

THE CITY OF
HALF MOON BAY
CALIFORNIA



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018





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CITY OF HALF MOON BAY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal year ended June 30, 2018

Prepared by
Finance Department



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CITY OF HALF MOON BAY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION



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CITY OF HALF MOON BAY

507-B Purissima Street
Half Moon Bay, CA 94019

December 18, 2018

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, 2018. 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 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 independent auditor has issued an unqualified (or "clean") opinion on the City's financial statements for the year ended June 30, 2018.

The CAFR report is presented in three sections:

- The Introduction section includes this letter of transmittal, the City's organizational chart, and certificates of achievement.

- The Financial section includes the report of the independent auditors; Management’s Discussion and Analysis; the basic financial statements, including government-wide financial statements; and the accompanying notes. Required supplementary information other than the MD&A is also included in the financial section.
- The Statistical section includes selected financial and demographic information, presented on multi-year basis.

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 12,000 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.

The City of Half Moon Bay was incorporated in 1959 and operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing City Council, which consists of a five Councilmembers. Councilmembers are elected to overlapping four-year terms and, from amongst themselves, select a Mayor and Vice Mayor each December. The Council is responsible for passing ordinances, adopting the budget, appointing Planning

Commission and Volunteer Committee members and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, providing leadership to the City's programs, overseeing the day-to-day operations of the City, and for appointing City staff.

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

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 capital and operational improvements, increased engagement with the community, and improvement of infrastructure. Some of the accomplishments include:

1. Completed major Capital Improvement Projects, including:
 - Half Moon Bay's 22,000 square foot library opened on-time and on-budget
 - Pavement Rehabilitation and Reconstruction Project- including Magnolia, Church, and Correas Streets.
 - City Parking Lot Rehabilitation and ADA improvements.
 - Sewer bypass at Ocean Avenue and Miramonte Avenue.

2. Major Projects in Progress:
 - Main Street Bridge Rehabilitation
 - Highway 1 North Safety Project
 - Highway 1 South Safety project
 - Kelly and Highway 1 Storm Water Diversion Project
 - Sidewalk removal and Replacement Project
 - Poplar Complete Street Project
 - Poplar Beach Gateways Plan
 - Overseeing PG&E Gas Main Replacement Program

3. Other accomplishments:
 - Implementing voter approved commercial cannabis nursery ordinance and commercial cannabis tax
 - Closure and Cleanup of Major Homeless Encampment
 - Community Conversations about Housing
 - Accessory Dwelling Unit Ordinance
 - Began Implementation of Enterprise Resource Planning Software
 - Environmental Remediation and Restoration of Closed Homeless Encampment
 - Local Coastal Program Update

Much of the work continues to enhance and beautify the community, as well as creating processes and organizational improvements, which allow Staff to better carry out their core functions in serving the public. The 2018-23 five-year Capital Improvement Program (CIP) provides in depth project by project information and how it aligns with the City's Strategic Plan.

FACTORS AFFECTING FINANCIAL CONDITION

State Budget and Economic Outlook

The information presented in the financial statements is perhaps best understood when it is considered from a broader perspective of the specific environment in which the City operates. During Fiscal Year 2017-18, the City experienced continued positive trends in state economy led by consumer spending and tourism due to rising wages and lower unemployment. However, there are some signs that the pace of growth is slowing as the interest rates are increased in order to control inflation.

The City's overall reliance on transient occupancy and sales tax revenues, as well as property tax revenue which is substantially controlled by the State, makes local economy and the State of California's budget a significant factor in the City's financial condition. Financial forecast reflects continued improvement in California finances, and the State's budgetary condition continues to be strong.

Notwithstanding this positive fiscal outlook, history suggests we are now past the midpoint of the current economic expansion. The main risks to the state's economy in the next few years are a slowdown in the global economy, stock market correction, and the eventual end of the current expansion. On average, economic expansions continue for approximately five years, meaning it would be a historical anomaly for there not to be a recession by 2020.

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

Local Economy

Employment in Half Moon Bay is concentrated in three major sectors: professional services; farm and agriculture; and retail/food services. The unemployment rate continues to decline historical low. The employment rate for California is currently 4%, San Mateo County 2.1%, and for City of Half Moon Bay is 1.9%.

A large driver of the recovery has continued to be the local real estate market, which saw another significant year-over-year increase in assessed value. Half Moon Bay's total assessed value for 2018-19 is \$3.1 billion, which is a 7.9% increase over the 2017-18 . Housing prices continue to remain strong.

Unemployment and real estate markets reflect a local economy that remains strong and as such, we expect continued stability in municipal revenues in the short term.

While the local economy is currently robust, there are a number of economic challenges that could affect the City's financial condition in the future. Some of these challenges include a volatile equities market and uncertainty related to the interest rates and inflation and volatile. Two of the most pressing concerns for the City are its disproportionate reliance on tourism and , as a result, its effect on local sales tax and TOT revenues, and steadily rising labor cost in particular the pension component of compensation. Staff will continue monitoring these conditions moving forward to ensure the City's long-term financial health.

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 stability in General Fund reserves attributable to reduction in debt service, growth in major revenue sources, efficiencies and cost savings achieved in operating costs. To balance these improvements, there are further requirements for staffing and capital funding as well as other impacts from the State and contractual obligations that may not be fully anticipated in the forecast. The City's long term strategic plan, adopted on March 15, 2018, addresses the following four Strategic Elements:

- Infrastructure and Environment
- Healthy Communities and Public Safety
- Fiscal Sustainability
- Inclusive Governance

Based on these Strategic Elements, the City Council adopts strategic initiatives to guide the City's actions, work plans and focus efforts on addressing the City's priorities on an annual basis.

The Council addresses the City's 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 continues to maintain a balance between on-going revenues and ongoing costs as part of its overall long-range strategic financial planning.

Risk Management

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

For Workers' Compensation coverage, the City participates in the Cities Group, created by a joint powers agreement to provide workers compensation coverage of up to \$10,000,000 per occurrence in excess of \$1,000,000 for miscellaneous employees. The Group acts as administrator,

claim adjuster and provides other risk management services as required by State law. Each member of the Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Group. Additional information concerning the City's participation in risk pools for liability and workers' compensation is provided in Note 10 to the financial statements.

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

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, 2017. 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.

In addition, the City prepared its second Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017 and received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA, which is another step towards our ongoing commitment to fiscal responsibility and accountability, transparency and open government. We plan to prepare a PAFR for the fiscal year ended 6/30/2018.

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. We also acknowledge our deep appreciation to the audit team members from Maze and Associates for their professional work and on-going assistance during the audit process and throughout the year.

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: 

Bob Nisbet
City Manager



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, 2017

Christopher P. Morill

Executive Director/CEO

Half Moon Bay City Limits



Unincorporated
San Mateo County

Unincorporated
San Mateo County

Unincorporated
San Mateo County

City of
Half Moon Bay



 Map not to Scale



CITY OF HALF MOON BAY

City Council



Mayor
Deborah Penrose



Vice Mayor
Harvey Rarback

Council Members



Rick Kowalczyk



Debbie Ruddock



Adam Eisen

CITY OF HALF MOON BAY

Executive Staff



**City Manager
Robert Nisbet**



**City Attorney
Catherine Engberg**



**Deputy City Manager
Matthew Chidester**



**Acting Deputy City Manager
Admin. Services and Finance
Yulia Carter**



**Public Works Director
John Doughty**



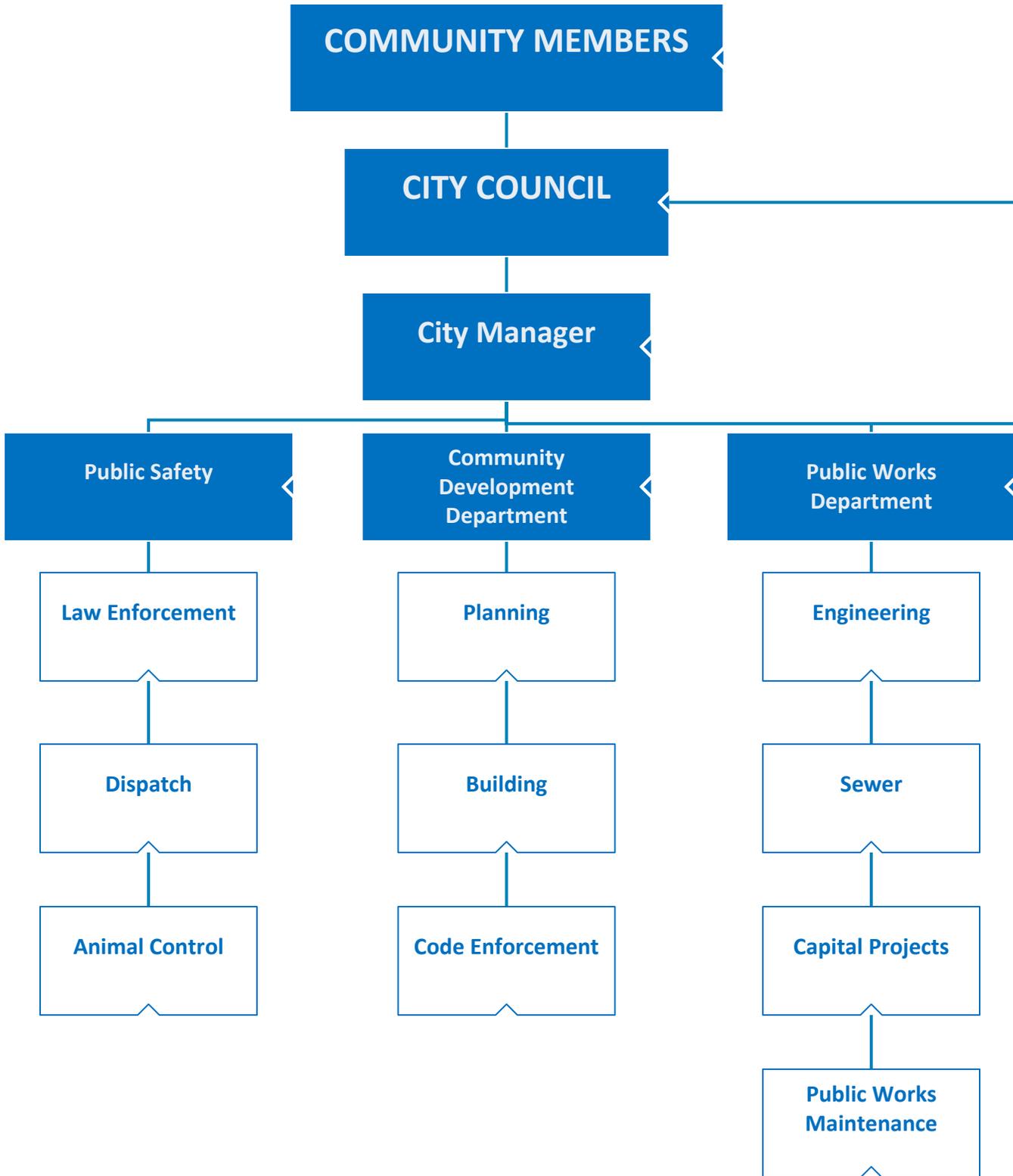
**Comm. Development Director
Jill Ekas**



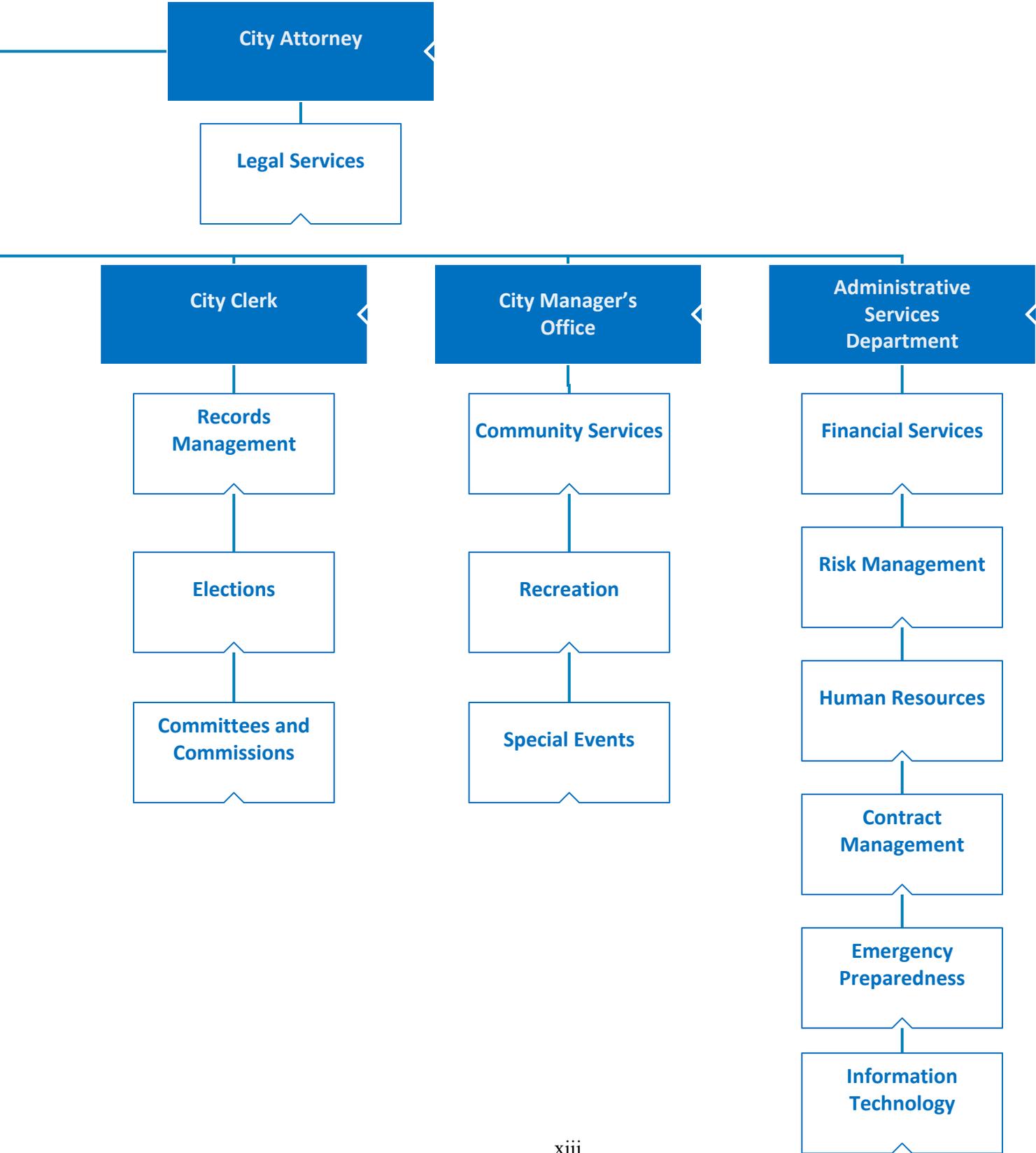
**Chief of Police Services
Saul Lopez**



**City Clerk
Jessica Blair**



CITY OF HALF MOON BAY FY 2018-2019 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements as discussed in Note 7f.

The emphasis of this matter does not constitute modifications to our opinion.

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 as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

The 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 Supplementary 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 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maze & Associates". The script is fluid and cursive, with the ampersand being particularly stylized.

Pleasant Hill, California
November 30, 2018



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

As management of the City of Half Moon Bay (the City), we offer readers of the City of Half Moon Bay's financial statements this overview of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in our letter of transmittal and the City's basic financial statements.

Financial Highlights

- The City's government-wide assets exceed its liabilities at June 30, 2018, by \$130.6 million (net position), which is an increase of 7 percent or \$8.1 million from the prior year. Of this amount, \$37.1 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, which is a 26 percent decrease over the prior year's unrestricted net position of \$50.1 million. This decrease is primarily due to substantial progress made on the library construction capital project. It is important to note that \$20.1 million of the unrestricted net position is for Sewer Operations, which is a decrease of \$1.2 million or 8.3 percent over the prior year.
- The City's cash and investments at June 30, 2018 totaled \$58.9 million, of which \$44.3 million is classified as government activities and \$14.6 million as Business-type activity. The City's cash and investments decreased by \$1.8 million, or 3.0 percent compared to the prior year, primarily due to excess expenditures over revenue. Spending increased due to newly created positions in the Parks and Recreation department, as well as increased spending for the library construction capital project.
- The City has outstanding long-term obligations of \$10.9 million in judgment obligation bond debt (Series B). The City plans to completely pay off this bond in 2019. The debt service for this final payment will be made from an irrevocable escrow trust that was established in July 2013 from an insurance settlement to pay down 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 pension expenses and reporting the City's long-term net pension liability of \$10.9 million on the FY 2017-18 Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. The Net Pension Liability increased by \$1.4 million from \$9.5 million recorded last year, primarily due to changes in valuation and methodology imposed by CalPERS, the administrators of the City's pension plans and additions in City staffing.
- City-wide revenues were \$30 million, of which \$25.9 million was generated by governmental activities and \$4.1 million by Business-type activities, an increase of \$7.6 million or 34 percent, primarily due to contributions for construction capital projects during the year.
- City-wide expenditures were \$21.9 million, of which \$17.2 million was incurred by governmental activities and \$4.8 million by Business-type activities, an increase of \$2.8 million or 15 percent, primarily due to a significant increase in General Government and Sewer Fund expenses.
- The City's General Fund balance as of June 30, 2018 was \$10 million, a decrease of \$1.1 million as compared to the prior year in the amount of \$11.1 million. This decrease is primarily due to a surplus of expenditures over revenue. Of the total fund balance of \$10 million, \$4.9 million is *unassigned* and generally available for any purpose.

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

- For the fiscal year ended June 30, 2018, *Governmental Fund* expenditures and net transfers exceeded revenues by \$2 million, primarily attributed to substantial progress made on the library construction capital project. The governmental funds' combined ending fund balance as of June 30, 2018 is \$64.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick leave).

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

The government-wide financial statements normally include, not only the City of Half Moon Bay itself (known as the primary government), but also a legally separate Community Development Agency of the City of Half Moon Bay for which the City of Half Moon Bay is financially accountable. Although the Agency is an integral part of the primary government, no financial information has been included for this component unit since it was inactive during fiscal year 2017-18 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.

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

The basic governmental fund financial statements can be found on pages 22-28 of this report. The budgetary comparison schedule for the General Fund can be found on page 81.

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.

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

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 29- 31 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 35-69 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 73- 83 of this report.

The combining statements for non-major governmental funds and internal service funds are presented on pages 90-104, and the Statistical Section follows on page 109.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table provides a condensed statement of net position as of June 30, 2018 and 2017:

**CITY OF HALF MOON BAY
Comparative Statement
Statement of Net Position
Year Ended June 30, 2018**

	Governmental Activities		Business Type Activities		Total		Variance
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 47,348,670	\$ 46,827,193	\$ 20,646,879	\$ 22,438,094	\$ 67,995,549	\$ 69,265,287	-2%
Land held for resale	26,823,920	26,823,920			26,823,920	26,823,920	0%
Capital assets	63,168,981	46,399,149	4,490,973	3,816,994	67,659,954	50,216,143	35%
Total Assets	<u>137,341,571</u>	<u>120,050,262</u>	<u>25,137,852</u>	<u>26,255,088</u>	<u>162,479,423</u>	<u>146,305,350</u>	<u>11%</u>
Deferred outflows of resources							
Related to pension	3,069,711	1,676,776	69,159	52,413	3,138,870	1,729,189	82%
Long-term liabilities outstanding	27,000,256	10,915,000	146,884	-	27,147,140	10,915,000	149%
Other liabilities	5,984,337	12,537,491	337,540	423,538	6,321,877	12,961,029	-51%
Total Liabilities	<u>32,984,593</u>	<u>23,452,491</u>	<u>484,424</u>	<u>423,538</u>	<u>33,469,017</u>	<u>23,876,029</u>	<u>40%</u>
Deferred inflows of resources							
Related to pension	1,402,436	1,544,906	155,804	166,203	1,558,240	1,711,109	-9%
Net position:							
Net Investment in capital assets	63,168,981	46,399,149	4,490,973	3,816,994	67,659,954	50,216,143	35%
Restricted	25,844,530	22,157,470	5,946,230		31,790,760	22,157,470	43%
Unrestricted	17,010,742	28,173,022	14,129,580	21,900,766	31,140,322	50,073,788	-38%
Total Net Position	<u>\$ 106,024,253</u>	<u>\$ 96,729,641</u>	<u>\$ 24,566,783</u>	<u>\$ 25,717,760</u>	<u>\$ 130,591,036</u>	<u>\$ 122,447,401</u>	<u>7%</u>

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

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

Net Position reflects the difference between assets and liabilities. Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Half Moon Bay, assets exceeded liabilities by \$130.6 million at June 30, 2018, with invested capital assets of \$67.7 million, \$25.8 million of restricted net position, and an unrestricted net position of \$37.1 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.

