

City of Half Moon Bay



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016



City of Half Moon Bay

507-B Purissima Street, Half Moon Bay, CA 94019

CITY OF HALF MOON BAY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2016

Prepared by
Finance Department



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FISCAL YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION



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CITY OF HALF MOON BAY

507-B Purissima Street
Half Moon Bay, CA 94019

December 6, 2016

Honorable Mayor,
Members of the City Council
And Citizens of Half Moon Bay

It is a pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Half Moon Bay (the City) for the fiscal year ended June 30, 2016. The report is prepared in compliance with California Government sections 25250 and 25253, and in accordance with Generally Accepted Accounting Principles (GAAP) set by the Governmental Accounting Standards Board. This report conforms to GASB Statement 34 financial reporting standards, including a dual-perspective financial report showing both an entity-wide view of all governmental and business-type activities and a more detailed focus on the financial position and operating results of the City's major funds.

This report consists of management's representations concerning the finances of the City of Half Moon Bay. Consequently, responsibility for both the accuracy of the data and the fairness of this presentation, including all disclosures, rests with the City's management. To present a reasonable basis for making these representations, management personnel of the City have established and maintained a comprehensive internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgment by management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to represent fairly the financial position and results of operation of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State statutes require an annual audit by independent certified public accountants. The City's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Half Moon Bay for the year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence

supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Half Moon Bay's financial statements for the year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The CAFR is presented in four major sections that provide introductory, financial, supplementary, and statistical information about the City. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the basic financial statements and notes to the basic financial statements. The supplementary section includes supplementary information as required by accounting standards. The statistical section, which is unaudited, includes selected financial and demographic information.

The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure. The notes include the summary of significant accounting policies for the City and other necessary disclosure of important matters relating to the financial position of the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

GAAP requires that management provide a narrative of introductions, overview and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter complements the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors in the financial section.

PROFILE OF THE CITY

Named San Benito in the 1840's and later Spanishtown, Half Moon Bay received its current name in 1874 and is the oldest settlement in San Mateo County. Considered a rural coastal community, the City is home to approximately 11,500 people. There is a rich culture of different traditions and multi-generational families who have lived in Half Moon Bay for well over 100 years. In any given neighborhood you will find farmers, high tech entrepreneurs, and artists living together. At the crossroads of Highway 1 and Highway 92, Half Moon Bay is approximately 25 miles south of San Francisco and an easy 45 minute drive from almost anywhere in the Bay Area.

The City and Coastside are a thriving agricultural, fishing and tourism destination. The local and growing organic agricultural community hosts a Saturday farmers' market and many rural roadside stands sell the bounty of the local farms and nurseries. About 3,000 tons of pumpkins are grown on the Coastside every year and the ripening pumpkins are featured in the Art and Pumpkin Festival held in October on the downtown historic Main Street. The annual festival draws more than 200,000 visitors for the two day event.

As a popular tourist destination, Half Moon Bay offers a wide variety of public and private attractions. Main Street is home to shops, art galleries, and fine dining. The Coastal Trail provides recreation for biking, pedestrian and equestrian users. Golf can be enjoyed at two acclaimed golf

courses. Half Moon Bay boasts truly unique lodging with breathtaking ocean views, world-class hotels, and quaint cottages. And the enduring natural beauty of the beaches is enjoyed by all.

Incorporated in 1959, the City of Half Moon Bay operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing City Council, which consists of a five Councilmembers. Councilmembers are elected to overlapping four-year terms and, from amongst themselves, select a Mayor and Vice Mayor each December. The Council is responsible for passing ordinances, adopting the budget, appointing Planning Commission and Volunteer Committee members and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, providing leadership to the City's programs, overseeing the day-to-day operations of the City, and for appointing City staff.

By means of its own employees and through other shared or contract services, the City provides a variety of municipal services including law enforcement; library; disaster preparedness; recreation programs; maintenance of streets, parks and buildings; sanitary sewer utility collection and maintenance; planning, zoning and building inspection; storm drain maintenance; code and parking enforcement; engineering; sanitary sewer utility treatment and distribution and general administrative services. Fire protection services are provided by a special district that is not a part of the City's reporting entity.

This CAFR includes all funds and component units of the City of Half Moon Bay, including the Community Development Agency, whose members consist solely of City Council members. The Agency is a blended component unit that is reported as part of the primary government when it has activity and/or balances. The Agency is currently inactive for the fiscal year ended June 30, 2016.

FINANCIAL OPERATIONS

BUDGET PROCESS

The annual budget serves as the foundation for the City's financial planning and control of expenditures. The City's budget document also reflects the One-Year and Five-Year Capital Improvement Program and the Long-Term Forecast.

The City prepares and adopts its budget in accordance with California Government Sections 29000 and 29143. The Council holds a public hearing on the proposed budget and adopts a final budget by the end of June, the close of the City's fiscal year.

A program budget is used to plan, prioritize and guide municipal operations. The City uses the modified accrual basis of accounting for all Governmental Funds and the accrual basis of accounting for Propriety Funds and Fiduciary Funds. Budgetary controls ensure compliance with the annual appropriated budget approved by the City Council. The City Council may amend the annual budget by resolution. Transfers of appropriations between departments or programs within the same fund can be approved administratively by the City Manager and Finance Director. Transfers between

funds require the approval of the City Council. Accordingly, the lowest level of budgetary control established by the City Council is at the department level.

Budget-to-actual comparisons are presented in the supplementary section of the accompanying financial statements for each individual governmental fund for which an appropriated annual budget has been adopted.

FINANCIAL CONTROL

The Finance Department of the City is responsible for establishing and maintaining an appropriate internal control structure. The internal control system is designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe the City's systems of internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

The City's Reserve Policy per Resolution C-45-11 states that a reserve equal to 30% of General Fund annual operating expenditures is to be set aside to reduce the risk of financial impacts from catastrophic disasters; respond to the challenges of changing economic environment, including prolonged downturns in the local, state, and national economy; and demonstrate continued prudent fiscal management and creditworthiness.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

A number of important initiatives were delivered in the past year. These projects were a mixture of financial and operational improvements, increased engagement with the community, and improvement of infrastructure. Some of the accomplishments include:

1. Completing major Capital Improvement Projects, including:
 - Pilarcitos Creek Pedestrian and Bike Bridge
 - MacDutra Plaza
 - Drainage ditch maintenance
 - Repairs on the Via Verde stairs
 - Sidewalk survey and sidewalk repairs at 2,700 locations
 - Drainage Master Plan (phase 1)
 - Hydrologic and hydraulic analysis of Kehoe ditch
 - Release of the Draft Local Coastal Land Use Plan and the Draft Sea Level Rise Vulnerability Study in conjunction with the General Plan/LCP Update project.
2. Acceleration of street resurfacing/rehabilitation of most City streets to bring them to fair condition within a four year cycle.
3. Filling several key positions

4. Developing a new City Emergency Operations Plan
5. Conducting General Plan Community Outreach
6. Completing Housing Element and received certification by HCD and Coastal Commission
7. Improving financial resiliency by increasing reserves, paying down debt, and improving cost recovery for services provided.
8. Ensuring safety and enjoyment of our citizens by improving infrastructure, such as new bike and pedestrian pathways and Main Street storm drain improvements to improve water quality.
9. Live stream of City Council meetings on the City's website
10. Initialization of a new records management program
11. Community Academy (NET Program)
12. Comprehensive storm readiness plan in anticipation of El Niño Storms

FACTORS AFFECTING FINANCIAL CONDITION

State Budget and Economic Outlook

During Fiscal Year 2015-16, the City experienced its eighth year of continued positive trends in state economy led by consumer spending and tourism, while the real estate housing market and the labor market continued to stay strong.

The City's overall reliance on transient occupancy and sales tax revenues, as well as property tax, revenue which is being controlled by the State, makes local economy and the State of California's budget a significant factor in the City's financial condition. Financial forecast reflects continued improvement in California finances, and the State's budgetary condition continues to be strong. Since the end of the last recession, the State of California has seen a vast improvement in the economy. Not only has the Golden State recovered every job lost during the downturn, but as of February 2016, total job growth was up 3.7% (5.1 million) in the U.S. and 5.4% (838,000) in California compared to December 2007—the most recent business cycle peak.

The unemployment rate in California was in double-digits for an unprecedented forty-three consecutive months (February 2009 to August 2012)—attesting to the severity of the crash and the impact of the housing bust in California. These rates have declined significantly to 4.9% and 5.5% in February 2016 for the U.S. and California, respectively.

Despite a good economic environment and surplus revenue in Sacramento, most of the excess funds have already been spoken for, leaving Half Moon Bay and other local agencies continuing to seek relief from years of undisciplined State spending and subsequent raiding of local funds. While the Governor's commitment to stabilize State finances, control costs and establish a stronger foundation to manage economic downturns is good news, the bad news is that local agencies are looking to the State to resolve the many financial issues facing them.

State budget positives for cities included the repayment of millions in pre-2004 previously-owed mandates, the allocation of over \$1 billion in Cap-and-Trade funds, the water bond and \$20 million per year in local law enforcement grants. In addition, a new law states that State legislators must

forfeit their salaries for every day the State budget is late, eliminating the lengthy delays of the past and the resulting uncertainty and instability.

Notwithstanding this positive fiscal outlook, history suggests we are now past the midpoint of the current economic expansion. The main risks to the state's economy in the next few years are a slowdown in the global economy, stock market correction, and possibility of the next recession.

On average, economic expansions continue for approximately five years, meaning it would be a historical anomaly for there not to be a recession by 2020. Even a fairly mild recession for the U.S. would be very difficult for California. For example, if unemployment rates fell to the point where inflation began to rise, this could trigger a moderate recession in 2017-18. If so, the Department of Finance's recession scenario forecasts U.S. real Gross Domestic Product falling by 0.4 percent before recovering in the following two years. California would lose almost half a million jobs, and wages and salaries would fall by about 6 percent. Some of these losses would be partially offset by higher unemployment insurance payments and there may be higher growth rates during the recovery that would follow. However, as a recession would likely be accompanied by a large fall in the stock market, strongly affecting all City revenues.

However, according to the California Legislative Analyst's Office (LAO), the state budget is better prepared for an economic downturn than it has been at any point in decades. The Governor is anticipating a cooling in the economy, which will impact the amount of revenue expected due to sluggish income tax and sales tax revenues. As a result, the Governor proposed no new major State General Fund spending and increased the State's Rainy Day Fund from \$3.5 billion to \$6.7 billion.

An economic or stock market downturn within the next few years could quickly result in a return to operating deficits, forcing the State to make difficult choices, such as budgetary cuts and tax increases that may directly and indirectly affect the Bay Area, San Mateo County and City of Half Moon Bay overall economic condition.

Local Economy

The unemployment rate in San Mateo County has remained stable at 3.3% in both 2015 and 2016. The City of Half Moon Bay unemployment rate was slightly lower than the County at 3.2%. This compares favorably with an unemployment rate of 5.7% for California and 4.9% for the nation during the same period. As of June 2016, there were an estimated 430,900 jobs in the County, an increase of 4,700 jobs from the prior year. According to the California Employment Development Department, the total number of jobs located in the West Bay counties of San Francisco and San Mateo expanded by 12,800, to a total of 998,400 between June 2015 and June 2016.

Housing prices remain strong compared to the same period in 2014. The National Association of Realtors released a report that shows the national median existing home price of \$247,000 in June 2016. This number reflects an increase of 8.3% from June 2015. However, the median sales price of existing homes in Half Moon Bay is \$1.03 million as of June, 2016; a 9.7% increase from the same period a year ago according to Zillow reports.

Unemployment and real estate markets reflect a local economy that is expanding and as such we expect continued solid growth that will over time translate into higher municipal revenues. The City's property tax revenue increased by \$.25 million or 8.5% compared to last year, primarily due to sales of residential properties in FY 2015-16 which increased assessed valuation.

Long-Term Financial Planning

The long-term financial plan of the City includes cost containment strategies and a comprehensive cost recovery program, both designed to ensure the long-term financial health of the City. The City's long-term financial outlook shows improvement in General Fund reserves attributable to reduction in debt service, growth in revenues, and cost savings achieved in operating costs. To balance these improvements, there are further requirements for staffing and capital funding as well as other impacts from the State and contractual obligations that may not be fully anticipated in the forecast. The City's long term strategic plan, adopted in April 2013, addresses long term fiscal sustainability by paying down debt early, improving reserves, investing in infrastructure, and marketing the City to visitors to improve the key revenue sources, such as Transient Occupancy and Sales Tax.

The City thoroughly evaluates the cost to provide planning, building, and engineering services and proposes a sufficient cost recovery fee schedule. The City completed the Development Impact Fee study in FY 2015-16, and is now in the process of completing the Comprehensive User Fee study prepared by an independent external consultant. These studies will revise the method of calculating user-based fees to move closer to full-cost recovery, and resulted in adjustments to the City's Schedule of Fees, Deposits, Charges for Services and Other Assessments. The implementation of the new schedule will favorably reflect on general building and planning revenues in fiscal year 2017-18.

Notwithstanding the positive trend in the City's general revenues, there is a negative impact of increases in City's medical premium costs, and future anticipated increase in retirement contributions to the California Public Employees Retirement System (CalPERS). The Measure J half cent Use Tax ended on March 30, 2016. Payments to the City, which lag by one quarter, ended in June 2016. This means that the City's General Fund budget will reflect a loss of \$1.5 million in revenue per year. Although, this loss will not affect City operations and services, it will reduce the amount of surplus funds that can be transferred each year from the General Fund to Special Revenue and Capital Funds to fund the City's Capital Improvement Program projects in the future. The City continues to maintain a balance with on-going revenues and costs as part of its overall long-range strategic financial planning.

Risk Management

Comprehensive general liability coverage is secured through the Association of Bay Area Governments (ABAG) Plan. The plan consists of a self-insurance pool involving a number of cities in the San Francisco-Oakland area. The cities contract with the Plan through a liability coverage agreement that is very similar to a comprehensive general liability, commercial auto, and public officials' errors and omissions policy. The City's limit in the pool is \$10,000,000 with a \$50,000 per occurrence deductible for which it self-insures.

For Workers' Compensation coverage, the City participates in the Cities Group, created by a joint powers agreement to provide workers compensation coverage of up to \$10,000,000 per occurrence in excess of \$1,000,000 for miscellaneous employees. The Group acts as administrator, claim adjuster and provides other risk management services as required by State law. Each member of the Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Group. Additional information concerning the City's participation in risk pools for liability and workers' compensation is provided in Note 10 to the financial statements.

The City focuses on identification of hazards and dangerous conditions and provides on-going training in an effort to reduce exposure and ensure public safety and welfare.

Employee Benefit costs

The City provides a defined benefit retirement plan for employees through CalPERS. Recent Public Employees' Pension Reform Act established a Tier II program for new employees without prior municipal employment experience. The employer retirement contribution (as a percent of salary) for the City for FY 2015-16 were set as follows: Tier I (2.0 @ 55) 17.738%, Tier II (2% @ 62) 6.7%.

In addition, the City completely eliminated the employee pension share cost as part of the most recent labor contracts negotiations.

The City provides health insurance for employees and their dependents through the CalPERS Health Plan. PERS medical rates continue to increase by approximately 10% on average. The City's contribution towards medical benefits are capped as defined in labor agreements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Half Moon Bay for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

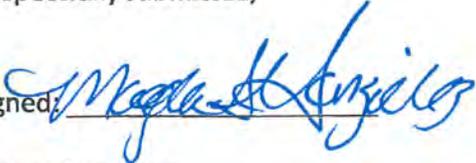
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are pleased to submit it to the GFOA to determine its eligibility for another certificate.

We would like to take an opportunity to thank the entire Finance department staff for their efforts during the annual audit process and contribution to this report. A special thank you is extended to Dennis Jaw, Senior Accountant for his tireless efforts in bringing this document forward. We also

acknowledge our deep appreciation to the audit team members from Maze and Associates for their professional work and assistance.

Finally, we would like to express our appreciation to the City Council, the operating departments, and the Council Finance Committee for their interest and support toward conducting the financial operations of the City in a responsible manner with emphasis on transparency, ethics and fiscal responsibility.

Respectfully submitted,

Signed: 

Magda Gonzalez
City Manager

Signed: 

Yulia Carter
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Half Moon Bay
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City Limits of Half Moon Bay



Unincorporated
San Mateo County

Unincorporated
San Mateo County

The City of
Half Moon Bay

Unincorporated
San Mateo County



 Map not to Scale



CITY OF HALF MOON BAY

City Council



Mayor
Rick Kowalczyk



Vice Mayor
Debbie Ruddock

Council Members



Marina Fraser



John Muller



Deborah Penrose

CITY OF HALF MOON BAY

Executive Staff

City Manager

Magda Gonzalez

Assistant City Attorney

Reed Gallogly

Interim Deputy City Manager

Michael Bridges

Finance Director

Yulia Carter

Community Development Director

John Doughty

Administrative Services Manager

Russell Brunson

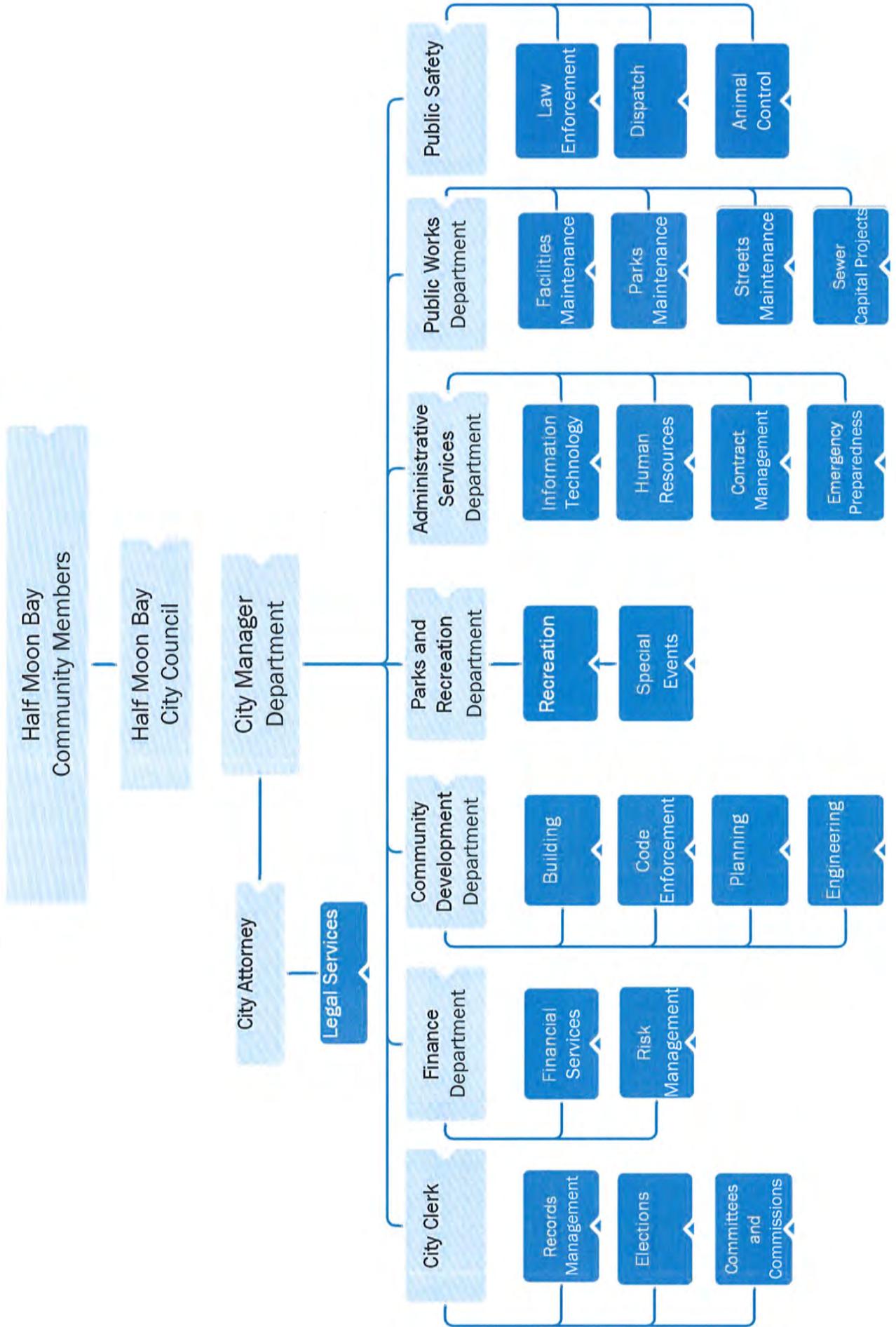
Chief of Police Services

John Munsey

City Clerk

Jessica Blair

City of Half Moon Bay FY 2016-17 Organizational Chart



FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Half Moon Bay, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Half Moon Bay as of and for the year ended June 30, 2016, 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 the 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1f to the financial statements.

Investment In Sewer Authority Mid-Coastside (SAM) - In prior fiscal years, SAM was able to timely complete its financial statements audit and provide the audited financial information to the City for the City to record its share of the investment in SAM timely. However, in current fiscal year, SAM was unable to complete its financial statements audit timely. As a result, the City has determined that prospectively, in order for the City to timely issue its audited financial statements, it would use SAM's prior year audited financial statement to record the City's investment in SAM. This change in accounting principle has no effect on the beginning net position.

The emphasis of these matters does not constitute a modification to our opinions nor does it have a material effect on the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information 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. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, 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.

Maze & Associates

Pleasant Hill, California
November 23, 2016



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CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Half Moon Bay (the City), we offer readers of the City of Half Moon Bay's financial statements this overview of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in our letter of transmittal and the City's basic financial statements.

Financial Highlights

- The City's government-wide assets exceed its liabilities at June 30, 2016, by \$119.1 million (net position). Of this amount, \$55.0 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, which is a 21.9 percent increase over the prior year's unrestricted net position of \$45.1 million. This increase is primarily due to increased tax revenues and a contribution in the amount of \$6.0 million from the County of San Mateo for the library construction capital project which is scheduled to commence during fiscal year 2016-17. It is important to note that \$20.6 million of the net position is for Sewer Operations, which is an increase of \$1.6 million or 8.3 percent over the prior year.
- The City's cash and investments at June 30, 2016 totaled \$59.2 million, of which \$44.6 million is classified as government activities and \$14.6 million as business-type activity. The City's cash and investments increased by \$10.4 million, or 21.1 percent compared to the prior year, primarily due to increased revenue from property, sales and hotel taxes, as well as a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.
- The City has outstanding long-term obligations of \$10.9 million in judgment obligation bond debt (Series B). The City plans to completely pay off this bond in 2019. The debt service for this final payment will be made from an irrevocable escrow trust that was established in July 2013 from an insurance settlement to pay down of the Judgment Bonds on the first available call dates on the bonds. City Council had made the strategic decision that the best use of these monies was to pay down the Judgment Obligation bonds early. This debt reduction plan facilitates a complete pay down on the bonds two decades earlier than originally scheduled.
- During the 2014-15 fiscal year, the City implemented the Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27, which resulted in adjustments to current year pension expenses and reporting the City's long-term net pension liability of \$7.3 million on the FY 2015-16 Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. The Net Pension Liability increased by \$0.58 million from \$6.7 million recorded last year primarily due to increases in City staffing and changes in valuation and methodology imposed by CalPERS, the administrators of the City's pension plans.

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

- City-wide revenues were \$30.0 million, of which \$25.6 million was generated by governmental activities and \$4.4 million by business-type activities, an increase of \$6.3 million or 26.7 percent primarily due to increased tax revenues and a contribution in the amount of \$6.0 million from the County of San Mateo for the library construction capital project.
- City-wide expenditures were \$16.0 million, of which \$13.1 million was incurred by governmental activities and \$2.9 million by business-type activities, an increase of \$0.82 million or 5.4 percent primarily due to increased staffing and services.
- The City's General Fund balance as of June 30, 2016 was \$10.7 million, an increase of \$1.2 million as compared to the prior year. This increase is primarily due to increases in all categories of tax revenue. Of the total fund balance of \$10.7 million, \$6.0 million is *unassigned* and is generally available for any purpose.
- For the fiscal year ended June 30, 2016, *Governmental Fund* revenues exceeded expenditures by \$10.4 million, primarily attributed to the favorable performance of the General Fund and to a contribution in the amount of \$6.0 million from San Mateo County for the construction of the new library. The governmental funds' combined ending fund balance is \$69.2 million as compared with the prior year balance of \$59.7 million, providing a total change in fund balance of \$9.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis section is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains a transmittal letter, other required supplementary information, optional section that presents combining statements for non-major governmental funds and internal service funds, and statistical section.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. Both are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of the City's financial condition.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick leave).

These two statements that comprise the government-wide financial statements both distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include its general government, public safety, public works and building regulation, parks and recreation, and planning programs. The sole business-type activity of the City is the City's sewer utility.

The government-wide financial statements normally include not only the City of Half Moon Bay itself (known as the primary government), but also a legally separate Community Development Agency of the City of Half Moon Bay for which the City of Half Moon Bay is financially accountable. Although the Agency is an integral part of the primary government, no financial information has been included for this component unit since it was inactive during fiscal year 2015-16 with no beginning or ending balances.

