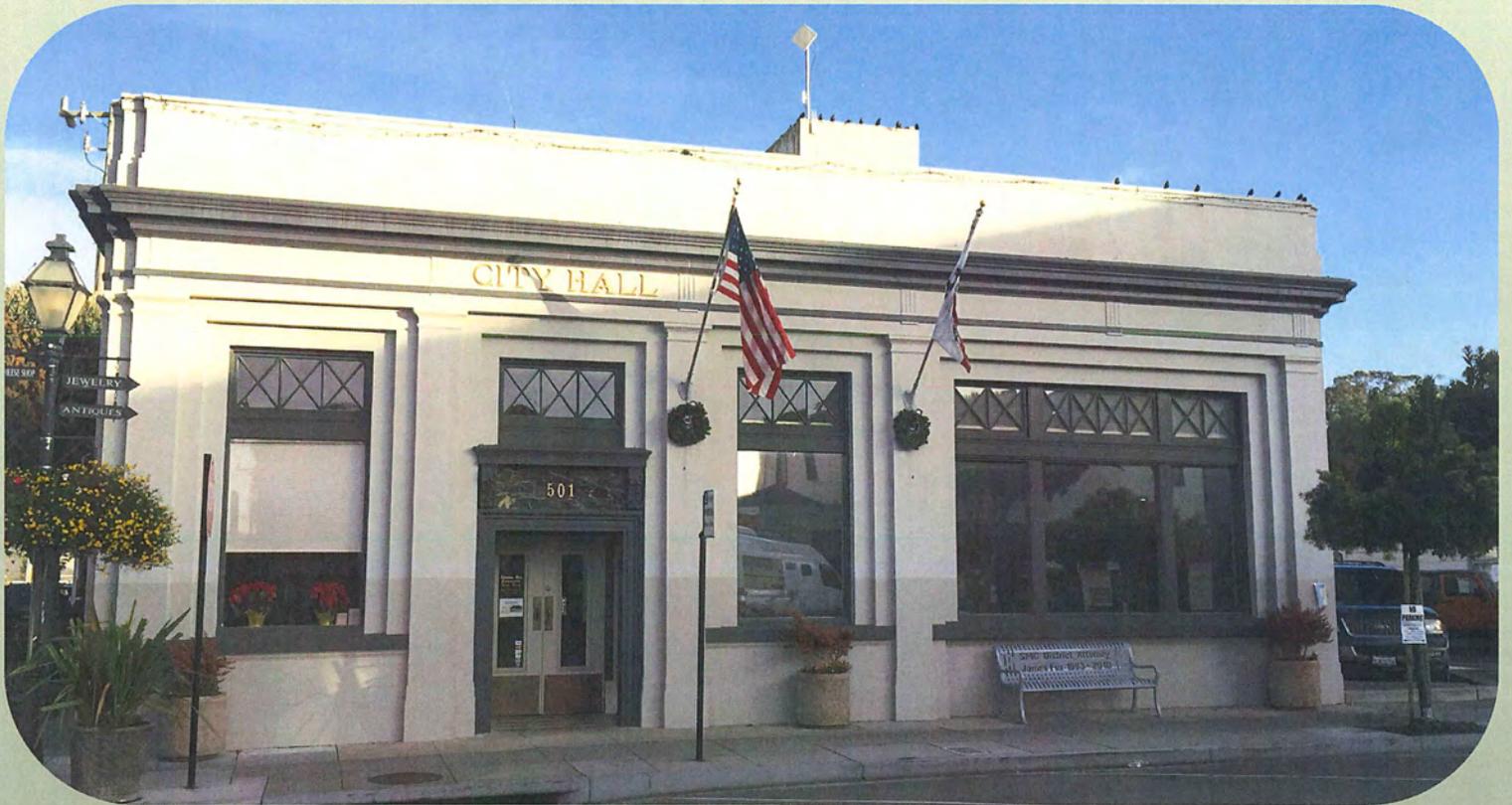




THE CITY OF HALF MOON BAY

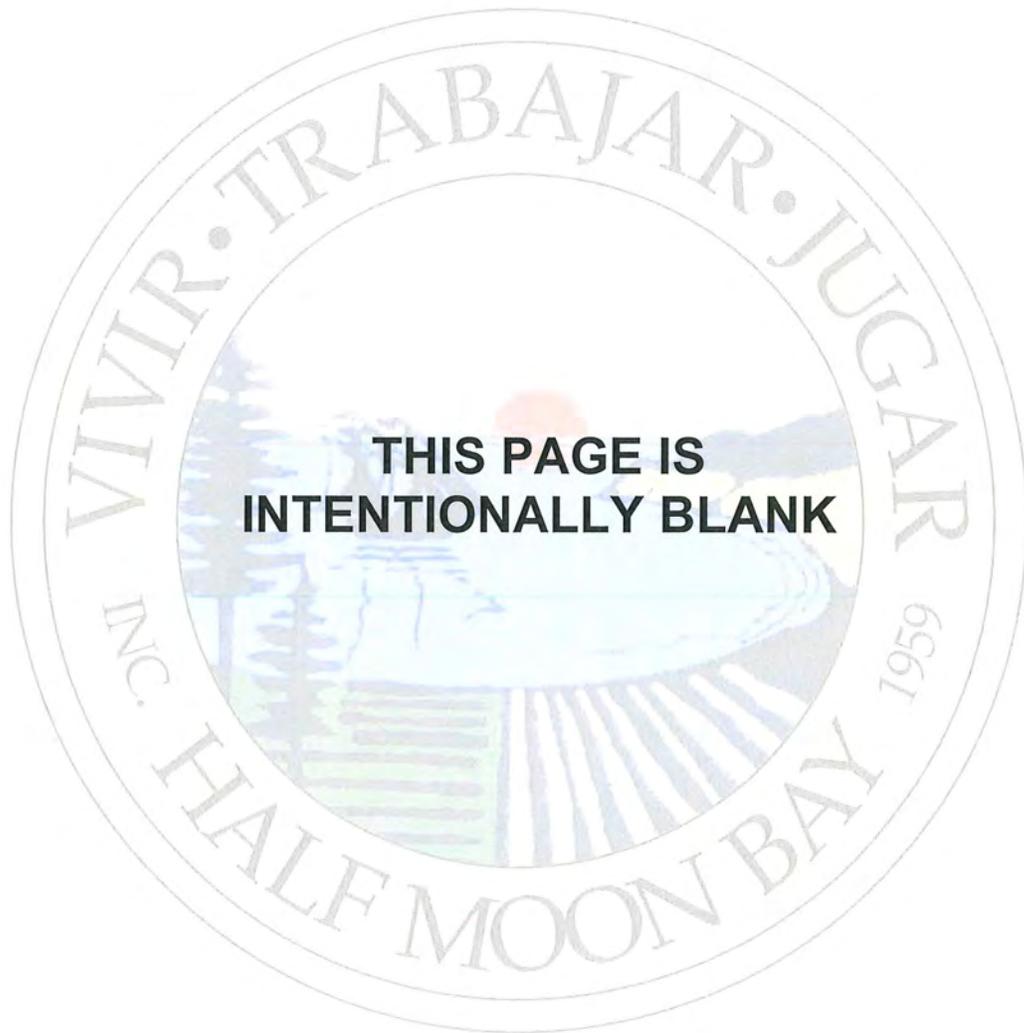


COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2015

CITY OF HALF MOON BAY
501 MAIN ST, HALF MOON BAY, CA 94019

CITY OF HALF MOON BAY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal year ended June 30, 2015

Prepared by
Finance Department



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CITY OF HALF MOON BAY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015

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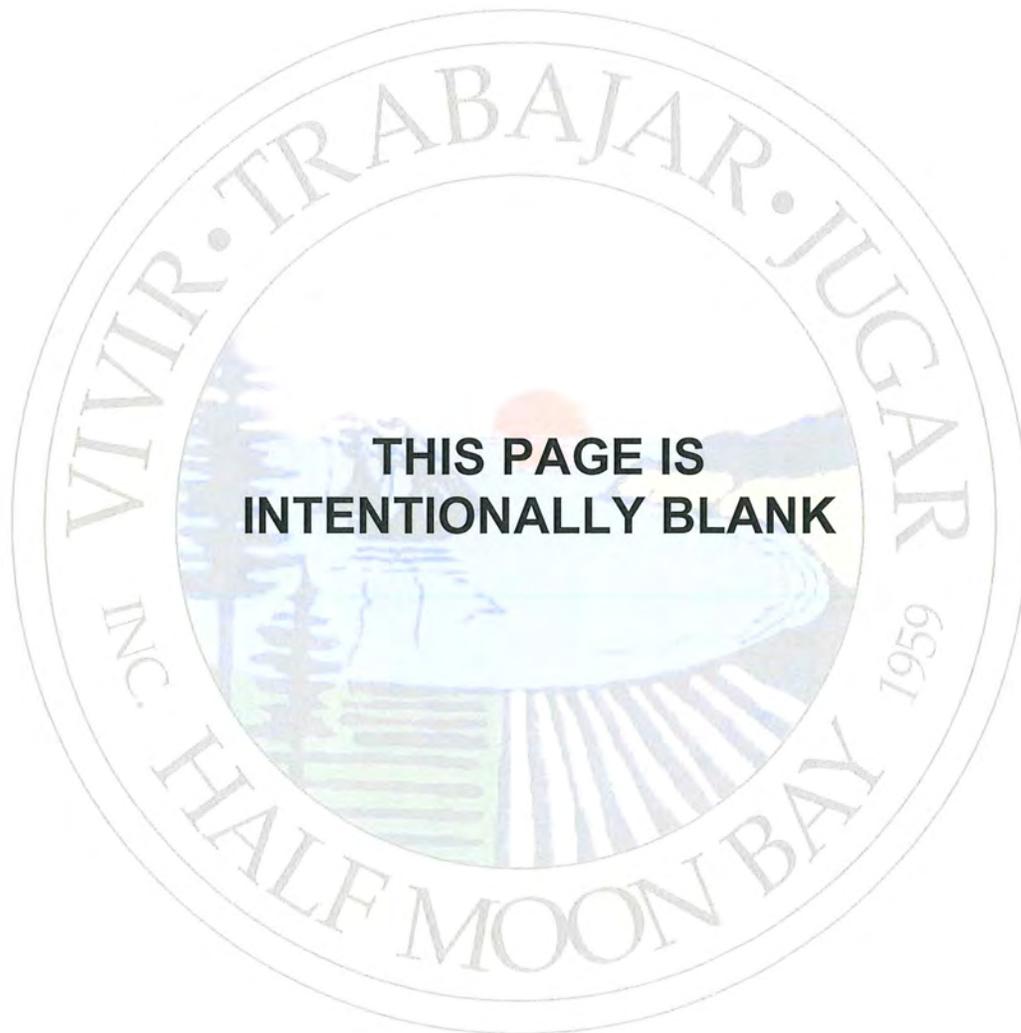
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INTRODUCTORY SECTION



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CITY OF HALF MOON BAY

501 Main Street
Half Moon Bay, CA 94019

November 18, 2015

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, 2015. 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, 2015 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, 2015, 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 Mayor Pro Tem 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 the 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; 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, 2015.

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 Proprietary 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. Evaluation of City-Wide operations to improve service levels to the community
2. Early Retirement of 2009A Series Judgement Obligation Bonds
3. Completion of 12 major Capital Improvement Projects
4. Acceleration of street resurfacing/rehabilitation of most City streets to bring them to fair condition within a four year cycle.
5. Hiring a new City Manager and filling several key positions
6. Developing a new City Emergency Operations Plan
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.

FACTORS AFFECTING FINANCIAL CONDITION

State Budget and Economic Outlook

During Fiscal Year 2014-15 the City experiences continued positive trends in certain economic segments 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 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 is now stronger than at any point in the past decade. 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 it has seen employment grow by more than 735,000 positions since its pre-recession peak. In addition, California last year accounted for more than 13 percent of the nation's total economic output as it produced a record \$2.1 trillion in gross state product (GSP). This compares to the 9 percent contribution of Texas, the state with the second largest GSP.

According to the California Legislative Analyst's Office (LAO), the State's fiscal condition continues to improve and is now even more promising than was projected one year ago. The State's General Fund tax revenues will end 2014-15 more than \$2 billion above its projections in last June's budget package. The administration also projects that the General Fund's three major taxes collectively will increase by over \$5.6 billion in 2015-16 – to a level that is more than \$1 billion above administration estimates from last June for the 2015-16 fiscal year.

During this economic expansion, the State administration seems to improve in foresight and has developed some measures to strengthen fiscal discipline by building a \$3.5 billion rainy day fund reserve by the end of this fiscal year, adopting pension reform, fostering a liquidity position unseen in two decades, and paying-off tens of billions in budgetary borrowings and deferrals. California is actively managing risks that can undermine its long-term economic prosperity.

However, despite these positive developments, California still has a long way to go, particularly in the area of how it manages its long-term unfunded liabilities. The state's huge retirement liabilities (particularly those related to the California State Teachers' Retirement System), remain unpaid under the current financial forecast. If additional payments are made in the future to repay these liabilities or to provide inflation adjustments to universities, the courts, state employees, and other programs, the operating surpluses in the forecast would fall significantly below projections. Also, at \$72 billion as of June 2014, the unfunded liability accrued by California to provide retiree health care to its public workforce is rapidly approaching the magnitude of public pensions. Pension reforms have begun to reduce that liability; health care costs remain a difficult problem. Pending negotiations, the new labor contracts will create a more fiscally-sustainable retiree health care benefit system.

Notwithstanding this positive fiscal outlook, history suggests we may now be past the midpoint of the current economic expansion. 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.

California's recovery spread to more sectors of the economy in 2015. The economic performance in San Mateo County and Half Moon Bay continues to show strength. Data from the State of California Employment Development Department paints a similar picture.

Employment in the San Mateo County continues to increase. The reported June 2015 employment level in the San Francisco / San Mateo / Redwood City Metropolitan Statistical Area was 426,200, a 3.9% increase from the June 2014 level of 410,300. The June 2015 unemployment rate of 3.3% and is lower than the 4.2% rate experienced a year ago. The June unemployment rate in the region is also substantially lower than both the state unemployment rate of 6.2%, and the national unemployment rate of 5.5%.

Housing prices remain strong compared to the same period in 2014. San Mateo County has rebounded from the recession to a larger degree than some other counties in the region. The San Mateo County housing recovery continues with the prices of single family homes up 13% compared to June of last year according to the California Association of Realtors. The median single family home sales price in Half Moon Bay is \$985,000 million and has gone up 11.4% over the last year. The home value index is expected to rise another 2.7% within the next year according to Zillow estimates. The City's property tax revenue increased by \$258,000 or 9.9% compared to last year, primarily due to sales of residential properties in FY 2014-15 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 fully be 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 is in the process of completing the Comprehensive User Fee and Development Impact Fee studies prepared by an independent outside 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 2016-17.

