



THE CITY OF  
**HALF MOON BAY**  
CALIFORNIA



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FISCAL YEAR ENDED  
JUNE 30, 2019**





**CITY OF HALF MOON BAY, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Fiscal year ended June 30, 2019**

Prepared by  
Finance Department



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**CITY OF HALF MOON BAY, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2019**

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## **INTRODUCTORY SECTION**



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## CITY OF HALF MOON BAY

507-B Purissima Street  
Half Moon Bay, CA 94019

November 22, 2019

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, 2019. The intent of this report is to provide a full and transparent understanding of the City's financial activities. The report is prepared in compliance with California Government Sections 25250 and 25253, in accordance with Generally Accepted Accounting Principles (GAAP) set by the Governmental Accounting Standards Board (GASB), and continuing disclosure requirements of the Securities and Exchange Commission (SEC) related to the City's debt.

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 in Pleasant Hill, California. The independent auditor has issued an unmodified (or "clean") opinion on the City's financial statements for the year ended June 30, 2019.

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). The MD&A can be found immediately following the report of the independent auditors in the financial section. This letter complements the MD&A and should be read in conjunction with it.

**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 13,000 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 a 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 each 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 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 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 Five-Year 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 combination 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:
  - Reconstruction of Correas Street
  - Sidewalk Replacement & Repair (~300 locations, city-wide)
  - Emergency storm water repairs at Poplar Beach
  - Manhole rehabilitations at Redondo Beach, Correas Street, Purissima Street, and Church Street
  - Sewer Point Repair Project (~100 locations, city-wide)
  - Bicycle and Pedestrian Master Plan
  - Sheriff Substation Facility Assessment
  - Electric Vehicle Charging Stations
  - Parks Master Plan
  - Municipal Energy Efficiency Upgrades
  - ADA Transition Plan
  
2. Major Projects in Progress:
  - Main Street Bridge Rehabilitation
  - Highway 1 North Safety Project
  - Highway 1 South Safety Project
  - Poplar Complete Street Project
  - Poplar Beach Gateways Plan
  - Pacific Coast Bicycle Pedestrian Connectivity Project
  - Carter Park Improvements
  - Ted Adcock Community Center Remodel
  - Canada Verde Vertical Stair Replacement
  - Kelly Avenue Storm Drain Project
  - Ocean Colony Pump Station Rehabilitation
  - Seymour Ditch Erosion & Coastal Stabilization
  - General Plan and Local Coastal Program Update
  - Streetlight Upgrades on Main Street
  - Ocean View Park Permanent Restrooms & Site Improvements
  
3. Other accomplishments:
  - Continued Restoration and Remediation of Major Homeless Encampment
  - Continued Development of Relationships with County and Non-profits that Serve the Homeless
  - Continued Enterprise Resource Planning Software Implementation
  - Continued Local Coastal Plan Amendment Program Update

- Completed City's first Coastside Community Emergency Preparedness event
- Adopted an Accessory Dwelling Unit Ordinance
- Adopted 25-Year Parks Master Plan
- Adopted District Map and Ordinance to switch from at-large elections to by-district elections

Much of the work focuses on enhancing and beautifying 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 2019-24 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**

The information presented in the financial statements is best understood when it is considered from the perspective of the environment in which the City operates. During Fiscal Year 2018-19, the City continued to benefit from positive trends in the state and local economy, particularly a continued increase in property values and sustained tourism levels. However, economists are predicting an economic downturn in the next 12-18 months that could last between two to four years. This downturn will likely have a negative impact on City revenues, in particular transient occupancy and sales tax receipts.

#### **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 be at a historical low. The employment rate for California is currently 4.2%, San Mateo County is 1.7%, and the City of Half Moon Bay is 1.6%.

A significant driver of the economy 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 2017-18. Housing prices continue to remain strong, unemployment and real estate markets reflect a strong local economy, and as such, we expect continued revenue stability 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 interest rates and inflation. Two of the most pressing concerns for the City are its disproportionate reliance on tourism and, as a result, its effect on transient occupancy tax (TOT) and local sales tax revenues; as well as, steadily rising City employee labor costs including pension obligations.

TOT is the City's largest revenue source, and one of the most vulnerable in an economic downturn. TOT revenue in 2018-19 was \$6,853,000, a 6.5% increase over the prior year, and a 102% increase over ten years ago. 94% of revenue collected in this category is from hotels, motels, and lodges; new short-term vacation rental receipts will provide a modest increase to this revenue category. The TOT rate has remained unchanged at 12%.

As a result of past City Council actions, the escalating pension costs facing many CalPERS agencies are not projected to have as severe an impact in Half Moon Bay. Nevertheless, these expenses will still present a challenge for the City as annual Unfunded Pension Liability costs are expected to rise approximately \$275,000 (or over 30%) by 2025. These costs coupled with increased demand for essential City services and enhanced infrastructure investment, to maintain and enhance City assets, will strain City finances. Staff will continue to monitor these conditions moving forward, and make budgetary adjustments as necessary, to ensure the City can sustain long-term financial health.

### **Long-Term Financial Planning**

The long-term financial plan of the City continues to include 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 early retirement of debt, growth in major revenue sources, and efficiencies and cost savings in operating costs. Offsetting these improvements 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 most recent Five-Year Financial Forecast projects a structural deficit beginning in 2021-22, and reaching a deficit of \$807,000 by 2024-25. With this information, the City Council has committed to continuing to prepare for the future. The existing Contingency Reserve is fully funded at 30% of operating costs as required by existing policy.

In 2019-20, the City Council will consider creation of a new reserve, an Economic Uncertainty Reserve, to smooth the effects of dramatic downturns in the economy that negatively impact revenues. The goal of this new reserve is to retain 20% of budgeted annual operating expenditures, thereby ensuring sufficient funds are available when needed to avoid drastic cuts to services and layoff of employees. This new reserve, coupled with the August 2019 retirement of debt a decade early, will position the City to more effectively weather the next economic downturn.

The City's long term strategic plan, adopted on March 15, 2018, addresses the following four Strategic Elements:

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

Based on these Strategic Elements, the City Council adopts strategic initiatives to guide the City's actions, work plans, and efforts on addressing the City's priorities on an annual basis. The Council addresses the City's long-term fiscal sustainability by retiring debt early, improving reserves, investing in infrastructure, and marketing the City to visitors to improve key revenue sources, such as Transient Occupancy and Sales Tax. The City continues to maintain a balance between ongoing 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 \$5,000,000 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 proportionate 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, 2018. 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.

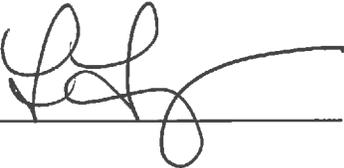
We would like to take an opportunity to thank the Administrative Services Department staff for their efforts during the annual audit process and contribution to this report. We also would like to express deep appreciation to the audit team from Maze and Associates for their professional work and assistance 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



Lisa Lopez  
Administrative Services Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Half Moon Bay  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*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 Harvey Rarback



Vice Mayor Adam Eisen



Councilmember  
Debbie Ruddock



Councilmember  
Deborah Penrose



Councilmember  
Robert Brownstone



# City of Half Moon Bay

## Executive Team



City Manager  
Bob Nisbet



City Attorney  
Catherine Engberg



Communications Director/  
City Clerk Jessica Blair



Deputy City Manager  
Matthew Chidester



Public Works Director  
John Doughty



Community Development  
Director Jill Ekas

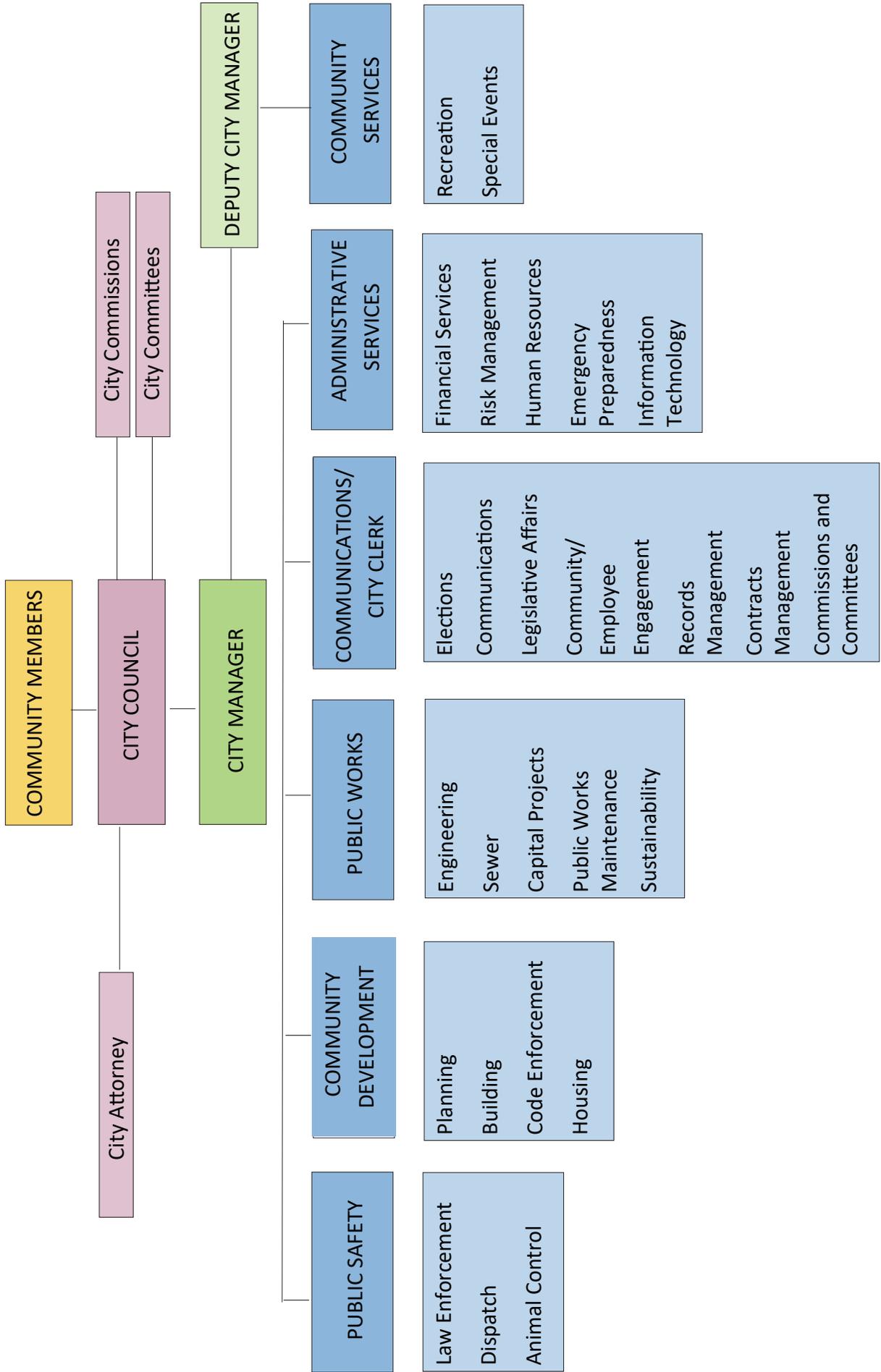


Captain Saul Lopez  
San Mateo County Sheriff



Administrative Services  
Director Lisa Lopez

# City of Half Moon Bay 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, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *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 22, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
November 22, 2019



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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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, 2019. 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, 2019, by \$138.6 million, which is a 6% or \$8 million increase from the prior year. Of this amount, \$39.1 million may be used to meet the City's ongoing obligations to citizens and creditors, which is a 26% increase over the prior year's unrestricted net position of \$31.1 million.
- The City's cash and investments at June 30, 2019 totaled \$61.6 million, of which \$47.6 million is classified as government activities and \$13.9 million as Business-type activity. The City's cash and investments increased by \$2.7 million, or 4.6% compared to the prior year.
- The City had outstanding long-term obligations of \$10.9 million in judgment obligation bond debt (Series B). The City retired this bond in August 2019. The debt service for this final payment was made from an irrevocable escrow trust that was established in July 2013 from an insurance settlement to pay down the Judgment Obligation Bonds on the first available call dates on the bonds. The 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 facilitated 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 \$10.8 million on the FY 2018-19 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 decreased slightly by \$17,000 from the \$10.9 million recorded last year.
- City-wide revenues were \$29.7 million, of which \$24.4 million was generated by governmental activities and \$5.3 million by Business-type activities. Revenues decreased by 1% from the prior year primarily due to one-time capital grants and contributions from the prior year.
- City-wide expenditures were \$21.6 million, of which \$17.1 million was incurred by governmental activities and \$4.5 million by Business-type activities. Expenditures decreased slightly by 1% from the prior year.
- The City's General Fund balance as of June 30, 2019 was \$10.9 million, an increase of roughly \$1.0 million as compared to the prior year's amount of \$9.9 million. This increase is primarily due to a slight increase in revenues and a decrease in net transfers out.
- For the fiscal year ended June 30, 2019, Governmental Fund revenues exceeded expenditures and net transfers by \$4.3 million, primarily attributed to a decrease in spending related to capital projects. The governmental funds' combined ending fund balance as of June 30, 2019 is \$69.1 million, a 7% increase from the prior year.

# CITY OF HALF MOON BAY, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 has been inactive for over ten years.

#### **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 26-32 of this report. The budgetary comparison schedule for the General Fund can be found on page 85.

### **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 33-35 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 39-74 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 77-87 of this report.

The combining statements for non-major governmental funds and internal service funds are presented on pages 94-108, and the Statistical Section follows on page 115.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Position

The following table provides a condensed statement of net position as of June 30, 2019 and 2018:

<b>CITY OF HALF MOON BAY</b>							
<b>Comparative Statement</b>							
<i>Statement of Net Position</i>							
Year Ended June 30, 2019							
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>		<b>Variance</b>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
Current and other assets	\$ 50,450,814	\$ 47,348,670	\$ 20,447,113	\$ 20,646,879	\$ 70,897,927	\$ 67,995,549	4%
Land held for resale	26,823,920	26,823,920			26,823,920	26,823,920	0%
Capital assets	66,527,017	63,168,981	4,566,718	4,490,973	71,093,735	67,659,954	5%
Total Assets	143,801,751	137,341,571	25,013,831	25,137,852	168,815,582	162,479,423	4%
Deferred outflow s of resources							
Related to OPEB		2,912				2,912	
Related to pension	2,691,811	3,066,799	57,565	69,159	2,749,376	3,135,958	
	2,691,811	3,069,711	57,565	69,159	2,749,376	3,138,870	-12%
Long-term liabilities outstanding	16,175,020	27,000,256	142,343	146,884	16,317,363	27,147,140	-40%
Other liabilities	15,396,875	5,984,337	153,981	337,540	15,550,856	6,321,877	146%
Total Liabilities	31,571,895	32,984,593	296,324	484,424	31,868,219	33,469,017	-5%
Deferred inflow s of resources							
Related to OPEB	880	-	38	-	918	-	
Related to pension	906,741	1,402,436	139,615	155,804	1,046,356	1,558,240	
	907,621	1,402,436	139,653	155,804	1,047,274	1,558,240	-33%
Net position:							
Net Investment in capital assets	60,800,162	63,168,981	4,566,718	4,490,973	65,366,880	67,659,954	-3%
Restricted	27,738,822	25,844,530	6,385,095	5,946,230	34,123,917	31,790,760	7%
Unrestricted	25,475,062	17,010,742	13,683,606	14,129,580	39,158,668	31,140,322	26%
Total Net Position	\$ 114,014,046	\$ 106,024,253	\$ 24,635,419	\$ 24,566,783	\$ 138,649,465	\$ 130,591,036	6%

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

Net Position reflects the difference between assets and liabilities. Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Half Moon Bay, assets exceeded liabilities by \$138 million at June 30, 2019, with invested capital assets of \$65 million, \$34 million restricted and an unrestricted net position of \$39 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.

The net investment in capital assets reflecting the investment in capital assets (e.g. land, buildings, facilities, vehicles, equipment, and infrastructure) is \$65.3 million and represents 47% percent of the City's net position. This portion has decreased by \$2.2 million or 3%, due to depreciation of capital assets. 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 \$34 million, or 25% percent, of the City's total net position. The restricted net position increased by \$2.3 million or 7% percent in fiscal year 2018-19. This portion of the net position can only be spent for specific purposes stipulated by external resource providers or legislation. This increase is from revenues exceeding expenditures in the non-major governmental funds category.