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 of Half Moon Bay uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

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

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Half Moon Bay maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Streets and Roads Fund, and the Judgment Obligation Bond Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the *non-major* governmental funds is provided in the form of combining statements in the Combining Balance Sheet and Individual Fund Statements of Revenues, Expenditures and Changes in Fund Balances sections of the report.

The City of Half Moon Bay adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison schedule has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-32 of this report. The budgetary comparison schedule for the General Fund can be found on page 70.

Proprietary Funds

The City of Half Moon Bay maintains two types of proprietary funds: Internal Service funds and Enterprise (Proprietary) funds.

Internal Service Funds

Internal Service funds are used to accumulate resources and allocate costs internally among the City's various functions. The City uses internal service funds to account and reserve for the purchase and maintenance of City vehicles and equipment, to account and reserve for risk management activities, and to stabilize for fluctuations in pension costs. Because these services exclusively benefit the governmental functions, they have been included within governmental activities in the government-wide financial statements.

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily by user charges. The City uses an enterprise fund to account for the financial activity of the City's sewer operation.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The enterprise funds are also combined into a single, aggregated presentation in the proprietary fund financial statements that can be found on pages 33-35 of this report.

**CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to the Basic Financial Statements.

The notes provide additional information essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-64 of this report.

Other Information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including schedule of proportionate share of the net pension liability, contributions, funding progress for the City's obligation to provide other post employment benefits to its employees and budgetary comparison schedules for the General Fund and the other funds. Required supplementary information can be found on pages 66-72 of this report.

The combining statements for non-major governmental funds and internal service funds are presented on pages 80-94 and the Statistical Section follows on page 101.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table provides a condensed statement of net position as of June 30, 2016 and 2015:

| City of Half Moon Bay Net Position | Governmental Activities | | Business-type Activities | | Total | | |
|--|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|--------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | Variance |
| Current and other assets | \$ 37,857,994 | \$ 48,906,909 | \$ 19,490,472 | \$ 21,112,859 | \$ 57,348,466 | \$ 70,019,768 | 22.1% |
| Land held for resale | 26,823,920 | 26,823,920 | - | - | 26,823,920 | 26,823,920 | 0.0% |
| Capital assets | 37,550,877 | 40,513,950 | 3,970,876 | 3,871,356 | 41,521,753 | 44,385,306 | 6.9% |
| Deferred outflows of resources Related to pension | 558,223 | 573,321 | 29,379 | 20,233 | 587,602 | 593,554 | 1.0% |
| Total | 102,791,014 | 116,818,100 | 23,490,727 | 25,004,448 | 126,281,741 | 141,822,548 | 12.3% |
| Long-term liabilities outstanding | 10,915,000 | 10,915,000 | - | - | 10,915,000 | 10,915,000 | 0.0% |
| Other liabilities | 7,845,249 | 9,610,745 | 356,849 | 363,547 | 8,202,098 | 9,974,292 | 21.6% |
| Deferred inflows of resources Related to pension | 1,897,043 | 1,628,741 | 99,844 | 133,690 | 1,996,887 | 1,762,431 | -11.7% |
| Total | 20,657,292 | 22,154,486 | 456,693 | 497,237 | 19,117,098 | 20,889,292 | 9.3% |
| Net position: | | | | | | | |
| Net Investment in capital assets | 37,550,877 | 40,513,950 | 3,970,876 | 3,871,356 | 41,521,753 | 44,385,306 | 6.9% |
| Restricted | 18,540,842 | 19,779,956 | - | - | 18,540,842 | 19,779,956 | 6.7% |
| Unrestricted | 26,042,003 | 34,369,708 | 19,063,158 | 20,635,855 | 45,105,161 | 55,005,563 | 21.9% |
| Total net position | \$ 82,133,722 | \$ 94,663,614 | \$ 23,034,034 | \$ 24,507,211 | \$ 105,167,756 | \$ 119,170,825 | 13.3% |

Note: Total assets + deferred outflows – total liabilities – deferred inflows = total net position

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position reflects the difference between assets and liabilities. Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Half Moon Bay, assets exceeded liabilities by \$119.2 million at June 30, 2016, with invested capital assets of \$44.4 million, \$19.8 million of restricted net position, and an unrestricted net position of \$55.0 million. Portions of the unrestricted net position may by law or contract be used only for specified purposes and may not necessarily be used for any general governmental purpose. See below for further discussion.

The net investment in capital assets reflects the investment in capital assets (e.g. land, buildings, facilities, vehicles, equipment, and infrastructure) and represents 37.2 percent of the City's net position. This portion has increased by \$2.9 million or 6.9 percent primarily due to work completed on the new library project and annual street resurfacing. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the net investments in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position accounts for \$19.8 million, or 16.6 percent, of the City's total net position. The restricted net position increased by \$1.2 million or 6.7 percent in fiscal year 2015-16 primarily due to investment earnings in the JOB series B bond escrow account as well as the collection of Affordable housing assessments from new construction projects.

The unrestricted net position of \$55.0 million, or 46.2 percent of the City's total net position, increased by \$9.9 million or 21.9% primarily due to an increase in tax revenue and a \$6.0 million contribution from the County of San Mateo for the library project. This portion of the net position may be used to meet the government's ongoing obligations to residents and creditors, although portions of the unrestricted net position may by law or contract be only used for specified purposes and may not necessarily be used for any general governmental purpose.

**CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Activities

The following table provides a condensed statement of activities for the fiscal year ended June 30, 2016, as compared to June 30, 2015:

| City of Half Moon Bay Statement of Activities | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,644,305 | \$ 1,772,680 | \$ 5,105,502 | \$ 4,715,919 | \$ 6,749,807 | \$ 6,488,599 |
| Operating grants and contributions | 1,903,151 | 390,970 | 45,628 | | 1,948,779 | 390,970 |
| Capital grants and contributions | 596,856 | 7,915,220 | | | 596,856 | 7,915,220 |
| General revenues: | | | | | | |
| Property taxes | 2,871,413 | 3,116,710 | | | 2,871,413 | 3,116,710 |
| Sales and use taxes | 3,862,041 | 4,068,786 | | | 3,862,041 | 4,068,786 |
| Transient occupancy taxes | 5,433,394 | 5,935,558 | | | 5,433,394 | 5,935,558 |
| Other taxes | 832,390 | 808,224 | | | 832,390 | 808,224 |
| Insurance payment | - | - | | | - | - |
| Other general revenues | 1,577,798 | 1,594,663 | (186,304) | (299,729) | 1,391,494 | 1,294,934 |
| Subtotal | 14,577,036 | 15,523,941 | (186,304) | (299,729) | 14,390,732 | 15,224,212 |
| Total revenues | 18,721,348 | 25,602,811 | 4,964,826 | 4,416,190 | 23,686,174 | 30,019,001 |
| Expenses | | | | | | |
| General government* | 3,271,719 | 5,678,534 | | | 3,271,719 | 5,678,534 |
| Public safety | 3,901,511 | 3,449,122 | | | 3,901,511 | 3,449,122 |
| Public works | 2,605,015 | 2,670,228 | | | 2,605,015 | 2,670,228 |
| Recreation services | 282,251 | 337,331 | | | 282,251 | 337,331 |
| Interest and fiscal charges | 1,053,237 | 937,704 | | | 1,053,237 | 937,704 |
| Sewer utility | | | 4,078,003 | 2,943,013 | 4,078,003 | 2,943,013 |
| Total expenses | 11,113,733 | 13,072,919 | 4,078,003 | 2,943,013 | 15,191,736 | 16,015,932 |
| Increase(Decrease) in net position | 7,607,615 | 12,529,892 | 886,823 | 1,473,177 | 8,494,438 | 14,003,069 |
| Net position - As of July 1 | 82,145,576 | 82,133,722 | 22,371,975 | 23,034,034 | 104,517,551 | 105,167,756 |
| Prior Period Adjustment | (7,619,469) | - | (224,764) | - | (7,844,233) | - |
| Net position - As of July 1, as restated | 74,526,107 | | 22,147,211 | | 96,673,318 | |
| Net position - As of June 30 | \$ 82,133,722 | \$ 94,663,614 | \$ 23,034,034 | \$ 24,507,211 | \$ 105,167,756 | \$ 119,170,825 |

* Includes Planning

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The City's Governmental net position increased by \$12.5 million in fiscal year 2015-16, primarily due to revenues exceeding expenses as a result of strong economic conditions, solid revenue performance, and the contribution from San Mateo County for the library project.

Program Revenues:

- Charges for Services revenue increased by \$0.13 million primarily due to improved cost recovery of consultant fees.
- Operating Grants and Contributions decreased by \$1.5 million primarily due to one-time grants received in the prior fiscal year.
- Capital Grants and Contributions increased by \$7.3 million primarily due to the aforementioned library contribution from San Mateo County and a coastal grant for the reconstruction of the Pilarcitos Creek Bridge.

General Revenues:

- Total general revenue increased by \$0.95 million, primarily driven by increased revenues in all three primary sources of revenue categories (Transient Occupancy Tax, Property Tax, and Sales Tax).
- Transient Occupancy Tax (TOT), the City's largest source of general revenue, increased \$0.5 million, due to increased occupancy rate in local hotels and an initiative by the Chamber of Commerce to promote mid-week business travel.
- Sales Tax, the second largest source of general revenue, increased by \$0.21 million due to improved consumer spending in the restaurant and construction segments.
- Property Tax, the third largest source of general revenue, increased \$0.25 million due to increased property values and sales.

Expenses for Governmental Activities increased \$2.0 million primarily due to General Governmental expenses that are more in line with historic costs for City operations, increased staffing, and an increase in overall services in conjunction with the City's shift toward providing increased services by City staff (as opposed to external providers). Public safety expenses show a decline due to the effects of the accounting adjustments recorded during the implementation of GASB 68 in the prior fiscal year.

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The City's sole business-type activity is the sewer fund. Despite some decrease in revenues and significant increase in operating expenses, the City's total Business-Type net position increased by \$1.5 million, primarily due to the following factors:

- Revenues from charges for services from business-type Activities decreased \$0.40 million over the prior year with moderate new sewer connection fee activity in the current year.
- Expenses from Business-Type Activities decreased by \$1.1 million as compared to fiscal year 2014-15. This is primarily due to a decrease in net position for the Sewer Authority Mid-Coastside (SAM) due to depreciation and GASB 68 implementation that resulted in City-reported losses on investment of \$1.3 million in fiscal year 2014-15. The City is a member of the SAM joint power authority and exercises significant influence over SAM's operations, therefore, the share of the City's investment in SAM's net position is reflected in the City's financial statements. Due to the timing of SAM's financial reporting and unavailability of the most recent audited numbers, the City elected to adjust the accounting policy to record the investment in SAM using prior year audited financial information. Additional discussion of this change can be found in Note 1 of the basic financial statements in this report.
- Despite the above, cash and investments in business-type activities increased by \$1.6 million to \$14.6 million due to operating revenues exceeding operating expenses.

FUND FINANCIAL ANALYSIS

As noted above, the City uses fund accounting to ensure and demonstrate compliance with governmental finance-related legal requirements.

Total Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balance of resources that are available for spending. Such information is useful in assessing the City's financial requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a schedule of revenues, expenditures, and changes in fund balances for each of the major governmental and aggregate non-major governmental funds recorded on the modified accrual basis of accounting:

| City of Half Moon Bay Governmental Funds Statement of Revenues, Expenditures and Fund Balance | 2015 | 2016 | Variance |
|--|----------------------|----------------------|----------------|
| Revenues | \$ 18,447,562 | \$ 25,187,076 | 36.5% |
| Expenditures | 17,347,258 | 14,780,165 | -14.8% |
| Transfers (net) | (281,924) | (895,591) | 217.7% |
| Net Change in Fund Balances | \$ 818,380 | \$ 9,511,320 | 1062.2% |
| Fund balances at beginning of year | 58,836,114 | 59,654,494 | 1.4% |
| Fund balances at end of year | \$ 59,654,494 | \$ 69,165,814 | 15.9% |
| Non-spendable | 26,823,920 | | -100.0% |
| Restricted | 23,288,017 | 31,602,450 | 35.7% |
| Committed | 3,012,735 | 29,733,470 | 886.9% |
| Assigned | 2,312,840 | 1,878,355 | -18.8% |
| Unassigned | 4,216,982 | 5,951,539 | 41.1% |
| Total fund balances | \$ 59,654,494 | \$ 69,165,814 | 15.9% |

As of June 30, 2016, the City's governmental funds reported combined fund balances of \$69.2 million, an increase of \$9.5 million in comparison with June 30, 2015, which is indicative of the City's financial stability. The increase is primarily attributable to a contribution in the amount of \$6.0 million from San Mateo County for the construction of the new library, complemented by the City's overall solid economic performance. The governmental funds expenditures were \$14.8 million in fiscal year 2015-16, a \$2.6 million decrease over the prior year, primarily attributable to the complete payment and early retirement of the 2009 Series A Judgment Obligation Bond in fiscal year 2014-15, which temporarily elevated expenditures in the prior year.

The governmental funds' fund balance is comprised of the following:

- *Restricted is \$31.6 million (45.7 percent of the total balance), which can only be spent for specific purposes, set by external resource providers or enabling legislation. The balance is primarily for restricted street monies, development fees, the library project, and reserves required by debt covenants.*
- *Committed balance is \$29.7 million (43 percent of the total balance), which can only be spent for specific purposes as determined by formal action of the City Council. \$26.8 million is primarily land. \$2.9 million is for the City's general fund reserve policy, which states that 30% of budgeted operating expenditures be committed for contingencies.*
- *Assigned is \$1.9 million (2.7 percent of the total balance), which indicates City Council's intent to use these funds toward capital improvements in the future.*
- *Unassigned is \$6.0 million (8.6 percent of the total balance), which is essentially available for any use.*

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF CITY'S FUNDS

General Fund

The General Fund is the primary operating fund of the City of Half Moon Bay. All unrestricted revenues such as general taxes, fees and other revenues that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. The General Fund provides for the cost of operating City government and includes the services of the City Attorney, City Clerk, City Council, City Manager, City-wide costs (such as debt service), Finance and Risk Management, Human Resources and Information Technology, Recreation, Building and Planning, Public Works, and Public Safety. In addition, the General Fund expenditures include transfers to fund capital projects and reserve funding.

As of June 30, 2016, the total General Fund balance was \$10.7 million, which includes an unassigned portion of \$6.0 million.

The General Fund balance increased \$1.2 million for the fiscal year ended June 30, 2016 primarily due to an increase in tax revenue in the fiscal year.

The following table compares General Fund revenues and expenditures by category:

| City of Half Moon Bay General Fund Revenues and Expenditures and Fund Balance | 2015 | 2016 | Variance |
|--|------------------------|----------------------|----------------|
| Revenues | | | |
| Taxes | \$ 12,999,238 | \$ 13,929,278 | 7.2% |
| License and permits | 394,931 | 379,749 | -3.8% |
| Fines and forfeitures | 83,812 | 102,202 | 21.9% |
| Charges for services | 758,138 | 800,825 | 5.6% |
| Rents and Leases | | 20,000 | |
| Intergovernmental revenues | 92,515 | 161,280 | 74.3% |
| Miscellaneous | 449,016 | 415,469 | -7.5% |
| Total | \$ 14,777,650 | \$ 15,808,803 | 7.0% |
| Expenditures | | | |
| General government | 1,587,733 | 1,690,418 | 6.5% |
| General administration | 946,395 | 1,083,666 | 14.5% |
| Public safety | 3,056,253 | 3,059,791 | 0.1% |
| Public works | 1,567,457 | 915,419 | -41.6% |
| Recreation Services | 105,735 | 139,560 | 32.0% |
| Planning | 1,087,940 | 1,892,413 | 73.9% |
| Total | \$ 8,351,513 | \$ 8,781,267 | 5.1% |
| Net Transfers | (16,644,033) | (5,830,649) | -65.0% |
| Net Change in Fund Balances | \$ (10,217,896) | \$ 1,196,887 | -111.7% |
| Fund Balances at beginning of year | 19,760,453 | 9,542,557 | -51.7% |
| Fund Balances at end of year | \$ 9,542,557 | \$ 10,739,444 | 12.5% |

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Revenues

General Fund revenues for the year ended June 30, 2016 increased by \$1.03 million or 7.0 percent, over the prior year. The preceding chart summarizes revenues into major categories for comparative purposes across two fiscal years.

- **Taxes** increased by \$0.93 million or 7.2 percent in 2015-16 compared to prior year. The increase was attributable to a corresponding change in assessed valuation reflecting a strong real estate market, increased consumer spending, and high occupancy rates in local hotels.
- **Fines and forfeitures** increased by \$18,000, or 21.9 percent primarily due to an increase in tourism and parking enforcement.
- **Charges for Services** increased by \$43,000 or 5.6 percent compared to the prior year, primarily due to improved cost recovery of outside consultant fees.
- **Rental and Leases** income of \$20,000 is due to payments received from San Mateo County Parks and Recreation Department for their share of the Ted Adcock Community Center operational costs.
- **Intergovernmental revenues** increased by \$69,000 or 74.3 percent due to an increase in general governmental grants.
- **Miscellaneous revenue** decreased by \$34,000 primarily due to a scheduled reduction in pension rebates from the County Sheriff's Office.
- **Net transfers** decreased by \$10.8 million primarily due to the prior year one-time land asset transfer.

General Fund Expenditures

General Fund expenditures for the 2015-16 fiscal year increased by \$0.4 million or 5.1 percent over the prior fiscal year primarily due to increases in staffing, particularly in the Community Development Department with the conversion of some planning and engineering services from external vendors to in-house staff.

General Fund Budgetary Highlights

General Fund balance increased \$1.2 million or 12% from the prior year and was higher than the final fiscal year 2015-16 budget by \$2.0 million. This is primarily due to revenues performing above expectations. A budget-to-actual comparison can be found in the Required Supplementary Information section on page 70.

**CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Other Major Governmental Funds

The following table compares governmental fund balances:

| City of Half Moon Bay Governmental Funds Statement of Revenues, Expenditures and Fund Balance | 2015 | 2016 | Variance |
|---|---------------|---------------|----------|
| Major Governmental Funds: | | | |
| General Fund | \$ 9,542,557 | \$ 10,739,444 | 12.5% |
| Streets and Roads | 5,089,762 | 5,495,638 | 8.0% |
| Park Developments | 670,789 | 532,826 | -20.6% |
| Judgement Obligation Bonds | 10,822,602 | 11,231,681 | 3.8% |
| Library Capital | | 10,513,844 | |
| Land Asset | 26,823,920 | 26,823,920 | 0.0% |
| Non-Major Governmental Funds | 6,704,864 | 3,828,461 | -42.9% |
| Total fund balances | \$ 59,654,494 | \$ 69,165,814 | 15.9% |

Streets and Roads Funds

The Streets and Roads Special Revenue funds provide for all proceeds of Gas Tax funds, Measure A Local Transportation Ordinance Tax funds, Main Street Bridge fund, and other grants. These funds are restricted for the purpose of these taxes and mainly used to for streets and road maintenance and improvements.

As of June 30, 2016, the Street and Road Funds had a fund balance of \$5.4 million, a \$0.41 million increase from the prior year, primarily in cash and investments as a result of the timing of funding of capital projects.

Parks Development Fund

The Parks Development fund accounts for development impact fees, Federal, State and County grants. These funds are restricted for acquisition, development and capital improvements of the City's parks and trails.

As of June 30, 2016, the Parks Development Fund had a fund balance of \$0.53 million. The decrease in fund balance of \$0.14 million is primarily due to increased investments in parks and trails, including the Pilarcitos Bridge replacement project.

Judgment Obligation Bond (JOB) Fund

The JOB funds account for debt service on the judgment obligation bonds. As of June 30, 2016, the fund balance was \$11.2 million, which is a \$0.41 million increase from the prior year. This is due to investment earnings from the escrow account established to pay off the Series B Judgement Obligation bond in 2019.

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Library Fund

The Library Capital Projects fund is used to account for the design, development, and construction of the new library project which is scheduled to commence during fiscal year 2016-17. The fund is being reported as a major governmental fund for the first time in fiscal year 2015-16 primarily due to the contribution in the amount of \$6.0 million from the County of San Mateo as well as prior transfers made from the City's General Fund.

Land Asset Fund

This is a restricted fund which was created in Fiscal Year 2014-15 for the purposes of recording land assets held for resale. The fund balance as of June 30, 2015 is \$26.8 million, which consists of transfers of land assets for Glen Cree and Beechwood properties from the General Fund and the Judgment Obligation Bond Funds. The Glen Cree property was donated to the City. The Beechwood property was acquired by the City as part of the settlement of the Yamagiwa litigation in 2007. With the receipt of the insurance settlement payments, the Beechwood properties are no longer required for the Judgment Obligation Bonds. There was no activity in this fund in fiscal year 2015-16.

Non-Major Funds

Non-Major funds are comprised of Special Revenue and Capital Project funds.

Special Revenue funds include:

- Police Grants Fund that accounts for revenues received and expenditures made for police services,
- Storm Drain Operating fund that accounts for the maintenance of the existing storm drain system,
- Traffic Mitigation fund that provides for all proceeds from traffic mitigation fees imposed on new development and restricted to defray the cost of constructing improvements to mitigate traffic,
- Affordable Housing fund that accounts for proceeds of construction and development fees, including in lieu fees with the restricted purpose for the development of affordable housing.

Capital Projects Funds include:

- Public Facilities fund that accounts for expenditures related to public facilities improvements
- Storm Drain Improvements fund that accounts for all proceeds from storm drainage improvement fees assessed against new and remodeled construction and used for drainage improvements.

As of June 30, 2016, the Non-Major Funds had a fund balance of \$3.8 million, a \$2.8 million decrease over the prior year, primarily due to the Library Capital fund being presented as a major fund in fiscal year 2015-16 based on increased activity and fund balance in the fund.

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Fund Financial Statement Analysis

As of June 30, 2015, the City's Proprietary Fund net position was \$28.9 million (\$4.2 million invested in capital assets; \$24.7 million in unrestricted net position). A significant portion of unrestricted net position of \$20.6 million in the Sewer Enterprise Fund is invested in the Sewer Authority Mid-Coastside plant. Additional information on this investment can be found in Note 2 of the financial statements. Unrestricted net position of \$4.1 million in the Internal Service Funds is primarily reserved for vehicle and equipment replacement, risk management and legal claims, and pension cost stabilization.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's total net investment in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2016, was \$44.4 million, an increase of \$2.9 million as compared to June 30, 2015, primarily due to the library project and city-wide street resurfacing.

Capital assets include land, buildings, equipment, vehicles and infrastructure. The following table presents summarized information on capital assets net of depreciation for fiscal years 2015 and 2016:

| City of Half Moon Bay Capital Assets (Net of Depreciation) | Governmental Activities | | Business-type Activities | | Total | | Variance |
|---|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|-------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | |
| Land | \$ 4,630,615 | \$ 4,630,615 | \$ - | | \$ 4,630,615 | \$ 4,630,615 | 0% |
| Rights of Way | 6,723,926 | 6,723,926 | - | | 6,723,926 | 6,723,926 | 0% |
| Construction in progress | 2,271,419 | 4,467,318 | 80,129 | 80,129 | 2,351,548 | 4,547,447 | 93% |
| Buildings and improvements | 6,792,996 | 6,500,405 | 3,759,019 | 3,676,299 | 10,552,015 | 10,176,704 | -4% |
| Machinery and equipment | 299,530 | 311,862 | 131,728 | 114,928 | 431,258 | 426,790 | -1% |
| Infrastructure | 16,832,391 | 17,879,824 | - | | 16,832,391 | 17,879,824 | 6% |
| Total | \$ 37,550,877 | \$ 40,513,950 | \$ 3,970,876 | \$ 3,871,356 | \$ 41,521,753 | \$ 44,385,306 | 6.9% |

Construction in progress increased by \$2.2 million primarily due to the commencement of the new library construction project which is scheduled to be completed in 2018. Minor decreases in Buildings and improvements and Machinery and Equipment are primarily due to depreciation.

Additional information regarding the City's capital assets can be found in Note 4 in Notes to the Basic Financial Statements.

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Obligations

As of June 30, 2016, the City's long-term obligations totaled \$11.5 million, primarily comprised of judgment obligation bonds.

| City of Half Moon Bay Long Term Obligations | Governmental Activities | | Business-type Activities | | Total | | Variance |
|--|----------------------------|----------------------|-----------------------------|-------------|----------------------|----------------------|-----------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | |
| Judgment Obligation Bonds Series B | \$ 10,915,000 | \$ 10,915,000 | | | \$ 10,915,000 | \$ 10,915,000 | 0% |
| Claims liability | 355,622 | 477,502 | - | - | 355,622 | 477,502 | 34% |
| Employee compensated absences | 113,127 | 185,657 | - | - | 113,127 | 185,657 | 64% |
| Total | \$ 11,383,749 | \$ 11,578,159 | \$ - | \$ - | \$ 11,383,749 | \$ 11,578,159 | 2% |

Judgment Obligation Bonds: The City issued \$16.7 million of City of Half Moon Bay Judgment Obligation Bonds, Series A and B in July 2009. The bonds are rated AA by Standard and Poor's, per a rating review dated June 2014. The maximum annual debt service is \$1.2 million. The Bonds are divided into two series. The 2009 Series A Bonds (not shown) are tax exempt bonds and the 2009 Series B Bonds are federally taxable Build America bonds. The purpose of the bond sale was to meet the judgment settlement relating to Yamagiwa v. City of Half Moon Bay case involving the Cabrillo Highway property.