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 ½ cent Use Tax will end on March 30, 2016. Payments to the City, which lag by one quarter, will end in June 2016. This means that the City's General Fund budget will reflect a loss of \$1.5 million 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 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. In addition, a separate pool of public entities exists for worker's compensation coverage, provided and administered by the Cities 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 2014-15 were set as follows: Tier I (2.0 @ 55) 21.826%, 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, 2014. 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 and Carlo Wei, Management Analyst for design of the cover page. 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 González
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, 2014

Executive Director/CEO



Figure 1-2



Half Moon Bay
General Plan/Coastal Plan

City Limits of Half Moon Bay

CITY OF HALF MOON BAY

City Council

MAYOR

Marina Fraser

VICE MAYOR

Rick Kowalczyk

COUNCIL MEMBERS

John Muller

Deborah Penrose

Deborah Ruddock

CITY OF HALF MOON BAY

Executive Staff

City Manager

Magda Gonzalez

City Attorney

Anthony Condotti

Deputy City Manager

Alex Khojikian

Finance Director

Yulia Carter

Community Development Director

John Doughty

City Engineer

Mohinder Sharma

Administrative Services Manager

Russell Brunson

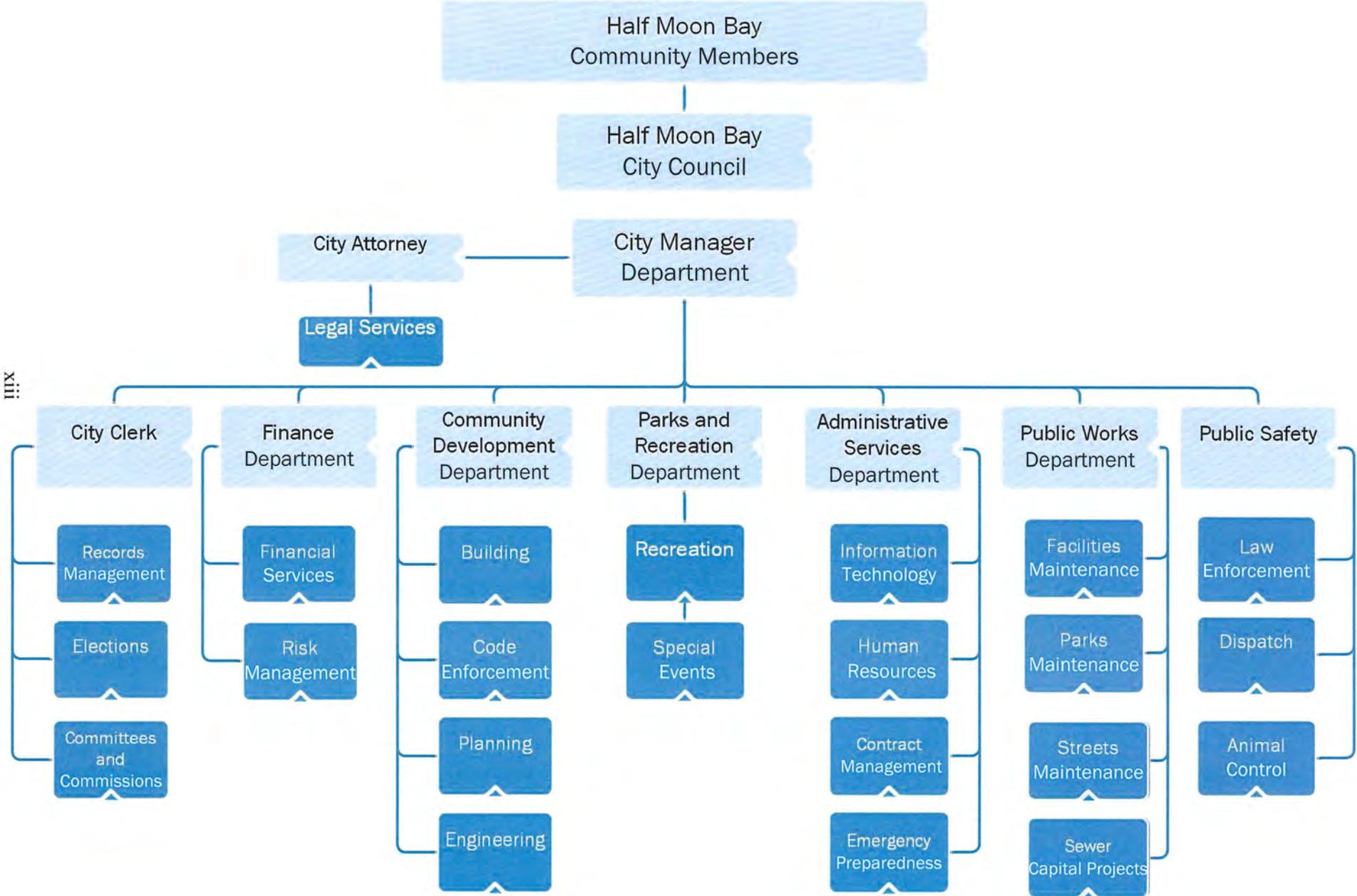
Police Chief

John Munsey

City Clerk

Siobhan Smith

City of Half Moon Bay FY 2015-16 Organizational Chart





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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, 2015, 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, 2015, 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.

Emphasis of a Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 that required a prior period adjustment on the financial statements, as discussed in Note 7E to the financial statements:

- *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68.*

The emphasis of this matter does not constitute a modification to our opinions.

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 17, 2015, 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.

Yare & Associates

Pleasant Hill, California
November 17, 2015



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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 of Half Moon Bay for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished 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, 2015, by \$105.2 million (net position). Of this amount, \$45.1 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, which is a 71.2 percent increase over the prior year's unrestricted net position of \$26.3 million. It is important to note that \$19.1 million of the net position is unrestricted for Sewer Operations, which is an increase of \$0.89 million over the prior year.
- The City's cash and investments at June 30, 2015 totaled \$48.8 million, of which \$35.9 million is classified as government activities and \$12.9 million as business-type activity. The City's cash and investments increased by \$3.5 million, or 7.7 percent compared to the prior year, primarily due to increased revenue from property, sales and hotel taxes, licenses and permits, charges for services, investment income, and reduction in general government and capital infrastructure spending.
- The City has long term obligations of \$10.9 million in judgment obligation bond debt. The City completely paid off one of the two outstanding judgment obligation bonds during the 2014-15 fiscal year in the amount of \$4.7 million (Series A). The remaining bond (Series B) will be paid off 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 \$6.7 million on the Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits.
- City-wide revenues were \$23.8 million, of which \$18.7 million was generated by governmental activities and \$5.1 million by business-type activities.
- City-wide expenditures were \$15.2 million, of which \$11.1 million was incurred by governmental activities and \$4.1 million by business-type activities.

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

- The City's General Fund balance as of June 30, 2015 was \$9.5 million, a decrease of \$10.2 million as compared to the prior year. This decrease is primarily due to a transfer of land held for resale, which was previously recorded in the General Fund, to the Land Asset fund and additional contribution towards the construction of the new Library during the 2014-15 fiscal year. Of the total fund balance of \$9.5 million, \$4.2 million is *unassigned* and is generally available for any purpose.
- For the fiscal year ended June 30, 2015, *Governmental Fund* revenues exceeded expenditures by \$1.1 million, primarily attributed to strong general revenues and timing of grants and expenditures. The governmental funds' combined ending fund balance is \$59.7 million as compared with the prior year balance of \$58.8 million, providing a total change in fund balance of \$0.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis 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 other supplementary information in addition to the basic financial statements such as this discussion and analysis.

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 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.

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

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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 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.

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

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 2014-15 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.

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.

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

The basic governmental fund financial statements can be found on pages 24-30 of this report. The budgetary comparison schedule for the General Fund can be found on page 68.

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 32-34 of this report.

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 35-61 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 64-70 of this report.

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

The combining statements for non-major governmental funds and internal service funds are presented on pages 76-90, and the Statistical Section follows on page 97.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

In the following tables, the information for prior fiscal year 2014 was not restated for GASB 68 and 71 because all information require to restate prior year amounts was not readily available.

Statement of Net Position.

The following table provides a condensed statement of net position as of June 30, 2015 and 2014:

City of Half Moon Bay Net Position	Governmental Activities		Business-type Activities		Total		
	2014	2015	2014	2015	2014	2015	Variance
Assets:							
Current and other assets	\$ 36,482,679	\$ 37,857,994	\$ 18,379,398	\$ 19,490,472	\$ 54,862,077	\$ 57,348,466	4.5%
Land held for resale	26,823,920	26,823,920	-	-	26,823,920	26,823,920	0.0%
Capital assets	36,067,826	37,550,877	4,024,768	3,970,876	40,092,594	41,521,753	3.6%
Total assets	99,374,425	102,232,791	22,404,166	23,461,348	121,778,591	125,694,139	3.2%
Deferred outflow s of resources							
Related to pension	-	558,223	-	29,379	-	587,602	
Liabilities:							
Long-term liabilities outstanding	15,570,000	17,314,014	-	-	15,570,000	17,314,014	11.2%
Other liabilities	1,658,849	1,446,235	32,191	356,849	1,691,040	1,803,084	6.6%
Total liabilities	17,228,849	18,760,249	32,191	356,849	17,261,040	19,117,098	0
Deferred inflow s of resources							
Related to pension	-	1,897,043	-	99,844	-	1,996,887	-
Net position:							
Invested in capital assets	36,067,826	37,550,877	4,024,768	3,970,876	40,092,594	41,521,753	3.6%
Restricted	38,078,982	18,540,842	-	-	38,078,982	18,540,842	-51.3%
Unrestricted	7,998,768	26,042,003	18,347,207	19,063,158	26,345,975	45,105,161	71.2%
Total net position	\$ 82,145,576	\$ 82,133,722	\$ 22,371,975	\$ 23,034,034	\$ 104,517,551	\$ 105,167,756	0.6%

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

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 \$105.2 million at June 30, 2015, with invested capital assets of \$41.5 million, \$18.5 million of restricted net position, and an unrestricted net position of \$45.1 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.

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

The invested in capital assets, net of related debt, reflects its investment in capital assets (e.g. land, buildings, facilities, vehicles, equipment, and infrastructure) and represents 39.5 percent of the City's net position. This portion has increased by \$1.43 million or 3.6 percent primarily due to Highway 1 Trail infrastructure and safety improvements, 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 investment 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 \$18.5 million, or 17.6 percent, of the City's total net position. The restricted net position decreased by \$19.5 million or 51.3 percent in fiscal year 2013-14 primarily due to the early retirement of Series 2009A Judgement Obligation Bonds.

The unrestricted net position of \$45.1 million, or 42.9 percent of the City's total net position, increased by \$18.8 million or 71.1% primarily due to the bond payment reference above. 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, 2015, as compared to June 30, 2014:

City of Half Moon Bay Statement of Activities	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Program revenues:						
Charges for services	\$ 2,054,101	\$ 1,644,305	\$ 5,502,406	\$ 5,105,502	\$ 7,556,507	\$ 6,749,807
Operating grants and contributions	1,512,220	1,903,151	4,074	45,628	1,516,294	1,948,779
Capital grants and contributions	775,559	596,856			775,559	596,856
General revenues:						
Property taxes	2,613,407	2,871,413			2,613,407	2,871,413
Sales and use taxes	3,556,753	3,862,041			3,556,753	3,862,041
Transient occupancy taxes	4,974,614	5,433,394			4,974,614	5,433,394
Other taxes	814,840	832,390			814,840	832,390
Insurance payment	-	-			-	-
Other general revenues	1,220,786	1,577,798	(224,554)	(186,304)	996,232	1,391,494
Subtotal	13,180,400	14,577,036	(224,554)	(186,304)	12,955,846	14,390,732
Total revenues	17,522,280	18,721,348	5,281,926	4,964,826	22,804,206	23,686,174
Expenses						
General government	6,058,766	3,271,719			6,058,766	3,271,719
Public safety	3,209,351	3,901,511			3,209,351	3,901,511
Public works	2,316,147	2,605,015			2,316,147	2,605,015
Recreation services	221,703	282,251			221,703	282,251
Interest and fiscal charges	1,155,865	1,053,237			1,155,865	1,053,237
Sewer utility			2,881,315	4,078,003	2,881,315	4,078,003
Total expenses	12,961,832	11,113,733	2,881,315	4,078,003	15,843,147	15,191,736
Increase(Decrease) in net position	4,560,448	7,607,615	2,400,611	886,823	6,961,059	8,494,438
Net position - As of July 1	77,585,128	82,145,576	19,971,364	22,371,975	97,556,492	104,517,551
Prior Period Adjustment	-	(7,619,469)	-	(224,764)	-	(7,844,233)
Net position - As of July 1, as restated	77,585,128	74,526,107	19,971,364	22,147,211	97,556,492	96,673,318
Net position - As of June 30	\$ 82,145,576	\$ 82,133,722	\$ 22,371,975	\$ 23,034,034	\$ 104,517,551	\$ 105,167,756

Governmental Activities

The City's Governmental net position increased by \$7.6 million in fiscal year 2014-15, primarily due to revenues exceeding expenses as a result of strong economic conditions, solid revenue performance, and timing of program and expense spending.

Program Revenues:

- Charges for Services revenue decreased by \$0.41 million primarily due to a moderate new sewer connection fee activity in the current year.
- Operating Grants and Contributions increased by \$0.39 million due to increased park development grants.
- Capital Grants and Contributions decreased by \$0.18 million primarily due to a lower amount of grant-funded capital projects.

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

General Revenues:

- Total general revenue increased by \$1.4 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 \$0.46 million, due to increased occupancy rate in local hotels.
- Sales Tax, the second largest source of general revenue, increased by \$0.31 million due to improved consumer spending in the restaurant, transportation (auto sales and gas stations), and construction segments.
- Property Tax, the third largest source of general revenue, increased \$0.26 million due to increased property values.

Expenses for Governmental Activities decreased \$1.9 million primarily due to General Governmental expenses that are more in line with historic costs for City operations.

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 \$0.89 million, primarily due to the following factors:

- Revenues 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 increased by \$1.2 million as compared to fiscal year 2013-14. 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 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.
- Despite the above, cash and investments increased by \$2.4 million to \$13.0 million due to operating revenues exceeding operating expenditures.

FUND FINANCIAL ANALYSIS

As noted earlier, 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

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

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.

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	2014	2015	Variance
Revenues	\$ 17,271,697	\$ 18,447,562	6.8%
Expenditures	14,859,450	17,347,258	16.7%
Transfers (net)	250,000	(281,924)	-212.8%
Net Change in Fund Balances	\$ 2,662,247	\$ 818,380	-69.3%
Fund balances at beginning of year	56,173,867	58,836,114	4.7%
Fund balances at end of year	\$ 58,836,114	\$ 59,654,494	1.4%
Non-spendable	26,823,920	26,823,920	0.0%
Restricted	21,169,241	23,288,017	10.0%
Committed	4,255,283	3,012,735	-29.2%
Assigned	2,609,294	2,312,840	-11.4%
Unassigned	3,978,376	4,216,982	6.0%
Total fund balances	\$ 58,836,114	\$ 59,654,494	1.4%

As of June 30, 2015, the City's governmental funds reported combined fund balances of \$59.7 million, an increase of \$0.9 million in comparison with June 30, 2014, which is indicative of the City's financial stability. The increase is primarily attributable to higher general taxes due to a stronger housing market complimented by the City's overall solid economic performance. The governmental funds expenditures were \$17.3 million in fiscal year 2014-15, a \$2.4 million increase over the prior year, primarily attributable to the complete payment and early retirement of the 2009 Series A Judgment Obligation Bond.

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

- *Non-spendable balance is \$26.8 million (45 percent of the total balance), which means that it is in non-spendable form. The balance is primarily land.*
- *Committed balance is \$3.0 million (5.1 percent of the total balance), which can only be spent for specific purposes as determined by formal action of the City Council. The \$3.0 million of the balance is for the City's general fund reserve policy, which states that 30% of budgeted operating expenditures be committed for contingencies.*
- *Restricted is \$23.3 million (39 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, and reserves required by debt covenants.*
- *Assigned is \$2.3 million (3.9 percent of the total balance), which indicates City Council's intent to use these funds toward capital improvements in the future.*

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

- *Unassigned is \$4.2 million (7 percent of the total balance), which is essentially available for any use.*

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, 2015, the total General Fund fund balance was \$9.5 million, which includes an unassigned portion of \$6.5 million.

The General Fund balance decreased \$10.2 million for the fiscal year ended June 30, 2015 primarily due to the transfer of land assets held for resale to the new Land Asset Fund.

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

City of Half Moon Bay General Fund Revenues and Expenditures	2014	2015	Variance
Revenues			
Taxes	\$ 12,060,866	\$ 12,999,238	7.8%
License and permits	537,634	394,931	-26.5%
Fines and forfeitures	93,737	83,812	-10.6%
Charges for services	905,477	758,138	-16.3%
Investment income	23,213	50,787	118.8%
Rents and Leases	11,518		-100.0%
Intergovernmental revenues	116,219	92,515	-20.4%
Administrative fees	1,633	65	-96.0%
Miscellaneous	560,881	398,164	-29.0%
Total	\$ 14,311,178	\$ 14,777,650	3.3%
Expenditures			
General government	1,749,133	1,587,733	-9.2%
General administration	2,744,812	946,395	-65.5%
Public safety	3,207,923	3,056,253	-4.7%
Public works	1,279,921	1,567,442	22.5%
Recreation Services	35,651	105,735	196.6%
Planning	1,224,608	1,087,940	-11.2%
Capital Outlay		15	N/A
Total	\$ 10,242,048	\$ 8,351,513	-18.5%

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Revenues

General Fund revenues for the year ended June 30, 2015, increased by \$0.46 million or 3.3 percent, over the prior year. The following chart summarizes revenues into major categories for comparative purposes across two fiscal years.

- **Taxes** increased by \$0.9 million or 7.8 percent in 2014-15 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.
- **Licenses and Permits** decreased by \$143,000 and Charges for Services decreased by \$147,000 compared to the prior year. These decreases are the result of lower building and planning development permit activity.
- **Investment Income** increased by \$28,000 or 118.8 percent due to increased interest and investment returns.
- There was no **Rental and Leases** income in the 2014-15 fiscal year as the recreation and facilities services were no longer provided by the City.
- **Intergovernmental revenues** decreased by \$24,000 due to a slight decrease in governmental grants.
- **Miscellaneous** revenue decreased by \$163,000 primarily due to a scheduled reduction in pension rebates from the County Sheriff's Office.

General Fund Expenditures

General Fund expenditures for the 2014-15 fiscal year decreased by \$1.9 million or 18.5 percent over the prior fiscal year primarily due to a large amount allocated towards pension obligations in the 2013-14 fiscal year.

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, 2015, the Street and Road Funds had a fund balance of \$5.1 million, a \$1.8 million increase from the prior year, primarily in cash and investments as a result of the timing of funding of capital projects.

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

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, 2015, the Parks Development Fund had a fund balance of \$0.67 million. This fund was considered a non-major fund in the prior fiscal year. The increase in fund balance of \$.19 million is primarily due to a transfer from the General Fund

Judgment Obligation Bond (JOB) Funds.

