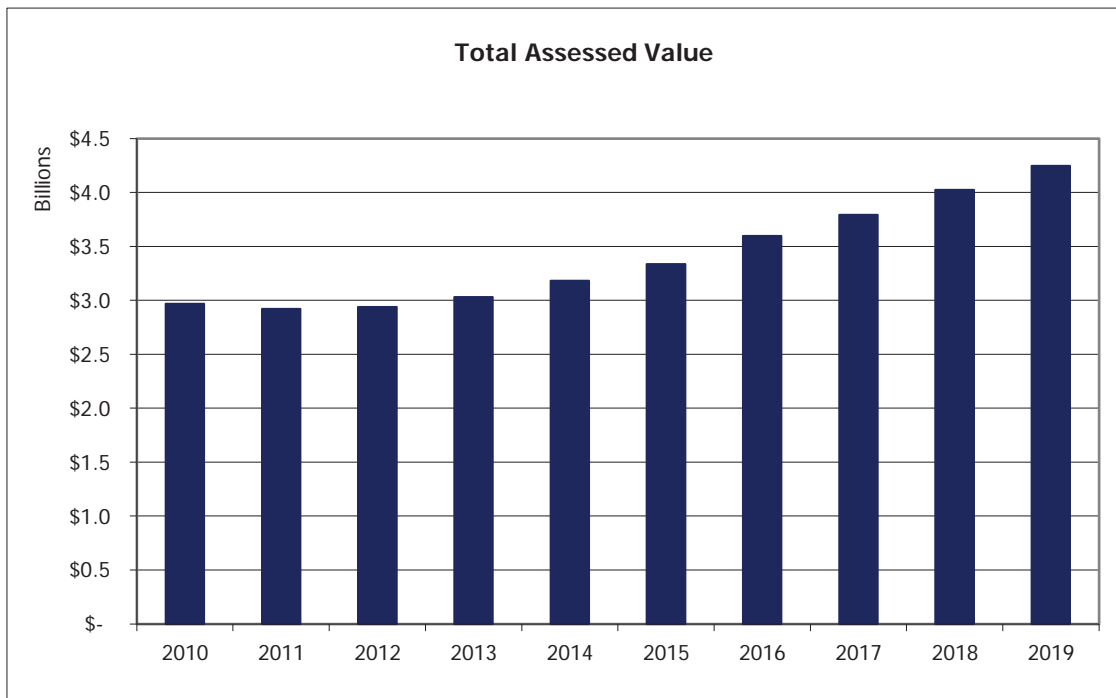


Source: City of Carmel-by-the-Sea Finance Department

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
2010	2,931,738,234	37,881,331	2,969,619,565	1.000%
2011	2,885,547,810	34,821,845	2,920,369,656	1.000%
2012	2,908,891,597	30,254,516	2,939,146,113	1.000%
2013	3,001,630,584	28,759,821	3,030,390,405	1.000%
2014	3,153,416,179	27,307,767	3,180,723,946	1.000%
2015	3,309,856,089	26,813,656	3,336,669,745	1.000%
2016	3,569,065,524	26,719,717	3,595,785,241	1.000%
2017	3,766,258,441	26,280,598	3,792,539,039	1.000%
2018	3,999,182,757	25,708,168	4,024,890,925	1.000%
2019	4,220,683,852	26,668,954	4,247,352,806	1.000%



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

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	0.014	0.016
Monterey Peninsula Community College		0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.021
Total Direct and Overlapping Rate		<u>1.036</u>	<u>1.036</u>	<u>1.036</u>	<u>1.036</u>	<u>1.036</u>	<u>1.036</u>	<u>1.036</u>	<u>1.036</u>	<u>1.036</u>	<u>1.037</u>
City Share of 1% Levy per Prop. 13	(3)	0.802	0.823	0.827	0.903	0.913	0.904	0.918	0.925	0.929	0.919