In the fiscal year ended June 30, 2013 the City received a \$13.2 million insurance settlement payment for the above-mentioned lawsuit. The City Council determined that the best use of these monies was to pay down the Judgment Obligation bonds early. An irrevocable escrow trust was established in July 2013 to apply these monies toward the pay down of the Judgment Obligation Bonds on the first available call dates on the bonds. The 2009 Series A Bonds were completely paid off in the 2014-15 Fiscal Year. This debt reduction plan facilitates a complete pay down on the bonds by 2019.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limitation for the City is approximately \$102.5 million. At June 30, 2016 the City had a total applicable debt of \$10.9 million which is 10.6% of its legal debt limit.

Additional information about the City's long-term obligations can be found in Note 5 to the Notes to the Basic Financial Statements.

CITY OF HALF MOON BAY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Currently Known Facts, Conditions, and Decisions

Outlined below is key information that is expected to have a significant effect on financial position or results of operations at the time of this report.

In November 2012, the Half Moon Bay local sales tax measure "J" passed, which is estimated to generate approximately \$1.5 million annually for the City, for a three year period. These funds are used primarily for capital improvements. In November 2014 the renewal was not approved by the voters, resulting in elapsing of this tax in March 2016. The sunset of Measure J is projected to decrease Sales Tax revenue in fiscal year 2016-17 by approximately \$1.4 million.

Requests for Information

This financial report is designed to provide all those with an interest in the government's finances with a general overview of the City of Half Moon Bay financial position and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Half Moon Bay
Finance Department
507 Purissima Street
Half Moon Bay, CA 94019.

An electronic version of this report is available at the City's website, found at www.hmbcity.com.



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CITY OF HALF MOON BAY
STATEMENT OF NET POSITION
JUNE 30, 2016

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and investments (Note 2) | \$44,615,126 | \$14,596,521 | \$59,211,647 |
| Accounts receivable, net | 4,167,667 | | 4,167,667 |
| Interest receivable | 58,285 | 28,043 | 86,328 |
| Land held for resale (Note 1i) | 26,823,920 | | 26,823,920 |
| Investment in Sewer Authority Mid-Coastside (Note 6) | | 6,488,295 | 6,488,295 |
| Capital assets, not depreciated (Note 4) | 15,821,859 | 80,129 | 15,901,988 |
| Capital assets, depreciated, net (Note 4) | 24,692,091 | 3,791,227 | 28,483,318 |
| Net OPEB Asset (Note 9) | 65,831 | | 65,831 |
| Total assets | 116,244,779 | 24,984,215 | 141,228,994 |
| Deferred outflows of resources | | | |
| Related to pensions (Note 8) | 573,321 | 20,233 | 593,554 |
| Liabilities | | | |
| Accounts payable | 1,838,521 | 25,115 | 1,863,636 |
| Accrued liabilities | 33,815 | | 33,815 |
| Deposits payable | 95,128 | | 95,128 |
| Compensated absences (Note 1j): | | | |
| Due within one year | 74,263 | | 74,263 |
| Due in more than one year | 111,394 | | 111,394 |
| Long-term debt (Note 5): | | | |
| Due in more than one year | 10,915,000 | | 10,915,000 |
| Claims liability, due within one year (Note 10) | 477,502 | | 477,502 |
| Net pension liability (Note 8) | 6,980,122 | 338,432 | 7,318,554 |
| Total liabilities | 20,525,745 | 363,547 | 20,889,292 |
| Deferred inflows of resources | | | |
| Related to pensions (Note 8) | 1,628,741 | 133,690 | 1,762,431 |
| Net position | | | |
| Net investment in capital assets | 40,513,950 | 3,871,356 | 44,385,306 |
| Restricted for: | | | |
| Debt Service | 11,231,681 | | 11,231,681 |
| Streets and roads | 6,028,464 | | 6,028,464 |
| Affordable housing | 1,795,746 | | 1,795,746 |
| Other | 724,065 | | 724,065 |
| Total restricted net position | 19,779,956 | | 19,779,956 |
| Unrestricted | 34,369,708 | 20,635,855 | 55,005,563 |
| Total net position | \$94,663,614 | \$24,507,211 | \$119,170,825 |

See accompanying notes to financial statements

CITY OF HALF MOON BAY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Contributions and Grants |
| Governmental Activities: | | | | |
| General government | \$3,725,642 | \$98,171 | \$155,475 | \$6,000,000 |
| Public safety | 3,449,122 | 118,204 | 125,277 | |
| Public works | 2,670,228 | 407,342 | 110,218 | 1,915,220 |
| Recreation | 337,331 | 588,890 | | |
| Planning | 1,952,892 | 560,073 | | |
| Interest expense and other charges | 937,704 | | | |
| Total governmental activities | 13,072,919 | 1,772,680 | 390,970 | 7,915,220 |
| Business-type Activities: | | | | |
| Sewer | 2,943,013 | 4,715,919 | | |
| Total | \$16,015,932 | \$6,488,599 | \$390,970 | \$7,915,220 |

General revenues:

Taxes:
Property
Sales and Use
Transient occupancy
Franchise
Business License Tax
Investment income
Miscellaneous
Transfers (Note 3)

Total general revenues and transfers

Change in Net Position

Net Position at beginning of year

Net Position at end of year

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$2,528,004 | | \$2,528,004 |
| (3,205,641) | | (3,205,641) |
| (237,448) | | (237,448) |
| 251,559 | | 251,559 |
| (1,392,819) | | (1,392,819) |
| <u>(937,704)</u> | | <u>(937,704)</u> |
| <u>(2,994,049)</u> | | <u>(2,994,049)</u> |
| | <u>\$1,772,906</u> | <u>1,772,906</u> |
| <u>(2,994,049)</u> | <u>1,772,906</u> | <u>(1,221,143)</u> |
| \$3,116,710 | | \$3,116,710 |
| 4,068,786 | | 4,068,786 |
| 5,935,558 | | 5,935,558 |
| 544,398 | | 544,398 |
| 263,826 | | 263,826 |
| 811,191 | \$93,088 | 904,279 |
| 390,655 | | 390,655 |
| 392,817 | (392,817) | |
| <u>15,523,941</u> | <u>(299,729)</u> | <u>15,224,212</u> |
| 12,529,892 | 1,473,177 | 14,003,069 |
| <u>82,133,722</u> | <u>23,034,034</u> | <u>105,167,756</u> |
| <u>\$94,663,614</u> | <u>\$24,507,211</u> | <u>\$119,170,825</u> |

CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

| | General Fund | Streets and Roads | Judgment Obligation Bonds | Parks Development |
|---|---------------------|----------------------|---------------------------------|----------------------|
| Assets | | | | |
| Cash and investments (Note 2) | \$8,205,077 | \$5,773,527 | \$11,231,681 | |
| Receivables: | | | | |
| Accounts, net | 2,763,186 | 78,447 | | \$1,315,224 |
| Interest | 21,537 | 9,509 | | 181 |
| Due from other funds (Note 3) | 648,807 | | | |
| Land held for resale (Note 1i) | | | | |
| Total assets | \$11,638,607 | \$5,861,483 | \$11,231,681 | \$1,315,405 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$770,220 | \$365,845 | | \$133,772 |
| Accrued liabilities | 33,815 | | | |
| Due to other funds (Note 3) | | | | 648,807 |
| Deposits payable | 95,128 | | | |
| Total Liabilities | 899,163 | 365,845 | | 782,579 |
| Fund balances (Note 7): | | | | |
| Restricted | | 5,495,638 | \$11,231,681 | 532,826 |
| Committed | 2,909,550 | | | |
| Assigned | 1,878,355 | | | |
| Unassigned | 5,951,539 | | | |
| Total fund balances | 10,739,444 | 5,495,638 | 11,231,681 | 532,826 |
| Total liabilities, deferred inflows of resources and fund balances | \$11,638,607 | \$5,861,483 | \$11,231,681 | \$1,315,405 |

See accompanying notes to financial statements

| Library | Land Asset | Non-major Governmental Funds | Total |
|---------------------|---------------------|------------------------------------|---------------------|
| \$10,885,353 | | \$3,905,033 | \$40,000,671 |
| 1,200 | | 9,610 | 4,167,667 |
| 14,745 | | 6,650 | 52,622 |
| | | | 648,807 |
| | \$26,823,920 | | 26,823,920 |
| <u>\$10,901,298</u> | <u>\$26,823,920</u> | <u>\$3,921,293</u> | <u>\$71,693,687</u> |
| \$387,454 | | \$92,832 | \$1,750,123 |
| | | | 33,815 |
| | | | 648,807 |
| | | | 95,128 |
| <u>387,454</u> | | <u>92,832</u> | <u>2,527,873</u> |
| 10,513,844 | \$26,823,920 | 3,828,461 | 31,602,450 |
| | | | 29,733,470 |
| | | | 1,878,355 |
| | | | 5,951,539 |
| <u>10,513,844</u> | <u>26,823,920</u> | <u>3,828,461</u> | <u>69,165,814</u> |
| <u>\$10,901,298</u> | <u>\$26,823,920</u> | <u>\$3,921,293</u> | <u>\$71,693,687</u> |

CITY OF HALF MOON BAY
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2016

| | |
|---|--------------|
| Fund balances of governmental funds | \$69,165,814 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| <p>Capital assets have not been included in as financial resources in governmental fund activity:</p> | |
| Capital assets, non depreciable | 15,821,859 |
| Capital assets, depreciated, net | 24,380,229 |
| <p>Deferred outflows below are not current assets of financial resources and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.</p> | |
| Deferred outflows of resources | 573,321 |
| Deferred inflows of resources | (1,628,741) |
| <p>Long-term asset and liabilities that have not been included in governmental fund activity</p> | |
| Net OPEB asset | 65,831 |
| Bonds payable | (10,915,000) |
| Compensated absences | (185,657) |
| Net pension liability | (6,980,122) |
| <p>Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.</p> | |
| | 4,366,080 |
| Net position of governmental activities | \$94,663,614 |

See accompanying notes to financial statements



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CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

| | General Fund | Streets and Road | Judgment Obligation Bonds | Park Developments |
|--|---------------------|---------------------|---------------------------------|----------------------|
| REVENUES | | | | |
| Taxes | \$13,929,278 | | | |
| License and Permits | 379,749 | | | |
| Fines and forfeitures | 102,202 | | | |
| Charges for services | 800,825 | | | |
| Impact fees/recreation fees | | | | \$106,014 |
| Investment income | 26,193 | \$33,103 | \$656,585 | 1,459 |
| Rents and leases | 20,000 | | | |
| Intergovernmental revenues | 161,280 | 328,792 | | 1,335,136 |
| Miscellaneous | 389,276 | 1,000 | | 10,100 |
| Total Revenues | 15,808,803 | 362,895 | 656,585 | 1,452,709 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,690,418 | | | |
| General administration | 1,083,666 | | | |
| Public Safety | 3,059,791 | | | |
| Public works | 915,419 | 315,692 | | |
| Recreation services | 139,560 | | | 43,768 |
| Planning | 1,892,413 | | | |
| Capital outlay | | 748,469 | | 1,601,904 |
| Debt service: | | | | |
| Interest & fees | | | 937,704 | |
| Total Expenditures | 8,781,267 | 1,064,161 | 937,704 | 1,645,672 |
| Excess (deficiency) of revenues over (under) expenditures | 7,027,536 | (701,266) | (281,119) | (192,963) |
| Other financing sources (uses): | | | | |
| Transfers in (Note 3) | 288,956 | 1,165,000 | 690,198 | 55,000 |
| Transfers (out) (Note 3) | (6,119,605) | (57,858) | | |
| Total other financing sources (uses) | (5,830,649) | 1,107,142 | 690,198 | 55,000 |
| Net change in fund balances | 1,196,887 | 405,876 | 409,079 | (137,963) |
| Fund balances at beginning of year | 9,542,557 | 5,089,762 | 10,822,602 | 670,789 |
| Fund balances at end of year | <u>\$10,739,444</u> | <u>\$5,495,638</u> | <u>\$11,231,681</u> | <u>\$532,826</u> |

See accompanying notes to financial statements

| <u>Library</u> | <u>Land Asset</u> | <u>Non-Major Governmental Funds</u> | <u>Total</u> |
|---------------------|---------------------|---|---------------------|
| | | | \$13,929,278 |
| | | | 379,749 |
| | | | 102,202 |
| | | \$5,817 | 806,642 |
| | | 611,455 | 717,469 |
| \$32,242 | | 22,993 | 772,575 |
| | | | 20,000 |
| 6,000,000 | | 233,577 | 8,058,785 |
| | | | 400,376 |
| <u>6,032,242</u> | | <u>873,842</u> | <u>25,187,076</u> |
| | | | 1,690,418 |
| | | | 1,083,666 |
| | | 148,308 | 3,208,099 |
| | | 116,397 | 1,347,508 |
| | | | 183,328 |
| | | | 1,892,413 |
| 1,481,727 | | 604,929 | 4,437,029 |
| | | | 937,704 |
| <u>1,481,727</u> | | <u>869,634</u> | <u>14,780,165</u> |
| <u>4,550,515</u> | | <u>4,208</u> | <u>10,406,911</u> |
| 2,333,000 | | 753,500 | 5,285,654 |
| | | (3,782) | (6,181,245) |
| <u>2,333,000</u> | | <u>749,718</u> | <u>(895,591)</u> |
| 6,883,515 | | 753,926 | 9,511,320 |
| 3,630,329 | \$26,823,920 | 3,074,535 | 59,654,494 |
| <u>\$10,513,844</u> | <u>\$26,823,920</u> | <u>\$3,828,461</u> | <u>\$69,165,814</u> |

CITY OF HALF MOON BAY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Changes in fund balances of governmental funds \$9,511,320

Amounts reported for governmental activities in the statement of activities are different because:

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expenses, whereas net position decrease by the amount of depreciation expense charged for the year.

| | |
|---------------------------|-----------|
| Capital asset additions | 3,895,781 |
| Capital asset retirements | 12,190 |
| Depreciation expense | (957,230) |

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue of expenditures in governmental funds (net change).

| | |
|----------------------|-----------|
| Compensated absences | (72,530) |
| Pension expense | (297,708) |

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

438,069

Changes in net position of governmental activities \$12,529,892

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

| | Sewer Enterprise Fund | Internal Service Funds |
|--|-----------------------------|------------------------------|
| Assets: | | |
| Current Assets: | | |
| Cash and investments (Note 2) | \$14,596,521 | \$4,614,455 |
| Interest receivable | 28,043 | 5,663 |
| Total Current Assets | 14,624,564 | 4,620,118 |
| Noncurrent Assets: | | |
| Investment in Sewer Authority Mid-Coastside (Note 6) | 6,488,295 | |
| Non-depreciable capital assets (Note 4) | 80,129 | |
| Depreciable capital assets, net of accumulated depreciation (Note 4) | 3,791,227 | 311,862 |
| Total non-current assets | 10,359,651 | 311,862 |
| Total Assets | 24,984,215 | 4,931,980 |
| Deferred Outflows of Resources | | |
| Related to pensions (Note 8) | 20,233 | |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable | 25,115 | 88,398 |
| Claims liability (Note 10) | | 477,502 |
| Total current liabilities | 25,115 | 565,900 |
| Noncurrent liabilities: | | |
| Net pension liability (Note 8) | 338,432 | |
| Total Liabilities | 363,547 | 565,900 |
| Deferred Inflows of Resources | | |
| Related to pensions (Note 8) | 133,690 | |
| Net Position: | | |
| Net investment in capital assets | 3,871,356 | 311,862 |
| Unrestricted | 20,635,855 | 4,054,218 |
| Total Net Position | \$24,507,211 | \$4,366,080 |

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

| | Sewer Enterprise Fund | Internal Service Funds |
|-----------------------------------|-----------------------------|------------------------------|
| | <u> </u> | <u> </u> |
| Operating revenues: | | |
| Charges for services | \$4,681,518 | |
| Impact fees | | \$23,791 |
| Other | 34,401 | |
| | <u> </u> | <u> </u> |
| Total operating revenues | 4,715,919 | 23,791 |
| | <u> </u> | <u> </u> |
| Operating expenses: | | |
| Salaries and wages | 193,894 | 86,676 |
| Contract services | 2,350,752 | 80,435 |
| Supplies | 26,501 | 43,039 |
| Repairs and maintenance | 272,346 | 68,700 |
| Insurance | | 223,557 |
| Pensions | | 328,408 |
| Depreciation | 99,520 | 66,233 |
| | <u> </u> | <u> </u> |
| Total operating expenses | 2,943,013 | 897,048 |
| | <u> </u> | <u> </u> |
| Total operation income | 1,772,906 | (873,257) |
| | <u> </u> | <u> </u> |
| Non-operating revenues: | | |
| Investment income | 93,088 | 22,918 |
| | <u> </u> | <u> </u> |
| Total non-operating revenues | 93,088 | 22,918 |
| | <u> </u> | <u> </u> |
| Income before transfers | 1,865,994 | (850,339) |
| | <u> </u> | <u> </u> |
| Transfers: | | |
| Transfers in (Note 3) | | 1,288,408 |
| Transfers (out) (Note 3) | (392,817) | |
| | <u> </u> | <u> </u> |
| Total transfers | (392,817) | 1,288,408 |
| | <u> </u> | <u> </u> |
| Change in net position | 1,473,177 | 438,069 |
| | <u> </u> | <u> </u> |
| Net position at beginning of year | 23,034,034 | 3,928,011 |
| | <u> </u> | <u> </u> |
| Net position at end of year | \$24,507,211 | \$4,366,080 |
| | <u> </u> | <u> </u> |

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Sewer Enterprise Fund | Internal Service Funds |
|--|-----------------------------|------------------------------|
| | <u> </u> | <u> </u> |
| Cash flows from operating activities: | | |
| Cash received from department users | \$4,707,018 | \$27,128 |
| Cash payments to suppliers for goods and services | (2,601,551) | (556,524) |
| Cash payments to employee services | (192,252) | (86,676) |
| | <u>1,913,215</u> | <u>(616,072)</u> |
| Cash flows from non-capital and related financing activities: | | |
| Cash collected from other funds | | 1,288,408 |
| Cash paid to other funds | (392,817) | |
| | <u>(392,817)</u> | <u>1,288,408</u> |
| Net cash (used for) non capital and related financing activities | <u>(392,817)</u> | <u>1,288,408</u> |
| Cash flows form capital and related financing activities: | | |
| Acquisition of capital assets | | (78,565) |
| | | <u>(78,565)</u> |
| Net cash provided by (used for) capital and related financing activities | | <u>(78,565)</u> |
| Cash flows from investing activities: | | |
| Interest received on investments | 93,088 | 22,918 |
| | <u>93,088</u> | <u>22,918</u> |
| Net cash provided by investing activities | <u>93,088</u> | <u>22,918</u> |
| Net increase in cash and cash equivalents | 1,613,486 | 616,689 |
| Cash and cash equivalents at beginning of year | <u>12,983,035</u> | <u>3,997,766</u> |
| Cash and cash equivalents at end of year | <u>\$14,596,521</u> | <u>\$4,614,455</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) provided by (used for) operating activities: | | |
| Operating income (loss) | \$1,772,906 | (\$873,257) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 99,520 | 66,233 |
| Change in assets and liabilities: | | |
| Accounts receivable | | 2,900 |
| Interest receivable, net | (8,901) | 437 |
| Accounts payable | 5,056 | 65,735 |
| Deferred outflows of resources | 9,146 | |
| Deferred inflows of resources | 33,846 | |
| Net pension liability | 1,642 | |
| Accrued claims payable | | 121,880 |
| | <u>1,913,215</u> | <u>(616,072)</u> |
| Net cash provided by operating activities | <u>\$1,913,215</u> | <u>(\$616,072)</u> |

See accompanying notes to financial statements



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**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

1. Significant Accounting Policies

The City of Half Moon Bay (the City) is located next to the Pacific Ocean in San Mateo County, approximately twenty-five miles south of San Francisco. The City and coastside area is a thriving agricultural, fishing and tourism destination. In addition, about 3,000 tons of pumpkins are grown on the coastside each year and the ripening pumpkin heralds the Annual Arts and Pumpkin Festival held in October on the downtown historic Main Street. The annual festival draws more than 200,000 visitors for the two day event.

The City is a general law city operating under the Council-Manager form of government, with a five member City Council elected for four-year overlapping terms. The City Manager is appointed by the City Council to serve as administrator of the staff and to carry out the Council's policies.

Fire, water, library and certain sewer services are provided by separate districts or authorities which are not controlled by the City.

a) Reporting Entity

The financial statements of the City include the financial activities of the City, as well as the Community Development Agency of the City of Half Moon Bay, which is controlled by and dependent on the City.

b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been eliminated from these statements to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in aggregate for governmental and proprietary funds.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

1. Significant Accounting Policies, continued

b) Government-wide and Fund Financial Statements, continued

The City reports the following major governmental funds:

The *General Fund* (Fund 1) is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The major revenue sources for this fund are property taxes, sales taxes, transient occupancy tax, unrestricted revenues from the State, and interest income. Expenditures are made for public safety, planning, building, engineering, and other general government services.

The *Streets and Roads Special Revenue Fund* was established to account for all proceeds of Gas Tax funds (Fund 10), Measure A Local Transportation Ordinance Tax funds (Fund 12), Main Street Bridge fund (Fund 9) and other grants (Fund 11) that are restricted to purposes of these taxes.

The *Judgment Obligation Bonds - Debt Service Fund* (Fund 77 Series A; Fund 78 Series B) was established to account for the Judgment Obligation Bond Series 2009A and the Judgment Obligation Bond Series 2009B issued on July 14, 2009.

The *Parks Development Fund* (Fund 17) was established to account for proceeds of construction and development fees, whose purpose is for the acquisition, development, improvement, and expansion of parks and recreational areas, including equipment for recreation purposes and for capital expenditures such as infrastructure construction projects. In addition, this fund also includes the Library Fund (Fund 15) which accounts for the operations of the public library and is funded by contributions from the City and the San Mateo County Library Joint Powers Authority.

The *Library Capital Projects Fund* (Fund 16) is used to account for the construction and facilities maintenance of the library.

The *Land Asset Capital Projects Fund* (Fund 79) was established to account for the two land parcels held for resale.

The City reports the following major enterprise fund:

The *Sewer Enterprise Fund* is used to account for the financial activity of the City's sewer utility. The costs of providing these services to the general public are financed or recovered primarily through user charges (Fund 5 is Sewer Operating Fund; Fund 6 is Sewer Capital Fund.)

The City also reports the following fund types:

Internal Service Funds:

Internal Service Funds are used to account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City operates an *Equipment Replacement Fund* (Fund 62), *Vehicle Replacement Fund* (Fund 61), a *Risk Management Fund* (Fund 63), and *Pension Stabilization Fund* (Fund 64).

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

1. Significant Accounting Policies, continued

c) Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until due. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Property taxes, sales taxes, transient occupancy taxes, and charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges to members, customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 principal operating revenues of the Sewer Fund and of the government's Internal Service Funds are charges to customers for services. Operating expenses for the Sewer Fund and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

1. Significant Accounting Policies, continued

d) Cash and Investments

Investments are reported in the accompanying statement of net position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income, earned by the pooled investments, is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash invested in the City's investment pools is also considered to be cash equivalents.

e) Cash and Investments with Fiscal Agents

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make.

f) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

g) Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to "due to/from other funds" (i.e., the current portion of interfund loans).

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

1. Significant Accounting Policies, continued

h) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. In addition, the City does not capitalize the allocation of capital costs related segments of projects maintained by other entities. The City utilizes a capitalization threshold of \$5,000.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---------------------------|----------------|
| Building and Improvements | 40 years |
| Sewer Mains and Laterals | 60 years |
| Vehicles | 5 to 10 years |
| Equipment | 5 to 20 years |
| Infrastructure | 20 to 50 years |

i) Land Held for Resale

Lands held for resale are recorded in the Land Asset Capital Projects Fund at the lower of acquisition cost or estimated resale value. Fund balances are reserved in amounts equal to the carrying value of land held for resale since such assets are not available to finance the City's current operations.

Land held for resale of \$26,823,920 at June 30, 2016 is stated at the lower of historical cost or net realizable value.

j) Compensated Absences

Depending upon length of employment, City employees earn 12 to 27 vacation days a year. Sick leave is accrued at the rate of 12 days per year. Employees can carry forward two to three years-worth of earned but unused vacation leave benefits to subsequent years depending on employee group. Upon termination, the City is obligated to compensate employees for all earned but unused vacation days. The earned but unused sick leave benefits are payable for some employees, when vested, in the event of employee termination.