The JOB funds account for debt service on the judgment obligation bonds. As of June 30, 2015, the fund balance was \$10.8 million, which is a \$21.5 million decrease from the prior year. This is due to the transfer of land held for resale, valued at \$17.9 million, to the new Land Asset Fund and the full payment of \$4.6 million of the Series 2009A Judgment Obligation Bond.

Land Asset Fund.

This is a new 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 Glencree and Beechwood properties from the General Fund and the Judgment Obligation Bond Funds. The Glencree 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 Judgement Obligation Bonds. The City Council will be holding a study session to discuss the status and future plans for these properties at a future date.

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.

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

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.
- Library Capital Project Fund accounts for the construction cost of the new public library.

As of June 30, 2015, the Non-Major Funds had a fund balance of \$6.7 million, a \$3.9 million increase over the prior year, primarily due to addition of the newly created Library Capital fund that is now included in this category. In 2014-15 City Council set aside \$3.67 million for the future construction of the new library.

General Fund Budgetary Highlights

General Fund balance decreased \$10.2 million from the prior year and was lower than the final fiscal year 2014-15 budget by \$6.9 million. This is primarily due to the fact that the transfer of land assets held for sale was not included in the original budget. A budget-to-actual comparison can be found in the Required Supplementary Information section on page 68.

Proprietary Fund Financial Statement Analysis

As of June 30, 2015, the City's Proprietary Fund net position was \$26.9 million (\$4.3 million invested in capital assets; \$22.6 million in unrestricted net position). Unrestricted net position of \$19.0 million in the Enterprise Sewer Fund is primarily invested in the Sewer Authority Mid-Coastside plant. Unrestricted net position of \$3.6 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 investment in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2015, was \$41.5 million, an increase of \$1.4 million as compared to June 30, 2014, primarily due to street resurfacing and other infrastructure improvements.

Capital assets include land, buildings, equipment, vehicles and infrastructure. The following table presents summarized information on capital assets net of depreciation for fiscal years 2014 and 2015:

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

City of Half Moon Bay Capital Assets (Net of Depreciation)	Governmental Activities		Business-type Activities		Total		Variance
	2014	2015	2014	2014	2014	2015	
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	489,134	2,271,419	34,501	80,129	523,635	2,351,548	349%
Buildings and improvements	7,001,394	6,792,996	3,841,739	3,759,019	10,843,133	10,552,015	-3%
Machinery and equipment	279,635	299,530	148,528	131,728	428,163	431,258	1%
Infrastructure	16,943,122	16,832,391	-	-	16,943,122	16,832,391	-1%
Total	\$ 36,067,826	\$ 37,550,877	\$ 4,024,768	\$ 3,970,876	\$ 40,092,594	\$ 41,521,753	3.6%

Construction in progress increased by \$1.8 million due to a significant increase in street improvements which are continuing into the 2015-16 fiscal year.

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

Long-term Obligations

As of June 30, 2015, the City's long-term obligations totaled \$11.4 million, primarily comprised of judgment obligation bonds.

City of Half Moon Bay Long Term Obligations	Governmental Activities		Business-type Activities		Total		Variance
	2014	2015	2014	2015	2014	2015	
Judgment Obligation Bonds Series A	\$ 4,655,000	\$ -	\$ -	\$ -	\$ 4,655,000	\$ -	-100%
Judgment Obligation Bonds Series B	10,915,000	10,915,000	-	-	10,915,000	10,915,000	0%
Claims liability	243,340	355,622	-	-	243,340	355,622	46%
Employee compensated absences	94,785	113,127	-	-	94,785	113,127	19%
Total	\$ 15,908,125	\$ 11,383,749	\$ -	\$ -	\$ 15,908,125	\$ 11,383,749	-28%

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 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.

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

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 \$ 95.8 million. At June 30, 2015 the City had a total applicable debt of \$10.9 million which is 11.4% 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.

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 lapsing of this tax in March 2016.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the City of Half Moon Bay for all those with an interest in the government's finances. 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
501 Main 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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (Note 2)	\$35,858,020	\$12,983,035	\$48,841,055
Accounts receivable, net	1,897,130		1,897,130
Interest receivable	37,013	19,142	56,155
Land held for resale (Note 1h)	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)	13,625,960	80,129	13,706,089
Capital assets, depreciated, net (Note 4)	23,924,917	3,890,747	27,815,664
Net OPEB Asset (Note 9)	65,831		65,831
Total assets	102,232,791	23,461,348	125,694,139
Deferred outflows of resources			
Related to pensions (Note 8)	558,223	29,379	587,602
Liabilities			
Accounts payable	806,784	20,059	826,843
Accrued liabilities	44,504		44,504
Deposits payable	126,198		126,198
Compensated absences (Note 1i):			
Due within one year	45,251		45,251
Due in more than one year	67,876		67,876
Net pension liability, due in more than one year (Note 8)	6,399,014	336,790	6,735,804
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)	355,622		355,622
Total liabilities	18,760,249	356,849	19,117,098
Deferred inflows of resources			
Related to pensions (Note 8)	1,897,043	99,844	1,996,887
Net position			
Net investment in capital assets	37,550,877	3,970,876	41,521,753
Restricted for:			
Debt Service	10,822,602		10,822,602
Streets and roads	5,760,551		5,760,551
Affordable housing	1,391,884		1,391,884
Other	565,805		565,805
Total restricted net position	18,540,842		18,540,842
Unrestricted	26,042,003	19,063,158	45,105,161
Total net position	\$82,133,722	\$23,034,034	\$105,167,756

See accompanying notes to financial statements

CITY OF HALF MOON BAY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Contributions and Grants
Governmental Activities:				
General government	\$2,190,464	\$105,737	\$115,658	
Public safety	3,901,511	107,738	604,306	
Public works	2,605,015	423,449	1,183,187	\$596,856
Recreation	282,251	550,144		
Planning	1,081,255	457,237		
Interest expense and other charges	1,053,237			
Total governmental activities	11,113,733	1,644,305	1,903,151	596,856
Business-type Activities:				
Sewer	4,078,003	5,105,502		45,628
Total	\$15,191,736	\$6,749,807	\$1,903,151	\$642,484

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, as adjusted (Note 7E)

Net Position at end of year

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(\$1,969,069)		(\$1,969,069)
(3,189,467)		(3,189,467)
(401,523)		(401,523)
267,893		267,893
(624,018)		(624,018)
<u>(1,053,237)</u>		<u>(1,053,237)</u>
<u>(6,969,421)</u>		<u>(6,969,421)</u>
	<u>\$1,073,127</u>	<u>1,073,127</u>
<u>(\$6,969,421)</u>	<u>\$1,073,127</u>	<u>(\$5,896,294)</u>
\$2,871,413		\$2,871,413
3,862,041		3,862,041
5,433,394		5,433,394
580,756		580,756
251,634		251,634
798,406	\$63,696	862,102
529,392		529,392
250,000	(250,000)	
<u>14,577,036</u>	<u>(186,304)</u>	<u>14,390,732</u>
7,607,615	886,823	8,494,438
<u>74,526,107</u>	<u>22,147,211</u>	<u>96,673,318</u>
<u>\$82,133,722</u>	<u>\$23,034,034</u>	<u>\$105,167,756</u>

CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Streets and Roads	Parks Development	Judgment Obligation Bonds
Assets				
Cash and investments (Note 2)	\$8,755,276	\$4,900,487	\$615,645	\$10,827,602
Receivables:				
Accounts, net	1,361,256	377,676	149,927	
Interest	16,522	7,551	1,159	
Land held for resale (Note 1h)				
Total assets	<u>\$10,133,054</u>	<u>\$5,285,714</u>	<u>\$766,731</u>	<u>\$10,827,602</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$419,795	\$195,952	\$95,942	\$5,000
Accrued liabilities	44,504			
Deposits payable	126,198			
Total Liabilities	<u>590,497</u>	<u>195,952</u>	<u>95,942</u>	<u>5,000</u>
Fund balances (Note 7):				
Non-spendable				
Restricted		5,089,762	670,789	10,822,602
Committed	3,012,735			
Assigned	2,312,840			
Unassigned	4,216,982			
Total fund balances	<u>9,542,557</u>	<u>5,089,762</u>	<u>670,789</u>	<u>10,822,602</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$10,133,054</u>	<u>\$5,285,714</u>	<u>\$766,731</u>	<u>\$10,827,602</u>

See accompanying notes to financial statements

<u>Land Asset</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
	\$6,761,244	\$31,860,254
	5,371	1,894,230
	5,681	30,913
<u>\$26,823,920</u>		<u>26,823,920</u>
<u>\$26,823,920</u>	<u>\$6,772,296</u>	<u>\$60,609,317</u>
	\$67,432	\$784,121
		44,504
		126,198
	<u>67,432</u>	<u>954,823</u>
\$26,823,920		26,823,920
	6,704,864	23,288,017
		3,012,735
		2,312,840
		4,216,982
<u>26,823,920</u>	<u>6,704,864</u>	<u>59,654,494</u>
<u>\$26,823,920</u>	<u>\$6,772,296</u>	<u>\$60,609,317</u>



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CITY OF HALF MOON BAY
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2015

Fund balances of governmental funds	\$59,654,494
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets have not been included in as financial resources in governmental fund activity:	
Capital assets, non depreciable	13,625,960
Capital assets, depreciated, net	23,625,387
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.	
Deferred outflows of resources	558,223
Deferred inflows of resources	(1,897,043)
Long-term asset and liabilities that have not been included in governmental fund activity	
Net OPEB asset	65,831
Bonds payable	(10,915,000)
Compensated absences	(113,127)
Net pension liability	(6,399,014)
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.	
	3,928,011
Net position of governmental activities	\$82,133,722

See accompanying notes to financial statements

CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Streets and Road	Park Developments	Judgment Obligation Bonds
REVENUES				
Taxes	\$12,999,238			
License and Permits	394,931			
Fines and forfeitures	83,812			
Charges for services	758,138			
Impact fees/recreation fees			\$104,780	
Investment income	50,787	\$29,821	4,861	\$692,322
Intergovernmental revenues	92,515	1,395,999	144,927	
Administrative fees	65			
Miscellaneous	398,164		116,060	
Total Revenues	14,777,650	1,425,820	370,628	692,322
EXPENDITURES				
Current:				
General government	1,587,733			
General administration	946,395			
Public Safety	3,056,253			
Public works	1,567,442	309,706		
Recreation services	105,735		36,285	
Planning	1,087,940			
Capital outlay	15	1,876,504	698,014	
Debt service:				
Principal				4,655,000
Interest & fees				1,053,237
Total Expenditures	8,351,513	2,186,210	734,299	5,708,237
Excess (deficiency) of revenues over (under) expenditures	6,426,137	(760,390)	(363,671)	(5,015,915)
Other financing sources (uses):				
Transfers in (Note 3)	250,000	2,320,000	703,000	1,470,209
Transfers (out) (Note 3)	(16,894,033)		(150,000)	(17,906,420)
Total other financing sources (uses)	(16,644,033)	2,320,000	553,000	(16,436,211)
Net change in fund balances	(10,217,896)	1,559,610	189,329	(21,452,126)
Fund balances at beginning of year	19,760,453	3,530,152	481,460	32,274,728
Fund balances at end of year	<u>\$9,542,557</u>	<u>\$5,089,762</u>	<u>\$670,789</u>	<u>\$10,822,602</u>

See accompanying notes to financial statements

<u>Land Asset</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
		\$12,999,238
		394,931
		83,812
	\$7,319	765,457
	520,386	625,166
	20,617	798,408
	627,449	2,260,890
		65
	5,371	519,595
	<u>1,181,142</u>	<u>18,447,562</u>
	51,731	1,639,464
		946,395
	33,488	3,089,741
	110,543	1,987,691
		142,020
		1,087,940
	171,237	2,745,770
		4,655,000
		1,053,237
	<u>366,999</u>	<u>17,347,258</u>
	<u>814,143</u>	<u>1,100,304</u>
<u>\$26,823,920</u>	<u>4,213,400</u>	<u>35,780,529</u>
	<u>(1,112,000)</u>	<u>(36,062,453)</u>
<u>26,823,920</u>	<u>3,101,400</u>	<u>(281,924)</u>
26,823,920	3,915,543	818,380
	2,789,321	58,836,114
<u>\$26,823,920</u>	<u>\$6,704,864</u>	<u>\$59,654,494</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, 2015

Changes in fund balances of governmental funds \$818,380

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	2,355,087
Depreciation expense	(891,931)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of debt principal	4,655,000
Interest expense	481,987

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).

Net OPEB asset	65,831
Compensated absences	(18,342)
Pension expense	(118,936)

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.

260,539

Changes in net position of governmental activities \$7,607,615

See accompanying notes to financial statements



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CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Sewer Enterprise Fund	Internal Service Funds
Assets:		
Current Assets:		
Cash and investments (Note 2)	\$12,983,035	\$3,997,766
Accounts receivable		2,900
Interest receivable	19,142	6,100
Total Current Assets	13,002,177	4,006,766
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)	3,890,747	299,530
Total non-current assets	10,459,171	299,530
Total Assets	23,461,348	4,306,296
Deferred Outflows of Resources		
Related to pensions (Note 8)	29,379	
Liabilities:		
Current Liabilities:		
Accounts payable	20,059	22,663
Claims liability (Note 10)		355,622
Total current liabilities	20,059	378,285
Noncurrent liabilities:		
Net pension liability (Note 8)	336,790	
Total Liabilities	356,849	378,285
Deferred Inflows of Resources		
Related to pensions (Note 8)	99,844	
Net Position:		
Net investment in capital assets	3,970,876	299,530
Unrestricted	19,063,158	3,628,481
Total Net Position	\$23,034,034	\$3,928,011

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Cash received from department users	\$5,099,773	\$446,244
Cash payments to suppliers for goods and services	(2,245,996)	(539,419)
Cash payments to employee services	(251,399)	(79,620)
Net cash provided by operating activities	2,602,378	(172,795)
Cash flows from non-capital and related financing activities:		
Contributions from sewer assessment	45,628	
Cash paid to other funds	(250,000)	531,924
Net cash (used for) non capital and related financing activities	(204,372)	531,924
Cash flows form capital and related financing activities:		
Acquisition of capital assets	(45,628)	(50,574)
Net cash provided by (used for) capital and related financing activities	(45,628)	(50,574)
Cash flows from investing activities:		
Interest received on investments	63,696	23,786
Net cash provided by investing activities	63,696	23,786
Net increase in cash and cash equivalents	2,416,074	332,341
Cash and cash equivalents at beginning of year	10,566,961	3,665,425
Cash and cash equivalents at end of year	\$12,983,035	\$3,997,766
Reconciliation of operating income to net cash provided by (used for) provided by (used for) operating activities:		
Operating income	\$1,027,499	(\$338,712)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	99,520	74,221
Loss on investment in Sewer Authority Mid-Coastside	1,310,729	
Change in assets and liabilities:		
Accounts receivable		(2,900)
Interest receivable, net	(5,729)	(1,986)
Accounts payable	(12,132)	(13,149)
Accrued expenses		(2,461)
Deferred outflows of resources	(29,379)	
Deferred inflows of resources	99,844	
Net pension liability	112,026	
Accrued claims payable		112,192
Net cash provided by operating activities	\$2,602,378	(\$172,795)

See accompanying notes to financial statements

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015

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, 2015**

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 *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 *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 1 4, 2009.

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, 2015**

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, 2015**

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) 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).

g) 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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

1. Significant Accounting Policies, continued

h) 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, 2015 is stated at the lower of historical cost or net realizable value.

i) 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, 2015 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.

The changes in compensated absences for the year ended June 30, 2015 is as follows:

Beginning Balance	\$94,785
Additions	156,053
Payments	<u>(137,711)</u>
Ending Balance	<u><u>\$113,127</u></u>
Current Portion	<u><u>\$45,251</u></u>
Non-current Portion	<u><u>\$67,876</u></u>

**CITY OF HALF MOON BAY, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2015**

1. Significant Accounting Policies, continued

j) 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.

k) 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.

l) 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.

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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

1. Significant Accounting Policies, continued

m) 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.

n) New Funds

During the year ended June 30, 2015 the City established the Land Asset Capital Projects Fund and the Library Capital Projects Fund.

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.

