

THE CITY OF CARMEL-BY-THE-SEA
BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

CITY OF CARMEL-BY-THE-SEA
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June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Carmel by-the-Sea (City), California, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress of Other Post Employment Benefits, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, and the Budgetary Comparison Schedules of the General Fund and major special revenue funds on pages 4 through 14 and pages 64 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules for the Nonmajor Governmental Funds and the Combining Financial Statements for the Nonmajor Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedules for the Nonmajor Governmental Funds and the Combining Financial Statements for the Nonmajor Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018, 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
May 10, 2018

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Carmel-by-the-Sea (City) for the fiscal year ended June 30, 2017. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- ◆ Government-wide financial statements represent the City as a whole, and include all assets and liabilities of the government. As of June 30, 2017, total assets of the City exceeded its liabilities by \$27,791,303 (net position). The portion of net position that may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net position) is \$(14,167,354). The portion of net position that is restricted and may only be used for specific purposes is \$5,027,082. The remaining \$36,931,575 is a net investment in capital assets. As previously noted, government-wide financial statements include all assets and liabilities, including liabilities that won't be due for several (if not many) years.
- ◆ Fund financial statements provide a more focused look at government activities and related inflow and outflows of spendable resources. As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$13,116,609. Fund balances are further reported as restricted, committed, assigned, and unassigned. Committed fund balances are amounts set-aside by City policy for economic uncertainty or natural disasters. The City has \$2,173,138 set-aside for these purposes. Assigned balances are those set-aside for specific purposes such as worker's compensation, post-employment benefits and capital projects. There is an assigned balance of \$2,448,461. The unassigned fund balance of \$3,429,700 is available for use at the Council's discretion and for ongoing operations. The remaining fund balance is restricted. Restricted balances may only be used for the purpose they are collected, and are usually restricted by law or a legally binding agreement. Examples of such restrictions are gas tax revenues, debt service obligations, and grants.
- ◆ Capital assets, net of depreciation, increased to \$42,998,716 from \$42,392,289, mostly due to investments in capital projects and infrastructure, offset by depreciation expense of \$1,747,960.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The Annual Financial Report includes a Financial Section, which is made up of several different parts:

Financial section, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements and Combining and Individual Fund Financial Statements and Schedules.

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, continued

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all capital assets and long-term liabilities on the full accrual basis, similar to that used by the private sector. The Statement of Activities provides information about all revenues and all expenses of the City, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Position for the fiscal year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All of the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ◆ ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, community development, economic development, public safety, animal control, engineering, community events, public improvements, planning and zoning, building inspections, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.
- ◆ ***Business-type activities*** – The City does not currently have any business-type activities.

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. All of the funds of the City are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, continued

inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial 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 this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the fiscal year, and may change from year to year (based on a criteria test set by GASB 34) as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2017, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ Harrison Memorial Library Special Revenue Fund
- ◆ Measure D Special Revenue Fund
- ◆ Ambulance Special Revenue Fund

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found beginning on page 29 of this report. Required Supplementary Information follows the notes to the basic financial statements and begins on page 64.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements as required supplementary information. Combining and individual fund statements can be found beginning on page 72 of this report.

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition.

The Summary of Net Position as of June 30, 2017, and 2016, follows:

	<u>2017</u>	<u>2016</u>	
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Changes</u>
Current and other assets	\$ 15,560,772	\$ 15,039,846	\$ 520,926
Noncurrent assets	42,998,716	42,392,292	606,424
Deferred outflows of resources	3,843,453	1,145,521	2,697,932
Total assets and deferred outflows	<u>62,402,941</u>	<u>58,577,659</u>	<u>3,825,282</u>
Current and other liabilities	2,063,041	2,929,694	(866,653)
Long-term liabilities	30,101,730	25,681,696	4,420,034
Deferred inflows of resources	2,446,847	3,042,081	(595,234)
Total liabilities and deferred inflows	<u>34,611,618</u>	<u>31,653,471</u>	<u>2,958,147</u>
Net Position:			
Net investment in capital assets	36,931,575	36,006,046	925,529
Restricted	5,027,082	3,584,687	1,442,395
Unrestricted	<u>(14,167,354)</u>	<u>(12,666,545)</u>	<u>(1,500,809)</u>
Total net position	<u>\$ 27,791,303</u>	<u>\$ 26,924,188</u>	<u>867,115</u>

The Statement of Activities shows the current fiscal year's revenue and expenses and the change in net position. A comparison of the change in net position for the fiscal years ending June 30, 2017 and 2016 are presented on the following page.

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

	2017	2016	Increase/(Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 1,196,172	\$ 1,273,202	\$ (77,030)
Contributions and grants:			
Operating	675,765	668,239	7,526
Capital	166,726	327,029	(160,303)
General revenues:			
Property taxes and assessments	5,825,889	5,598,743	227,146
Transient occupancy taxes	6,112,347	5,890,538	221,809
Sales tax	5,373,800	4,897,325	476,475
Franchises	672,554	587,514	85,040
Business licenses	649,525	626,625	22,900
Motor vehicle in-lieu	436,073	413,334	22,739
Use of money and property	182,366	160,172	22,194
Other general revenues	362,561	1,963,750	(1,601,189)
Total revenues	<u>21,653,778</u>	<u>22,406,471</u>	<u>(752,693)</u>
Expenses:			
Governmental activities:			
General government	5,740,736	5,162,323	578,413
Building maintenance	1,146,860	1,542,170	(395,310)
Public safety	7,281,137	6,445,695	835,442
Public works	2,605,036	1,454,895	1,150,141
Forest, parks and beaches	109,588	558,592	(449,004)
Culture and recreation	1,481,740	2,082,591	(600,851)
Economic development	351,425	306,505	44,920
Depreciation, unallocated	1,747,960	1,528,260	219,700
Interest and fiscal charges	322,181	336,551	(14,370)
Total expenses	<u>20,786,663</u>	<u>19,417,582</u>	<u>1,369,081</u>
Change in net position	867,115	2,988,889	(2,121,774)
Net position:			
Beginning of fiscal year	26,924,188	23,417,030	3,507,158
Prior period adjustments	-	518,269	(518,269)
End of fiscal year	<u>\$ 27,791,303</u>	<u>\$ 26,924,188</u>	<u>\$ 867,115</u>

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental activities were \$23,270,778 for the fiscal year ended June 30, 2017. Approximately 74% of the City's key revenues are generated from three major sources.

The following discusses variances in key revenues from the prior fiscal year:

Sales Tax. Annual receipts increased 9.7% over the prior fiscal year.

Property Taxes. Property taxes increased 4.1% over last fiscal year reflecting continuing growth in the real estate market.

Transient occupancy taxes. Hostelry tax revenue increased 3.8%, reflecting a modest growth in tourism and potential benefit from citywide and individual marketing efforts.

Expenses

Governmental activity expenses of the City for the fiscal year ended June 30, 2017 totaled \$20,786,663, an increase of 7.1% over last fiscal year. Safety Services costs represented 35% of total governmental activities expenses. Public Safety costs represented the largest single expense for governmental activities.

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2017, and 2016, are as follows:

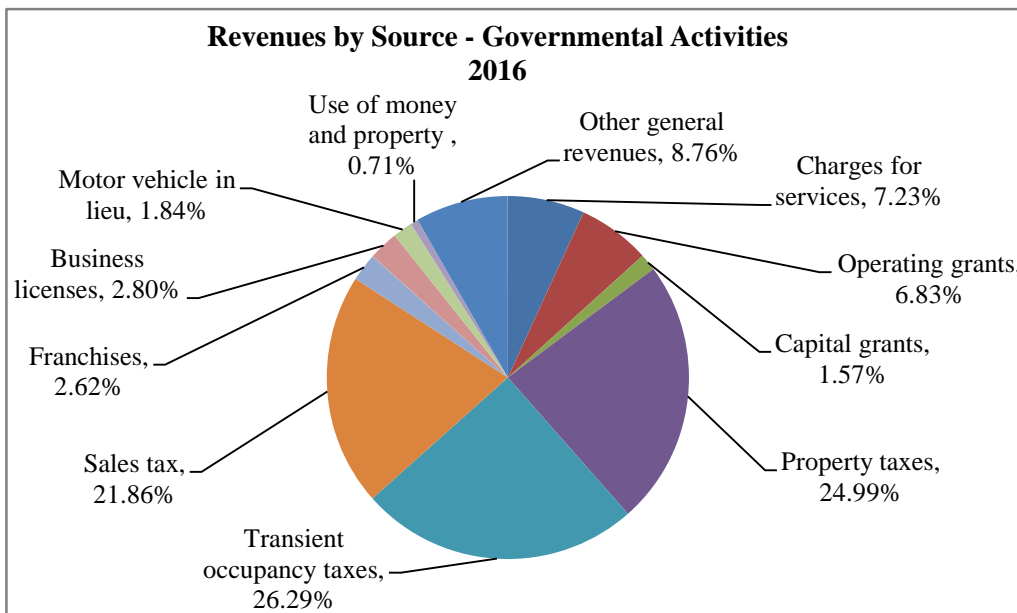
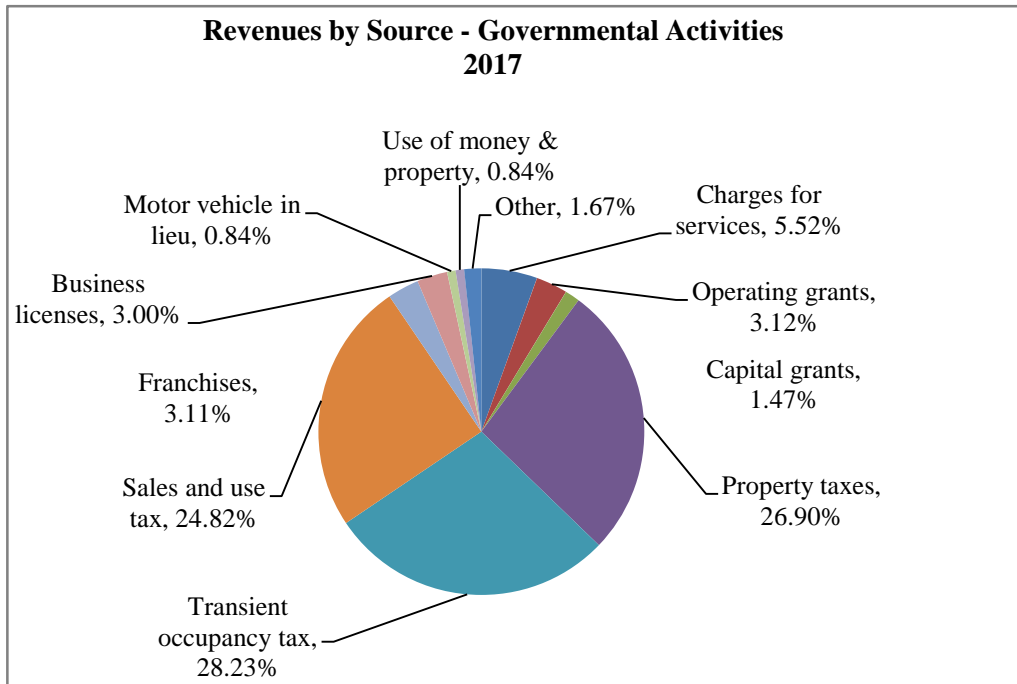
	<u>2017</u>		<u>2016</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 5,740,736	\$ 5,696,941	\$ 5,162,323	\$ 5,123,283
Building maintenance	1,146,860	1,146,860	1,542,170	1,542,170
Public safety	7,281,137	6,660,721	6,445,695	5,498,531
Public works	2,605,036	1,612,490	1,454,895	511,224
Forest, parks and beaches	109,588	109,588	558,592	558,592
Culture and recreation	1,481,740	1,099,834	2,082,591	1,743,996
Economic development	351,425	351,425	306,505	306,505
Depreciation, unallocated	1,747,960	1,747,960	1,528,260	1,528,260
Interest and fiscal charges	322,181	322,181	336,551	336,551
Total	<u>\$ 20,786,663</u>	<u>\$ 18,748,000</u>	<u>\$ 19,417,582</u>	<u>\$ 17,149,112</u>

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues by source for the fiscal years ended June 30, 2017, and 2016, are as follows:



City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management’s Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government’s Funds

The City of Carmel-by-the-Sea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City’s operations in more detail than the government-wide financial statements.

Governmental funds. The City’s governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2017, the City’s governmental funds reported combined fund balances of \$13,116,609. This is an increase of \$1,838,953 or 16.3% from last fiscal year. The general fund is the chief operating fund of the City. At the end of fiscal year 2017, the General Fund had a total fund balance of \$9,315,496 of which \$4,693,897 was unassigned and available for ongoing operations.

General Fund Budgetary Highlights

The final budget compared to actual shows revenues did not meet expectations. The projection was \$1,355,315 more than actual revenues received.

There was no difference between the total original expenditures budget and the total final amended budget. Actual expenditures were under budget by \$2,862,733 (13.3% of budget). The savings in fiscal year 2016-2017 are primarily the result of unspent capital projects funding, and cost savings in operations including general government, public safety and public works.

Capital Assets

The City’s investment in capital assets for its governmental activities as of June 30, 2017, totals \$42,998,716. This investment in capital assets includes roads, curbs and gutters, streets and sidewalks, and drainage systems.

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 5,101,641	\$ 5,101,641
Construction in progress	2,464,441	2,640,265
Buildings and improvements	16,738,407	18,593,389
Vehicles	328,188	438,401
Infrastructure	17,633,461	15,156,510
Machinery and equipment	732,578	462,086
Total	<u>\$ 42,998,716</u>	<u>\$ 42,392,292</u>

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 34 for significant accounting policies relating to capital assets, and Note 5 on page 47 for other capital asset information.

City of Carmel-by-the-Sea, California
Basic Financial Statements
For the fiscal year ended June 30, 2017

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Debt Administration

Debt, considered a liability of governmental activities, increased by \$3,505,929 over the prior fiscal year. Payments during the fiscal year reducing outstanding debt totaled \$2,096,471. During the fiscal year, \$5,602,400 was added to the liability balance. This increase is mainly due to the required reporting of the City's Net Pension Liability (5,226,804) and Net OPEB Obligation (\$316,903). Additional details of outstanding debt and pension liabilities can be found beginning on page 48.

Economic Outlook

The Fiscal Year 2017-2018 economic forecast predicts a positive, yet modest, outlook regarding the City's major revenue sources. Property taxes are anticipated to increase by 2% over the prior fiscal years' historical average. Sales and use taxes are based on historical trends and modeled on a mild recession similar to the 1990s, resulting in a projected 4.2% increase over the estimated year-end actual. Transient occupancy tax is estimated to increase by 2%. Locally influenced events, such as incremental weather due to summer fires and winter storms and the loss of visitors due to the Big Sur bridge collapse have dampened current hotel stays; however, a rebound is anticipated for the upcoming fiscal year.

Similar to most governmental agencies, the City is faced with addressing the CalPERS unfunded pension liability. In addition, the City is entering into labor negotiations, which have the ability to impact the City's salary and benefit costs.

Requests for 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 Finance Department, P O Box CC, Carmel-by-the-Sea, CA 93921, or visit the City's web page at <http://ci.carmel.ca.us/carmel>.

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CITY OF CARMEL-BY-THE-SEA
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 12,866,789
Cash and investments with fiscal agent	400,582
Receivables:	
Accounts, net of allowance	1,841,330
Intergovernmental	452,071
Capital assets:	
Non-depreciable assets	7,566,082
Depreciable assets, net	<u>35,432,634</u>
 Total Assets	 <u>58,559,488</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	<u>3,843,433</u>
 Total Deferred Outflows of Resources	 <u>3,843,433</u>
 Total Assets and Deferred Outflows of Resources	 <u>62,402,921</u>
LIABILITIES	
Accounts payable	1,059,695
Accrued liabilities	604,191
Interest payable	38,228
Deposits payable	360,927
Long-term liabilities:	
Due within one year	934,860
Due in more than one year	<u>29,166,870</u>
 Total Liabilities	 <u>32,164,771</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	<u>2,446,847</u>
 Total Deferred Inflows of Resources	 <u>2,446,847</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>34,611,618</u>
NET POSITION	
Net investment in capital assets	36,931,575
Restricted	
Parking	701,473
Traffic safety	40,537
Steets and roads	94,619
Capital project	95,174
Theater	51,206
Library	1,230,664
City service	2,541,547
Debt service	271,862
Unrestricted (Deficit)	<u>(14,167,354)</u>
 Total Net Position	 <u>\$ 27,791,303</u>