The *net investment in capital assets* reflects the investment in capital assets (e.g. land, buildings, facilities, vehicles, equipment, and infrastructure) is \$67.7 million and represents 52 percent of the City's net position. This portion has increased by \$17.4 million or 35 percent, primarily due to work completed on the new library project, and other various capital projects. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the net investments in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net position* accounts for \$31.8 million, or 24 percent, of the City's total net position. The restricted net position increased by \$9.6 million or 43 percent in fiscal year 2017-18, primarily due to the reclassification of investment in the Sewer Authority Mid-Coastside (SAM) plant, investment earnings in the JOB series B bond escrow account as well as the collection of Affordable housing assessments from new construction projects.

The *unrestricted net position* of \$31.1 million, or 24 percent of the City's total net position, decreased by \$18 million or 38 percent, primarily due to substantial increases in the city's long-term obligations related to borrowing for the library construction capital project and increases to the city's net pension liability. 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.

Statement of Activities

The following table provides a condensed statement of activities for the fiscal year ended June 30, 2018, as compared to June 30, 2017:

	Governmental Activities		Business-type Activities		Total		Variance
	2018	2017	2018	2017	2018	2017	
Program revenues:							
Charges for services	\$ 2,719,547	\$ 1,699,025	\$ 4,261,126	\$ 4,524,358	\$ 6,980,673	\$ 6,223,383	12%
Operating grants and contributions	932,873	1,166,559			932,873	1,166,559	-20%
Capital grants and contributions	6,940,211	607,526			6,940,211	607,526	1042%
Subtotal	10,592,631	3,473,110	4,261,126	4,524,358	14,853,757	7,997,468	86%
General revenues:							
Property taxes	3,379,657	3,126,884			3,379,657	3,126,884	8%
Sales and use taxes	2,836,614	2,514,852			2,836,614	2,514,852	13%
Transient occupancy taxes	6,434,808	6,024,855			6,434,808	6,024,855	7%
Other taxes	1,038,546	919,666			1,038,546	919,666	13%
Other general revenues	1,602,016	1,676,610	(173,383)	135,003	1,428,633	1,811,613	-21%
Subtotal	15,291,641	14,262,867	(173,383)	135,003	15,118,258	14,397,870	5%
Total revenues	25,884,272	17,735,977	4,087,743	4,659,361	29,972,015	22,395,338	34%
Expenses							
General government*	7,634,037	6,367,929			7,634,037	6,367,929	20%
Public safety	3,878,176	5,183,033			3,878,176	5,183,033	-25%
Public works	3,801,624	3,314,879			3,801,624	3,314,879	15%
Recreation services	926,730	348,604			926,730	348,604	166%
Interest and fiscal charges	937,704	937,704			937,704	937,704	0%
Sewer utility			4,757,056	2,966,613	4,757,056	2,966,613	60%
Total expenses	17,178,271	16,152,149	4,757,056	2,966,613	21,935,327	19,118,762	15%
Increase/(Decrease) in net position before transfers	8,706,001	1,583,828	(669,313)	1,692,748	8,036,688	3,276,576	145%
Transfers	488,087	482,199	(488,087)	(482,199)	-	-	0%
Increase (Decrease) in net position	9,194,088	2,066,027	(1,157,400)	1,210,549	8,036,688	3,276,576	145%
Net position - As of July 1	96,729,641	94,663,614	25,717,760	24,507,211	122,447,401	119,170,825	
Prior Period Adjustment	100,524	-	6,423	-	106,947	-	
Net position - As of July 1, as restated	96,830,165	94,663,614	25,724,183	24,507,211	122,554,348	119,170,825	
Net position - As of June 30	\$ 106,024,253	\$ 96,729,641	\$ 24,566,783	\$ 25,717,760	\$ 130,591,036	\$ 122,447,401	7%

* Includes Planning

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The City's Governmental net position increased by \$9.3 million in fiscal year 2017-18, primarily due to revenues exceeding expenses as a result of strong economic conditions and solid revenue performance.

Revenues Highlights:

- Capital Grants and Contributions narrowly doubled from \$0.6 million to \$1.2 million, primarily due to the one-time contributions for the library project and other grants for various other construction capital projects.
- Total general revenue increased by \$1 million, primarily due to increases in property taxes, sales taxes, and transient occupancy taxes.
- Transient Occupancy Tax (TOT), the City's largest source of general revenue, increased \$0.41 million, due to increased occupancy rate in local hotels and an initiative by the Chamber of Commerce to promote mid-week business travel.
- Sales Tax, the second largest source of general revenue, increased by \$0.32 million due to increased economic growth and tourism.
- Property Tax, the third largest source of general revenue, increased by \$0.25 million, which is also consistent with increased economic growth.

Expenses for Governmental Activities increased by \$1 million, primarily due to capital projects, increased staffing, and an increase in overall services. The General Government expenses, including Planning, represent a significant portion of the increase. Net Transfers remained relatively flat in comparison to the prior year.

Business-type Activities

The City's sole Business-type activity is the sewer fund. The City's total Business-type net position decreased by \$1.2 million, primarily due to the following factors:

- Revenues from charges for services from Business-type Activities decreased \$0.26 million over the prior year with moderate new sewer connection fee activity during the year.
- Expenses from Business-type Activities increased by \$1.8 million as compared to fiscal year 2016-17. This is primarily due to a decrease in net position for the Sewer Authority Mid-Coastside (SAM), depreciation and GASB 68 pension costs. The City is a member of the SAM joint power authority and exercises significant influence over SAM's operations, therefore, the share of the City's investment in SAM's net position is reflected in the City's financial statements. Due to the timing of SAMS financial reporting and unavailability of the most recent audited numbers, the City elected to adjust the accounting policy to record the investment in SAM using prior year audited financial information. Additional discussion of this change can be found in Note 1 of the basic financial statements in this report.

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

FUND FINANCIAL ANALYSIS

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

Governmental Funds

The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balance of resources that are available for spending. Such information is useful in assessing the City's financial requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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
Comparative Statement
Governmental Funds Statement of Revenues, Expenditures and Fund Balance
Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	Variance
Revenues	\$ 20,110,639	\$ 17,701,975	14%
Expenditures	32,567,019	19,628,211	66%
Transfers (net)	10,467,690	(458,797)	-2382%
Net Change in Fund Balances	<u>(1,988,690)</u>	<u>(2,385,033)</u>	-17%
Fund balances at beginning of year	66,780,781	69,165,814	-3%
Fund balances at end of year	<u>64,792,091</u>	<u>66,780,781</u>	-3%
Non-spendable			
Restricted	25,844,530	23,288,663	11%
Committed	31,894,177	31,894,177	0%
Assigned	2,161,189	5,611,038	-61%
Unassigned	4,892,195	5,986,903	-18%
Total fund balances	<u>64,792,091</u>	<u>66,780,781</u>	-3%

As of June 30, 2018, the City's governmental funds reported combined fund balances of \$64.8 million, a decrease of \$2 million in comparison with June 30, 2017, which is primarily attributable to substantial progress made on the library construction capital project, partially offset by the City's overall solid economic performance. The governmental funds expenditures were \$32.6 million in fiscal year 2017-18, a \$12.9 million increase over the prior year, also due to the library project.

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

- *Restricted is \$25.8 million (39.9 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 funds, development fees, and reserves required by debt covenants.*

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

- *Committed balance is \$31.9 million (49.2 percent of the total balance), which can only be spent for specific purposes as determined by formal action of the City Council. Included in this amount, \$26.8 million is a value of land held by the City and \$3.2 million is for the City's general fund reserve policy, which states that 30 percent of budgeted operating expenditures be committed for contingencies.*
- *Assigned balance is \$2.2 million (3.3 percent of the total balance), which indicates City Council's intent to use these funds toward capital improvements in the future. This balance represents funds which will be used for the Library project, and was reclassified in fiscal year 2017-18 from restricted balance due to the absence of a legal restriction for these funds.*
- *Unassigned is \$4.9 million (7.6 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, 2018, the total General Fund balance was \$10 million, which includes an unassigned portion of \$4.9 million.

The General Fund balance decreased \$1.1 million for the fiscal year ended June 30, 2018.

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

CITY OF HALF MOON BAY			
Comparative Statement			
<i>General Fund Statement of Revenues, Expenditures and Fund Balance</i>			
Year Ended June 30, 2018			
	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Revenues			
Taxes	\$ 13,638,171	\$ 12,586,257	8%
License and permits	370,269	444,388	-17%
Fines and forfeitures	171,873	79,132	117%
Charges for services	1,248,836	689,476	81%
Rents and Leases	87,536	10,080	768%
Intergovernmental revenues	135,054	140,287	-4%
Miscellaneous	848,009	1,111,566	-24%
Total	<u>16,499,748</u>	<u>15,061,186</u>	<u>10%</u>
Expenditures			
General government	2,473,012	2,004,506	23%
General administration	1,495,557	1,124,839	33%
Public safety	3,634,872	3,523,297	3%
Public works	1,449,071	1,281,835	13%
Recreation Services	644,962	129,165	399%
Planning	2,490,216	2,353,980	6%
Total	<u>12,187,690</u>	<u>10,417,622</u>	<u>17%</u>
Net Transfers	<u>(5,406,766)</u>	<u>(4,325,848)</u>	<u>25%</u>
Net Change in Fund Balances	<u>(1,094,708)</u>	<u>317,716</u>	<u>18%</u>
Fund Balances at beginning of year	11,057,160	10,739,444	3%
Fund Balances at end of year	<u><u>\$ 9,962,452</u></u>	<u><u>\$ 11,057,160</u></u>	<u><u>-10%</u></u>

CITY OF HALF MOON BAY, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Revenues

General Fund revenues for the year ended June 30, 2018 increased by \$1.4 million or 10 percent, over the prior year. The preceding chart summarizes revenues into major categories for comparative purposes across two fiscal years.

- **Taxes** increased by \$1.1 million or 8 percent in 2017-18 compared to prior year. The increase was attributable to positive economic growth absent Measure J sales taxes which expired in the prior year.
- **License and permits** decreased by \$0.07 million or 17 percent due to a decrease in building permit activity.
- **Charges for Services** increased by \$0.56 million or 81 percent compared to the prior year, primarily due to Planning and Engineering fees related to PG&E utility upgrades and the commencement of new developer construction projects.
- **Rental and Leases** income increased from \$10,080 in the prior year to \$87,536, due to rental fees collected for the use of Parks and Recreation facilities.
- **Intergovernmental revenues** decreased by \$5,233 or 4 percent, primarily due to timing of State reimbursements.
- **Miscellaneous revenue** decreased by \$0.26 million, primarily due to returning to normal, as there was an unscheduled final insurance settlement payment received during the prior year for the Yamagiwa litigation.
- **Net transfers** increased by \$1.1 million primarily due to a decrease in capital projects being funded directly from the General Fund.

General Fund Expenditures

General Fund expenditures for the 2017-18 fiscal year increased by \$1.8 million or 17 percent over the prior fiscal year primarily due to the additional personnel costs in the Administration, Public Safety, Public Works, Parks and Recreation, and Planning departments .

General Fund Budgetary Highlights

General Fund fund balance increased \$1.1 million or 10 percent from the prior year and exceeded the revised fiscal year 2017-18 budget projections by \$1.4 million. This is primarily due to general revenues performing above expectations, and actual expenditures significantly less than budgeted during FY 2017-18. Additional information related to budget-to-actual comparison can be found in the Required Supplementary Information section on page 81.

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

Other Major Governmental Funds

The following table compares governmental fund balances:

**CITY OF HALF MOON BAY
Comparative Statement
Governmental Funds Statement of Revenues, Expenditures and Fund Balance
Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	
Major Governmental Funds:			
General Fund	9,962,452	11,057,160	-10%
Streets and Road	4,325,154	4,631,364	-7%
Judgement Obligation Bonds	11,368,713	11,276,403	1%
Library Capital	2,161,189	5,611,038	-61%
Land Asset	26,823,920	26,823,920	0%
Non-Major Governmental Funds	10,150,663	7,380,896	38%
Total Fund Balances	<u>\$ 64,792,091</u>	<u>\$ 66,780,781</u>	<u>-3%</u>

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, 2018, the Street and Road Funds had a fund balance of \$4.3 million, a \$0.3 million decrease from the prior year, primarily due to the progress made on scheduled street projects.

Judgment Obligation Bond (JOB) Fund

The JOB funds account for debt service on the judgment obligation bonds. As of June 30, 2018, the fund balance was \$11.4 million, which is a \$0.09 million increase from the prior year. This is due to investment earnings from the escrow account established to pay off the Series B Judgement Obligation bond in 2019.

Library Fund

The Library Capital Projects fund is used to account for the design, development, and construction of the new library project which commenced during fiscal year 2017-18. The decrease of \$3.4 million in the fund balance is primarily due to progress made on the library project.

Land Asset Fund

This is a restricted fund which was created in Fiscal Year 2014-15 for the purposes of recording land assets held for resale. The fund balance as of June 30, 2018 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. There was no activity in this fund in fiscal year 2017-18.

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,

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

- 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.
- Parks Development Fund, which accounts for development impact fees, Federal, State and County grants, and is restricted for acquisition, development and capital improvements of the City’s parks and trails.

Capital Projects Funds include:

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

As of June 30, 2018, the Non-Major Funds had a fund balance of \$10.2 million, a \$2.8 million increase over the prior year.

Proprietary Fund Financial Statement Analysis

As of June 30, 2018, the City’s Proprietary Fund net position was \$28.7 million (\$4.8 million invested in capital assets; \$5.9 million restricted for investment in Sewer Authority; \$18 million in unrestricted net position). A significant portion of unrestricted net position of \$24.6 million in the Sewer Enterprise Fund is invested in the Sewer Authority Mid-Coastside plant. Additional information on this investment can be found in Note 2 of the financial statements. Unrestricted net position of \$3.9 million in the Internal Service Funds is primarily reserved for vehicle and equipment replacement, risk management and general liability claims, and pension cost stabilization.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s total net investment in capital assets for its Governmental and Business-type activities (net of accumulated depreciation) as of June 30, 2018, was \$67.7 million, an increase of \$17.4 million as compared to June 30, 2017, primarily due to the library project and investment in other various construction capital projects.

Capital assets include land, buildings, equipment, vehicles and infrastructure. The following table presents summarized information on capital assets net of depreciation for fiscal years 2018 and 2017:

**CITY OF HALF MOON BAY
Comparative Statement
Capital Assets (net of depreciation)
Year Ended June 30, 2018**

	Governmental Activities		Business Type Activities		Total		Variance
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
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	24,994,001	8,716,002	898,785	125,286	25,892,786	8,841,288	193%
Buildings and improvements	8,119,489	7,459,763	3,510,860	3,593,580	11,630,349	11,053,343	5%
Machinery and equipment	289,086	331,369	81,328	98,128	370,414	429,497	-14%
Infrastructure	18,411,864	18,537,474	-	-	18,411,864	18,537,474	-1%
Total	<u>\$ 63,168,981</u>	<u>\$ 46,399,149</u>	<u>\$ 4,490,973</u>	<u>\$ 3,816,994</u>	<u>\$ 67,659,954</u>	<u>\$ 50,216,143</u>	<u>35%</u>

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

Construction in progress increased by \$17.1 million primarily due to the library construction project. Buildings and improvements increased by \$0.58 million primarily due to improvements made on various city facilities such as City Hall and the Ted Adcock Community Center.

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, 2018, the City’s long-term obligations totaled \$28.5 million, primarily comprised of judgment obligation bonds.

**CITY OF HALF MOON BAY
Comparative Statement
Long Term Obligations
Year Ended June 30, 2018**

	Governmental Activities		Business-type Activities		Total		Variance
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Judgment Obligation Bonds Series B	\$ 10,915,000	\$ 10,915,000			\$ 10,915,000	\$ 10,915,000	0%
Library Loan	5,726,855	-			5,726,855	-	
Claims liability	849,394	609,555		-	849,394	609,555	39%
Employee compensated absences	270,996	260,067		-	270,996	260,067	4%
Pension Liability	10,754,940	9,378,130	146,884	123,692	10,901,824	9,501,822	15%
Total	<u>\$ 28,517,185</u>	<u>\$ 21,162,752</u>	<u>\$ 146,884</u>	<u>\$ 123,692</u>	<u>\$ 28,664,069</u>	<u>\$ 21,286,444</u>	<u>35%</u>

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 were divided into two series. The 2009 Series A Bonds were 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. Additionally, this debt reduction plan facilitates a complete pay down on the bonds by 2019.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City is approximately \$109.1 million. At June 30, 2018 the City had a total applicable debt of \$10.9 million which is 10 percent 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.

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

The City continues to benefit from the improvement in the local economy and the economic growth throughout San Mateo County, Silicon Valley and the Bay Area. This is reflected in this financial statement for the FY 2017-18 and the financial outlook for the FY 2017-18. The major revenues continue to increase at a normal rate and cover the cost of day-to-day operations, services and CIP projects. However, there are few potential issues that may impact the City's budget and future financial stability. Some of these challenges that the City will face in the future include raising unfunded liabilities as they relate to pension and other post-employment benefits (OPEB); uncertainties with the CalPERS pension pool funding level and retirement assumptions, changes to the CalPERS amortization and smoothing policies, which will drive our CalPERS rates significantly higher; inflationary rate of healthcare costs increases; and possibility of another recession and economic downturn.

Fiscal sustainability remains a high priority for Half Moon bay. To that end, staff will continue to monitor these conditions and seek for the most efficient ways to provide services to the public. Staff looks forward to continuing to work with the City Council and the community to address any potential financial challenges that may lay ahead and identify operational efficiencies, appropriate economic development opportunities and alternative revenue options available to the community to ensure the high quality of life for the residents and visitors of Half Moon Bay.