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	2019			2010		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
OWRF CARMEL LLC	\$ 58,438,612	1	1.38%	na		na
PAUL ANDREW M	27,429,105	2	0.65%	na		na
LA PLAYA CARMEL HOTEL LLC	17,821,718	3	0.42%	na		na
HINES JEFFREY C	14,866,846	4	0.35%	na		na
HINES JEFFREY C	14,102,144	5	0.33%	na		na
DEBRUCE PAUL TR	13,736,738	6	0.32%	na		na
CVI INVESTORS LLC	13,076,279	7	0.31%	na		na
MOORE FAMILY TR	12,583,122	8	0.30%	na		na
GUNNER RICHARD V & MARGARET S GUNNER TRS	12,385,220	9	0.29%	na		na
CATS MEOW LLC	11,354,925	10	0.27%	na		na
Totals	\$ 195,794,709		4.61%	\$ -		0.00%
Total assessed value	\$ 4,247,352,806			\$ -		

Source: County of Monterey Assessors Office

na= not available

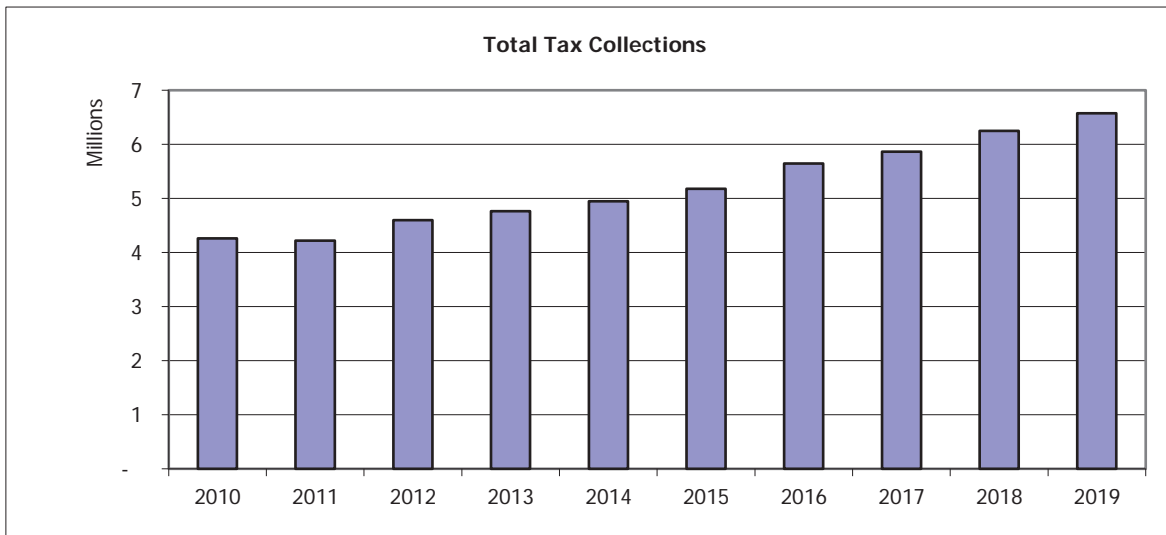
City of Carmel-by-the-Sea

Table 8

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections ¹	Percent of Levy Collected	Supplemental Tax Collections	Delinquent Tax Collections	Total Collections
2010	4,189,288	4,004,959	95.6%	45,834	209,176	4,259,969
2011	4,157,789	3,970,688	95.5%	57,222	192,080	4,219,991
2012	4,571,481	4,402,336	96.3%	58,518	138,384	4,599,238
2013	4,652,176	4,601,002	98.9%	68,734	93,605	4,763,341
2014	4,881,534	4,764,377	97.6%	93,380	90,301	4,948,057
2015	5,127,974	5,010,031	97.7%	95,355	73,000	5,178,385
2016	5,598,743	5,453,176	97.4%	117,309	74,547	5,645,032
2017	5,825,889	5,674,416	97.4%	106,567	80,397	5,861,380
2018	6,192,126	6,049,707	97.7%	124,505	76,128	6,250,341
2019	6,524,331	6,374,271	97.7%	124,505	76,128	6,574,905



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

City of Carmel-by-the-Sea

Table 11

Ratios of Outstanding Debt By Type

Last Ten Fiscal Years

Fiscal Year Ending June 30	Governmental Activities						Median Household Income	Percentage of Household Income	Population	Debt per Capita
	Pension Obligation Bonds	Lease Revenue Bonds	NGEN Public Safety Joint Agree	Fire Capital Lease	Total Outstanding Debt					
2010	\$ -	\$ 7,680,000	\$ 370,747	\$ 436,329	\$ 8,487,076	\$ 74,489	0.88%	3,731	\$ 2,275	
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	