See notes to basic financial statements

CITY OF CARMEL-BY-THE-SEA
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
General government	\$ 5,740,736	\$ 38,795	\$ 5,000	\$ -	\$ (5,696,941)
Building maintenance	1,146,860				(1,146,860)
Public safety	7,281,137	373,716	246,700		(6,660,721)
Public works	2,605,036	751,844	73,976	166,726	(1,612,490)
Forest, parks, and beaches	109,588				(109,588)
Culture and recreation	1,481,740	31,817	350,089		(1,099,834)
Economic development	351,425				(351,425)
Interest on long-term debt	322,181				(322,181)
Depreciation (unallocated)	1,747,960				(1,747,960)
Total Governmental Activities	\$ 20,786,663	\$ 1,196,172	\$ 675,765	\$ 166,726	(18,748,000)
General Revenues:					
Taxes:					
					5,825,889
					6,112,347
					5,373,800
					672,554
					649,525
					436,073
					182,366
					362,561
					<u>19,615,115</u>
					867,115
					<u>26,924,188</u>
					<u>\$ 27,791,303</u>

See notes to basic financial statements

CITY OF CARMEL BY-THE-SEA

MAJOR GOVERNMENTAL FUNDS

The Fund Financial Statements present only individual major funds, while nonmajor funds are combined in a single column.

General Fund – This fund is the primary operating fund of the City and accounts for all activities except those legally or administratively required to be accounted for in other funds.

Harrison Memorial Library Special Revenue Fund – This fund is used to account for activities associated with the Harrison Memorial Library.

The Measure D Special Revenue Fund – 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.

Ambulance Special Revenue Fund – This fund is used to account for activities associated with ambulance service billings, which have been outsourced to a third party.

CITY OF CARMEL-BY-THE-SEA
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Harrison Memorial Library Special Revenue Fund	Measure D Special Revenue Fund	Ambulance Special Revenue Fund
Assets				
Cash and investments	\$ 7,965,693	\$ 1,237,827	\$ 2,113,447	\$ -
Cash and investments with fiscal agent				
Receivables:				
Accounts, net of allowance	1,587,809			249,029
Intergovernmental			428,100	
Due from other funds	<u>1,553,677</u>			
Total Assets	<u>\$ 11,107,179</u>	<u>\$ 1,237,827</u>	<u>\$ 2,541,547</u>	<u>\$ 249,029</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 861,768	\$ 7,163	\$ -	\$ 14,838
Accrued liabilities	568,988			35,203
Due to other funds				1,463,185
Deposits payable	<u>360,927</u>			
Total Liabilities	<u>1,791,683</u>	<u>7,163</u>		<u>1,513,226</u>
Fund Balances				
Restricted		1,230,664	2,541,547	
Committed	2,173,138			
Assigned	2,448,461			
Unassigned	<u>4,693,897</u>			<u>(1,264,197)</u>
Total Fund Balances (Deficit)	<u>9,315,496</u>	<u>1,230,664</u>	<u>2,541,547</u>	<u>(1,264,197)</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 11,107,179</u>	<u>\$ 1,237,827</u>	<u>\$ 2,541,547</u>	<u>\$ 249,029</u>

See notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 954,709	\$ 12,271,676
400,582	400,582
4,492	1,841,330
23,971	452,071
	1,553,677
<u>\$ 1,383,754</u>	<u>\$ 16,519,336</u>

\$ 163	\$ 883,932
	604,191
90,492	1,553,677
	360,927
<u>90,655</u>	<u>3,402,727</u>

1,293,099	5,065,310
	2,173,138
	2,448,461
	3,429,700
<u>1,293,099</u>	<u>13,116,609</u>
<u>\$ 1,383,754</u>	<u>\$ 16,519,336</u>

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CITY OF CARMEL-BY-THE-SEA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2017

Fund Balances - Total Governmental Funds \$ 13,116,609

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets net of depreciation have not been included as financial resources governmental fund activity. Internal service fund capital assets are included below. 42,261,819

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

City's contributions subsequent to the measurement date	\$ 1,279,565	
Differences between expected and actual experience	(32,363)	
Change in assumptions	(389,786)	
Differences in actual contribution and proportionate share of contribution	(1,187,362)	
Adjustments due to differences in proportions	(241,998)	
Differences between projected and actual earnings on pension plan investments	<u>1,968,530</u>	1,396,586

Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Balances at June 30, 2017 are:

Sunset Center COP	\$ (5,840,000)	
Countywide radio project	(227,141)	
Pension Obligation Bonds	(3,825,000)	
Compensated absences	(510,024)	
Net pension liability	(17,167,636)	
Claims liabilities	(460,000)	
Net OPEB obligation	<u>(2,071,929)</u>	(30,101,730)

Accrued interest payable from the current portion of interest due on bonds payable has not been reported in the governmental funds. (38,228)

Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The assets and liabilities of the internal service funds must be added 1,156,247

Net Position of Governmental Activities \$ 27,791,303

See notes to basic financial statements

CITY OF CARMEL-BY-THE-SEA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Harrison Memorial Library Special Revenue Fund	Measure D Special Revenue Fund
Revenues			
Taxes	\$ 16,296,757	\$ -	\$ 2,745,154
Licenses and permits	762,257		
Intergovernmental	136,367		
Use of money and property	170,631	6,475	
Current service charges	66,957	16,045	
Fines and forfeitures	8,422		
Contributions		323,495	
Other revenue	1,979,561		
Total Revenues	19,420,952	346,015	2,745,154
Expenditures			
Current:			
General government	5,681,103		
Building maintenance	1,138,983		
Public safety	5,781,793		
Public works	2,549,397		
Forest, parks, and beaches	108,764		
Culture and recreation	1,185,946	262,183	
Economic development	351,425		
Capital outlay	1,877,053		
Debt service:			
Principal			
Interest and fiscal charges			
Total Expenditures	18,674,464	262,183	
Excess of Revenues Over (Under) Expenditures	746,488	83,832	2,745,154
Other Financing Sources (Uses)			
Transfers in	1,892,067		
Transfers out	(535,927)		(2,500,554)
Total Other Financing Sources (Uses)	1,356,140		(2,500,554)
Net Changes in Fund Balances	2,102,628	83,832	244,600
Fund Balances (Deficits), July 1, 2016	7,212,868	1,146,832	2,296,947
Fund Balances (Deficits), June 30, 2017	<u>\$ 9,315,496</u>	<u>\$ 1,230,664</u>	<u>\$ 2,541,547</u>

See notes to basic financial statements

Ambulance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 19,041,911
	88,290	850,547
	228,937	365,304
	5,261	182,367
326,718	30,719	440,439
	78,732	87,154
		323,495
		1,979,561
<u>326,718</u>	<u>431,939</u>	<u>23,270,778</u>
		5,681,103
		1,138,983
1,252,069		7,033,862
	5,355	2,554,752
		108,764
		1,448,129
		351,425
		1,877,053
	914,105	914,105
	323,649	323,649
<u>1,252,069</u>	<u>1,243,109</u>	<u>21,431,825</u>
<u>(925,351)</u>	<u>(811,170)</u>	<u>1,838,953</u>
367,581	1,146,062	3,405,710
	(369,229)	(3,405,710)
<u>367,581</u>	<u>776,833</u>	
(557,770)	(34,337)	1,838,953
<u>(706,427)</u>	<u>1,327,436</u>	<u>11,277,656</u>
<u>\$ (1,264,197)</u>	<u>\$ 1,293,099</u>	<u>\$ 13,116,609</u>

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CITY OF CARMEL-BY-THE-SEA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net changes in fund balances - total governmental funds	\$ 1,838,953
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	1,870,844
Depreciation expense (Internal service fund depreciation included below)	(1,638,837)

In governmental funds, revenues are recognized only to the extent that they are "available", meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period is:

(1,617,000)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Sunset Center COP	300,000
Countywide Radio Project	19,105
Pension Obligation Bonds	595,000

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

1,468

Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(58,693)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense.

(259,322)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:

(808,873)

Internal service funds are used by management to charge the costs of certain activities, such as equipments, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.