Requests for Information

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

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

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



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CITY OF HALF MOON BAY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (Note 2)	\$44,273,294	\$14,629,223	\$58,902,517
Accounts receivable, net	2,532,722		2,532,722
Interest receivable	143,013	65,003	208,016
Prepaid expense	225,582		225,582
Land held for resale (Note 1i)	26,823,920		26,823,920
Investment in Sewer Authority			
Mid-Coastside (Note 6)		5,946,230	5,946,230
Net OPEB Asset (Note 9)	174,059	6,423	180,482
Capital assets, not depreciated (Note 4)	36,348,542	898,785	37,247,327
Capital assets, depreciated, net (Note 4)	26,820,439	3,592,188	30,412,627
Total assets	137,341,571	25,137,852	162,479,423
Deferred outflows of resources			
Related to OPEB (Note 9)	2,912		2,912
Related to pensions (Note 8)	3,066,799	69,159	3,135,958
Total deferred outflows of resources	3,069,711	69,159	3,138,870
Liabilities			
Accounts payable	3,410,068	337,540	3,747,608
Accrued liabilities	153,948		153,948
Deposits payable	344,678		344,678
Unearned revenue	558,714		558,714
Claims liability, due within one year (Note 10)	849,394		849,394
Compensated absences (Note 1j):			
Due within one year	94,849		94,849
Due in more than one year	176,147		176,147
Long-term debt (Note 5):			
Due within one year	572,686		572,686
Due in more than one year	16,069,169		16,069,169
Net pension liability, due in more than one year (Note 8)	10,754,940	146,884	10,901,824
Total liabilities	32,984,593	484,424	33,469,017
Deferred inflows of resources			
Related to pensions (Note 8)	1,402,436	155,804	1,558,240
Net position (Note 7)			
Net investment in capital assets	63,168,981	4,490,973	67,659,954
Restricted for:			
Investment in Sewer Authority		5,946,230	5,946,230
Debt Service	11,368,713		11,368,713
Streets and roads	5,948,791		5,948,791
Affordable housing	2,152,339		2,152,339
Capital projects	4,164,315		4,164,315
Other City projects	2,210,372		2,210,372
Total restricted net position	25,844,530	5,946,230	31,790,760
Unrestricted	17,010,742	14,129,580	31,140,322
Total net position	\$106,024,253	\$24,566,783	\$130,591,036

See accompanying notes to financial statements

CITY OF HALF MOON BAY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Contributions and Grants	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$5,030,648	\$29,879	\$135,054	\$5,726,855	\$861,140		\$861,140
Public safety	3,878,176	961,407	139,543		(2,777,226)		(2,777,226)
Public works	3,801,624	672,979	658,276	1,213,356	(1,257,013)		(1,257,013)
Recreation	926,730	841,581			(85,149)		(85,149)
Planning	2,603,389	213,701			(2,389,688)		(2,389,688)
Interest charges	937,704				(937,704)		(937,704)
Total governmental activities	17,178,271	2,719,547	932,873	6,940,211	(6,585,640)		(6,585,640)
Business-type Activities:							
Sewer	4,757,056	4,261,126				(\$495,930)	(495,930)
Total	\$21,935,327	\$6,980,673	\$932,873	\$6,940,211	(6,585,640)	(495,930)	(7,081,570)
General revenues:							
Taxes:							
Property					3,379,657		\$3,379,657
Sales and Use					2,836,614		2,836,614
Transient occupancy					6,434,808		6,434,808
Franchise					668,277		668,277
Business License Tax					370,269		370,269
Investment income					703,351	195,743	899,094
Miscellaneous					898,665		898,665
Loss on investment in Sewer Authority Mid-Coastside (Note 6)						(369,126)	(369,126)
Transfers (Note 3)					488,087	(488,087)	
Total general revenues and transfers					15,779,728	(661,470)	15,118,258
Change in Net Position					9,194,088	(1,157,400)	8,036,688
Net Position at beginning of year, as restated (Note 7)					96,830,165	25,724,183	122,554,348
Net Position at end of year					\$106,024,253	\$24,566,783	\$130,591,036

See accompanying notes to financial statements



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CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Streets and Roads	Judgment Obligation Bonds	Library
Assets				
Cash and investments (Note 2)	\$9,210,883	\$4,508,734	\$11,368,713	\$4,077,562
Receivables:				
Accounts, net	1,958,059	85,949		
Interest	55,429	20,324		26,472
Land held for resale (Note 1i)				
Prepaid expense				
Total assets	<u>\$11,224,371</u>	<u>\$4,615,007</u>	<u>\$11,368,713</u>	<u>\$4,104,034</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$774,677	\$207,194		\$1,942,845
Accrued liabilities	142,564	7,659		
Deposits payable	344,678			
Unearned revenue		75,000		
Total Liabilities	<u>1,261,919</u>	<u>289,853</u>		<u>1,942,845</u>
Fund balances (Note 7):				
Restricted		4,325,154	\$11,368,713	
Committed	5,070,257			
Assigned				\$2,161,189
Unassigned	4,892,195			
Total fund balances	<u>9,962,452</u>	<u>4,325,154</u>	<u>11,368,713</u>	<u>2,161,189</u>
Total liabilities and fund balances	<u>\$11,224,371</u>	<u>\$4,615,007</u>	<u>\$11,368,713</u>	<u>\$4,104,034</u>

See accompanying notes to financial statements

<u>Land Asset</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
	\$10,316,020	\$39,481,912
	488,714	2,532,722
	27,643	129,868
\$26,823,920		26,823,920
	225,582	225,582
<u>\$26,823,920</u>	<u>\$11,057,959</u>	<u>\$69,194,004</u>
	\$419,857	\$3,344,573
	3,725	153,948
		344,678
	483,714	558,714
	907,296	4,401,913
\$26,823,920	10,150,663	25,844,530
		31,894,177
		2,161,189
		4,892,195
<u>26,823,920</u>	<u>10,150,663</u>	<u>64,792,091</u>
<u>\$26,823,920</u>	<u>\$11,057,959</u>	<u>\$69,194,004</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, 2018

Fund balances of governmental funds	\$64,792,091
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	36,348,542
Capital assets, depreciated, net	26,531,353
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	3,069,711
Deferred inflows of resources	(1,402,436)
Long-term asset and liabilities that have not been included in governmental fund activity	
Bonds payable	(16,641,855)
Compensated absences	(270,996)
Net pension liability	(10,754,940)
Net OPEB asset	171,302
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.	
	4,181,481
Net position of governmental activities	\$106,024,253

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, 2018

	General Fund	Streets and Road	Judgment Obligation Bonds	Library
REVENUES				
Taxes	\$13,638,171			
License and Permits	370,269			
Fines and forfeitures	171,873			
Charges for services	1,248,836			
Impact fees/recreation fees				
Investment income	153,020	\$60,398	\$339,816	\$66,736
Rents and leases	87,536			
Intergovernmental revenues	135,054	847,088		
Miscellaneous	694,989	208,348		
Total Revenues	16,499,748	1,115,834	339,816	66,736
EXPENDITURES				
Current:				
General government	2,473,012			
General administration	1,495,557			
Public Safety	3,634,872			
Public works	1,449,071	265,340		
Recreation services	644,962			
Planning	2,490,216			
Capital outlay		1,076,124		14,970,295
Debt service:				
Principal				
Interest & fees			937,704	
Total Expenditures	12,187,690	1,341,464	937,704	14,970,295
Excess (deficiency) of revenues over (under) expenditures	4,312,058	(225,630)	(597,888)	(14,903,559)
Other financing sources (uses):				
Advance from San Mateo County (Note 5)				5,726,855
Capital grants				5,726,855
Transfers in (Note 3)	444,430		690,198	
Transfers (out) (Note 3)	(5,851,196)	(80,580)		
Total other financing sources (uses)	(5,406,766)	(80,580)	690,198	11,453,710
Net change in fund balances	(1,094,708)	(306,210)	92,310	(3,449,849)
Fund balances at beginning of year	11,057,160	4,631,364	11,276,403	5,611,038
Fund balances at end of year	<u>\$9,962,452</u>	<u>\$4,325,154</u>	<u>\$11,368,713</u>	<u>\$2,161,189</u>

See accompanying notes to financial statements

Land Asset	Non-Major Governmental Funds	Total
		\$13,638,171
		370,269
		171,873
	\$6,643	1,255,479
	1,065,005	1,065,005
	83,384	703,354
		87,536
	928,473	1,910,615
	5,000	908,337
	<u>2,088,505</u>	<u>20,110,639</u>
		2,473,012
		1,495,557
	54,618	3,689,490
	53,919	1,768,330
	56,443	701,405
	14,850	2,505,066
	2,950,036	18,996,455
		<u>937,704</u>
	<u>3,129,866</u>	<u>32,567,019</u>
	<u>(1,041,361)</u>	<u>(12,456,380)</u>
		5,726,855
		5,726,855
	3,889,906	5,024,534
	(78,778)	(6,010,554)
	<u>3,811,128</u>	<u>10,467,690</u>
	2,769,767	(1,988,690)
<u>\$26,823,920</u>	<u>7,380,896</u>	<u>66,780,781</u>
<u><u>\$26,823,920</u></u>	<u><u>\$10,150,663</u></u>	<u><u>\$64,792,091</u></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, 2018

Changes in fund balances of governmental funds (\$1,988,690)

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 outlay	18,996,455
Uncapitalized capital outlay	(1,128,113)
Depreciation expense	(1,056,227)

Debt 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.

Proceeds of advance from San Mateo County (Note 5)	(5,726,855)
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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).

OPEB expenses	10,090
Unearned revenue	
Compensated absences	(10,929)
Pension expense	155,683

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.

(57,326)

Changes in net position of governmental activities	<u><u>\$9,194,088</u></u>
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See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	<u>Sewer Enterprise Fund</u>	<u>Internal Service Funds</u>
Assets:		
Current Assets:		
Cash and investments (Note 2)	\$14,629,223	\$4,791,382
Accounts receivable		
Interest receivable	<u>65,003</u>	<u>13,145</u>
Total Current Assets	<u>14,694,226</u>	<u>4,804,527</u>
Noncurrent Assets:		
Investment in Sewer Authority Mid-Coastside (Note 6)	5,946,230	
Net OPEB Asset (Note 9)	6,423	2,757
Non-depreciable capital assets (Note 4)	898,785	
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>3,592,188</u>	<u>289,086</u>
Total non-current assets	<u>10,443,626</u>	<u>291,843</u>
Total Assets	<u>25,137,852</u>	<u>5,096,370</u>
Deferred Outflows of Resources		
Related to pensions (Note 8)	<u>69,159</u>	
Liabilities:		
Current Liabilities:		
Accounts payable	337,540	65,495
Claims liability (Note 10)		<u>849,394</u>
Total current liabilities	<u>337,540</u>	<u>914,889</u>
Noncurrent liabilities:		
Net pension liability (Note 8)	<u>146,884</u>	
Total Liabilities	<u>484,424</u>	<u>914,889</u>
Deferred Inflows of Resources		
Related to pensions (Note 8)	<u>155,804</u>	
Net Position:		
Net investment in capital assets	4,490,973	289,086
Restricted for investment in Sewer Authority	5,946,230	
Unrestricted	<u>14,129,580</u>	<u>3,892,395</u>
Total Net Position	<u>\$24,566,783</u>	<u>\$4,181,481</u>

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Operating revenues:		
Charges for services	\$4,261,126	
Impact fees		\$31,055
Other		
	<u> </u>	<u> </u>
Total operating revenues	<u>4,261,126</u>	<u>31,055</u>
Operating expenses:		
Salaries and wages	234,865	384,499
Contract services	4,192,219	302,707
Supplies	27,179	48,756
Repairs and maintenance	203,273	22,246
Insurance		363,535
Pensions		445,240
Depreciation	99,520	42,283
	<u> </u>	<u> </u>
Total operating expenses	<u>4,757,056</u>	<u>1,609,266</u>
Total operation income	<u>(495,930)</u>	<u>(1,578,211)</u>
Non-operating revenues:		
Loss on investment in Sewer Authority Mid-Coastside (Note 6)	(369,126)	
Investment income	195,743	46,778
	<u> </u>	<u> </u>
Total non-operating revenues	<u>(173,383)</u>	<u>46,778</u>
Income before transfers	<u>(669,313)</u>	<u>(1,531,433)</u>
Transfers:		
Transfers in (Note 3)		1,474,107
Transfers (out) (Note 3)	(488,087)	
	<u> </u>	<u> </u>
Total transfers	<u>(488,087)</u>	<u>1,474,107</u>
Change in net position	(1,157,400)	(57,326)
Net position at beginning of year, as restated (Note 7)	<u>25,724,183</u>	<u>4,238,807</u>
Net position at end of year	<u><u>\$24,566,783</u></u>	<u><u>\$4,181,481</u></u>

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Cash received from department users	\$4,237,369	\$26,178
Cash payments to suppliers for goods and services	(4,384,977)	(915,144)
Cash payments to employee services	(238,818)	(384,499)
Net cash provided by operating activities	<u>(386,426)</u>	<u>(1,273,465)</u>
Cash flows from non-capital and related financing activities:		
Cash collected from other funds		1,474,107
Cash paid to other funds	(488,087)	
Net cash (used for) non capital and related financing activities	<u>(488,087)</u>	<u>1,474,107</u>
Cash flows form capital and related financing activities:		
Acquisition of capital assets	(773,499)	
Net cash provided by (used for) capital and related financing activities	<u>(773,499)</u>	
Cash flows from investing activities:		
Interest received on investments	195,743	46,778
Net cash provided by investing activities	<u>195,743</u>	<u>46,778</u>
Net increase in cash and cash equivalents	(1,452,269)	247,420
Cash and cash equivalents at beginning of year	<u>16,081,492</u>	<u>4,543,962</u>
Cash and cash equivalents at end of year	<u>\$14,629,223</u>	<u>\$4,791,382</u>
Reconciliation of operating income (loss) to net cash provided by (used for) provided by (used for) operating activities:		
Operating income (loss)	(\$495,930)	(\$1,578,211)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	99,520	42,283
Change in assets and liabilities:		
Interest receivable, net	(23,757)	(5,017)
Accounts payable	37,694	27,641
Deferred outflows of resources	(16,746)	
Deferred inflows of resources	(10,399)	
Net pension liability	23,192	
Accrued claims payable		239,839
Net cash provided by operating activities	<u>(\$386,426)</u>	<u>(\$1,273,465)</u>
Non-cash transactions:		
Loss on investment in Sewer Authority Mid-Coastside	(\$369,126)	

See accompanying notes to financial statements

CITY OF HALF MOON BAY
FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>OPEB Trust Fund</u>
Assets:	
Investments:	
Mutual Funds (Note 2)	<u>\$635,128</u>
Total Assets	<u>635,128</u>
Net Position:	
Restricted for OPEB benefits	<u><u>\$635,128</u></u>

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY
 NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	OPEB Trust Fund
Additions:	
Investment income:	
Interest	\$32,087
Less: Investments expenses	(1,552)
Total additions	30,535
Net position at beginning of year	604,593
Net position at end of year	\$635,128

See accompanying notes to financial statements



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CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

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 transient occupancy tax, property taxes, sales taxes, unrestricted revenues from the State, and interest income. Expenditures are made for public safety, planning, building, engineering, and other general government services.

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

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

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

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

The City reports the following major enterprise fund:

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

The City also reports the following fund types:

Internal Service Funds:

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

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

1. Significant Accounting Policies, continued

d) Cash and Investments

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

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

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

e) Cash and Investments with Fiscal Agents

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

f) Fair Value Measurements

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

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

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

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

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

g) Interfund Receivables and Payables

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

**CITY OF HALF MOON BAY, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018**

1. Significant Accounting Policies, continued

h) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement is reported at acquisition value rather than fair value. 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
Infrastructure	20 to 50 years
Vehicles	5 to 10 years
Equipment	5 to 20 years

i) Land Held for Resale

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

Land held for resale of \$26,823,920 at June 30, 2018 is stated at the lower of historical cost or net realizable value.

j) Compensated Absences

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

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

**CITY OF HALF MOON BAY, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018**

1. Significant Accounting Policies, continued

j) Compensated Absences, continued

The changes in compensated absences for the year ended June 30, 2018 is as follows:

Beginning Balance	\$260,067
Additions	407,728
Payments	(396,799)
Ending Balance	\$270,996
Current Portion	\$94,849
Non-current Portion	\$176,147

k) Long-term Obligations

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

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

l) Claims and Judgments

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

m) Property Taxes

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

**CITY OF HALF MOON BAY, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018**

1. Significant Accounting Policies, continued

m) Property Taxes, continued

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

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

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

n) Estimates

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

o) Pensions and OPEB (Other Post-Employment Benefits)

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.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

p) New GASB Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2018.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2017. See Note 7f and Note 9.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

1. Significant Accounting Policies, continued

GASB Statement No. 81 – In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 and should be applied retroactively. This Statement had no impact on the City's/District's financial statements.

GASB Statement No. 85 – In March 2017, the GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This statement had no impact on the City's/District's financial statements.

GASB Statement No. 86 – In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This statement had no impact on the City's/District's financial statements.

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 83 – In November 2017, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City has not determined its effect on the financial statements.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

1. Significant Accounting Policies, continued

GASB Statement No. 84 – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not determined its effect on the financial statements.

GASB Statement No. 87 – In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not determined its effect on the financial statements.

2. Cash, Cash Equivalents, and Investments

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$1,200
Deposits with financial institutions	2,735,417
Investments	56,165,900
Total City cash and investments	58,902,517
OPEB Trust Fund: Investments held with trustee	635,128
Total cash and investments	\$59,537,645

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, 2018, the carrying amount of the City's deposits was \$2,704,925 and the bank balance was \$2,802,077. 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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

2. Cash, Cash Equivalents, and Investments, continued

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.

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
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 Pool	None	None	None	\$50 million
Time Deposits	2 years	None	10%	None
Medium-Term Notes	5 Years	AA	20%	10%
Money Market Mutual Funds	None	Aaa/AAA	20%	5%

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

2. Cash, Cash Equivalents, and Investments, continued

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 Fur	None	None	No Limit	No Limit
Repurchase Agreements	None	None	No Limit	No Limit

d) Fair Value Hierarchy

The City adopted GASB Statement No. 72, Fair Value Measurement and Applications, which required governmental entities to measure investments at fair value in fiscal year 2017-18. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

	<u>Level 2</u>	<u>Total</u>
Investments by Fair Value Level:		
Federal Agency Securities	\$10,623,133	\$10,623,133
Investments exempt from Fair Value Hierarchy:		
San Mateo County Investment Pool		37,446,711
California Local Agency Investment Fund		8,095,348
Investments Measured at Amortized Cost:		
Money Market Fund		708
Mutual Fund		635,128
Cash in Bank and on hand		<u>2,736,617</u>
Total Cash and Investments		<u>\$59,537,645</u>

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

2. Cash, Cash Equivalents, and Investments, continued

The Federal Agency Securities totaling \$10,623,133 classified in Level 2 of the fair value hierarchy are valued using quoted prices for a non-active market portfolio at fiscal year-end. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

e) Interest Rate Risk

Interest Rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Investment Type	Remaining Maturity (in Months)		Total
	12 Months Or Less	13 to 24 Months	
Available for Operations			
California Local Agency Investment Fun	\$7,335,774		\$7,335,774
San Mateo County Investment Pool	37,446,711		37,446,711
Held by Trustees			
California Local Agency Investment Fun	759,574		759,574
Federal Agency Securities		\$10,623,133	10,623,133
Money Market Fund	708		708
Mutual Fund	635,128		635,128
Total Investments	<u>\$46,177,895</u>	<u>\$10,623,133</u>	56,801,028
Demand Deposits and Cash on Hand			<u>2,736,617</u>
		Total Cash and Investments	<u>\$59,537,645</u>

f) Custodial Credit Risk - Investment

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. Investments in any one issuer, other than U.S. Treasury securities, mutual funds or external investment pools, which represent 5% or more of the City's total investments are shown below:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	Federal Agency Security	\$10,623,133

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

2. Cash, Cash Equivalents, and Investments, continued

g) Credit Risk – Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of ratings by nationally recognized statistical rating organization.