2. Cash, Cash Equivalents, and Investments

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$800
Deposits with financial institutions	1,569,867
Investments	47,270,388
Total cash and investments	\$48,841,055

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, 2015, the carrying amount of the City's deposits was \$1,519,333 and the bank balance was \$1,685,461. 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, 2015**

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
San Mateo County Investment 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, 2015**

2. Cash, Cash Equivalents, and Investments, continued

d) 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	Remaining Maturity (in Months)		Total
	12 Months Or Less	More Than 60 Months	
<i>Available for Operations</i>			
California Local Agency Investment Fund	\$8,174,017		\$8,174,017
San Mateo County Investment Pool	28,237,712		28,237,712
<i>Held by Trustees</i>			
California Local Agency Investment Fund	743,173		743,173
Federal Agency Security		\$10,114,821	10,114,821
Money Market Fund	665		665
Total Investments	<u>\$37,155,567</u>	<u>\$10,114,821</u>	47,270,388
<i>Demand Deposits and Cash on Hand</i>			<u>1,570,667</u>
		<i>Total Cash and Investments</i>	<u>\$48,841,055</u>

e) 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	\$10,114,821

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

2. Cash, Cash Equivalents, and Investments, continued

f) 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			\$8,174,017	\$8,174,017
San Mateo County Investment Pool		\$28,237,712		28,237,712
<i>Held by Trustee</i>				
Federal Agency Securities	\$10,114,821			10,114,821
Money Market Funds			665	665
California Local Agency Investment Fund			743,173	743,173
Total Cash & Investments	<u>\$10,114,821</u>	<u>\$28,237,712</u>	<u>\$8,917,855</u>	<u>\$47,270,388</u>

g) 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, 2015, these investments matured in an average of 1.63 years.

h) 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, 2015 these investments matured in an average of 239 days.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

3. Interfund Transfers

Transfers between funds during the fiscal year ended June 30, 2015 were as follows:

Transfer To	Transfer From	Amount	
General Fund	Sewer Enterprise Fund	\$250,000	(a)
Streets and Roads Special Revenue Fund	General Fund	1,058,000	(c)
	Parks Development Special Revenue Fund	150,000	(d)
	Non-Major Funds	1,112,000	(c)
Parks Development Special Revenue Fund	General Fund	703,000	(d)
Judgment Obligation Bonds Debt Service Fund	General Fund	1,470,209	(b)
Land Asset Capital Projects Fund	General Fund	8,917,500	(c)
	Judgment Obligation Bonds Debt Service Fund	17,906,420	(c)
Non-Major Funds	General Fund	4,213,400	(d)
Internal Service Funds	General Fund	531,924	(d)
		<u>\$36,312,453</u>	

Interfund transfers were principally used for the following purposes:

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

4. Capital Assets, continued

a) Capital Assets Activity

A Summary of changes in capital assets for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Balance June 30, 2015
<i>Governmental activities:</i>			
Capital assets not being depreciated:			
Land	\$4,630,615		\$4,630,615
Rights of way	6,723,926		6,723,926
Construction in progress	489,134	\$1,782,285	2,271,419
Total capital assets not being depreciated	<u>11,843,675</u>	<u>1,782,285</u>	<u>13,625,960</u>
Capital assets being depreciated:			
Buildings & improvements	10,771,493	26,848	10,798,341
Machinery & equipment	809,894	94,116	904,010
Infrastructure	27,961,539	545,954	28,507,493
Total capital assets being depreciated	<u>39,542,926</u>	<u>666,918</u>	<u>40,209,844</u>
Less accumulated depreciation for:			
Buildings & improvements	3,770,099	235,246	4,005,345
Machinery & equipment	530,259	74,221	604,480
Infrastructure	11,018,417	656,685	11,675,102
Total accumulated depreciation	<u>15,318,775</u>	<u>966,152</u>	<u>16,284,927</u>
Net depreciable assets	<u>24,224,151</u>	<u>(299,234)</u>	<u>23,924,917</u>
Governmental activity capital assets, net	<u><u>\$36,067,826</u></u>	<u><u>\$1,483,051</u></u>	<u><u>\$37,550,877</u></u>

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

4. Capital Assets, continued

	Balance June 30, 2014	Additions	Balance June 30, 2015
<i>Business-type activities:</i>			
Capital assets not being depreciated:			
Construction in progress	\$34,501	\$45,628	\$80,129
Total capital assets not being depreciated	<u>34,501</u>	<u>45,628</u>	<u>80,129</u>
Capital assets being depreciated:			
Buildings & improvements	5,088,541		5,088,541
Machinery & equipment	763,646		763,646
Total capital assets being depreciated	<u>5,852,187</u>		<u>5,852,187</u>
Less accumulated depreciation for:			
Buildings & improvements	1,246,802	82,720	1,329,522
Machinery & equipment	615,118	16,800	631,918
Total accumulated depreciation	<u>1,861,920</u>	<u>99,520</u>	<u>1,961,440</u>
Net depreciable assets	<u>3,990,267</u>	<u>(99,520)</u>	<u>3,890,747</u>
Business-type activity capital assets, net	<u>\$4,024,768</u>	<u>(\$53,892)</u>	<u>\$3,970,876</u>

b) Depreciation

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$60,153
Recreation	147,138
Public safety	15,517
Public works	669,123
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>74,221</u>
Total Governmental Activities	<u>\$966,152</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, 2015**

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2015.

	Original Issue Amount	Balance June 30, 2014	Retirements	Balance June 30, 2015
<i>Governmental Activity Debt</i>				
2009 A Judgment Obligation Bonds				
2.00%-5.375%, due 2025	\$5,765,000	\$4,655,000	\$4,655,000	
2009 B Judgment Obligation Bonds				
2.00%-5.375%, due 2020	10,915,000	<u>10,915,000</u>		<u>\$10,915,000</u>
Total Governmental Activity		<u>\$15,570,000</u>	<u>\$4,655,000</u>	<u>\$10,915,000</u>

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

In July 2009, the City issued Judgment Obligation Bonds (JOB) Series 2009A and 2009B in the amount of \$5,765,000 and \$10,915,000, respectively. The proceeds were used to settle the City's judgment obligation.

Judgment Obligation Bond, Series 2009A

The JOB Series 2009A bonds interest rates range from 3% to 5.375%. Interest payments for the JOB Series 2009A 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, 2010 with the final payment due on August 1, 2025. The bond was paid off as of June 30, 2015.

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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

5. Long-Term Debt, continued

As of June 30, 2015, annual debt service to maturity for the JOB Series 2009B bonds are as follows:

Year ending June 30	Governmental Activities	
	Principal	Interest
2016		\$937,704
2017		937,704
2018		937,704
2019		937,704
2020	\$10,915,000	468,852
Total	<u>\$10,915,000</u>	<u>\$4,219,668</u>

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.

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. During the fiscal year ended June 30, 2015, the City contributed \$2,582,276 to SAM. 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. The City's investment in SAM was \$6,488,295 at June 30, 2015.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

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.

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 \$3,012,735. 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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

7. Net Position/Fund Balances, continued

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, 2015, 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.

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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

7. Net Position/Fund Balances, continued

Fund balances for all the major and non-major governmental funds as of June 30, 2015 were distributed as follows:

	General Fund	Streets and Roads	Parks Development	Judgment Obligation Bonds	Land Asset	Non-major Governmental Funds	Total
Nonspendable:							
Land held for resale					\$26,823,920		\$26,823,920
Total nonspendable					26,823,920		26,823,920
Restricted:							
Streets & roads		\$5,089,762					5,089,762
Parks development improvements			\$670,789				670,789
Debt service				\$1,144,271			1,144,271
Police						\$214,968	214,968
Storm drain maintenance improvements						691,820	691,820
Traffic mitigation						237,671	237,671
Affordable housing						1,391,884	1,391,884
Public facilities						538,192	538,192
Library						3,630,329	3,630,329
Bond escrow				9,678,331			9,678,331
Total restricted		5,089,762	670,789	10,822,602		6,704,864	23,288,017
Committed:							
Contingency reserve	\$3,012,735						3,012,735
Total committed	3,012,735						3,012,735
Assigned:							
Measure J	812,840						812,840
Main Street Bridge Contingency	1,500,000						1,500,000
Total assigned	2,312,840						2,312,840
Unassigned:							
Total Fund Balances	\$9,542,557	\$5,089,762	\$670,789	\$10,822,602	\$26,823,920	\$6,704,864	\$59,654,494

e) Governmental Accounting Standards Board (GASB) Statement No. 68 and 71 Prior Period Adjustment

For fiscal year ended June 30, 2015, the City implemented the provisions of GASB No. 68 and 71 – *Accounting and Financial Reporting for Pensions*. Accordingly, beginning net positions of the governmental activities was reduced by \$7,619,469 and the Sewer Enterprise Fund was reduced by \$224,764. The reductions reflect the recording of net pension liability, deferred inflows of resources and deferred outflows of resources as required under the new GASBs.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

8. Pension Plans

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 (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. 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 Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u>	<u>On or after</u>
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
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	21.826%	6.70%
	<u>Safety</u>	
	<u>Prior to</u>	
	<u>January 1, 2013</u>	
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, 2015**

8. Pension Plans, continued

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 both Plans 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, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$1,251,381	\$427,847

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

As of June 30, 2015, 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	\$2,981,768
Safety	3,754,036
Total Net Pension Liability	\$6,735,804

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2013	0.12065%	0.10000%
Proportion - June 30, 2014	0.14777%	0.10154%
Change - Increase (Decrease)	0.02712%	0.00154%

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

8. Pension Plans, continued

For the year ended June 30, 2015, the City recognized pension expense of \$451,180. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$326,586	
Net differences between projected and actual earnings on plan investments		(\$1,996,887)
Adjustments due to Differences in Proportions	261,016	
Total	<u>\$587,602</u>	<u>(\$1,996,887)</u>

\$326,586 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:

Year Ended June 30	
2016	(\$406,001)
2017	(406,001)
2018	(424,648)
2019	(499,221)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	(1)	(1)
Investment Rate of Return	(2)	(2)
Mortality	Derived using CalPERS Membership Data	

- (1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015

8. Pension Plans, continued

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each 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 ran out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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 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. 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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

8. Pension Plans, continued

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	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	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.

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 each Plan, calculated using the discount rate for each 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	6.50%	6.50%	6.50%
Net Pension Liability	\$5,338,945	\$6,281,134	\$11,620,079
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$2,981,768	\$3,754,036	\$6,735,804
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	\$1,025,535	\$1,671,817	\$2,697,352

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

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 \$47,019 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 of \$23,746 directly to PERS for retiree benefits in addition to a full ARC contribution of \$47,019 to the trust, to a total contribution of \$70,765 towards the City's unfunded OPEB obligations in 2014-15.

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 period not to exceed thirty years.

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	\$47,019
Interest on net OPEB obligation	
Adjustment to annual required contribution	<u> </u>
Annual OPEB cost (expense)	47,019
Contributions and adjustments made (including premiums paid)	<u>(112,850)</u>
Increase in net OPEB obligation	
Net OPEB obligation, beginning of year	
Net OPEB (asset), end of year	<u><u>(\$65,831)</u></u>

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

9. Other Post Employment Healthcare Benefits, continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Asset)</u>
6/30/2013	\$40,800	100%	
6/30/2014	45,539	100%	
6/30/2015	47,019	100%	(\$65,831)

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 as sets, 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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

10. Risk Management, continued

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.

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, 2015, the City paid premiums of \$81,101 to The Cities Group. Financial statements may be obtained from The Cities Group at P.O. Box 111, Burlingame, CA 94011-0111.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

10. Risk Management, continued

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, 2015, the City paid premiums of \$96,246 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:

	2015	2014
Beginning balance of claims payable	\$243,340	\$125,550
Increase in estimated liability	338,300	144,050
Claims paid	(226,018)	(26,260)
Ending balance of claims payable	\$355,622	\$243,340



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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**

Measurement date:	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
	<u>6/30/2014</u>	<u>6/30/2014</u>
Plan's proportion of the Net Pension Liability (Asset)	0.04792%	0.06033%
Plan's proportion share of the Net Pension Liability (Asset)	\$2,981,768	\$3,754,036
Plan's Covered Employee Payroll	\$1,412,295	N/A
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	211.13%	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.22%	80.10%
Plan's Proportionate Share of Aggregate Employer Contributions	\$1,251,381	\$427,847

Note:

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing Multiple Employer Defined Pension Plan
As of fiscal year ending June 30, 2015
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
	<u>Fiscal Year 2013 - 2014</u>	<u>Fiscal Year 2013 - 2014</u>
Actuarially determined contribution	\$215,509	\$313,306
Contributions in relation to the actuarially determined contributions	<u>(1,090,708)</u>	<u>(313,306)</u>
Contribution deficiency (excess)	<u><u>(\$875,199)</u></u>	<u><u>\$0</u></u>
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 one year is 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, 2015
 Last Two 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%

CITY OF HALF MOON BAY
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Property tax	\$12,252,030	\$12,252,030	\$12,999,238	\$747,208
Licenses and permits	321,246	321,246	394,931	73,685
Fines and forfeitures	95,000	95,000	83,812	(11,188)
Charges for services	575,260	575,260	758,138	182,878
Investment income	35,000	35,000	50,787	15,787
Rents and leases	11,250	11,250		(11,250)
Intergovernmental revenues	257,000	257,000	92,515	(164,485)
Administrative fees			65	65
Miscellaneous	594,924	594,924	398,164	(196,760)
Total revenues	<u>14,141,710</u>	<u>14,141,710</u>	<u>14,777,650</u>	<u>635,940</u>
Expenditures:				
Current Operations:				
General Government	1,959,073	1,932,173	1,587,733	344,440
General administration	1,524,349	1,589,649	946,395	643,254
Public Safety	3,053,968	3,053,968	3,056,253	(2,285)
Public Works	1,799,694	1,828,563	1,567,442	261,121
Recreation services	112,210	112,210	105,735	6,475
Planning	1,319,786	1,319,786	1,087,940	231,846
Total expenditures	<u>9,769,080</u>	<u>9,836,349</u>	<u>8,351,498</u>	<u>1,484,851</u>
Excess of revenues over expenditures	<u>4,372,630</u>	<u>4,305,361</u>	<u>6,426,152</u>	<u>2,120,791</u>
Other financing sources (uses):				
Transfers in	250,000	250,000	250,000	
Transfers out	(4,415,194)	(7,831,533)	(16,894,033)	(9,062,500)
Total Other Financing Sources (Uses)	<u>(4,165,194)</u>	<u>(7,581,533)</u>	<u>(16,644,033)</u>	<u>(9,062,500)</u>
Net change in fund balance	<u>\$207,436</u>	<u>(\$3,276,172)</u>	<u>(10,217,881)</u>	<u>(\$6,941,709)</u>
Fund balance at beginning of year			19,760,453	
Fund balance at end of year			<u>\$9,542,572</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, 2015

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Investment income	\$16,500	\$16,500	\$29,821	\$13,321
Intergovernmental revenue	4,671,814	4,671,814	1,395,999	(3,275,815)
Total revenues	<u>4,688,314</u>	<u>4,688,314</u>	<u>1,425,820</u>	<u>(3,262,494)</u>
Expenditures:				
Current:				
Public works	334,106	355,758	309,706	46,052
Capital Outlay	6,395,000	6,395,000	1,876,504	4,518,496
Total expenditures	<u>6,729,106</u>	<u>6,750,758</u>	<u>2,186,210</u>	<u>4,564,548</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,040,792)</u>	<u>(2,062,444)</u>	<u>(760,390)</u>	<u>1,302,054</u>
Other financing sources (uses):				
Transfer in	2,790,000	2,790,000	2,320,000	633,000
Transfer out	(970,000)	(470,000)	_____	(150,000)
Total other financing sources (uses)	<u>1,820,000</u>	<u>2,320,000</u>	<u>2,320,000</u>	<u>483,000</u>
Net change in fund balance	<u>(\$220,792)</u>	<u>\$257,556</u>	1,559,610	<u>\$1,785,054</u>
Fund balance at beginning of year			<u>3,530,152</u>	
Fund balance at end of year			<u>\$5,089,762</u>	

CITY OF HALF MOON BAY
PARKS DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Impact fees/recreation fees	\$424,226	\$424,226	\$104,780	(\$319,446)
Investment income	2,500	2,500	4,861	2,361
Intergovernmental revenues	35,000	35,000	144,927	109,927
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>116,060</u>	<u>111,060</u>
Total Revenues	<u>466,726</u>	<u>466,726</u>	<u>370,628</u>	<u>(96,098)</u>
Expenditures:				
Current:				
Recreation services	108,000	108,000	36,285	71,715
Capital outlay	<u>998,000</u>	<u>1,098,000</u>	<u>698,014</u>	<u>399,986</u>
Total expenditures	<u>1,106,000</u>	<u>1,206,000</u>	<u>734,299</u>	<u>471,701</u>
Excess of revenues over expenditures	<u>(639,274)</u>	<u>(739,274)</u>	<u>(363,671)</u>	<u>375,603</u>
Other financing sources:				
Transfers in	603,000	633,000	703,000	70,000
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u> </u>
Total other financing sources	<u>453,000</u>	<u>483,000</u>	<u>553,000</u>	<u>70,000</u>
Net change in fund balance	<u>(\$186,274)</u>	<u>(\$256,274)</u>	189,329	<u>\$445,603</u>
Fund balance at beginning of year			<u>481,460</u>	
Fund balance at end of year			<u>\$670,789</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.