624,470

Change in net position of governmental activities	<u>\$ 867,115</u>
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See notes to basic financial statements

CITY OF CARMEL-BY-THE-SEA
Statement of Net Position
Proprietary Fund
June 30, 2017

	Governmental Activities - Internal Service Fund
	<u>Equipment Replacement</u>
Assets:	
Current:	
Cash and investments	\$ 595,113
Total Current Assets	<u>595,113</u>
Noncurrent:	
Capital assets - not being depreciated	38,904
Capital assets - net of accumulated depreciation	<u>697,993</u>
Total Noncurrent Assets	<u>736,897</u>
Total Assets	<u>1,332,010</u>
Liabilities:	
Current:	
Accounts payable	<u>175,763</u>
Total Current Liabilities	<u>175,763</u>
Total Liabilities	<u>175,763</u>
Net position:	
Net investment in capital assets	736,897
Unrestricted	<u>419,350</u>
Total Net Position	<u>\$ 1,156,247</u>

See notes to basic financial statements

CITY OF CARMEL-BY-THE-SEA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
	<u>Equipment Replacement</u>
Operating Revenues:	
Charges for services	\$ 780,556
Total Operating Revenues	<u>780,556</u>
Operating Expenses:	
Repairs and maintenance	47,962
Depreciation expense	<u>109,123</u>
Total Operating Expenses	<u>157,085</u>
Operating Income (Loss)	<u>623,471</u>
Nonoperating Revenue:	
Investment income	<u>999</u>
Total Nonoperating Revenue	<u>999</u>
Change in net position	624,470
Net position - beginning of fiscal year	<u>531,777</u>
Net position - end of fiscal year	<u><u>\$ 1,156,247</u></u>

See notes to basic financial statements

CITY OF CARMEL-BY-THE-SEA
Statement of Cash Flow
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund <u>Equipment Replacement</u>
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 780,556
Cash paid to suppliers for goods and services	<u>(47,962)</u>
Net Cash Provided by (Used for) Operating Activities:	<u>732,594</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(323,253)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(323,253)</u>
Cash Flows from Investing Activities:	
Interest received	<u>999</u>
Net Cash Provided by (Used for) Investing Activities	<u>999</u>
Net Increase (Decrease) in Cash and Cash Equivalents	410,340
Cash and cash equivalents at beginning of fiscal year	<u>184,773</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 595,113</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and investments	<u>\$ 595,113</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating income (loss)	\$ 623,471
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation	<u>109,123</u>
Total Adjustments	<u>109,123</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 732,594</u>

See notes to basic financial statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Carmel-by-the-Sea (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

A. Description of 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: public works, planning and building, general administrative services, public safety, and fire suppression and prevention services.

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.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Government resources are allocated to and accounted for in individual funds based upon the purpose 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. These statements report information on all of the activities of the primary government.

The government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and related 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.

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables.

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 other governmental funds aggregated. Accompanying reconciliations are presented to explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The internal service fund is presented on the proprietary fund statements.

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 and current liabilities are included on the Balance Sheet. 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.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) and recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, intergovernmental revenues, and other taxes. Expenditures are generally recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term liabilities, and compensated absences which are recognized as expenditures only when payment is due.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund’s Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds present increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the District meets the cash flow needs of proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34.

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 Harrison Memorial Library Special Revenue Fund is used to account for activities associated with the Harrison Memorial Library.

The Measure D Special Revenue 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.

The Ambulance Special Revenue Fund is used to account with ambulance service billings, which have been outsourced to a third party.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Additionally, the City reports the following fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for debt service) that are restricted by law or administrative action or committed to expenditures for specified purposes.

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned for the repayment of long-term debt principal, interest, and related costs.

Proprietary Fund Financial Statement

The Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the City. The City maintains one internal service fund.

The Equipment Replacement Fund is to set aside financial resources for future purchases of replacement equipment essential to the operations of the City.

The reconciliations of the Governmental Fund financial statements to the Government-Wide financial statements are provided to explain the differences created by the integrated approach of GASB No. 34.

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Market value is used as fair value for those securities for which market quotations are readily available.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Receivables (Continued)

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 loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. 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.

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

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Position. See Note 4 for details of interfund transactions, including receivables and payables at year-end.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset as nonspendable fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

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

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

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

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

The range of estimated useful lives by type of asset is as follows:

- Buildings and improvements: 20 – 50 years
- Infrastructure: 30 years
- Vehicles, machinery, and equipment: 5 - 20 years
- Computer Software: 10 years

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Capital Assets (Continued)

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.

Claims and Judgments

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.

The City is exposed to various risks of losses related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Deferred Outflows

Pursuant to GASB Statement No. 65 the City recognizes deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. Refer to Note 7 for a detailed listing of the deferred outflows of resources that the City has recognized.

Deferred Inflows

Pursuant to GASB Statement No. 65 the City recognizes deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of fund balance or net position by the government that is applicable to a future reporting period. Refer to Note 7 for a detailed listing of the deferred inflows of resources that the City has recognized.

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.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how to specific amounts can be spent.

- *Nonspendable fund balance* - that portion of a fund balance that includes amounts that cannot be spent because they are either not in a spendable form, such as prepaid items, inventories, or loans receivable.
- *Restricted fund balance* - that portion of a fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments); or (b) imposed by law through constitutional provisions or enabling legislation. Examples of restricted fund balances include Street Maintenance, Library, and debt service funds.
- *Committed fund balance* - that portion of a fund balance that included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, and remain binding unless removed in the same manner.
 - a) The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action taken such as resolution.
 - b) 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
 - c) City Council action to commit fund balance needs to occur within the fiscal reporting periods; however the amount can be determined subsequently.
- *Assigned fund balance* – amounts that are constrained by the City's intent to be used for specific purposes, but are neither Restricted nor Committed, should be reported as Assigned fund balance. This policy hereby delegated the authority to assign amounts to be used for specific purposes to the City Manager for the purpose of reporting these amounts in the City's annual financial statements.
- *Unassigned fund balance* – these are residual positive net resources in excess of what can properly be classified in one of the other four categories and do not have any specific spending limitations. The General Fund is the only fund that should report this category of fund balance.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Fund Balance (Continued)

Fund Balance Policy

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations. Assigned fund balances include amounts that are constrained by the City's intent to be used for specific purposes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Net Position

The City's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* Statement No. 34 established standards for external financial reporting for all state and local governmental entities and Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflow of resources, and net position in a statement of financial position. The net position is required to classify into three components – net investment in capital assets; restricted; and unrestricted. These captions apply only to Net Position as determined at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted as to use.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Net Position (Continued)

Restricted net position consists of assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments or (2) imposed by law through constitutional provisions or enabling legislation. There were no assets at June 30, 2017 that were restricted by enabling legislation.

D. Post-Employment Health Care Benefits

The City contributes to health care benefits for its retirees. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age, have five years of CalPERS service, are eligible for medical coverage, and have actually retired from the City. See Note 8 for further information.

E. Revenues, Expenditures, and Expenses

Property Tax

The County of Monterey (County) 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.

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates and assumptions.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provision of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement are effective for fiscal years beginning after December 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provision of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provision of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provision of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provision of this statement are effective for fiscal years beginning after December 15, 2019.

Note 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager 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 Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager 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. There were no material supplemental appropriations made for the fiscal year ended June 30, 2017. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year. The City did not adopt a budget for the Forest Theatre or Parking Fund for the fiscal year ended June 30, 2017.

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, 2017, based on calculations by City management, proceeds of taxes did not exceed appropriations.

B. Deficit Fund Balance/Net Position in Individual Funds

The Ambulance major special revenue fund has a deficit fund balance of \$1,264,197. It is the City's expectation that fund balance of the general fund will be used to alleviate this deficit.

Note 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. Excess of Expenditures over Appropriations by Department in Individual Funds

Fund	Expenditures	Appropriations	Excess
Major Governmental Funds:			
General Fund			
Forest, parks and beaches	\$ 108,764	\$ -	\$ 108,764
Economic development	351,425	330,857	20,568
Ambulance Special Revenue Fund			
Public safety	1,252,069	1,121,399	130,670
Nonmajor Governmental Funds:			
Gas Tax Special Revenue Fund			
Public works	5,355		5,355
General Debt Service Fund			
Interest and fiscal charges	316,940	306,798	10,142

Note 3 CASH AND INVESTMENTS

Cash and Investments

The following is a summary of cash and investments at June 30, 2017:

Pooled cash and investments - statement of net position	\$ 12,866,789
Cash and investments with fiscal agent - statement of net position	<u>400,582</u>
Total cash and investments	<u><u>\$ 13,267,371</u></u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 1,395
Demand deposits	5,799,829
Investments	<u>7,466,147</u>
Total cash and investments	<u><u>\$ 13,267,371</u></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.