Investment Type	AA	Not Rated	Total
<i>Held by City</i>			
California Local Agency Investment Fund		\$7,335,774	\$7,335,774
San Mateo County Investment Pool	\$37,446,711		37,446,711
Cash in banks and on hand		2,736,617	2,736,617
<i>Held by Trustee</i>			
Federal Agency Securities	10,623,133		10,623,133
Money Market Funds		708	708
California Local Agency Investment Fund		759,574	759,574
Mutual Fund		635,128	635,128
Total Cash & Investments	<u>\$48,069,844</u>	<u>\$11,467,801</u>	<u>\$59,537,645</u>

h) Investments in San Mateo County Investment Pool

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 1 6429 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in the County Pool at the fair value amount provided by the County. The balance available for withdrawal is based on the accounting records maintained by the County Pool which are recorded on an amortized cost basis. Included in the County Pool's investment portfolio are U.S. Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, repurchase agreements, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2018, these investments matured in an average of 0.91 year.

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

The City is also a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2018 these investments matured in an average of 193 days.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

3. Interfund Transfers

Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

Transfer To	Transfer From	Amount	
General Fund	Sewer Enterprise Fund	\$432,128	(a)
	Streets and Roads Special Revenue Fund	12,302	(b)
Judgment Obligation Bonds Debt Service Fund	General Fund	690,198	(c)
Non-Major Governmental Funds	General Fund	3,780,001	(d)
	Streets and Roads Special Revenue Fund	34,905	(d)
	Non-Major Governmental Funds	75,000	(d)
Internal Service Funds	General Fund	1,380,998	(e)
	Streets and Roads Special Revenue Fund	33,373	(e)
	Non-Major Governmental Funds	3,777	(e)
	Sewer Enterprise Fund	55,959	(e)
		\$6,498,641	

Interfund transfers were principally used for the following purposes:

- (a) Sewer Management expenditures
- (b) Streets and Roads expenditures
- (c) Debt Service expenditures
- (d) Capital Program expenditures
- (e) Program Expenditures

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

4. Capital Assets

a) Capital Assets Activity

A Summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Adjustments/ Transfers	Balance June 30, 2018
<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	8,716,002	\$16,829,545	(\$551,546)	24,994,001
Total capital assets not being depreciated	20,070,543	16,829,545	(551,546)	36,348,542
Capital assets being depreciated:				
Buildings & improvements	11,974,430	944,226		12,918,656
Machinery & equipment	1,026,697			1,026,697
Infrastructure	31,760,689	79,524	551,546	32,391,759
Total capital assets being depreciated	44,761,816	1,023,750	551,546	46,337,112
Less accumulated depreciation for:				
Buildings & improvements	4,514,667	284,500		4,799,167
Machinery & equipment	695,328	42,283		737,611
Infrastructure	13,223,215	756,680		13,979,895
Total accumulated depreciation	18,433,210	1,083,463		19,516,673
Net depreciable assets	26,328,606	(59,713)	551,546	26,820,439
Governmental activity capital assets, net	\$46,399,149	\$16,769,832		\$63,168,981

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

4. Capital Assets, continued

	Balance June 30, 2017	Additions	Balance June 30, 2018
<i>Business-type activities:</i>			
Capital assets not being depreciated:			
Construction in progress	\$125,286	\$773,499	\$898,785
Total capital assets not being depreciated	125,286	773,499	898,785
Capital assets being depreciated:			
Buildings & improvements	5,088,541		5,088,541
Machinery & equipment	763,646		763,646
Total capital assets being depreciated	5,852,187		5,852,187
Less accumulated depreciation for:			
Buildings & improvements	1,494,961	82,720	1,577,681
Machinery & equipment	665,518	16,800	682,318
Total accumulated depreciation	2,160,479	99,520	2,259,999
Net depreciable assets	3,691,708	(99,520)	3,592,188
Business-type activity capital assets, net	\$3,816,994	\$673,979	\$4,490,973

b) Depreciation

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$69,323
Recreation	247,959
Public safety	15,878
Public works	750,303
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	42,283
Total Governmental Activities	\$1,083,463
Business-Type Activities:	
Sewer Fund	\$99,520

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2018.

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
<i>Governmental Activity Debt</i>						
2009 B Judgment Obligation Bonds						
2.00%-5.375%, due 2020	\$10,915,000	\$10,915,000			\$10,915,000	
San Mateo County advancement	5,726,855		\$5,726,855		5,726,855	\$572,686
Total Governmental Activity		<u>\$10,915,000</u>	<u>\$5,726,855</u>		<u>\$16,641,855</u>	<u>\$572,686</u>

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

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

Judgment Obligation Bond, Series 2009B

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

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

As of June 30, 2018, annual debt service to maturity for the JOB Series 2009B bonds are as follows:

Year ending June 30	Governmental Activities	
	Principal	Interest
2019		\$937,704
2020	\$10,915,000	468,852
Total	<u>\$10,915,000</u>	<u>\$1,406,556</u>

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

5. Long-Term Debt, continued

b) Escrow Trust for Repayment of Judgment Obligation Bonds

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

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

During the fiscal year ended June 30, 2017, the City entered into an agreement with the County of San Mateo in the amount of \$6 million to ensure completion of the Library Project. The Project includes design, environmental review, demolition of existing library, construction, and construction management. The terms of repayment are directly from the property tax apportionments in two installments on December 15 and April 15 per fiscal year for a ten-year period beginning no later than December 15, 2019 and final payment would be made no later than April 15, 2029. As of June 30, 2018, the City had drawn down \$5,726,855. Repayment won't start till in fiscal year 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. The City exercises significant influence over SAM's operations; therefore, the City's share of SAM's net position has been recorded as an investment in the City's financial statements. The City's share of SAM's net position is calculated annually, based on the proportion of SAM's total assessed valuation within the City limits. Complete financial statements for SAM can be obtained from the SAM at 1000 North Cabrillo Highway, Half Moon Bay, California 94019-1466. Based on SAM's audited financial statements for June 30, 2017, the City recorded its investment in SAM in the amount of \$6,315,356 at June 30, 2018.

7. Net Position/Fund Balances

a) Fund Balances

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

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

7. Net Position/Fund Balances, continued

b) Stabilization Arrangement

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

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

c) Classifications

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for government funds are made up of the following:

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

7. Net Position/Fund Balances, continued

d) Policies

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

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

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

Fund balances for all the major and non-major governmental funds as of June 30, 2018 were distributed as follows:

	General Fund	Streets and Roads	Judgment Obligation Bonds	Library	Land Asset	Non-major Governmental Funds	Total
Restricted:							
Streets & roads		\$4,325,154					\$4,325,154
Parks development improvements						\$1,623,637	\$1,623,637
Debt service			\$11,368,713				11,368,713
Police						326,282	326,282
Storm drain maintenance improvements						1,520,774	1,520,774
Traffic mitigation						1,655,380	1,655,380
Affordable housing						2,152,339	2,152,339
Public facilities						702,464	702,464
Library Capital projects						2,169,787	2,169,787
Total restricted		4,325,154	11,368,713			10,150,663	25,844,530
Committed:							
Land held for resale					\$26,823,920		26,823,920
Measure J	\$363,619						363,619
Contingency reserve	3,206,638						3,206,638
Main Street Bridge Contingency	1,500,000						1,500,000
Total committed	5,070,257				26,823,920		31,894,177
Assigned: Library				\$2,161,189			2,161,189
Unassigned:	4,892,195						4,892,195
Total Fund Balances	\$9,962,452	\$4,325,154	\$11,368,713	\$2,161,189	\$26,823,920	\$10,150,663	\$64,792,091

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

7. Net Position/Fund Balances, continued

e) Net Position

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three categories. These categories apply only to Net Position, which is determined only at the Government-wide level, and are described below:

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

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and successor agency assets.

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

f) Restatement of Net Position

Management adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net position as of July 1, 2017 for the Governmental Activities, Business Activities and Sewer Fund were restated and increased by \$100,524, \$6,423 and \$6,423 correspondingly.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

8. Pension Plan

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

a) General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety and Miscellaneous Employee Pension Rate Plans. Benefit provisions under the Plan are established by State statute and Board resolution. The City's Safety and Miscellaneous Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a Safety and Miscellaneous pool (also referred to as "risk pools"), which are comprised of individual employer safety and miscellaneous rate plans, respectively. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

8. Pension Plans, continued

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after 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 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	9.559%	6.908%
	<u>Safety</u>	
	<u>Prior to 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	0%	
Required employer contribution rates	0%	

a) General Information about the Pension Plans, continued

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability and side fund was \$630,546 in fiscal year 2018.

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

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$435,299	\$445,240

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

8. Pension Plans, continued

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

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

As of June 30, 2018, 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	\$4,841,079
Safety	6,060,745
Total Net Pension Liability	\$10,901,824

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2016	0.11869%	0.10385%
Proportion - June 30, 2017	0.12281%	0.10143%
Change - Increase (Decrease)	0.00412%	(0.00242%)

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

8. Pension Plans, continued

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

For the year ended June 30, 2018, the City recognized pension expense of \$2,414,950 for Miscellaneous Plan and \$1,546,298 for Safety Plan, with a total pension expenses of \$3,961,248. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$435,299		\$445,240		\$880,539	
Changes in assumptions	847,985	(\$64,660)	845,845	(\$64,895)	1,693,830	(\$129,555)
Differences between actual and expected experience	6,834	(97,915)	58,324	(15,207)	65,158	(113,122)
Net change in Proportion DIDO and Net Pension Liability	118,208	(232,187)	2,017	(365,675)	120,225	(597,862)
Net difference in actual contribution and proportion contributions		(367,090)		(350,611)		(717,701)
Net differences between projected and actual earnings on plan investments	191,779		184,427		376,206	
Total	\$1,600,105	(\$761,852)	\$1,535,853	(\$796,388)	\$3,135,958	(\$1,558,240)

\$880,539 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 following fiscal year. 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	Miscellaneous	Safety	Total
June 30			
2019	(\$131,823)	(\$139,242)	(\$271,065)
2020	415,823	333,535	749,358
2021	232,818	207,847	440,665
2022	(113,864)	(107,915)	(221,779)

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

8. Pension Plans, continued

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

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pensions Plan Investment Expenses, includes Inflation
Mortality	Derived using CalPERS Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report available on the CalPERS' website under Forms and Publications.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS' website under Forms and Publications.

Change of Assumptions – The discount rate was decreased from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

8. Pension Plans, continued

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

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

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

8. Pension Plans, continued

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

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

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$7,636,279	\$8,855,066	\$16,491,345
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$4,841,079	\$6,060,745	\$10,901,824
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$2,526,044	\$3,776,528	\$6,302,572

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

9. Other Post Employment Healthcare Benefits

a) 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 City has previously setup an irrevocable retiree benefit trust with the Public Agency Retirement Services (PARS). The City continued with the same funding policy payment to a full ARC contribution.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

9. Other Post Employment Healthcare Benefits, continued

b) Employees covered by benefit terms

Plan membership varies based on different employee bargaining groups. As of June 30, 2018, membership in the plan consisted of the following:

	Number of Covered Employees
Inactives currently receiving benefits	11
Inactives entitled to but not yet receiving	25
Active employees	33
	69

c) Net OPEB Liability

The components of the net OPEB liability of the City at June 30, 2018, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2017:	\$423,761	\$587,885	(\$164,124)
Changes Recognized for the Measurement Period:			
Service Cost	27,065	-	27,065
Interest	26,373	-	26,373
Expected investment income	-	-	-
Contributions:			
Employer - City's contribution	-	39,261	(39,261)
Employer - Implicit subsidy	-	-	-
Net investment income	-	32,087	(32,087)
Benefit payments	(22,553)	(22,553)	-
Implicit rate subsidy fulfilled	-	-	-
Changes of assumptions	-	-	-
Administrative expenses*	-	(1,552)	1,552
Net Changes during Fiscal Year 2018	30,885	47,243	(16,358)
Balance at Fiscal Year Ending 6/30/2018:	\$454,646	\$635,128	(\$180,482)

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

9. Other Post Employment Healthcare Benefits, continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

In accordance with GASB 74, regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2018, calculated using the discount rate of 6.00%, as well as what the Plan's net OPEB 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:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5%)	(6%)	(7%)
(\$129,411)	(\$180,482)	(\$223,626)

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
(6.5%)	(7.5%)	(8.5%)
(\$231,103)	(\$180,482)	(\$119,798)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2017
Contribution Policy	City contributes full ADC
Actuarial Cost Method	Entry Age Normal. Level percentage of payroll
Actuarial Assumptions:	
Discount Rate	6.00% ⁽¹⁾
Long Term Expected Rate	6.00% ⁽²⁾
Rate of Return on Assets	6.00% ⁽³⁾
Inflation	2.75%
Payroll Growth	3.00%
Mortality Rate	Mortality projected fully generational with Society of Actuaries Scale MP-17
Pre-Retirement Turnover	
Healthcare Trend Rate	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Healthcare participation for future retirees	50% covered; 30% if waived coverage
PEMHCA Minimum Increases	4.25%

- (1) At June 30, 2018
- (2) At June 30, 2017
- (3) Expected City Contributions projected to keep sufficient plan assets to pay all benefits from trust.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

9. Other Post Employment Healthcare Benefits, continued

d) OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$55,718. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$2,912	-
Differences between actual and expected experience	-	-
Total	\$2,912	\$0

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	\$ 728
2020	728
2021	728
2022	728

**CITY OF HALF MOON BAY, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018**

9. Other Post Employment Healthcare Benefits, continued

e) OPEB Trust Fund

Plan Administration

The City is the plan administrator. The Public Agency Retirement Services (PARS) administers the trust for the City’s retiree healthcare benefit plan – a single-employer defined benefit OPEB plan that provides healthcare benefits for eligible general and public safety employees of the City.

	Fiscal Year ended June 30, 2017
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

Contribution Information

PARS established rates for each employer based on an actuarially determined rate for each employer. Plan members are not required to contribute to the plan. For the year ended June 30, 2018, the City contributed \$39,261 to the Trust.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

9. Other Post Employment Healthcare Benefits, continued

Investment Policy

PARS offers different investment portfolios as part of the investment vehicle. The City invests in “Capital Appreciation” portfolio; the primary goal of the Capital Appreciation objective is growth of principal. The major portions of the assets are invested in the equity securities and market fluctuations are expected. The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selections and monitoring helps to drive return potential while reducing portfolio risk.

The following is the City adopted asset allocation policy as of June 30, 2018:

	Target Allocation	Expected Real Rate of Return
Asset Class Component:		
Equity	48.3%	1.8%
REITs	1.8%	3.8%
Fixed Income	45.0%	1.5%
Cash	5.0%	6.0%
	100.0%	
Assumed Long-Term Inflation Rate		2.75%
Discount Rate		6.00%

Investment Concentration

As of June 30, 2018, the City’s Trust did not have investments in any one organization exceeding 5% of the City’s Trust investments.

Investment Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

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 \$2,500,000 in primary payment (\$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 per incident in excess. The City has no deductible for these claims. The City also belongs to the California Sanitation Risk Management Authority, which insures the City up to \$500,000 per property against sewer backup damages. The City is liable for only one claim per property and is not liable for any future damages, as the property owner is then required to install a back flow valve on their line, with the exception of properties in certain low lying areas.

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

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

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, 2018, the City paid premiums of \$21,052 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, 2018**

10. Risk Management, continued

b) Plan JPA

Prior to January 2018 the City participated in ABAG Plan Corporation, a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. On January 16, 2018, ABAG Plan Corporation transitioned to Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a self-funded pooled insurance corporation established by a joint powers authority in which the City is one of 28 members. The rights and responsibilities of the member agencies are governed by the bylaws of the PLAN JPA, the risk coverage agreement, and a related memorandum of coverage. Each member chooses its self-insured liability retention at a level between \$25,000 and \$250,000. Each member has a vote in approving the pool's self-insured retention level, in setting the coverage limit, in establishing the level of pool reserves, approving the premium allocation methodology for setting premiums for each member, and in approving the methodology for returning disburseable equity to members. PLAN JPA is responsible for administering the insurance program. PLAN JPA provides claims administration and risk management services to the members. Audited financial information may be obtained from PLAN JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

For the year ended June 30, 2018, the City paid premiums of \$171,155 . 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:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Beginning balance of claims payable	\$609,555	\$477,502
Increase in estimated liability	656,446	514,322
Claims paid	<u>(416,607)</u>	<u>(382,269)</u>
Ending balance of claims payable	<u><u>\$849,394</u></u>	<u><u>\$609,555</u></u>



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REQUIRED SUPPLEMENTARY INFORMATION



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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

Miscellaneous Plan
 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>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Plan's proportion of the Net Pension Liability (Asset)	0.04792%	0.10917%	0.11869%	0.12281%
Plan's proportionate share of the Net Pension Liability (Asset)	\$2,981,768	\$2,994,972	\$4,123,054	\$4,841,079
Covered Payroll	\$1,412,295	\$1,986,876	\$2,014,025	\$2,423,106
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	211.13%	150.74%	204.72%	199.79%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.22%	83.28%	77.87%	76.18%

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

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
 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>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Plan's proportion of the Net Pension Liability (Asset)	0.06033%	0.10493%	0.10385%	0.10143%
Plan's proportionate share of the Net Pension Liability (Asset)	\$3,754,036	\$4,323,582	\$5,378,768	\$6,060,745
Covered Payroll	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	80.10%	76.97%	71.33%	69.65%

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

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Plan
 Cost-Sharing Multiple Employer Defined Pension Plan
 As of fiscal year ending June 30, 2018
 Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal year ended June 30:	2015	2016	2017	2018
Actuarially determined contribution	\$215,509	\$168,511	\$344,215	\$435,299
Contributions in relation to the actuarially determined contributions	(215,509)	(168,511)	(344,215)	(435,299)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$1,986,876	\$2,014,025	\$2,423,106	\$3,177,604
Contributions as a percentage of covered-employee payroll	10.8%	8.4%	14.2%	13.7%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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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	7.15% (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 four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
 Cost-Sharing Multiple Employer Defined Pension Plan
 As of fiscal year ending June 30, 2018
 Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal year ended June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$313,306	\$414,500	\$249,322	\$445,240
Contributions in relation to the actuarially determined contributions	(313,306)	(414,500)	(249,322)	(445,240)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0

Covered payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.15% (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 four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES
IN THE NET OPEB LIABILITY AND RELATED RATIOS**

An Single Employer OPEB Plan
Last 10 fiscal years*

Measurement Date	<u>6/30/17</u>	<u>6/30/18</u>
Total OPEB Liability (1)		
Service Cost	\$ 25,533	\$ 27,065
Interest	24,624	26,373
Differences between expected and actual experience	-	-
Benefit payments	(22,522)	(22,553)
Implicit rate subsidy fulfilled	-	-
Changes of assumptions	-	-
Net change in total OPEB liability	<u>27,635</u>	<u>30,885</u>
Total OPEB liability - beginning	<u>396,126</u>	<u>423,761</u>
Total OPEB liability - ending (a)	<u><u>\$ 423,761</u></u>	<u><u>\$ 454,646</u></u>
 OPEB fiduciary net position		
Net investment income	\$ 48,425	\$ 32,087
Contributions:		
Employer - City's contribution	22,522	39,261
Employer - Implicit subsidy	-	-
Administrative expense	(2,071)	(1,552)
Implicit rate subsidy fulfilled	-	-
Benefit payments	(22,522)	(22,553)
Net change in plan fiduciary net position	<u>46,354</u>	<u>47,243</u>
Plan fiduciary net position - beginning	<u>541,531</u>	<u>587,885</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 587,885</u></u>	<u><u>\$ 635,128</u></u>
 Net OPEB liability - ending (a)-(b)	<u><u>\$ (164,124)</u></u>	<u><u>\$ (180,482)</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	138.73%	139.70%
 Covered-employee payroll	N/A **	\$ 3,009,829
 Total OPEB liability as a percentage of covered-employee payroll	N/A **	-6.00%

* Fiscal year 2018 was the first year of implementation of GASB 75

Administrative expenses are included in investment expenses.

