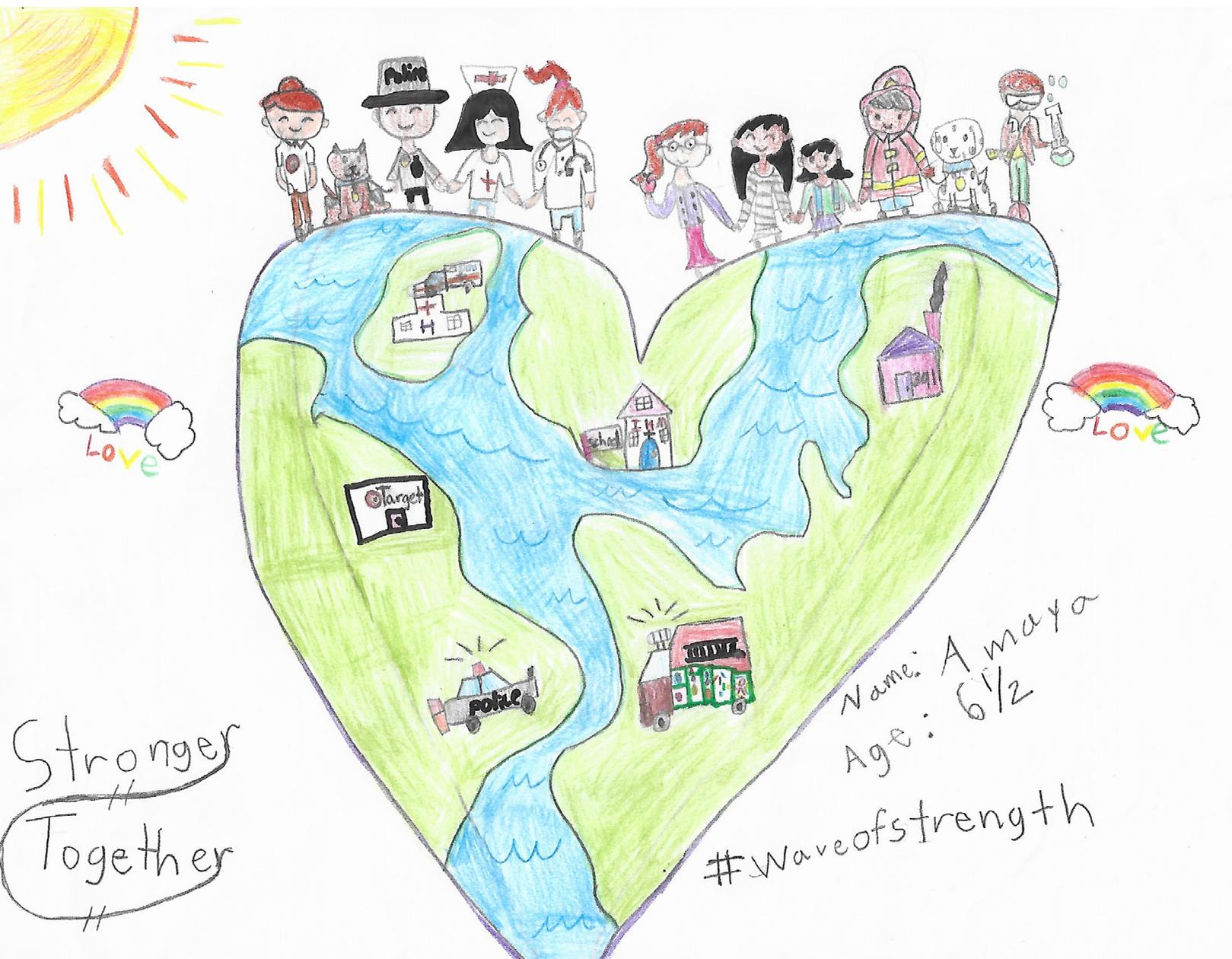




THE CITY OF
HALF MOON BAY
CALIFORNIA



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021**



CITY OF HALF MOON BAY, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal year ended June 30, 2021

Prepared by
Finance Department



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CITY OF HALF MOON BAY, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
GFOA Certificate of Achievement	ix
City Limits of Half Moon Bay	x
City Council	xi
Executive Team	xii
Organizational Chart	xiii
FINANCIAL SECTION:	
Independent Auditors’ Report	1
Management’s Discussion and Analysis	7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	23
Statement of Activities	24
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	26
Reconciliation of the Governmental Funds-Balance Sheet with the Statement of Net Position	28
Statement of Revenues, Expenditures and Changes in Fund Balance	30
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities.....	32
Proprietary Funds:	
Statement of Net Position	33
Statement of Revenues, Expenses and Changes in Fund Net Position.....	34
Statement of Cash Flows	35
Notes to the Basic Financial Statements	37