# CITY OF HALF MOON BAY, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The unrestricted net position of \$39 million, or 28% percent of the City's total net position, increased by \$8 million or 26% percent. The increase is from revenues exceeding expenses city-wide. 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, 2019, as compared to June 30, 2018:

CITY OF HALF MOON BAY Comparative Statement Statement of Activities Year Ended June 30, 2019								
	Governmental Activities		Business-type Activities		Total			Variance
	2019	2018	2019	2018	2019	2018		
Program revenues:								
Charges for services	\$ 1,478,683	\$ 2,719,547	\$ 4,533,846	\$ 4,261,126	\$ 6,012,529	\$ 6,980,673		-14%
Operating grants and contributions	1,390,373	932,873			1,390,373	932,873		49%
Capital grants and contributions	5,090,594	6,940,211			5,090,594	6,940,211		-27%
Subtotal	<u>7,959,650</u>	<u>10,592,631</u>	<u>4,533,846</u>	<u>4,261,126</u>	<u>12,493,496</u>	<u>14,853,757</u>		-16%
General revenues:								
Property taxes	3,613,782	3,379,657			3,613,782	3,379,657		7%
Sales and use taxes	2,804,748	2,836,614			2,804,748	2,836,614		-1%
Transient occupancy taxes	6,828,108	6,434,808			6,828,108	6,434,808		6%
Other taxes	1,242,286	1,038,546			1,242,286	1,038,546		20%
Other general revenues	1,960,967	1,602,016	771,733	(173,383)	2,732,700	1,428,633		91%
Subtotal	<u>16,449,891</u>	<u>15,291,641</u>	<u>771,733</u>	<u>(173,383)</u>	<u>17,221,624</u>	<u>15,118,258</u>		14%
Total revenues	<u>24,409,541</u>	<u>25,884,272</u>	<u>5,305,579</u>	<u>4,087,743</u>	<u>29,715,120</u>	<u>29,972,015</u>		-0.9%
Expenses								
General government*	7,506,947	7,634,037			7,506,947	7,634,037		-2%
Public safety	3,975,865	3,878,176			3,975,865	3,878,176		3%
Public works	3,506,195	3,801,624			3,506,195	3,801,624		-8%
Recreation services	1,167,467	926,730			1,167,467	926,730		26%
Interest and fiscal charges	937,704	937,704			937,704	937,704		0%
Sewer utility			4,562,513	4,757,056	4,562,513	4,757,056		-4%
Total expenses	<u>17,094,178</u>	<u>17,178,271</u>	<u>4,562,513</u>	<u>4,757,056</u>	<u>21,656,691</u>	<u>21,935,327</u>		-1%
Increase/(Decrease) in net position before transfers	7,315,363	8,706,001	743,066	(669,313)	8,058,429	8,036,688		0%
Transfers	674,430	488,087	(674,430)	(488,087)	-	-		0%
Increase (Decrease) in net position	7,989,793	9,194,088	68,636	(1,157,400)	8,058,429	8,036,688		0%
Net position - As of July 1	106,024,253	96,729,641	24,566,783	25,717,760	130,591,036	122,447,401		
Prior Period Adjustment	-	100,524	-	6,423	-	106,947		
Net position - As of July 1, as restate	106,024,253	96,830,165	24,566,783	25,724,183	130,591,036	122,554,348		7%
Net position - As of June 30	<u>\$ 114,014,046</u>	<u>\$ 106,024,253</u>	<u>\$ 24,635,419</u>	<u>\$ 24,566,783</u>	<u>\$ 138,649,465</u>	<u>\$ 130,591,036</u>		6%

\*includes Planning

### Governmental Activities

The City's Governmental net position increased by \$7.8 million or 6% in fiscal year 2018-19, primarily due to revenues exceeding expenses.

#### Revenues Highlights:

- Program revenues decreased by 25% primarily due to one-time contributions for the library project and other grants received in the prior year.
- Total general revenues increased by \$1.1 million or 8% from the prior year, primarily due to increases in other revenues such as investment income and stable growth in property and transient occupancy taxes.

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

- Transient Occupancy Tax (TOT), the City's largest source of general revenue increased \$393K or 6% from prior year.
- Sales Tax, the second largest source of general revenue remained flat with a slight decrease of \$31K or 1% from prior year.
- Property Tax, the third largest source of general revenue, continues to grow with an increase \$234K or 7% from prior year.
- Other General Revenues include investment income and other miscellaneous revenues. The amount from government activities increased by \$358K or 22% from prior year.

Expenses for Government Activities stayed relatively flat with a decrease of \$84K from 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 increased slightly by \$68K, primarily due to the following factors:

- Total revenues increased significantly with an increase of \$1.2 million or 30% from the prior year. However, revenues from charges for services only increased by \$272K, with the remaining increase coming from other general revenues. Other general revenues include any gain/loss on investment in the Sewer Authority Mid-Coastside (SAM) and interest income.
- 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. In 2018-19 the City recognized a gain on this investment of \$438K, offsetting a \$369K loss in 2017-18.
- Expenses from Business-type Activities decreased by \$194K as compared to fiscal year 2017-18. This is primarily due to slight decreases in salaries, contract services, and repairs.

## 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, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HALF MOON BAY  
Comparative Statement**  
*Governmental Funds Statement of Revenues, Expenditures and Fund Balance*  
Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	Variance
Revenues	\$ 23,583,635	\$ 20,110,639	17%
Expenditures	18,868,565	32,567,019	-42%
Transfers (net)	(379,640)	10,467,690	-104%
Net Change in Fund Balances	<u>4,335,430</u>	<u>(1,988,690)</u>	<u>-318%</u>
Fund balances at beginning of year	64,792,091	66,780,781	-3%
Fund balances at end of year	<u>69,127,521</u>	<u>64,792,091</u>	<u>7%</u>
Non-spendable	26,823,920		
Restricted	27,738,822	25,844,530	7%
Committed	6,646,354	31,894,177	-79%
Assigned	1,244,495	2,161,189	-42%
Unassigned	6,673,930	4,892,195	36%
Total fund balances	<u>69,127,521</u>	<u>64,792,091</u>	<u>7%</u>

As of June 30, 2019, the City's governmental funds reported combined fund balances of \$69.1 million, an increase of \$4.3 million in comparison with June 30, 2018, which is primarily attributed to a 42% decrease in expenditures. The governmental funds expenditures were \$18.8 million in fiscal year 2018-19, a \$13.6 million decrease over the prior year, mostly due to the completion of the new library project.

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

- Non-spendable is \$26.8 million (38.8% of total balance) which represents the value of land held by the City. This amount was reported as committed in the prior year but has since been reclassified as non-spendable.
- Restricted is \$27.7 million (40.1% 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.
- Committed balance is \$6.6 million (9.6% of the total balance), which can only be spent for specific purposes as determined by formal action of the City Council. This amount is to satisfy the City's general fund reserve policy, which states that 30 percent of budgeted operating expenditures for the following year be committed for contingencies.
- Assigned balance is \$1.2 million (1.8% of the total balance), which indicates City Council's intent to use these funds toward capital improvements in the future. This balance represents funds remaining in the Library capital fund for outstanding expenses paid in FY 19-20.
- Unassigned is \$6.6 million (9.7% of the total balance), which is 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-

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

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, 2019, the total General Fund balance was \$10.9 million, which includes an unassigned portion of \$4.3 million. The General Fund balance increased by \$993K for the fiscal year ended June 30, 2019.

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

**CITY OF HALF MOON BAY  
Comparative Statement  
General Fund Statement of Revenues, Expenditures and Fund Balance  
Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<b>Revenues</b>			
Taxes	\$ 14,448,702	\$ 13,638,171	6%
License and permits	377,873	370,269	2%
Fines and forfeitures	189,415	171,873	10%
Charges for services	1,160,506	1,248,836	-7%
Rents and Leases	75,603	87,536	-14%
Intergovernmental revenues	(40,876)	135,054	-130%
Miscellaneous	799,124	848,009	-6%
<b>Total</b>	<u>17,010,347</u>	<u>16,499,748</u>	<u>3%</u>
<b>Expenditures</b>			
General government	2,320,879	2,473,012	-6%
General administration	1,124,476	1,495,557	-25%
Public safety	3,671,277	3,634,872	1%
Public works	1,723,687	1,449,071	19%
Recreation Services	695,266	644,962	8%
Planning	2,686,309	2,490,216	8%
<b>Total</b>	<u>12,221,894</u>	<u>12,187,690</u>	<u>0%</u>
Net Transfers	<u>(3,794,641)</u>	<u>(5,406,766)</u>	<u>-30%</u>
<b>Net Change in Fund Balances</b>	<u>993,812</u>	<u>(1,094,708)</u>	<u>-27%</u>
Fund Balances at beginning of year	9,962,452	11,057,160	-10%
<b>Fund Balances at end of year</b>	<u>\$ 10,956,264</u>	<u>\$ 9,962,452</u>	<u>10%</u>

**General Fund Revenues**

General Fund revenues for the year ended June 30, 2019 increased by \$510K or 3%, over the prior year. The preceding chart summarizes revenues into major categories for comparative purposes across two fiscal years.

Total general revenues increased by 3% from the prior year with taxes increasing by \$810K or 6% in FY 2018-19 compared to the prior year indicating positive economic growth. The biggest increase was seen in fines and forfeitures at 10% from the prior year. Due to a classification error, the decrease shown in intergovernmental revenues should be treated as a deduction of taxes received. Net transfers decreased by \$1.6 million primarily due to a decrease in capital projects being funded directly from the General Fund.

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

**General Fund Expenditures**

General Fund expenditures for the 2018-19 fiscal year remained flat with a slight increase of \$34K. Due to fluctuating staffing levels, the general administration expenditures decreased by 25%.

**General Fund Budgetary Highlights**

General Fund balance increased \$993K or 10% from the prior year and exceeded the adopted fiscal year 2018-19 budget. This is primarily due to revenues exceeding initial projections by \$1.1 million and operating expenditures were less than anticipated by \$1.2 million.

**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, 2019**

	<u>2019</u>	<u>2018</u>	
Major Governmental Funds:			
General Fund	10,956,264	9,962,452	10%
Streets and Road	3,272,139	4,325,154	-24%
Judgement Obligation Bonds	11,675,887	11,368,713	3%
Library Capital	1,244,495	2,161,189	-42%
Land Asset	26,823,920	26,823,920	0%
Capital Project Fund	2,364,020	2,169,787	9%
Non-Major Governmental Funds	12,790,796	7,980,876	60%
Total Fund Balances	<u>\$ 69,127,521</u>	<u>\$ 64,792,091</u>	<u>7%</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 and other grants. These funds are restricted for the purpose of these taxes and mainly used for streets and road maintenance and improvements.

As of June 30, 2019, the Street and Road Funds had a fund balance of \$3.2 million, a \$1.0 million decrease from the prior year, primarily due to the progress made on street projects.

**Judgment Obligation Bond (JOB) Fund**

The JOB funds account for debt service on the judgment obligation bonds. As of June 30, 2019, the fund balance was \$11.6 million, which is a \$300K 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; the payoff was completed in August 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 \$916K in the fund balance is primarily due to completion of the library project.

**Land Asset Fund**

# CITY OF HALF MOON BAY, CALIFORNIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **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, 2019 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 Judgment Obligation Bonds. There was no activity in this fund in fiscal year 2018-19.

### **Non-Major Funds**

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

Special Revenue funds include:

- Police Grants Fund that accounts for revenues received and expenditures made for police services,
- Storm Drain Operating Fund that accounts for the maintenance of the existing storm drain system,
- Traffic Mitigation Fund that provides for all proceeds from traffic mitigation fees imposed on new development and restricted to defray the cost of constructing improvements to mitigate traffic,
- Affordable Housing Fund that accounts for proceeds of construction and development fees, including in lieu fees with the restricted purpose of 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, 2019, the Non-Major Funds had a fund balance of \$12.7 million, a \$4.8 million increase over the prior year. This increase is primarily due to revenues exceeding expenditures by \$2.7 million and a \$2.1 million General Fund transfer in to fund capital projects.

### **Proprietary Fund Financial Statement Analysis**

As of June 30, 2019, the City's Proprietary Fund net position was \$24.6 million (\$4.6 million invested in capital assets; \$6.4 million restricted for investment in Sewer Authority; \$13.6 million in unrestricted net position). Additional information on this investment can be found in Note 6 of the financial statements. Unrestricted net position of \$4.1 million in the Internal Service Funds is primarily reserved for vehicle and equipment replacement, risk management and 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, 2019, was \$71.1 million, an increase of \$3.4 million as compared to June 30, 2018.

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

Capital assets include land, buildings, equipment, vehicles and infrastructure. The following table presents summarized information on capital assets net of depreciation for fiscal years 2019 and 2018:

**CITY OF HALF MOON BAY**  
**Comparative Statement**  
*Capital Assets (net of depreciation)*  
Year Ended June 30, 2019

	Governmental		Business Type		Total		Variance
	Activities		Activities				
	2019	2018	2019	2018	2019	2018	
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	3,068,718	24,994,001	405,922	898,785	\$ 3,474,640	25,892,786	-87%
Buildings and improvements	30,143,596	8,119,489	4,089,291	3,510,860	\$ 34,232,887	11,630,349	194%
Machinery and equipment	206,228	289,086	71,505	81,328	\$ 277,733	370,414	-25%
Infrastructure	21,753,934	18,411,864			\$ 21,753,934	18,411,864	18%
<b>Total</b>	<b>\$ 66,527,017</b>	<b>\$ 63,168,981</b>	<b>\$ 4,566,718</b>	<b>\$ 4,490,973</b>	<b>\$ 71,093,735</b>	<b>\$ 67,659,954</b>	<b>5%</b>

Construction in progress decreased by \$22.0 million primarily due to the completion of the new library. Likewise, Buildings and improvements increased by \$22.6 million primarily due to this project completion. 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, 2019, the City's long-term obligations totaled \$28.7 million, primarily comprised of judgment obligation bonds.

**CITY OF HALF MOON BAY**  
**Comparative Statement**  
*Long Term Obligations*  
Year Ended June 30, 2019

	Governmental		Business-type		Total		Variance
	Activities		Activities				
	2019	2018	2019	2018	2019	2018	
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			\$ 5,726,855	\$ 5,726,855	0%
Claims liability	903,761	849,394			\$ 903,761	\$ 849,394	6%
Employee compensated absences	303,067	270,996			\$ 303,067	\$ 270,996	12%
Pension Liability	10,742,029	10,754,940	142,343	146,884	\$ 10,884,372	\$ 10,901,824	0%
<b>Total</b>	<b>\$ 28,590,712</b>	<b>\$ 28,517,185</b>	<b>\$ 142,343</b>	<b>\$ 146,884</b>	<b>\$ 28,733,055</b>	<b>\$ 28,664,069</b>	<b>0%</b>

**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

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

on the bonds. The 2009 Series A Bonds were completely paid off in the 2014-15 Fiscal Year. Additionally, this debt reduction plan facilitated a complete pay down on the remaining bonds in August 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 \$117 million. At June 30, 2019 the City had a total applicable debt of \$10.9 million which is 9% 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.

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 2018-19 and the financial outlook for FY 2019-20. 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 a 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 rising 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; and possibility of another recession and/or economic downturn which would have a detrimental impact on Transient Occupancy Tax.

Fiscal sustainability remains a high priority for Half Moon Bay. To that end, staff will continue to monitor these conditions and seek 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. In addition, staff will continue to identify operational efficiencies, appropriate economic development opportunities and alternative revenue options available to the community to continue delivering services that provide a 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  
507-B 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](http://www.hmbcity.com)



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CITY OF HALF MOON BAY  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$47,648,642	\$13,974,205	\$61,622,847
Accounts receivable, net	2,161,607		2,161,607
Interest receivable	213,656	81,101	294,757
Prepays	246,164		246,164
Land held for resale (Note 1i)	26,823,920		26,823,920
Investment in Sewer Authority			
Mid-Coastside (Note 6)		6,385,095	6,385,095
Net OPEB Asset (Note 9)	180,745	6,712	187,457
Capital assets, not depreciated (Note 4)	14,423,259	405,922	14,829,181
Capital assets, depreciated, net (Note 4)	52,103,758	4,160,796	56,264,554
<b>Total assets</b>	<b>143,801,751</b>	<b>25,013,831</b>	<b>168,815,582</b>
<b>Deferred outflows of resources</b>			
Related to pensions (Note 8)	2,691,811	57,565	2,749,376
<b>Total deferred outflows of resources</b>	<b>2,691,811</b>	<b>57,565</b>	<b>2,749,376</b>
<b>Liabilities</b>			
Accounts payable	2,195,254	153,981	2,349,235
Accrued liabilities	245,853		245,853
Deposits payable	390,076		390,076
Unearned revenue	150,000		150,000
Claims liability, due within one year (Note 10)	903,761		903,761
Compensated absences (Note 1j):			
Due within one year	24,245		24,245
Due in more than one year	278,822		278,822
Long-term debt (Note 5):			
Due within one year	11,487,686		11,487,686
Due in more than one year	5,154,169		5,154,169
Net pension liability, due in more than one year (Note 8)	10,742,029	142,343	10,884,372
<b>Total liabilities</b>	<b>31,571,895</b>	<b>296,324</b>	<b>31,868,219</b>
<b>Deferred inflows of resources</b>			
Related to OPEB (Note 9)	880	38	918
Related to pensions (Note 8)	906,741	139,615	1,046,356
<b>Total deferred inflows of resources</b>	<b>907,621</b>	<b>139,653</b>	<b>1,047,274</b>
<b>Net position (Note 7)</b>			
Net investment in capital assets	60,800,162	4,566,718	65,366,880
Restricted for:			
Investment in Sewer Authority		6,385,095	6,385,095
Debt Service	11,675,887		11,675,887
Streets and roads	6,051,264		6,051,264
Affordable housing	2,203,383		2,203,383
Capital projects	3,013,676		3,013,676
Other City projects	4,794,612		4,794,612
<b>Total restricted net position</b>	<b>27,738,822</b>	<b>6,385,095</b>	<b>34,123,917</b>
Unrestricted	25,475,062	13,683,606	39,158,668
<b>Total net position</b>	<b>\$114,014,046</b>	<b>\$24,635,419</b>	<b>\$138,649,465</b>