In the government-wide financial statements, a liability is accrued for all earned but unused vacation leave benefits, as well as vested amounts of sick leave relating to the operations of the funds. General Fund is typically used to liquidate the liability for compensated absences. This liability will be liquidated as either additional cash payments in the event of employee termination or as part of budgeted salary expenditures if used by employees as compensated leave time while still employed by the City. In the fund financial statements, governmental funds report compensated absences only if they have matured, i.e. unused reimbursable leave still outstanding at June 30, 2016 following an employee's resignation or retirement. Non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

1. Significant Accounting Policies, continued

j) Compensated Absences, continued

The changes in compensated absences for the year ended June 30, 2016 is as follows:

| | |
|---------------------|-------------------------|
| Beginning Balance | \$113,127 |
| Additions | 275,378 |
| Payments | <u>(202,848)</u> |
| Ending Balance | <u><u>\$185,657</u></u> |
| Current Portion | <u><u>\$74,263</u></u> |
| Non-current Portion | <u><u>\$111,394</u></u> |

k) Long-term Obligations

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

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

l) Claims and Judgments

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the Internal Service Funds, which account for the City's risk management activities.

m) Property Taxes

State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value (\$1 per \$100 of assessed value) plus an additional amount for general obligation debt approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The state legislature has determined the method of distribution of receipts from the \$1.00 tax levy among the counties, cities, school districts and other districts.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

1. Significant Accounting Policies, continued

m) Property Taxes, continued

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

| | Secured | Unsecured |
|------------------------------|---|--------------------|
| Valuation/lien dates | January 1 | January 1 |
| Levy dates | On or before November 1 | July 1 |
| Due dates (delinquent after) | 50% on November 1 (December 10) 50% on February 1 (April 10) | July 1 (August 31) |

The term "unsecured" refers to taxes on personal property other than land and buildings. These "unsecured" taxes are secured by liens on the personal property being taxed. The County of San Mateo distributes to the City the entire amount of each year's levy and in return receives all penalties and interest on delinquent payments.

n) Estimates

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

o) Pensions

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

p) New GASB Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 – *Fair Value Measurement and Application*. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

1. Significant Accounting Policies, continued

g) Change in Accounting Policy - Investment In Sewer Authority Mid-Coastside

The City, along with the Montara Water and Sanitary District and El Granada Sanitary District, are members of Sewer Authority Mid-Coastside (SAM). In prior fiscal years, SAM was able to complete its financial statements audit and provide the audited financial information to the City for the City to record its share of the investment in SAM timely. However, in current fiscal year, SAM was not able to complete its financial statements audit within the necessary time frame. As a result, the City has determined that for the current fiscal year ended June 30, 2016 and prospectively, in order for the City to issue its audited financial statements, it will use SAM's prior year audited financial statement to record the City's current year investment in SAM. This change in accounting policy has no effect on the beginning net position.

2. Cash, Cash Equivalents, and Investments

Cash and investments as of June 30, 2016 consist of the following:

| | |
|--------------------------------------|--------------|
| Cash on hand | \$800 |
| Deposits with financial institutions | 4,941,585 |
| Investments | 54,269,262 |
| Total cash and investments | \$59,211,647 |

a) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a policy for custodial credit risk on deposits. As of June 30, 2016, the carrying amount of the City's deposits was \$4,941,585 and the bank balance was \$5,252,441. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Under the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is considered to be held in the name of the City.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

2. Cash, Cash Equivalents, and Investments, continued

b) Investments Authorized by the City's Investment Policy

The City maintains a cash and investment pool that is available for use by all funds. 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 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 debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage Allowed | Maximum Investment In One Issuer |
|---|---------------------|------------------------------|----------------------------------|--|
| U.S. Treasury Obligations | 5 Years | None | None | None |
| U.S. Agency Securities | 5 Years | None | None | None |
| Bankers' Acceptances | 180 Days | None | 20% | 5% |
| Commercial Paper | 180 Days | Aaa/AAA | 15% | 2% |
| Negotiable Certificates of Deposit | 2 Years | None | 30% | None |
| Repurchase Agreements | 1 year | None | None | 5% |
| California Local Agency Investment Fund | None | None | None | \$50 million |
| Pool | None | None | None | None |
| Time Deposits | 2 years | None | 10% | None |
| Medium-Term Notes | 5 Years | AA | 20% | 10% |
| Money Market Mutual Funds | None | Aaa/AAA | 20% | 5% |

c) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage Allowed | Maximum Investment In One Issuer |
|---|---------------------|------------------------------|----------------------------------|--|
| U.S. Treasury Obligations | None | None | No Limit | No Limit |
| U.S. Agency Securities | None | None | No Limit | No Limit |
| State Obligations | None | AAA | No Limit | No Limit |
| Municipal Obligations | None | AAA | No Limit | No Limit |
| Bankers' Acceptances | 360 Days | A1 | No Limit | No Limit |
| Commercial Paper | 270 Days | A1+ | No Limit | No Limit |
| Money Market Mutual Funds | None | Aam | No Limit | No Limit |
| California Local Agency Investment Fund | None | None | No Limit | No Limit |
| Repurchase Agreements | None | None | No Limit | No Limit |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

2. Cash, Cash Equivalents, and Investments, continued

d) Fair Value Hierarchy

The City adopted GASB Statement No. 72, Fair Value Measurement and Applications, which required governmental entities to measure investments at fair value in fiscal year 2015-16. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

| | Level 2 | Total |
|---|---------------------|---------------------|
| Investments by Fair Value Level: | | |
| Federal Agency Securities | \$10,515,948 | \$10,515,948 |
| San Mateo County Investment Pool | 35,803,593 | 35,803,593 |
| California Local Agency Investment Fund | 7,949,034 | 7,949,034 |
| Total Investments | \$54,268,575 | \$54,268,575 |
| Money Market Fund - at amortized cost | | 687 |
| Cash in Bank and on hand | | 4,942,385 |
| Total Cash and Investments | | \$59,211,647 |

The Federal Agency Securities, California Local Agency Investment Fund (LAIF), San Mateo County Investment Pool, and Money Market Mutual Fund Investments classified in Level 2 of the fair value hierarchy, are valued using quoted prices for a non-active market portfolio at fiscal year-end. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

2. Cash, Cash Equivalents, and Investments, continued

e) 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. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

| Investment Type | <u>Remaining Maturity (in Months)</u> | | Total |
|---|---------------------------------------|------------------------|---------------------|
| | 12 Months Or Less | More Than 60 Months | |
| <i>Available for Operations</i> | | | |
| California Local Agency Investment Fund | \$7,203,188 | | \$7,203,188 |
| San Mateo County Investment Pool | 35,803,593 | | 35,803,593 |
| <i>Held by Trustees</i> | | | |
| California Local Agency Investment Fund | 745,846 | | 745,846 |
| Federal Agency Security | | \$10,515,948 | 10,515,948 |
| Money Market Fund | 687 | | 687 |
| Total Investments | <u>\$43,753,314</u> | <u>\$10,515,948</u> | 54,269,262 |
| <i>Demand Deposits and Cash on Hand</i> | | | 4,942,385 |
| <i>Total Cash and Investments</i> | | | <u>\$59,211,647</u> |

f) Custodial Credit Risk - Investment

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 and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. Investments in any one issuer, other than U.S. Treasury securities, mutual funds or external investment pools, which represent 5% or more of the City's total investments are shown below:

| Issuer | Investment Type | Reported Amount |
|--|-------------------------|--------------------|
| Federal Home Loan Mortgage Corporation | Federal Agency Security | \$10,515,948 |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

2. Cash, Cash Equivalents, and Investments, continued

g) Credit Risk – Investments

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 ratings by nationally recognized statistical rating organization.

| Investment Type | AA | AAA | Not Rated | Total |
|---|---------------------|---------------------|---------------------|---------------------|
| <i>Held by City</i> | | | | |
| California Local Agency Investment Fund | | | \$7,203,188 | \$7,203,188 |
| San Mateo County Investment Pool | | \$35,803,593 | | 35,803,593 |
| Cash in banks and on hand | | | 4,942,385 | 4,942,385 |
| <i>Held by Trustee</i> | | | | |
| Federal Agency Securities | \$10,515,948 | | | 10,515,948 |
| Money Market Funds | | | 687 | 687 |
| California Local Agency Investment Fund | | | 745,846 | 745,846 |
| Total Cash & Investments | <u>\$10,515,948</u> | <u>\$35,803,593</u> | <u>\$12,892,106</u> | <u>\$59,211,647</u> |

h) Investments in San Mateo County Investment Pool

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 1 6429 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in the County Pool at the fair value amount provided by the County. The balance available for withdrawal is based on the accounting records maintained by the County Pool which are recorded on an amortized cost basis. Included in the County Pool's investment portfolio are U.S. Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, repurchase agreements, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2016, these investments matured in an average of 1.06 years.

i) Investments in State Treasurer's Local Agency Investment Pool

The City is also a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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. At June 30, 2016 these investments matured in an average of 167 days.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

3. Interfund Transfers

a) Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

| <u>Transfer To</u> | <u>Transfer From</u> | <u>Amount</u> | |
|---|--|--------------------|-----|
| General Fund | Sewer Enterprise Fund | \$242,704 | (a) |
| | Streets and Roads Special Revenue Fund | 46,252 | |
| Streets and Roads Special Revenue Fund | General Fund | 1,165,000 | (c) |
| Parks Development Special Revenue Fund | General Fund | 55,000 | (d) |
| Judgment Obligation Bonds Debt Service Fund | General Fund | 690,198 | (b) |
| Library | General Fund | 2,333,000 | |
| Non-Major Funds | General Fund | 753,500 | (d) |
| Internal Service Funds | General Fund | 1,122,907 | (d) |
| | Sewer | 150,113 | (d) |
| | Streets and Roads Special Revenue Fund | 11,606 | (d) |
| | Non-Major Funds | <u>3,782</u> | (d) |
| | | <u>\$6,574,062</u> | |

Interfund transfers were principally used for the following purposes:

- (a) Administrative Expenditures for Sewer Management
- (b) Debt Service Expenditures
- (c) Capital Program Expenditures
- (d) Program Expenditures

b) Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2016, the amounts of current interfund balances were as follows:

| <u>Due To</u> | <u>Due From</u> | |
|-------------------|---------------------|-----------------------|
| | <u>General Fund</u> | <u>Total Due From</u> |
| Parks Development | <u>\$648,807</u> | <u>\$648,807</u> |
| Totals | <u>\$648,807</u> | <u>\$648,807</u> |

The deficit was a result of a reimbursable grant for the Pilarcitos Bridge replacement project which is expected to be received after the end of the fiscal year.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

4. Capital Assets

a) Capital Assets Activity

A Summary of changes in capital assets for the year ended June 30, 2016 is as follows:

| | Balance June 30, 2015 | Additions | Adjustments/ Transfers | Balance June 30, 2016 |
|--|--------------------------|-------------|---------------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$4,630,615 | | | \$4,630,615 |
| Rights of way | 6,723,926 | | | 6,723,926 |
| Construction in progress | 2,271,419 | \$3,315,581 | (\$1,119,682) | 4,467,318 |
| Total capital assets not being depreciated | 13,625,960 | 3,315,581 | (1,119,682) | 15,821,859 |
| Capital assets being depreciated: | | | | |
| Buildings & improvements | 10,798,341 | 14,443 | | 10,812,784 |
| Machinery & equipment | 904,010 | 78,565 | | 982,575 |
| Infrastructure | 28,507,493 | 565,757 | 1,119,682 | 30,192,932 |
| Total capital assets being depreciated | 40,209,844 | 658,765 | 1,119,682 | 41,988,291 |
| Less accumulated depreciation for: | | | | |
| Buildings & improvements | 4,005,345 | 255,098 | 51,936 | 4,312,379 |
| Machinery & equipment | 604,480 | 66,233 | | 670,713 |
| Infrastructure | 11,675,102 | 702,132 | (64,126) | 12,313,108 |
| Total accumulated depreciation | 16,284,927 | 1,023,463 | (12,190) | 17,296,200 |
| Net depreciable assets | 23,924,917 | (364,698) | 1,131,872 | 24,692,091 |
| Governmental activity capital assets, net | \$37,550,877 | \$2,950,883 | \$12,190 | \$40,513,950 |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

4. Capital Assets, continued

| | Balance June 30, 2015 | Additions | Balance June 30, 2016 |
|--|--------------------------|-------------------|--------------------------|
| <i>Business-type activities:</i> | | | |
| Capital assets not being depreciated: | | | |
| Construction in progress | \$80,129 | | \$80,129 |
| Total capital assets not being depreciated | 80,129 | | 80,129 |
| Capital assets being depreciated: | | | |
| Buildings & improvements | 5,088,541 | | 5,088,541 |
| Machinery & equipment | 763,646 | | 763,646 |
| Total capital assets being depreciated | 5,852,187 | | 5,852,187 |
| Less accumulated depreciation for: | | | |
| Buildings & improvements | 1,329,522 | \$82,720 | 1,412,242 |
| Machinery & equipment | 631,918 | 16,800 | 648,718 |
| Total accumulated depreciation | 1,961,440 | 99,520 | 2,060,960 |
| Net depreciable assets | 3,890,747 | (99,520) | 3,791,227 |
| Business-type activity capital assets, net | <u>\$3,970,876</u> | <u>(\$99,520)</u> | <u>\$3,871,356</u> |

b) Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|---|--------------------|
| Governmental Activities: | |
| General government | \$92,447 |
| Recreation | 149,100 |
| Public safety | 20,093 |
| Public works | 695,590 |
| Depreciation on capital assets held by the City's Internal Service Funds is charged to the various functions based on their usage of the assets | <u>66,233</u> |
| Total Governmental Activities | <u>\$1,023,463</u> |
| Business-Type Activities: | |
| Sewer Fund | <u>\$99,520</u> |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2016.

| | Original Issue | Balance | | Balance | | Current |
|------------------------------------|----------------|---------------------|-----------|-------------|---------------------|---------|
| | Amount | June 30, 2015 | Additions | Retirements | June 30, 2016 | |
| <i>Governmental Activity Debt</i> | | | | | | |
| 2009 B Judgment Obligation Bonds | | | | | | |
| 2.00%-5.375%, due 2020 | \$10,915,000 | \$10,915,000 | | | \$10,915,000 | |
| Total Governmental Activity | | \$10,915,000 | | | \$10,915,000 | |

a) Judgment Obligation Bond, Series 2009A and Series 2009B

In July 2009, the City issued Judgment Obligation Bonds (JOB) 2009B in the amount of \$10,915,000. The proceeds were used to settle the City's judgment obligation.

Judgment Obligation Bond, Series 2009B

The JOB Series 2009B bonds interest rates range from 8.5% to 8.625%. Interest payments for the JOB Series 2009B bonds are due on February 1 and August 1 of each year and principal payments are due on August 1 annually, commencing on August 1, 2027 with the final payment due on August 1, 2040. However, the City has established a debt reduction plan to facilitate a complete retirement of the bonds on August 1, 2019.

The 2009B Bonds are issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009. The City receives a cash subsidy payment from the United States Treasury pursuant to the Recovery Act equal to 35% of the interest payable on the Series 2009B Bonds on or about each interest payment date. The City is obligated to make all payments of principal of and interest on the 2009B Bonds whether or not it receives cash subsidy payments pursuant to the Recovery Act.

As of June 30, 2016, annual debt service to maturity for the JOB Series 2009B bonds are as follows:

| Year ending June 30 | Governmental Activities | |
|---------------------|-------------------------|--------------------|
| | Principal | Interest |
| 2017 | | \$937,704 |
| 2018 | | 937,704 |
| 2019 | | 937,704 |
| 2020 | \$10,915,000 | 468,852 |
| Total | \$10,915,000 | \$3,281,964 |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

5. Long-Term Debt, continued

b) Escrow Trust for Repayment of Judgment Obligation Bonds

During the fiscal year ended June 30, 2013, the City received a \$13.2 million insurance payment from the insurance company for a binding arbitration awarded. The City determined that the best use of the proceeds was to pay down the Judgment Obligation Bonds early. An irrevocable escrow trust was established in July 2013 to apply these monies toward the pay down of the Judgment Obligation Bonds. The debt reduction plan facilitates a complete pay down on the bonds on August 1, 2019.

c) Library Loan – Advance Agreement with the County of San Mateo

During the fiscal year ended June 30, 2016, the City entered into an agreement with the County of San Mateo in the amount of \$6 million to ensure completion of the Library Project. The Project includes design, environmental review, demolition of existing library, construction, and construction management. The terms of repayment are directly from the property tax apportionments in two installments per fiscal year for a ten year period beginning no later than December 15, 2019 and final payment shall be made no later than April 15, 2029. As of June 30, 2016, the City has not drawn down on the loan.

6. Investment In Sewer Authority Mid-Coastside

The City, along with the Montara Water and Sanitary District and El Granada Sanitary District, established the Sewer Authority Mid-Coastside (SAM) in 1976 to build and operate a sewage treatment facility for its members. SAM is controlled by a six member board consisting of two representatives from each member. The board appoints management and employees of SAM and is responsible for SAM's budget, operations and finances. As one of SAM's member agencies, the City makes contributions to SAM in the form of collections assessments and operations and maintenance assessments. The City exercises significant influence over SAM's operations; therefore, the City's share of SAM's net position has been recorded as an investment in the City's financial statements. The City's share of SAM's net position is calculated annually, based on the proportion of SAM's total assessed valuation within the City limits. Complete financial statements for SAM can be obtained from the SAM at 1000 North Cabrillo Highway, Half Moon Bay, California 94019-1466. Based on SAM's audited financial statements for June 30, 2015, the City recorded its investment in SAM in the amount of \$6,488,295 at June 30, 2016.

7. Net Position/Fund Balances

a) Fund Balances

In the fund financial statements, governmental funds report the following fund balance classifications: non-spendable, restricted, committed, assigned, and unassigned. The City Council, as the highest level of decision making authority for the City, has the ability to commit fund balances through the adoption of a formal resolution. The same action must be taken to modify or rescind the commitment. The City Council has approved a policy (Resolution No. C-44-11) authorizing the City Manager to assign fund balances for specific purposes up to \$8,000,000. Assignments of amounts over \$8,000,000 require the approval of City Council.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

7. Net Position/Fund Balances, continued

b) Stabilization Arrangement

City Council adopted a resolution (No. C-44-11) to establish a contingency reserve in the amount of 30% of the following fiscal year's budgeted operating expenditures, or \$2,909,550. Changes to the reserve amount require City Council approval. Appropriations from the General Fund reserve commitment can only be made for the following specific circumstances:

- 1) Budgeted revenue taken by another government entity;
- 2) Drop in projected/actual revenue of more than 3% of the General Fund adopted revenue budget;
- 3) One-time costs exceeding \$250,000 used to secure long-term cost savings;
- 4) In the event of actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within this City caused by such conditions as air pollution, fire, flood, storm, epidemic, riot, earthquake, nuclear disaster, tornado, tsunami, or terrorism.

c) Classifications

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2016, fund balances for government funds are made up of the following:

- *Non-spendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, long-term notes receivable and land.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action (resolution) of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) the City Manager. The City Council has delegated the authority for the City Manager to assign amounts of up to \$8 million to be used for specific purposes (Resolution C-44-11).
- *Unassigned Fund Balance* – is the residual classification and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. General Fund is the only fund that reports a positive unassigned fund balance.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

7. Net Position/Fund Balances, continued

d) Policies

The standard also requires governments to disclose the accounting policies that indicate the order in which restricted, committed, assigned and unassigned amounts are spent.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, as signed, and unassigned.

Fund balances for all the major and non-major governmental funds as of June 30, 2016 were distributed as follows:

| | General Fund | Streets and Roads | Parks Development | Judgment Obligation Bonds | Library | Land Asset | Non-major Governmental Funds | Total |
|---|---------------------|----------------------|----------------------|---------------------------------|---------------------|---------------------|------------------------------------|---------------------|
| Restricted: | | | | | | | | |
| Streets & roads | | \$5,495,638 | | | | | | \$5,495,638 |
| Parks development improvements | | | \$532,826 | | | | | 532,826 |
| Debt service | | | | \$11,231,681 | | | | 11,231,681 |
| Police | | | | | | | \$193,630 | 193,630 |
| Storm drain maintenance improvements | | | | | | | 704,886 | 704,886 |
| Traffic mitigation | | | | | | | 380,980 | 380,980 |
| Affordable housing | | | | | | | 1,795,746 | 1,795,746 |
| Public facilities | | | | | | | 753,219 | 753,219 |
| Library | | | | | \$10,513,844 | | | 10,513,844 |
| Total restricted | | <u>5,495,638</u> | <u>532,826</u> | <u>11,231,681</u> | <u>10,513,844</u> | | <u>3,828,461</u> | <u>31,602,450</u> |
| Committed: | | | | | | | | |
| Land held for resale | | | | | | \$26,823,920 | | 26,823,920 |
| Contingency reserve | \$2,909,550 | | | | | | | 2,909,550 |
| Total committed | <u>2,909,550</u> | | | | | <u>26,823,920</u> | | <u>29,733,470</u> |
| Assigned: | | | | | | | | |
| Measure J | 378,355 | | | | | | | 378,355 |
| Main Street Bridge Contingency | 1,500,000 | | | | | | | 1,500,000 |
| Total assigned | <u>1,878,355</u> | | | | | | | <u>1,878,355</u> |
| Unassigned: | | | | | | | | |
| | 5,951,539 | | | | | | | 5,951,539 |
| Total Fund Balances | <u>\$10,739,444</u> | <u>\$5,495,638</u> | <u>\$532,826</u> | <u>\$11,231,681</u> | <u>\$10,513,844</u> | <u>\$26,823,920</u> | <u>\$3,828,461</u> | <u>\$69,165,814</u> |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

8. Pension Plan

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 the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

a) General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety and Miscellaneous Employee Pension Rate Plans. Benefit provisions under the Plan are established by State statute and Board 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.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

| | <u>Miscellaneous</u> | |
|---|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 | 52 |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.418% | 1.000% to 2.500% |
| Required employee contribution rates | 8% | 6.50% |
| Required employer contribution rates | 9.353% | 6.730% |
| | <u>Safety</u> | |
| | Prior to January 1, 2013 | |
| Hire date | | |
| Benefit formula | 3% @ 50 | |
| Benefit vesting schedule | 5 years service | |
| Benefit payments | monthly for life | |
| Retirement age | 50 | |
| Monthly benefits, as a % of eligible compensation | 3% | |
| Required employee contribution rates | 9% | |
| Required employer contribution rates | 0% | |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

8. Pension Plans, continued

a) General Information about the Pension Plans, continued

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$340,500 in fiscal year 2016.

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 are 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.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

| | Miscellaneous | Safety |
|--------------------------|---------------|-----------|
| Contributions - employer | \$168,511 | \$414,500 |

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

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 the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

| | Proportionate Share of Net Pension Liability |
|-----------------------------|---|
| Miscellaneous | \$2,994,972 |
| Safety | 4,323,582 |
| Total Net Pension Liability | \$7,318,554 |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

8. Pension Plans, continued

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

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|------------------------------|----------------------|-----------------|
| Proportion - June 30, 2014 | 0.14777% | 0.10154% |
| Proportion - June 30, 2015 | 0.10917% | 0.10493% |
| Change - Increase (Decrease) | <u>(0.03860%)</u> | <u>0.00339%</u> |

For the year ended June 30, 2016, the City recognized pension expense of \$1,508,364. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions subsequent to measurement date | \$583,011 | |
| Changes in assumptions | | (\$214,912) |
| Differences between actual and expected experience | 10,543 | (25,040) |
| Net change in Proportion DDO and Net Pension Liability | | (769,620) |
| Net difference in actual contribution and proportion contributions | | (644,489) |
| Net differences between projected and actual earnings on plan investments | | (108,370) |
| Total | <u>\$593,554</u> | <u>(\$1,762,431)</u> |

\$583,011 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30</u> | |
|-------------------------------|-------------|
| 2016 | (\$835,651) |
| 2017 | (741,926) |
| 2018 | (309,878) |
| 2019 | 135,567 |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

8. Pension Plans, continued

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

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

| | Miscellaneous & Safety |
|----------------------------------|---|
| Valuation Date | June 30, 2014 |
| Measurement Date | June 30, 2015 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Projected Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.65% Net of Pensions Plan Investment Expenses, includes Inflation |
| Mortality | Derived using CalPERS Membership Data for all Funds (1) |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter |

(1) The mortality table used was developed based on 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 CalPERS 2014 experience study report available on the CalPERS website under Forms and Publications.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, 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 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% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

8. Pension Plans, continued

b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, 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 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 arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
| Global Equity | 51.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 10.0% | 6.83% | 6.95% |
| Real Estate | 10.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | -0.55% | -1.05% |
| Total | <u>100%</u> | | |

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

8. Pension Plans, continued

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Miscellaneous | Safety | Total |
|-----------------------|---------------|-------------|--------------|
| 1% Decrease | 6.65% | 6.65% | 6.65% |
| Net Pension Liability | \$5,434,655 | \$6,897,357 | \$12,332,012 |
| | | | |
| Current Discount Rate | 7.65% | 7.65% | 7.65% |
| Net Pension Liability | \$2,994,972 | \$4,323,582 | \$7,318,554 |
| | | | |
| 1% Increase | 8.65% | 8.65% | 8.65% |
| Net Pension Liability | \$980,730 | \$2,213,133 | \$3,193,863 |

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

9. Other Post Employment Healthcare Benefits

Post Employment Benefits Plan

Plan Description: The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City pays the minimum amount provided under Government Code Section 22892 of the Public Employees Medical and Hospital Care Act. The City currently pays \$115 to \$119 per month for any health coverage.