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OTHER SUPPLEMENTARY INFORMATION

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, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	<u>\$252,276</u>	<u>\$692,322</u>	<u>\$440,046</u>
Total revenues	<u>252,276</u>	<u>692,322</u>	<u>440,046</u>
Expenditures:			
Debt service:			
Principal	3,407,323	4,655,000	(\$1,247,677)
Interest and fees	<u>1,068,113</u>	<u>1,053,237</u>	<u>\$14,876</u>
Total expenditures	<u>4,475,436</u>	<u>5,708,237</u>	<u>(1,232,801)</u>
Excess of revenues over expenditures	<u>(4,223,160)</u>	<u>(5,015,915)</u>	<u>(792,755)</u>
Other financing sources:			
Transfers in	2,239,441	1,470,209	(769,232)
Transfers (out)	<u> </u>	<u>(17,906,420)</u>	<u>(17,906,420)</u>
Total other financing sources	<u>2,239,441</u>	<u>(16,436,211)</u>	<u>(18,675,652)</u>
Net change in fund balance	<u>(1,983,719)</u>	<u>(21,452,126)</u>	<u>(\$19,468,407)</u>
Fund balance at beginning of year		<u>32,274,728</u>	
Fund balance at end of year		<u><u>\$10,822,602</u></u>	

CITY OF HALF MOON BAY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2015

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.

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

CITY OF HALF MOON BAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing
Assets				
Cash and investments	\$236,184	\$117,123	\$237,320	\$1,389,788
Accounts receivable				
Interest receivable	342	196	351	2,096
Total assets	\$236,526	\$117,319	\$237,671	\$1,391,884
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$21,558	\$4,153		
Accrued expenses				
Total liabilities	21,558	4,153		
Fund Balances:				
Restricted	214,968	113,166	\$237,671	\$1,391,884
Total fund balances	214,968	113,166	237,671	1,391,884
Total liabilities and fund balances	\$236,526	\$117,319	\$237,671	\$1,391,884

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Library</u>	<u>Total</u>
\$533,187	\$580,642	\$3,667,000	\$6,761,244
5,371			5,371
1,818	878		5,681
<u>\$540,376</u>	<u>\$581,520</u>	<u>\$3,667,000</u>	<u>\$6,772,296</u>
\$2,184	\$2,866	\$36,671	\$67,432
<u>2,184</u>	<u>2,866</u>	<u>36,671</u>	<u>67,432</u>
<u>538,192</u>	<u>578,654</u>	<u>3,630,329</u>	<u>6,704,864</u>
<u>538,192</u>	<u>578,654</u>	<u>3,630,329</u>	<u>6,704,864</u>
<u>\$540,376</u>	<u>\$581,520</u>	<u>\$3,667,000</u>	<u>\$6,772,296</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, 2015

	SPECIAL REVENUE FUNDS			
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing
Revenues:				
Charges for services				
Impact fees/recreation fees			\$192,597	\$327,264
Investment income	\$1,085	\$863	1,168	7,363
Intergovernmental revenues	104,306			
Miscellaneous				
Total Revenues	105,391	863	193,765	334,627
Expenditures:				
Current:				
General government				
Public Safety	33,488			
Public Works		83,635	23,451	
Capital outlay		4,025		
Total Expenditures	33,488	87,660	23,451	
Excess (deficiency) of revenues over (under) expenditures	71,903	(86,797)	170,314	334,627
Other financing sources:				
Transfers in		120,000		
Transfer (out)			(445,000)	
Total Other Financing Sources		120,000	(445,000)	
Net change in fund balances	71,903	33,203	(274,686)	334,627
Fund balances at beginning of year	143,065	79,963	512,357	1,057,257
Fund balances at end of year	\$214,968	\$113,166	\$237,671	\$1,391,884

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Library</u>	<u>Total</u>
	\$7,319		\$7,319
\$525			520,386
6,744	3,394		20,617
500,000	23,143		627,449
5,371			5,371
<u>512,640</u>	<u>33,856</u>		<u>1,181,142</u>
51,731			51,731
			33,488
3,457			110,543
37,156	93,385	\$36,671	171,237
<u>92,344</u>	<u>93,385</u>	<u>36,671</u>	<u>366,999</u>
420,296	(59,529)	(36,671)	814,143
317,000	109,400	3,667,000	4,213,400
(667,000)			(1,112,000)
<u>(350,000)</u>	<u>109,400</u>	<u>3,667,000</u>	<u>3,101,400</u>
70,296	49,871	3,630,329	3,915,543
467,896	528,783		2,789,321
<u>\$538,192</u>	<u>\$578,654</u>	<u>\$3,630,329</u>	<u>\$6,704,864</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, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment income	\$400	\$1,085	\$685
Intergovernmental	<u>100,000</u>	<u>104,306</u>	<u>4,306</u>
Total Revenues	<u>100,400</u>	<u>105,391</u>	<u>4,991</u>
Expenditures:			
Current:			
Public Safety	<u>174,000</u>	<u>33,488</u>	<u>140,512</u>
Total expenditures	<u>174,000</u>	<u>33,488</u>	<u>(140,512)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(73,600)</u>	<u>71,903</u>	<u>145,503</u>
Net change in fund balance	<u><u>(\$73,600)</u></u>	<u>71,903</u>	<u><u>\$145,503</u></u>
Fund Balance at beginning of year		<u>143,065</u>	
Fund balance at end of year		<u><u>\$214,968</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	<u>\$900</u>	<u>\$863</u>	<u>(\$37)</u>
Total revenues	<u>900</u>	<u>863</u>	<u>(37)</u>
Expenditures:			
Current:			
Public works	116,912	83,635	33,277
Capital outlay	<u>4,025</u>	<u>4,025</u>	<u> </u>
Total expenditures	<u>120,937</u>	<u>87,660</u>	<u>33,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,037)</u>	<u>(86,797)</u>	<u>33,240</u>
Other financing sources:			
Transfers in	<u>120,000</u>	<u>120,000</u>	<u> </u>
Total other financing sources	<u>120,000</u>	<u>120,000</u>	<u> </u>
Net change in fund balance	<u>(\$37)</u>	33,203	<u>\$33,240</u>
Fund balance at beginning of year		<u>79,963</u>	
Fund balance at end of year		<u>\$113,166</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, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Impact fees/recreation fees	\$271,043	\$192,597	(\$78,446)
Investment income	<u>2,435</u>	<u>1,168</u>	<u>(1,267)</u>
Total revenues	<u>273,478</u>	<u>193,765</u>	<u>(79,713)</u>
Expenditures:			
Current:			
Public works	<u>23,451</u>	<u>23,451</u>	<u> </u>
Total expenditures	<u>23,451</u>	<u>23,451</u>	<u> </u>
Excess (deficiency) of revenues over (under) expenditures	<u>250,027</u>	<u>170,314</u>	<u>(79,713)</u>
Other financing sources:			
Transfers out	<u>(445,000)</u>	<u>(445,000)</u>	<u> </u>
Total other financing sources	<u>(445,000)</u>	<u>(445,000)</u>	<u> </u>
Net change in fund balance	<u><u>(\$194,973)</u></u>	<u>(274,686)</u>	<u><u>(\$79,713)</u></u>
Fund balance at beginning of year		<u>512,357</u>	
Fund balance at end of year		<u><u>\$237,671</u></u>	

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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Recreation fees/impact fees	\$392,717	\$327,264	(\$65,453)
Investment income		<u>7,363</u>	<u>7,363</u>
Total revenues	<u>392,717</u>	<u>334,627</u>	<u>(58,090)</u>
Excess of revenues over expenditures	<u>392,717</u>	<u>334,627</u>	<u>(58,090)</u>
Net change in fund balance	<u><u>\$392,717</u></u>	<u>334,627</u>	<u><u>(\$58,090)</u></u>
Fund balance at beginning of year		<u>1,057,257</u>	
Fund balance at end of year		<u><u>\$1,391,884</u></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, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Impact fees/recreation fees	\$840	\$525	(\$315)
Investment income	4,000	6,744	2,744
Intergovernmental revenue		500,000	500,000
Miscellaneous		5,371	5,371
Total revenues	<u>4,840</u>	<u>512,640</u>	<u>507,800</u>
Expenditures:			
Current:			
General government		51,731	(51,731)
Public works	26,717	3,457	23,260
Capital Outlay	<u>827,000</u>	<u>37,156</u>	<u>789,844</u>
Total expenditures	<u>853,717</u>	<u>92,344</u>	<u>761,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(848,877)</u>	<u>420,296</u>	<u>1,269,173</u>
Other financing sources (uses):			
Transfers in		317,000	317,000
Transfers (out)		<u>(667,000)</u>	<u>(667,000)</u>
Total Other Financing Sources (uses)		<u>(350,000)</u>	<u>(350,000)</u>
Net change in fund balance	<u>(\$848,877)</u>	70,296	<u>\$919,173</u>
Fund balance at beginning of year		<u>467,896</u>	
Fund balance at end of year		<u><u>\$538,192</u></u>	

CITY OF HALF MOON BAY
 STORM DRAIN IMPROVEMENTS CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges for services	\$2,305	\$7,319	\$5,014
Investment income	<u>3,500</u>	<u>3,394</u>	<u>(106)</u>
Total Revenues	<u>5,805</u>	<u>10,713</u>	<u>4,908</u>
Expenditures:			
Capital outlay	<u>150,000</u>	<u>93,385</u>	<u>56,615</u>
Total expenditures	<u>150,000</u>	<u>93,385</u>	<u>(56,615)</u>
Excess of revenues over expenditures	<u>(113,595)</u>	<u>(59,529)</u>	<u>54,066</u>
Net change in fund balance	<u><u>(\$113,595)</u></u>	<u><u>(59,529)</u></u>	<u><u>\$54,066</u></u>
Fund balance at beginning of year		<u>528,783</u>	
Fund balance at end of year		<u><u>\$578,654</u></u>	



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CITY OF HALF MOON BAY, CALIFORNIA
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2015

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, 2015

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Assets				
Current Assets:				
Cash and investments	\$1,288,670	\$1,700,252	\$1,008,844	\$3,997,766
Accounts receivable		2,900		2,900
Interest receivable	1,977	2,602	1,521	6,100
Total Current Assets	<u>1,290,647</u>	<u>1,705,754</u>	<u>1,010,365</u>	<u>4,006,766</u>
Non-current assets:				
Capital assets, net of Accumulated depreciation	299,530			299,530
Total Assets	<u>1,590,177</u>	<u>1,705,754</u>	<u>1,010,365</u>	<u>4,306,296</u>
Liabilities				
Current Liabilities:				
Accounts payable	11,210	11,453		22,663
Claims liability		355,622		355,622
Total Liabilities	<u>11,210</u>	<u>367,075</u>		<u>378,285</u>
Net Position				
Net position:				
Invested in capital assets	299,530			299,530
Unrestricted	1,279,437	1,338,679	1,010,365	3,628,481
Total net position	<u>\$1,578,967</u>	<u>\$1,338,679</u>	<u>\$1,010,365</u>	<u>\$3,928,011</u>

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, 2015

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Operating revenues:				
Charges for services	\$250,000	\$200,000		\$450,000
Impact fees	1,130			1,130
Total operating revenues	<u>251,130</u>	<u>200,000</u>		<u>451,130</u>
Operating expenses:				
Salaries and wages	77,159			77,159
Contract services	60,366	105,380		165,746
Services and supplies	39,858			39,858
Repairs and maintenance	24,496			24,496
Insurance expense		218,019		218,019
Pension			\$190,343	190,343
Depreciation	74,221			74,221
Total operating expenses	<u>276,100</u>	<u>323,399</u>	<u>190,343</u>	<u>789,842</u>
Operating income (loss)	<u>(24,970)</u>	<u>(123,399)</u>	<u>(190,343)</u>	<u>(338,712)</u>
Non-operating revenues (expenses):				
Investment income	7,799	9,912	6,075	23,786
Contributions	43,541			43,541
Total non-operating revenues	<u>51,340</u>	<u>9,912</u>	<u>6,075</u>	<u>67,327</u>
Transfers in (Note 3)	<u>165,000</u>	<u>200,000</u>	<u>166,924</u>	<u>531,924</u>
Change in net position	191,370	86,513	(17,344)	260,539
Net position at beginning of year	<u>1,387,597</u>	<u>1,252,166</u>	<u>1,027,709</u>	<u>3,667,472</u>
Net position at end of year	<u>\$1,578,967</u>	<u>\$1,338,679</u>	<u>\$1,010,365</u>	<u>\$3,928,011</u>

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Cash flows from operating activities:				
Cash received from department users	\$250,678	\$196,461	(\$895)	\$446,244
Cash payments to suppliers of goods and services	(145,112)	(203,964)	(190,343)	(539,419)
Cash payments to employees for services	(79,620)			(79,620)
Net cash provided by (used for) operating activities	<u>25,946</u>	<u>(7,503)</u>	<u>(191,238)</u>	<u>(172,795)</u>
Cash flows from non-capital and related financing activities:				
Cash paid to other funds	<u>165,000</u>	<u>200,000</u>	<u>166,924</u>	<u>531,924</u>
Cash flows from capital and related financing activities:				
(Acquisition) of capital assets	<u>(50,574)</u>			<u>(50,574)</u>
Net cash (used for) capital and related financing activities	<u>(50,574)</u>			<u>(50,574)</u>
Cash flows from investing activities:				
Interest received on investments	<u>7,799</u>	<u>9,912</u>	<u>6,075</u>	<u>23,786</u>
Net cash provided by investing activities	<u>7,799</u>	<u>9,912</u>	<u>6,075</u>	<u>23,786</u>
Net increase (decreased) in cash and cash equivalents	148,171	202,409	(18,239)	332,341
Cash and cash equivalents at beginning of year	<u>1,140,499</u>	<u>1,497,843</u>	<u>1,027,083</u>	<u>3,665,425</u>
Cash and cash equivalents at end of year	<u>\$1,288,670</u>	<u>\$1,700,252</u>	<u>\$1,008,844</u>	<u>\$3,997,766</u>
Reconciliation of operating income to net cash flows provided by operating activities:				
Operating income (loss)	(\$24,970)	(\$123,399)	(\$190,343)	(\$338,712)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	74,221			74,221
Increase in accounts receivable		(2,900)		(2,900)
Decrease in interest receivable	(452)	(639)	(895)	(1,986)
Increase (Decreased) in accounts payable	(20,392)	7,243		(13,149)
Decrease in accrued expenses	(2,461)			(2,461)
Increase in claims and judgments payable		112,192		112,192
Net cash provided by (used for) operating activities	<u>\$25,946</u>	<u>(7,503)</u>	<u>(191,238)</u>	<u>(172,795)</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, 2015 have issued our report thereon dated November 17, 2015.

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 17, 2015 which is an integral part of our audit and should be read in conjunction with this report.

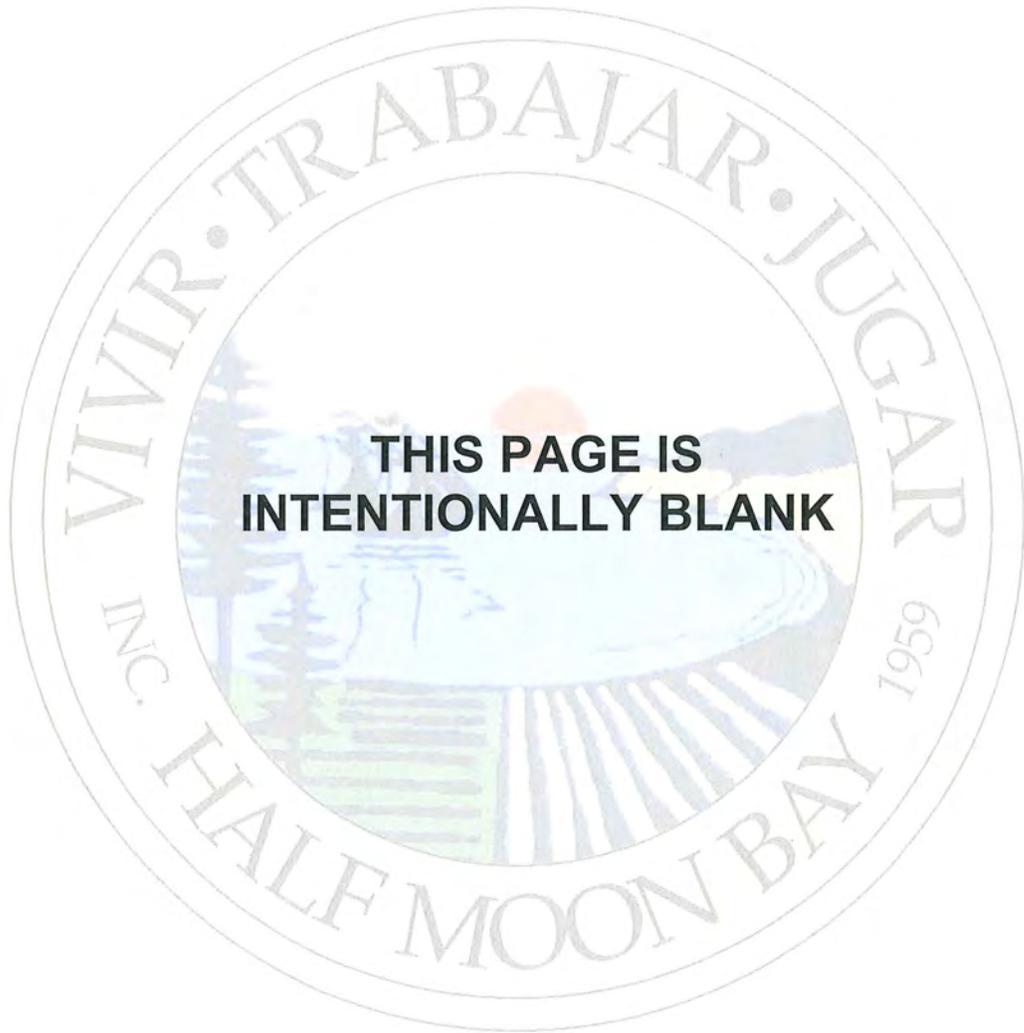
Purpose of this Report

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 17, 2015

Klare & Associates

STATISTICAL SECTION



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CITY OF HALF MOON BAY, CALIFORNIA
STATISTICAL SECTION
FISCAL YEAR ENDED JUNE 30, 2015

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.