See accompanying notes to financial statements

CITY OF HALF MOON BAY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

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	
<b>Governmental Activities:</b>						
General government	\$4,722,479	\$97,755	\$685,124	\$2,209,788	(\$1,729,812)	(\$1,729,812)
Public safety	3,975,865	64,011	148,891		(3,762,963)	(3,762,963)
Public works	3,506,195	392,876	556,358	2,880,806	323,845	323,845
Recreation	1,167,467	630,725			(536,742)	(536,742)
Planning	2,784,468	293,316			(2,491,152)	(2,491,152)
Interest charges	937,704				(937,704)	(937,704)
<b>Total governmental activities</b>	<b>17,094,178</b>	<b>1,478,683</b>	<b>1,390,373</b>	<b>5,090,594</b>	<b>(9,134,528)</b>	<b>(9,134,528)</b>
<b>Business-type Activities:</b>						
Sewer	4,562,513	4,533,846			(\$28,667)	(28,667)
<b>Total</b>	<b>\$21,656,691</b>	<b>\$6,012,529</b>	<b>\$1,390,373</b>	<b>\$5,090,594</b>	<b>(9,134,528)</b>	<b>(9,163,195)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property					3,613,782	\$3,613,782
Sales and Use					2,804,748	2,804,748
Transient occupancy					6,828,108	6,828,108
Franchise					864,413	864,413
Business License Tax					377,873	377,873
Investment income					1,188,804	332,868
Miscellaneous					772,163	772,163
Gain on investment in Sewer Authority Mid-Coastside (Note 6)						438,865
Transfers (Note 3)					674,430	(674,430)
<b>Total general revenues and transfers</b>					<b>17,124,321</b>	<b>97,303</b>
<b>Change in Net Position</b>					<b>7,989,793</b>	<b>68,636</b>
<b>Net Position at beginning of year</b>					<b>106,024,253</b>	<b>24,566,783</b>
<b>Net Position at end of year</b>					<b>\$114,014,046</b>	<b>\$24,635,419</b>

See accompanying notes to financial statements



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CITY OF HALF MOON BAY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019

	General Fund	Streets and Roads	Judgment Obligation Bonds	Library
Assets				
Cash and investments (Note 2)	\$10,108,931	\$3,408,404	\$11,677,227	\$2,358,983
Receivables:				
Accounts, net	1,941,792	219,710		
Interest	55,830	20,748		13,611
Due from other funds	1,340			
Land held for resale (Note 1i)				
Prepays				
<b>Total assets</b>	<b><u>\$12,107,893</u></b>	<b><u>\$3,648,862</u></b>	<b><u>\$11,677,227</u></b>	<b><u>\$2,372,594</u></b>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$526,517	\$218,358		\$1,128,099
Accrued liabilities	235,036	8,365		
Due to other funds			\$1,340	
Deposits payable	390,076			
Unearned revenue		150,000		
<b>Total Liabilities</b>	<b><u>1,151,629</u></b>	<b><u>376,723</u></b>	<b><u>1,340</u></b>	<b><u>1,128,099</u></b>
Fund balances (Note 7):				
Nonspendable				
Restricted		3,272,139	11,675,887	
Committed	6,646,354			
Assigned				1,244,495
Unassigned	4,309,910			
<b>Total fund balances</b>	<b><u>10,956,264</u></b>	<b><u>3,272,139</u></b>	<b><u>11,675,887</u></b>	<b><u>1,244,495</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$12,107,893</u></b>	<b><u>\$3,648,862</u></b>	<b><u>\$11,677,227</u></b>	<b><u>\$2,372,594</u></b>

See accompanying notes to financial statements

<u>Land Asset</u>	<u>Capital Projects</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
	\$2,289,041	\$12,853,732	\$42,696,318
	13,144	105	2,161,607
		66,926	170,259
			1,340
\$26,823,920			26,823,920
	246,164		246,164
<u>\$26,823,920</u>	<u>\$2,548,349</u>	<u>\$12,920,763</u>	<u>\$72,099,608</u>
	\$184,329	\$127,515	\$2,184,818
		2,452	245,853
			1,340
			390,076
			150,000
	184,329	129,967	2,972,087
26,823,920			26,823,920
		12,790,796	27,738,822
			6,646,354
			1,244,495
	2,364,020		6,673,930
<u>26,823,920</u>	<u>2,364,020</u>	<u>12,790,796</u>	<u>69,127,521</u>
<u>\$26,823,920</u>	<u>\$2,548,349</u>	<u>\$12,920,763</u>	<u>\$72,099,608</u>

CITY OF HALF MOON BAY  
 Reconciliation of the  
 GOVERNMENTAL FUNDS - BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019

Fund balances of governmental funds	\$69,127,521
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets have not been included as financial resources in governmental fund activity:	
Capital assets, non depreciable	14,423,259
Capital assets, depreciated, net	51,897,530
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	2,691,811
Deferred inflows of resources	(907,610)
Long-term asset and liabilities that have not been included in governmental fund activity	
Bonds payable	(16,641,855)
Compensated absences	(303,067)
Net pension liability	(10,742,029)
Net OPEB asset	177,903
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.	<u>4,290,583</u>
Net position of governmental activities	<u><u>\$114,014,046</u></u>

See accompanying notes to financial statements



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CITY OF HALF MOON BAY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Streets and Road	Judgment Obligation Bonds	Library
<b>REVENUES</b>				
Taxes	\$14,448,702			
License and Permits	377,873			
Fines and forfeitures	189,415			
Charges for services	1,160,506			
Impact fees/recreation fees				
Investment income	250,030	\$88,579	\$553,339	\$57,022
Rents and leases	75,603			
Intergovernmental revenues	(40,876)	1,323,065		726,000
Miscellaneous	549,094	254,883		
<b>Total Revenues</b>	<b>17,010,347</b>	<b>1,666,527</b>	<b>553,339</b>	<b>783,022</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,320,879			
General administration	1,124,476			
Public Safety	3,671,277			
Public works	1,723,687	357,124		
Recreation services	695,266			
Planning	2,686,309			
Capital outlay		2,323,984		1,699,716
Debt service:				
Principal				
Interest & fees			937,704	
<b>Total Expenditures</b>	<b>12,221,894</b>	<b>2,681,108</b>	<b>937,704</b>	<b>1,699,716</b>
Excess (deficiency) of revenues over (under) expenditures	4,788,453	(1,014,581)	(384,365)	(916,694)
Other financing sources (uses):				
Transfers in (Note 3)	486,754		691,539	
Transfers (out) (Note 3)	(4,281,395)	(38,434)		
<b>Total other financing sources (uses)</b>	<b>(3,794,641)</b>	<b>(38,434)</b>	<b>691,539</b>	
<b>Net change in fund balances</b>	<b>993,812</b>	<b>(1,053,015)</b>	<b>307,174</b>	<b>(916,694)</b>
Fund balances at beginning of year	9,962,452	4,325,154	11,368,713	2,161,189
Fund balances at end of year	<u>\$10,956,264</u>	<u>\$3,272,139</u>	<u>\$11,675,887</u>	<u>\$1,244,495</u>

See accompanying notes to financial statements

<u>Land Asset</u>	<u>Capital Project Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
			\$14,448,702
			377,873
			189,415
		\$5,134	1,165,640
		2,700,943	2,700,943
	52,562	223,596	1,225,128
			75,603
	549,161	243,505	2,800,855
		521,499	1,325,476
	<u>601,723</u>	<u>3,694,677</u>	<u>24,309,635</u>
			2,320,879
			1,124,476
		56,025	3,727,302
		66,420	2,147,231
		201,588	896,854
		342	2,686,651
	419,700	584,068	5,027,468
			937,704
	<u>419,700</u>	<u>908,443</u>	<u>18,868,565</u>
	<u>182,023</u>	<u>2,786,234</u>	<u>5,441,070</u>
	12,210	2,026,495	3,216,998
		(2,809)	(4,322,638)
	<u>12,210</u>	<u>2,023,686</u>	<u>(1,105,640)</u>
	194,233	4,809,920	4,335,430
<u>\$26,823,920</u>	<u>\$2,169,787</u>	<u>7,980,876</u>	<u>64,792,091</u>
<u>\$26,823,920</u>	<u>\$2,364,020</u>	<u>\$12,790,796</u>	<u>\$69,127,521</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, 2019

Changes in fund balances of governmental funds \$4,335,430

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	5,027,468
Uncapitalized capital outlay	(450,786)
Depreciation expense	(1,135,788)

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	2,820
Compensated absences	(32,071)
Pension expense	133,618

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.

	109,102
Changes in net position of governmental activities	\$7,989,793

See accompanying notes to financial statements

CITY OF HALF MOON BAY  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019

	Sewer Enterprise Fund	Internal Service Funds
Assets:		
Current Assets:		
Cash and investments (Note 2)	\$13,974,205	\$4,952,324
Accounts receivable		
Interest receivable	81,101	43,397
Total Current Assets	14,055,306	4,995,721
Noncurrent Assets:		
Investment in Sewer Authority Mid-Coastside (Note 6)	6,385,095	
Net OPEB Asset (Note 9)	6,712	2,842
Non-depreciable capital assets (Note 4)	405,922	
Depreciable capital assets, net of accumulated depreciation (Note 4)	4,160,796	206,228
Total non-current assets	10,958,525	209,070
Total Assets	25,013,831	5,204,791
Deferred Outflows of Resources		
Related to pensions (Note 8)	57,565	
Total deferred outflows of resources	57,565	
Liabilities:		
Current Liabilities:		
Accounts payable	153,981	10,436
Claims liability (Note 10)		903,761
Total current liabilities	153,981	914,197
Noncurrent liabilities:		
Net pension liability (Note 8)	142,343	
Total Liabilities	296,324	914,197
Deferred Inflows of Resources		
Related to OPEB (Note 9)	38	11
Related to pensions (Note 8)	139,615	
Total deferred inflows of resources	139,653	11
Net Position:		
Net investment in capital assets	4,566,718	206,228
Restricted for investment in Sewer Authority	6,385,095	
Unrestricted	13,683,606	4,084,355
Total Net Position	\$24,635,419	\$4,290,583

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, 2019

	Sewer Enterprise Fund	Internal Service Funds
	<u>                    </u>	<u>                    </u>
Operating revenues:		
Charges for services	\$4,529,634	
Impact fees		\$5,410
Other	4,212	
	<u>                    </u>	<u>                    </u>
Total operating revenues	<u>4,533,846</u>	<u>5,410</u>
Operating expenses:		
Salaries and wages	265,518	374,834
Contract services	3,989,573	361,476
Supplies	26,657	58,244
Repairs and maintenance	177,017	139,777
Insurance		207,153
Pensions		551,942
Depreciation	103,748	82,858
	<u>                    </u>	<u>                    </u>
Total operating expenses	<u>4,562,513</u>	<u>1,776,284</u>
Total operation income	<u>(28,667)</u>	<u>(1,770,874)</u>
Non-operating revenues:		
Gain on investment in Sewer Authority Mid-Coastside (Note 6)	438,865	
Investment income	332,868	99,906
	<u>                    </u>	<u>                    </u>
Total non-operating revenues	<u>771,733</u>	<u>99,906</u>
Income before transfers	<u>743,066</u>	<u>(1,670,968)</u>
Transfers:		
Transfers in (Note 3)		1,780,070
Transfers (out) (Note 3)	(674,430)	
	<u>                    </u>	<u>                    </u>
Total transfers	<u>(674,430)</u>	<u>1,780,070</u>
Change in net position	68,636	109,102
Net position at beginning of year	<u>24,566,783</u>	<u>4,181,481</u>
Net position at end of year	<u><u>\$24,635,419</u></u>	<u><u>\$4,290,583</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, 2019

	Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Cash received from department users	\$4,517,748	\$5,410
Cash payments to suppliers for goods and services	(4,376,806)	(1,349,621)
Cash payments to employee services	(274,616)	(374,823)
Net cash provided by operating activities	(133,674)	(1,719,034)
Cash flows from non-capital and related financing activities:		
Cash collected from other funds		1,780,070
Cash paid to other funds	(674,430)	
Net cash (used for) non capital and related financing activities	(674,430)	1,780,070
Cash flows form capital and related financing activities:		
Acquisition of capital assets	(179,782)	
Net cash provided by (used for) capital and related financing activities	(179,782)	
Cash flows from investing activities:		
Interest received on investments	332,868	99,906
Net cash provided by investing activities	332,868	99,906
Net increase in cash and cash equivalents	(655,018)	160,942
Cash and cash equivalents at beginning of year	14,629,223	4,791,382
<b>Cash and cash equivalents at end of year</b>	<b>\$13,974,205</b>	<b>\$4,952,324</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for)</b>		
Provided by (used for) operating activities:		
Operating income (loss)	(\$28,667)	(\$1,770,874)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	103,748	82,858
Change in assets and liabilities:		
Interest receivable, net	(16,098)	(30,252)
Accounts payable	(183,559)	(55,144)
Deferred outflows of resources	11,594	
Deferred inflows of resources	(16,151)	11
Net pension liability	(4,541)	
Accrued claims payable		54,367
<b>Net cash provided by operating activities</b>	<b>(\$133,674)</b>	<b>(\$1,719,034)</b>
Non-cash transactions:		
Gain on investment in Sewer Authority Mid-Coastside	\$438,865	

See accompanying notes to financial statements

CITY OF HALF MOON BAY  
FIDUCIARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>OPEB Trust Fund</u>
Assets:	
Investments:	
Mutual Funds (Note 2)	<u>\$675,460</u>
Total Assets	<u>675,460</u>
Net Position:	
Restricted for OPEB benefits	<u><u>\$675,460</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, 2019

	OPEB Trust Fund
Additions:	
Investment income:	
Interest	\$41,937
Less: Investments expenses	(1,605)
Total additions	40,332
 Net position at beginning of year	 635,128
Net position at end of year	\$675,460

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, 2019**

**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 coast side area is a thriving agricultural, fishing and tourism destination. In addition, about 3,000 tons of pumpkins are grown on the coast side 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, 2019**

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

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, 2019**

**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, 2019**

**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.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**1. Significant Accounting Policies, continued**

***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).

***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, 2019 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.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**1. Significant Accounting Policies, continued**

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.

The changes in compensated absences for the year ended June 30, 2019 is as follows:

Beginning Balance	\$270,996
Additions	463,512
Payments	<u>(431,441)</u>
Ending Balance	<u>\$303,067</u>
Current Portion	\$24,245
Non-current Portion	\$278,822

***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.

***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.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**1. Significant Accounting Policies, continued**

***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.

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.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**1. Significant Accounting Policies, continued**

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 as they are reported in the OPEB Trust Fund. 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, 2019.

GASB Statement No. 83 – In December 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 statement requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement had no effect on the City's financial statements.

GASB Statement No. 88 – In June 2018, the GASB issues Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for the City's fiscal year ending June 30, 2019. See Note 5 for relevant disclosures.

**Future Governmental Accounting Standards (GASB) Pronouncements**

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.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**1. Significant Accounting Policies, continued**

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, 2019 consist of the following:

Cash on hand	\$1,200
Deposits with financial institutions	1,943,501
Investments	<u>59,678,146</u>
Total City cash and investments	<u>61,622,847</u>
OPEB Trust Fund: Investments held with trustee	<u>675,460</u>
Total cash and investments	<u><u>\$62,298,307</u></u>

**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, 2019, the carrying amount of the City's deposits was \$1,943,501 and the bank balance was \$2,079,168. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Under the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is considered to be held in the name of the City.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**2. Cash, Cash Equivalents, and Investments, continued**

***b) Investments Authorized by the City's Investment Policy***

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

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

***c) Investments Authorized by Debt Agreements***

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

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

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**2. Cash, Cash Equivalents, and Investments, continued**

***d) Fair Value Hierarchy***

The City adopted GASB Statement No. 72, Fair Value Measurement and Applications, which required governmental entities to measure investments at fair value in fiscal year 2018-19. 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.

	<b>Level 2</b>	<b>Total</b>
<b>Investments by Fair Value Level:</b>		
Federal Agency Securities	\$10,903,212	\$10,903,212
<b>Investments exempt from Fair Value Hierarchy:</b>		
San Mateo County Investment Pool		40,482,349
California Local Agency Investment Fund		8,291,823
<b>Investments Measured at Amortized Cost:</b>		
Money Market Fund		762
Mutual Fund		675,460
<b>Cash in Bank and on hand</b>		<b>1,944,701</b>
<b>Total Cash and Investments</b>		<b>\$62,298,307</b>

The Federal Agency Securities totaling \$10,903,212 classified in Level 2 of the fair value hierarchy are valued using quoted prices for a non-active market portfolio at fiscal year-end. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**2. Cash, Cash Equivalents, and Investments, continued**

***e) Interest Rate Risk***

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>		<u>Total</u>
	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	
<b><i>Available for Operations</i></b>			
California Local Agency Investment Fund	\$7,515,019		\$7,515,019
San Mateo County Investment Pool	40,482,349		40,482,349
<b><i>Held by Trustees</i></b>			
California Local Agency Investment Fund	776,804		776,804
Federal Agency Securities	10,903,212		10,903,212
Money Market Fund	762		762
Mutual Fund	675,460		675,460
Total Investments	<u>\$60,353,606</u>		60,353,606
<b><i>Demand Deposits and Cash on Hand</i></b>			<u>1,944,701</u>
<b><i>Total Cash and Investments</i></b>			<u>\$62,298,307</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. All of the City's investments in securities are held in the name of the City. The City's custody agreement policy prohibits counterparties holding securities not in the City's name.