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements. The most recent Other Post Employment Benefit (OPEB) valuation report as of June 30, 2014, prepared by the City's actuarial consultant Bartel & Associates, reflects \$16,182 of Annual Required Contribution (ARC). The City has previously setup an irrevocable retiree benefit trust with the Public Agency Retirement Services (PARS). The City continued with the same funding policy payment to a full ARC contribution of \$16,182 to the trust, to a total contribution of \$16,182 towards the City's unfunded OPEB obligations in 2015-16.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize (or funding excess) over a closed period not to exceed thirty years.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

9. Other Post Employment Healthcare Benefits, continued

The ARC was determined as part of a June 30, 2014 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included 3.00% inflation rate, 6.25% investment rate of return and 3.25% projected annual salary increase. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

| | |
|--|--------------------------|
| Annual required contribution | \$16,182 |
| Annual OPEB cost (expense) | 16,182 |
| Contributions and adjustments made (including premiums paid) | <u>(16,182)</u> |
| Increase in net OPEB obligation | |
| Net OPEB obligation, beginning of year | <u>(65,831)</u> |
| Net OPEB (asset), end of year | <u><u>(\$65,831)</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 2016 and the two preceding years were as follows:

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB (Asset) |
|---------------|------------------|--|------------------|
| June 30, 2014 | \$45,539 | 100% | \$0 |
| June 30, 2015 | 47,019 | 100% | (65,831) |
| June 30, 2016 | 16,182 | 100% | (65,831) |

As of June 30, 2014, the most recent actuarial valuation date, the funded status was as follows:

| Valuation Date | Actuarial Value of Assets (a) | Accrued Liability (b) | Unfunded Accrued Liability (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b)-(a)/(c) |
|-------------------|--|-----------------------------|---|----------------------------|---------------------------|--|
| 6/30/2014 | \$428,711 | \$487,949 | \$59,238 | 88% | \$1,698,000 | 3.49% |

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

9. Other Post Employment Healthcare Benefits, continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts 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, 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 the benefits.

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 members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members 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 assets, consistent with the long-term perspective of the calculations.

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The ABAG Plan covers general liability claims in an amount up to \$5,000,000. The City has a deductible or uninsured liability of up to \$50,000 per claim. Once the City's deductible is met ABAG Plan becomes responsible for payment of all claims up to the limit. The Cities Group covers workers compensation claims up to \$1,000,000 for miscellaneous employees and \$1,500,000 for safety employees and has coverage above that limit to a maximum of \$10,000,000. The City has no deductible for these claims. The City also belongs to the California Sanitation Risk Management Authority, which insures the City up to \$500,000 per property against sewer backup damages. The City is liable for only one claim per property and is not liable for any future damages, as the property owner is then required to install a back flow valve on their line, with the exception of properties in certain low lying areas.

The City provides for the uninsured portion of claims and judgments in the General Fund and Risk Management Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

Settled claims have not exceeded the City's excess coverage in any of the past three fiscal years. Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balance. These losses include an estimate of claims that have been incurred but not reported. The liability for general liability self-insurance claims is the City's best estimate based on available information.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

10. Risk Management, continued

a) *The Cities Group*

The City, along with five other governments located within San Mateo County, is a member of The Cities Group, a public entity risk pool and a provider of workers' compensation insurance coverage, claims management, risk management services and legal defense to each participating member. The Cities Group is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to The Cities Group may be modified by Board decision according to the loss experience of each member. This loss experience mechanism will operate to ensure that each member returns over a period of time to The Cities Group the funds paid out on its behalf as paid losses. In the opinion of City management, premiums paid represent the best available estimate of the ultimate cost of the City's participation in The Cities Group and, accordingly, the accompanying basic financial statements of the City includes no provisions for possible refunds or additional assessments. For the year ended June 30, 2016, the City paid premiums of \$68,046 to The Cities Group. Financial statements may be obtained from The Cities Group at P.O. Box 111, Burlingame, CA 94011-0111.

b) *ABAG Plan*

The City, along with 31 other Bay Area governments, is a member of the ABAG Plan, a public entity risk pool. ABAG Plan provides liability insurance coverage, claims management, risk management services and legal defense to its participating members. ABAG Plan is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to ABAG Plan are subject to possible refund based on the results of actuarial studies and approval by ABAG Plan's Board of Directors. In the opinion of the City management, premiums made represent the best available estimate of the ultimate cost of the City's participation in ABAG Plan and, accordingly, the accompanying basic financial statements of the City include no provisions for possible refunds or additional assessments. Actual refunds and assessments arising from retrospective premium adjustments relating to prior loss years will be recorded in the City's basic financial statements in the year they become known. For the year ended June 30, 2016, the City paid premiums of \$91,901 to ABAG Plan. Financial statements may be obtained from ABAG Plan Corp. at P.O. Box 2050, Oakland, CA 94604-2050.

The City's liability for uninsured claims was estimated by management based on prior year claims experience as follows:

| | 2016 | 2015 |
|-------------------------------------|-----------|-----------|
| Beginning balance of claims payable | \$355,622 | \$243,340 |
| Increase in estimated liability | 390,999 | 338,300 |
| Claims paid | (269,119) | (226,018) |
| Ending balance of claims payable | \$477,502 | \$355,622 |

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

COST-SHARING EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS PLAN

This schedule presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND RELATED RATIOS AS OF
THE MEASUREMENT DATE**

| | <u>Miscellaneous Plan</u> | <u>Safety Plan</u> |
|---|---------------------------|--------------------|
| Measurement date: | <u>6/30/2015</u> | <u>6/30/2015</u> |
| Plan's proportion of the Net Pension Liability (Asset) | 0.10917% | 0.10493% |
| Plan's proportion share of the Net Pension Liability (Asset) | \$2,994,972 | \$4,323,582 |
| Plan's Covered Employee Payroll | \$1,986,876 | N/A |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 150.74% | N/A |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 83.28% | 76.97% |
| Plan's Proportionate Share of Aggregate Employer Contributions | \$652,701 | \$491,547 |

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

REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing Multiple Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

| | Miscellaneous Plan | Safety Plan |
|---|-------------------------|-------------------------|
| | Fiscal Year 2014 - 2015 | Fiscal Year 2014 - 2015 |
| Actuarially determined contribution | \$168,511 | \$414,500 |
| Contributions in relation to the actuarially determined contributions | (168,511) | (414,500) |
| Contribution deficiency (excess) | \$0 | \$0 |
| | | |
| Covered-employee payroll | \$1,986,876 | N/A |
| Contributions as a percentage of covered-employee payroll | (8.5%) | N/A |
| | | |
| Notes to Schedule | | |
| Valuation date: | 6/30/2014 | 6/30/2014 |

| | Miscellaneous Plan | Safety Plan |
|---|-------------------------|-------------------------|
| | Fiscal Year 2013 - 2014 | Fiscal Year 2013 - 2014 |
| Actuarially determined contribution | \$215,509 | \$313,306 |
| Contributions in relation to the actuarially determined contributions | (1,090,708) | (313,306) |
| Contribution deficiency (excess) | (\$875,199) | \$0 |
| | | |
| Covered-employee payroll | \$1,412,295 | N/A |
| Contributions as a percentage of covered-employee payroll | 77.23% | N/A |
| | | |
| Notes to Schedule | | |
| Valuation date: | 6/30/2013 | 6/30/2013 |

Methods and assumptions used to determine contribution rates:

| | |
|----------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 15 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary increases | (1) |
| Investment rate of return | 7.50% (2) |
| Mortality | Derived using CalPERS Membership Data |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Half Moon Bay
 Schedule of Funding Progress - Other Post Employment Benefits
 As of the fiscal year ending June 30, 2016
 Last Three Actuarial Valuation

| Valuation Date | Actuarial | | Unfunded Accrued Liability (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b)-(a)/(c) |
|----------------|---------------------------|-----------------------------|---|----------------------------|---------------------------|--|
| | Value of Assets (a) | Accrued Liability (b) | | | | |
| 6/30/2009 | \$0 | \$619,500 | \$619,500 | 0% | \$3,040,244 | 20.40% |
| 6/30/2011 | 230,268 | 501,001 | 270,733 | 46% | 1,331,681 | 20.30% |
| 6/30/2014 | 428,711 | 487,949 | 59,238 | 88% | 1,698,000 | 3.49% |

CITY OF HALF MOON BAY
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Property tax | \$12,480,415 | \$13,481,415 | \$13,929,278 | \$447,863 |
| Licenses and permits | 351,525 | 357,337 | 379,749 | 22,412 |
| Fines and forfeitures | 95,000 | 125,000 | 102,202 | (22,798) |
| Charges for services | 598,265 | 643,265 | 800,825 | 157,560 |
| Investment income | 40,000 | 40,000 | 26,193 | (13,807) |
| Rents and leases | 11,250 | 11,250 | 20,000 | 8,750 |
| Intergovernmental revenues | 114,000 | 114,000 | 161,280 | 47,280 |
| Miscellaneous | 384,951 | 384,951 | 389,276 | 4,325 |
| Total revenues | <u>14,075,406</u> | <u>15,157,218</u> | <u>15,808,803</u> | <u>651,585</u> |
| Expenditures: | | | | |
| Current Operations: | | | | |
| General Government | 1,923,372 | 2,146,172 | 1,690,418 | 455,754 |
| General administration | 1,346,857 | 1,131,857 | 1,083,666 | 48,191 |
| Public Safety | 3,108,465 | 3,108,465 | 3,059,791 | 48,674 |
| Public Works | 1,065,718 | 1,065,718 | 915,419 | 150,299 |
| Recreation services | 140,195 | 140,195 | 139,560 | 635 |
| Planning | 1,906,094 | 2,106,094 | 1,892,413 | 213,681 |
| Total expenditures | <u>9,490,701</u> | <u>9,698,501</u> | <u>8,781,267</u> | <u>917,234</u> |
| Excess of revenues over expenditures | <u>4,584,705</u> | <u>5,458,717</u> | <u>7,027,536</u> | <u>1,568,819</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 288,956 | 288,956 | 288,956 | |
| Transfers out | <u>(6,076,855)</u> | <u>(6,076,855)</u> | <u>(6,119,605)</u> | <u>(42,750)</u> |
| Total Other Financing Sources (Uses) | <u>(5,787,899)</u> | <u>(5,787,899)</u> | <u>(5,830,649)</u> | <u>(42,750)</u> |
| Net change in fund balance | <u>(\$1,203,194)</u> | <u>(\$329,182)</u> | 1,196,887 | <u>\$1,526,069</u> |
| Fund balance at beginning of year | | | <u>9,542,557</u> | |
| Fund balance at end of year | | | <u>\$10,739,444</u> | |

See accompanying notes to financial statements

CITY OF HALF MOON BAY
STREETS AND ROADS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

| | Budget | | Actual | Variance with |
|--|----------------------|----------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Investment income | \$16,500 | \$16,500 | \$33,103 | \$16,603 |
| Intergovernmental revenue | 1,260,136 | 1,222,136 | 328,792 | (893,344) |
| Miscellaneous | | 375,000 | 1,000 | (374,000) |
| Total revenues | <u>1,276,636</u> | <u>1,613,636</u> | <u>362,895</u> | <u>(876,741)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | 417,535 | 417,535 | 315,692 | 101,843 |
| Capital Outlay | 4,185,000 | 4,633,700 | 748,469 | 3,885,231 |
| Total expenditures | <u>4,602,535</u> | <u>5,051,235</u> | <u>1,064,161</u> | <u>3,987,074</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,325,899)</u> | <u>(3,437,599)</u> | <u>(701,266)</u> | <u>2,736,333</u> |
| Other financing sources (uses): | | | | |
| Transfer in | 1,635,000 | 1,635,000 | 1,165,000 | 55,000 |
| Transfer out | <u>(527,857)</u> | <u>(527,857)</u> | <u>(57,858)</u> | |
| Total other financing sources (uses) | <u>1,107,143</u> | <u>1,107,143</u> | <u>1,107,142</u> | <u>55,000</u> |
| Net change in fund balance | <u>(\$2,218,756)</u> | <u>(\$2,330,456)</u> | 405,876 | <u>\$2,791,333</u> |
| Fund balance at beginning of year | | | <u>5,089,762</u> | |
| Fund balance at end of year | | | <u>\$5,495,638</u> | |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budget and Budgetary Accounting

The City Council adopts an Annual Budget no later than the second meeting of June of each year for the fiscal year commencing the following July 1. The Annual Budget is adopted on a basis consistent with generally accepted accounting principles. The Land Asset Capital Projects Fund was not budgeted.

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

1. The City Manager submits to the City Council a proposed operating budget for the following fiscal year. The operating budget includes proposed revenues and expenditures.
2. After a review by the City Council, a public hearing is conducted and further comment is received from the City Council and the general public.
3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the City Council through passage of an appropriate resolution.
4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review.
5. The City Manager is authorized to transfer from time to time budget amounts of operational expenditure categories within divisions as deemed necessary in order to meet the City's needs.
6. City Council approval is required for all fund to fund transfers, fund reserve to appropriations transfers, for new revenue sources with offsetting appropriations, and for transfers to/from the capital expenditure category. The legal level of budgetary control of the City Council is at the fund level. This is the level that management cannot overspend the budget without approval of the City Council.

CITY OF HALF MOON BAY
 JUDGMENT OBLIGATION BONDS DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--------------------------------------|-------------------------|----------------------------|---|
| Revenues: | | | |
| Investment income | <u>\$250,276</u> | <u>\$656,585</u> | <u>\$406,309</u> |
| Total revenues | <u>250,276</u> | <u>656,585</u> | <u>406,309</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal | | | |
| Interest and fees | <u>940,474</u> | <u>937,704</u> | <u>2,770</u> |
| Total expenditures | <u>940,474</u> | <u>937,704</u> | <u>2,770</u> |
| Excess of revenues over expenditures | <u>(690,198)</u> | <u>(281,119)</u> | <u>409,079</u> |
| Other financing sources: | | | |
| Transfers in | <u>690,198</u> | <u>690,198</u> | <u></u> |
| Total other financing sources | <u>690,198</u> | <u>690,198</u> | <u></u> |
| Net change in fund balance | <u><u></u></u> | <u>409,079</u> | <u><u>\$409,079</u></u> |
| Fund balance at beginning of year | | <u>10,822,602</u> | |
| Fund balance at end of year | | <u><u>\$11,231,681</u></u> | |

CITY OF HALF MOON BAY
PARKS DEVELOPMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|-----------------|-----------|---|
| Revenues: | | | |
| Impact fees/recreation fees | \$315,570 | \$106,014 | (\$209,556) |
| Investment income | 2,500 | 1,459 | (1,041) |
| Intergovernmental revenues | 1,935,000 | 1,335,136 | (599,864) |
| Miscellaneous | 25,000 | 10,100 | (14,900) |
| Total Revenues | 2,278,070 | 1,452,709 | (825,361) |
| Expenditures: | | | |
| Current: | | | |
| Recreation services | 40,000 | 43,768 | (3,768) |
| Capital outlay | 2,688,600 | 1,601,904 | 1,086,696 |
| Total expenditures | 2,728,600 | 1,645,672 | 1,082,928 |
| Excess of revenues over expenditures | (450,530) | (192,963) | 257,567 |
| Other financing sources: | | | |
| Transfers in | 55,000 | 55,000 | |
| Total other financing sources | 55,000 | 55,000 | |
| Net change in fund balance | (\$395,530) | (137,963) | \$257,567 |
| Fund balance at beginning of year | | 670,789 | |
| Fund balance at end of year | | \$532,826 | |

CITY OF HALF MOON BAY
LIBRARY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|-----------------------------|-----------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Investment income | | \$32,242 | \$32,242 |
| Intergovernmental revenues | \$1,400,000 | 6,000,000 | 4,600,000 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Revenues | 1,400,000 | 6,032,242 | 4,632,242 |
| | <u> </u> | <u> </u> | <u> </u> |
| Expenditures: | | | |
| Capital outlay | 2,800,000 | 1,481,727 | 1,318,273 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | 2,800,000 | 1,481,727 | 1,318,273 |
| | <u> </u> | <u> </u> | <u> </u> |
| Excess of revenues over expenditures | (1,400,000) | 4,550,515 | 5,950,515 |
| | <u> </u> | <u> </u> | <u> </u> |
| Other financing sources: | | | |
| Transfers in | 2,333,000 | 2,333,000 | |
| | <u> </u> | <u> </u> | <u> </u> |
| Total other financing sources | 2,333,000 | 2,333,000 | |
| | <u> </u> | <u> </u> | <u> </u> |
| Net change in fund balance | <u>\$933,000</u> | 6,883,515 | <u>\$5,950,515</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Fund balance at beginning of year | | <u>3,630,329</u> | |
| | | <u> </u> | |
| Fund balance at end of year | | <u>\$10,513,844</u> | |



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CITY OF HALF MOON BAY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2016

Special Revenue Funds

Special Revenue Funds are established to account for revenue derived from specific taxes or other earmarked revenue sources (other than for major capital projects that are restricted by law or administrative action to expenditures for specified purposes).

The *Police Grants Fund* (Fund 22) was established to account for revenues received and expenditures made for police services. The City receives funds for police services from Federal, State, County and local governmental agencies. These funds are designated for specific police services, activities, and capital equipment.

The *Storm Drain Operating Fund* (Fund 7) accounts for the maintenance of the existing storm drain system.

The *Traffic Mitigation Fund* (Fund 13) was established to account for all proceeds from traffic mitigation fees, whose purpose is to defray the actual costs of constructing improvements to mitigate traffic and circulation impacts resulting from proposed new development.

The *Affordable Housing Fund* (Fund 19) was established to account for proceeds of construction and development fees, including in lieu fees, whose purpose is for the development of affordable housing for very low, low, and moderate income households to rent or buy.

Capital Projects Funds

Capital Projects Funds are utilized to account for resources used for the acquisition and construction of capital facilities and infrastructure by the City, with the exception of those assets financed by proprietary funds.

The *Public Facilities Fund* (Fund 48) accounts for expenditures related to public facilities improvements that are needed - police facilities, the library, the public works yard, etc. The funds are received from various contractual agreements that are one-time in nature and which are not specifically dedicated, as well as grants.

The *Storm Drain Improvements Fund* (Fund 14) is used to account for all proceeds from storm drainage improvement fees which are assessed against new or remodeled construction and are used for drainage improvements.

CITY OF HALF MOON BAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

| | SPECIAL REVENUE FUNDS | | | |
|-------------------------------------|-----------------------|--------------------------|-----------------------|-----------------------|
| | Police Grants | Storm Drain Operating | Traffic Mitigation | Affordable Housing |
| Assets | | | | |
| Cash and investments | \$201,092 | \$152,270 | \$426,565 | \$1,792,430 |
| Accounts receivable | 763 | | | |
| Interest receivable | 433 | 143 | 757 | 3,316 |
| | <u>\$202,288</u> | <u>\$152,413</u> | <u>\$427,322</u> | <u>\$1,795,746</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | <u>\$8,658</u> | <u>\$2,958</u> | <u>\$46,342</u> | |
| Total liabilities | <u>8,658</u> | <u>2,958</u> | <u>46,342</u> | |
| Fund Balances: | | | | |
| Restricted | <u>193,630</u> | <u>149,455</u> | <u>380,980</u> | <u>\$1,795,746</u> |
| Total fund balances | <u>193,630</u> | <u>149,455</u> | <u>380,980</u> | <u>1,795,746</u> |
| Total liabilities and fund balances | <u>\$202,288</u> | <u>\$152,413</u> | <u>\$427,322</u> | <u>\$1,795,746</u> |

CAPITAL PROJECTS FUNDS

| <u>Public Facilities</u> | <u>Storm Drain Improvements</u> | <u>Total</u> |
|------------------------------|-------------------------------------|--------------------|
| \$750,598 | \$582,078 | \$3,905,033 |
| 8,847 | | 9,610 |
| <u>1,073</u> | <u>928</u> | <u>6,650</u> |
| <u>\$760,518</u> | <u>\$583,006</u> | <u>\$3,921,293</u> |
| | | |
| <u>\$7,299</u> | <u>\$27,575</u> | <u>\$92,832</u> |
| <u>7,299</u> | <u>27,575</u> | <u>92,832</u> |
| | | |
| <u>753,219</u> | <u>555,431</u> | <u>3,828,461</u> |
| <u>753,219</u> | <u>555,431</u> | <u>3,828,461</u> |
| <u>\$760,518</u> | <u>\$583,006</u> | <u>\$3,921,293</u> |

CITY OF HALF MOON BAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

| | SPECIAL REVENUE FUNDS | | | |
|--|-----------------------|--------------------------|-----------------------|-----------------------|
| | Police Grants | Storm Drain Operating | Traffic Mitigation | Affordable Housing |
| Revenues: | | | | |
| Charges for services | | | | |
| Impact fees/recreation fees | | | \$218,108 | \$392,717 |
| Investment income | \$1,693 | \$565 | 2,446 | 11,145 |
| Intergovernmental revenues | 125,277 | | | |
| Total Revenues | 126,970 | 565 | 220,554 | 403,862 |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety | 148,308 | | | |
| Public Works | | 85,494 | 30,903 | |
| Capital outlay | | | 46,342 | |
| Total Expenditures | 148,308 | 85,494 | 77,245 | |
| Excess (deficiency) of revenues over (under) expenditures | (21,338) | (84,929) | 143,309 | 403,862 |
| Other financing sources: | | | | |
| Transfers in | | 125,000 | | |
| Transfer (out) | | (3,782) | | |
| Total Other Financing Sources | | 121,218 | | |
| Net change in fund balances | (21,338) | 36,289 | 143,309 | 403,862 |
| Fund balances at beginning of year | 214,968 | 113,166 | 237,671 | 1,391,884 |
| Fund balances at end of year | <u>\$193,630</u> | <u>\$149,455</u> | <u>\$380,980</u> | <u>\$1,795,746</u> |

CAPITAL PROJECTS FUNDS

| <u>Public Facilities</u> | <u>Storm Drain Improvements</u> | <u>Total</u> |
|------------------------------|-------------------------------------|--------------------|
| | \$5,817 | \$5,817 |
| \$630 | | 611,455 |
| 3,541 | 3,603 | 22,993 |
| 108,300 | | 233,577 |
| 112,471 | 9,420 | 873,842 |
| | | 148,308 |
| | | 116,397 |
| 325,944 | 232,643 | 604,929 |
| 325,944 | 232,643 | 869,634 |
| (213,473) | (223,223) | 4,208 |
| 428,500 | 200,000 | 753,500 |
| | | (3,782) |
| 428,500 | 200,000 | 749,718 |
| 215,027 | (23,223) | 753,926 |
| 538,192 | 578,654 | 3,074,535 |
| <u>\$753,219</u> | <u>\$555,431</u> | <u>\$3,828,461</u> |

CITY OF HALF MOON BAY
POLICE GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--------------------------|-------------------------|---|
| Revenues: | | | |
| Investment income | \$400 | \$1,693 | \$1,293 |
| Intergovernmental | <u>100,000</u> | <u>125,277</u> | <u>25,277</u> |
| Total Revenues | <u>100,400</u> | <u>126,970</u> | <u>26,570</u> |
| Expenditures: | | | |
| Current: | | | |
| Public Safety | <u>195,000</u> | <u>148,308</u> | <u>46,692</u> |
| Total expenditures | <u>195,000</u> | <u>148,308</u> | <u>(46,692)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(94,600)</u> | <u>(21,338)</u> | <u>73,262</u> |
| Net change in fund balance | <u><u>(\$94,600)</u></u> | <u><u>(21,338)</u></u> | <u><u>\$73,262</u></u> |
| Fund Balance at beginning of year | | <u>214,968</u> | |
| Fund balance at end of year | | <u><u>\$193,630</u></u> | |

CITY OF HALF MOON BAY
 STORM DRAIN OPERATING SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---|
| Revenues: | | | |
| Investment income | <u>\$700</u> | <u>\$565</u> | <u>(\$135)</u> |
| Total revenues | <u>700</u> | <u>565</u> | <u>(135)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>121,893</u> | <u>85,494</u> | <u>36,399</u> |
| Total expenditures | <u>121,893</u> | <u>85,494</u> | <u>36,399</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(121,193)</u> | <u>(84,929)</u> | <u>36,264</u> |
| Other financing sources: | | | |
| Transfers in | 125,000 | 125,000 | |
| Transfers out | <u>(3,782)</u> | <u>(3,782)</u> | |
| Total other financing sources | <u>121,218</u> | <u>121,218</u> | |
| Net change in fund balance | <u>\$25</u> | <u>36,289</u> | <u>\$36,264</u> |
| Fund balance at beginning of year | | <u>113,166</u> | |
| Fund balance at end of year | | <u>\$149,455</u> | |

CITY OF HALF MOON BAY
 TRAFFIC MITIGATION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-----------------|-----------|---|
| Revenues: | | | |
| Impact fees/recreation fees | \$271,043 | \$218,108 | (\$52,935) |
| Investment income | 2,435 | 2,446 | 11 |
| Total revenues | 273,478 | 220,554 | (52,924) |
| Expenditures: | | | |
| Current: | | | |
| Public works | 23,451 | 30,903 | (7,452) |
| Capital outlay | | 46,342 | (46,342) |
| Total expenditures | 23,451 | 77,245 | (53,794) |
| Net change in fund balance | \$170,027 | 143,309 | (\$26,718) |
| Fund balance at beginning of year | | 237,671 | |
| Fund balance at end of year | | \$380,980 | |

CITY OF HALF MOON BAY
 AFFORDABLE HOUSING SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|--------------------|---|
| Revenues: | | | |
| Recreation fees/impact fees | \$392,717 | \$392,717 | |
| Investment income | | 11,145 | \$11,145 |
| Total revenues | <u>392,717</u> | <u>403,862</u> | <u>11,145</u> |
| Net change in fund balance | <u>\$392,717</u> | <u>403,862</u> | <u>\$11,145</u> |
| Fund balance at beginning of year | | <u>1,391,884</u> | |
| Fund balance at end of year | | <u>\$1,795,746</u> | |

CITY OF HALF MOON BAY
PUBLIC FACILITIES CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|---|
| Revenues: | | | |
| Impact fees/recreation fees | \$840 | \$630 | (\$210) |
| Investment income | 4,000 | 3,541 | (459) |
| Intergovernmental revenue | <u>145,000</u> | <u>108,300</u> | <u>(36,700)</u> |
| Total revenues | <u>149,840</u> | <u>112,471</u> | <u>(37,369)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 24,400 | | 24,400 |
| Capital Outlay | <u>728,800</u> | <u>325,944</u> | <u>402,856</u> |
| Total expenditures | <u>753,200</u> | <u>325,944</u> | <u>427,256</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(603,360)</u> | <u>(213,473)</u> | <u>389,887</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>428,500</u> | <u>428,500</u> | |
| Total Other Financing Sources (uses) | <u>428,500</u> | <u>428,500</u> | |
| Net change in fund balance | <u>(\$174,860)</u> | 215,027 | <u>\$389,887</u> |
| Fund balance at beginning of year | | <u>538,192</u> | |
| Fund balance at end of year | | <u>\$753,219</u> | |

CITY OF HALF MOON BAY
 STORM DRAIN IMPROVEMENTS CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|--------------------|------------------|---|
| Revenues: | | | |
| Charges for services | \$2,305 | \$5,817 | \$3,512 |
| Investment income | 3,500 | 3,603 | 103 |
| Total Revenues | 5,805 | 9,420 | 3,615 |
| Expenditures: | | | |
| Capital outlay | 721,000 | 232,643 | 488,357 |
| Total expenditures | 721,000 | 232,643 | (488,357) |
| Excess of revenues over expenditures | (715,195) | (223,223) | 491,972 |
| Net change in fund balance | (\$715,195) | (223,223) | \$491,972 |
| Fund balance at beginning of year | | 578,654 | |
| Fund balance at end of year | | \$555,431 | |



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CITY OF HALF MOON BAY, CALIFORNIA
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2016

Internal Service Funds are used to account for the financing of goods and services provided by one City department or agency to other departments or agencies of the City, or to other government units on a cost-reimbursement basis (including depreciation).