CITY OF HALF MOON BAY, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

Table of Contents

	<u>Page</u>
FINANCIAL SECTION (Continued):	
Required Supplementary Information:	
Cost-Sharing Employer Defined Pension Plan	
Schedule of the Plan’s Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date – Miscellaneous Plan	73
Schedule of the Plan’s Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date – Safety Plan	74
Schedule of Contributions – Miscellaneous Plan.....	75
Schedule of Contributions – Safety Plan.....	76
Other Post-Employment Benefits Plan (OPEB)	
Schedule of Changes in the City’s Net OPEB Liability and Related Ration	77
Schedule of Employer Contributions	78
Schedule of Investment Returns.....	79
Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	80
Streets and Roads Special Revenue Fund	81
Lot and Acquisition and Retirement Special Revenue Fund	82
Note to Required Supplementary Information.....	83
Supplementary Information:	
Judgment Obligations Bonds – Debt Service Fund.....	86
Library - Capital Projects Fund.....	87
Capital Projects Fund	88
Non-major Governmental Funds:	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	92
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Special Revenue Funds:	
Police Grants.....	94
Storm Drain Operating	95
Traffic Mitigation	96
Affordable Housing	97
Parks Development.....	98

CITY OF HALF MOON BAY, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

Table of Contents

	<u>Page</u>
FINANCIAL SECTION (Continued):	
Capital Project Funds:	
Public Facilities	99
Storm Drain Improvements	100
Internal Service Funds:	
Combining Statement of Net Position.....	102
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	103
Combining Statement of Cash Flows.....	104
STATISTICAL SECTION:	
Financial Trends:	
Net Position by Component.....	109
Changes in Net Position.....	110
Fund Balances of Governmental Funds	112
Changes in Fund Balances of Governmental Funds	113
Revenue Capacity:	
Transient Occupancy Tax (TOT) by Lodging Type (BASE)	114
Transient Occupancy Tax (TOT) Rate.....	115
Transient Occupancy Taxpayers by Type of Establishment.....	116
Debt Capacity:	
Ratios of Outstanding Debt by Type	117
Ratio of General Bonded Debt Outstanding	118
Direct and Overlapping Debt.....	119
Legal Debt Margin Information.....	120
Demographic and Economic Information:	
Principal Employers.....	121
Operating Information:	
Full-Time and Part-Time City Employees by Function.....	122
Operating Indicators by Function.	123
Capital Asset Statistics by Function.	124

CITY OF HALF MOON BAY, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

Table of Contents

	<u>Page</u>
STATISTICAL SECTION (Continued):	
Property Tax Information:	
2020/21 Use Category Summary	125
Property Tax Dollar Breakdown.....	126
2020/21 Roll Summary	127
Net Taxable Assessed Value History.....	128
Assessed Value of Taxable Property	129
2020/21 Top Ten Property Taxpayers	130
2011/12 Top Ten Property Taxpayers	131
Direct & Overlapping Property Tax Rates.....	132
Demographic and Economic Statistics	133
Sales Value History.....	134
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	135

INTRODUCTORY SECTION



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CITY OF HALF MOON BAY

507-B Purissima Street
Half Moon Bay, CA 94019

December 21, 2021

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

It is a pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Half Moon Bay (the City) for the fiscal year ended June 30, 2021. 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, 2021.

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-2020-60 states that a reserve equal to 50% 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

Several important initiatives were delivered in the past year. These projects responded to the COVID-19 pandemic, increased engagement with the community, and improvement of infrastructure. Accomplishments include:

1. City Operations:

- Maintained financial stability despite adverse economic conditions caused by the ongoing pandemic.
- Developed a COVID-19 Response Plan under OSHA guidelines, to assist with City protocols which ensured staff safety.
- Adopted and received certification from the California Coastal Commission for the Local Coastal Land Use Plan.
- Secured commitment from the Coastside County Water District, supported by the California Coastal Commission, for lower-cost water connections for affordable housing projects.
- Conducted the November 3, 2020, General Municipal Election which resulted in the passage of a measure to increase Transient Occupancy Tax from 12% to 15% and election of two district Council seats.
- Led a public information and outreach campaign related to the COVID-19 Pandemic, including numerous news releases, weekly e-news, weekly mayor's letters, website updates, social media updates, signage, coordination with agencies, announcements of closures and service modifications (all translated into Spanish).
- Coordinated and staffed weekly COVID-19 testing clinics at both the Ted Adcock Community Center and the Senior Center, in collaboration with Coastside CERT volunteers and Senior Coastsiders.
- Supported coordination, logistics and outreach for community based COVID-19 vaccination clinics, targeting underserved and vulnerable populations on the coast.
- Drafted emergency orders for the COVID pandemic and CZU fire that established FEMA reimbursement and the ability to institute new open government protocols.
- Secured a \$1 million grant to operate a Beverage Container Redemption Pilot Project behind CVS in Strawflower Village.
- Revised the park/beach ordinances to ban single-use plastic bottles smaller than 2 liters and adopted an ordinance banning the distribution disposable foodware.
- Completed acquisition of the Corporation Yard property (Stone Pine) and provided negotiation/real estate support for the County's acquisition of the Coastside Inn.
- Implemented the Yanira Serrano Presente! Program.

2. Major Capital Projects in Progress:
 - Main Street Bridge Rehabilitation
 - Highway 1 North Safety Project
 - Highway 1 South Safety Project
 - Carter Park
 - Poplar Beach Gateways Plan
 - Corporate Yard Improvements
 - Climate Action and Adaptation
 - Ocean Colony Pump Station Replacement Project

Much of the work focuses on enhancing and improving infrastructure, as well as creating processes and organizational improvements which allow Staff to better carry out their core functions in serving the public. The 2020-25 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 2020-21, the City faced unprecedented challenges with the global COVID-19 pandemic and the subsequent economic downturn. This downturn has negatively impacted City revenues, in particular transient occupancy, and sales tax receipts. At the time of this report, the downturn is still expected to impact revenues into future fiscal years.

Local Economy

Employment in Half Moon Bay is concentrated in three major sectors: professional services; farm and agriculture; and retail/food services. The 2020 average unemployment rate for California was 9.3%, San Mateo County was 5.8%, and Half Moon Bay was 5.6%. Due to the COVID-19 pandemic, the unemployment rate peaked as high as 11.4% for San Mateo County during the month of April 2020. While this rate has decreased, unemployment remains a concern as the rate has not yet returned to the pre-pandemic levels of 1.6% for Half Moon Bay.

A significant driver of the economy has continued to be the local real estate market, which saw another year-over-year increase in assessed value. Half Moon Bay's total assessed value for 2020-21 is \$3.4 billion, which is a 3.7% increase over 2019-20. Housing prices continue to remain strong, though future performance appears uncertain as the country is in an economic downturn. Additional challenges for the City 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 the pandemic's impact 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 2020-21 was

\$4,817,532, a 14% increase over ten years ago but a 9% decrease from the prior year. 86% of revenue collected in this category is from hotels, motels, and lodges; short-term vacation rental receipts have provided a modest increase to this revenue category. The TOT rate for FY 2019-2020 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 \$320,840 (or over 32%) by FY 2027-28. 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. Although the City's long-term financial outlook shows stability, this is achieved through the use of one-time funds and general fund reserves while the economic downturn continues.

In response to the COVID-19 pandemic, the federal government signed the American Rescue Plan Act (ARPA) which provided funding for cities to replace lost revenue resulting from the pandemic. The City was allocated \$3 million in funding to be paid in two installments, in fiscal year 2021-22 and fiscal year 2022-23. The city has opted to use these funds to reinstate various City services originally lost during the pandemic, such as recreation programs and economic recovery efforts.

To combat against rising costs and using reserves in future years, in November 2020 voters passed Measure U effectively raising the Transient Occupancy Tax rate to 14% effective July 1, 2021, and 15% effective July 1, 2022. The City anticipates this measure to generate more revenues to maintain existing City services after the sunset of ARPA funds.

Additionally in FY 2019-20, the City Council created a new reserve, an Economic Reserve, to smooth the effects of dramatic downturn in the economy that may negatively impact revenues. The goal of this new reserve is to retain 20% of budgeted annual operating expenditures. While the use of this reserve is anticipated in future fiscal years, the City's long-term goals include fully funding both the economic uncertainty and the operating reserve to be a total of 50% of annual operating expenditures. As of June 30, 2021, both reserves are fully funded.

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 annually adopts strategic initiatives to guide the City's actions, work plans, and efforts on addressing the City's priorities. 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 Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA). 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 annual comprehensive financial report for the fiscal year ended June 30, 2020. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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.