Note 3 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City's 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

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

City of Carmel-by-the-Sea
Notes to Basic Financial Statements
June 30, 2017

Note 3 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so 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 operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
State investment pool	\$ 4,929,737	\$ 4,929,737	\$ -	\$ -	\$ -	\$ -	\$ -
Money market funds	891,828	891,828					
Certificates of deposit	1,244,000	498,000	497,000	249,000			
Held by bond trustees:							
Money market funds	400,582	400,582					
	<u>\$ 7,466,147</u>	<u>\$ 6,720,147</u>	<u>\$ 497,000</u>	<u>\$ 249,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standards and Poor, as of fiscal year end for each investment type:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State investment pool	\$ 4,929,737	None	\$ -	\$ -	\$ -	\$ -	\$ 4,929,737
Money market funds	891,828	None		851,268			40,560
Certificates of deposit	1,244,000	None					1,244,000 *
Held by bond trustees:							
Money market funds	400,582	None		400,582			
Total	<u>\$ 7,466,147</u>		<u>\$ -</u>	<u>\$ 1,251,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,214,297</u>

*Certificates of deposit are insured by the Federal Deposit Insurance Corporation (FDIC).

Note 3 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

As of June 30, 2017, the City has not invested more than 5% of its total investments in any one issuer. Investments in external investment pools are excluded from this requirement.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's investment policy does not contain any additional provisions that would limit the exposure to custodial credit risk for deposits.

However, the policy does stipulate that mortgage collateral cannot be used to secure deposits, and that the use of a third party bank trust department is to act as the City's safekeeping agent for investments. At June 30, 2017, the City's deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

City of Carmel-by-the-Sea
Notes to Basic Financial Statements
June 30, 2017

Note 3 CASH AND INVESTMENTS (CONTINUED)

The City pool investment has the following recurring fair value measurements as of June 30, 2017:

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Money market funds	\$ 1,292,410	\$ 1,292,410	\$ -	\$ -
Certificates of deposit	1,244,000	1,244,000		
Total Investments Measured at Fair Value	2,536,410	\$ 2,536,410	\$ -	\$ -
Investments Measured at Amortized Cost				
LAIF	4,929,737			
Total Pooled Investments	\$ 7,466,147			

Note 4 INTERFUND TRANSACTIONS

Receivables/Payables

The following sets forth amounts due to/from funds. These amounts represent when one fund reflects a deficit in its pooled cash account, generated from expenditures paid before revenue is received. These amounts are short term loans and are expected to be repaid within the next fiscal year.

Due to/Due from Other Funds

Fund	Due From Amount	Due to Amount
Major Funds:		
General Fund	\$ 1,553,677	\$ -
Ambulance Special Revenue Fund		1,463,185
Nonmajor Fund:		
General Debt Service Fund		90,492

Note 4 INTERFUND TRANSACTIONS (CONTINUED)

Transfers

With City Council approval, resources may be transferred from one City fund to another. The purposes of the transfers are: to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between individual funds during the fiscal year ended June 30, 2017, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 1,892,067	\$ 535,927
Measure D Special Revenue Fund		2,500,554
Ambulance Special Revenue Fund	367,581	
Nonmajor Funds:		
Traffic Safety Special Revenue Fund		91,099
Road Impact Fees Special Revenue Fund		88,290
Grants Special Revenue Fund		120,990
Gas Tax Special Revenue Fund		68,850
General Debt Service Fund	<u>1,146,062</u>	
Totals	<u>\$ 3,405,710</u>	<u>\$ 3,405,710</u>

City of Carmel-by-the-Sea
Notes to Basic Financial Statements
June 30, 2017

Note 5 CAPITAL ASSETS

A. A summary of changes in the Governmental Activities capital assets for the fiscal year ended June 30, 2017 is as follows:

	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	\$ 5,101,641	\$ -	\$ -	\$ -	\$ 5,101,641
Construction in progress	<u>2,640,265</u>	<u>1,856,968</u>	<u>-</u>	<u>(2,032,792)</u>	<u>2,464,441</u>
Total	<u>7,741,906</u>	<u>1,856,968</u>	<u>-</u>	<u>(2,032,792)</u>	<u>7,566,082</u>
Depreciable capital assets:					
Buildings and improvements	27,844,044			(2,353,224)	25,490,820
Infrastructure	17,087,172			4,361,745	21,448,917
Vehicles	2,806,595	48,986	(111,638)		2,743,943
Machinery & equipment	<u>2,556,674</u>	<u>448,433</u>	<u>-</u>	<u>24,271</u>	<u>3,029,378</u>
Total	<u>50,294,485</u>	<u>497,419</u>	<u>(111,638)</u>	<u>2,032,792</u>	<u>52,713,058</u>
Less accumulated depreciation for:					
Buildings and improvements	(9,250,655)	(578,706)		1,076,948	(8,752,413)
Infrastructure	(1,930,665)	(807,843)		(1,076,948)	(3,815,456)
Vehicles	(2,368,194)	(159,199)	111,638		(2,415,755)
Machinery & equipment	<u>(2,094,588)</u>	<u>(202,212)</u>	<u>-</u>	<u>-</u>	<u>(2,296,800)</u>
Total	<u>(15,644,102)</u>	<u>(1,747,960)</u>	<u>111,638</u>	<u>-</u>	<u>(17,280,424)</u>
Total capital assets, being depreciated, net	<u>34,650,383</u>	<u>(1,250,541)</u>	<u>-</u>	<u>2,032,792</u>	<u>35,432,634</u>
Governmental activities capital assets, net	<u>\$ 42,392,289</u>	<u>\$ 606,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,998,716</u>

B. Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:

Unallocated \$ 1,747,960

City of Carmel-by-the-Sea
Notes to Basic Financial Statements
June 30, 2017

Note 6 LONG-TERM LIABILITIES

The following is a summary of changes in Governmental Activities long-term debt for the fiscal year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Sunset Center COP	\$ 6,140,000	\$ -	\$ (300,000)	\$ 5,840,000	\$ 310,000
Countywide Radio Project	246,246		(19,105)	227,141	19,860
Pension Obligation Bonds	4,420,000		(595,000)	3,825,000	605,000
Compensated Absences	451,331	58,693		510,024	
Net Pension Liability	13,065,617	5,226,804	(1,124,785)	17,167,636	
Claims Liabilities	460,000			460,000	
Net OPEB Obligation	1,812,607	316,903	(57,581)	2,071,929	
Total	<u>\$ 26,595,801</u>	<u>\$ 5,602,400</u>	<u>\$ (2,096,471)</u>	<u>\$ 30,101,730</u>	<u>\$ 934,860</u>

A. 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 outstanding balance due at June 30, 2017 was \$5,840,000.

Fiscal Years Ended June 30,	Principal	Interest	Total
2018	\$ 310,000	\$ 198,187	\$ 508,187
2019	315,000	190,375	505,375
2020	325,000	181,563	506,563
2021	335,000	171,663	506,663
2022	345,000	161,463	506,463
2023-2027	1,910,000	633,819	2,543,819
2028-2032	2,300,000	235,800	2,535,800
Totals	<u>\$ 5,840,000</u>	<u>\$ 1,772,870</u>	<u>\$ 7,612,870</u>

City of Carmel-by-the-Sea
Notes to Basic Financial Statements
June 30, 2017

Note 6 LONG-TERM LIABILITIES (CONTINUED)

B. 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 outstanding balance due at June 30, 2017 was \$227,141.

Fiscal Years Ended June 30,	Principal	Interest	Total
2018	\$ 19,860	\$ 9,804	\$ 29,664
2019	20,645	9,019	29,664
2020	21,460	8,204	29,664
2021	22,308	7,356	29,664
2022	23,189	6,475	29,664
2023-2027	<u>119,679</u>	<u>17,890</u>	<u>137,569</u>
Totals	<u>\$ 227,141</u>	<u>\$ 58,748</u>	<u>\$ 285,889</u>

C. Pension Obligation Bonds

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 outstanding balance due at June 30, 2017 was \$3,825,000.

The annual minimum debt service requirements for these bonds are:

Fiscal Years Ended June 30,	Principal	Interest	Total
2018	\$ 605,000	\$ 96,206	\$ 701,206
2019	615,000	85,618	700,618
2020	625,000	73,010	698,010
2021	640,000	57,698	697,698
2022	660,000	40,418	700,418
2023	<u>680,000</u>	<u>21,080</u>	<u>701,080</u>
Totals	<u>\$ 3,825,000</u>	<u>\$ 374,030</u>	<u>\$ 4,199,030</u>

Note 6 LONG-TERM LIABILITIES (CONTINUED)

D. 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. Compensated absences had a balance of \$510,024 at June 30, 2017.