***g) Concentration of Credit Risk***

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. 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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corporation	Federal Agency Security	\$10,903,212

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**2. Cash, Cash Equivalents, and Investments, continued**

***h) 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		\$7,515,019	\$7,515,019
San Mateo County Investment Pool	\$40,482,349		40,482,349
Cash in banks and on hand		1,944,701	1,944,701
<i>Held by Trustee</i>			
Federal Agency Securities	10,903,212		10,903,212
Money Market Funds		762	762
California Local Agency Investment Fund		776,804	776,804
Mutual Fund		675,460	675,460
Total Cash & Investments	<u>\$51,385,561</u>	<u>\$10,912,746</u>	<u>\$62,298,307</u>

***i) 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 16429 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, 2019, these investments matured in an average of 2.31 years.

***j) 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, 2019 these investments matured in an average of 173 days.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**3. Interfund Transfers**

Transfers between funds during the fiscal year ended June 30, 2019 were as follows:

Transfer To	Transfer From	Amount	
General Fund	Sewer Enterprise Fund	\$477,157	(a)
	Streets and Roads Special Revenue Fund	9,597	(b)
Judgment Obligation Bonds Debt Service Fund	General Fund	691,539	(c)
Capital Projects Capital Project Fund	General Fund	12,210	(d)
Non-Major Governmental Funds	General Fund	2,026,495	(d)
Internal Service Funds	General Fund	1,551,151	(e)
	Streets and Roads Special Revenue Fund	28,837	(e)
	Non-Major Governmental Funds	2,809	(e)
	Sewer Enterprise Fund	197,273	(e)
		\$4,997,068	

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, 2019**

**4. Capital Assets**

**a) Capital Assets Activity**

A Summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Transfers	Adjustments	Balance June 30, 2019
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$4,630,615				\$4,630,615
Rights of way	6,723,926				6,723,926
Construction in progress	24,994,001	\$2,159,828	(\$22,055,133)	(2,029,978)	\$3,068,718
Total capital assets not being depreciated	36,348,542	2,159,828	(22,055,133)	(2,029,978)	14,423,259
Capital assets being depreciated:					
Buildings & improvements	12,918,656	1,816,930	20,490,348	26,237	35,252,171
Machinery & equipment	1,026,697				1,026,697
Infrastructure	32,391,759	645,866	1,564,785	1,957,796	36,560,206
Total capital assets being depreciated	46,337,112	2,462,796	22,055,133	1,984,033	72,839,074
Less accumulated depreciation for:					
Buildings & improvements	4,799,167	308,757		651	5,108,575
Machinery & equipment	737,611	45,967		36,891	820,469
Infrastructure	13,979,895	819,218		7,159	14,806,272
Total accumulated depreciation	19,516,673	1,173,942		44,701	20,735,316
Net depreciable assets	26,820,439	1,288,854	22,055,133	1,939,332	52,103,758
Governmental activity capital assets, net	\$63,168,981	\$3,448,682		(\$90,646)	\$66,527,017

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**4. Capital Assets, continued**

	Balance June 30, 2018	Additions	Transfers	Balance June 30, 2019
<i><b>Business-type activities:</b></i>				
Capital assets not being depreciated:				
Construction in progress	\$898,785	\$165,454	(\$658,317)	\$405,922
Total capital assets not being depreciated	<u>898,785</u>	<u>165,454</u>	<u>(658,317)</u>	<u>405,922</u>
Capital assets being depreciated:				
Buildings & improvements	5,088,541	14,039	658,317	5,760,897
Machinery & equipment	763,646			763,646
Total capital assets being depreciated	<u>5,852,187</u>	<u>14,039</u>	<u>658,317</u>	<u>6,524,543</u>
Less accumulated depreciation for:				
Buildings & improvements	1,577,681	93,925		1,671,606
Machinery & equipment	682,318	9,823		692,141
Total accumulated depreciation	<u>2,259,999</u>	<u>103,748</u>		<u>2,363,747</u>
Net depreciable assets	<u>3,592,188</u>	<u>(89,709)</u>		<u>4,160,796</u>
Business-type activity capital assets, net	<u>\$4,490,973</u>	<u>\$75,745</u>	<u>(\$658,317)</u>	<u>\$4,566,718</u>

**b) Depreciation**

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General government	\$94,234
Recreation	303,881
Public safety	15,878
Public works	759,949
Depreciation on capital assets held by the City's Internal Service Funds is charged to the various functions based on their usage of the assets	<u>82,858</u>
<b>Total Governmental Activities</b>	<u>\$1,173,942</u>
<b>Business-Type Activities:</b>	
Sewer Fund	\$103,748

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**5. Long-Term Debt**

The following is a summary of long-term debt transactions for the year ended June 30, 2019.

	Original Issue Amount	Balance June 30, 2018	Balance June 30, 2019	Current Portion
<b><i>Governmental Activity Debt</i></b>				
2009 B Judgment Obligation Bonds 2.00%-5.375%, due 2020	\$10,915,000	\$10,915,000	\$10,915,000	\$10,915,000
Direct borrowing:				
San Mateo County advancement	5,726,855	5,726,855	5,726,855	572,686
<b>Total Governmental Activity</b>		<u>\$16,641,855</u>	<u>\$16,641,855</u>	<u>\$11,487,686</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 and interest on the 2009B Bonds whether or not it receives cash subsidy payments pursuant to the Recovery Act.

The 2009B bonds are an unsecured by obligation. The outstanding bond amount contains a provision that in an event of default payment an acceleration of interest and principal shall become immediately due and payable.

As of June 30, 2019, annual debt service to maturity for the JOB Series 2009B bonds are as follows:

Year ending June 30	Governmental Activities Principal	Interest
2020	\$10,915,000	\$468,852
Total	<u>\$10,915,000</u>	<u>\$468,852</u>

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**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, which has not yet happened as of June 30, 2019.

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

During the fiscal year ended June 30, 2017, the City entered into a \$6 million Interest-free loan agreement with the County of San Mateo 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, 2019, the City had drawn down \$5,726,855. Repayment will start in fiscal year 2020

As of June 30, 2019, annual debt service to maturity for the Library Loan is as follows:

Year ending June 30	Governmental Activities Direct Borrowings <u>Principal</u>
2020	\$572,686
2021	572,686
2022	572,686
2023	572,686
2024	572,686
2025-2029	<u>2,863,425</u>
Total	<u><u>\$5,726,855</u></u>

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**6. Investment in Sewer Authority Mid-Coast side**

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 unaudited financial statements for June 30, 2018, the City recorded its investment in SAM in the amount of \$6,385,095 at June 30, 2019.

**7. Net Position/Fund Balances**

**a) Fund Balances**

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

**b) Stabilization Arrangement**

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

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

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**7. Net Position/Fund Balances, continued**

**c) Classifications**

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2019, fund balances for government funds are made up of the following:

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

**d) Policies**

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

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

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

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**7. Net Position/Fund Balances, continued**

Fund balances for all the major and non-major governmental funds as of June 30, 2019 were distributed as follows:

	General Fund	Streets and Roads	Judgment Obligation Bonds	Library	Land Asset	Capital Projects	Non-major Governmental Funds	Total
<b>Nonspendable:</b>								
Land held for resale					\$26,823,920			\$26,823,920
<b>Total nonspendable</b>					<b>26,823,920</b>			<b>26,823,920</b>
<b>Restricted:</b>								
Streets & roads		\$3,272,139						\$3,272,139
Parks development improvements							\$2,779,125	2,779,125
Debt service			\$11,675,887					11,675,887
Police Grants							428,946	428,946
Storm drain maintenance improvements							1,826,865	1,826,865
Traffic mitigation							4,073,334	4,073,334
Affordable housing							2,203,383	2,203,383
Public facilities							1,479,143	1,479,143
<b>Total restricted</b>		<b>3,272,139</b>	<b>11,675,887</b>				<b>12,790,796</b>	<b>27,738,822</b>
<b>Committed:</b>								
Contingency reserve	5,146,354							5,146,354
Main Street Bridge Contingency	1,500,000							1,500,000
<b>Total committed</b>	<b>6,646,354</b>							<b>6,646,354</b>
<b>Assigned:</b>								
San Mateo County Library				\$1,244,495				1,244,495
<b>Total assigned</b>				<b>1,244,495</b>				<b>1,244,495</b>
<b>Unassigned:</b>								
	\$4,309,910					\$2,364,020		6,673,930
<b>Total Fund Balances</b>	<b>\$10,956,264</b>	<b>\$3,272,139</b>	<b>\$11,675,887</b>	<b>\$1,244,495</b>	<b>\$26,823,920</b>	<b>\$2,364,020</b>	<b>\$12,790,796</b>	<b>\$69,127,521</b>

**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.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**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 miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors three miscellaneous rate plans. 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.

**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, 2019**

**8. Pension Plans, continued**

The Plan's provisions and benefits in effect at June 30, 2019, 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	10.152%	7.266%
	<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%	

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 \$796,315 in fiscal year 2019.

**b) General Information about the Pension Plans**

**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, 2019, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$525,289	\$551,942

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**8. Pension Plans, continued**

*c) 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, 2019, 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	\$4,772,172
Safety	6,112,200
Total Net Pension Liability	\$10,884,372

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, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension 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, 2017 and 2018 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2017	0.12281%	0.10143%
Proportion - June 30, 2018	0.12663%	0.10417%
Change - Increase (Decrease)	0.00382%	0.00274%

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**8. Pension Plans, continued**

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

For the year ended June 30, 2019, the City recognized pension expense of \$386,667 for Miscellaneous Plan and \$547,810 for Safety Plan, with a total pension expense of \$934,477. At June 30, 2019, 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	\$525,289		\$551,942		\$1,077,231	
Changes in assumptions	544,042	(\$133,334)	599,713	(\$80,912)	1,143,755	(\$214,246)
Differences between actual and expected experience	183,100	(62,308)	131,331	(498)	314,431	(62,806)
Net change in Proportion DIDO and Net Pension Liability	148,154	(30,478)	831	(182,131)	148,985	(212,609)
Net difference in actual contribution and proportion contributions		(290,089)		(266,606)		(556,695)
Net differences between projected and actual earnings on plan investments	23,592		41,382		64,974	
Total	<u>\$1,424,177</u>	<u>(\$516,209)</u>	<u>\$1,325,199</u>	<u>(\$530,147)</u>	<u>\$2,749,376</u>	<u>(\$1,046,356)</u>

\$1,077,231 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				
	June 30	Miscellaneous	Safety	Total
2020		\$379,392	\$311,164	\$690,556
2021		196,782	164,336	361,118
2022		(150,572)	(190,054)	(340,626)
2023		(42,923)	(42,336)	(85,259)
Total		<u>\$382,679</u>	<u>\$243,110</u>	<u>\$625,789</u>

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**8. Pension Plans, continued**

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

**Actuarial Assumptions** – For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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 2.00% until Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report available on the CalPERS' website under Forms and Publications.

**Change of Assumptions** – For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.50%.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**8. Pension Plans, continued**

*c) 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 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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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(a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities;

Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**8. Pension Plans, continued**

*c) 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	\$7,581,897	\$8,893,415	\$16,475,312
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$4,772,172	\$6,112,200	\$10,884,372
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$2,452,791	\$3,833,492	\$6,286,283

***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. the City joined the Public Agencies Post- Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services (PARS). The City established an irrevocable trust with PARS, managed by an appointed board not under the control of City Council. This trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for PARS may be obtained from PARS at 4350 Von Karman Ave., Suite 200, Newport Beach, CA 92660.

***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, 2019**

**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, 2019, membership in the plan consisted of the following:

	Number of Covered Employees
Active employees	36
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	25
Total	72

*c) Net OPEB Liability*

The components of the net OPEB liability of the City at June 30, 2019, were as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
<b>Balance at Fiscal Year Ending 6/30/2017:</b>	\$454,646	\$635,128	(\$180,482)
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	27,877	-	27,877
Interest	28,268	-	28,268
Expected investment income	-	-	-
Contributions:	-	-	-
Employer - City's contribution	-	22,928	(22,928)
Employer - Implicit subsidy	-	-	-
Net investment income	-	41,937	(41,937)
Benefit payments	(22,788)	(22,788)	-
Implicit rate subsidy fulfilled	-	-	-
Changes of assumptions	-	-	-
Administrative expenses*	-	(1,745)	1,745
<b>Net Changes during Fiscal Year 2018</b>	33,357	40,332	(6,975)
<b>Balance at Fiscal Year Ending 6/30/2018:</b>	\$488,003	\$675,460	(\$187,457)

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**9. Other Post Employment Healthcare Benefits, continued**

***d) 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, 2019, 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:

<b>Net OPEB Liability/(Asset)</b>		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5%)	(6%)	(7%)
(\$132,984)	(\$187,457)	(\$233,413)

<b>Net OPEB Liability/(Asset)</b>		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
(6.5%)	(7.5%)	(8.5%)
(\$246,372)	(\$187,457)	(\$116,265)

***e) Actuarial Assumptions***

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

	<b>Actuarial Assumptions</b>
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% <sup>(1)</sup>
Long Term Expected Rate	6.00% <sup>(2)</sup>
Rate of Return on Assets	6.00% <sup>(3)</sup>
Inflation	2.75%
Payroll Growth	3.00%
Mortality Rate	Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2017
Healthcare Trend Rate	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Healthcare participation for future retirees	50% covered; 30% if waived coverage
PEMHCA Minimum Increases	4.25% annually

(1) At June 30, 2019

(2) At June 30, 2018

(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, 2019**

**9. Other Post Employment Healthcare Benefits, continued**

*f) OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB*

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$57,843. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	-	(\$918)
Differences between actual and expected experience	-	-
Total	-	(\$918)

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
2020	(\$47)
2021	(47)
2022	(47)
2023	(777)
Total	(\$918)

**CITY OF HALF MOON BAY, CALIFORNIA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED JUNE 30, 2019**

**9. Other Post Employment Healthcare Benefits, continued**

***g) 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, 2019
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, 2019, the City contributed \$22,928 to the Trust.

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.

**CITY OF HALF MOON BAY, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2019**

**9. Other Post Employment Healthcare Benefits, continued**

The following is the City adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	48.00%	4.82%
Fixed Income	45.00%	1.47%
REITs	2.00%	3.76%
Cash	5.00%	0.06%
Total	<u><u>100.00%</u></u>	

Investment Concentration

As of June 30, 2019, 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, 2019, 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.

**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.

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**10. Risk Management (Continued)**

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, 2019, the City paid premiums of \$40,847 to The Cities Group. Financial statements may be obtained from The Cities Group at P.O. Box 111, Burlingame, CA 94011-0111.

**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.

**CITY OF HALF MOON BAY, CALIFORNIA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED JUNE 30, 2019**

**10. Risk Management, continued**

For the year ended June 30, 2019, the City paid premiums of \$121,727. Financial statements may be obtained from Plan JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Beginning balance of claims payable	\$849,394	\$609,555
Increase in estimated liability	585,903	656,446
Claims paid	<u>(531,536)</u>	<u>(416,607)</u>
Ending balance of claims payable	<u><u>\$903,761</u></u>	<u><u>\$849,394</u></u>



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**REQUIRED SUPPLEMENTARY INFORMATION**

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **COST-SHARING EMPLOYER DEFINED PENSION PLAN:**

#### **SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

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

#### **SCHEDULE OF CONTRIBUTIONS**

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

#### **SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS PLAN**

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

## REQUIRED SUPPLEMENTARY INFORMATION

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>	<u>6/30/2018</u>
Plan's proportion of the Net Pension Liability (Asset)	0.04792%	0.10917%	0.11869%	0.12281%	0.12663%
Plan's proportionate share of the Net Pension Liability (Asset)	\$2,981,768	\$2,994,972	\$4,123,054	\$4,841,079	\$4,772,172
Covered Payroll	\$1,412,295	\$1,986,876	\$2,014,025	\$2,423,106	\$3,177,604
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%	150.18%
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%	77.02%

\* 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>	<u>6/30/2018</u>
Plan's proportion of the Net Pension Liability (Asset)	0.06033%	0.10493%	0.10385%	0.10143%	0.10417%
Plan's proportionate share of the Net Pension Liability (Asset)	\$3,754,036	\$4,323,582	\$5,378,768	\$6,060,745	\$6,112,200
Covered Payroll	N/A	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	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%	69.70%

\* 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, 2019  
 Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal year ended June 30:	2015	2016	2017	2018	2019
Actuarially determined contribution	\$215,509	\$168,511	\$344,215	\$435,299	\$525,289
Contributions in relation to the actuarially determined contributions	(215,509)	(168,511)	(344,215)	(435,299)	(525,289)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$1,986,876	\$2,014,025	\$2,423,106	\$3,177,604	\$3,415,448
Contributions as a percentage of covered-employee payroll	10.8%	8.4%	14.2%	13.7%	15.4%

**Notes to Schedule**

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
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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, 2019  
 Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal year ended June 30:	2015	2016	2017	2018	2019
Actuarially determined contribution	\$313,306	\$414,500	\$249,322	\$445,240	\$551,942
Contributions in relation to the actuarially determined contributions	(313,306)	(414,500)	(249,322)	(445,240)	(551,942)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0

Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	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	6/30/2017
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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**

A Single Employer OPEB Plan  
Last 10 fiscal years\*

<b>Measurement Date</b>	<u><b>6/30/17</b></u>	<u><b>6/30/18</b></u>	<u><b>6/30/19</b></u>
<b>Total OPEB Liability (1)</b>			
Service Cost	\$ 25,533	\$ 27,065	\$ 27,877
Interest	24,624	26,373	28,268
Differences between expected and actual experience	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)
Implicit rate subsidy fulfilled	-	-	-
Changes of assumptions	-	-	-
<b>Net change in total OPEB liability</b>	<u>27,635</u>	<u>30,885</u>	<u>33,357</u>
<b>Total OPEB liability - beginning</b>	396,126	423,761	454,646
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 423,761</u></u>	<u><u>\$ 454,646</u></u>	<u><u>\$ 488,003</u></u>
 <b>OPEB fiduciary net position</b>			
Net investment income	\$ 48,425	\$ 32,087	\$ 41,937
Contributions:			
Employer - City's contribution	22,522	39,261	22,928
Employer - Implicit subsidy	-	-	-
Administrative expense	(2,071)	(1,552)	(1,745)
Implicit rate subsidy fulfilled	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)
<b>Net change in plan fiduciary net position</b>	<u>46,354</u>	<u>47,243</u>	<u>40,332</u>
<b>Plan fiduciary net position - beginning</b>	541,531	587,885	635,128
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 587,885</u></u>	<u><u>\$ 635,128</u></u>	<u><u>\$ 675,460</u></u>
 Net OPEB liability - ending (a)-(b)	<u><u>\$ (164,124)</u></u>	<u><u>\$ (180,482)</u></u>	<u><u>\$ (187,457)</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	138.73%	139.70%	138.41%
 Covered-employee payroll (A)	N/A **	\$ 3,009,829	\$ 4,157,271
 Total OPEB liability as a percentage of covered-employee payroll	N/A **	-6.00%	-4.51%

\* 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**

A Single Employer OPEB Plan

Last 10 fiscal years\*

<b>Fiscal Year Ended June 30,</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Actuarially Determined Contribution (ADC)	\$16,708	\$17,251	\$15,539
<b>Less:</b> Contributions in Relation to the ADC	<b>(22,522)</b>	<b>(39,261)</b>	<b>(22,928)</b>
Contribution deficiency (excess)	<b>(\$5,814)</b>	<b>(\$22,010)</b>	<b>(\$7,389)</b>
Covered-employee payroll	N/A **	\$3,009,829	\$ 4,157,271
Contributions as a percentage of Covered-employee payroll	N/A **	1.30%	0.55%

**Notes to Schedule:**

\* Fiscal year 2018 was the first year of implementation.