**Fiscal year 2017 was the first year of GASB 74 implementation

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

An Single Employer OPEB Plan

Last 10 fiscal years*

Fiscal Year Ended June 30,	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$16,708	\$17,251
Less: Contributions in Relation to the ADC	<u>(22,522)</u>	<u>(39,261)</u>
Contribution deficiency (excess)	<u><u>(\$5,814)</u></u>	<u><u>(\$22,010)</u></u>
Covered-employee payroll	N/A **	\$3,009,829
Contributions as a percentage of Covered-employee payroll	N/A **	1.30%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Valuation Date	6/30/2014
Actuarial Cost Method	Entry Age Normal, level percentage of payroll
Amortization Period	5-year fixed period remaining for 2017/18
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	3%
PEMHCA Minimum	4.5% annual increases
Mortality	CalPERS Rates
Mortality Improvement	Scale MP-14

* Fiscal year 2018 was the first year of implementation of GASB 75.

**Fiscal year 2017 was the first year of GASB 74 implementation

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal year ended June 30,	Annual money-weighted rate of return, net of investment expense
2017*	8.60%
2018	7.60%

¹ This schedule is intended to show information for 10 years.
Additional years will be added to this schedule in future fiscal years

* Fiscal year 2017 was the first year of GASB 74 implementation

CITY OF HALF MOON BAY
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Taxes	\$13,682,788	\$13,682,788	\$13,638,171	(\$44,617)
Licenses and permits	444,395	444,395	370,269	(74,126)
Fines and forfeitures	110,000	110,000	171,873	61,873
Charges for services	865,508	865,508	1,248,836	383,328
Investment income	26,200	26,200	153,020	126,820
Rents and leases	186,000	186,000	87,536	(98,464)
Intergovernmental revenues	118,600	118,600	135,054	16,454
Miscellaneous	619,813	619,813	694,989	75,176
Total revenues	<u>16,053,304</u>	<u>16,053,304</u>	<u>16,499,748</u>	<u>446,444</u>
Expenditures:				
Current Operations:				
General Government	2,639,130	2,706,730	2,473,012	233,718
General administration	1,367,172	1,574,847	1,495,557	79,290
Public Safety	3,761,357	3,761,357	3,634,872	126,485
Public Works	1,360,366	1,509,662	1,449,071	60,591
Recreation services	893,435	929,435	644,962	284,473
Planning	3,047,800	2,991,219	2,490,216	501,003
Total expenditures	<u>13,069,260</u>	<u>13,473,250</u>	<u>12,187,690</u>	<u>1,285,560</u>
Excess of revenues over expenditures	<u>2,984,044</u>	<u>2,580,054</u>	<u>4,312,058</u>	<u>1,732,004</u>
Other financing sources (uses):				
Transfers in	453,400	486,754	444,430	(42,324)
Transfers out	(4,181,395)	(5,801,196)	(5,851,196)	(50,000)
Total Other Financing Sources (Uses)	<u>(3,727,995)</u>	<u>(5,314,442)</u>	<u>(5,406,766)</u>	<u>(92,324)</u>
Net change in fund balance	<u>(\$743,951)</u>	<u>(\$2,734,388)</u>	(1,094,708)	<u>\$1,639,680</u>
Fund balance at beginning of year			<u>11,057,160</u>	
Fund balance at end of year			<u>\$9,962,452</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Investment income	\$33,100	\$33,100	\$60,398	\$27,298
Intergovernmental revenue	9,167,017	9,167,017	847,088	(8,319,929)
Miscellaneous			208,348	208,348
Total revenues	<u>9,200,117</u>	<u>9,200,117</u>	<u>1,115,834</u>	<u>(8,292,631)</u>
Expenditures:				
Current:				
Public works	442,143	466,869	265,340	201,529
Capital Outlay	<u>2,935,000</u>	<u>2,935,000</u>	<u>1,076,124</u>	<u>1,858,876</u>
Total expenditures	<u>3,377,143</u>	<u>3,401,869</u>	<u>1,341,464</u>	<u>2,060,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,822,974</u>	<u>5,798,248</u>	<u>(225,630)</u>	<u>(6,023,878)</u>
Other financing sources (uses):				
Transfer in	543,095	543,095		(543,095)
Transfer out	<u>(584,532)</u>	<u>(581,529)</u>	<u>(80,580)</u>	<u>500,949</u>
Total other financing sources (uses)	<u>(41,437)</u>	<u>(38,434)</u>	<u>(80,580)</u>	<u>(42,146)</u>
Net change in fund balance	<u>\$5,781,537</u>	<u>\$5,759,814</u>	<u>(306,210)</u>	<u>(\$6,066,024)</u>
Fund balance at beginning of year			<u>4,631,364</u>	
Fund balance at end of year			<u>\$4,325,154</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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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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	<u>\$254,800</u>	<u>\$339,816</u>	<u>\$85,016</u>
Total revenues	<u>254,800</u>	<u>339,816</u>	<u>85,016</u>
Expenditures:			
Debt service:			
Interest and fees	<u>940,704</u>	<u>937,704</u>	<u>3,000</u>
Total expenditures	<u>940,704</u>	<u>937,704</u>	<u>3,000</u>
Excess of revenues over expenditures	<u>(685,904)</u>	<u>(597,888)</u>	<u>88,016</u>
Other financing sources:			
Transfers in	<u>691,539</u>	<u>690,198</u>	<u>(1,341)</u>
Total other financing sources	<u>691,539</u>	<u>690,198</u>	<u>(1,341)</u>
Net change in fund balance	<u><u>\$5,635</u></u>	<u>92,310</u>	<u><u>\$86,675</u></u>
Fund balance at beginning of year		<u>11,276,403</u>	
Fund balance at end of year		<u><u>\$11,368,713</u></u>	

CITY OF HALF MOON BAY
LIBRARY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$32,200	\$66,736	\$34,536
Intergovernmental revenues		5,726,855	5,726,855
Total Revenues	32,200	5,793,591	5,761,391
Expenditures:			
Capital outlay	23,400	14,970,295	(14,946,895)
Total expenditures	23,400	14,970,295	(14,946,895)
Excess of revenues over expenditures	8,800	(9,176,704)	(9,185,504)
Other financing sources (uses):			
Advance from San Mateo County		5,726,855	5,726,855
Net change in fund balance	\$8,800	(3,449,849)	(\$3,458,649)
Fund balance at beginning of year		5,611,038	
Fund balance at end of year		\$2,161,189	



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CITY OF HALF MOON BAY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

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.

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.

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 *Capital Projects Fund* (Fund 25) is used to fund Capital Improvement Program projects, including construction, technology, and other infrastructure improvements.

CITY OF HALF MOON BAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

SPECIAL REVENUE FUNDS

	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Assets					
Cash and investments	\$327,429	\$227,959	\$1,649,594	\$2,144,710	\$1,643,899
Accounts receivable					5,000
Interest receivable	1,315	751	6,891	9,037	4,429
Prepaid expense					
Total assets	<u>\$328,744</u>	<u>\$228,710</u>	<u>\$1,656,485</u>	<u>\$2,153,747</u>	<u>\$1,653,328</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$2,462		\$1,105		\$28,732
Accrued expenses				\$1,408	
Accrued liabilities					959
Unearned revenue					
Total liabilities	<u>2,462</u>		<u>1,105</u>	<u>1,408</u>	<u>29,691</u>
Fund Balances:					
Restricted	<u>326,282</u>	<u>228,710</u>	<u>1,655,380</u>	<u>2,152,339</u>	<u>1,623,637</u>
Total fund balances	<u>326,282</u>	<u>228,710</u>	<u>1,655,380</u>	<u>2,152,339</u>	<u>1,623,637</u>
Total liabilities and fund balances	<u>\$328,744</u>	<u>\$228,710</u>	<u>\$1,656,485</u>	<u>\$2,153,747</u>	<u>\$1,653,328</u>

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Capital Projects</u>	<u>Total</u>
\$943,107	\$1,313,151	\$2,066,171	\$10,316,020
		483,714	488,714
	824	4,396	27,643
		225,582	225,582
<u>\$943,107</u>	<u>\$1,313,975</u>	<u>\$2,779,863</u>	<u>\$11,057,959</u>
\$240,643	\$20,553 1,358	\$126,362	\$419,857 2,766 959
		483,714	483,714
<u>240,643</u>	<u>21,911</u>	<u>610,076</u>	<u>907,296</u>
<u>702,464</u>	<u>1,292,064</u>	<u>2,169,787</u>	<u>10,150,663</u>
<u>702,464</u>	<u>1,292,064</u>	<u>2,169,787</u>	<u>10,150,663</u>
<u>\$943,107</u>	<u>\$1,313,975</u>	<u>\$2,779,863</u>	<u>\$11,057,959</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, 2018

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Revenues:					
Charges for services					
Impact fees/recreation fees			\$854,344		\$122,283
Investment income	\$3,730	\$2,266	15,197	\$27,409	14,026
Intergovernmental revenues	139,543				
Miscellaneous					5,000
Total Revenues	143,273	2,266	869,541	27,409	141,309
Expenditures:					
Current:					
General Government					
Public Safety	54,618				
Public Works			31,481		
Recreation Services					56,443
Planning				14,850	
Capital outlay			32,773		160,398
Total Expenditures	54,618		64,254	14,850	216,841
Excess (deficiency) of revenues over (under) expenditures	88,655	2,266	805,287	12,559	(75,532)
Other financing sources:					
Transfers in		50,000			581,324
Transfer (out)					(617)
Total Other Financing Sources		50,000			580,707
Net change in fund balances	88,655	52,266	805,287	12,559	505,175
Fund balances at beginning of year	237,627	176,444	850,093	2,139,780	1,118,462
Fund balances at end of year	\$326,282	\$228,710	\$1,655,380	\$2,152,339	\$1,623,637

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Capital Projects</u>	<u>Total</u>
	\$6,643		\$6,643
\$88,378			1,065,005
114	5,474	\$15,168	83,384
		788,930	928,473
			5,000
<u>88,492</u>	<u>12,117</u>	<u>804,098</u>	<u>2,088,505</u>
			54,618
	22,438		53,919
			56,443
			14,850
<u>1,336,000</u>	<u>65,675</u>	<u>1,355,190</u>	<u>2,950,036</u>
<u>1,336,000</u>	<u>88,113</u>	<u>1,355,190</u>	<u>3,129,866</u>
<u>(1,247,508)</u>	<u>(75,996)</u>	<u>(551,092)</u>	<u>(1,041,361)</u>
1,730,000	535,000	993,582	3,889,906
<u>(75,000)</u>	<u>(3,161)</u>		<u>(78,778)</u>
<u>1,655,000</u>	<u>531,839</u>	<u>993,582</u>	<u>3,811,128</u>
407,492	455,843	442,490	2,769,767
294,972	836,221	1,727,297	7,380,896
<u>\$702,464</u>	<u>\$1,292,064</u>	<u>\$2,169,787</u>	<u>\$10,150,663</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$1,700	\$3,730	\$2,030
Intergovernmental	<u>100,000</u>	<u>139,543</u>	<u>39,543</u>
Total Revenues	<u>101,700</u>	<u>143,273</u>	<u>41,573</u>
Expenditures:			
Current:			
Public Safety	<u>106,100</u>	<u>54,618</u>	<u>51,482</u>
Total expenditures	<u>106,100</u>	<u>54,618</u>	<u>(51,482)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,400)</u>	<u>88,655</u>	<u>93,055</u>
Net change in fund balance	<u><u>(\$4,400)</u></u>	<u>88,655</u>	<u><u>\$93,055</u></u>
Fund Balance at beginning of year		<u>237,627</u>	
Fund balance at end of year		<u><u>\$326,282</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$600	\$2,266	\$1,666
Total revenues	600	2,266	1,666
Expenditures:			
Current:			
Public works	52,800		52,800
Total expenditures	52,800		52,800
Excess (deficiency) of revenues over (under) expenditures	(52,200)	2,266	54,466
Other financing sources:			
Transfers in	50,000	50,000	
Transfers out			
Total other financing sources	50,000	50,000	
Net change in fund balance	(\$2,200)	52,266	\$54,466
Fund balance at beginning of year		176,444	
Fund balance at end of year		\$228,710	

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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees	\$48,178	\$854,344	\$806,166
Investment income	2,400	15,197	12,797
Total revenues	50,578	869,541	818,963
Expenditures:			
Current:			
Public works	25,600	31,481	(5,881)
Total expenditures	25,600	31,481	(5,881)
Excess (deficiency) of revenues over (under) expenditures	24,978	805,287	780,309
Net change in fund balance	\$24,978	805,287	\$780,309
Fund balance at beginning of year		850,093	
Fund balance at end of year		\$1,655,380	

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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Recreation fees/impact fees			
Investment income	<u>\$11,100</u>	<u>\$27,409</u>	<u>\$16,309</u>
Total revenues	<u>11,100</u>	<u>27,409</u>	<u>16,309</u>
Expenditures:			
Current:			
Planning	<u>102,000</u>	<u>14,850</u>	<u>87,150</u>
Net change in fund balance	<u><u>\$11,100</u></u>	<u>12,559</u>	<u><u>\$16,309</u></u>
Fund balance at beginning of year		<u>2,139,780</u>	
Fund balance at end of year		<u><u>\$2,152,339</u></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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Impact fees/recreation fees	\$201,956	\$122,283	(\$79,673)
Investment income	1,500	14,026	12,526
Intergovernmental revenues	<u>340,000</u>		<u>(340,000)</u>
Total Revenues	<u>543,456</u>	<u>141,309</u>	<u>(402,147)</u>
Expenditures:			
Current:			
Recreation services	128,892	56,443	72,449
Capital outlay	<u>1,884,000</u>	<u>160,398</u>	<u>1,723,602</u>
Total expenditures	<u>2,012,892</u>	<u>216,841</u>	<u>1,796,051</u>
Excess of revenues over expenditures	<u>(1,469,436)</u>	<u>(75,532)</u>	<u>1,393,904</u>
Other financing sources:			
Transfers in	<u>874,000</u>	<u>581,324</u>	<u>(292,676)</u>
Total other financing sources	<u>873,483</u>	<u>580,707</u>	<u>(292,776)</u>
Net change in fund balance	<u><u>(\$595,953)</u></u>	505,175	<u><u>\$1,101,128</u></u>
Fund balance at beginning of year		<u>1,118,462</u>	
Fund balance at end of year		<u><u>\$1,623,637</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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Impact fees/recreation fees		\$88,378	\$88,378
Investment income	\$3,500	114	(3,386)
Total revenues	<u>128,500</u>	<u>88,492</u>	<u>(40,008)</u>
Expenditures:			
Current:			
General government			
Capital Outlay	995,000	1,336,000	(341,000)
Total expenditures	<u>995,000</u>	<u>1,336,000</u>	<u>(341,000)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(866,500)</u>	<u>(1,247,508)</u>	<u>(381,008)</u>
Other financing sources (uses):			
Transfers in	810,000	1,730,000	920,000
Transfers (out)		<u>(75,000)</u>	<u>(75,000)</u>
Total Other Financing Sources (uses)	<u>810,000</u>	<u>1,655,000</u>	<u>845,000</u>
Net change in fund balance	<u>(\$56,500)</u>	407,492	<u>\$463,992</u>
Fund balance at beginning of year		<u>294,972</u>	
Fund balance at end of year		<u><u>\$702,464</u></u>	

CITY OF HALF MOON BAY
 STORM DRAIN IMPROVEMENTS CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for services	\$4,582	\$6,643	\$2,061
Investment income	3,600	5,474	1,874
Total Revenues	<u>8,182</u>	<u>12,117</u>	<u>3,935</u>
Expenditures:			
Public works		22,438	
Capital outlay	800,900	65,675	735,225
Total expenditures	<u>800,900</u>	<u>88,113</u>	<u>735,225</u>
Excess of revenues over expenditures	<u>(792,718)</u>	<u>(75,996)</u>	<u>716,722</u>
Other financing sources:			
Transfers in	292,495	535,000	242,505
Transfers out	<u>(2,292)</u>	<u>(3,161)</u>	<u>(869)</u>
Total other financing sources	<u>290,203</u>	<u>531,839</u>	<u>241,636</u>
Net change in fund balance	<u><u>(\$502,515)</u></u>	455,843	<u><u>\$958,358</u></u>
Fund balance at beginning of year		<u>836,221</u>	
Fund balance at end of year		<u><u>\$1,292,064</u></u>	

CITY OF HALF MOON BAY, CALIFORNIA

INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED JUNE 30, 2018

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 (al 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, 2018

	<u>Equipment and Vehicle Replacement</u>	<u>Risk Management</u>	<u>Pension Stabilization</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and investments	\$1,065,469	\$2,680,413	\$1,045,500	\$4,791,382
Accounts receivable				
Interest receivable	<u>2,643</u>	<u>8,786</u>	<u>1,716</u>	<u>13,145</u>
Total Current Assets	<u>1,068,112</u>	<u>2,689,199</u>	<u>1,047,216</u>	<u>4,804,527</u>
Non-current assets:				
Net OPEB asset		2,757		2,757
Capital assets, net of Accumulated depreciation	<u>289,086</u>			<u>289,086</u>
Total Assets	<u>1,357,198</u>	<u>2,691,956</u>	<u>1,047,216</u>	<u>5,096,370</u>
Liabilities				
Current Liabilities:				
Accounts payable	10,423	55,072		65,495
Claims liability		<u>849,394</u>		<u>849,394</u>
Total Liabilities	<u>10,423</u>	<u>904,466</u>		<u>914,889</u>
Net Position				
Net position:				
Invested in capital assets	289,086			289,086
Unrestricted	<u>1,057,689</u>	<u>1,787,490</u>	<u>1,047,216</u>	<u>3,892,395</u>
Total net position	<u>\$1,346,775</u>	<u>\$1,787,490</u>	<u>\$1,047,216</u>	<u>\$4,181,481</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, 2018

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Operating revenues:				
Charges for services				
Impact fees	\$16,503	\$14,552		\$31,055
Total operating revenues	<u>16,503</u>	<u>14,552</u>		<u>31,055</u>
Operating expenses:				
Salaries and wages		199,247	\$185,252	384,499
Contract services	136,202	166,505		302,707
Services and supplies	48,756			48,756
Repairs and maintenance	22,246			22,246
Insurance expense		363,535		363,535
Pension			\$445,240	445,240
Depreciation	42,283			42,283
Total operating expenses	<u>249,487</u>	<u>729,287</u>	<u>630,492</u>	<u>1,609,266</u>
Operating income (loss)	<u>(232,984)</u>	<u>(714,735)</u>	<u>(630,492)</u>	<u>(1,578,211)</u>
Non-operating revenues (expenses):				
Investment income	12,186	28,507	6,085	46,778
Total non-operating revenues	<u>12,186</u>	<u>28,507</u>	<u>6,085</u>	<u>46,778</u>
Transfers in	208,115	629,773	636,219	1,474,107
Transfers out				
Change in net position	(12,683)	(56,455)	11,812	(57,326)
Net position at beginning of year, as restated	<u>1,359,458</u>	<u>1,843,945</u>	<u>1,035,404</u>	<u>4,238,807</u>
Net position at end of year	<u>\$1,346,775</u>	<u>\$1,787,490</u>	<u>\$1,047,216</u>	<u>\$4,181,481</u>