The *Equipment* (Fund 62) and *Vehicle Replacement* (Fund 61) *Fund* is used to account for replacement of furniture, fixtures, equipment, and vehicles. These funds cover the cost of repair, maintenance and replacement of City vehicles and provide for the service, maintenance of the management information systems, leased copiers and leased postage meter. Revenues are derived from charges to user departments (all funds) based on usage.

The *Risk Management Fund* (Fund 63) administers the City's general insurance and workers compensation programs with the goals of reducing insurance-related costs, maintain appropriate levels of coverage and to build for contingent legal reserves.

The *Pension Stabilization Fund* (Fund 64) stabilizes major fluctuations in annual pension costs driven by market factors and actuarial changes.

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

| | Equipment and Vehicle Replacement | Risk Management | Pension Stabilization | Total |
|--|---|--------------------|--------------------------|--------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and investments | \$1,584,739 | \$2,015,924 | \$1,013,792 | \$4,614,455 |
| Interest receivable | 1,035 | 3,168 | 1,460 | 5,663 |
| Total Current Assets | 1,585,774 | 2,019,092 | 1,015,252 | 4,620,118 |
| Non-current assets: | | | | |
| Capital assets, net of Accumulated depreciation | 311,862 | | | 311,862 |
| Total Assets | 1,897,636 | 2,019,092 | 1,015,252 | 4,931,980 |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 77,790 | 10,608 | | 88,398 |
| Claims liability | | 477,502 | | 477,502 |
| Total Liabilities | 77,790 | 488,110 | | 565,900 |
| Net Position | | | | |
| Net position: | | | | |
| Invested in capital assets | 311,862 | | | 311,862 |
| Unrestricted | 1,507,984 | 1,530,982 | 1,015,252 | 4,054,218 |
| Total net position | \$1,819,846 | \$1,530,982 | \$1,015,252 | \$4,366,080 |

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

| | Equipment and Vehicle Replacement | Risk Management | Pension Stabilization | Total |
|------------------------------------|---|--------------------|--------------------------|--------------------|
| Operating revenues: | | | | |
| Impact fees | \$838 | \$22,953 | | \$23,791 |
| Total operating revenues | 838 | 22,953 | | 23,791 |
| Operating expenses: | | | | |
| Salaries and wages | 86,676 | | | 86,676 |
| Contract services | 62,231 | 18,204 | | 80,435 |
| Services and supplies | 43,039 | | | 43,039 |
| Repairs and maintenance | 68,700 | | | 68,700 |
| Insurance expense | | 223,557 | | 223,557 |
| Pension | | | \$328,408 | 328,408 |
| Depreciation | 66,233 | | | 66,233 |
| Total operating expenses | 326,879 | 241,761 | 328,408 | 897,048 |
| Operating income (loss) | (326,041) | (218,808) | (328,408) | (873,257) |
| Non-operating revenues (expenses): | | | | |
| Investment income | 6,920 | 11,111 | 4,887 | 22,918 |
| Total non-operating revenues | 6,920 | 11,111 | 4,887 | 22,918 |
| Transfers in (Note 3) | 560,000 | 400,000 | 328,408 | 1,288,408 |
| Change in net position | 240,879 | 192,303 | 4,887 | 438,069 |
| Net position at beginning of year | 1,578,967 | 1,338,679 | 1,010,365 | 3,928,011 |
| Net position at end of year | <u>\$1,819,846</u> | <u>\$1,530,982</u> | <u>\$1,015,252</u> | <u>\$4,366,080</u> |

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

| | Equipment and Vehicle Replacement | Risk Management | Pension Stabilization | Total |
|---|---|--------------------|--------------------------|--------------------|
| Cash flows from operating activities: | | | | |
| Cash received from department users | \$1,780 | \$25,287 | \$61 | \$27,128 |
| Cash payments to suppliers of goods and services | (107,390) | (120,726) | (328,408) | (556,524) |
| Cash payments to employees for services | (86,676) | | | (86,676) |
| Net cash provided by (used for) operating activities | <u>(192,286)</u> | <u>(95,439)</u> | <u>(328,347)</u> | <u>(616,072)</u> |
| Cash flows from non-capital and related financing activities: | | | | |
| Cash collected from other funds | 560,000 | 400,000 | 328,408 | 1,288,408 |
| Cash flows from capital and related financing activities: | | | | |
| (Acquisition) of capital assets | (78,565) | | | (78,565) |
| Net cash (used for) capital and related financing activities | <u>(78,565)</u> | | | <u>(78,565)</u> |
| Cash flows from investing activities: | | | | |
| Interest received on investments | 6,920 | 11,111 | 4,887 | 22,918 |
| Net cash provided by investing activities | <u>6,920</u> | <u>11,111</u> | <u>4,887</u> | <u>22,918</u> |
| Net increase (decreased) in cash and cash equivalents | 296,069 | 315,672 | 4,948 | 616,689 |
| Cash and cash equivalents at beginning of year | 1,288,670 | 1,700,252 | 1,008,844 | 3,997,766 |
| Cash and cash equivalents at end of year | <u>\$1,584,739</u> | <u>\$2,015,924</u> | <u>\$1,013,792</u> | <u>\$4,614,455</u> |
| Reconciliation of operating income to net cash flows provided by operating activities: | | | | |
| Operating income (loss) | (\$326,041) | (\$218,808) | (\$328,408) | (\$873,257) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 66,233 | | | 66,233 |
| Decrease in accounts receivable | | 2,900 | | 2,900 |
| (Increase) in interest receivable | 942 | (566) | 61 | 437 |
| Increase (Decreased) in accounts payable | 66,580 | (845) | | 65,735 |
| Increase in claims and judgments payable | | 121,880 | | 121,880 |
| Net cash provided by (used for) operating activities | <u>(\$192,286)</u> | <u>(\$95,439)</u> | <u>(\$328,347)</u> | <u>(\$616,072)</u> |

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

To the Honorable Members of the City of Council
City of Half Moon Bay, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the City of Half Moon Bay, California as of and for the year ended June 30, 2016 have issued our report thereon dated November 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We have also issued a separate Memorandum on Internal Control dated November 23, 2016 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Pleasant Hill, California
November 23, 2016

Mare & Associates

STATISTICAL SECTION



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CITY OF HALF MOON BAY, CALIFORNIA

STATISTICAL SECTION

FISCAL YEAR ENDED JUNE 30, 2016

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

Financial Trends

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

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the ability to issue additional debt in the future.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

Demographic and Economic Information

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

Operating Information

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

Property Tax Information

These schedules contain information to help the reader assess the City's property tax sources and changes.

Note: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.



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CITY OF HALF MOON BAY
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | June 30, | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$20,822,874 | \$23,094,381 | \$30,811,763 | \$31,390,546 | \$31,763,735 | \$33,635,252 | \$34,516,084 | \$36,067,826 | \$37,550,877 | \$40,513,950 |
| Restricted | 111,742 | 880,559 | 64,199 | 61,860 | | | | 38,078,982 | 18,540,842 | 19,779,956 |
| Unrestricted | 10,959,801 | (4,877,160) | (4,931,710) | 11,573,076 | 22,882,696 | 26,111,627 | 43,069,044 | 7,998,768 | 26,042,003 | 34,369,708 |
| Total governmental activities net position | \$31,894,417 | \$19,097,780 | \$25,944,252 | \$43,025,482 | \$54,646,431 | \$59,746,879 | \$77,585,128 | \$82,145,576 | \$82,133,722 | \$94,663,614 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$4,352,918 | \$4,314,295 | \$4,243,505 | \$4,170,003 | \$4,148,716 | \$4,511,633 | \$4,089,787 | \$4,024,768 | \$3,970,876 | \$3,871,356 |
| Restricted | | | | | | | | | | |
| Unrestricted | 14,686,206 | 12,336,825 | 11,297,658 | 10,845,643 | 10,998,100 | 13,604,197 | 15,881,577 | 18,347,207 | 19,063,158 | 20,635,855 |
| Total business-type activities net position | \$19,039,124 | \$16,651,120 | \$15,541,163 | \$15,015,646 | \$15,146,816 | \$18,115,830 | \$19,971,364 | \$22,371,975 | \$23,034,034 | \$24,507,211 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$25,175,792 | \$27,408,676 | \$35,055,268 | \$35,560,549 | \$35,912,451 | \$38,146,885 | \$38,605,871 | \$40,092,594 | \$41,521,753 | \$44,385,306 |
| Restricted | 111,742 | 880,559 | 64,199 | 61,860 | | | | 38,078,982 | 18,540,842 | 19,779,956 |
| Unrestricted | 25,646,007 | 7,459,665 | 6,365,948 | 22,418,719 | 33,880,796 | 39,715,824 | 58,950,621 | 26,345,975 | 45,105,161 | 55,005,563 |
| Total primary government net position (1) | \$50,933,541 | \$35,748,900 | \$41,485,415 | \$58,041,128 | \$69,793,247 | \$77,862,709 | \$97,556,492 | \$104,517,551 | \$105,167,756 | \$119,170,825 |

(1) The \$16.5 million increase in primary government net position in FY 2009-10 is primarily attributable to the addition of land held for resale and the increase in street right of way assets that were capitalized in FY 2009-10 for the implementation of Governmental Accounting Standards Board Statement No. 51. These increases are somewhat offset by judgment obligation bonds issue in FY 2009-10.

The \$11.8 million increase in primary government net position in FY 2010-11 is primarily attributable to the addition of the "Glencree" land totaling \$8.9 million, as well as \$1.9 million in cash and investments from increased revenues, strong expense management, and timing of projects.

The \$8.1 million increase in primary government net position in FY 2011-12 is mainly attributable to an increase in capital assets of \$2.2 million, a one-time contribution of \$1.9 million from the Sewer Assessment District which closed in FY 2011-12, and an increase in cash and investments. The cash and investment increase is attributable to an improved local economy, significant cost savings efforts, an increase in the sewer usage rates, and timing of funding on capital projects.

The \$19.7 million increase in primary government net position in FY 2012-13 is primarily attributable to higher tax revenues, receipt of insurance proceeds, increase in sewer usage rates, and timing of program and capital spending. Of the \$19.7 million, \$13.2 million is attributable to the one-time insurance proceeds received in the current year.

The \$7.0 million increase in primary government net position in FY 2013-14 is primarily attributable to higher tax revenues and timing of sewer-related capital spending.

The \$6.9 million increase in primary government net position in FY 2014-15 is primarily attributable to higher tax revenues and timing of sewer-related capital spending.

The \$12.5 million increase in primary government net position in FY 2015-16 is primarily attributable to higher tax revenues and a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.

CITY OF HALF MOON BAY
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$5,024,760 | \$22,469,225 | \$3,087,794 | \$2,784,280 | \$2,417,645 | \$3,196,920 | \$3,016,622 | \$6,058,766 | \$3,271,719 | \$5,678,534 |
| Public safety | 6,245,996 | 4,330,440 | 4,288,119 | 3,978,722 | 4,452,292 | 3,739,193 | 4,020,875 | 3,209,351 | 3,901,511 | 3,449,122 |
| Public works | 5,168,340 | 7,813,787 | 5,809,388 | 2,876,126 | 1,503,731 | 1,910,246 | 2,203,959 | 2,316,147 | 2,605,015 | 2,670,228 |
| Recreation services | 4,618,855 | 1,260,683 | 1,189,359 | 1,349,644 | 470,592 | 335,383 | 208,152 | 221,703 | 282,251 | 337,331 |
| Interest and fiscal charges | 15,410 | 13,858 | 12,145 | 1,161,720 | 1,194,208 | 1,182,228 | 1,172,672 | 1,155,865 | 1,053,237 | 937,704 |
| Total governmental activities expenses | 21,073,361 | 35,887,991 | 14,386,805 | 12,150,492 | 10,038,468 | 10,363,970 | 10,622,280 | 12,961,832 | 11,113,733 | 13,072,919 |
| Business-type activities: | | | | | | | | | | |
| Sewer | 9,287,617 | 4,754,290 | 3,343,655 | 3,001,566 | 2,718,762 | 2,630,004 | 3,224,026 | 2,881,315 | 4,078,003 | 2,943,013 |
| Total business-type activities expenses | 9,287,617 | 4,754,290 | 3,343,655 | 3,001,566 | 2,718,762 | 2,630,004 | 3,224,026 | 2,881,315 | 4,078,003 | 2,943,013 |
| Total primary government expenses | \$30,360,978 | \$40,642,283 | \$17,730,460 | \$15,152,058 | \$12,757,230 | \$12,993,974 | \$13,846,306 | \$15,843,147 | \$15,191,736 | \$16,015,932 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$3,659,491 | \$736,131 | \$497,596 | \$133,221 | \$275,581 | \$573,847 | \$322,092 | \$769,532 | \$562,974 | \$658,244 |
| Public safety | 138,165 | 110,804 | 128,072 | 118,966 | 108,566 | 119,719 | 153,154 | 117,737 | 107,738 | 118,204 |
| Public works | 593,886 | 277,731 | 208,164 | 212,314 | 225,007 | 317,715 | 549,671 | 632,607 | 423,449 | 407,342 |
| Recreation services | 790,025 | 913,162 | 787,648 | 638,982 | 573,574 | 508,032 | 457,531 | 534,225 | 550,144 | 588,890 |
| Operating grants and contributions | 908,123 | 769,098 | 1,306,701 | 1,245,248 | 1,387,622 | 897,344 | 1,182,936 | 1,512,220 | 1,903,151 | 390,970 |
| Capital grants and contributions | 9,427,056 | 8,131,867 | 2,776,290 | 574,092 | 316,502 | 1,645,343 | 571,140 | 775,559 | 596,856 | 7,915,220 |
| Total governmental activities program revenues | 15,516,746 | 10,938,793 | 5,704,471 | 2,922,823 | 2,886,852 | 4,062,000 | 3,236,524 | 4,341,880 | 4,144,312 | 10,078,870 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Sewer | 2,211,700 | 2,311,776 | 2,219,672 | 2,619,110 | 3,094,158 | 3,851,696 | 5,279,838 | 5,502,406 | 5,105,502 | 4,715,919 |
| Operating grants and contributions | | | | | | 1,965,858 | 1,540 | 4,074 | | |
| Capital grants and contributions | | | | | | | | | | 45,628 |
| Total business-type activities program revenues | 2,211,700 | 2,311,776 | 2,219,672 | 2,619,110 | 3,094,158 | 5,817,554 | 5,281,378 | 5,506,480 | 5,111,130 | 4,715,919 |
| Total primary government program revenues | \$17,728,446 | \$13,250,569 | \$7,924,143 | \$5,541,933 | \$5,981,010 | \$9,879,554 | \$8,517,902 | \$9,848,360 | \$9,295,442 | \$14,794,789 |
| Net Revenues (Expenses) | | | | | | | | | | |
| Governmental activities | (\$5,556,615) | (\$63,026,157) | (\$8,682,334) | (\$9,227,669) | (\$7,151,616) | (\$6,301,970) | (\$7,385,756) | (\$8,619,952) | (\$6,969,421) | (\$2,994,049) |
| Business-type activities | (670,384) | 5,003,633 | (1,123,983) | (382,456) | 375,396 | 3,187,550 | 2,057,352 | 2,625,165 | 1,073,127 | 1,772,906 |
| Total net revenues (expenses) | (\$6,226,999) | (\$58,022,524) | (\$9,806,317) | (\$9,610,125) | (\$6,776,220) | (\$3,114,420) | (\$5,328,404) | (\$5,994,787) | (\$5,896,294) | (\$1,221,143) |

CITY OF HALF MOON BAY
Changes in Net Position
 (continued)
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-------------|-----------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$2,460,742 | \$2,179,802 | \$2,366,778 | \$2,128,688 | \$2,327,269 | \$2,411,605 | \$2,829,102 | \$2,613,407 | \$2,871,413 | \$3,116,710 |
| Sales taxes | 1,989,470 | 2,080,372 | 1,924,354 | 1,656,807 | 2,037,312 | 2,127,152 | 2,584,599 | 3,556,753 | 3,862,041 | 4,068,786 |
| Transient occupancy tax | 3,382,956 | 3,743,020 | 3,543,067 | 3,394,623 | 3,732,443 | 4,230,920 | 4,524,646 | 4,974,614 | 5,433,394 | 5,935,558 |
| Other taxes | 715,453 | 703,984 | 628,754 | 567,746 | 624,880 | 828,343 | 787,952 | 814,840 | 832,390 | 808,224 |
| Motor vehicle in-lieu, unrestricted | 86,793 | 66,834 | 44,456 | | | | | | | |
| Investment income | 225,622 | 301,829 | 154,898 | 112,786 | 246,160 | 425,702 | 385,353 | 291,224 | 798,406 | 811,191 |
| Other general revenues, including transfers | 205,826 | 4,712 | 142,573 | 298,249 | 887,001 | 1,378,696 | 962,353 | 929,562 | 779,392 | 783,472 |
| Special item: Judgment (2) | | | | 18,000,000 | | | 13,150,000 | | | |
| Special item: Insurance proceeds (2) | | 5,000,000 | | | 8,917,500 | | | | | |
| Special item: Donated land (2) | | | | | | | | | | |
| Total governmental activities | 9,066,862 | 14,080,553 | 8,804,880 | 26,158,899 | 18,772,565 | 11,402,418 | 25,224,005 | 13,180,400 | 14,577,036 | 15,523,941 |
| Business-type activities: | | | | | | | | | | |
| Investment income | 119,921 | 54,510 | 14,026 | 6,939 | 5,774 | 31,464 | 48,182 | 25,446 | 63,696 | 93,088 |
| Transfers | | | | | (250,000) | (250,000) | (250,000) | (250,000) | (250,000) | (392,817) |
| Total business-type activities | 119,921 | 54,510 | 14,026 | 6,939 | (244,226) | (218,536) | (201,818) | (224,554) | (186,304) | (299,729) |
| Total primary government (1) | \$9,186,783 | \$14,135,063 | \$8,818,906 | \$26,165,838 | \$18,528,339 | \$11,183,882 | \$25,022,187 | \$12,955,846 | \$14,390,732 | \$15,224,212 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$3,510,247 | (\$10,868,647) | \$122,546 | \$16,931,230 | \$11,620,949 | \$5,100,448 | \$17,838,249 | \$4,560,448 | \$7,607,615 | \$12,529,892 |
| Business-type activities | (550,463) | (2,388,004) | (1,109,957) | (375,517) | 131,170 | 2,969,014 | 1,855,534 | 2,400,611 | 886,823 | 1,473,177 |
| Total primary government | \$2,959,784 | (\$13,256,651) | (\$987,411) | \$16,555,713 | \$11,752,119 | \$8,069,462 | \$19,693,783 | \$6,961,059 | \$8,494,438 | \$14,003,069 |

(1)

Change in Net Position in Primary Government:

FY 2007-08 decrease in net position of \$13 million is primarily due to the \$18 million settlement on the Yamagiwa claim, offset by \$5 million insurance recovery.

FY 2008-09 decrease in net position of \$987,000 is primarily due to the prior year settlement of the Yamagiwa claim, as well decreased grant funding due to timing of capital projects.

FY 2009-10 increase in net position of \$16 million is primarily due to Judgment Obligation Bond proceeds received.

FY 2010-11 increase in net position of \$11 million is primarily due to receipt of donated Glencree land (\$8.9 million) as well as improved revenues, strong expense management, and timing of projects.

FY 2011-12 increase in net position of \$8.1 million is primarily due to an increase in cash and investments from improved revenues, strong expense management, and timing of projects, as well as increased capital assets and a one-time contribution from the Sewer Assessment District that was closed in FY 2011-12.

FY 2012-13 increase in net assets of \$19.7 million is primarily due to receipt of insurance recovery associated with the Yamagiwa claim.

FY 2013-14 increase in net assets of \$7.0 million is primarily due higher tax revenues and timing of sewer-related capital spending.

FY 2014-15 increase in net assets of \$8.5 million is primarily due higher tax revenues and timing of sewer-related capital spending.

FY 2015-16 increase in net assets of \$14.0 million is primarily due higher tax revenues and a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.

(2)

Special Items:

FY 2007-08 is the receipt of \$5 million of insurance proceeds received for coverage on the Yamagiwa case.

FY 2009-10 is the payment of the legal settlement on the Yamagiwa case.

FY 2010-11 is the donated Glencree land.

FY 2012-13 is the receipt of insurance proceeds received for coverage on the Yamagiwa case.

(3)

The \$3,510,247 in changes in net position from governmental activities does not include the \$6,254,778 in prior period infrastructure capital assets that were recorded as a beginning of fiscal year adjustment in FY 2006-07.