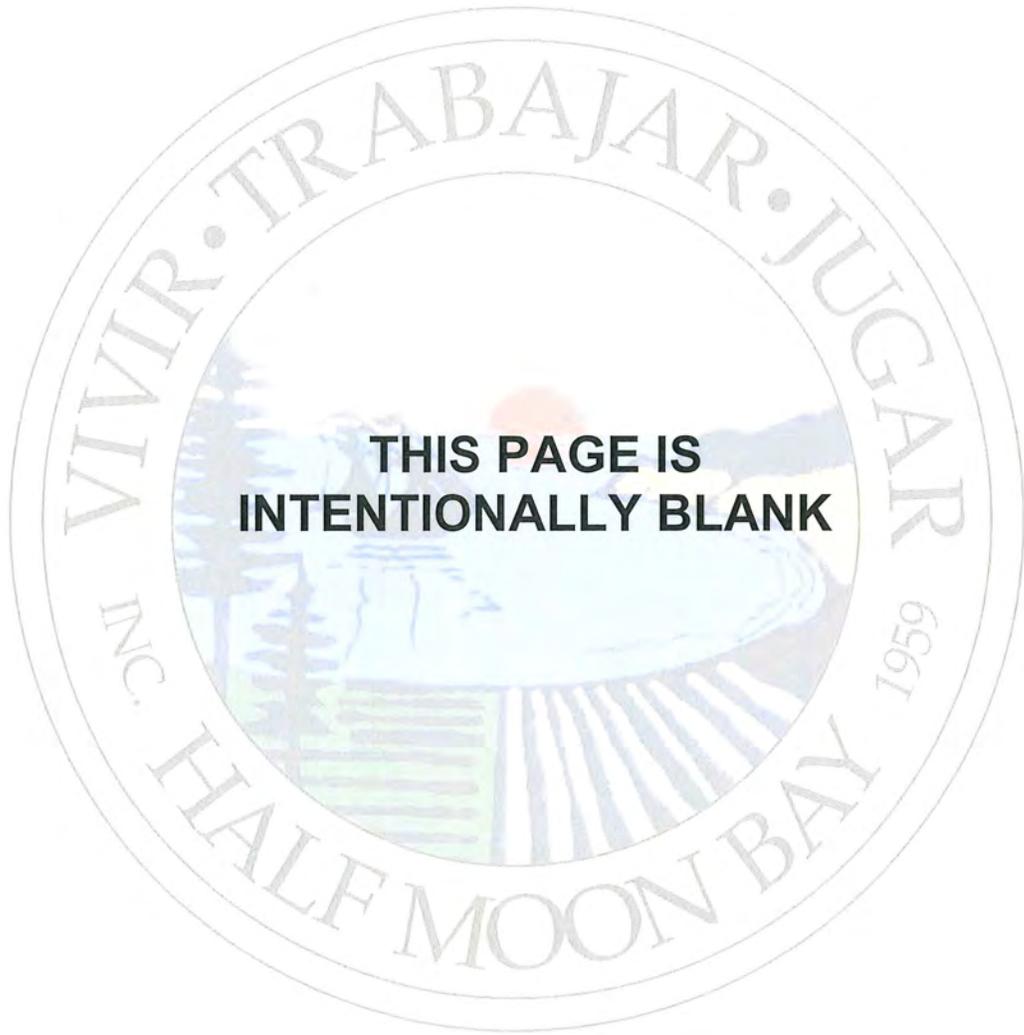
Operating Information

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Invested in capital assets										
net of related debt	\$10,879,856	\$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
Restricted	112,516	111,742	880,559	64,199	61,860				38,078,982	18,540,842
Unrestricted	11,137,020	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
Total governmental activities net position	<u>\$22,129,392</u>	<u>\$31,894,417</u>	<u>\$19,097,780</u>	<u>\$25,944,252</u>	<u>\$43,025,482</u>	<u>\$54,646,431</u>	<u>\$59,746,879</u>	<u>\$77,585,128</u>	<u>\$82,145,576</u>	<u>\$82,133,722</u>
Business-type activities										
Invested in capital assets										
net of related debt	\$3,596,858	\$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
Restricted										
Unrestricted	15,992,729	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
Total business-type activities net position	<u>\$19,589,587</u>	<u>\$19,039,124</u>	<u>\$16,651,120</u>	<u>\$15,541,163</u>	<u>\$15,015,646</u>	<u>\$15,146,816</u>	<u>\$18,115,830</u>	<u>\$19,971,364</u>	<u>\$22,371,975</u>	<u>\$23,034,034</u>
Primary government										
Invested in capital assets										
net of related debt	\$14,476,714	\$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
Restricted	112,516	111,742	880,559	64,199	61,860				38,078,982	18,540,842
Unrestricted	27,129,749	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
Total primary government net position (1)	<u>\$41,718,979</u>	<u>\$50,933,541</u>	<u>\$35,748,900</u>	<u>\$41,485,415</u>	<u>\$58,041,128</u>	<u>\$69,793,247</u>	<u>\$77,862,709</u>	<u>\$97,556,492</u>	<u>\$104,517,551</u>	<u>\$105,167,756</u>

(1) The \$9.2 million increase in primary government net position in FY 2006-07 compared to FY 2005-06 is primarily due to infrastructure asset additions from prior periods that are allowable under phase-in provisions of Governmental Accounting Standards Statement No. 34.

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 "Glenree" 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.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses										
Governmental activities:										
General government	\$2,297,934	\$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
Public safety	4,569,989	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
Public works	1,912,079	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
Recreation services	2,526,853	4,618,855	1,260,683	1,189,359	1,349,644	470,592	335,383	208,152	221,703	282,251
Interest and fiscal charges	16,815	15,410	13,858	12,145	1,161,720	1,194,208	1,182,228	1,172,672	1,155,865	1,053,237
Total governmental activities expenses	<u>11,323,670</u>	<u>21,073,361</u>	<u>35,887,993</u>	<u>14,386,805</u>	<u>12,150,492</u>	<u>10,038,468</u>	<u>10,363,970</u>	<u>10,622,280</u>	<u>12,961,832</u>	<u>11,113,733</u>
Business-type activities:										
Sewer	8,759,733	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
Total business-type activities expenses	<u>8,759,733</u>	<u>9,287,617</u>	<u>4,754,290</u>	<u>3,343,655</u>	<u>3,001,566</u>	<u>2,718,762</u>	<u>2,630,004</u>	<u>3,224,026</u>	<u>2,881,315</u>	<u>4,078,003</u>
Total primary government expenses	<u>\$20,083,403</u>	<u>\$30,360,978</u>	<u>\$40,642,283</u>	<u>\$17,730,460</u>	<u>\$15,152,058</u>	<u>\$12,757,230</u>	<u>\$12,993,974</u>	<u>\$13,846,306</u>	<u>\$15,843,147</u>	<u>\$15,191,736</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$1,544,660	\$3,659,491	\$736,131	\$497,596	\$133,221	\$275,581	\$573,847	\$322,092	\$769,532	\$562,974
Public safety	159,379	138,165	110,804	128,072	118,966	108,566	119,719	153,154	117,737	107,738
Public works	669,095	593,886	277,731	208,164	212,314	225,007	317,715	549,671	632,607	423,449
Recreation services	683,305	790,025	913,162	787,648	638,982	573,574	508,032	457,531	534,225	550,144
Operating grants and contributions	879,892	908,123	769,098	1,306,701	1,245,248	1,387,622	897,344	1,182,936	1,512,220	1,903,151
Capital grants and contributions	2,163,793	9,427,056	8,131,867	2,776,290	574,092	316,502	1,645,343	571,140	775,559	596,856
Total governmental activities program revenues	<u>6,100,124</u>	<u>15,516,746</u>	<u>10,938,793</u>	<u>5,704,471</u>	<u>2,922,823</u>	<u>2,886,852</u>	<u>4,062,000</u>	<u>3,236,524</u>	<u>4,341,880</u>	<u>4,144,312</u>
Business-type activities:										
Charges for services:										
Sewer	2,183,049	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
Operating grants and contributions							1,965,858	1,540	4,074	
Capital grants and contributions										45,628
Total business-type activities program revenues	<u>2,183,049</u>	<u>2,211,700</u>	<u>2,311,776</u>	<u>2,219,672</u>	<u>2,619,110</u>	<u>3,094,158</u>	<u>5,817,554</u>	<u>5,281,378</u>	<u>5,506,480</u>	<u>5,151,130</u>
Total primary government program revenues	<u>\$8,283,173</u>	<u>\$17,728,446</u>	<u>\$13,250,569</u>	<u>\$7,924,143</u>	<u>\$5,541,933</u>	<u>\$5,981,010</u>	<u>\$9,879,554</u>	<u>\$8,517,902</u>	<u>\$9,848,360</u>	<u>\$9,295,442</u>
Net Revenues (Expenses)										
Governmental activities	(\$5,223,546)	(\$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)
Business-type activities	(525,448)	(670,384)	5,003,633	(1,123,983)	(382,456)	375,396	3,187,550	2,057,352	2,625,165	1,073,127
Total net revenues (expenses)	<u>(\$5,748,994)</u>	<u>(\$6,226,999)</u>	<u>(\$58,022,524)</u>	<u>(\$9,806,317)</u>	<u>(\$9,610,125)</u>	<u>(\$6,776,220)</u>	<u>(\$3,114,420)</u>	<u>(\$5,328,404)</u>	<u>(\$5,994,787)</u>	<u>(\$5,896,294)</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$2,018,660	\$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
Sales taxes	1,839,182	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
Transient occupancy tax	3,134,013	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
Other taxes	692,430	715,453	703,984	628,754	567,746	624,880	828,343	787,952	814,840	832,390
Motor vehicle in-lieu, unrestricted	86,271	86,793	66,834	44,456						
Investment income	164,421	225,622	301,829	154,898	112,786	246,160	425,702	385,353	291,224	798,406
Other general revenues, including transfers	26,427	205,826	4,712	142,573	298,249	887,001	1,378,696	962,353	929,562	779,392
Special item: Judgement (2)					18,000,000					
Special item: Insurance proceeds (2)			5,000,000					13,150,000		
Special item: Forgiveness of debt (2)	946,438									
Special item: Donated land (2)						8,917,500				
Total governmental activities	8,907,842	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
Business-type activities:										
Investment income	75,784	119,921	54,510	14,026	6,939	5,774	31,464	48,182	25,446	63,696
Transfers						(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Total business-type activities	75,784	119,921	54,510	14,026	6,939	(244,226)	(218,536)	(201,818)	(224,554)	(186,304)
Total primary government (1)	\$8,983,626	\$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
Change in Net Position										
Governmental activities	\$3,684,296	\$3,510,247 (3)	(\$10,868,647)	\$122,546	\$16,931,230	\$11,620,949	\$5,100,448	\$17,838,249	\$4,560,448	\$7,607,615
Business-type activities	(449,664)	(550,463)	(2,388,004)	(1,109,957)	(375,517)	131,170	2,969,014	1,855,534	2,400,611	886,823
Total primary government	\$3,234,632	\$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

(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.

(2)

Special Items:

FY 2005-06 is for Community Development Agency loans from property owners that were forgiven because the redevelopment area was not approved by the voters.

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.

(4)

Total net expenses in FY 2012-13 increased by \$2.2 million primarily for timing of capital grants and project timing.

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

	Fiscal Year June 30,				
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$2,251	\$2,619			\$2,934,031
Unreserved	3,575,043	2,750,735	\$7,323,476	\$7,722,535	2,404,122
Total General Fund (1)	<u>\$3,577,294</u>	<u>\$2,753,354</u>	<u>\$7,323,476</u>	<u>\$7,722,535</u>	<u>\$5,338,153</u>
All Other Governmental Funds					
Reserved	\$604,732	\$597,699	\$607,363	\$601,107	\$18,432,044
Unreserved, reported in:					
Special revenue fund	2,386,158	1,393,187	2,645,072	1,601,581	139,239
Debt service fund	2,174	12,354	38,230	44,500	1,145,312
Capital projects fund	2,686,457	1,504,105	1,127,624	1,412,602	2,223,984
Total all other governmental funds (2)	<u>\$5,679,521</u>	<u>\$3,507,345</u>	<u>\$4,418,289</u>	<u>\$3,659,790</u>	<u>\$21,940,579</u>
	Fiscal year June 30,				
	2011 (3)	2012	2013	2014	2015
General fund:					
Non-spendable	\$9,373,648	\$9,145,574	\$8,917,500	\$8,917,500	
Restricted					
Committed	2,763,098	3,672,354	3,800,352	4,255,283	\$3,012,735
Assigned		1,110,256	1,825,000	2,609,294	2,312,840
Unassigned	2,893,969	2,587,992	3,143,252	3,978,376	4,216,982
Total general fund (1)	<u>\$15,030,715</u>	<u>\$16,516,176</u>	<u>\$17,686,104</u>	<u>\$19,760,453</u>	<u>\$9,542,557</u>
All other governmental funds:					
Non-spendable	\$17,906,420	\$17,906,420	\$17,906,420	\$17,906,420	\$26,823,920
Restricted	2,823,637	6,130,588	7,431,343	21,169,241	23,288,017
Committed	2,034,742		13,150,000		
Unassigned	(3,416)				
Total all other governmental funds (2)	<u>\$22,761,383</u>	<u>\$24,037,008</u>	<u>\$38,487,763</u>	<u>\$39,075,661</u>	<u>\$50,111,937</u>

(1)

General fund:

FY 2007-08 Increase in reserve is primarily due to receipt of \$5 million insurance recovery on the Yamagiwa case,
FY 2009-10 Decrease is primarily due to economic downturn. In addition, 30% General Fund reserve policy was presented on the financial statements as a reserved amount
FY 2011-12 and FY 2012-13 Assigned General fund balance is planned for future years' capital expenditures; Committed General fund balance reflects the 30% General fund
reserve policy. The Nonspendable fund balance is primarily land held for resale.
FY 2014-15 Nonspendable fund balance decrease is due to the land held for resale transfer from the General Fund to the newly created Land Asset Fund.

(2)

Other Governmental Funds:

FY 2006-07 Decrease is primarily due to project spending in the Park Fund and the Highway 92 projects.
FY 2009-10 Increase of \$18.3 million is primarily for the purchase of Cabrillo Highway property, in settlement of the Yamagiwa case. The Debt Service Fund increased
for the reserve requirement on the Judgment Obligation bond in FY 2009-10.
FY 2011-12 Nonspendable fund balance is land held for resale. The increase in Restricted fund balance reflects the change in classification for special revenue funds,
as well as increased restricted monies for capital projects
FY 2012-13 Nonspendable fund balance is land held for resale. The increase in the committed balance is for the monies to be used for the debt reduction program on the
Judgment Obligation Bonds.
FY 2013-14 Restricted fund balance increase is due to the reclass of the Committed balance in the Judgement Obligation Bond fund.
FY 2014-15 Nonspendable fund balance increase is due to the land held for resale transfer from the General Fund to the newly created Land Asset Fund.