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Cash flows from operating activities:				
Cash received from department users	\$16,144	\$10,034		\$26,178
Cash payments to suppliers of goods and services	(210,630)	(259,134)	(\$445,380)	(915,144)
Cash payments to employees for services		(199,247)	(185,252)	(384,499)
Net cash provided by (used for) operating activities	<u>(194,486)</u>	<u>(448,347)</u>	<u>(630,632)</u>	<u>(1,273,465)</u>
Cash flows from non-capital financing activities:				
Transfer in	<u>208,115</u>	<u>629,773</u>	<u>636,219</u>	<u>1,474,107</u>
Net cash provided by (used for) non-capital financing activities	<u>208,115</u>	<u>629,773</u>	<u>636,219</u>	<u>1,474,107</u>
Cash flows from investing activities:				
Interest received on investments	<u>12,186</u>	<u>28,507</u>	<u>6,085</u>	<u>46,778</u>
Net cash provided by investing activities	<u>12,186</u>	<u>28,507</u>	<u>6,085</u>	<u>46,778</u>
Net increase (decreased) in cash and cash equivalents	25,815	209,933	11,672	247,420
Cash and cash equivalents at beginning of year	<u>1,039,654</u>	<u>2,470,480</u>	<u>1,033,828</u>	<u>4,543,962</u>
Cash and cash equivalents at end of year	<u><u>\$1,065,469</u></u>	<u><u>\$2,680,413</u></u>	<u><u>\$1,045,500</u></u>	<u><u>\$4,791,382</u></u>
Reconciliation of operating income to net cash flows provided by operating activities:				
Operating income (loss)	(\$232,984)	(\$714,735)	(\$630,492)	(\$1,578,211)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	42,283			42,283
(Increase) in interest receivable	(359)	(4,518)	(140)	(5,017)
Increase (Decreased) in accounts payable	(3,426)	31,067		27,641
Increase in claims and judgments payable		239,839		239,839
Net cash provided by (used for) operating activities	<u><u>(\$194,486)</u></u>	<u><u>(\$448,347)</u></u>	<u><u>(\$630,632)</u></u>	<u><u>(\$1,273,465)</u></u>

STATISTICAL SECTION



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CITY OF HALF MOON BAY, CALIFORNIA

STATISTICAL SECTION

FISCAL YEAR ENDED JUNE 30, 2018

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Invested in capital assets, net of related debt	\$ 30,811,763	\$ 31,390,546	\$ 31,763,735	\$ 33,635,252	\$ 34,516,084	\$ 36,067,826	\$ 37,550,877	\$ 40,513,950	\$ 46,399,149	\$ 63,168,981
Restricted	64,199	61,860	-	-	-	38,078,982	18,540,842	19,779,956	22,157,470	25,844,530
Unrestricted	(4,931,710)	11,573,076	22,882,696	26,111,627	43,069,044	7,998,768	26,042,003	34,369,708	28,173,022	17,010,742
Total governmental activities net position	\$ 25,944,252	\$ 43,025,482	\$ 54,646,431	\$ 59,746,879	\$ 77,585,128	\$ 82,145,576	\$ 82,133,722	\$ 94,663,614	\$ 96,729,641	\$ 106,024,253
Business-type activities:										
Invested in capital assets, net of related debt	\$ 4,243,505	\$ 4,170,003	\$ 4,148,716	\$ 4,511,633	\$ 4,089,787	\$ 4,024,768	\$ 3,970,876	\$ 3,871,356	\$ 3,816,994	\$ 4,490,973
Restricted	11,297,658	10,845,643	10,998,100	13,604,197	15,881,577	18,347,207	19,063,158	20,635,855	21,900,766	5,946,230
Unrestricted	15,541,163	15,015,646	15,146,816	18,115,830	19,971,364	22,371,975	23,034,034	24,507,211	25,717,760	14,129,580
Total business-type activities net position	\$ 31,082,326	\$ 30,031,292	\$ 30,293,632	\$ 36,235,124	\$ 39,942,728	\$ 44,743,950	\$ 46,068,068	\$ 48,984,422	\$ 51,435,520	\$ 24,566,783
Primary government:										
Invested in capital assets, net of related debt	\$ 35,055,268	\$ 35,560,549	\$ 35,912,451	\$ 38,146,885	\$ 38,605,871	\$ 40,092,594	\$ 41,521,753	\$ 44,385,306	\$ 50,216,143	\$ 67,659,954
Restricted	64,199	61,860	-	-	-	38,078,982	18,540,842	19,779,956	22,157,470	31,790,760
Unrestricted	6,365,948	22,418,719	33,880,796	39,715,824	58,950,621	26,345,975	45,105,161	55,005,563	50,073,788	31,140,322
Total primary government net position ⁽¹⁾	\$ 41,485,415	\$ 58,041,128	\$ 69,793,247	\$ 77,862,709	\$ 97,556,492	\$ 104,517,551	\$ 105,167,756	\$ 119,170,825	\$ 122,447,401	\$ 130,591,036

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

The \$11.8 million increase in primary government net position in FY 2010-11 is primarily attributable to the addition of the "Glennree" 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 \$12.5 million increase in primary government net position in FY 2015-16 is primarily attributable to higher tax revenues and a contribution of \$6.0 million from the County of San Mateo for the library construction capital project that is scheduled to commence during fiscal year 2016-17.

The \$3.5 million increase in primary government net position in FY 2016-17 is primarily attributable to investment in infrastructure and capital projects.

The \$8.4 million increase in primary government net position in FY 2017-18 is primarily attributable to investment in capital projects.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental activities:										
General government	\$ 3,087,794	\$ 2,784,280	\$ 2,417,645	\$ 3,196,920	\$ 3,016,622	\$ 6,058,766	\$ 3,271,719	\$ 5,678,534	\$ 6,367,929	\$ 7,634,037
Public safety	4,288,119	3,978,722	4,452,292	3,739,193	4,020,875	3,209,351	3,901,511	3,449,122	5,183,033	3,878,176
Public works	5,809,388	2,876,126	1,503,731	1,910,246	2,203,959	2,316,147	2,605,015	2,670,228	3,314,879	3,801,624
Recreation services	1,189,359	1,349,644	470,592	335,383	208,152	221,703	282,251	337,331	348,604	926,730
Interest and fiscal charges	12,145	1,161,720	1,194,208	1,182,228	1,172,672	1,155,865	1,053,237	937,704	937,704	937,704
Total governmental activities expenses	14,386,805	12,150,492	10,038,468	10,363,970	10,622,280	12,961,832	11,113,733	13,072,919	16,152,149	17,178,271
Business-type activities:										
Sewer	3,343,655	3,001,566	2,718,762	2,630,004	3,224,026	2,881,315	4,078,003	2,943,013	2,966,613	4,757,056
Total business-type activities expenses	3,343,655	3,001,566	2,718,762	2,630,004	3,224,026	2,881,315	4,078,003	2,943,013	2,966,613	4,757,056
Total primary government expenses	17,730,460	15,152,058	12,757,230	12,993,974	13,846,306	15,843,147	15,191,736	16,015,932	19,118,762	21,935,327
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 497,596	\$ 133,221	\$ 275,581	\$ 573,847	\$ 322,092	\$ 769,532	\$ 562,974	\$ 658,244	\$ 526,111	\$ 243,580
Public safety	128,072	118,966	108,566	119,719	153,154	117,737	107,738	118,204	95,883	961,407
Public works	208,164	212,314	225,007	317,715	549,671	632,607	423,449	407,342	452,260	672,979
Recreation services	787,648	638,982	573,574	508,032	457,531	534,225	550,144	588,890	624,771	841,581
Operating grants and contributions	1,306,701	1,245,248	1,387,622	897,344	1,182,936	1,512,220	1,903,151	390,970	1,166,559	932,873
Capital grants and contributions	2,776,290	574,092	316,502	1,645,343	571,140	775,559	596,856	7,915,220	607,526	6,940,211
Total governmental activities program revenues	5,704,471	2,922,823	2,886,852	4,062,000	3,236,524	4,341,880	4,144,312	10,078,870	3,473,110	10,592,631
Business-type activities:										
Charges for services:										
Sewer	2,219,672	2,619,110	3,094,158	3,851,696	5,279,838	5,502,406	5,105,502	4,715,919	4,524,358	4,261,126
Capital grants and contributions	-	-	-	1,965,858	1,540	4,074	45,628	-	-	-
Total business-type activities program revenues	2,219,672	2,619,110	3,094,158	5,817,554	5,281,378	5,506,480	5,151,130	4,715,919	4,524,358	4,261,126
Total primary government program revenues	7,924,143	5,541,933	5,981,010	9,879,554	8,517,902	9,848,360	9,295,442	14,794,789	7,997,468	14,853,757
Net revenues (expenses):										
Governmental activities	\$ (8,682,334)	\$ (9,227,669)	\$ (7,151,616)	\$ (6,301,970)	\$ (7,385,756)	\$ (8,619,952)	\$ (6,969,421)	\$ (2,994,049)	\$ (12,679,039)	\$ (6,585,640)
Business-type activities	(1,123,983)	(382,456)	375,396	3,187,550	2,057,352	2,625,165	1,073,127	1,772,906	1,557,745	(495,930)
Total net revenues (expenses) ⁽³⁾	(9,806,317)	(9,610,125)	(6,776,220)	(3,114,420)	(5,328,404)	(5,994,787)	(5,896,294)	(1,221,143)	(11,121,294)	(7,081,570)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,366,778	\$ 2,128,688	\$ 2,327,269	\$ 2,411,605	\$ 2,829,102	\$ 2,613,407	\$ 2,871,413	\$ 3,116,710	\$ 3,126,884	\$ 3,379,657
Sales tax	1,924,354	1,656,807	2,037,312	2,127,152	2,584,599	3,556,753	3,862,041	4,068,786	2,514,852	2,836,614
Transient occupancy taxes	3,543,067	3,394,623	3,732,443	4,230,920	4,524,646	4,974,614	5,433,394	5,935,558	6,024,855	6,434,808
Other taxes	628,754	567,746	624,880	828,343	787,952	814,840	832,390	808,224	919,666	1,038,546
Motor vehicle in lieu, unrestricted	44,456	-	-	-	-	-	-	-	-	-
Investment income	154,898	112,786	246,160	425,702	385,353	291,224	798,406	811,191	583,497	703,351
Other general revenues	142,573	298,249	887,001	1,378,696	962,353	929,562	779,392	783,472	1,575,312	1,386,752
Special Item: Judgment ⁽²⁾	-	-	-	-	-	-	-	-	-	-
Special Item: Insurance proceeds ⁽²⁾	-	-	-	-	13,150,000	-	-	-	-	-
Special Item: Donated land ⁽²⁾	-	-	8,917,500	-	-	-	-	-	-	-
Total governmental activities	8,804,880	26,158,899	18,772,565	11,402,418	25,224,005	13,180,400	14,577,036	15,523,941	14,745,066	15,779,728
Business-type activities:										
Investment income	14,026	6,939	5,774	31,464	48,182	25,446	63,696	93,088	135,003	195,743
Miscellaneous	-	-	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(392,817)	(482,199)	(857,213)
Total business-type activities	14,026	6,939	(244,226)	(218,536)	(201,818)	(224,554)	(186,304)	(299,729)	(347,196)	(661,470)
Total primary government	8,818,906	26,165,838	18,528,339	11,183,882	25,022,187	12,955,846	14,390,732	15,224,212	14,397,870	15,118,258
Changes in net position:										
Governmental activities	\$ 122,546	\$ 16,931,230	\$ 11,620,949	\$ 5,100,448	\$ 17,838,249	\$ 4,560,448	\$ 7,607,615	\$ 12,529,892	\$ 2,066,027	\$ 9,194,088
Business-type activities	(1,109,957)	(375,517)	131,170	2,969,014	1,855,534	2,400,611	886,823	1,473,177	1,210,549	(1,157,400)
Total primary government ⁽¹⁾	\$ (987,411)	\$ 16,555,713	\$ 11,752,119	\$ 8,069,462	\$ 19,693,783	\$ 6,961,059	\$ 8,494,438	\$ 14,003,069	\$ 3,276,576	\$ 8,036,688

⁽¹⁾ Change in Net Assets in Primary Government:

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 position of \$19.7 million is primarily due to receipt of insurance recovery associated with the Yamagiwa claim.

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

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

FY 2015-16 increase in net position of \$14 million is primarily due to higher tax revenues and timing of sewer-related capital spending.

FY 2016-17 increase in net position of \$3.5 million is primarily due to investment in infrastructure and capital projects.

FY 2017-18 increase in net position of \$8.4 million is primarily due to investment in capital projects.

⁽²⁾ Special Items:

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⁾ 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									
	2009	2010	Fiscal Year June 30							
			2011 ⁽³⁾	2012	2013	2014	2015	2016	2017	2018
General fund:										
Reserved	\$ -	\$ 2,934,031								
Unreserved	7,722,535	2,404,122								
Total general fund ⁽¹⁾	<u>7,722,535</u>	<u>5,338,153</u>								
All other governmental funds:										
Reserved	601,107	18,432,044								
Unreserved, reported in:										
Special revenue funds	1,601,581	139,239								
Debt service fund	44,500	1,145,312								
Capital projects funds	1,412,602	2,223,984								
Total all other governmental funds ⁽²⁾	<u>3,659,790</u>	<u>21,940,579</u>								
General fund:										
Nonspendable	9,373,648	9,145,574	8,917,500	8,917,500	8,917,500	8,917,500	-	-	-	-
Committed	2,763,098	3,672,354	3,800,352	4,255,283	4,255,283	3,012,735	-	-	5,070,257	5,070,257
Assigned	-	1,110,256	1,825,000	2,609,294	2,609,294	-	-	-	-	-
Unassigned	2,893,969	2,587,992	3,143,252	3,978,376	3,978,376	6,529,822	7,829,894	5,986,903	4,892,195	4,892,195
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>19,760,453</u>	<u>9,542,557</u>	<u>10,739,444</u>	<u>11,057,160</u>	<u>11,057,160</u>	<u>9,962,452</u>
All other governmental funds:										
Nonspendable	17,906,420	17,906,420	17,906,420	17,906,420	17,906,420	17,906,420	26,823,920	-	-	-
Restricted	-	-	7,431,343	21,169,241	21,169,241	23,288,017	31,602,450	23,288,663	23,288,663	25,844,530
Committed	2,823,637	6,130,588	13,150,000	-	-	-	-	26,823,920	26,823,920	26,823,920
Assigned	2,034,742	-	-	-	-	-	-	-	5,611,038	2,161,189
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>39,075,661</u>	<u>50,111,957</u>	<u>58,426,370</u>	<u>55,723,621</u>	<u>55,723,621</u>	<u>54,829,639</u>

(1) General Fund:

FY 2007-08 Increase in reserve is primarily due to receipt of \$5 million insurance recovery on the Yamaguchi 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.

FY 2015-16 Unassigned fund balance increase is primarily due to increase in tax revenue.

FY 2016-17 Unassigned fund balance decrease is primarily due to increased investment in capital projects.

FY 2017-18 Unassigned fund balance decrease is primarily due to investment in capital projects.

(2) Other Governmental Funds:

FY 2009-10 Increase of \$18.3 million is primarily for the purchase of Cabrillo Highway property, in settlement of the Yamaguchi 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 Judgment 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.

FY 2015-16 Restricted fund balance increase is primarily due to a contribution of \$6.0 million from the County of San Mateo for the library construction project.

FY 2016-17 \$2.7 million decrease is primarily due to progress on the Library Capital project.

FY 2017-18 \$890,000 decrease is primarily due to progress on the Library Capital project.

(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 Balances of Governmental Funds
Last Ten Fiscal Years ⁽¹⁾
(Modified Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:											
Taxes	\$ 8,707,178	\$ 8,462,953	\$ 7,747,864	\$ 8,721,904	\$ 9,598,020	\$ 10,726,299	\$ 12,060,866	\$ 12,999,238	\$ 13,929,278	\$ 12,586,257	\$ 13,638,171
Licenses and permits	265,793	211,777	210,491	290,872	306,022	482,488	537,634	394,931	379,749	444,388	370,269
Fines and forfeitures	73,722	90,841	66,168	47,220	74,990	116,060	93,737	83,812	102,202	79,132	171,873
Charges for services	771,584	553,594	538,817	263,065	546,433	636,772	940,320	765,457	806,642	701,163	1,255,479
Recreation fees/ Impact fees	535,414	410,253	288,269	287,531	991,622	556,402	821,973	625,166	717,469	1,173,275	1,065,005
Investment income	369,967	154,898	108,970	246,160	425,612	385,353	291,227	798,408	772,575	549,489	703,354
Rents and leases	40,598	36,981	25,651	26,582	15,017	11,518	10,080	-	20,000	1,069,157	1,910,615
Intergovernmental revenues	9,238,383	4,873,780	1,774,609	1,623,367	1,824,763	1,312,202	1,925,058	2,260,890	400,376	1,089,034	908,337
Administrative fees	386,900	361,690	7,315	15,185	3,659	249	1,633	65	-	-	-
Miscellaneous	283,184	353,120	246,544	1,068,317	215,760	13,875,666	587,731	519,595	25,187,076	17,701,975	20,110,639
Total revenues	20,672,723	15,509,887	11,014,698	12,590,203	14,001,898	28,103,741	17,271,697	18,447,562	25,187,076	17,701,975	20,110,639
Expenditures											
Current:											
General government	3,684,753	2,126,655	2,290,184	2,368,015	2,194,722	3,295,081	3,316,520	2,727,404	3,582,831	3,143,214	3,968,569
Public safety	4,269,027	4,297,357	3,935,847	4,084,469	3,724,555	4,005,358	2,744,812	946,395	1,083,666	3,610,736	3,689,490
Public works	7,468,512	2,647,259	3,670,803	2,233,968	3,274,946	3,110,738	3,233,403	3,089,741	3,208,099	1,639,299	1,768,330
Recreation services	1,112,498	1,120,646	524,859	403,058	190,175	62,803	1,780,847	1,987,691	1,347,508	176,497	701,405
Planning services	869,562	820,925	604,204	390,853	532,116	687,726	77,155	142,020	183,328	2,353,980	2,505,066
Capital outlay	2,728,447	4,194,340	7,385	163,110	58,861	-	2,254,869	2,745,770	4,437,029	7,766,781	18,996,455
Debt service:											
Principal retirement ⁽¹⁾	45,000	50,000	50,000	315,000	330,000	395,000	290,000	4,655,000	-	-	-
Interest and fiscal changes	13,858	12,145	665,009	1,195,864	1,185,637	1,176,332	1,161,844	1,053,237	937,704	937,704	937,704
Total expenditures	20,191,657	15,269,327	11,748,291	11,244,337	11,490,812	12,733,058	14,859,450 ⁽²⁾	17,347,258	14,780,165	19,628,211	32,567,019
Excess (deficiency) of revenues over (under) expenditures	481,066	240,560	(733,593)	1,345,866	2,511,086	15,370,683	2,412,247	1,100,304	10,406,911	(1,926,236)	(12,456,380)
Other financing sources (uses):											
Proceeds from insurance settlement	5,000,000	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	16,680,000	-	-	-	-	-	-	-	-
Advanced Proceeds from San Mateo County	-	-	-	-	-	-	-	-	-	-	-
Capital grants	199,000	1,060,000	4,069,245	1,978,768	2,669,092	3,279,711	3,368,987	35,780,529	5,285,654	5,059,687	5,726,855
Transfers in ⁽²⁾	(199,000)	(1,660,000)	(4,119,245)	(1,728,768)	(2,419,092)	(3,029,711)	(3,118,987)	(36,062,453)	(6,181,245)	(5,518,484)	(6,010,554)
Transfers out ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-
Donated land held for resale	-	-	-	-	8,917,500	-	-	-	-	-	-
Total other financing sources (uses)	5,000,000	(600,000)	16,630,000	9,167,500	250,000	250,000	250,000	(281,924)	(895,591)	(458,797)	10,467,690
Net change in fund balances ⁽³⁾	\$ 5,481,066	\$ (359,440)	\$ 15,896,407	\$ 10,513,366	\$ 2,761,086	\$ 15,620,683	\$ 2,662,247	\$ 818,380	\$ 9,511,320	\$ (2,385,033)	\$ (1,988,690)
Debt service as a percentage of noncapital expenditures	0.3%	0.6%	6.1%	13.6%	13.3%	12.3%	11.5%	39.1%	9.1%	7.9%	6.9%

⁽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 \$15.9 million in FY 2009-10 is primarily due to bond proceeds from the sale of judgment obligation bonds offset by expenditures that exceeded revenues, as a result of the recession.