We would like to take an opportunity to thank the Administrative Services Department staff. Special thanks to Kenneth Stiles, Senior Accountant; Bryan Lopez, Senior Management Analyst; Julissa Acosta, Accounting Technician; Raymond Cruz, Accounting Technician; Carol Kim, Accounting Technician; and Maggie Rodriguez, Administrative Assistant 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: Robert Nisbet

Bob Nisbet
City Manager

Lisa Lopez

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, 2020

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 Robert Brownstone



Vice Mayor
Debbie Ruddock



Council member
Joaquin Jimenez



Council member
Deborah Penrose



Council member
Harvey Rarback



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

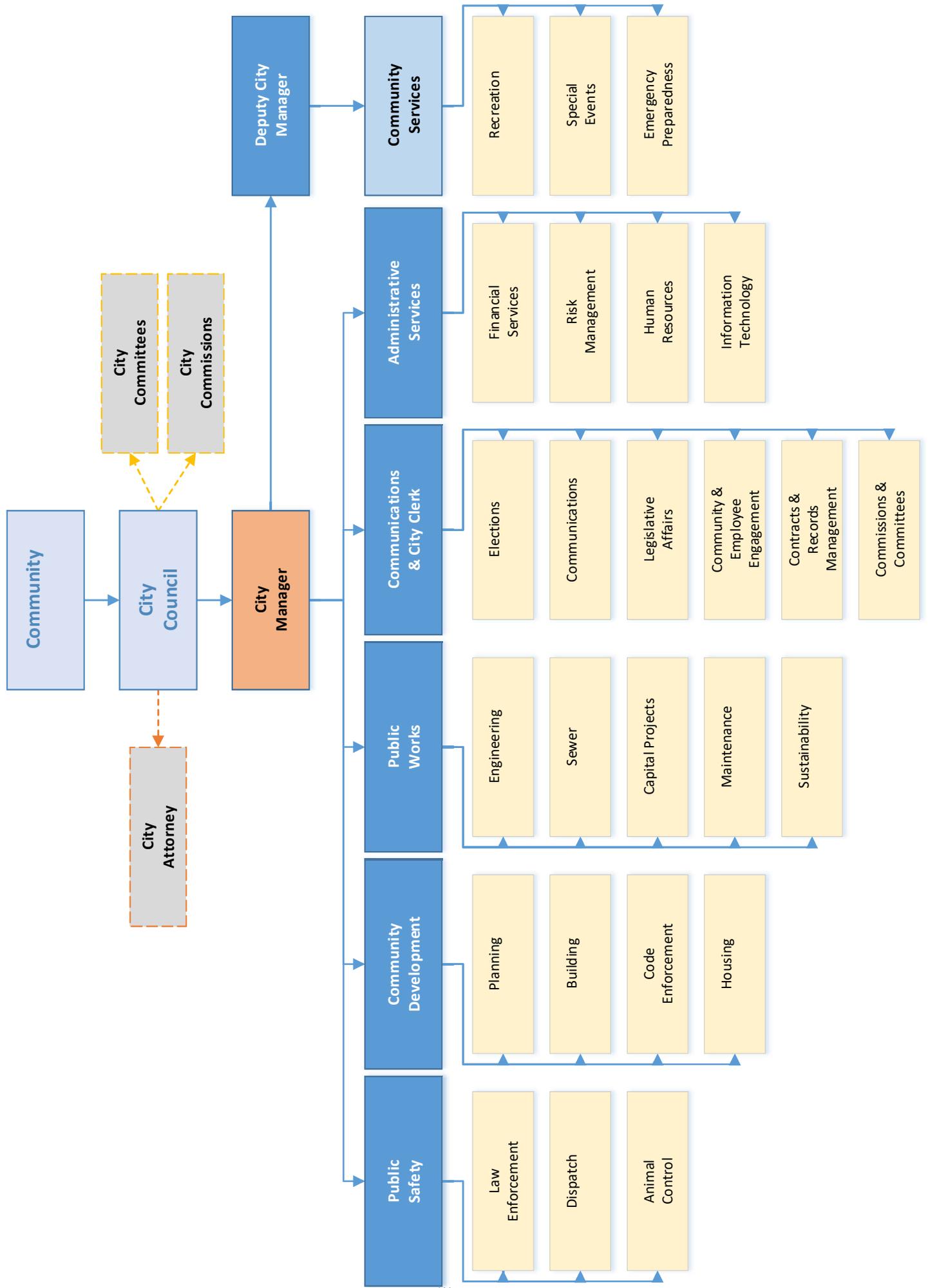


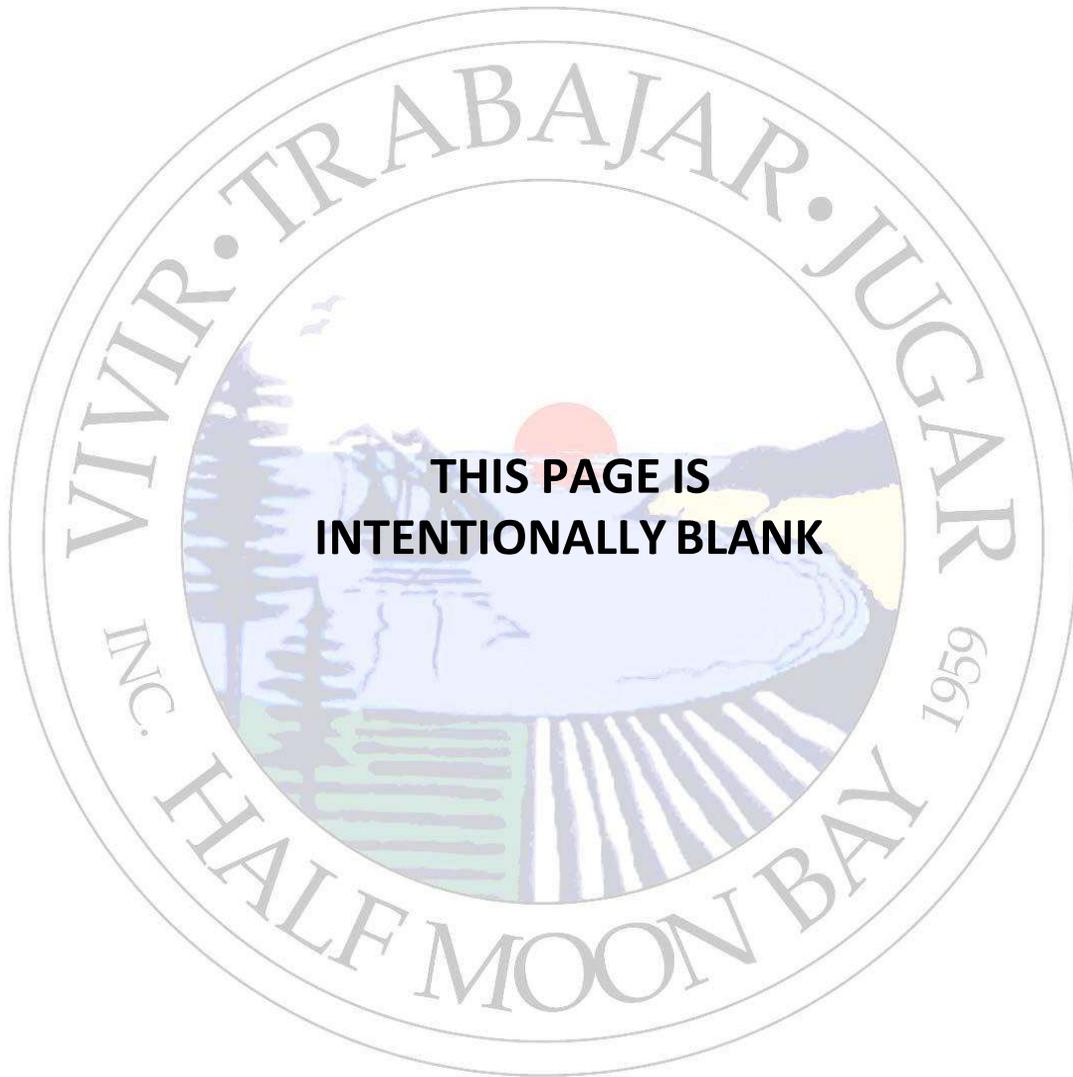
Captain Saul Lopez
San Mateo County Sheriff
xii



Lisa Lopez
Administrative Services Director

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 (City), California, as of and for the year ended June 30, 2021, 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 did not audit the financial statements of Sewer Authority Mid-Coastside (SAM) as of and for the year ended June 30, 2020, which represent 28%, 39% and 13% respectively, of the assets, net position and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for SAM, is based solely on the report of the other auditors.

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, based on our audit and the reports of other auditors 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, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*, during the year ended June 30, 2021. As discussed in Note 7f, OPEB Trust Fund is no longer reported as of July 1, 2020.