(3)

GASB 54 was implemented in FY 2010-11. See Notes to Financial Statements for definitions of fund balance. The nonspendable balance primarily represents
Cabrillo Highway and Glencree land.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$7,684,285	\$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
Licenses and permits	287,012	266,325	265,793	211,777	210,491	290,872	306,022	482,488	537,634	394,931
Fines and forfeitures	73,765	62,369	73,722	90,841	66,168	47,220	74,990	116,060	93,737	83,812
Charges for services	867,434	767,834	771,584	553,594	538,817	263,065	546,433	636,772	940,320	765,457
Recreation fees/Impact fees	435,907	493,444	535,414	410,253	288,269	287,531	991,622	556,402	821,973	625,166
Investment income	253,909	534,465	369,967	154,898	108,970	246,160	425,612	385,353	291,227	798,408
Rents and leases	45,363	43,503	40,598	36,981	25,651	26,582	15,017	12,250	11,518	
Intergovernmental revenues	1,010,343	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
Administrative fees	381,905	331,296	386,900	361,690	7,315	15,185	3,659	249	1,633	65
Miscellaneous	293,836	877,439	283,184	353,120	246,544	1,068,317	215,760	13,875,666	587,731	519,595
Total revenues:	11,333,759	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
Expenditures										
Current:										
General government	1,996,481	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
Public safety	4,005,004	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
Public works	1,518,338	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
Recreation services	940,198	1,045,929	1,112,498	1,120,646	524,859	403,058	190,175	62,803	1,780,847	1,987,691
Planning services	1,175,388	1,097,274	869,562	820,925	604,204	390,853	532,116	687,726	77,155	142,020
Capital outlay	1,633,662	10,028,393	2,728,447	4,194,340	7,385	163,110	58,861	1,605,300	2,254,869	2,745,770
Debt service:										
Principal retirement (1)	40,000	45,000	45,000	50,000	50,000	315,000	330,000	395,000	290,000	4,655,000
Interest and fiscal charges	16,815	15,410	13,858	12,145	665,009	1,195,864	1,185,637	1,176,352	1,161,844	1,053,237
Total expenditures	11,325,886	22,450,138	20,191,657	15,269,327	11,748,291	11,244,337	11,490,812	12,733,058 (2)	14,859,450	17,347,258
Excess (deficiency) of revenues over (under) expenditures	7,873	(2,996,116)	481,066	240,560	(733,593)	1,345,866	2,511,086	15,370,683	2,412,247	1,100,304
Other Financing Sources (Uses)										
Proceeds from insurance settlement			5,000,000							
Bond proceeds					16,680,000					
Transfers in (2)	391,000	547,500	199,000	1,060,000	4,069,245	1,978,768	2,669,092	3,279,711	3,368,987	35,780,529
Transfers out (2)	(391,000)	(547,500)	(199,000)	(1,660,000)	(4,119,245)	(1,728,768)	(2,419,092)	(3,029,711)	(3,118,987)	(36,062,453)
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)
Net change in fund balances (3)	\$7,873	(\$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
Debt service as a percentage of noncapital expenditures	0.5%	0.3%	0.3%	0.4%	6.5%	15.5%	15.2%	14.1%	10.8%	38.1%

(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 1 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 Glencreed 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.

CITY OF HALF MOON BAY

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

Last Ten Fiscal Years

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
LODGING TYPE										
Hotels/Motels	\$3,016,366	\$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
B&Bs/ Inns / Cottages	73,980	86,855	82,634	86,423	78,696	83,797	95,678	104,057	114,610	101,393
RV Parks/Camps	43,667	49,882	59,196	67,664	54,009	60,477	97,244	96,187	243,467	281,880
Vacation Rentals	-	-	-	-	-	-	5,401	21,470	35,392	45,105
Totals	\$3,134,013	\$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

Per FS \$5,433,394

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⁽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
2006	10%
2007	10%
2008	10%
2009	12%
2010	12%
2011	12%
2012	12%
2013	12%
2014	12%
2015	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	2014-15		2004-05	
	TOT Collected	Percent of Total TOT Revenues	TOT Collected	Percent of Total TOT Revenues
Hotels/Motels/Lodges	\$5,002,165	92.11%	\$2,717,187	95.90%
Bed & Breakfasts and Inns	101,393	1.87%	70,541	2.49%
RV Parks & Campgrounds	281,880	5.19%	45,709	1.61%
Vacation Rentals	45,105	0.83%	-	0.00%
	\$5,430,543	100.00%	\$2,833,437	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

Governmental Activities

Fiscal Year Ended June 30,	Lease Revenue Bonds	Long-Term Note	Loans From Property Owners	Judgment Obligation Bonds	Total Governmental Activities ⁽²⁾	Total Primary Government	Percentage of Personal Income	Debt Per Capita ⁽³⁾
2006	\$410,000	\$3,100,000	-	-	\$3,510,000	\$3,510,000	0.58%	\$278
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

⁽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		
2006	\$410	-	\$410	0.0000%	\$32
2007	365	-	365	0.0000%	29
2008	320	-	320	0.0000%	23
2009	270	-	270	0.0000%	21
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

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, 2015

2014-15 Assessed Value		\$2,497,507,810	
			Estimated
	Percentage	Total Debt	Share of
	Applicable ⁽¹⁾	6/30/2015	Overlapping
			Debt
Overlapping Tax and Assessment Debt:			
San Mateo Community College District	1.507%	\$664,859,994	\$10,019,440
Cabrillo Unified School District	46.159%	45,259,905	20,891,608
Granada Sanitary District 1915 Act Bonds	19.078%	3,375,000	643,883
Total Overlapping Tax and Assessment Debt		\$713,494,899	\$31,554,931
<u>Ratio to Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt			1.26%
Direct and Overlapping General Fund Debt:			
San Mateo County General Fund Obligations	1.507%	\$460,064,816	\$6,933,177
San Mateo County Board of Education Certificates of Participation	1.507%	10,430,000	157,180
Granada Sanitary District Certificates of Participation	19.078%	185,000	35,294
Direct: City of Half Moon Bay Judgment Obligations	100.000%	10,915,000	10,915,000
Total Direct Debt			\$10,915,000
Total Overlapping Debt			38,680,582
Combined Total Debt			\$49,595,582 ⁽²⁾

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Ratios to Assessed Valuation:

Total Overlapping Debt and Tax Assessment Debt	1.26%
Combined Direct Debt (\$15,570,000)	0.44%
Combined Total Debt	1.99%

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed valuation	\$1,911,188,656	\$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
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	477,797,164	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
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	71,669,575	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
Total net debt applicable to limit: General obligation bonds	410,000	365,000	320,000	270,000	16,900,000	16,850,000	16,255,000	15,860,000	15,570,000	10,915,000
Legal debt margin	<u>\$71,259,575</u>	<u>\$77,444,221</u>	<u>\$81,855,484</u>	<u>\$85,854,944</u>	<u>\$69,439,670</u>	<u>\$68,628,179</u>	<u>\$70,265,475</u>	<u>\$72,176,466</u>	<u>\$72,967,907</u>	<u>\$84,835,911</u>
Total debt applicable to the limit as a percentage of debt limit	0.6%	0.5%	0.4%	0.3%	19.6%	19.7%	18.8%	18.0%	17.6%	11.4%

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.

Sources: City Finance Department
 San Mateo County Tax Assessor Combined Tax Roll

CITY OF HALF MOON BAY

Principal Employers

6/30/2015 and Ten Years' Prior

Employer	2015		2006
	Number of Employees	Percent of Total Employment	
Sam's Chowder House	160	4.72%	
Rocket Farms Inc.	131	3.87%	
Safeway Stores Inc	115	3.40%	X
Ritz Carlton Hotel	100	2.95%	X
New Leaf Community Markets Inc	60	1.77%	
Damasco & Associates LLP	48	1.42%	
Its Italia Pizzeria	49	1.45%	
Half Moon Bay Golf Links	48	1.42%	X
Beach House LLC	44	1.30%	
CVS/Pharmacy	43	1.27%	X
Cabrillo Unified School District	-	-	X
Nurserymen's Exchange	-	-	X
Cetrella Bistro	-	-	X
City of Half Moon Bay	-	-	X
Half Moon Bay Fire District	-	-	X
Odwalla Inc.	-	-	X
Top Ten Employer Total	<u>798</u>	<u>23.6%</u>	
Total Employment	<u><u>3,387</u></u>	<u><u>100.00%</u></u>	

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

Source for 2015: Employer information from City of Half Moon Bay HdL Business License System.

Only employer name for information for ten years' prior (June 30, 2006) available.

CITY OF HALF MOON BAY
 Full-time and Part-time City Employees By Function
 Last Ten Fiscal Years

Function	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	13	14	9	9	10	15	16	16	20	23
Public safety	23	23	23	21	17	-	-	-	-	-
Public works	16	16	15	13	5	3	3	3	4	4
Recreation services	11	10	15	7	1	-	-	-	-	-
Planning services	7	7	7	6	3	2	3	3	1	1
Total	70	70	69	56	36	20	22	22	25	28

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police: ⁽¹⁾										
Arrests - Part 1 crimes							43	41	50	30
Traffic citations							518	1,175	1,067	436
Parking citations							774	1,222	1,152	1,065
Parks and Recreation: ⁽²⁾										
Number of recreation classes	95	101	91	155	109	72	83	60	155	87
Number of facility rentals	70	63	69	53	99	104	25	101	24	42
Building and Code Enforcement: ⁽³⁾										
Number of permits issued (est.)							550	457	500	487
Number of plan checks (est.)							100	104	100	110
Number of inspections (est.)							2,000	2,009	2,000	2,355
Planning: ⁽³⁾										
Planning Commission Meetings							24	20	22	20
Number of permits processed							70	80	75	70

⁽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 2014-15, it changed to the Boys & Girls Club.

All programs are provided directly by the contractors.

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

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

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Stations	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	8	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
Facilities/Buildings							7	7	7	7
Bike Trails (miles)							3	3	6	6
Land (acres)							100	100	100	176

Source: City of Half Moon Bay Finance Department

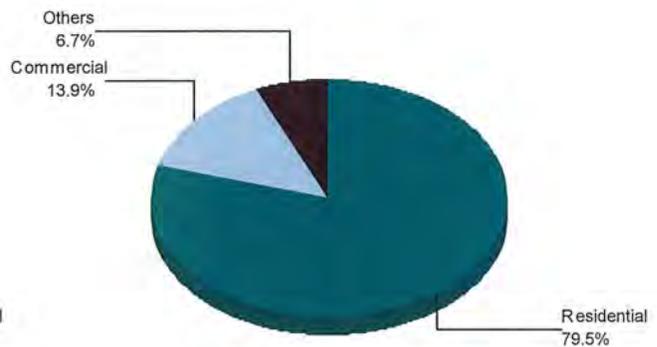
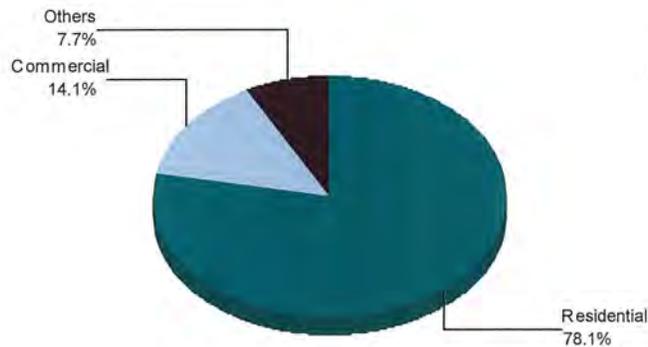
THE CITY OF HALF MOON BAY 2014/15 USE CATEGORY SUMMARY

BASIC PROPERTY VALUE TABLE

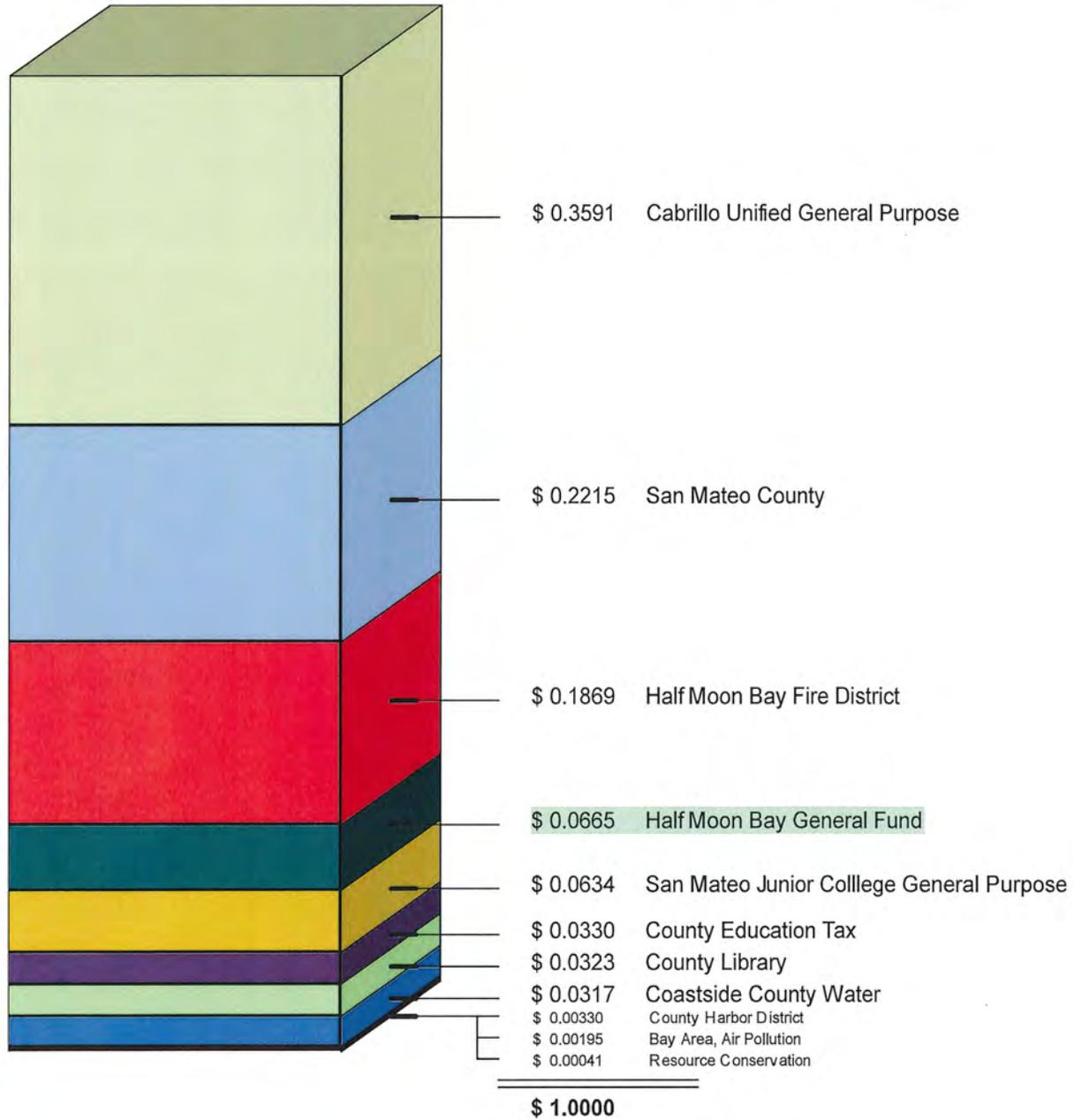
Category	Parcels	Assessed Value	Net Taxable Value
Residential	3,727	\$1,994,860,129 (78.1%)	\$1,984,521,832 (79.5%)
Commercial	199	\$360,716,753 (14.1%)	\$346,707,418 (13.9%)
Industrial	14	\$6,172,772 (0.2%)	\$6,172,772 (0.2%)
Dry Farm	7	\$3,496,499 (0.1%)	\$3,496,499 (0.1%)
Institutional	22	\$17,375,963 (0.7%)	\$272,021 (0.0%)
Irrigated	15	\$6,314,343 (0.2%)	\$4,862,761 (0.2%)
Miscellaneous	142	\$31,394,796 (1.2%)	\$22,681,808 (0.9%)
Recreational	21	\$38,874,879 (1.5%)	\$38,874,879 (1.6%)
Vacant	1,979	\$50,885,454 (2.0%)	\$47,258,912 (1.9%)
Unsecured	[242]	\$43,266,034 (1.7%)	\$42,658,908 (1.7%)
TOTALS	6,126	\$2,553,357,622	\$2,497,507,810

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 2014/15 Annual Tax Increment Tables

Prepared On 8/7/2015 By MV

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THE CITY OF HALF MOON BAY

2014/15 ROLL SUMMARY

Taxable Property Values

	Secured	Nonunitary Utilities	Unsecured
Parcels	6,126	0	242
TRAs	8	0	7
Values			
Land	1,163,520,601	0	45,750
Improvements	1,327,325,108	0	7,829,438
Personal Property	15,847,121	0	23,006,700
Fixtures	3,398,758	0	12,384,146
Aircraft	0	0	0
Total Value	\$2,510,091,588	\$0	\$43,266,034
Exemptions			
Real Estate	54,601,340	0	198,059
Personal Property	465,271	0	337,914
Fixtures	176,075	0	71,153
Aircraft	0	0	0
Homeowners*	16,637,030	0	0
Total Exemptions*	\$55,242,686	\$0	\$607,126
Total Net Value	\$2,454,848,902	\$0	\$42,658,908

Combined Values	Total
Total Values	\$2,553,357,622
Total Exemptions	\$55,849,812
Net Total Values	\$2,497,507,810
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 2014/15 Combined Tax Rolls