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, 2019

TABLE 13

2018-2019 Assessed Value

\$ 4,247,352,806

	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	\$ 124,803,522	11.648%	\$ 14,537,114
Carmel Unified School District	23,738,445	23.890%	5,671,115
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 148,541,967</u>		<u>\$ 20,208,229</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Monterey County General Fund Obligations	161,193,744	6.365%	10,259,982
Monterey County Judgment Obligations	1,415,000	6.365%	90,065
City of Carmel-by-the-Sea General Fund Obligations	5,215,000	100.000%	5,215,000
City of Carmel-by-the-Sea Pension Obligation Bonds	2,605,000	100.000%	2,605,000
Total Gross Direct and Overlapping General Fund Debt			18,170,047
Less: Monterey County supported obligations			2,552,353
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 15,617,694</u>
TOTAL DIRECT DEBT			\$ 72,820,000
TOTAL GROSS OVERLAPPING DEBT			\$ 30,558,276
TOTAL NET OVERLAPPING DEBT			\$ 28,005,923
GROSS COMBINED TOTAL DEBT ²			\$ 38,378,276
NET COMBINED TOTAL DEBT			\$ 35,825,923

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	0.48%
Total Direct Debt (\$8,750,000)	0.18%
Gross Combined Total Debt	0.90%
Net Combined Total Debt	0.84%

Source: MuniServices, LLC

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

TABLE 14

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 111,360,734	\$ 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
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 111,360,734	\$ 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
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 2018-19:

Total assessed value	\$ 4,247,352,806
Debt limit (3.75% of total assessed value)	159,275,730
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	<u>\$ 159,275,730</u>

Source: City of Carmel by the Sea Finance Department

City of Carmel-by-the-Sea

TABLE 15

Pledged-Revenue Coverage

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sunset Center Certificates of Participation										
General City Revenues	\$ 12,411,782	\$ 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
Less: operating expenses	(12,170,116)	(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)
Net available revenue	241,666	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
Debt service:										
Principal	205,000	210,000	280,000	285,000	285,000	290,000	295,000	300,000	310,000	315,000
Interest	362,515	354,837	231,163	225,463	219,763	213,963	208,063	202,063	198,188	190,375
Total	567,515	564,837	511,163	510,463	504,763	503,963	503,063	502,063	508,188	505,375
Coverage	0.43	0.62	(2.80)	(10.44)	7.30	9.54	9.65	5.85	7.40	7.90
Pension Obligation Bonds										
General City Revenues	NA	NA	NA	\$ 15,932,161	\$ 19,195,290	\$ 21,139,081	\$ 22,406,471	\$ 21,653,778	\$ 23,167,967	\$ 24,061,114
Less: operating expenses				(21,259,578)	(15,512,429)	(16,332,293)	-17,552,771	(18,716,522)	(19,407,105)	(20,069,662)
Net available revenue				(5,327,417)	3,682,861	4,806,788	4,853,700	2,937,256	3,760,862	3,991,452
Debt service:										
Principal	NA	NA	NA	115,000	580,000	580,000	585,000	595,000	605,000	615,000
Interest				57,848	122,593	118,243	112,443	105,131	96,206	85,120
Total				172,848	702,593	698,243	697,443	700,131	701,206	700,120
Coverage				(30.82)	5.24	6.88	6.96	4.20	4.91	5.70
Combined coverage	NA	0.62	(4.20)	(7.80)	3.05	4.00	4.04	2.44	2.85	3.31