Management also early adopted the provisions of Governmental Accounting Standards Board Statement No. 98 – The Annual Comprehensive Financial Report which changes the name of the Comprehensive Annual Financial Report to Annual Comprehensive Financial Report.

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. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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

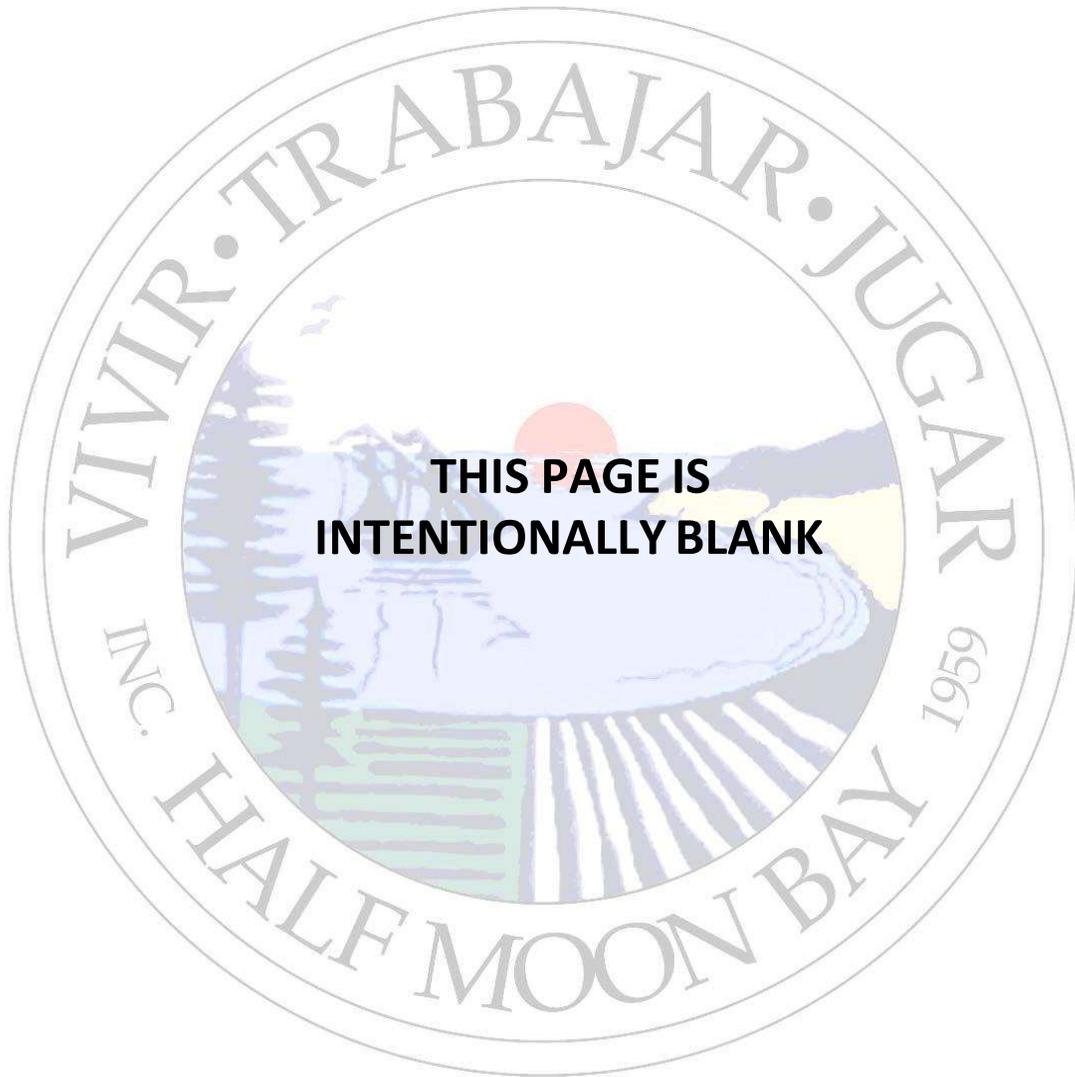
In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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 16, 2021