E. 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 7 for further discussion on the net pension liability.

F. Claims Liabilities

The City has recorded a liability for potential claims in excess of amounts covered by the insurance pool. See Note 10 for further discussion on the City's risk management activities.

G. Net OPEB Obligation

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. At June 30, 2017, the City had a Net OPEB Obligation of \$2,071,929. See Note 8 for further discussion on OPEB.

Note 7 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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 Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. 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.

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the City's pooled Safety (police and fire) Plan, a cost-sharing multiple-employer defined benefit pension plan and the City's Miscellaneous (all other) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Note 7 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

A. General Information about the Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	City Miscellaneous Plan		
	Tier I	Tier II	Tier III
Hire date	Prior to April 15, 2012	On or after April 15, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Required employee contribution rates	7.000%	7.000%	6.250%
Required employer contribution rates	8.880%	7.159%	6.555%
UAL payment	\$ 328,183	\$ -	\$ -

	City Safety Plan		
	Tier I	Tier II	Tier III
Hire date	Prior to April 15, 2012	On or after April 15, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Required employee contribution rates	9.000%	9.000%	11.500%
Required employer contribution rates	19.536%	14.785%	12.082%
UAL payment	\$ 343,089	\$ -	\$ -

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 Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is 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.

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the net position liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 8,684,735
Safety	8,482,901
Total Net Pension Liability	<u>\$ 17,167,636</u>

Note 7 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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 each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability of the Miscellaneous and Safety Plan was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Miscellaneous and Safety Plans as of June 30, 2015 and June 30, 2016 was as follows:

	Miscellaneous Plan	Public Safety Plan
Proportion - June 30, 2015	0.09834%	0.08910%
Proportion - June 30, 2016	<u>0.10037%</u>	<u>0.09803%</u>
Change - Increase (Decrease)	<u>0.00203%</u>	<u>0.00893%</u>

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$2,088,438 (\$1,334,907 for the Miscellaneous Plan and \$753,531 for the Safety Plan). At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plans:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (183,495)
Differences between expected and actual experience		14,951
Differences between the employer's contributions and the employer's proportionate share of contributions		(802,115)
Changes in employer's proportion	78,345	(745,843)
Net differences between projected and actual earnings on pension plan investments	955,030	
Pension contributions subsequent to measurement date	<u>585,148</u>	
Total	<u>\$ 1,618,523</u>	<u>\$ (1,716,502)</u>

Note 7 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Public Safety Plans:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ (206,291)
Differences between expected and actual experience		(47,314)
Differences between the employer's contributions and the employer's proportionate share of contributions		(385,247)
Changes in employer's proportion	516,993	(91,493)
Net differences between projected and actual earnings on pension plan investments	1,013,500	
Pension contributions subsequent to measurement date	<u>694,417</u>	
 Total	 <u>\$ 2,224,910</u>	 <u>\$ (730,345)</u>

\$1,279,565 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred inflows (outflows) of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	
2018	\$ (778,394)
2019	(509,038)
2020	893,245
2021	<u>511,208</u>
	 <u>\$ 117,021</u>

Note 7 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

A summary of principal assumptions and methods used to determine the net pension liabilities is shown below.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous/Safety/PEPRA</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality Rate Table ¹	Derived using CalPER's Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. The experience study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

Note 7 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

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 (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrives 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 long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

Amortization of Deferred Outflows and Deferred Inflows of Resources Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and 5 year straight-line amortization
actual earnings on investments

All other amounts

Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Note 7 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSLS of members provided with pensions through the Plan. The EARSLS for PERF C for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of all active employees) by 122,410 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

The following presents the net pension liability of the City, calculated using the discount rate, as well as what the City's 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:

1% Decrease	6.65%
Net Pension Liability	\$ 26,339,888
Current Discount Rate	7.65%
Net Pension Liability	17,167,636
1% Increase	8.65%
Net Pension Liability	9,610,900

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 8 OTHER POST EMPLOYMENT BENEFITS

Plan Description

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). The City's retiree contribution was \$125 for 2016 and \$128 for 2017.

Eligibility: Employees are eligible to participate in the City's Retiree Healthcare Plan if they retire directly from the City under CalPERS with five years of PERS service (there is no minimum service requirement if retirement is due to a service-connected disability.) Since PEMHCA is a community rated plan for most employers, an implied subsidy is not reflected under GASB 45. The City does not provide dental, vision, life, or Medicare Part B reimbursement to retirees. The Retiree Healthcare Plan does not issue a financial report.

Membership of the plan consisted of the following as of July 1, 2014 valuation date:

Retirees and beneficiaries receiving benefits	34
Other participants fully eligible for benefits	25
Other participants not fully eligible for benefits	55
	<hr/>
Total	114
	<hr/> <hr/>

Funding Policy

The contribution requirements of the Plan participants and the City are established by and may be amended by the City. The City currently does not prefund plan benefits.

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefit Other Than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For fiscal year 2017, the City contributed \$57,581 for current benefit payments.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Note 8 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation.

The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the City's Net OPEB obligation:

Annual required contribution (ARC)	\$ 340,687
Interest on net OPEB obligation	62,824
Adjustment to ARC	<u>(86,608)</u>
Annual OPEB cost (expense)	316,903
Contributions made by City	<u>(57,581)</u>
Increase in net OPEB obligation	259,322
Net OPEB obligations, beginning of fiscal year	<u>1,812,607</u>
Net OPEB obligations, end of fiscal year	<u><u>\$ 2,071,929</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	\$ 282,709	17%	\$ 1,568,294
6/30/2016	299,499	18%	1,812,607
6/30/2017	316,903	15%	2,071,929

Funded Status and Funding Progress. The funded status of the Plan as of July 1, 2014, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 2,760,357
Actuarial value of plan assets	<u> </u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,760,357</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan participants)	\$ 5,118,420
UAAL as a percentage of covered payroll	53.93%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 8 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the July 1, 2014, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate. Premiums were assumed to increase at a rate of 4.0% per year. The total UAAL calculated in the July 1, 2014, valuation was amortized as a level percentage of projected payroll over a fixed 25-year period beginning fiscal year 2014.

Note 9 NET POSITION/FUND BALANCES

At June 30, 2017, the City had recorded restricted net position in the governmental activities as follows:

	<u>Governmental Activities</u>
Restricted for:	
Parking	\$ 701,473
Traffic Safety	40,537
Streets and Roads	94,619
Capital Projects	95,174
Theater	51,206
Library	1,230,664
City Service	2,541,547
Debt service	<u>271,862</u>
Total Restricted	<u>\$ 5,027,082</u>

City of Carmel-by-the-Sea
Notes to Basic Financial Statements
June 30, 2017

Note 9 NET POSITION/FUND BALANCES (CONTINUED)

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2017 are as follows:

Fund Balances	General Fund	Harrison Memorial Library	Measure D	Ambulance Special Revenue Fund	Nonmajor Governmental Funds	Totals
Restricted for:						
Parking	\$ -	\$ -	\$ -	\$ -	\$ 701,473	\$ 701,473
Traffic Safety					40,537	40,537
Streets and Roads					94,619	94,619
Capital Projects					95,174	95,174
Theater					51,206	51,206
City Service			2,541,547			2,541,547
Debt Service					310,090	310,090
Total Restricted			2,541,547		1,293,099	3,834,646
Committed for:						
Economic Stabilization	2,173,138					2,173,138
Total Committed	2,173,138					2,173,138
Assigned for:						
Post-employment Benefits	1,807,299					1,807,299
Workers Compensation	641,162					641,162
Harrison Memorial Library		1,230,664				1,230,664
Total Assigned	2,448,461	1,230,664				3,679,125
Unassigned	4,693,897			(1,264,197)		3,429,700
Total Fund Balances	\$ 9,315,496	\$ 1,230,664	\$ 2,541,547	\$ (1,264,197)	\$ 1,293,099	\$ 13,116,609

Note 10 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.

Note 10 RISK MANAGEMENT (CONTINUED)

For Workers Compensation, the City is a member of both the CSAC-EIA 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 of \$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.