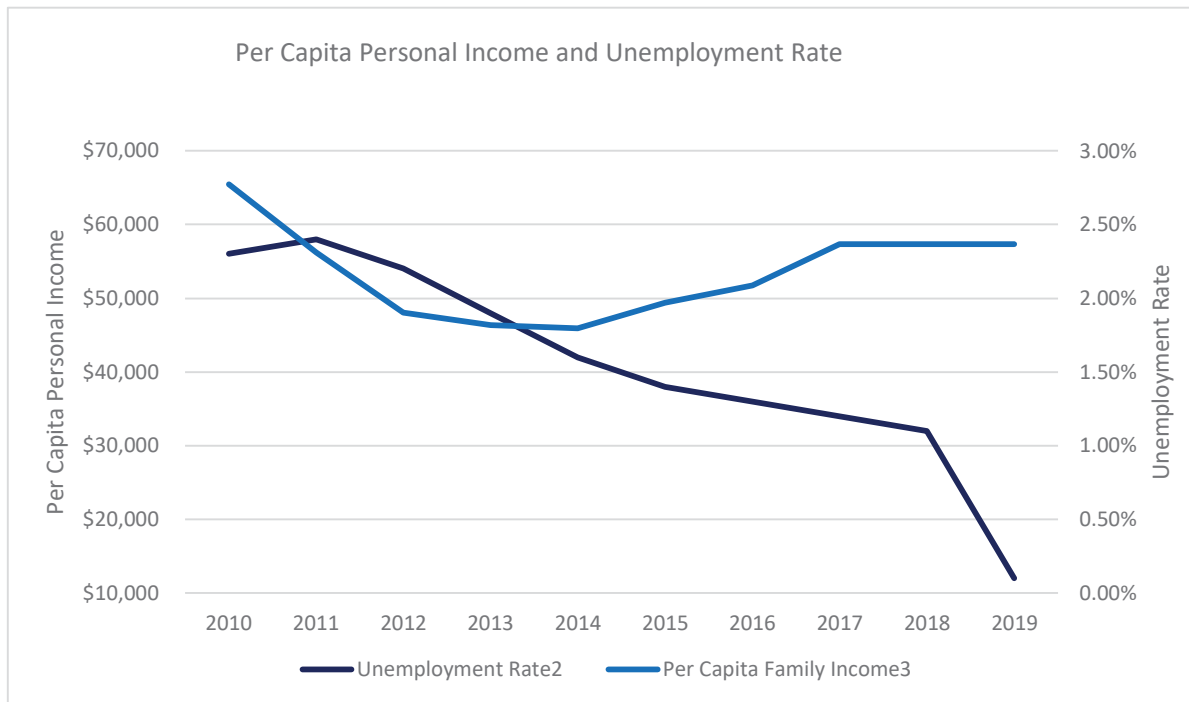
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

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

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

TABLE 16

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
2010	3,731	2.30%	\$ 74,489	\$ 65,461	56.5	97.70%	66.40%
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%



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

TABLE 17

Principal Employers

Current Year and Nine Years Ago ⁽¹⁾

	Fiscal Year Ended June 30					
	2019			2010		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Employer:						
Carmel Realty	100	1	5.88%	na	na	na
City of Carmel-by-the- Sea	87	2	5.12%	na	na	na
Cypress Inn/Terry's Lounge	80	3	4.71%	na	na	na
La Playa Hotel	73	4	4.29%	na	na	na
Casanova	60	5	3.53%	na	na	na
Dametra	50	6	2.94%	na	na	na
Catinetta Luca	41	7	2.41%	na	na	na
Auberge	40	8	2.35%	na	na	na
Forge in the Forest	36	9	2.12%	na	na	na
Bruno's Market	33	10	1.94%	na	na	na
Totals	<u>500</u>		<u>35.29%</u>	<u>na</u>		<u>na</u>
Total employment	<u>1,700</u>			<u>na</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.