CITY OF HALF MOON BAY
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------|-------------|-------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Revenues | | | | | | | | | | |
| Taxes | \$8,548,621 | \$8,707,178 | \$8,462,953 | \$7,747,864 | \$8,721,904 | \$9,598,020 | \$10,726,299 | \$12,060,866 | \$12,999,238 | \$13,929,278 |
| Licenses and permits | 266,325 | 265,793 | 211,777 | 210,491 | 290,872 | 306,022 | 482,488 | 537,634 | 394,931 | 379,749 |
| Fines and forfeitures | 62,369 | 73,722 | 90,841 | 66,168 | 47,220 | 74,990 | 116,060 | 93,737 | 83,812 | 102,202 |
| Charges for services | 767,834 | 771,584 | 553,594 | 538,817 | 263,065 | 546,433 | 636,772 | 940,320 | 765,457 | 806,642 |
| Recreation fees/Impact fees | 493,444 | 535,414 | 410,253 | 288,269 | 287,531 | 991,622 | 556,402 | 821,973 | 625,166 | 717,469 |
| Investment income | 534,465 | 369,967 | 154,898 | 108,970 | 246,160 | 425,612 | 383,353 | 291,227 | 798,408 | 772,575 |
| Rents and leases | 43,503 | 40,598 | 36,981 | 25,651 | 26,582 | 15,017 | 12,250 | 11,518 | 20,000 | 20,000 |
| Intergovernmental revenues | 7,528,726 | 9,238,383 | 4,873,780 | 1,774,609 | 1,623,367 | 1,824,763 | 1,312,202 | 1,925,058 | 2,260,890 | 8,058,785 |
| Administrative fees | 331,296 | 386,900 | 361,690 | 7,315 | 15,185 | 249 | 65 | 1,633 | 519,595 | 400,376 |
| Miscellaneous | 877,439 | 283,184 | 353,120 | 246,544 | 1,068,317 | 215,760 | 13,875,666 | 587,731 | 18,447,562 | 25,187,076 |
| Total revenues: | 19,454,022 | 20,672,723 | 15,509,887 | 11,014,698 | 12,590,203 | 14,001,898 | 28,103,741 | 17,271,697 | 18,447,562 | 25,187,076 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 4,130,292 | 3,684,753 | 2,126,655 | 2,290,184 | 2,368,015 | 2,194,722 | 3,295,081 | 3,316,520 | 2,727,404 | 3,582,831 |
| Public safety | 4,136,162 | 4,269,027 | 4,297,357 | 3,935,847 | 4,084,469 | 3,724,355 | 4,005,358 | 2,744,812 | 946,395 | 1,083,666 |
| Public works | 1,951,678 | 7,468,512 | 2,647,259 | 3,670,803 | 2,323,968 | 3,274,946 | 1,505,438 | 3,233,403 | 3,089,741 | 3,208,099 |
| Recreation services | 1,045,929 | 1,112,498 | 1,120,646 | 524,859 | 403,058 | 190,175 | 62,803 | 1,780,847 | 1,987,691 | 1,347,508 |
| Planning services | 1,097,274 | 869,562 | 820,925 | 604,204 | 390,853 | 532,116 | 687,726 | 77,155 | 142,020 | 183,328 |
| Capital outlay | 10,028,393 | 2,728,447 | 4,194,340 | 7,385 | 163,110 | 58,861 | 1,605,300 | 2,254,869 | 2,745,770 | 4,437,029 |
| Debt service: | | | | | | | | | | |
| Principal retirement (c) | 45,000 | 45,000 | 50,000 | 50,000 | 315,000 | 330,000 | 395,000 | 290,000 | 4,655,000 | |
| Interest and fiscal charges | 15,410 | 13,858 | 12,145 | 665,009 | 1,195,864 | 1,185,637 | 1,176,352 | 1,161,844 | 1,053,237 | 937,704 |
| Total expenditures | 22,450,138 | 20,191,657 | 15,269,327 | 11,748,291 | 11,244,337 | 11,490,812 | 12,733,058 | 14,859,450 | 17,347,258 | 14,780,165 |
| Excess (deficiency) of revenues over (under) expenditures | (2,996,116) | 481,066 | 240,560 | (733,593) | 1,345,866 | 2,511,086 | 15,370,683 | 2,412,247 | 1,100,304 | 10,406,911 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Proceeds from insurance settlement | | 5,000,000 | | | | | | | | |
| Bond proceeds | | | | | | | | | | |
| Transfers in (a) | 547,500 | 199,000 | 1,060,000 | 16,680,000 | 1,978,768 | 2,669,092 | 3,279,711 | 3,368,987 | 35,780,529 | 5,285,654 |
| Transfers out (a) | (547,500) | (199,000) | (1,060,000) | (4,119,245) | (1,728,768) | (2,419,092) | (3,029,711) | (3,118,987) | (36,062,453) | (6,181,245) |
| Donated land held form resale | | | | | 8,917,500 | | | | | |
| Total other financing sources (uses) | | 5,000,000 | (600,000) | 16,630,000 | 9,167,500 | 250,000 | 250,000 | 250,000 | (281,924) | (895,591) |
| Net change in fund balances (c) | (\$2,996,116) | \$5,481,066 | (\$359,440) | \$15,896,407 | \$10,513,366 | \$2,761,086 | \$15,620,683 | \$2,662,247 | \$818,380 | \$9,511,320 |
| Debt service as a percentage of noncapital expenditures | 0.3% | 0.3% | 0.4% | 6.5% | 15.5% | 15.2% | 14.1% | 10.8% | 49.0% | 8.6% |

(1) In FY 2014-15 the City elected to completely pay off the 2009A Judgement Obligation Bonds.

(2) The increase in transfers in FY 2014-15 is primarily due to the creation of and transfers to the Land Asset Capital Project Fund (\$26.8 million) and the Library Capital Fund (\$4.2 million).

(3) The net change in fund balance of (\$2.9) million in FY 2006-07 is primarily due to capital outlays for the Highway 92 Improvements, the Oak Avenue Park, and the Highway I Trail projects. The net change in fund balance of \$15.9 million in FY 2009-10 is primarily due to bond proceeds from the sale of judgment obligation bonds offset by expenditures that exceeded revenues, as a result of the recession.

The net change in fund balance of \$10.5 million in FY 2010-11 is primarily due to the donation of the Glencree land and improved revenues, strong expense management, and timing of projects. The net change in fund balance of \$2.8 million in FY 2011-12 is primarily due to the revenue increase driven by economic recovery, expense management efforts including contracting for public safety and recreation services, and timing of projects.

The net change in fund balance of \$12.9 million in FY 2012-13 is primarily due to receipt of one time insurance payment (\$13.2 million), increase in general taxes, and revenue from the law enforcement services contract amendment that was negotiated in FY 2012-13.

The net change in fund balance of \$2.7 million in FY 2013-14 higher tax revenues and grants received. The net change in fund balance of \$9.5 million in FY 2015-16 is primarily due higher tax revenues and a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.

CITY OF HALF MOON BAY

Transient Occupancy Tax (TOT) by Lodging Type (BASE)⁽¹⁾

Last Ten Fiscal Years

As of June 30th

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| LODGING TYPE | | | | | | | | | | |
| Hotels/Motels | \$ 3,246,219 | \$ 3,600,582 | \$ 3,388,795 | \$ 3,260,944 | \$ 3,588,167 | \$ 4,032,596 | \$ 4,302,932 | \$ 4,583,970 | \$ 5,002,165 | \$ 5,643,075 |
| B&Bs/ Inns / Cottages | 86,855 | 82,634 | 86,423 | 78,696 | 83,797 | 95,678 | 104,057 | 114,610 | 101,393 | 99,062 |
| RV Parks/Camps | 49,882 | 59,196 | 67,664 | 54,009 | 60,477 | 97,244 | 96,187 | 243,467 | 281,880 | 148,191 |
| Vacation Rentals | - | - | - | - | - | 5,401 | 21,470 | 35,392 | 45,105 | 44,230 |
| Totals | \$ 3,382,956 | \$ 3,742,412 | \$ 3,542,882 | \$ 3,393,649 | \$ 3,732,441 | \$ 4,230,920 | \$ 4,524,646 | \$ 4,977,439 | \$ 5,430,543 | \$ 5,934,558 |

⁽¹⁾ TOT information by individual establishment is confidential and therefore is not available to the public. TOT is the City's largest "own source" revenue, as defined by GASB Statement No. 44.

Source: City of Half Moon Bay Finance Department.

CITY OF HALF MOON BAY
Transient Occupancy Tax (TOT) Rate
Last Ten Fiscal Years

| Fiscal Year Ended June 30, | TOT Tax Rate |
|----------------------------------|--------------------|
| 2007 | 10% |
| 2008 | 10% |
| 2009 | 12% |
| 2010 | 12% |
| 2011 | 12% |
| 2012 | 12% |
| 2013 | 12% |
| 2014 | 12% |
| 2015 | 12% |
| 2016 | 12% |

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY

Transient Occupancy Taxpayers by Type of Establishment

Current Year and Ten Years Ago

| TOT Taxpayer Type | 2015-16 | | 2006-07 | |
|---------------------------|---------------|-------------------------------|---------------|-------------------------------|
| | TOT Collected | Percent of Total TOT Revenues | TOT Collected | Percent of Total TOT Revenues |
| Hotels/Motels/Lodges | \$ 5,643,075 | 95.09% | \$ 3,246,219 | 95.96% |
| Bed & Breakfasts and Inns | 99,062 | 1.67% | 86,855 | 2.57% |
| RV Parks & Campgrounds | 148,191 | 2.50% | 49,882 | 1.47% |
| Vacation Rentals | 44,230 | 0.75% | - | 0.00% |
| | | | | |
| | \$ 5,934,558 | 100.00% | \$ 3,382,956 | 100.00% |

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY

Ratios of Outstanding Debt by Type ⁽¹⁾

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Governmental Activities | | | | | | | | | | Debt Per Capita ⁽³⁾ |
|----------------------------------|---------------------------|-------------------|---------------------------------|--|--------------------------------|-------------------------------------|-------|--|--|--|--------------------------------------|
| | Lease Revenue Bonds | Long-Term Note | Judgment Obligation Bonds | Total Governmental Activities ⁽²⁾ | Total Primary Government | Percentage of Personal Income | | | | | |
| 2007 | \$365,000 | \$3,100,000 | - | \$3,465,000 | \$3,465,000 | 0.52% | 272 | | | | |
| 2008 | 320,000 | 3,100,000 | - | 3,420,000 | 3,420,000 | 0.49% | 247 | | | | |
| 2009 | 270,000 | 3,100,000 | - | 3,370,000 | 3,370,000 | 0.47% | 259 | | | | |
| 2010 | 220,000 | - | \$16,680,000 | 16,900,000 | 16,900,000 | 2.40% | 1,280 | | | | |
| 2011 | 170,000 | - | 16,680,000 | 16,850,000 | 16,850,000 | 3.03% | 1,260 | | | | |
| 2012 | 115,000 | - | 16,140,000 | 16,255,000 | 16,255,000 | 3.26% | 1,416 | | | | |
| 2013 | - | - | 15,860,000 | 15,860,000 | 15,860,000 | 2.95% | 1,369 | | | | |
| 2014 | - | - | 15,570,000 | 15,570,000 | 15,570,000 | 2.73% | 1,328 | | | | |
| 2015 | - | - | 10,915,000 | 10,915,000 | 10,915,000 | 1.82% | 931 | | | | |
| 2016 | - | - | 10,915,000 | 10,915,000 | 10,915,000 | 1.70% | 871 | | | | |

⁽¹⁾ Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽²⁾ The City has no outstanding debt from Business-Type Activities.

⁽³⁾ Census data changed in 2010 and Half Moon Bay population decreased, thereby resulting in an increase in debt per capita.

CITY OF HALF MOON BAY
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

| Fiscal Year Ended June 30, | Outstanding General Bonded Debt | | | Percent of Assessed Value ⁽¹⁾ | Debt Per Capita |
|----------------------------------|---------------------------------|---------------------------------|--------|--|-----------------------|
| | Lease Revenue Bonds | Judgment Obligation Bonds | Total | | |
| 2007 | \$365 | - | \$365 | 0.0000% | \$32 |
| 2008 | 320 | - | 320 | 0.0000% | 21 |
| 2009 | 270 | - | 270 | 0.0000% | 22 |
| 2010 | 220 | \$16,680 | 16,900 | 0.0007% | 1,280 |
| 2011 | 170 | 16,680 | 16,850 | 0.0007% | 1,260 |
| 2012 | 115 | 16,140 | 16,255 | 0.0007% | 1,416 |
| 2013 | - | 15,860 | 15,860 | 0.0007% | 1,369 |
| 2014 | - | 15,570 | 15,570 | 0.0007% | 1,328 |
| 2015 | - | 10,915 | 10,915 | 0.0004% | 931 |
| 2016 | - | 10,915 | 10,915 | 0.0004% | 871 |

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

⁽¹⁾ Assessed value has been used because the actual value of taxable property is not readily available in the State of California. Percentages less than 0.0000% are not shown.

CITY OF HALF MOON BAY

Direct and Overlapping Debt

June 30, 2016

| | | | |
|---|---|---------------------------------|--|
| 2015-16 Assessed Value | | \$ 2,662,387,942 | |
| | <u>Percentage Applicable ⁽¹⁾</u> | <u>Total Debt 6/30/2016</u> | <u>City's Share of Debt 06/30/16</u> |
| Overlapping Tax and Assessment Debt: | | | |
| San Mateo Community College District | 1.493% | \$ 644,384,027 | \$ 9,620,654 |
| Cabrillo Unified School District | 46.086% | 43,350,985 | 19,978,735 |
| Granada Sanitary District 1915 Act Bonds | 19.200% | 3,020,000 | 579,840 |
| Total Overlapping Tax and Assessment Debt | | <u>\$ 690,755,012</u> | <u>\$ 30,179,229</u> |
| <u>Ratio to Assessed Valuation:</u> | | | |
| Total Overlapping Tax and Assessment Debt | | | 1.13% |
| Direct and Overlapping General Fund Debt: | | | |
| San Mateo County General Fund Obligations | 1.493% | \$ 432,359,816 | \$ 6,455,132 |
| San Mateo County Board of Education Certificates of Participation | 1.493% | 9,890,000 | 147,658 |
| Granada Sanitary District Certificates of Participation | 19.200% | 95,000 | 18,240 |
| Direct: City of Half Moon Bay Judgment Obligations | 100.000% | <u>10,915,000</u> | <u>10,915,000</u> |
| Total Direct Debt | | | \$ 10,915,000 |
| Total Overlapping Debt | | | <u>36,800,259</u> |
| Combined Total Debt | | | \$ 47,715,259 ⁽²⁾ |

⁽¹⁾ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city, divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:

| | |
|---|-------|
| Total Overlapping Tax and Assessment Debt | 1.13% |
| Total Direct Debt (\$10,915,000) | 0.41% |
| Combined Total Debt | 1.79% |

Source: California Municipal Statistics, Inc. (Austin Busch - Austin@calmuni.com)

CITY OF HALF MOON BAY
 Legal Debt Margin Information
 Last Ten Fiscal Years

| | June 30, | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Assessed valuation | \$ 2,074,912,565 | \$ 2,191,346,236 | \$ 2,296,665,172 | \$ 2,302,391,210 | \$ 2,279,418,104 | \$ 2,307,212,678 | \$ 2,347,639,088 | \$ 2,361,010,857 | \$ 2,553,357,622 | \$ 2,733,242,180 |
| Conversion percentage | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 518,728,141 | 547,836,559 | 574,166,293 | 575,597,803 | 569,854,526 | 576,803,170 | 586,909,772 | 590,252,714 | 638,339,406 | 683,310,545 |
| Debt limit percentage | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Debt limit | 77,809,221 | 82,175,484 | 86,124,944 | 86,339,670 | 85,478,179 | 86,520,475 | 88,036,466 | 88,537,907 | 95,750,911 | 102,496,582 |
| Total net debt applicable to limit: General obligation bonds | 365,000 | 320,000 | 270,000 | 16,900,000 | 16,850,000 | 16,255,000 | 15,860,000 | 15,570,000 | 10,915,000 | 10,915,000 |
| Legal debt margin | \$ 77,444,221 | \$ 81,855,484 | \$ 85,854,944 | \$ 69,439,670 | \$ 68,628,179 | \$ 70,265,475 | \$ 72,176,466 | \$ 72,967,907 | \$ 84,835,911 | \$ 91,581,582 |
| Total debt applicable to the limit as a percentage of debt limit | 0.5% | 0.4% | 0.3% | 19.6% | 19.7% | 18.8% | 18.0% | 17.6% | 11.4% | 10.6% |

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for the parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25 % level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

CITY OF HALF MOON BAY

Principal Employers

6/30/2016 and Ten Years Prior

| Employer | 2016 | | 2007 | |
|----------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| Ritz Carlton Hotel | 500 | 14.37% | 500 | 17.42% |
| Cabrillo Unified School District | 397 | 13.83% | 450 | 15.67% |
| Rocket Farms Inc. | 118 | 3.39% | | 0.00% |
| Safeway Stores Inc | 104 | 2.99% | 100 | 3.48% |
| Sam's Chowder House | 97 | 2.79% | | 0.00% |
| New Leaf Community Markets Inc | 76 | 2.65% | | 0.00% |
| Burger King | 49 | 1.71% | | 0.00% |
| Mullins Bar & Grill | 49 | 1.71% | | 0.00% |
| Half Moon Bay Golf Links | 48 | 1.67% | 100 | 3.48% |
| Sea Crest School | 43 | 1.50% | | 0.00% |
| Nurserymen's Exchange* | | 0.00% | 110 | 3.83% |
| Half Moon Bay Coffee Co. | | 0.00% | 57 | 1.99% |
| Odwalla Inc. | | 0.00% | 54 | 1.88% |
| Round Table Pizza | | 0.00% | 50 | 1.74% |
| Cetrella Bistro | | 0.00% | 49 | 1.71% |
| Turner Built | | 0.00% | 39 | 1.36% |
| Top Ten Employer Total | <u>1,481</u> | <u>46.6%</u> | <u>1,509</u> | <u>52.6%</u> |
| Total Employment | <u><u>3,479</u></u> | <u><u>100.00%</u></u> | <u><u>2,871</u></u> | <u><u>100.00%</u></u> |

"Total Employment" as used above represents the total employment of all employers located within City limits.

*Nurserymen's Exchange closed in 2011.

Source for 2016: Employer information from City of Half Moon Bay HdL Business License System.

CITY OF HALF MOON BAY

Full-time and Part-time City Employees By Function
Last Ten Fiscal Years

| Function | June 30, | | | | | | | | | |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| General Government | 14 | 9 | 9 | 10 | 15 | 16 | 16 | 20 | 23 | 20 |
| Public Safety | 23 | 23 | 21 | 17 | - | - | - | - | - | - |
| Public Works/Maintenance | 16 | 15 | 13 | 5 | 3 | 3 | 3 | 4 | 4 | 4 |
| Recreation Services | 10 | 15 | 7 | 1 | - | - | - | - | - | 0 |
| Planning & CDD Dir. | 7 | 7 | 6 | 3 | 2 | 3 | 3 | 1 | 1 | 2 |
| Total | 70 | 69 | 56 | 36 | 20 | 22 | 22 | 25 | 28 | 26 |

Note: General government includes five City Council members as well as Administration and Finance staff.

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY

Operating Indicators By Function

Last Ten Fiscal Years

| | June 30, | | | | | | | | | |
|--|----------|------|------|-------|-------|-------|-------|-------|-------|-------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Police: ⁽¹⁾ | | | | | | | | | | |
| Arrests - Part 1 crimes | | | 43 | 41 | 50 | 30 | 44 | | | |
| Traffic citations | | | 518 | 1,175 | 1,067 | 436 | 527 | | | |
| Parking citations | | | 774 | 1,222 | 1,152 | 1,065 | 1,598 | | | |
| Parks and Recreation: ⁽²⁾ | | | | | | | | | | |
| Number of recreation classes | 101 | 91 | 155 | 109 | 72 | 83 | 60 | 155 | 87 | 88 |
| Number of facility rentals | 63 | 69 | 53 | 99 | 104 | 25 | 101 | 24 | 42 | 110 |
| Building and Code Enforcement: ⁽³⁾ | | | | | | | | | | |
| Number of permits issued (est.) | | | | | | 550 | 457 | 500 | 487 | 413 |
| Number of plan checks (est.) | | | | | | 100 | 104 | 100 | 110 | 105 |
| Number of inspections (est.) | | | | | | 2,000 | 2,009 | 2,000 | 2,355 | 2,820 |
| Planning: ⁽³⁾ | | | | | | | | | | |
| Planning Commission Meetings | | | | | | 24 | 20 | 22 | 20 | 15 |
| Number of permits processed | | | | | | 70 | 80 | 75 | 70 | 111 |

⁽¹⁾ The City started contracting with the San Mateo County Sheriff Office in June 2011. Traffic and parking citation counts for FY 2011-12 are from June 2011 to April 2012.

⁽²⁾ In FY 2011-12, the City contracted out Recreation services to the City of San Carlos. In FY 2014-15, it changed to the Boys & Girls Club. All programs are provided directly to the public by the contractors.

⁽³⁾ Information will continue to be added as made available.

FY 2015-2016 Sources: City of Half Moon Bay Departments, San Mateo County Sheriff Office, Boys & Girls Club.

CITY OF HALF MOON BAY
Capital Asset Statistics By Function
Last Ten Fiscal Years

| | June 30, | | | | | | | | | |
|------------------------|----------|------|------|------|------|------|------|------|------|------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Police: | | | | | | | | | | |
| Sheriff Substation/EOC | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Works: | | | | | | | | | | |
| Streets (miles) | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Parks | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Community Centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sewer lines (miles) | | | | | | 37 | 37 | 37 | 37 | 37 |
| Facilities/Buildings | | | | | | 6 | 6 | 6 | 6 | 6 |
| Bike Trails (miles) | | | | | | 3 | 3 | 6 | 6 | 7 |
| Land (acres) | | | | | | 100 | 100 | 100 | 176 | 176 |
| Administration: | | | | | | | | | | |
| Facilities/Buildings | | | | | | 1 | 1 | 1 | 1 | 1 |

Source: City of Half Moon Bay Finance Department

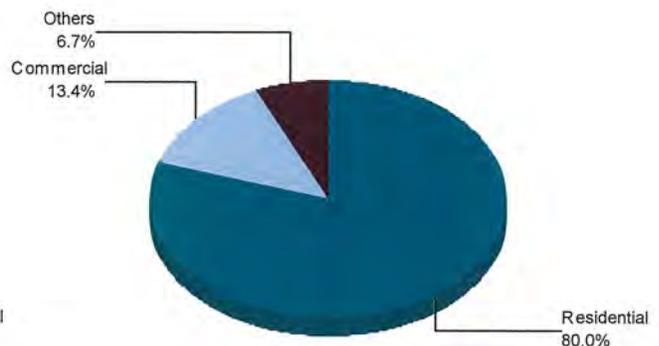
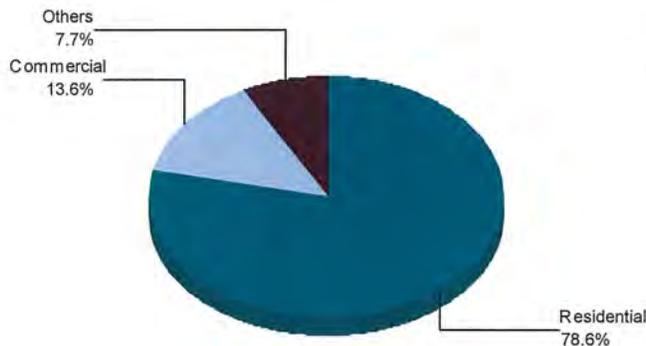
THE CITY OF HALF MOON BAY 2015/16 USE CATEGORY SUMMARY