Valuation Date	6/30/2017
Actuarial Cost Method	Entry Age Normal, level percentage of payroll
Amortization Period	15-year fixed period from 6/30/18
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
PEMHCA Minimum	4.25% annual increases
Mortality	CalPERS 1997-2011 experience study
Mortality Improvement	Post-retirement mortality projected fully generational

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

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>Fiscal year ended June 30,<sup>1</sup></b>	<b>Annual money-weighted rate of return, net of investment expense</b>
2017*	8.60%
2018	7.60%
2019	7.60%

<sup>1</sup> 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, 2019

	<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	\$14,448,702	\$765,914
Licenses and permits	401,395	401,395	377,873	(23,522)
Fines and forfeitures	110,000	110,000	189,415	79,415
Charges for services	864,008	864,008	1,160,506	296,498
Investment income	26,200	26,200	250,030	223,830
Rents and leases	71,000	71,000	75,603	4,603
Intergovernmental revenues	118,600	118,600	(40,876)	(159,476)
Miscellaneous	607,548	607,548	549,094	(58,454)
Total revenues	<u>15,881,539</u>	<u>15,881,539</u>	<u>17,010,347</u>	<u>1,128,808</u>
Expenditures:				
Current Operations:				
General Government	2,706,730	2,706,730	2,320,879	385,851
General administration	1,574,847	1,574,847	1,124,476	450,371
Public Safety	3,761,357	3,761,357	3,671,277	90,080
Public Works	1,509,662	1,509,662	1,723,687	(214,025)
Recreation services	929,435	929,435	695,266	234,169
Planning	2,991,220	2,991,220	2,686,309	304,911
Total expenditures	<u>13,473,251</u>	<u>13,473,251</u>	<u>12,221,894</u>	<u>1,251,357</u>
Excess of revenues over expenditures	<u>2,408,288</u>	<u>2,408,288</u>	<u>4,788,453</u>	<u>2,380,165</u>
Other financing sources (uses):				
Transfers in	486,754	486,754	486,754	
Transfers out	(4,281,395)	(4,281,395)	(4,281,395)	
Total Other Financing Sources (Uses)	<u>(3,794,641)</u>	<u>(3,794,641)</u>	<u>(3,794,641)</u>	
Net change in fund balance	<u>(\$1,386,353)</u>	<u>(\$1,386,353)</u>	993,812	<u>\$2,380,165</u>
Fund balance at beginning of year			<u>9,962,452</u>	
Fund balance at end of year			<u>\$10,956,264</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, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits				
Investment income	\$33,100	\$33,100	\$88,579	\$55,479
Intergovernmental revenue	9,167,017	9,167,017	1,323,065	(7,843,952)
Miscellaneous			254,883	254,883
Total revenues	<u>9,200,117</u>	<u>9,200,117</u>	<u>1,666,527</u>	<u>(7,788,473)</u>
Expenditures:				
Current:				
Public works	466,869	466,869	357,124	109,745
Capital Outlay	<u>2,935,000</u>	<u>2,935,000</u>	<u>2,323,984</u>	<u>611,016</u>
Total expenditures	<u>3,401,869</u>	<u>3,401,869</u>	<u>2,681,108</u>	<u>720,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,798,248</u>	<u>5,798,248</u>	<u>(1,014,581)</u>	<u>(6,812,829)</u>
Other financing sources (uses):				
Transfer in	543,095	543,095		(543,095)
Transfer out	<u>(581,529)</u>	<u>(581,529)</u>	<u>(38,434)</u>	<u>543,095</u>
Total other financing sources (uses)	<u>(38,434)</u>	<u>(38,434)</u>	<u>(38,434)</u>	
Net change in fund balance	<u>\$5,759,814</u>	<u>\$5,759,814</u>	<u>(1,053,015)</u>	<u>(\$6,812,829)</u>
Fund balance at beginning of year			<u>4,325,154</u>	
Fund balance at end of year			<u>\$3,272,139</u>	

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **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 Capital Projects Funds are budgeted annually, with major capital improvement projects details in a separate Five Year Capital Improvement Program budget document.

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.

**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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	<u>\$254,800</u>	<u>\$553,339</u>	<u>\$298,539</u>
Total revenues	<u>254,800</u>	<u>553,339</u>	<u>298,539</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>(384,365)</u>	<u>301,539</u>
Other financing sources:			
Transfers in	<u>691,539</u>	<u>691,539</u>	
Total other financing sources	<u>691,539</u>	<u>691,539</u>	
Net change in fund balance	<u><u>\$5,635</u></u>	<u>307,174</u>	<u><u>\$301,539</u></u>
Fund balance at beginning of year		<u>11,368,713</u>	
Fund balance at end of year		<u><u>\$11,675,887</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, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$32,200	\$57,022	\$24,822
Intergovernmental revenues		726,000	726,000
 Total Revenues	 32,200	 783,022	 750,822
Expenditures:			
Capital outlay	23,400	1,699,716	(1,676,316)
 Total expenditures	 23,400	 1,699,716	 (1,676,316)
 Net change in fund balance	 \$8,800	 (916,694)	 (925,494)
 Fund balance at beginning of year		 2,161,189	
 Fund balance at end of year		 \$1,244,495	

CITY OF HALF MOON BAY  
 CAPITAL PROJECTS  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$26,200		\$52,562	\$52,562
Intergovernmental revenues	118,600		549,161	549,161
Total revenues	<u>144,800</u>		<u>601,723</u>	<u>601,723</u>
Expenditures:				
Current Operations:				
Capital Outlay		\$875,000	419,700	455,300
Total expenditures		<u>875,000</u>	<u>419,700</u>	<u>455,300</u>
Excess of revenues over expenditures	<u>144,800</u>	<u>(875,000)</u>	<u>182,023</u>	<u>1,057,023</u>
Other financing sources (uses):				
Transfers in	486,754	12,210	12,210	
Total Other Financing Sources (Uses)	<u>486,754</u>	<u>12,210</u>	<u>12,210</u>	
Net change in fund balance	<u>\$631,554</u>	<u>(\$862,790)</u>	194,233	<u>\$1,057,023</u>
Fund balance at beginning of year			<u>2,169,787</u>	
Fund balance at end of year			<u>\$2,364,020</u>	

**CITY OF HALF MOON BAY, CALIFORNIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**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.

CITY OF HALF MOON BAY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019

SPECIAL REVENUE FUNDS

	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Assets					
Cash and investments	\$444,716	\$290,655	\$4,056,730	\$2,190,753	\$2,846,097
Accounts receivable					105
Interest receivable	2,583	1,677	16,604	12,630	15,974
Total assets	<u>\$447,299</u>	<u>\$292,332</u>	<u>\$4,073,334</u>	<u>\$2,203,383</u>	<u>\$2,862,176</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	<u>18,353</u>				<u>82,032</u>
Total liabilities	<u>18,353</u>				<u>83,051</u>
Fund Balances:					
Restricted	<u>428,946</u>	<u>\$292,332</u>	<u>4,073,334</u>	<u>2,203,383</u>	<u>2,779,125</u>
Total fund balances	<u>428,946</u>	<u>292,332</u>	<u>4,073,334</u>	<u>2,203,383</u>	<u>2,779,125</u>
Total liabilities and fund balances	<u>\$447,299</u>	<u>\$292,332</u>	<u>\$4,073,334</u>	<u>\$2,203,383</u>	<u>\$2,862,176</u>

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Total</u>
\$1,476,560	\$1,548,221	\$12,853,732
8,569	8,889	105 66,926
<u>\$1,485,129</u>	<u>\$1,557,110</u>	<u>\$12,920,763</u>
<u>5,986</u>	<u>21,144</u>	<u>127,515</u>
<u>5,986</u>	<u>22,577</u>	<u>129,967</u>
<u>1,479,143</u>	<u>1,534,533</u>	<u>12,790,796</u>
<u>1,479,143</u>	<u>1,534,533</u>	<u>12,790,796</u>
<u>\$1,485,129</u>	<u>\$1,557,110</u>	<u>\$12,920,763</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, 2019

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Revenues:					
Charges for services					
Impact fees/recreation fees			\$2,411,632		\$289,261
Investment income	\$9,799	\$6,113	49,125	\$51,386	50,321
Intergovernmental revenues	148,890	7,509			
Miscellaneous					484,055
Total Revenues	158,689	13,622	2,460,757	51,386	823,637
Expenditures:					
Current:					
Public Safety	56,025				
Public Works			31,475		
Recreation Services					201,588
Planning				342	
Capital outlay			11,328		340,044
Total Expenditures	56,025		42,803	342	541,632
Excess (deficiency) of revenues over (under) expenditures	102,664	13,622	2,417,954	51,044	282,005
Other financing sources:					
Transfers in		50,000			874,000
Transfer (out)					(517)
Total Other Financing Sources		50,000			873,483
Net change in fund balances	102,664	63,622	2,417,954	51,044	1,155,488
Fund balances at beginning of year	326,282	228,710	1,655,380	2,152,339	1,623,637
Fund balances at end of year	\$428,946	\$292,332	\$4,073,334	\$2,203,383	\$2,779,125

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Total</u>
	\$5,134	\$5,134
\$50		2,700,943
23,754	33,098	223,596
87,106		243,505
37,444		521,499
<u>148,354</u>	<u>38,232</u>	<u>3,694,677</u>
		56,025
	34,945	66,420
		201,588
		342
<u>181,675</u>	<u>51,021</u>	<u>584,068</u>
<u>181,675</u>	<u>85,966</u>	<u>908,443</u>
<u>(33,321)</u>	<u>(47,734)</u>	<u>2,786,234</u>
810,000	292,495	2,026,495
	(2,292)	(2,809)
<u>810,000</u>	<u>290,203</u>	<u>2,023,686</u>
776,679	242,469	4,809,920
<u>702,464</u>	<u>1,292,064</u>	<u>7,980,876</u>
<u>\$1,479,143</u>	<u>\$1,534,533</u>	<u>\$12,790,796</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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$1,700	\$9,799	\$8,099
Intergovernmental	<u>100,000</u>	<u>148,890</u>	<u>48,890</u>
Total Revenues	<u>101,700</u>	<u>158,689</u>	<u>56,989</u>
Expenditures:			
Current:			
Public Safety	<u>106,100</u>	<u>56,025</u>	<u>50,075</u>
Total expenditures	<u>106,100</u>	<u>56,025</u>	<u>(50,075)</u>
Excess (deficiency) of revenues over ( under) expenditures	<u>(4,400)</u>	<u>102,664</u>	<u>107,064</u>
Net change in fund balance	<u><u>(\$4,400)</u></u>	<u>102,664</u>	<u><u>\$107,064</u></u>
Fund Balance at beginning of year		<u>326,282</u>	
Fund balance at end of year		<u><u>\$428,946</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, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$600	\$6,113	\$5,513
Intergovernmental revenue		7,509	7,509
	600	13,622	13,022
Expenditures:			
Current:			
Public works	52,800		52,800
	52,800		52,800
Excess (deficiency) of revenues over (under) expenditures	(52,200)	13,622	65,822
Other financing sources:			
Transfers in	50,000	50,000	
	50,000	50,000	
Net change in fund balance	(\$2,200)	63,622	\$65,822
Fund balance at beginning of year		228,710	
Fund balance at end of year		\$292,332	

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, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees	\$48,178	\$2,411,632	\$2,363,454
Investment income	2,400	49,125	46,725
Total revenues	50,578	2,460,757	2,410,179
Expenditures:			
Current:			
Public works	25,600	31,475	(5,875)
Capital outlay		11,328	(11,328)
Total expenditures	25,600	42,803	(17,203)
Excess (deficiency) of revenues over (under) expenditures	24,978	2,417,954	2,392,976
Net change in fund balance	\$24,978	2,417,954	\$2,392,976
Fund balance at beginning of year		1,655,380	
Fund balance at end of year		\$4,073,334	

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, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Recreation fees/impact fees			
Investment income	\$11,100	\$51,386	\$40,286
Total revenues	11,100	51,386	40,286
Expenditures:			
Current:			
Planning	102,000	342	101,658
Net change in fund balance	\$11,100	51,044	\$40,286
Fund balance at beginning of year		2,152,339	
Fund balance at end of year		\$2,203,383	

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, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Impact fees/recreation fees	\$201,956	\$289,261	\$87,305
Investment income	1,500	50,321	48,821
Intergovernmental revenues	340,000		(340,000)
Miscellaneous		484,055	484,055
<b>Total Revenues</b>	<b>543,456</b>	<b>823,637</b>	<b>280,181</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Recreation services	128,892	201,588	(72,696)
Capital outlay	1,884,000	340,044	1,543,956
<b>Total expenditures</b>	<b>2,012,892</b>	<b>541,632</b>	<b>1,471,260</b>
<b>Excess of revenues over expenditures</b>	<b>(1,469,436)</b>	<b>282,005</b>	<b>1,751,441</b>
<b>Other financing sources:</b>			
Transfers in	874,000	874,000	
Transfers out	(517)	(517)	
<b>Total other financing sources</b>	<b>873,483</b>	<b>873,483</b>	
<b>Net change in fund balance</b>	<b>(\$595,953)</b>	<b>1,155,488</b>	<b>\$1,751,441</b>
Fund balance at beginning of year		1,623,637	
Fund balance at end of year		<b>\$2,779,125</b>	

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, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees		\$50	\$50
Investment income	\$3,500	23,754	20,254
Intergovernmental revenue	125,000	87,106	(37,894)
Miscellaneous		37,444	37,444
Total revenues	<u>128,500</u>	<u>148,354</u>	<u>19,854</u>
Expenditures:			
Capital Outlay	<u>995,000</u>	<u>181,675</u>	<u>813,325</u>
Total expenditures	<u>995,000</u>	<u>181,675</u>	<u>813,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(866,500)</u>	<u>(33,321)</u>	<u>833,179</u>
Other financing sources (uses):			
Transfers in	<u>810,000</u>	<u>810,000</u>	
Total Other Financing Sources (uses)	<u>810,000</u>	<u>810,000</u>	
Net change in fund balance	<u><u>(\$56,500)</u></u>	<u>776,679</u>	<u><u>\$833,179</u></u>
Fund balance at beginning of year		<u>702,464</u>	
Fund balance at end of year		<u><u>\$1,479,143</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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges for services	\$4,582	\$5,134	\$552
Investment income	<u>3,600</u>	<u>33,098</u>	<u>29,498</u>
Total Revenues	<u>8,182</u>	<u>38,232</u>	<u>30,050</u>
Expenditures:			
Public works		34,945	(34,945)
Capital outlay	<u>800,900</u>	<u>51,021</u>	<u>749,879</u>
Total expenditures	<u>800,900</u>	<u>85,966</u>	<u>714,934</u>
Excess of revenues over expenditures	<u>(792,718)</u>	<u>(47,734)</u>	<u>744,984</u>
Other financing sources:			
Transfers in	292,495	292,495	
Transfers out	<u>(2,292)</u>	<u>(2,292)</u>	
Total other financing sources	<u>290,203</u>	<u>290,203</u>	
Net change in fund balance	<u><u>(\$502,515)</u></u>	<u>242,469</u>	<u><u>\$744,984</u></u>
Fund balance at beginning of year		<u>1,292,064</u>	
Fund balance at end of year		<u><u>\$1,534,533</u></u>	