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, 2021. 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, 2021, by \$145.1 million, which is a 3.7% or \$5.2 million increase from the prior year. Of this amount, \$42.5 million may be used to meet the City's ongoing obligations to citizens and creditors, which is a 10% decrease over the prior year's unrestricted net position of \$47.5 million.
- The City's cash and investments at June 30, 2021 totaled \$44.8 million, of which \$35.6 million is classified as government activities and \$9.2 million as Business-type activity. The City's cash and investments decreased by \$1.9 million, or 4% compared to the prior year.
- At June 30, 2021, the City had outstanding long-term obligations of \$20.9 million, of which \$20.4 million is classified as governmental activities and \$500 thousand as business activities. Obligations have increased by \$2.8 million or 16% compared to the prior year. This increase is primarily due to the recent financing for the acquisition of land.
- 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 \$12.2 million on the FY 2020-21 Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. The Net Pension Liability increased by \$707 thousand from the \$11.5 million recorded last year.
- City-wide revenues were \$28.3 million, of which \$23.2 million was generated by governmental activities and \$5.1 million by Business-type activities. Revenues increased by 8% from the prior year primarily due to an increase in grants and contributions.
- City-wide expenditures were \$23.1 million, of which \$17.4 million was incurred by governmental activities and \$5.7 million by Business-type activities. Expenditures decreased by 7% from the prior year mostly due to a decrease in public work expenditures and interest charges.
- The City's General Fund balance as of June 30, 2021 was \$11.1 million, an increase of roughly \$507 thousand as compared to the prior year's amount of \$10.6 million. This decrease is primarily due to a decrease in general administrative expenditures and the deferral of a debt service payment.
- For the fiscal year ended June 30, 2021, Governmental Fund revenues exceeded expenditures and net transfers by \$4.2 million, primarily attributed to revenue overperformance and an overall decrease of expenditures. The governmental funds' combined ending fund balance as of June 30, 2021 is \$60.9 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 fourteen 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 80.

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 37-72 of this report.

Other Information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including schedule of proportionate share of the net pension liability, contributions, funding progress for the City's obligation to provide other post-employment benefits to its employees and budgetary comparison schedules for the General Fund and the other funds. Required supplementary information can be found on pages 73-79 of this report.

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

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, 2021 and 2020:

CITY OF HALF MOON BAY
Comparative Statement
Statement of Net Position
Year Ended on June 30, 2021

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	42,031,973	36,655,974	18,745,924	20,993,839	60,777,897	57,649,813
Land held for resale	26,823,920	26,823,920	-	-	26,823,920	26,823,920
Capital Assets	72,919,857	68,470,868	6,199,508	4,587,090	79,119,365	73,057,958
Total assets	141,775,750	131,950,762	24,945,432	25,580,929	166,721,182	157,531,691
Related to OPEB	31,584	12,841	-	642	31,584	13,483
Related to pension	2,540,337	2,575,375	126,059	92,025	2,666,396	2,667,400
Total deferred outflows of resources	2,571,921	2,588,216	126,059	92,667	2,697,980	2,680,883
Long-term liabilities outstanding	18,290,476	16,193,864	500,223	335,734	18,790,699	16,529,598
Other liabilities	4,261,666	2,687,541	510,827	90,982	4,772,493	2,778,523
Total liabilities	22,552,142	18,881,405	1,011,050	426,716	23,563,192	19,308,121
Related to OPEB	71,024	7,493	5,459	368	76,483	7,861
Related to pension	598,424	935,996	16,253	28,864	614,677	964,860
Total deferred inflows of resources	669,448	943,489	21,712	29,232	691,160	972,721
Net Position:						
Net investment in capital assets	67,193,002	62,744,013	6,199,508	4,587,090	73,392,510	67,331,103
Restricted	19,871,245	16,416,110	9,377,687	8,692,609	29,248,932	25,108,719
Unrestricted	34,061,834	35,553,961	8,461,534	11,937,949	42,523,368	47,491,910
Total Net Position	121,126,081	114,714,084	24,038,729	25,217,648	145,164,810	139,931,732

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 \$145.1 million on June 30, 2021, with invested capital assets of \$73.3 million, \$29.2 million restricted and an unrestricted net position of \$42.5 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 \$73.3 million and represents 51% percent of the City's net position. This portion has increased by \$6 million or 9%. The City uses capital assets to provide services to

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

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 \$29.2 million, or 20% percent, of the City's total net position. The restricted net position increased by \$4.1 million or 16% percent in fiscal year 2020-21. This portion of the net position can only be spent for specific purposes stipulated by external resource providers or legislation. This increase is from restricted revenues exceeding allowed expenditures in the governmental funds. Restricted revenues generally include grants, project specific capital contributions and other intergovernmental funding.