BASIC PROPERTY VALUE TABLE

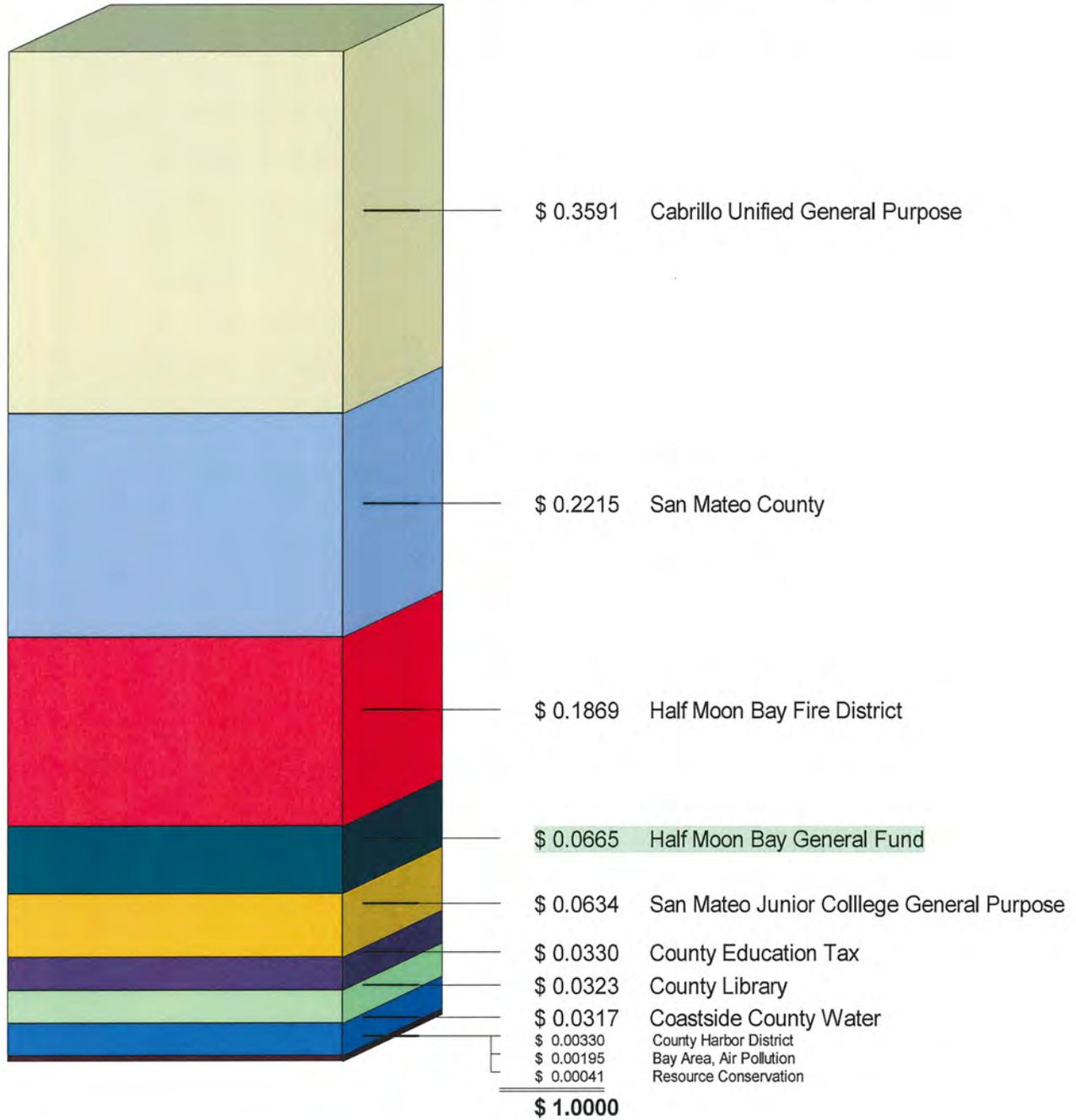
| Category | Parcels | Assessed Value | Net Taxable Value |
|---------------|--------------|-------------------------|-------------------------|
| Residential | 3,751 | \$2,149,382,338 (78.6%) | \$2,128,750,156 (80.0%) |
| Commercial | 199 | \$372,388,241 (13.6%) | \$356,041,843 (13.4%) |
| Industrial | 14 | \$6,292,015 (0.2%) | \$6,292,015 (0.2%) |
| Dry Farm | 7 | \$3,786,377 (0.1%) | \$3,786,377 (0.1%) |
| Institutional | 22 | \$17,815,287 (0.7%) | \$277,456 (0.0%) |
| Irrigated | 15 | \$6,814,441 (0.2%) | \$5,333,856 (0.2%) |
| Miscellaneous | 141 | \$32,380,837 (1.2%) | \$23,460,537 (0.9%) |
| Recreational | 22 | \$39,857,815 (1.5%) | \$39,568,823 (1.5%) |
| Vacant | 1,951 | \$50,856,913 (1.9%) | \$45,773,151 (1.7%) |
| Unsecured | [254] | \$53,667,916 (2.0%) | \$53,103,728 (2.0%) |
| TOTALS | 6,122 | \$2,733,242,180 | \$2,662,387,942 |

ASSESSED VALUE

NET TAXABLE VALUE



THE CITY OF HALF MOON BAY PROPERTY TAX DOLLAR BREAKDOWN



ATI (Annual Tax Increment) Ratios for Tax Rate Area 017-005, Excluding Redevelopment Factors & Additional Debt Service

Data Source: San Mateo County Assessor 2015/16 Annual Tax Increment Tables

Prepared On 8/4/2016 By MV

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

THE CITY OF HALF MOON BAY

2015/16 ROLL SUMMARY

Taxable Property Values

| | Secured | Nonunitary Utilities | Unsecured |
|--------------------------|------------------------|----------------------|---------------------|
| Parcels | 6,122 | 0 | 254 |
| TRAs | 8 | 0 | 7 |
| Values | | | |
| Land | 1,259,003,102 | 0 | 29,250 |
| Improvements | 1,400,092,120 | 0 | 8,683,407 |
| Personal Property | 17,469,479 | 0 | 32,810,241 |
| Fixtures | 3,009,563 | 0 | 12,145,018 |
| Aircraft | 0 | 0 | 0 |
| Total Value | \$2,679,574,264 | \$0 | \$53,667,916 |
| Exemptions | | | |
| Real Estate | 69,642,930 | 0 | 190,564 |
| Personal Property | 484,997 | 0 | 311,238 |
| Fixtures | 162,123 | 0 | 62,386 |
| Aircraft | 0 | 0 | 0 |
| Homeowners* | 16,597,830 | 0 | 0 |
| Total Exemptions* | \$70,290,050 | \$0 | \$564,188 |
| Total Net Value | \$2,609,284,214 | \$0 | \$53,103,728 |

| Combined Values | Total |
|----------------------------|------------------------|
| Total Values | \$2,733,242,180 |
| Total Exemptions | \$70,854,238 |
| Net Total Values | \$2,662,387,942 |
| Net Aircraft Values | \$0 |

* Note: Homeowner Exemptions are not included in Total Exemptions

Totals do not include Aircraft Values or Exemptions

Data Source: San Mateo County Assessor 2015/16 Combined Tax Rolls
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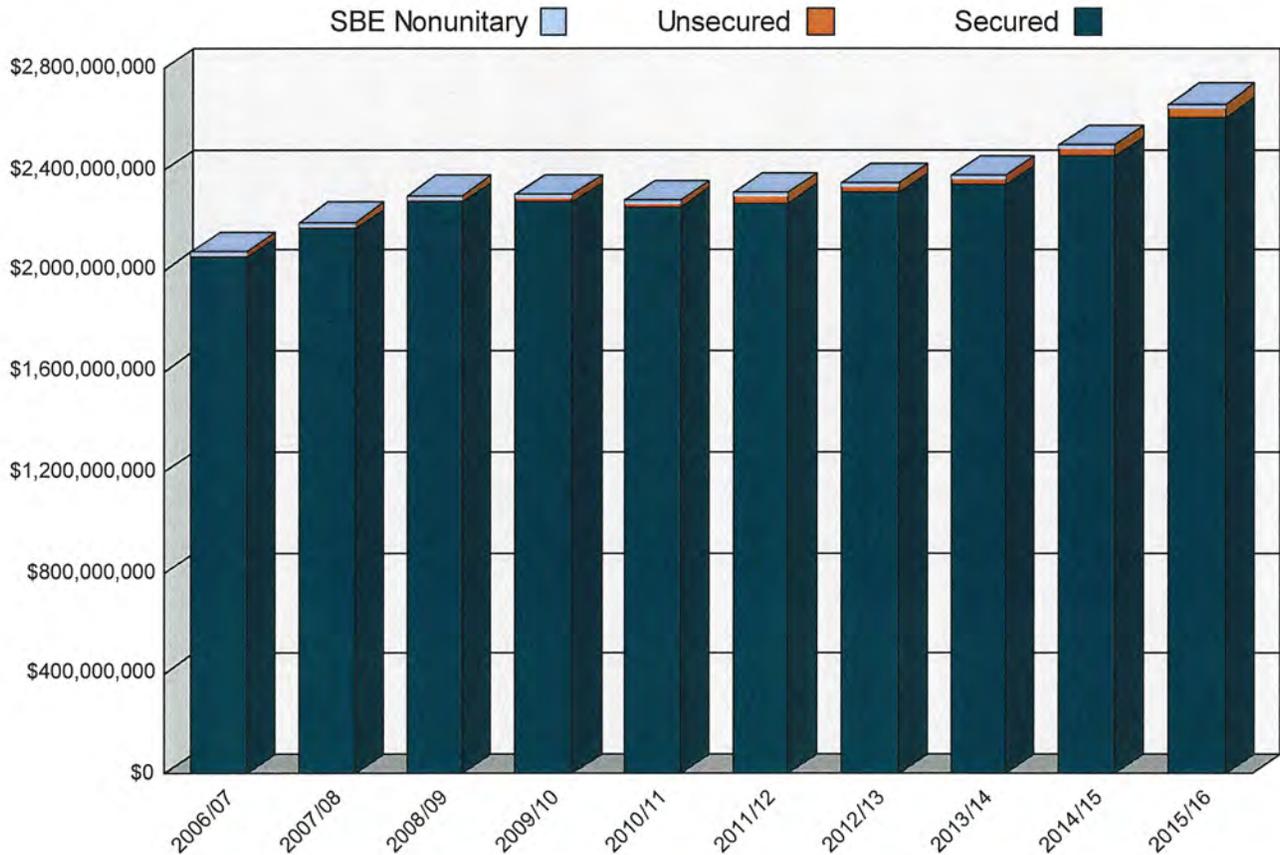
Prepared On 8/4/2016 By MV

THE CITY OF HALF MOON BAY

NET TAXABLE ASSESSED VALUE HISTORY

2006/07 - 2015/16 Taxable Property Values

| Lien Year | Secured | Unsecured | SBE Nonunitary | Net Total AV | % Change |
|-----------|-----------------|--------------|----------------|---------------|----------|
| 2006/07 | \$2,049,798,126 | \$24,859,939 | \$0 | 2,074,658,065 | |
| 2007/08 | \$2,164,067,398 | \$27,278,838 | \$0 | 2,191,346,236 | 5.62% |
| 2008/09 | \$2,271,215,524 | \$25,449,648 | \$0 | 2,296,665,172 | 4.81% |
| 2009/10 | \$2,270,581,839 | \$31,809,471 | \$0 | 2,302,391,310 | 0.25% |
| 2010/11 | \$2,251,380,792 | \$28,037,312 | \$0 | 2,279,418,104 | -1.00% |
| 2011/12 | \$2,266,736,579 | \$40,476,099 | \$0 | 2,307,212,678 | 1.22% |
| 2012/13 | \$2,310,590,314 | \$37,048,774 | \$0 | 2,347,639,088 | 1.75% |
| 2013/14 | \$2,336,930,963 | \$40,818,124 | \$0 | 2,377,749,087 | 1.28% |
| 2014/15 | \$2,454,848,902 | \$42,658,908 | \$0 | 2,497,507,810 | 5.04% |
| 2015/16 | \$2,609,284,214 | \$53,103,728 | \$0 | 2,662,387,942 | 6.60% |



THE CITY OF HALF MOON BAY

2015/16 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

| Owner | Secured | | Unsecured | | Combined | | Primary Use & Primary Agency |
|-------------------------------------|---------|-------------------------|-----------|------------------------|-------------------------|-------------|---|
| | Parcels | Value % of Net AV | Parcels | Value % of Net AV | Value % of Net AV | % of Net AV | |
| 1) SHC HALF MOON BAY LLC | 2 | \$142,308,525 5.45% | 1 | \$6,000 0.01% | \$142,314,525 5.35% | 5.35% | Commercial Half Moon Bay General Fund |
| 2) OCEAN COLONY PARTNERS LP | 24 | \$44,559,080 1.71% | | | \$44,559,080 1.67% | 1.67% | Recreational Half Moon Bay General Fund |
| 3) KEET NERHAN | 30 | \$21,411,317 0.82% | 2 | \$64,585 0.12% | \$21,475,902 0.81% | 0.81% | Commercial Half Moon Bay General Fund |
| 4) COMCAST | | | 6 | \$15,798,000 29.75% | \$15,798,000 0.59% | 0.59% | Unsecured Half Moon Bay General Fund |
| 5) REGENCY CENTERS LP | 3 | \$14,894,009 0.57% | | | \$14,894,009 0.56% | 0.56% | Commercial Half Moon Bay General Fund |
| 6) HMB CAPITAL LLC | 3 | \$12,447,992 0.48% | | | \$12,447,992 0.47% | 0.47% | Miscellaneous Half Moon Bay General Fund |
| 7) SAN MATEO COU HOUSING AUT LESSOR | 1 | \$11,012,782 0.42% | | | \$11,012,782 0.41% | 0.41% | Residential Half Moon Bay General Fund |
| 8) IWF HALF MOON BAY LLC | 1 | \$10,377,222 0.40% | | | \$10,377,222 0.39% | 0.39% | Commercial Half Moon Bay General Fund |
| 9) LONGS DRUG STORE INC | 1 | \$8,364,570 0.32% | | | \$8,364,570 0.31% | 0.31% | Commercial Half Moon Bay General Fund |
| 10) ROCKET FARMS INC | | | 1 | \$8,129,673 15.31% | \$8,129,673 0.31% | 0.31% | Unsecured Half Moon Bay General Fund |
| Top Ten Total | 65 | \$265,375,497 10.17% | 10 | \$23,998,258 45.19% | \$289,373,755 10.87% | 10.87% | |
| City Total | | \$2,609,284,214 | | \$53,103,728 | \$2,662,387,942 | | |

Top Owners last edited on 8/3/16 by Maheav using sales through 06/30/16 (Version R.1)

Data Source: San Mateo County Assessor 2015/16 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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Prepared On 8/4/2016 By MV

THE CITY OF HALF MOON BAY 2006/07 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

| Owner | Secured | | Unsecured | | Combined | | Primary Use & Primary Agency |
|-------------------------------------|---------|----------------------|-----------|----------------------|-----------------|-------------|--|
| | Parcels | Value % of Net AV | Parcels | Value % of Net AV | Value | % of Net AV | |
| 1) SHC HALF MOON BAY LLC | 2 | \$127,496,813 6.22% | | | \$127,496,813 | 6.15% | Commercial Half Moon Bay General Fund |
| 2) OCEAN COLONY PARTNERS L P | 18 | \$19,876,378 0.97% | | | \$19,876,378 | 0.96% | Recreational Half Moon Bay General Fund |
| 3) KEET NERHAN | 35 | \$19,435,465 0.95% | 2 | \$128,506 0.52% | \$19,563,971 | 0.94% | Commercial Half Moon Bay General Fund |
| 4) SOUTH WAVECREST L L C | 2 | \$18,415,630 0.90% | | | \$18,415,630 | 0.89% | Recreational Half Moon Bay General Fund |
| 5) NURSERYMENS EXCHANGE INC | 12 | \$15,507,734 0.76% | | | \$15,507,734 | 0.75% | Irrigated Half Moon Bay General Fund |
| 6) REGENCY CENTERS L P | 3 | \$13,098,608 0.64% | | | \$13,098,608 | 0.63% | Commercial Half Moon Bay General Fund |
| 7) IWF HALF MOON BAY | 1 | \$8,871,272 0.43% | | | \$8,871,272 | 0.43% | Commercial Half Moon Bay General Fund |
| 8) MILANO RUGGERO AND SHAHLA MAJIDI | 1 | \$4,896,000 0.24% | | | \$4,896,000 | 0.24% | Commercial Half Moon Bay General Fund |
| 9) FRANCESCO CARRUBBA | 1 | \$4,446,425 0.22% | | | \$4,446,425 | 0.21% | Commercial Half Moon Bay General Fund |
| 10) NORTH WAVECREST PARTNERS L P | 106 | \$4,354,841 0.21% | | | \$4,354,841 | 0.21% | Irrigated Half Moon Bay General Fund |
| Top Ten Total | 181 | \$236,399,166 11.53% | 2 | \$128,506 0.52% | \$236,527,672 | 11.40% | |
| City Total | | \$2,049,798,126 | | \$24,859,939 | \$2,074,658,065 | | |

Top Owners last edited on 7/10/13 by maheav using sales through 06/30/07 (Version R.1)

Data Source: San Mateo County Assessor 2006/07 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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Prepared On 8/4/2016 By MV

THE CITY OF HALF MOON BAY

ASSESSED VALUE OF TAXABLE PROPERTY

2006/07 - 2015/16 Taxable Property Values

| Category | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Residential | 1,618,848,695 | 1,716,434,950 | 1,819,104,616 | 1,814,166,741 | 1,806,656,465 | 1,807,548,717 | 1,847,817,296 | 1,871,838,949 | 1,986,554,631 | 2,128,750,156 |
| Commercial | 301,910,422 | 310,573,042 | 319,080,038 | 331,836,973 | 329,209,700 | 330,355,442 | 333,127,837 | 344,198,890 | 346,707,418 | 356,041,843 |
| Industrial | 5,273,934 | 5,381,449 | 5,421,901 | 5,600,922 | 5,568,852 | 5,901,115 | 6,016,889 | 6,133,649 | 6,172,772 | 6,292,015 |
| Dry Farm | 5,706,350 | 5,820,467 | 5,936,865 | 3,191,476 | 11,235,759 | 10,559,490 | 11,427,110 | 3,720,127 | 3,496,499 | 3,786,377 |
| Govt. Owned | 38,354 | 486,375 | 37,102 | 0 | | | | | | |
| Institutional | 2,476,862 | 2,526,397 | 278,434 | 258,950 | 284,781 | 260,279 | 265,484 | 293,694 | 272,021 | 277,456 |
| Irrigated | 22,899,311 | 22,669,237 | 20,653,643 | 17,674,128 | 5,418,982 | 6,116,088 | 4,368,007 | 3,423,600 | 4,862,761 | 5,333,856 |
| Miscellaneous | 7,511,148 | 7,716,354 | 7,716,105 | 6,830,284 | 12,936,578 | 12,953,724 | 20,894,204 | 12,075,286 | 22,681,808 | 23,460,537 |
| Recreational | 34,976,132 | 35,782,159 | 36,654,225 | 38,520,391 | 32,211,663 | 37,455,517 | 38,043,156 | 38,699,751 | 38,874,879 | 39,568,823 |
| Vacant | 47,556,938 | 53,986,690 | 51,807,016 | 49,742,858 | 46,517,696 | 50,669,067 | 48,630,331 | 50,679,666 | 45,226,113 | 45,773,151 |
| Unsecured | 24,859,939 | 27,278,838 | 25,449,648 | 31,809,471 | 28,037,312 | 40,476,099 | 37,048,774 | 40,818,124 | 42,658,908 | 53,103,728 |
| Unknown | 2,599,980 | 2,690,278 | 4,525,579 | 2,759,116 | 1,340,316 | 4,917,140 | | 5,867,351 | | |
| TOTALS | 2,074,668,065 | 2,191,346,236 | 2,296,665,172 | 2,302,391,310 | 2,279,418,104 | 2,307,212,678 | 2,347,639,088 | 2,377,749,087 | 2,497,507,810 | 2,662,387,942 |
| Total Direct Rate | 0.05425 | 0.05426 | 0.05426 | 0.05426 | 0.05426 | 0.05426 | 0.05453 | 0.05452 | 0.05818 | 0.05818 |

Notes:
 Exempt values are not included in Total.
 In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" limited to a maximum of 2%. With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: San Mateo County Assessor 2006/07 - 2015/16 Combined Tax Rolls

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Prepared On 8/4/2016 By MV

THE CITY OF HALF MOON BAY

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

| Last 10 Fiscal Years | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Agency | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| Basic Levy¹ | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Cabrillo Unified Bond | 0.04920 | 0.04960 | 0.04640 | 0.04970 | 0.05080 | 0.05220 | 0.07220 | 0.07190 | 0.07040 | 0.07260 |
| San Mateo Junior College | 0.01840 | 0.01710 | 0.01650 | 0.01820 | 0.01930 | 0.01990 | 0.01940 | 0.01940 | 0.01900 | 0.02500 |
| Total Direct & Overlapping² Tax Rates | 1.06760 | 1.06670 | 1.06290 | 1.06790 | 1.07010 | 1.07210 | 1.09160 | 1.09130 | 1.08940 | 1.09760 |
| City's Share of 1% Levy Per Prop 13³ | 0.06648 |
| Voter Approved City Debt Rate | | | | | | | | | | |
| Redevelopment Rate⁴ | | | | | | | | | | |
| Total Direct Rate⁵ | 0.05425 | 0.05426 | 0.05426 | 0.05426 | 0.05426 | 0.05426 | 0.05453 | 0.05452 | 0.05818 | 0.05818 |

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

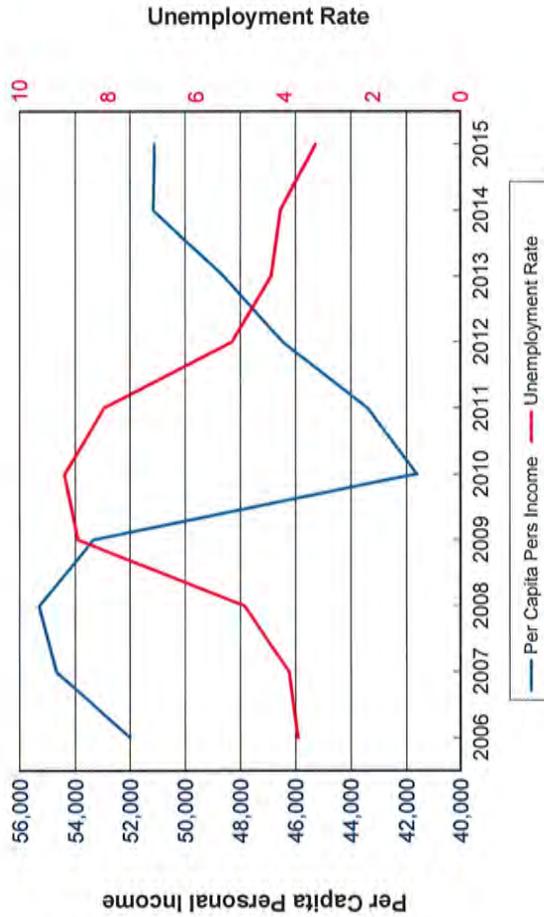
⁵Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

THE CITY OF HALF MOON BAY

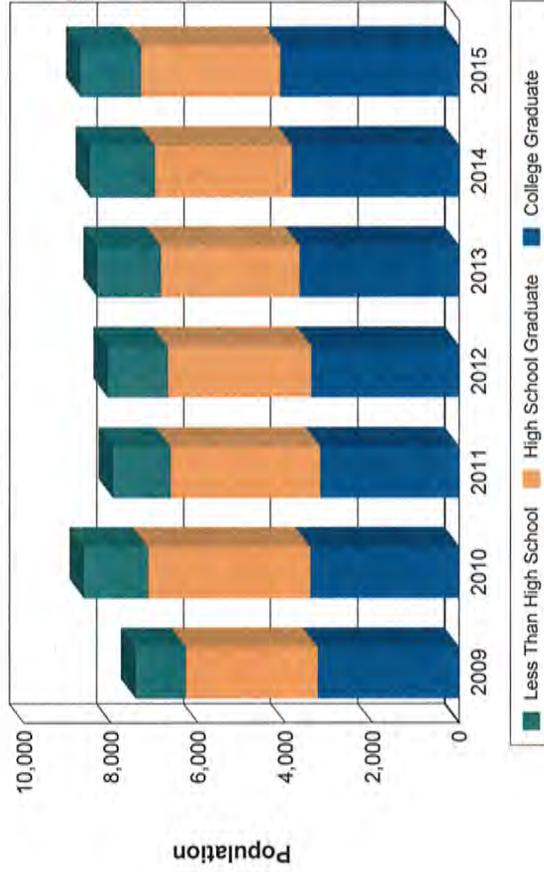
DEMOGRAPHIC AND ECONOMIC STATISTICS

| Calendar Year | Population | Personal Income (In Thousands) | Per Capita Personal Income | Unemployment Rate | Median Age | % of Pop 25+ with High School Degree | % of Pop 25+ with Bachelor's Degree |
|---------------|------------|--------------------------------|----------------------------|-------------------|------------|--------------------------------------|-------------------------------------|
| 2006 | 12,719 | \$661,379 | \$51,999 | 3.7% | | | |
| 2007 | 12,821 | \$701,278 | \$54,698 | 3.9% | | | |
| 2008 | 13,001 | \$719,233 | \$55,321 | 4.9% | | | |
| 2009 | 13,206 | \$704,770 | \$53,367 | 8.7% | 40.9 | 84.4% | 43.9% |
| 2010 | 13,371 | \$556,795 | \$41,642 | 9.0% | 40.4 | 82.9% | 39.7% |
| 2011 | 11,478 | \$498,019 | \$43,389 | 8.1% | 42.1 | 83.4% | 40.2% |
| 2012 | 11,581 | \$537,926 | \$46,449 | 5.2% | 42.9 | 83.0% | 42.2% |
| 2013 | 11,721 | \$569,699 | \$48,605 | 4.3% | 43.2 | 82.5% | 44.2% |
| 2014 | 11,727 | \$600,059 | \$51,169 | 4.1% | 44.8 | 82.4% | 45.3% |
| 2015 | 12,528 | \$640,547 | \$51,129 | 3.3% | 44.7 | 84.0% | 47.3% |

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department 2000-2009 Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries 2010 and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey

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Prepared On 8/4/2016 By MV

THE CITY OF HALF MOON BAY

SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2014 - 6/30/2016)

| Year | Full Value Sales | Average Price | Median Price | Median % Change |
|------|------------------|---------------|--------------|-----------------|
| 2014 | 158 | \$949,220 | \$847,500 | |
| 2015 | 129 | \$1,099,671 | \$1,000,000 | 17.99% |
| 2016 | 62 | \$1,037,615 | \$915,000 | -8.50% |



*Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.

Data Source: San Mateo County Recorder

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