**CITY OF HALF MOON BAY, CALIFORNIA**

**INTERNAL SERVICE FUNDS**

**FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
<b>Assets</b>				
Current Assets:				
Cash and investments	\$809,320	\$2,938,029	\$1,204,975	\$4,952,324
Accounts receivable				
Interest receivable	19,370	17,058	6,969	43,397
<b>Total Current Assets</b>	<b>828,690</b>	<b>2,955,087</b>	<b>1,211,944</b>	<b>4,995,721</b>
Non-current assets:				
Net OPEB asset		2,842		2,842
Capital assets, net of Accumulated depreciation	206,228			206,228
<b>Total Assets</b>	<b>1,034,918</b>	<b>2,957,929</b>	<b>1,211,944</b>	<b>5,204,791</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable		10,436		10,436
Claims liability		903,761		903,761
<b>Total Liabilities</b>		<b>914,197</b>		<b>914,197</b>
Deferred inflow of resources				
Related to OPEB		11		11
<b>Total deferred inflows of resources</b>		<b>11</b>		<b>11</b>
<b>Net Position</b>				
Net position:				
Invested in capital assets	206,228			206,228
Unrestricted	828,690	2,043,721	1,211,944	4,084,355
<b>Total net position</b>	<b>\$1,034,918</b>	<b>\$2,043,721</b>	<b>\$1,211,944</b>	<b>\$4,290,583</b>

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, 2019

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Operating revenues:				
Impact fees	\$5,410			\$5,410
Total operating revenues	5,410			5,410
Operating expenses:				
Salaries and wages		\$130,462	\$244,372	374,834
Contract services	258,628	102,848		361,476
Services and supplies	56,204	2,040		58,244
Repairs and maintenance	139,777			139,777
Insurance expense	1,424	205,729		207,153
Pension			\$551,942	551,942
Depreciation	82,858			82,858
Total operating expenses	538,891	441,079	796,314	1,776,284
Operating income (loss)	(533,481)	(441,079)	(796,314)	(1,770,874)
Non-operating revenues (expenses):				
Investment income	21,424	62,440	16,042	99,906
Total non-operating revenues	21,424	62,440	16,042	99,906
Transfers in	200,200	634,870	945,000	1,780,070
Change in net position	(311,857)	256,231	164,728	109,102
Net position at beginning of year	1,346,775	1,787,490	1,047,216	4,181,481
Net position at end of year	<u>\$1,034,918</u>	<u>\$2,043,721</u>	<u>\$1,211,944</u>	<u>\$4,290,583</u>

CITY OF HALF MOON BAY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Cash flows from operating activities:				
Cash received from department users	\$5,410			\$5,410
Cash payments to suppliers of goods and services	(483,183)	(309,243)	(\$557,195)	(1,349,621)
Cash payments to employees for services		(130,451)	(244,372)	(374,823)
Net cash provided by (used for) operating activities	(477,773)	(439,694)	(801,567)	(1,719,034)
Cash flows from non-capital financing activities:				
Transfer in	200,200	634,870	945,000	1,780,070
Net cash provided by (used for) non-capital financing activities	200,200	634,870	945,000	1,780,070
Cash flows from investing activities:				
Interest received on investments	21,424	62,440	16,042	99,906
Net cash provided by investing activities	21,424	62,440	16,042	99,906
Net increase (decreased) in cash and cash equivalents	(256,149)	257,616	159,475	160,942
Cash and cash equivalents at beginning of year	1,065,469	2,680,413	1,045,500	4,791,382
Cash and cash equivalents at end of year	\$809,320	\$2,938,029	\$1,204,975	\$4,952,324
Reconciliation of operating income to net cash flows provided by operating activities:				
Operating income (loss)	(\$533,481)	(\$441,079)	(\$796,314)	(\$1,770,874)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	82,858			82,858
(Increase) in interest receivable	(16,727)	(8,272)	(5,253)	(30,252)
Increase (Decreased) in accounts payable	(10,423)	(44,721)		(55,144)
Increase (Decreased) in deferred inflows of resources		11		11
Increase in claims and judgments payable		54,367		54,367
Net cash provided by (used for) operating activities	(477,773)	(439,694)	(801,567)	(1,719,034)

**STATISTICAL SECTION**



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**CITY OF HALF MOON BAY, CALIFORNIA**

**STATISTICAL SECTION**

**FISCAL YEAR ENDED JUNE 30, 2019**

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's 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)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 60,800,162
Restricted	61,860	-	-	-	38,078,982	18,540,842	19,779,956	22,157,470	25,844,530	27,738,822
Unrestricted	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	25,475,062
<b>Total governmental activities net position</b>	<b>\$ 43,025,482</b>	<b>\$ 54,646,431</b>	<b>\$ 59,746,879</b>	<b>\$ 77,585,128</b>	<b>\$ 82,145,576</b>	<b>\$ 82,133,722</b>	<b>\$ 94,663,614</b>	<b>\$ 96,729,641</b>	<b>\$ 106,024,253</b>	<b>\$ 114,014,046</b>
<b>Business-type activities:</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 4,566,718
Restricted	-	-	-	-	-	-	-	-	5,946,230	6,385,095
Unrestricted	10,845,643	10,998,100	13,604,197	15,881,577	18,347,207	19,063,158	20,635,855	21,900,766	14,129,580	13,683,606
<b>Total business-type activities net position</b>	<b>\$ 15,015,646</b>	<b>\$ 15,146,816</b>	<b>\$ 18,115,830</b>	<b>\$ 19,971,364</b>	<b>\$ 22,371,975</b>	<b>\$ 23,034,034</b>	<b>\$ 24,507,211</b>	<b>\$ 25,717,760</b>	<b>\$ 24,566,783</b>	<b>\$ 24,635,419</b>
<b>Primary government:</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 65,366,880
Restricted	61,860	-	-	-	38,078,982	18,540,842	19,779,956	22,157,470	31,790,760	34,123,917
Unrestricted	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	39,158,668
<b>Total primary government net position <sup>(1)</sup></b>	<b>\$ 58,041,128</b>	<b>\$ 69,793,247</b>	<b>\$ 77,862,709</b>	<b>\$ 97,556,492</b>	<b>\$ 104,517,551</b>	<b>\$ 105,167,756</b>	<b>\$ 119,170,825</b>	<b>\$ 122,447,401</b>	<b>\$ 130,591,036</b>	<b>\$ 138,649,465</b>

<sup>(1)</sup> The \$11.8 million increase in primary government net position in FY 2010-11 is primarily attributable to the addition of the "Glencree" land totaling \$8.9 million, as well as \$1.9 million in cash and investments from increased revenues, strong expense management, and timing of projects.

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

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

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

The \$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.

The \$8.0 million increase in primary government net position in FY 2018-19 is primarily attributable to higher tax and general revenues

% change vs prior year	20%	12%	25%	7%	1%	13%	3%	7%	6%	
Net increase position	\$ 16,555,713	\$ 11,752,119	\$ 8,069,462	\$ 19,693,783	\$ 6,961,059	\$ 650,205	\$ 14,003,069	\$ 3,276,576	\$ 8,143,635	\$ 8,058,429

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 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	\$ 7,506,947
Public safety	3,978,722	4,452,292	3,739,193	4,020,875	3,209,551	3,901,511	3,449,122	5,183,033	3,878,176	3,975,865
Public works	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	3,506,195
Recreation services	1,349,644	470,592	335,383	208,152	221,703	282,251	337,331	348,604	926,730	1,167,467
Interest and fiscal charges	1,161,720	1,194,208	1,182,228	1,172,672	1,155,865	1,053,237	937,704	937,704	937,704	937,704
Total governmental activities expenses	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	17,094,178
Business-type activities:										
Sewer	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	4,562,513
Total business-type activities expenses	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	4,562,513
Total primary government expenses	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	21,656,691
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 133,221	\$ 275,581	\$ 573,847	\$ 322,092	\$ 769,532	\$ 562,974	\$ 658,244	\$ 526,111	\$ 243,580	\$ 391,071
Public safety	118,966	108,566	119,719	153,154	117,737	107,738	118,204	95,883	961,407	64,011
Public works	212,314	225,007	317,715	549,671	632,607	423,449	407,342	452,260	672,979	392,876
Recreation services	638,982	573,574	508,032	457,531	534,225	550,144	588,890	624,771	841,581	630,725
Operating grants and contributions	1,245,248	1,387,622	897,344	1,182,936	1,512,220	1,903,151	390,970	1,166,559	932,873	1,390,373
Capital grants and contributions	574,092	316,502	1,645,343	571,140	775,559	596,856	7,915,220	607,526	6,940,211	5,090,594
Total governmental activities program revenues	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	7,959,650
Business-type activities:										
Charges for services:										
Sewer	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	4,533,846
Operating grants and contributions	-	-	1,965,858	1,540	4,074	45,628	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	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	4,533,846
Total primary government program revenues	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	12,493,496
Net revenues (expenses):										
Governmental activities	\$ (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)	\$ (9,134,528)
Business-type activities	(382,456)	375,396	3,187,550	2,057,352	2,625,165	1,073,127	1,772,906	1,557,745	(495,930)	(28,667)
Total net revenues (expenses) <sup>(3)</sup>	(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)	(9,163,195)

CITY OF HALF MOON BAY

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 3,613,782
Sales tax	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	2,804,748
Transient occupancy taxes	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	6,828,108
Other taxes	567,746	624,880	828,343	787,952	814,840	832,390	808,224	919,666	1,038,546	1,242,286
Motor vehicle in lieu, unrestricted	-	-	-	-	-	-	-	-	-	-
Investment income	112,786	246,160	425,702	385,353	291,224	798,406	811,191	583,497	703,351	1,188,804
Other general revenues	298,249	887,001	1,378,696	962,353	929,562	779,392	783,472	1,575,312	1,386,752	1,446,593
Special Item: Judgment <sup>(2)</sup>	18,000,000	-	-	13,150,000	-	-	-	-	-	-
Special Item: Insurance proceeds <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-
Special Item: Donated land <sup>(3)</sup>	-	8,917,500	-	-	-	-	-	-	-	-
Total governmental activities	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	17,124,321
Business-type activities:										
Investment income	6,939	5,774	31,464	48,182	25,446	63,696	93,088	135,003	195,743	332,868
Miscellaneous	-	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(392,817)	(482,199)	(857,213)	(235,565)
Total business-type activities	6,939	(244,226)	(218,536)	(201,818)	(224,554)	(186,304)	(299,729)	(347,196)	(661,470)	97,303
Total primary government	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	17,221,624
Changes in net position:										
Governmental activities	\$ 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	\$ 7,989,793
Business-type activities	(375,517)	131,170	2,969,014	1,855,534	2,400,611	886,823	1,473,177	1,210,549	(1,157,400)	68,636
Total primary government <sup>(1)</sup>	\$ 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	\$ 8,058,429

<sup>(1)</sup> Change in Net Assets in Primary Government:

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.

The \$8.0 million increase in primary government net position in FY 2018-19 is primarily attributable to higher tax and general revenues

<sup>(2)</sup> 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.

<sup>(3)</sup> 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									
	2010	2011 (a)	2012	2013	2014	2015	2016	2017	2018	2019
General fund:										
Reserved	\$ 2,934,031	\$ 9,373,648	\$ 9,145,574	\$ 8,917,500	\$ 8,917,500	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,404,122	2,763,098	3,672,354	3,800,352	4,255,283	3,012,735	2,909,550	5,070,257	5,070,257	6,646,354
Total general fund (1)	\$ 5,338,153	\$ 12,136,746	\$ 12,817,928	\$ 12,717,852	\$ 13,172,783	\$ 3,012,735	\$ 2,909,550	\$ 5,070,257	\$ 5,070,257	\$ 6,646,354
All other governmental funds:										
Reserved	\$ 18,432,044	\$ 2,893,969	\$ 2,587,992	\$ 3,143,252	\$ 3,978,376	\$ 6,529,822	\$ 7,829,894	\$ 5,986,903	\$ 4,892,195	\$ 4,309,910
Unreserved, reported in:										
Special revenue funds	139,239	1,145,312	1,110,256	1,825,000	2,609,294	6,529,822	7,829,894	5,986,903	4,892,195	4,309,910
Debt service fund	1,145,312	2,223,984	2,587,992	3,143,252	3,978,376	6,529,822	7,829,894	5,986,903	4,892,195	4,309,910
Capital projects funds	2,223,984	15,030,715	16,516,176	17,686,104	19,760,453	9,542,557	10,739,444	11,057,160	9,962,452	10,956,264
Total all other governmental funds (2)	\$ 21,940,579	\$ 22,761,383	\$ 24,037,008	\$ 38,487,763	\$ 39,075,661	\$ 50,111,937	\$ 58,426,370	\$ 55,723,621	\$ 54,829,639	\$ 58,171,257
Total all other governmental funds (3)	\$ 22,761,383	\$ 22,761,383	\$ 24,037,008	\$ 38,487,763	\$ 39,075,661	\$ 50,111,937	\$ 58,426,370	\$ 55,723,621	\$ 54,829,639	\$ 58,171,257
All other governmental funds:										
Nonspendable	\$ 17,906,420	\$ 17,906,420	\$ 17,906,420	\$ 17,906,420	\$ 17,906,420	\$ 26,823,920	\$ -	\$ -	\$ -	\$ 26,823,920
Restricted	2,823,637	2,823,637	6,130,588	7,431,343	21,169,241	23,288,017	31,602,450	23,288,663	25,844,530	27,738,822
Committed	2,034,742	2,034,742	6,130,588	13,150,000	-	-	26,823,920	26,823,920	26,823,920	26,823,920
Assigned	(3,416)	(3,416)	-	-	-	-	-	-	-	-
Unassigned	22,761,383	22,761,383	24,037,008	38,487,763	39,075,661	50,111,937	58,426,370	55,723,621	54,829,639	58,171,257
Total all other governmental funds (4)	\$ 22,761,383	\$ 22,761,383	\$ 24,037,008	\$ 38,487,763	\$ 39,075,661	\$ 50,111,937	\$ 58,426,370	\$ 55,723,621	\$ 54,829,639	\$ 58,171,257

(1) General Fund:

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.  
 FY 2018-19 Unassigned fund balance increase is primarily due to in tax and general revenues

(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 Yamagiwa case. The Debt Service Fund increased for the reserve requirement on the Judgment Obligation bond in FY 2009-10.  
 FY 2011-12 Nonspendable fund balance is land held for resale. The increase in Restricted fund balance reflects the change in classification for special revenue funds, as well as increased restricted monies for capital projects.  
 FY 2012-13 Nonspendable fund balance is land held for resale. The increase in the Committed balance is for the monies to be used for the debt reduction program on the Judgment Obligation Bonds.  
 FY 2013-14 Restricted fund balance increase is due to the reclass of the Committed balance in the 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.  
 FY 2018-19 \$3.0M increase is primarily due to progress in capital projects

(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 Glenecce land.

**CITY OF HALF MOON BAY**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years <sup>(1)</sup>**  
**(Modified Accrual Basis of Accounting)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
Taxes	\$ 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	\$ 14,448,702
Licenses and permits	210,491	290,872	306,022	482,488	537,634	394,931	379,749	444,388	370,269	377,873
Fines and forfeitures	66,168	47,220	74,990	116,060	93,737	83,812	102,202	79,132	171,873	189,415
Charges for services	538,817	263,065	546,433	636,772	940,320	765,457	806,642	701,163	1,255,479	1,165,640
Recreation fees/ Impact fees	288,269	287,531	991,622	556,402	821,973	625,166	717,469	1,173,275	1,065,005	2,700,943
Investment income	108,970	246,160	425,610	383,533	291,227	798,408	772,575	549,489	703,354	1,225,128
Rents and leases	25,651	26,582	15,017	12,250	11,518	-	20,000	10,080	87,536	75,603
Intergovernmental revenues	1,774,609	1,623,367	1,824,763	1,312,202	1,925,058	2,260,890	8,058,785	1,069,157	1,910,615	2,074,855
Administrative fees	7,315	15,185	3,659	249	1,633	65	-	-	-	-
Miscellaneous	246,544	1,068,317	215,760	13,875,666	887,731	519,595	400,376	1,089,034	908,337	1,325,476
<b>Total revenues</b>	<b>11,014,698</b>	<b>12,590,203</b>	<b>14,001,898</b>	<b>28,103,741</b>	<b>17,271,697</b>	<b>18,447,562</b>	<b>25,187,976</b>	<b>17,701,975</b>	<b>20,110,639</b>	<b>23,585,635</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	2,290,184	2,568,015	2,194,722	3,295,081	3,316,520	2,727,404	3,582,831	3,143,214	3,968,569	3,445,355
Public safety	3,935,847	4,084,469	3,724,355	4,005,358	2,744,812	946,395	1,083,666	3,610,736	3,689,490	3,727,302
Public works	3,670,803	2,323,968	3,274,946	3,110,738	3,233,403	3,089,741	3,208,099	1,639,299	1,768,330	2,147,231
Recreation services	524,859	403,058	190,175	62,803	1,780,847	1,987,691	1,347,508	176,497	701,405	896,854
Planning services	604,204	390,853	532,116	687,726	77,155	142,020	183,328	2,353,980	2,505,066	2,686,651
Capital outlay	7,385	163,110	58,861	-	2,254,869	2,745,770	4,437,029	7,766,781	18,996,455	5,027,468
Debt service:										
Principal retirement <sup>(1)</sup>	50,000	315,000	330,000	395,000	290,000	4,655,000	-	-	-	-
Interest and fiscal charges	665,009	1,195,864	1,185,637	1,176,352	1,161,844	1,053,237	937,704	937,704	937,704	937,704
<b>Total expenditures</b>	<b>11,748,291</b>	<b>11,244,337</b>	<b>11,490,812</b>	<b>12,733,058</b>	<b>14,859,450 <sup>(2)</sup></b>	<b>17,347,258</b>	<b>14,780,165</b>	<b>19,628,211</b>	<b>32,567,019</b>	<b>18,868,565</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(733,593)</b>	<b>1,345,866</b>	<b>2,511,086</b>	<b>15,370,683</b>	<b>2,412,247</b>	<b>1,100,304</b>	<b>10,406,911</b>	<b>(1,926,236)</b>	<b>(2,456,380)</b>	<b>4,715,070</b>
<b>Other financing sources (uses):</b>										
Proceeds from insurance settlement	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	16,680,000	-	-	-	-	-	-	-	-	-
Advanced Proceeds from San Mateo County	-	-	-	-	-	-	-	-	-	-
Capital grants	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	726,000
Transfers in <sup>(3)</sup>	(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)	(4,322,638)
Transfers out <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-
Donated land held for resale	-	8,917,500	-	-	-	-	-	-	-	-
Total other financing sources (uses)	16,650,000	9,167,500	250,000	250,000	250,000	(281,924)	(895,591)	(458,797)	10,467,690	(379,640)
<b>Net change in fund balances <sup>(6)</sup></b>	<b>\$ 15,896,407</b>	<b>\$ 10,513,366</b>	<b>\$ 2,761,086</b>	<b>\$ 15,620,683</b>	<b>\$ 2,662,247</b>	<b>\$ 818,380</b>	<b>\$ 9,511,320</b>	<b>\$ (2,385,033)</b>	<b>\$ (1,988,690)</b>	<b>\$ 4,335,430</b>
Debt service as a percentage of non-capital expenditures	6.1%	13.6%	13.3%	12.3%	11.5%	39.1%	9.1%	7.9%	6.9%	6.6%

<sup>(1)</sup> In FY 2014-15 the City elected to completely pay off the 2009A Judgment Obligation Bonds.