Note 11 SUBSEQUENT EVENTS

On July 11, 2017, the City Council authorized an agreement with Digital Deployment for web hosting and design in the amount of \$109,450.

On August 8, 2017, the City Council authorized an agreement with Kasavan Architects for architect services related to the Police Department renovation in the amount of \$111,650.

On August 8, 2017, the City Council authorized an agreement with West Coast Arborists tree trimming in the amount of \$122,000.

On November 7, 2017, the City Council authorized an agreement with Town & Country Garden & Landscape for landscaping services in the amount of \$110,930.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Carmel-by-the-Sea
Schedule of Funding Progress – Other Post Employment Benefits
For the Fiscal Year Ended June 30, 2017

Retiree Health Plan

Using the most recent actuarial valuation dated July 1, 2014, the following is the funded status of the OPEB plan as of the actuarial date:

Date	Entry Age Normal Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Liability/ (Excess Assets) ((A)-(B))	Funded Ratio ((B)/(A))	Covered Payroll (C)	Actuarial Accrued Liability % of Covered Payroll ((A-B)/C)
6/30/2009	\$ 2,752,948	\$ -	\$ 2,752,948	0%	\$ 5,432,667	50.67%
7/1/2014	2,760,357		2,760,357	0%	5,118,420	53.93%

City of Carmel-by-the-Sea
Schedules of the City's Proportionate Share of Plan's (PERF C) Net Pension Liability

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*

Fiscal Year End	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.198400%	0.190350%	0.187440%
Proportionate share of the net pension liability	\$ 17,167,636	\$ 13,065,617	\$ 11,664,146
Covered employee payroll	5,193,071	4,892,275	4,894,966
Proportionate Share of the net pension liability as a percentage of covered employee payroll	330.59%	267.07%	238.29%
Plan fiduciary net position as a percentage of total pension liability	74.06%	78.40%	79.82%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense in the fiscal year ended June 30, 2016.

*Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

City of Carmel-by-the-Sea
Schedules of Pension Contributions

Employer Fiscal Year End	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,279,565	\$ 1,124,785	\$ 725,205
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,279,565)</u>	<u>(1,124,785)</u>	<u>(725,205)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 5,725,559	\$ 5,193,071	\$ 4,894,966
Contributions as a Percentage of Covered Employee Payroll	22.35%	21.66%	14.82%

¹Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 public agency valuations.

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Assets Valuation Method	Market Value
Actuarial Assumptions	
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% net of administrative expenses, including inflation
Mortality	The mortality assumptions are based on mortality rates resulting from the CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF CARMEL-BY-THE-SEA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 19,365,795	\$ 19,365,795	\$ 16,296,757	\$ (3,069,038)
Licenses and permits	712,314	712,314	762,257	49,943
Intergovernmental	155,447	155,447	136,367	(19,080)
Use of money and property	157,907	157,907	170,631	12,724
Current service charges	53,273	53,273	66,957	13,684
Fines and forfeitures	8,298	8,298	8,422	124
Other revenue	323,233	323,233	1,979,561	1,656,328
Total Revenues	<u>20,776,267</u>	<u>20,776,267</u>	<u>19,420,952</u>	<u>(1,355,315)</u>
Expenditures:				
Current:				
General government	5,945,809	5,945,809	5,681,103	264,706
Building maintenance	1,241,541	1,241,541	1,138,983	102,558
Public safety	6,268,143	6,268,143	5,781,793	486,350
Public works	3,314,085	3,314,085	2,549,397	764,688
Forest, parks and beaches			108,764	(108,764)
Culture and recreation	1,364,087	1,364,087	1,185,946	178,141
Economic development	330,857	330,857	351,425	(20,568)
Capital outlay	3,072,675	3,072,675	1,877,053	1,195,622
Total Expenditures	<u>21,537,197</u>	<u>21,537,197</u>	<u>18,674,464</u>	<u>2,862,733</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(760,930)</u>	<u>(760,930)</u>	<u>746,488</u>	<u>1,507,418</u>
Other Financing Sources (Uses)				
Transfers in	278,750	278,750	1,892,067	1,613,317
Transfers out	<u>(2,409,282)</u>	<u>(2,409,282)</u>	<u>(535,927)</u>	<u>1,873,355</u>
Total Other Financing Sources (Uses)	<u>(2,130,532)</u>	<u>(2,130,532)</u>	<u>1,356,140</u>	<u>3,486,672</u>
Net Change in Fund Balance	(2,891,462)	(2,891,462)	2,102,628	4,994,090
Fund Balance, July 1, 2016	<u>7,212,868</u>	<u>7,212,868</u>	<u>7,212,868</u>	
Fund Balance, June 30, 2017	<u>\$ 4,321,406</u>	<u>\$ 4,321,406</u>	<u>\$ 9,315,496</u>	<u>\$ 4,994,090</u>

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Harrison Memorial Library Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ 2,000	\$ 2,000	\$ 6,475	\$ 4,475
Current service charges	16,000	16,000	16,045	45
Contributions	313,000	313,000	323,495	10,495
Total Revenues	<u>331,000</u>	<u>331,000</u>	<u>346,015</u>	<u>15,015</u>
Expenditures				
Current:				
Culture and recreation	<u>330,996</u>	<u>330,996</u>	<u>262,183</u>	<u>68,813</u>
Total Expenditures	<u>330,996</u>	<u>330,996</u>	<u>262,183</u>	<u>68,813</u>
Net Change in Fund Balance	4	4	83,832	83,828
Fund Balance, July 1, 2016	<u>1,146,832</u>	<u>1,146,832</u>	<u>1,146,832</u>	
Fund Balance, June 30, 2017	<u>\$ 1,146,836</u>	<u>\$ 1,146,836</u>	<u>\$ 1,230,664</u>	<u>\$ 83,828</u>

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Measure D Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,011,000	\$ 3,011,000	\$ 2,745,154	\$ (265,846)
Total Revenues	3,011,000	3,011,000	2,745,154	(265,846)
Other Financing Sources (Uses)				
Transfers out	(2,876,000)	(2,876,000)	(2,500,554)	375,446
Total Other Financing Sources (Uses)	(2,876,000)	(2,876,000)	(2,500,554)	375,446
Net Change in Fund Balance	135,000	135,000	244,600	109,600
Fund Balance, July 1, 2016	2,296,947	2,296,947	2,296,947	
Fund Balance, June 30, 2017	<u>\$ 2,431,947</u>	<u>\$ 2,431,947</u>	<u>\$ 2,541,547</u>	<u>\$ 109,600</u>

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Ambulance Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Current service charges	\$ 700,000	\$ 700,000	\$ 326,718	\$ (373,282)
Total Revenues	700,000	700,000	326,718	(373,282)
Expenditures				
Current:				
Public safety	1,121,399	1,121,399	1,252,069	(130,670)
Total Expenditures	1,121,399	1,121,399	1,252,069	(130,670)
Excess (Deficit) of Revenues over Expenditures	(421,399)	(421,399)	(925,351)	(503,952)
Other Financing Sources (Uses)				
Transfers in	421,399	421,399	367,581	(53,818)
Total Other Financing Sources (Uses)	421,399	421,399	367,581	(53,818)
Net Change in Fund Balance			(557,770)	(557,770)
Fund Balance (Deficit), July 1, 2016	(706,427)	(706,427)	(706,427)	
Fund Balance (Deficit), June 30, 2017	\$ (706,427)	\$ (706,427)	\$ (1,264,197)	\$ (557,770)

CITY OF CARMEL BY-THE-SEA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted by law or administrative action and expenditures for specified purposes. Nonmajor special revenue funds used by the City are listed below:

Traffic Safety Fund – This fund is used to account for court fines collected on the City’s account for moving violations, as well as traffic safety and public safety augmentation funds for police and fire.

Road Impact Fees Fund – This fund is used to account for road impact fees used for transportation related expenditures.

Grants Fund – This fund is used to account for grants utilized for specific purposes.

Forest Theater Fund – This fund is used to account for activities related to the Forest Theater.

Gas Tax Fund – This fund is used to account for revenues collected in accordance with the Streets and Highway Code.

The Parking Special Revenue Fund - This fund is used to account for activities associate with parking in-lieu fees.