The net change in fund balance of \$10.5 million in FY 2010-11 is primarily due to the donation of the Glencree land and improved revenues, strong expense management, and timing of projects.

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

The net change in fund balance of \$15.6 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 is higher tax revenues and grants received.

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

The net decrease in fund balance of \$2.4 million in FY 2016-17 is primarily due to progress on the Library Capital project.

The net decrease in Fund balance of \$1.9 million in FY 2017-18 is primarily due to progress on the Library Capital project.

CITY OF HALF MOON BAY

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

Last Ten Fiscal Years

As of June 30th

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
LODGING TYPE										
Hotels/Motels	\$ 3,388,795	\$ 3,260,944	\$ 3,588,167	\$ 4,032,596	\$ 4,302,932	\$ 4,583,970	\$ 5,002,165	\$ 5,643,075	\$5,785,989	\$6,078,131
B&Bs/ Inns / Cottages	86,423	78,696	83,797	95,678	104,057	114,610	101,393	99,062	60,671	68,729
RV Parks/Camps	67,664	54,009	60,477	97,244	96,187	243,467	281,880	148,191	150,019	170,855
Vacation Rentals	-	-	-	5,401	21,470	35,392	45,105	44,230	43,790	115,398
Totals	\$ 3,542,882	\$ 3,393,649	\$ 3,732,441	\$ 4,230,920	\$ 4,524,646	\$ 4,977,439	\$ 5,430,543	\$ 5,934,558	\$ 6,040,468	\$ 6,433,114

⁽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
2009	12%
2010	12%
2011	12%
2012	12%
2013	12%
2014	12%
2015	12%
2016	12%
2017	12%
2018	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	2017-18		2008-09	
	TOT Collected	Percent of Total TOT Revenues	TOT Collected	Percent of Total TOT Revenues
Hotels/Motels/Lodges	\$6,078,131	94.48%	\$ 3,388,795	95.65%
Bed & Breakfasts and Inns	\$68,729	1.07%	\$ 86,423	2.44%
RV Parks & Campgrounds	\$170,855	2.66%	\$ 67,664	1.91%
Vacation Rentals	\$115,398	1.79%	\$ -	0.00%
	\$ 6,433,114	100.00%	\$ 3,542,882	100.00%

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY

Ratios of Outstanding Debt by Type ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities							Debt Per Capita ⁽³⁾
	Lease Revenue Bonds	Long-Term Note	Judgment Obligation Bonds	Total Governmental Activities ⁽²⁾	Total Primary Government	Percentage of Personal Income ⁽⁴⁾		
2009	270,000	3,100,000	-	3,370,000	3,370,000	4.67%	259	
2010	220,000	-	16,680,000	16,900,000	16,900,000	30.55%	1,300	
2011	170,000	-	16,680,000	16,850,000	16,850,000	31.57%	1,276	
2012	115,000	-	16,140,000	16,255,000	16,255,000	39.04%	1,216	
2013	-	-	15,860,000	15,860,000	15,860,000	36.55%	1,382	
2014	-	-	15,570,000	15,570,000	15,570,000	33.52%	1,344	
2015	-	-	10,915,000	10,915,000	10,915,000	22.46%	931	
2016	-	-	10,915,000	10,915,000	10,915,000	21.33%	931	
2017	-	-	10,915,000	10,915,000	10,915,000	21.35%	871.25	
2018	-	-	10,915,000	10,915,000	10,915,000	20.29%	866.89	

⁽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.

⁽⁴⁾ Population information was obtained from California State Department of Finance, Employment data from California Employment Development Department

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					Debt Per Capita
	Lease Revenue Bonds	Judgment Obligation Bonds	Total	Percent of Assessed Value ⁽¹⁾		
2009	270	-	270	0.0000%	22	
2010	220	16,680	16,900	0.0007%	1,300	
2011	170	16,680	16,850	0.0007%	1,276	
2012	115	16,140	16,255	0.0007%	1,216	
2013	-	15,860	15,860	0.0007%	1,382	
2014	-	15,570	15,570	0.0007%	1,344	
2015	-	10,915	10,915	0.0004%	931	
2016	-	10,915	10,915	0.0004%	931	
2017	-	10,915	10,915	0.0004%	871	
2018	-	10,915	10,915	0.0004%	867	

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, 2018

2017-18 Assessed Value	\$ 2,909,319,362		
Overlapping Tax and Assessment Debt:	Percentage	Total Debt	City's Share of
	Applicable ⁽¹⁾	6/30/2018	Debt 06/30/18
San Mateo Community College District	1.406%	\$ 576,424,069	\$ 8,104,522
Cabrillo Unified School District	45.785%	57,815,791	26,470,960
Granada Sanitary District 1915 Act Bonds	18.382%	2,270,000	417,271
Total Overlapping Tax and Assessment Debt		\$ 636,509,860	\$ 34,992,754
Ratio to Assessed Valuation:			1.20%
Total Overlapping Tax and Assessment Debt			
Direct and Overlapping General Fund Debt:			
San Mateo County General Fund Obligations	1.406%	\$ 366,157,077	\$ 5,148,169
San Mateo County Board of Education Certificates of Participation	1.406%	8,745,000	122,955
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			40,263,877
Combined Total Debt			\$ 51,178,877 ⁽²⁾

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

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

Ratios to 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.20%
Total Direct Debt (\$10,915,000)	0.38%
Combined Total Debt	1.76%

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

	June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed valuation	\$ 2,296,665,172	\$ 2,302,391,210	\$ 2,279,418,104	\$ 2,307,212,678	\$ 2,347,639,088	\$ 2,361,010,857	\$ 2,553,357,622	\$ 2,733,242,180	\$ 2,755,768,400	\$ 2,909,319,362
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	574,166,293	575,597,803	569,854,526	576,803,170	586,909,772	590,252,714	638,339,406	683,310,545	688,942,100	727,329,841
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	86,124,944	86,339,670	85,478,179	86,520,475	88,036,466	88,537,907	95,750,911	102,496,582	103,341,315	109,099,476
Total net debt applicable to limit: General obligation bonds	270,000	16,900,000	16,850,000	16,255,000	15,860,000	15,570,000	10,915,000	10,915,000	10,915,000	10,915,000
Legal debt margin	\$ 85,854,944	\$ 69,439,670	\$ 68,628,179	\$ 70,265,475	\$ 72,176,466	\$ 72,967,907	\$ 84,835,911	\$ 91,581,582	\$ 92,426,315	\$ 98,184,476
Total debt applicable to the limit as a percentage of debt limit	0.3%	19.6%	19.7%	18.8%	18.0%	17.6%	11.4%	10.6%	10.6%	10.0%

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

CITY OF HALF MOON BAY
Principal Employers
6/30/2018 and Ten Years Prior

Employer	2018		2008	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ritz Carlton Hotel	550	18.82%	550	24.69%
Rocket Farms Inc.	147	5.03%		0.00%
Safeway Stores Inc	105	3.59%	114	5.12%
New Leaf Community Markets Inc.	100	4.49%	77	3.46%
Sam's Chowder House	97	3.32%	150	6.73%
Mullins Bar & Grill	49	2.20%		0.00%
It's Italia Pizzeria Inc.	49	2.20%		
Half Moon Bay Golf Links	49	2.20%	124	5.57%
Hassett Hardware	49	2.20%		0.00%
Sea Crest School	43	1.93%		0.00%
Cabrillo Unified School District		0.00%	325	14.59%
Nurserymen's Exchange		0.00%	300	13.46%
La Petite Baleen Inc.		0.00%	100	4.49%
CVS/Pharmacy		0.00%	63	2.83%
Odwalla Inc.		0.00%	63	2.83%
Andrini Brothers Inc.		0.00%	49	2.20%
Cetrella Bistro		0.00%	40	1.80%
Top Ten Employer Total	1,238	46.0%	1,955	87.7%
Total Employment	2,923	100.00%	2,228	100.00%

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

Source for 2018: Employer information from City of Half Moon Bay HdL Business License System.

CITY OF HALF MOON BAY

Full-time and Part-time City Employees By Function

Last Ten Fiscal Years

Function	June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	9	10	15	16	16	20	23	20	26	31
Public Safety	21	17	-	-	-	-	-	-	-	-
Public Works/Maintenance	13	5	3	3	3	4	4	4	3	4
Recreation Services	7	1	-	-	-	-	-	0	-	5
Planning & CDD Dir.	6	3	2	3	3	1	1	2	2	6
Total	56	36	20	22	22	25	28	26	31	46

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

	2009	2010	2011	June 30 2012	2013	2014	2015	2016	2017	2018
Police: ⁽¹⁾										
Arrests - Part 1 crimes			41	43		50	30	44	38	48
Traffic citations			1,175	518		1,067	436	527	489	921
Parking citations			1,222	774		1,152	1,065	1,598	1,212	3,994
Parks and Recreation: ⁽²⁾										
Number of recreation classes	155	109	72	83	60	155	87	88	75	159
Number of facility rentals ⁽³⁾	53	99	104	25	101	24	42	110	88	324
Building and Code Enforcement: ⁽⁴⁾										
Number of permits issued (est.)			457	550		500	487	413	460	413
Number of plan checks (est.)			104	100		100	110	105	220	166
Number of inspections (est.)			2,009	2,000		2,000	2,355	2,820	2,216	2,520
Planning: ⁽³⁾										
Planning Commission Meetings			20	24		22	20	15	12	20
Number of permits processed			80	70		75	70	111	47	43

⁽¹⁾ The City started contracting with the San Mateo County Sheriff Office in June 2011. Traffic and parking citation counts for FY 2011-12 are from June 2011 to April 2012.
⁽²⁾ In FY 2011-12, the City contracted out Recreation services to the City of San Carlos. In FY 2014-15, it changed to the Boys & Girls Club. All programs are provided directly to the public by the contractors.

⁽³⁾ In FY 2016-17, the City re-assumed responsibility for the Parks and Recreation program. The facility rentals count for FY 2016-17 is estimated based on rental revenue received.

⁽⁴⁾ 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Sheriff Substation/EOC	1	1	1	1	1	1	1	1	1	1
Public Works:										
Streets (miles)	35	35	35	35	35	35	35	35	29	29 ⁽¹⁾
Parks	9	9	9	9	9	9	9	9	9	9
Community Centers	1	1	1	1	1	1	1	1	1	1
Sewer lines (miles)				37	37	37	37	37	37	37
Facilities/Buildings				6	6	6	6	6	6	6
Bike Trails (miles)				3	3	6	6	7	7	7
Land (acres)				100	100	100	176	176	176	176
Administration:										
Facilities/Buildings				1	1	1	1	1	1	1

(1) FY 2018 Street information is based on the most recent Pavement Condition Report.

Source: City of Half Moon Bay Finance Department

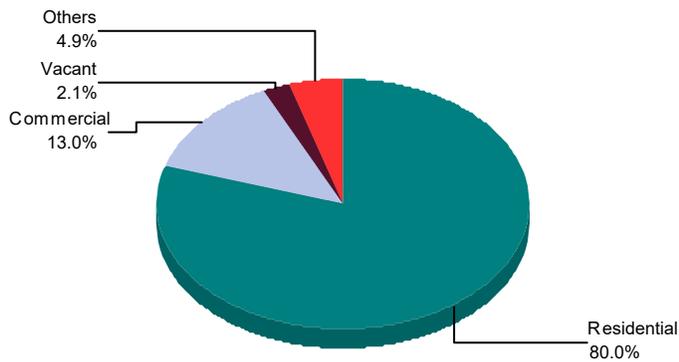
THE CITY OF HALF MOON BAY

2017/18 USE CATEGORY SUMMARY

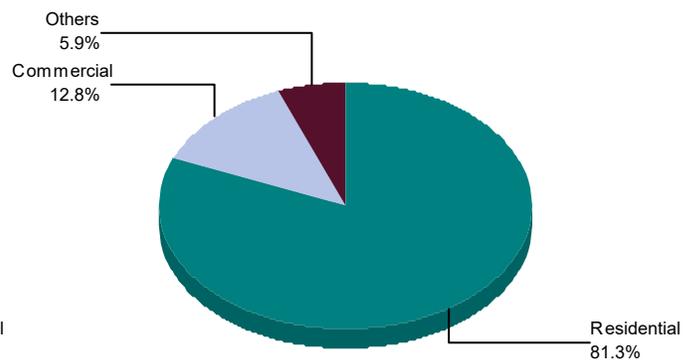
BASIC PROPERTY VALUE TABLE

Category	Parcels	Assessed Value	Net Taxable Value
Residential	3,776	\$2,395,266,812 (80.0%)	\$2,365,335,848 (81.3%)
Commercial	203	\$389,536,412 (13.0%)	\$372,002,147 (12.8%)
Industrial	15	\$7,185,938 (0.2%)	\$7,185,938 (0.2%)
Dry Farm	7	\$4,358,514 (0.1%)	\$4,358,514 (0.1%)
Institutional	22	\$18,427,488 (0.6%)	\$309,882 (0.0%)
Irrigated	14	\$5,944,497 (0.2%)	\$4,411,271 (0.2%)
Miscellaneous	141	\$26,914,954 (0.9%)	\$17,677,501 (0.6%)
Recreational	22	\$41,361,992 (1.4%)	\$41,062,725 (1.4%)
Vacant	1,926	\$62,199,420 (2.1%)	\$56,557,151 (1.9%)
Unsecured	[243]	\$41,213,220 (1.4%)	\$40,418,385 (1.4%)
TOTALS	6,126	\$2,992,409,247	\$2,909,319,362

ASSESSED VALUE

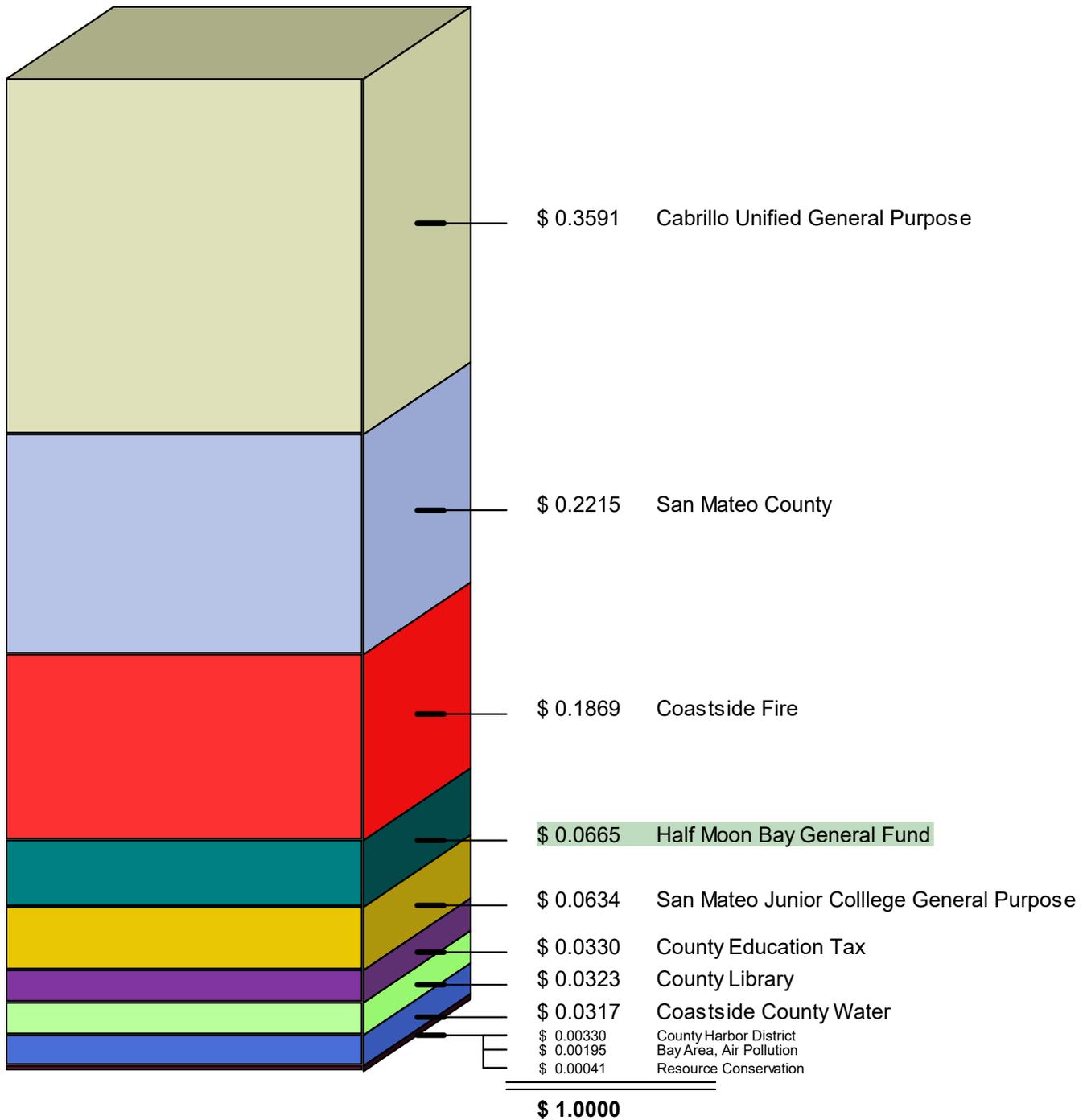


NET TAXABLE VALUE



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 2017/18 Annual Tax Increment Tables

Prepared On 7/27/2018 By KB

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

THE CITY OF HALF MOON BAY

2017/18 ROLL SUMMARY

Taxable Property Values

	Secured	Nonunitary Utilities	Unsecured
Parcels	6,126	0	243
TRAs	8	0	7
Values			
Land	1,412,228,016	0	25,986
Improvements	1,519,072,543	0	5,949,562
Personal Property	17,325,583	0	24,471,755
Fixtures	2,569,885	0	10,765,917
Aircraft	0	0	0
Total Value	\$2,951,196,027	\$0	\$41,213,220
Exemptions			
Real Estate	81,512,081	0	370,165
Personal Property	638,766	0	374,195
Fixtures	144,203	0	50,475
Aircraft	0	0	0
Homeowners*	16,225,430	0	0
Total Exemptions*	\$82,295,050	\$0	\$794,835
Total Net Value	\$2,868,900,977	\$0	\$40,418,385

Combined Values	Total
Total Values	\$2,992,409,247
Total Exemptions	\$83,089,885
Net Total Values	\$2,909,319,362
Net Aircraft Values	\$0