<sup>(2)</sup> 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).

<sup>(3)</sup> 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.

The net increase in Fund balance of \$4.3 million in FY 2018-19 is primarily due to increase in revenues and decrease in library project expenditures

**CITY OF HALF MOON BAY**

**Transient Occupancy Tax (TOT) by Lodging Type (BASE) <sup>(1)</sup>**

**Last Ten Fiscal Years**

As of June 30th

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>LODGING TYPE</b>										
Hotels/Motels	\$ 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	\$ 6,409,533
B&Bs/ Inns / Cottages	78,696	83,797	95,678	104,057	114,610	101,393	99,062	60,671	68,729	66,079
RV Parks/Camps	54,009	60,477	97,244	96,187	243,467	281,880	148,191	150,019	170,855	159,065
Vacation Rentals	-	-	5,401	21,470	35,392	45,105	44,230	43,790	115,398	218,561
<b>Totals</b>	<b>\$ 3,393,649</b>	<b>\$ 3,732,441</b>	<b>\$ 4,230,920</b>	<b>\$ 4,524,646</b>	<b>\$ 4,977,439</b>	<b>\$ 5,430,543</b>	<b>\$ 5,934,558</b>	<b>\$ 6,040,468</b>	<b>\$ 6,433,114</b>	<b>\$ 6,853,237</b>

<sup>(1)</sup> 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
2010	12%
2011	12%
2012	12%
2013	12%
2014	12%
2015	12%
2016	12%
2017	12%
2018	12%
2019	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	2018-19		2009-10	
	TOT Collected	Percent of Total TOT Revenues	TOT Collected	Percent of Total TOT Revenues
Hotels/Motels/Lodges	\$6,409,533	93.53%	\$ 3,260,944	96.09%
Bed & Breakfasts and Inns	\$66,079	0.96%	\$ 78,696	2.32%
RV Parks & Campgrounds	\$159,065	2.32%	\$ 54,009	1.59%
Vacation Rentals	\$218,561	3.19%	\$ -	0.00%
	\$ 6,853,237	100.00%	\$ 3,393,649	100.00%

Source: City of Half Moon Bay Finance Department

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

Outstanding General Bonded Debt						
Fiscal Year Ended June 30,	Lease Revenue Bonds	Judgment Obligation Bonds	San Mateo County Advancement	Total	Percent of Assessed Value <sup>(1)</sup>	Debt Per Capita
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	5,727	16,642	0.0006%	1,322
2019	-	10,915	5,727	16,642	0.0005%	1,317

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

<sup>(1)</sup> 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**  
**Ratio of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(In Thousands, except Per Capita)**

Outstanding General Bonded Debt						
Fiscal Year Ended June 30,	Lease Revenue Bonds	Judgment Obligation Bonds	San Mateo County Advancement	Total	Percent of Assessed Value <sup>(1)</sup>	Debt Per Capita
2010	220	16,680	16,680	33,580	0.0015%	2,583
2011	170	16,680	16,680	33,530	0.0015%	2,539
2012	115	16,140	16,140	32,395	0.0014%	2,423
2013	-	15,860	15,860	31,720	0.0014%	2,764
2014	-	15,570	15,570	31,140	0.0013%	2,689
2015	-	10,915	10,915	21,830	0.0009%	1,862
2016	-	10,915	10,915	21,830	0.0008%	1,862
2017	-	10,915	10,915	21,830	0.0008%	1,742
2018	-	10,915	10,915	21,830	0.0008%	1,734
2019	-	10,915	5,727	16,642	0.0005%	1,317

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

<sup>(1)</sup> 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, 2019**

2018-19 Assessed Value \$ 3,139,279,467

	Percentage Applicable <sup>(1)</sup>	Total Debt 6/30/2019	City's Share of Debt 06/30/19
<b>Overlapping Tax and Assessment Debt:</b>			
San Mateo Community College District	1.405%	\$ 801,050,076	\$ 11,254,754
Cabrillo Unified School District	46.535%	90,951,304	42,324,189
Granada Sanitary District 1915 Act Bonds	18.288%	1,875,000	342,900
Total Overlapping Tax and Assessment Debt		\$ 893,876,380	\$ 53,921,843
 <u>Ratio to Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt			1.72%
 <b>Direct and Overlapping General Fund Debt:</b>			
San Mateo County General Fund Obligations	1.405%	\$ 551,005,360	\$ 7,741,625
San Mateo County Board of Education Certificates of Participation	1.405%	8,140,000	114,367
Direct: City of Half Moon Bay Judgment Obligations	100.000%	10,915,000	10,915,000
Direct: City of Half Moon Bay San Mateo County advancement	100.000%	5,726,855	5,726,855
Total Direct Debt			\$ 16,641,855
Total Overlapping Debt			61,777,835
Combined Total Debt			\$ 78,419,690 <sup>(2)</sup>

- <sup>(1)</sup> 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.
- <sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.72%
Total Direct Debt (\$16,641,855)	0.53%
Combined Total Debt	2.50%

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

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

	June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed valuation	\$ 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	\$ 2,893,093,932	\$ 3,123,075,037
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	575,597,803	569,854,526	576,803,170	586,909,772	590,252,714	638,339,406	683,310,545	688,942,100	723,273,483	780,768,759
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	86,339,670	85,478,179	86,520,475	88,036,466	88,537,907	95,750,911	102,496,582	103,341,315	108,491,022	117,115,314
Total net debt applicable to limit:										
General obligation bonds	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	10,915,000
Legal debt margin	\$ 69,439,670	\$ 68,628,179	\$ 70,265,475	\$ 72,176,466	\$ 72,967,907	\$ 84,835,911	\$ 91,581,582	\$ 92,426,315	\$ 97,576,022	\$ 106,200,314
Total debt applicable to the limit as a percentage of debt limit	19.6%	19.7%	18.8%	18.0%	17.6%	11.4%	10.6%	10.6%	10.1%	9.3%

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

Sources: City Finance Department  
San Mateo County Tax Assessor Combined Tax Roll 650-363-4777

**CITY OF HALF MOON BAY**

**Principal Employers**

**6/30/2019 and Ten Years Prior**

Employer	2019		2009	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ritz Carlton Hotel	550	17.53%	500	6.25%
Rocket Farms Inc.	130	4.14%		
New Leaf Community Market	117	3.73%	77	96.00%
Safeway Store	102	3.25%	114	1.43%
Sam's Chowder House	97	3.09%	150	1.88%
Hassett Hardware	56	1.78%		
Half Moon Bay Golf Links	55	1.75%	124	1.55%
Pastorino Hay & Ranch Supply Inc.	48	1.53%		
Mullins Bar & Grill	43	1.37%		
Sea Crest School	41	1.31%		
Cabrillo Unified School District			325	4.06%
Nurserymen's Exchange			300	3.75%
La Petite Baleen Inc			100	1.25%
Odwalla Inc.			63	79.00%
CVS/Pharmacy			63	79.00%
Andreini Brothers Inc			49	61.00%
<b>Subtotal Top Ten Employers</b>	<b>1,239</b>	<b>39.48%</b>	<b>1,865</b>	<b>23.31%</b>
<b>Total Employment</b>	<b>3,138</b>	<b>100.00%</b>	<b>8,000</b>	<b>100.00%</b>

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

Source for 2019: 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	10	15	16	16	20	23	20	26	31	24
Public Safety	17	-	-	-	-	-	-	-	-	0
Public Works/Maintenance	5	3	3	3	4	4	4	3	4	6
Recreation Services	1	-	-	-	-	-	0	-	5	5
Planning & CDD Dir.	3	2	3	3	1	1	2	2	6	9
<b>Total</b>	<b>36</b>	<b>20</b>	<b>22</b>	<b>22</b>	<b>25</b>	<b>28</b>	<b>26</b>	<b>31</b>	<b>46</b>	<b>44</b>

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**

	2010	2011	2012	June 30 2013	2014	2015	2016	2017	2018	2019
<b>Police:</b> <sup>(1)</sup>										
Arrests - Part 1 crimes		43	41	50	30	44	38	48	54	
Traffic citations		518	1,175	1,067	436	527	489	921	2,128	
Parking citations		774	1,222	1,152	1,065	1,598	1,212	3,994	3,465	
<b>Parks and Recreation:</b> <sup>(2)</sup>										
Number of recreation classes	109	72	60	155	87	88	75	159	105	
Number of facility rentals <sup>(3)</sup>	99	104	101	24	42	110	88	324	397	
<b>Building and Code Enforcement:</b> <sup>(4)</sup>										
Number of permits issued (est.)		550	457	500	487	413	460	413	473	
Number of plan checks (est.)		100	104	100	110	105	220	166	205	
Number of inspections (est.)		2,000	2,009	2,000	2,355	2,820	2,216	2,520	2,442	
<b>Planning:</b> <sup>(3)</sup>										
Planning Commission Meetings		24	20	22	20	15	12	20	23	
Number of permits processed		70	80	75	70	111	47	43	102	

<sup>(1)</sup> 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.  
<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> Information will continue to be added as made available.

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

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

June 30

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Police:</b>										
Sheriff Substation/EOC	1	1	1	1	1	1	1	1	1	1
<b>Public Works:</b>										
Streets (miles)	35	35	35	35	35	35	35	29	29	29 <sup>(1)</sup>
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	37	37
Library										1
Facilities/Buildings		6	6	6	6	6	6	6	6	6
Bike Trails (miles)		3	3	6	6	6	7	7	7	7
Land (acres)		100	100	100	100	176	176	176	176	176
<b>Administration:</b>										
Facilities/Buildings		1	1	1	1	1	1	1	1	1

(1) FY 2019 Street information is based on the most recent Pavement Condition Report.

Source: City of Half Moon Bay Finance Department

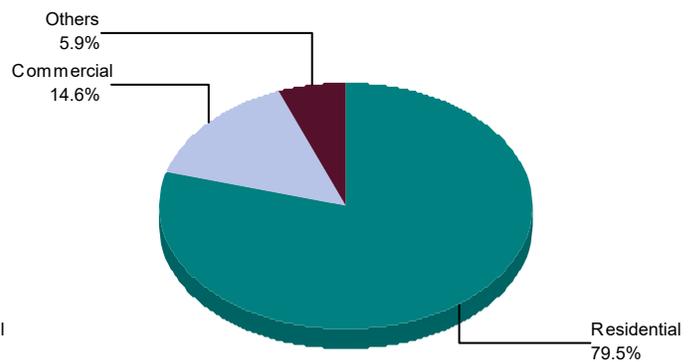
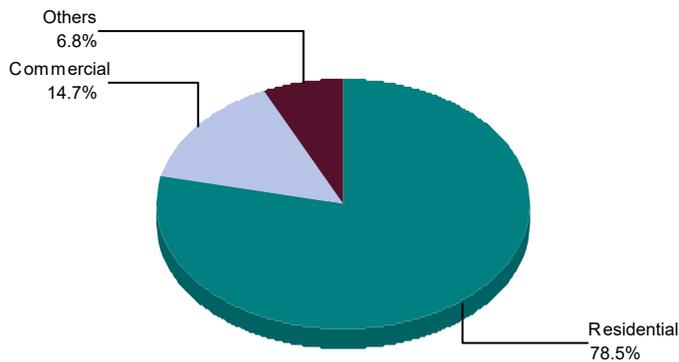
# THE CITY OF HALF MOON BAY 2018/19 USE CATEGORY SUMMARY

## BASIC PROPERTY VALUE TABLE

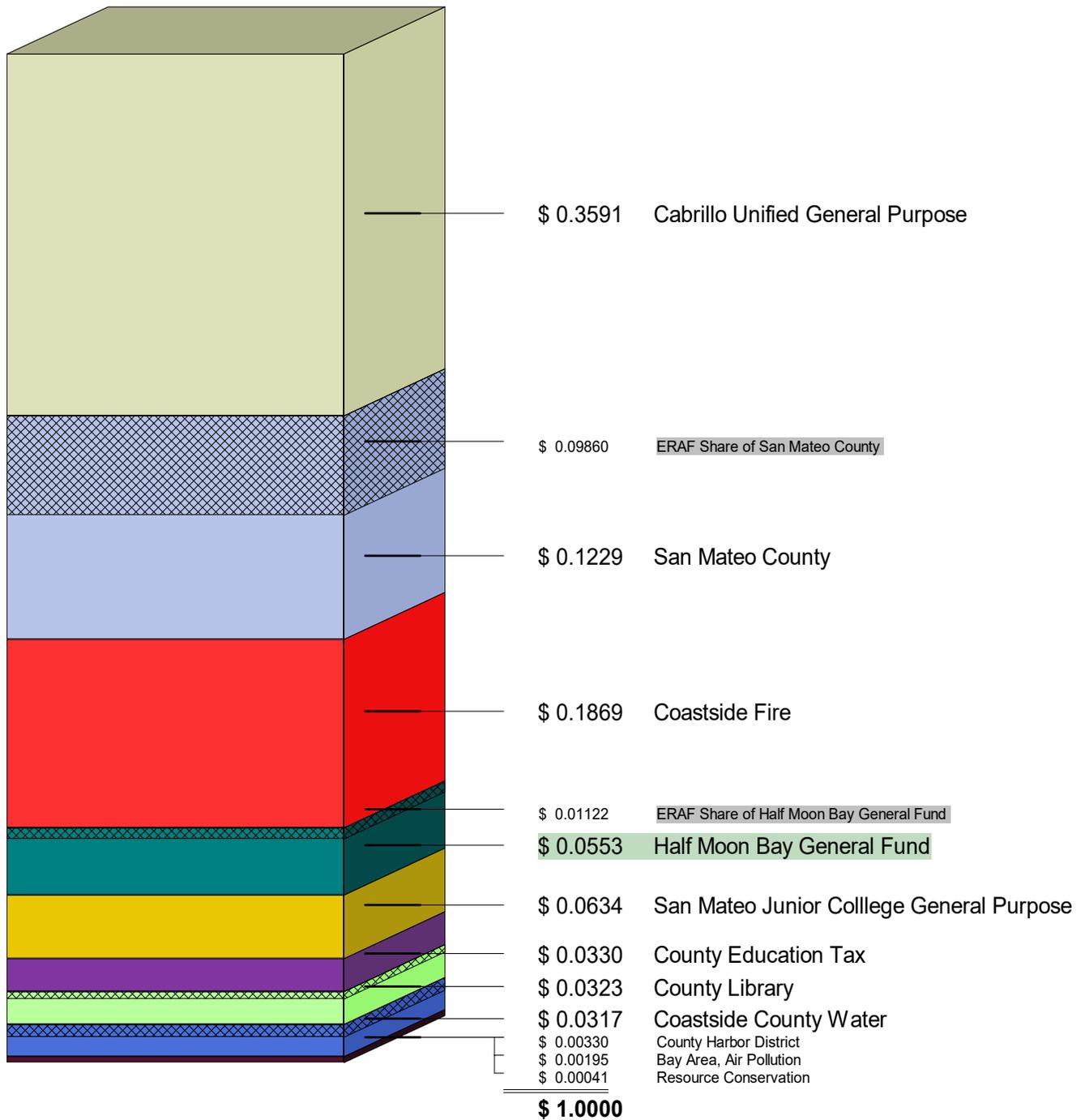
Category	Parcels	Assessed Value	Net Taxable Value
Residential	3,793	\$2,540,364,387 (78.5%)	\$2,496,961,916 (79.5%)
Commercial	223	\$474,649,218 (14.7%)	\$457,418,903 (14.6%)
Industrial	15	\$8,419,613 (0.3%)	\$8,419,613 (0.3%)
Agricultural	41	\$28,273,251 (0.9%)	\$17,322,251 (0.6%)
Govt. Owned	98	\$35,088 (0.0%)	\$0 (0.0%)
Institutional	21	\$18,829,261 (0.6%)	\$315,819 (0.0%)
Miscellaneous	15	\$16,786,985 (0.5%)	\$16,786,985 (0.5%)
Recreational	24	\$42,423,590 (1.3%)	\$42,118,338 (1.3%)
Vacant	1,934	\$61,723,829 (1.9%)	\$55,779,365 (1.8%)
Unsecured	[232]	\$44,901,848 (1.4%)	\$44,156,277 (1.4%)
<b>TOTALS</b>	<b>6,164</b>	<b>\$3,236,407,070</b>	<b>\$3,139,279,467</b>