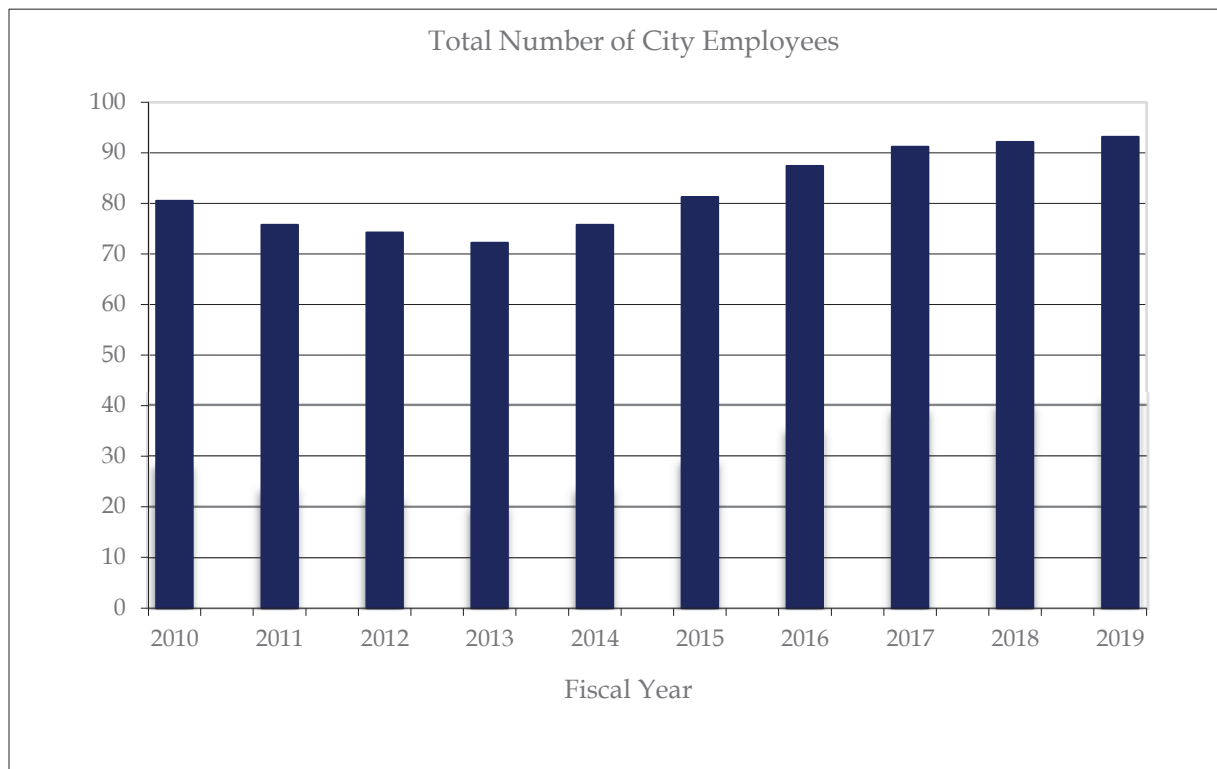
Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea

TABLE 18

Number of City Employees by Department Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Departments:										
General Government	12.5	8.0	9.8	10.8	10.7	18.2	17.6	18.6	16.2	15.7
Public Safety	34.8	33.1	31.7	27.0	28.0	28.8	30.7	30.7	31.7	32.0
Public Works	15.4	15.4	14.4	13.2	13.9	14.0	18.0	21.0	21.0	21.0
Community Activities	1.1	1.1	1.1	1.2	1.4	1.7	1.7	1.5	1.4	1.5
Library	10.7	10.7	11.3	10.4	11.7	11.6	12.4	12.4	12.8	14.0
Community Plng. and Bldg.	6.0	7.5	6.0	9.7	10.0	7.0	7.0	7.0	9.0	9.0
Totals	80.5	75.7	74.2	72.2	75.7	81.3	87.4	91.2	92.1	93.1



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

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

TABLE 19

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function:										
Police										
Calls for service	16,437	14,867	13,232	10,889	10,023	14,813	14,360	13,701	12,674	13,252
Fire										
Calls for service	na	na	742	648	759	851	925	856	843	1,006
Inspections	na	na	321	645	725	822	636	346	504	112
Public Works										
Potholes patched								18	52	25
Tree permits Issued									166	90
Calls for service								300	250	500
Road asphalt used									48	34
Trees planted					60			32	82	82
Library										
Circulation of library materials	110,707	109,350	150,280	155,630	153,227	140,848	114,137	106,976	99,802	104,456
Reference questions	38,426	28,539	32,512	33,176	37,010	24,318	20,233	19,252	16,276	15,789
Community Activities										
Special Event permits	na	na	na	na	39	45	30	81	75	42
Community Development										
Building Permits	301	333	306	286	340	500	422	416	580	590
Architectural Approvals	247	211	234	305	273	466	524	468	440	452
Administration										
Business Licenses (All businesses)	1001	1058	1132	1208	1280	1350	1472	1615	1836	2187
Public Records Requests (Calendar Yr)	na	na	na	83	143	147	127	160	184	187

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

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

TABLE 20

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	3	11	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	43	45
Recreation										
Parks	10	10	10	10	10	10	10	10	10	10
Playgrounds	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Library										
Library facilities	2	2	2	2	2	2	2	2	2	2

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

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OTHER INDEPENDENT AUDITOR'S REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the
City Council of the City of Carmel-By-The-Sea
Carmel-by-the-Sea, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Carmel-By-The-Sea (the "City") as of and for the year ended June 30, 2019, 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 20, 2019.

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 20, 2019
San Jose, California