* Note: Homeowner Exemptions are not included in Total Exemptions

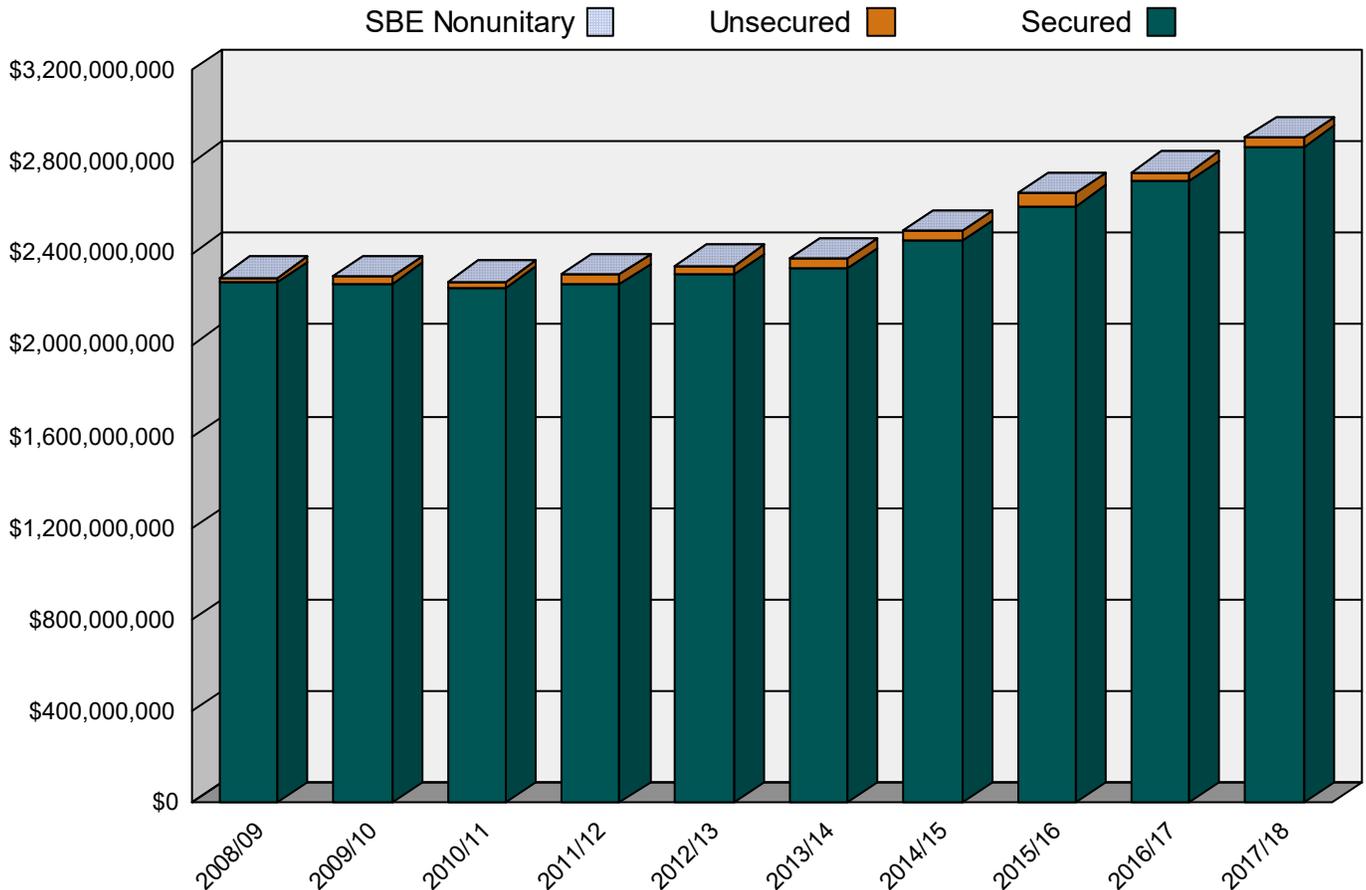
Totals do not Include Aircraft Values or Exemptions

THE CITY OF HALF MOON BAY

NET TAXABLE ASSESSED VALUE HISTORY

2008/09 - 2017/18 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2008/09	\$2,271,215,524	\$25,449,648	\$0	2,296,665,172	
2009/10	\$2,270,581,839	\$31,809,471	\$0	2,302,391,310	0.25%
2010/11	\$2,251,380,792	\$28,037,312	\$0	2,279,418,104	-1.00%
2011/12	\$2,266,736,579	\$40,476,099	\$0	2,307,212,678	1.22%
2012/13	\$2,310,590,314	\$37,048,774	\$0	2,347,639,088	1.75%
2013/14	\$2,336,930,963	\$40,818,124	\$0	2,377,749,087	1.28%
2014/15	\$2,454,848,902	\$42,658,908	\$0	2,497,507,810	5.04%
2015/16	\$2,609,284,214	\$53,103,728	\$0	2,662,387,942	6.60%
2016/17	\$2,716,280,909	\$39,462,822	\$0	2,755,743,731	3.51%
2017/18	\$2,868,900,977	\$40,418,385	\$0	2,909,319,362	5.57%



THE CITY OF HALF MOON BAY

ASSESSED VALUE OF TAXABLE PROPERTY

2008/09 - 2017/18 Taxable Property Values

Category	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Residential	1,819,104,616	1,814,166,741	1,806,656,465	1,807,548,717	1,847,817,296	1,871,838,949	1,986,554,631	2,128,750,156	2,238,878,627	2,366,335,848
Commercial	319,080,038	331,836,973	329,209,700	330,355,442	333,127,837	344,198,890	346,707,418	356,041,843	363,813,823	372,002,147
Industrial	5,421,901	5,600,922	5,568,852	5,901,115	6,016,889	6,133,649	6,172,772	6,292,015	6,801,114	7,185,938
Dry Farm	5,936,865	3,191,476	11,235,759	10,559,490	11,427,110	3,720,127	3,496,499	3,786,377	4,241,537	4,368,514
Govt. Owned	37,102	0								
Institutional	278,434	268,950	284,781	260,279	265,484	293,694	272,021	277,466	281,685	309,882
Irrigated	20,653,643	17,674,128	5,418,982	6,116,088	4,368,007	3,423,600	4,862,761	5,333,856	4,324,786	4,411,271
Miscellaneous	7,716,105	6,830,284	12,936,578	12,953,724	20,894,204	12,075,286	22,681,808	23,460,537	14,211,644	17,677,501
Recreational	36,654,225	38,520,391	32,211,663	37,455,517	38,043,156	38,699,751	38,874,879	39,568,823	40,290,547	41,062,725
Vacant	51,807,016	49,742,858	46,517,696	50,669,067	48,630,331	50,679,666	45,226,113	45,773,151	43,437,146	56,557,151
Unsecured	25,449,648	31,809,471	28,037,312	40,476,099	37,048,774	40,818,124	42,658,908	53,103,728	39,462,822	40,418,385
Unknown	4,525,579	2,759,116	1,340,316	4,917,140		5,867,351				
TOTALS	2,296,665,172	2,302,391,310	2,279,418,104	2,307,212,678	2,347,639,088	2,377,749,087	2,497,507,810	2,662,387,942	2,755,743,731	2,909,319,362
Total Direct Rate	0.05426	0.05426	0.05426	0.05426	0.05453	0.05452	0.05818	0.05818	0.05819	0.05819

Notes:
Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: San Mateo County Assessor 2008/09 - 2017/18 Combined Tax Rolls

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Prepared On 7/27/2018 By KB

THE CITY OF HALF MOON BAY

2017/18 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Value % of Net AV	Parcels	Value % of Net AV	Value % of Net AV	% of Net AV	
1) SHC HALF MOON BAY LLC	2	\$146,205,488 5.10%	2	\$647,889 1.60%	\$146,853,377 5.05%	Commercial Half Moon Bay General Fund	
2) OCEAN COLONY PARTNERS L P	18	\$40,483,817 1.41%			\$40,483,817 1.39%	Recreational Half Moon Bay General Fund	
3) KEET NERHAN	34	\$25,064,773 0.87%	2	\$51,968 0.13%	\$25,116,741 0.86%	Commercial Half Moon Bay General Fund	
4) HMB MUSICH	3	\$15,423,559 0.54%			\$15,423,559 0.53%	Commercial Half Moon Bay General Fund	
5) IWF HALF MOON BAY LLC	1	\$10,487,921 0.37%			\$10,487,921 0.36%	Commercial Half Moon Bay General Fund	
6) LONGS DRUG STORE INC	1	\$8,523,766 0.30%			\$8,523,766 0.29%	Commercial Half Moon Bay General Fund	
7) CASTRO PARTNERS LLC	3	\$7,585,437 0.26%	1	\$72,753 0.18%	\$7,658,190 0.26%	Commercial Half Moon Bay General Fund	
8) PROFESSIONAL PENINSULA PROPERTIES LLC	8	\$7,299,311 0.25%			\$7,299,311 0.25%	Commercial Half Moon Bay General Fund	
9) HALF MOON BAY EDENBRIDGE	14	\$7,000,000 0.24%			\$7,000,000 0.24%	Vacant Half Moon Bay General Fund	
10) COUNTY OF SAN MATEO	12	\$6,872,359 0.24%			\$6,872,359 0.24%	Commercial Half Moon Bay General Fund	
Top Ten Total	96	\$274,946,431 9.58%	5	\$772,610 1.91%	\$275,719,041 9.48%		
City Total		\$2,868,900,977		\$40,418,385	\$2,909,319,362		

THE CITY OF HALF MOON BAY

2008/09 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Value % of Net AV	Parcels	Value % of Net AV	Value % of Net AV	% of Net AV	
1) SHC HALF MOON BAY LLC	2	\$132,310,811 5.83%			\$132,310,811 5.76%		Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS LP	38	\$21,117,344 0.93%	4	\$303,184 1.19%	\$21,420,528 0.93%		Recreational Half Moon Bay General Fund
3) KEET NERHAN	32	\$20,305,027 0.89%	2	\$126,276 0.50%	\$20,431,303 0.89%		Commercial Half Moon Bay General Fund
4) SOUTH WAVECREST LLC	2	\$19,159,616 0.84%			\$19,159,616 0.83%		Recreational Half Moon Bay General Fund
5) NURSERYMEN'S EXCHANGE INC	12	\$14,043,898 0.62%			\$14,043,898 0.61%		Irrigated Farm Half Moon Bay General Fund
6) REGENCY CENTERS LP	3	\$13,627,786 0.60%			\$13,627,786 0.59%		Commercial Half Moon Bay General Fund
7) FRANCESCO CARRUBBA	3	\$10,453,717 0.46%			\$10,453,717 0.46%		Commercial Half Moon Bay General Fund
8) PENINSULA OPEN SPACE TRUST	21	\$9,188,885 0.40%			\$9,188,885 0.40%		Irrigated Farm Half Moon Bay General Fund
9) IWF HALF MOON BAY LP	1	\$9,125,236 0.40%			\$9,125,236 0.40%		Commercial Half Moon Bay General Fund
10) RUGGERO MILANO AND MAJIDI SHAHLA	1	\$5,093,798 0.22%			\$5,093,798 0.22%		Commercial Half Moon Bay General Fund
Top Ten Total	115	\$254,426,118 11.20%	6	\$429,460 1.69%	\$254,855,578 11.10%		
City Total		\$2,271,215,524		\$25,449,648	\$2,296,665,172		

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

Agency	Last 10 Fiscal Years									
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
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	0.04640	0.04970	0.05080	0.05220	0.07220	0.07190	0.07040	0.07260	0.08320	0.07510
San Mateo Junior College	0.01650	0.01820	0.01930	0.01990	0.01940	0.01940	0.01900	0.02500	0.02470	0.02350
Total Direct & Overlapping² Tax Rates	1.06290	1.06790	1.07010	1.07210	1.09160	1.09130	1.08940	1.09760	1.10790	1.09860
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	0.05426	0.05426	0.05426	0.05426	0.05453	0.05452	0.05818	0.05818	0.05819	0.05819

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.

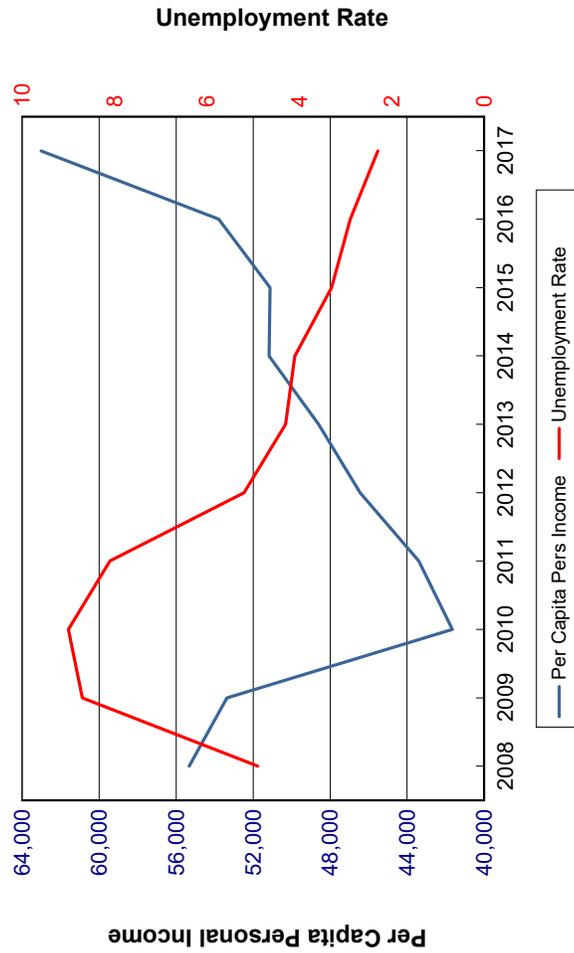
⁵Total Direct Rate is the weighted average of all individual direct rates applied by the City/Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment 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/Agency in the same proportions as general fund revenue.

THE CITY OF HALF MOON BAY

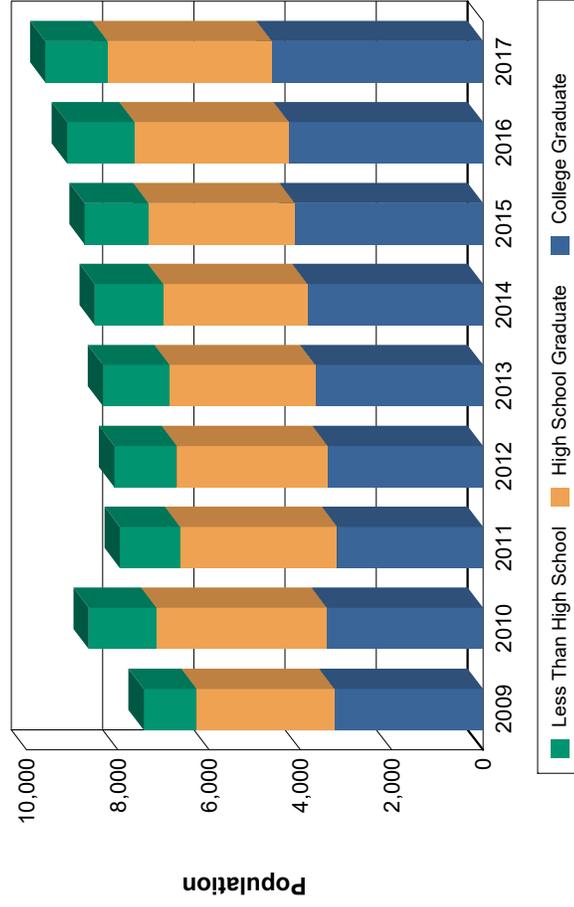
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2008	13,001	\$719,233	\$55,321	4.9%			
2009	13,206	\$704,770	\$53,367	8.7%	40.9	84.4%	43.9%
2010	13,371	\$556,795	\$41,642	9.0%	40.4	82.9%	39.7%
2011	11,478	\$498,019	\$43,389	8.1%	42.1	83.4%	40.2%
2012	11,581	\$537,926	\$46,449	5.2%	42.9	83.0%	42.2%
2013	11,721	\$569,699	\$48,605	4.3%	43.2	82.5%	44.2%
2014	11,727	\$600,059	\$51,169	4.1%	44.8	82.4%	45.3%
2015	12,528	\$640,547	\$51,129	3.3%	44.7	84.0%	47.3%
2016	12,591	\$677,251	\$53,788	2.9%	45.8	83.8%	46.7%
2017	12,639	\$796,455	\$63,015	2.3%	47.1	85.8%	48.3%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

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

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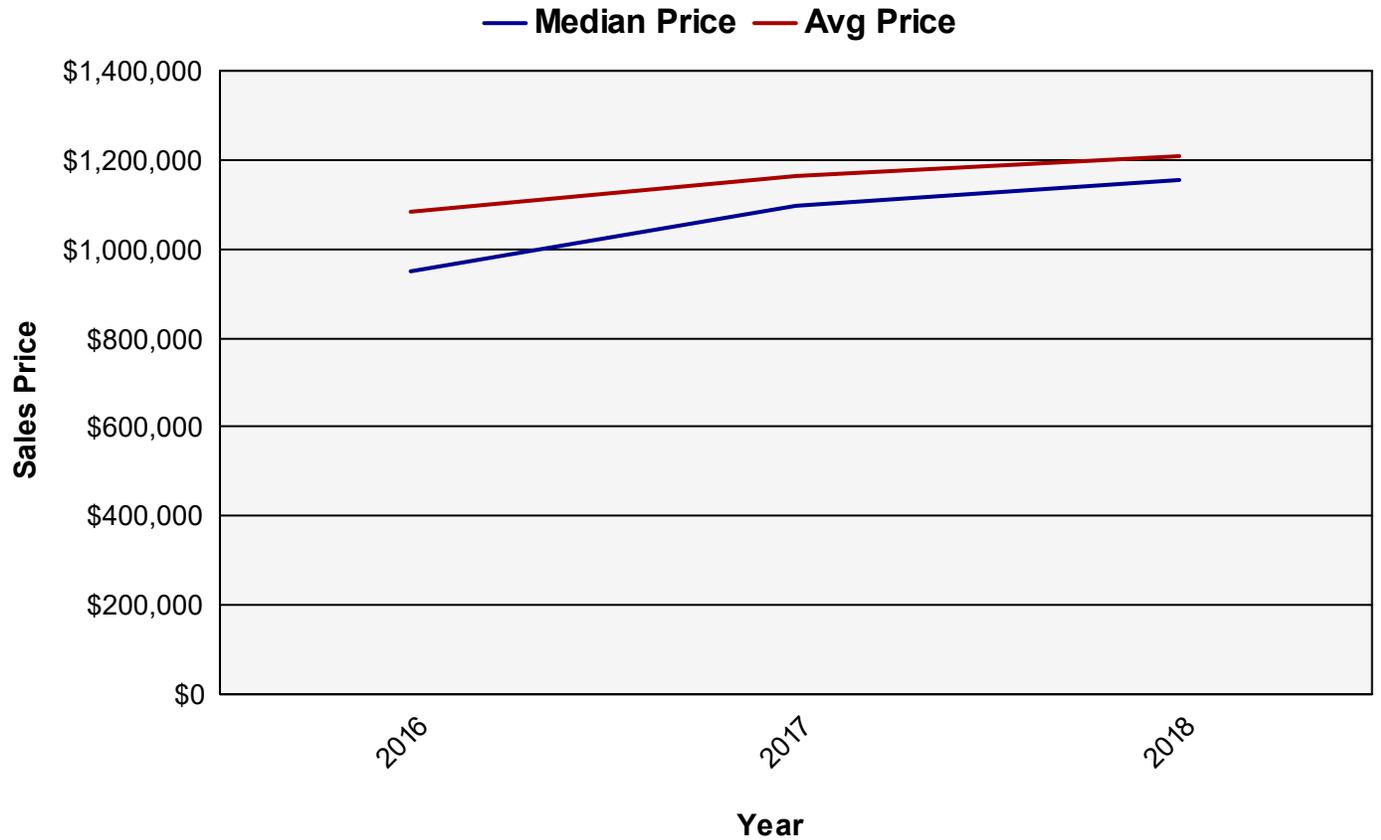
Prepared On 8/28/2018 By KB

THE CITY OF HALF MOON BAY

SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2016 - 6/30/2018)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2016	137	\$1,082,422	\$950,000	
2017	146	\$1,164,458	\$1,097,000	15.47%
2018	68	\$1,206,426	\$1,153,500	5.15%



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

Data Source: San Mateo County Recorder

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Prepared On 7/27/2018 By KB

**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, 2018 have issued our report thereon dated November 30, 2018.

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 30, 2018 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.

A handwritten signature in black ink that reads "Maze & Associates". The script is cursive and fluid.

Pleasant Hill, California
November 30, 2018



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