**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 2018/19 Annual Tax Increment Tables

Prepared On 9/16/2019 By MV

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

# THE CITY OF HALF MOON BAY

## 2018/19 ROLL SUMMARY

### Taxable Property Values

	Secured	Nonunitary Utilities	Unsecured
Parcels	6,164	0	232
TRAs	8	0	7
<b>Values</b>			
Land	1,553,522,043	0	103,236
Improvements	1,619,196,919	0	5,317,971
Personal Property	16,409,168	0	27,159,071
Fixtures	2,377,092	0	12,321,570
Aircraft	0	0	0
<b>Total Value</b>	<b>\$3,191,505,222</b>	<b>\$0</b>	<b>\$44,901,848</b>
<b>Exemptions</b>			
Real Estate	95,628,531	0	330,250
Personal Property	730,546	0	387,517
Fixtures	22,955	0	27,804
Aircraft	0	0	0
Homeowners*	16,204,430	0	0
<b>Total Exemptions*</b>	<b>\$96,382,032</b>	<b>\$0</b>	<b>\$745,571</b>
<b>Total Net Value</b>	<b>\$3,095,123,190</b>	<b>\$0</b>	<b>\$44,156,277</b>

Combined Values	Total
<b>Total Values</b>	<b>\$3,236,407,070</b>
<b>Total Exemptions</b>	<b>\$97,127,603</b>
<b>Net Total Values</b>	<b>\$3,139,279,467</b>
<b>Net Aircraft Values</b>	<b>\$0</b>

\* Note: Homeowner Exemptions are not included in Total Exemptions

Totals do not Include Aircraft Values or Exemptions

Data Source: San Mateo County Assessor 2018/19 Combined Tax Rolls  
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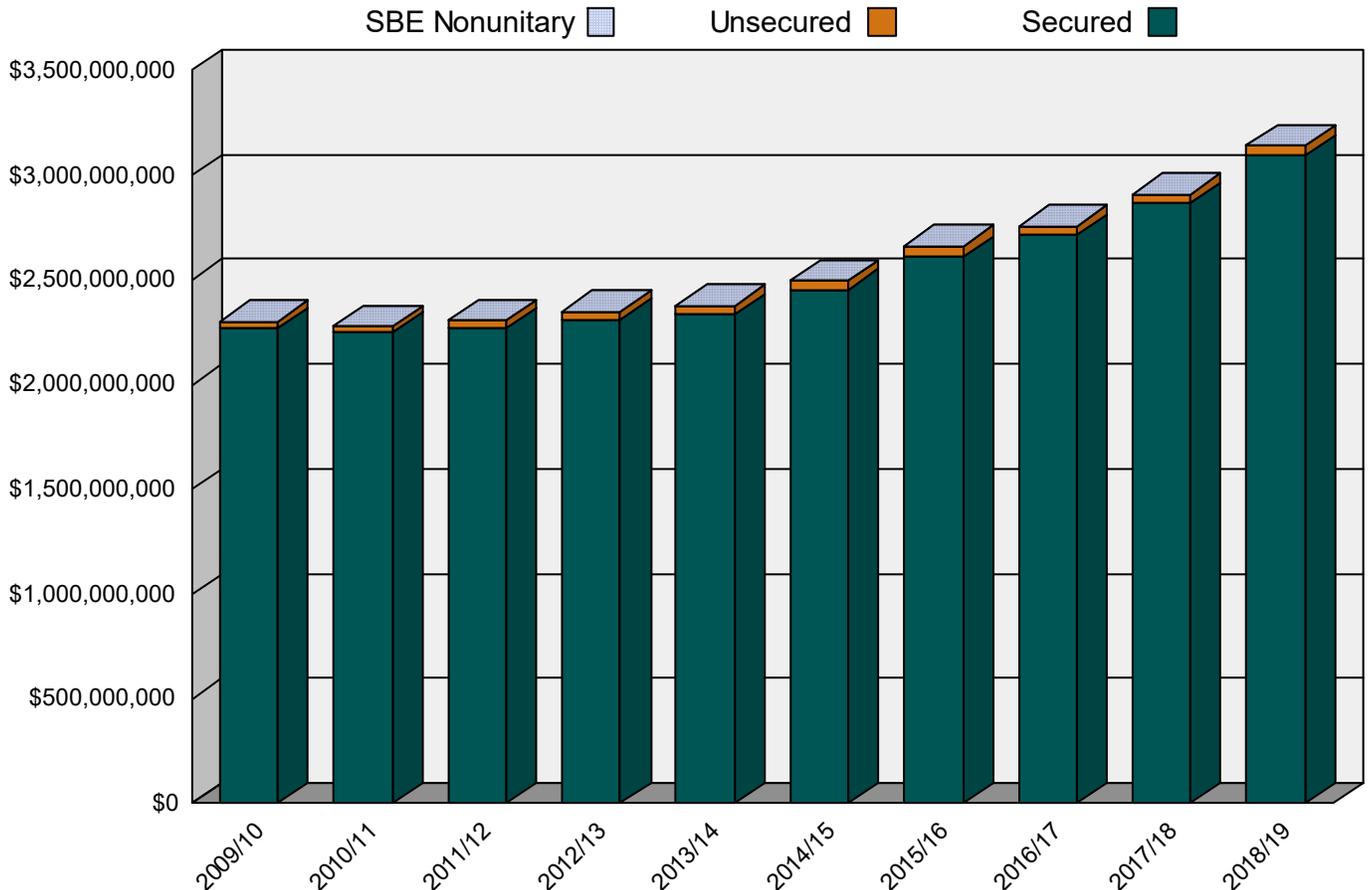
Prepared On 9/16/2019 By MV

# THE CITY OF HALF MOON BAY

## NET TAXABLE ASSESSED VALUE HISTORY

2009/10 - 2018/19 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2009/10	\$2,270,581,839	\$31,809,471	\$0	2,302,391,310	
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%
2018/19	\$3,095,123,190	\$44,156,277	\$0	3,139,279,467	7.90%



# THE CITY OF HALF MOON BAY

## 2018/19 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	\$203,833,406 6.59%	1	\$69,000 0.16%	\$203,902,406 6.50%	6.50%	Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS L P	17	\$40,963,045 1.32%			\$40,963,045 1.30%	1.30%	Recreational Half Moon Bay General Fund
3) HMB MUSICH LLC	3	\$29,000,000 0.94%			\$29,000,000 0.92%	0.92%	Commercial Half Moon Bay General Fund
4) KEET NERHAN	30	\$23,660,154 0.76%	7	\$1,193,412 2.70%	\$24,853,566 0.79%	0.79%	Commercial Half Moon Bay General Fund
5) IWF HALF MOON BAY LLC	1	\$10,619,072 0.34%			\$10,619,072 0.34%	0.34%	Commercial Half Moon Bay General Fund
6) LONGS DRUG STORE INC	1	\$8,678,733 0.28%			\$8,678,733 0.28%	0.28%	Commercial Half Moon Bay General Fund
7) CASTRO PARTNERS LLC	3	\$7,523,460 0.24%			\$7,523,460 0.24%	0.24%	Commercial Half Moon Bay General Fund
8) DINO E ANDREOTTI	13	\$7,406,767 0.24%			\$7,406,767 0.24%	0.24%	Miscellaneous Half Moon Bay General Fund
9) PROFESSIONAL PENINSULA PROPERTIES LLC	7	\$7,363,423 0.24%			\$7,363,423 0.23%	0.23%	Commercial Half Moon Bay General Fund
10) ROCKET FARMS INC			1	\$6,835,693 15.48%	\$6,835,693 0.22%	0.22%	Unsecured Half Moon Bay General Fund
<b>Top Ten Total</b>	77	\$339,048,060 10.95%	9	\$8,098,105 18.34%	\$347,146,165 11.06%	11.06%	
<b>City Total</b>		\$3,095,123,190		\$44,156,277	\$3,139,279,467		

# THE CITY OF HALF MOON BAY

## 2009/10 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	\$135,581,962 5.97%			\$135,581,962	5.89%	Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS LP	39	\$22,682,154 1.00%			\$22,682,154	0.99%	Recreational Half Moon Bay General Fund
3) KEET NERHAN	34	\$22,083,183 0.97%	2	\$60,528 0.19%	\$22,143,711	0.96%	Commercial Half Moon Bay General Fund
4) SOUTH WAVECREST LLC	2	\$19,542,806 0.86%			\$19,542,806	0.85%	Recreational Half Moon Bay General Fund
5) NURSEYMEN'S EXCHANGE INC	10	\$14,188,247 0.62%			\$14,188,247	0.62%	Irrigated Half Moon Bay General Fund
6) REGENCY CENTERS LP	3	\$13,900,338 0.61%			\$13,900,338	0.60%	Commercial Half Moon Bay General Fund
7) FRANCESCO CARRUBBA	5	\$13,738,754 0.61%			\$13,738,754	0.60%	Commercial Half Moon Bay General Fund
8) IWF HALF MOON BAY LP	1	\$9,241,947 0.41%			\$9,241,947	0.40%	Commercial Half Moon Bay General Fund
9) RUGGERO MILANO AND MAJIDI SHAHLA	1	\$5,195,673 0.23%			\$5,195,673	0.23%	Commercial Half Moon Bay General Fund
10) W AND S PROPERTIES LP	4	\$4,316,176 0.19%			\$4,316,176	0.19%	Residential Half Moon Bay General Fund
<b>Top Ten Total</b>	101	\$260,471,240 11.47%	2	\$60,528 0.19%	\$260,531,768	11.32%	
<b>City Total</b>		\$2,270,581,839		\$31,809,471	\$2,302,391,310		

Top Owners last edited on 7/21/10 by NicholeC using sales through 06/10/10 (Version th.0)

Data Source: San Mateo County Assessor 2009/10 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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

Prepared On 9/16/2019 By MV

# THE CITY OF HALF MOON BAY

## ASSESSED VALUE OF TAXABLE PROPERTY

2009/10 - 2018/19 Taxable Property Values

Category	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Residential	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	2,365,335,848	2,496,961,916
Commercial	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	457,418,903
Industrial	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	8,419,613
Agricultural	17,509,078									17,322,251
Dry Farm	403,909	11,235,759	10,559,490	11,427,110	3,720,127	3,496,499	3,786,377	4,241,537	4,358,514	
Govt. Owned	0									0
Institutional	258,950	284,781	260,279	265,484	293,694	272,021	277,456	281,685	309,882	315,819
Irrigated	2,905,462	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	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	16,786,985
Recreational	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	42,118,338
Vacant	49,790,013	46,517,696	50,669,067	48,630,331	50,679,666	45,226,113	45,773,151	43,437,146	56,557,151	55,779,365
Unsecured	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	44,156,277
Unknown	2,759,116	1,340,316	4,917,140		5,867,351					
<b>TOTALS</b>	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	3,139,279,467
<b>Total Direct Rate</b>	0.05426	0.05426	0.05426	0.05453	0.05452	0.05818	0.05818	0.05819	0.05819	0.05821

**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 2009/10 - 2018/19 Combined Tax Rolls

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Prepared On 9/16/2019 By MV

# THE CITY OF HALF MOON BAY

## DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

Last 10 Fiscal Years										
Agency	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Basic Levy<sup>1</sup></b>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cabrillo Unified Bond	0.04970	0.05080	0.05220	0.07220	0.07190	0.07040	0.07260	0.08320	0.07510	0.07110
San Mateo Junior College	0.01820	0.01930	0.01990	0.01940	0.01940	0.01900	0.02500	0.02470	0.02350	0.01750
<b>Total Direct &amp; Overlapping<sup>2</sup> Tax Rates</b>	<b>1.06790</b>	<b>1.07010</b>	<b>1.07210</b>	<b>1.09160</b>	<b>1.09130</b>	<b>1.08940</b>	<b>1.09760</b>	<b>1.10790</b>	<b>1.09860</b>	<b>1.08860</b>
<b>City's Share of 1% Levy Per Prop 13<sup>3</sup></b>	0.05460	0.05459	0.05459	0.05465	0.05463	0.05525	0.05525	0.05525	0.05525	0.05526
<b>Voter Approved City Debt Rate</b>										
<b>Redevelopment Rate<sup>4</sup></b>										
<b>Total Direct Rate<sup>5</sup></b>	0.05426	0.05426	0.05426	0.05453	0.05452	0.05818	0.05818	0.05819	0.05819	0.05821

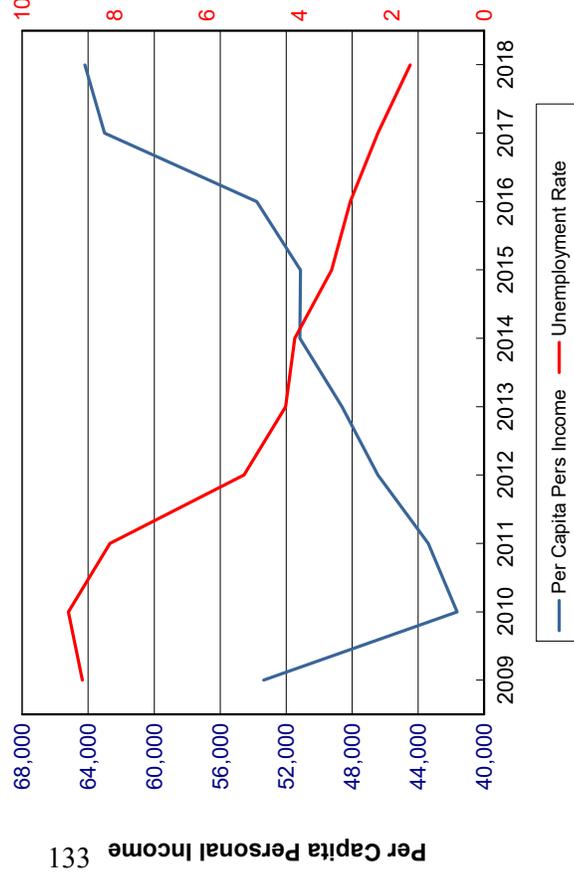
**Notes:**  
<sup>1</sup>In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.  
<sup>2</sup>Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all property owners.  
<sup>3</sup>City'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. The ERAF portion of the City's Levy has been subtracted where known.  
<sup>4</sup>Redevelopment 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.  
<sup>5</sup>Total 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

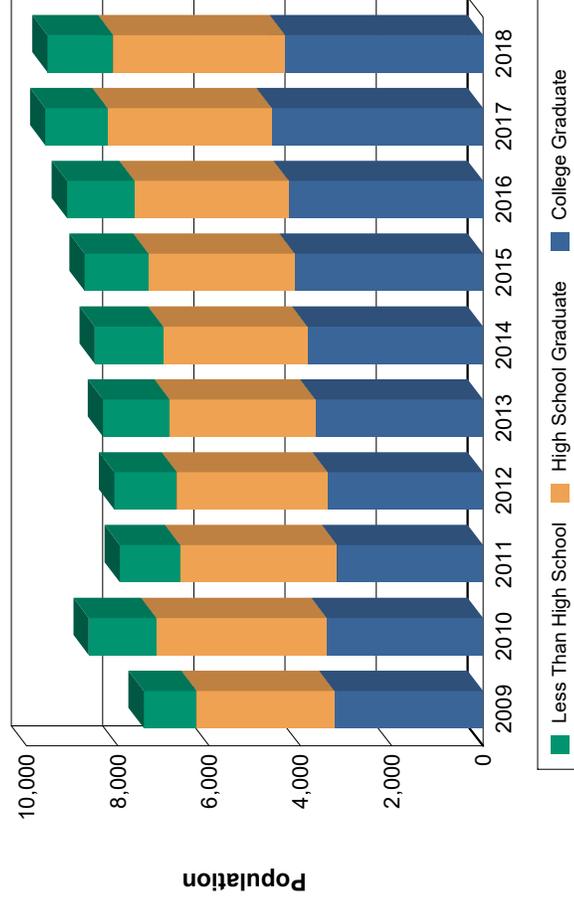
## DEMOGRAPHIC AND ECONOMIC STATISTICS

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
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%
2018	12,631	\$810,881	\$64,197	1.6%	47.3	84.9%	45.5%

### 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

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

Prepared On 9/16/2019 By MV

# THE CITY OF HALF MOON BAY

## SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2017 - 6/30/2019)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2017	159	\$1,148,345	\$1,047,000	
2018	158	\$1,337,319	\$1,277,500	22.02%
2019	61	\$1,176,640	\$1,100,000	-13.89%



\*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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**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, 2019 have issued our report thereon dated November 22, 2019.

***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 22, 2019 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.

*Maze & Associates*

Pleasant Hill, California  
November 22, 2019



# City of Half Moon Bay



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