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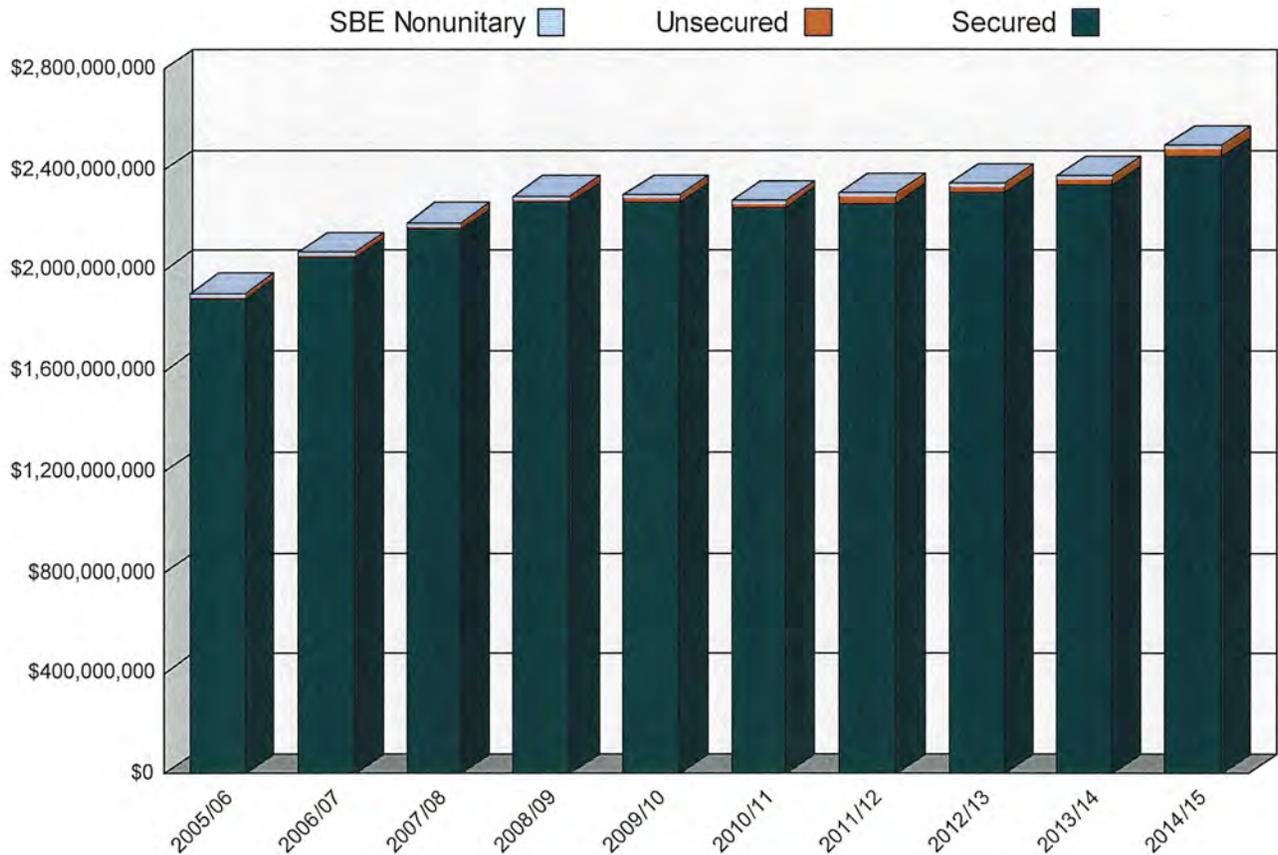
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THE CITY OF HALF MOON BAY

NET TAXABLE ASSESSED VALUE HISTORY

2005/06 - 2014/15 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2005/06	\$1,887,733,861	\$23,334,503	\$0	1,911,068,364	
2006/07	\$2,049,798,126	\$24,859,939	\$0	2,074,658,065	8.56%
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%



THE CITY OF HALF MOON BAY

2014/15 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	\$138,617,491	5.65%	1	\$6,000	0.01%	\$138,623,491	5.55%	Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS L P	24	\$43,784,059	1.78%				\$43,784,059	1.75%	Recreational Half Moon Bay General Fund
3) KEET NERHAN	32	\$22,491,446	0.92%	2	\$61,200	0.14%	\$22,552,646	0.90%	Commercial Half Moon Bay General Fund
4) REGENCY CENTERS LP	3	\$14,602,258	0.59%				\$14,602,258	0.58%	Commercial Half Moon Bay General Fund
5) HMB CAPITAL LLC	3	\$12,204,155	0.50%				\$12,204,155	0.49%	Miscellaneous Half Moon Bay General Fund
6) IWF HALF MOON BAY LLC	1	\$10,306,579	0.42%				\$10,306,579	0.41%	Commercial Half Moon Bay General Fund
7) LONGS DRUG STORE INC	1	\$8,252,260	0.34%				\$8,252,260	0.33%	Commercial Half Moon Bay General Fund
8) CASTRO PARTNERS LLC	3	\$8,243,535	0.34%				\$8,243,535	0.33%	Commercial Half Moon Bay General Fund
9) COMCAST OF CALIFORNIA				2	\$8,164,614	19.14%	\$8,164,614	0.33%	Unsecured Half Moon Bay General Fund
10) NETREIT INC	1	\$6,506,405	0.27%				\$6,506,405	0.26%	Commercial Half Moon Bay General Fund
Top Ten Total	70	\$265,008,188	10.80%	5	\$8,231,814	19.30%	\$273,240,002	10.94%	
City Total		\$2,454,848,902			\$42,658,908		\$2,497,507,810		

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Top Owners last edited on 8/7/15 by maheav using sales through 06/30/15 (Version R.1)

Data Source: San Mateo County Assessor 2014/15 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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Prepared On 8/7/2015 By MV

THE CITY OF HALF MOON BAY

2005/06 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	\$124,354,000	6.59%				\$124,354,000	6.51%	Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS L P	18	\$19,510,314	1.03%				\$19,510,314	1.02%	Recreational Half Moon Bay General Fund
3) KEET NERHAN	35	\$19,182,374	1.02%	2	\$115,034	0.49%	\$19,297,408	1.01%	Commercial Half Moon Bay General Fund
4) SOUTH WAVECREST L L C	2	\$18,054,542	0.96%				\$18,054,542	0.94%	Recreational Half Moon Bay General Fund
5) NURSERYMENS EXCHANGE INC	12	\$15,257,427	0.81%				\$15,257,427	0.80%	Irrigated Half Moon Bay General Fund
6) REGENCY CENTERS L P	3	\$12,841,776	0.68%				\$12,841,776	0.67%	Commercial Half Moon Bay General Fund
7) IWF HALF MOON BAY	1	\$8,352,943	0.44%				\$8,352,943	0.44%	Commercial Half Moon Bay General Fund
8) COASTSIDE ASSOCIATES LLC	1	\$4,498,774	0.24%				\$4,498,774	0.24%	Commercial Half Moon Bay General Fund
9) NORTH WAVECREST PARTNERS L P	106	\$4,269,495	0.23%				\$4,269,495	0.22%	Irrigated Half Moon Bay General Fund
10) GEORGE F. AND M F. HAUPERT TRUST	10	\$4,209,414	0.22%				\$4,209,414	0.22%	Commercial Half Moon Bay General Fund
Top Ten Total	190	\$230,531,059	12.21%	2	\$115,034	0.49%	\$230,646,093	12.07%	
City Total		\$1,887,733,861			\$23,334,503		\$1,911,068,364		

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

Data Source: San Mateo County Assessor 2005/06 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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THE CITY OF HALF MOON BAY

ASSESSED VALUE OF TAXABLE PROPERTY

2005/06 - 2014/15 Taxable Property Values

Category	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Residential	1,482,556,880	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	1,984,521,832
Commercial	287,172,738	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
Industrial	5,168,709	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
Dry Farm	5,594,469	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
Govt. Owned	37,603	38,354	486,375	37,102	0					
Institutional	3,245,910	2,476,862	2,526,397	278,434	258,950	284,781	260,279	265,484	293,694	272,021
Irrigated	21,136,357	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
Miscellaneous	7,370,384	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
Recreational	34,313,997	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
Vacant	39,674,479	47,556,938	53,986,690	51,807,016	49,742,858	46,517,696	50,669,067	48,630,331	50,679,666	47,258,912
Unsecured	23,334,503	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
Unknown	1,462,335	2,599,980	2,690,278	4,525,579	2,759,116	1,340,316	4,917,140		5,867,351	
TOTALS	1,911,068,364	2,074,658,065	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
Total Direct Rate	0.05425	0.05425	0.05426	0.05426	0.05426	0.05426	0.05426	0.05453	0.05452	0.05818

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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 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.

THE CITY OF HALF MOON BAY
DIRECT & OVERLAPPING PROPERTY TAX RATES
(RATE PER \$100 OF TAXABLE VALUE)

Last 10 Fiscal Years										
Agency	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
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	0.05230	0.04920	0.04960	0.04640	0.04970	0.05080	0.05220	0.07220	0.07190	0.07040
San Mateo Junior College	0.00650	0.01840	0.01710	0.01650	0.01820	0.01930	0.01990	0.01940	0.01940	0.01900
Total Direct & Overlapping² Tax Rates	1.05880	1.06760	1.06670	1.06290	1.06790	1.07010	1.07210	1.09160	1.09130	1.08940
City's Share of 1% Levy Per Prop 13³	0.06648	0.06648	0.06648	0.06648	0.06648	0.06648	0.06648	0.06648	0.06648	0.06648
Voter Approved City Debt Rate										
Redevelopment Rate⁴										
Total Direct Rate⁵	0.05425	0.05425	0.05426	0.05426	0.05426	0.05426	0.05426	0.05453	0.05452	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.

Data Source: San Mateo County Assessor 2005/06 - 2014/15 Tax Rate Table

Prepared On 8/7/2015 By MV

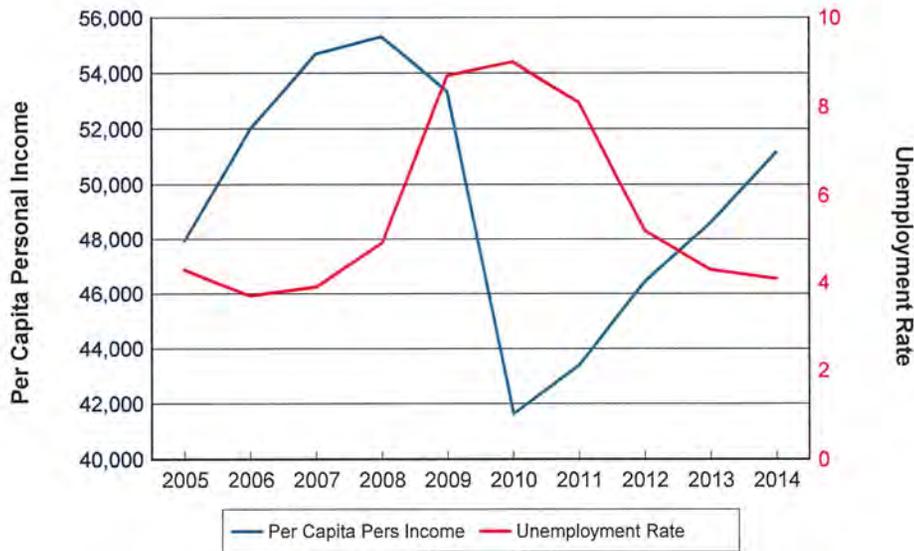
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THE CITY OF HALF MOON BAY

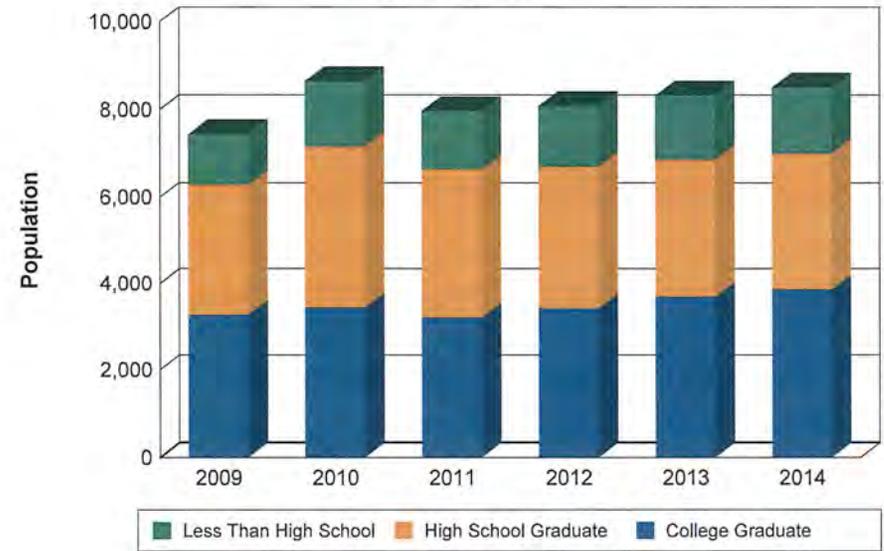
DEMOGRAPHIC AND ECONOMIC STATISTICS

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
2005	12,646	\$606,238	\$47,939	4.3%			
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%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

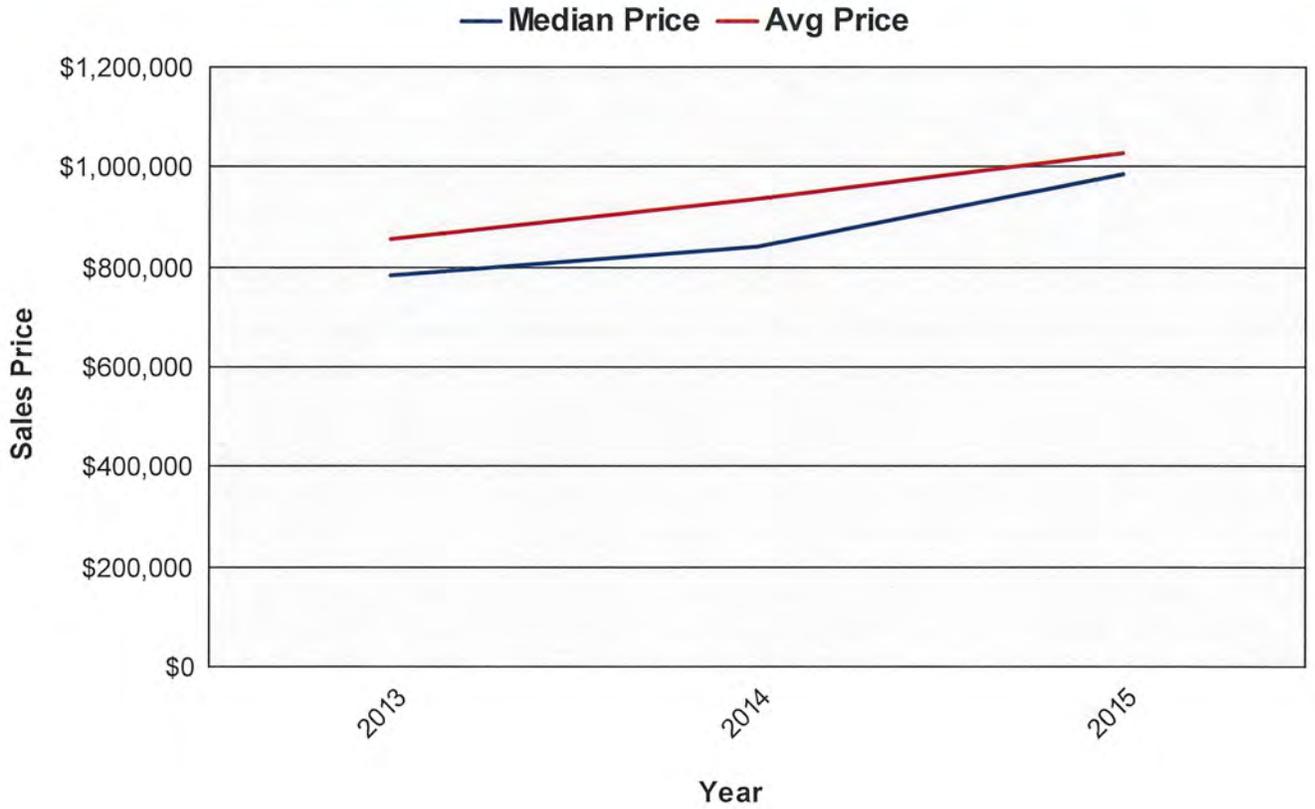
Population: California State Department of Finance. Unemployment Data: California Employment Development Department
 2000-2009 Income, Age, and Education Data: ESRI - *Demographic Estimates are based on the last available Census.* Projections are developed by incorporating all of the prior census data 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

THE CITY OF HALF MOON BAY

SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2013 - 6/30/2015)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2013	132	\$857,861	\$782,000	
2014	155	\$935,618	\$840,000	7.42%
2015	60	\$1,028,175	\$987,250	17.53%



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

Data Source: San Mateo County Recorder

Prepared On 8/7/2015 By MV

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<http://www.hmbcity.com>