Debt Service Fund

Debt Service Funds are used to account for accumulation of resources for, and payment of, principal and interest on the City’s governmental activities long-term debt. The nonmajor debt service fund of the City is listed below:

Debt Service Fund – 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, 2017

	Special Revenue Funds		
	Traffic Safety	Road Impact Fees	Grants
Assets			
Cash and investments	\$ 37,355	\$ 64,503	\$ 78,451
Cash and investments with fiscal agent			
Receivables:			
Accounts	2,634		
Intergovernmental	548		16,723
Total Assets	\$ 40,537	\$ 64,503	\$ 95,174
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds			
Total Liabilities			
Fund Balances:			
Restricted	40,537	64,503	95,174
Total Fund Balances	40,537	64,503	95,174
Total Liabilities and Fund Balances	\$ 40,537	\$ 64,503	\$ 95,174

Special Revenue Funds			General Debt Service	Total Nonmajor Funds
Forest Theater	Gas Tax	Parking		
\$ 49,348	\$ 23,579	\$ 701,473	\$ - 400,582	\$ 954,709 400,582
1,858	6,700			4,492 23,971
<u>\$ 51,206</u>	<u>\$ 30,279</u>	<u>\$ 701,473</u>	<u>\$ 400,582</u>	<u>1,383,754</u>
\$ -	\$ 163	\$ -	\$ - 90,492	\$ 163 90,492
	163		90,492	90,655
<u>51,206</u>	<u>30,116</u>	<u>701,473</u>	<u>310,090</u>	<u>1,293,099</u>
<u>51,206</u>	<u>30,116</u>	<u>701,473</u>	<u>310,090</u>	<u>1,293,099</u>
<u>\$ 51,206</u>	<u>\$ 30,279</u>	<u>\$ 701,473</u>	<u>\$ 400,582</u>	<u>\$ 1,383,754</u>

CITY OF CARMEL-BY-THE-SEA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds		
	Traffic Safety	Road Impact Fees	Grants
Revenues:			
Licenses and permits	\$ -	\$ 88,290	\$ -
Intergovernmental	10,032		144,929
Use of money and property			
Current service charges			
Fines and forfeitures	78,732		
Total Revenues	<u>88,764</u>	<u>88,290</u>	<u>144,929</u>
Expenditures:			
Current:			
Public works			
Debt service:			
Principal			
Interest and fiscal charges			
Total Expenditures			
Excess (Deficit) of Revenues over Expenditures	<u>88,764</u>	<u>88,290</u>	<u>144,929</u>
Other Financing Sources (Uses)			
Transfers in			
Transfers out	<u>(91,099)</u>	<u>(88,290)</u>	<u>(120,990)</u>
Total Other Financing Sources (Uses)	<u>(91,099)</u>	<u>(88,290)</u>	<u>(120,990)</u>
Net Change in Fund Balances	(2,335)		23,939
Fund Balances, July 1, 2016	<u>42,872</u>	<u>64,503</u>	<u>71,235</u>
Fund Balances, June 30, 2017	<u>\$ 40,537</u>	<u>\$ 64,503</u>	<u>\$ 95,174</u>

Special Revenue Funds				Total Nonmajor Funds
Forest Theater	Gas Tax	Parking	General Debt Service	
\$ -	\$ -	\$ -	\$ -	\$ 88,290
	73,976			228,937
215	258	3,387	1,401	5,261
30,719				30,719
				78,732
<u>30,934</u>	<u>74,234</u>	<u>3,387</u>	<u>1,401</u>	<u>431,939</u>
	5,355			5,355
			914,105	914,105
			323,649	323,649
	<u>5,355</u>		<u>1,237,754</u>	<u>1,243,109</u>
<u>30,934</u>	<u>68,879</u>	<u>3,387</u>	<u>(1,236,353)</u>	<u>(811,170)</u>
			1,146,062	1,146,062
	<u>(68,850)</u>			<u>(369,229)</u>
	<u>(68,850)</u>		<u>1,146,062</u>	<u>776,833</u>
30,934	29	3,387	(90,291)	(34,337)
<u>20,272</u>	<u>30,087</u>	<u>698,086</u>	<u>400,381</u>	<u>1,327,436</u>
<u>\$ 51,206</u>	<u>\$ 30,116</u>	<u>\$ 701,473</u>	<u>\$ 310,090</u>	<u>\$ 1,293,099</u>

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 10,032	\$ 10,032
Fines and forfeitures	150,000	78,732	(71,268)
Total Revenues	<u>150,000</u>	<u>88,764</u>	<u>(61,236)</u>
Other Financing Sources (Uses)			
Transfers out	(150,000)	(91,099)	58,901
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(91,099)</u>	<u>58,901</u>
Net Change in Fund Balance		(2,335)	(2,335)
Fund Balance, July 1, 2016	<u>42,872</u>	<u>42,872</u>	
Fund Balance, June 30, 2017	<u>\$ 42,872</u>	<u>\$ 40,537</u>	<u>\$ (2,335)</u>

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Road Impact Fees Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and permits	\$ 200,000	\$ 88,290	\$ (111,710)
Total Revenues	<u>200,000</u>	<u>88,290</u>	<u>(111,710)</u>
Other Financing Sources (Uses)			
Transfers out	<u>(200,000)</u>	<u>(88,290)</u>	<u>111,710</u>
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(88,290)</u>	<u>111,710</u>
Net Change in Fund Balance			
Fund Balance, July 1, 2016	<u>64,503</u>	<u>64,503</u>	
Fund Balance, June 30, 2017	<u>\$ 64,503</u>	<u>\$ 64,503</u>	<u>\$ -</u>

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Grants Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 112,500	\$ 144,929	\$ 32,429
Total Revenues	<u>112,500</u>	<u>144,929</u>	<u>32,429</u>
Excess (Deficit) of Revenues over Expenditures	<u>112,500</u>	<u>144,929</u>	<u>32,429</u>
Other Financing Sources (Uses)			
Transfers out	<u>(112,500)</u>	<u>(120,990)</u>	<u>(8,490)</u>
Total Other Financing Sources (Uses)	<u>(112,500)</u>	<u>(120,990)</u>	<u>(8,490)</u>
Net Change in Fund Balance		23,939	23,939
Fund Balance, July 1, 2016	<u>71,235</u>	<u>71,235</u>	
Fund Balance, June 30, 2017	<u>\$ 71,235</u>	<u>\$ 95,174</u>	<u>\$ 23,939</u>

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Forest Theater
For the Fiscal Year Ended June 30, 2017

	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 215	\$ 215
Current service charges		30,719	30,719
Total Revenues		30,934	30,934
Net Change in Fund Balance		30,934	30,934
Fund Balance, July 1, 2016	20,272	20,272	
Fund Balance, June 30, 2017	\$ 20,272	\$ 51,206	\$ 30,934

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 112,150	\$ 73,976	\$ (38,174)
Use of money and property		258	258
Total Revenues	<u>112,150</u>	<u>74,234</u>	<u>(37,916)</u>
Expenditures:			
Current:			
Public works		5,355	(5,355)
Total Expenditures		<u>5,355</u>	<u>(5,355)</u>
Excess (Deficit) of Revenues over Expenditures	<u>112,150</u>	<u>68,879</u>	<u>(43,271)</u>
Other Financing Sources (Uses)			
Transfers out	<u>(162,150)</u>	<u>(68,850)</u>	<u>93,300</u>
Total Other Financing Sources (Uses)	<u>(162,150)</u>	<u>(68,850)</u>	<u>93,300</u>
Net Change in Fund Balance	(50,000)	29	50,029
Fund Balance, July 1, 2016	<u>30,087</u>	<u>30,087</u>	
Fund Balance, June 30, 2017	<u>\$ (19,913)</u>	<u>\$ 30,116</u>	<u>\$ 50,029</u>

CITY OF CARMEL-BY-THE-SEA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Debt Service Fund
For the Fiscal Year Ended June 30, 2017

	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 1,401	\$ 1,401
Total Revenues		1,401	1,401
Expenditures:			
Debt service:			
Principal	934,860	914,105	20,755
Interest and fiscal charges	306,798	323,649	(16,851)
Total Expenditures	1,241,658	1,237,754	3,904
Excess (Deficit) of Revenues over Expenditures	(1,241,658)	(1,236,353)	5,305
Other Financing Sources (Uses)			
Transfers in	1,241,658	1,146,062	(95,596)
Total Other Financing Sources (Uses)	1,241,658	1,146,062	(95,596)
Net Change in Fund Balance		(90,291)	(90,291)
Fund Balance, July 1, 2016	400,381	400,381	
Fund Balance, June 30, 2017	\$ 400,381	\$ 310,090	\$ (90,291)