The unrestricted net position of \$42.5 million, or 29% percent of the City's total net position, decreased by \$4.9 million or 10% percent. The decrease is primarily from using unrestricted funds to improve sewer infrastructure and continue progress on various capital projects. 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, 2021, as compared to June 30, 2020:

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

CITY OF HALF MOON BAY
Comparative Statement
Statement of Activities
Year Ended on June 30, 2021

	Governmental Activities		Business-type Activities		Total		Variance
	2021	2020	2021	2020	2021	2020	
Program revenues:							
Charges for services	1,841,161	1,247,639	4,477,159	4,540,020	6,318,320	5,787,659	9%
Operating grants and contributions	4,123,613	786,552	-	-	4,123,613	786,552	424%
Capital grants and contributions	3,145,690	627,168	-	-	3,145,690	627,168	402%
Subtotal	9,110,464	2,661,359	4,477,159	4,540,020	13,587,623	7,201,379	89%
General revenues:							
Property taxes	3,582,161	3,667,867	-	-	3,582,161	3,667,867	-2%
Sales and use taxes	2,929,586	3,042,265	-	-	2,929,586	3,042,265	-4%
Transient occupancy taxes	4,817,532	5,291,821	-	-	4,817,532	5,291,821	-9%
Other taxes	1,304,943	1,346,187	-	-	1,304,943	1,346,187	-3%
Other general revenues	1,489,353	2,923,153	635,402	2,690,004	2,124,755	5,613,157	-62%
Subtotal	14,123,575	16,271,293	635,402	2,690,004	14,758,977	18,961,297	-22%
Total revenues	23,234,039	18,932,652	5,112,561	7,230,024	28,346,600	26,162,676	8%
Expenses							
General government	5,175,257	4,981,025	-	-	5,175,257	4,981,025	4%
Public safety	4,743,620	4,631,203	-	-	4,743,620	4,631,203	2%
Public works	2,817,305	3,754,260	-	-	2,817,305	3,754,260	-25%
Recreation Services	1,942,872	1,808,657	-	-	1,942,872	1,808,657	7%
Planning	2,764,254	3,286,029	-	-	2,764,254	3,286,029	-16%
Interest and fiscal charges	-	468,852	-	-	-	468,852	-100%
Sewer Utility	-	-	5,670,214	5,950,383	5,670,214	5,950,383	-5%
Total expenses	17,443,308	18,930,026	5,670,214	5,950,383	23,113,522	24,880,409	-7%
Increase (Decrease) in net position before transfers	5,790,731	2,626	(557,653)	1,279,641	5,233,078	1,282,267	308%
Transfers	621,266	697,412	(621,266)	(697,412)	-	-	0%
Increase (Decrease) in net position	6,411,997	700,038	(1,178,919)	582,229	5,233,078	1,282,267	308%
Net position - As of July 1	114,714,084	114,014,046	25,217,648	24,635,419	139,931,732	138,649,465	1%
Prior Period Adjustment		-	-	-	-	-	
Net position - As of July 1, as restated	114,714,084	114,014,046	25,217,648	24,635,419	139,931,732	138,649,465	1%
Net position - As of June 30	121,126,081	114,714,084	24,038,729	25,217,648	145,164,810	139,931,732	4%

Governmental Activities

The City's Governmental net position increased by \$6.4 million or 6% in fiscal year 2021, primarily due to revenues exceeding expenditures.

Revenues Highlights:

- Total general revenues decreased by \$2.1 million or 13% from the prior year, primarily due to decreases in transient occupancy taxes and other general revenues such as investment income and miscellaneous revenues.

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

- Program revenues increased by \$6.3 million or 89%, primarily due to the receipt of a one-time \$2 million in-lieu fee, \$2.8 million received for the Highway 1 Project and other increases in capital and operational grants.
- Transient Occupancy Tax (TOT), the City's largest source of general revenue decreased by \$474K or 9% from prior year.
- Sales Tax, the second largest source of general revenue decreased by of \$112K or 4% from prior year.
- Property Tax, the third largest source of general revenue, decreased slightly by \$85K or 2% from prior year.
- Other General Revenues include investment income and other miscellaneous revenues. The amount from government activities decreased by \$1.4 million or 51% from prior year. This is primarily due to a one-time \$1.3 million gain recognized in the prior year on the judgement obligation bond at final payment and retirement.

Expenses for Government Activities decreased greatly by \$1.5 million from the prior year, primarily due to lower budgeted expenditures in response to the COVID-19 pandemic.

Business-type Activities

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

- Total revenues decreased by \$2.1 million or 29% from the prior year. However, revenues from charges for services only decreased by \$62 thousand. In the prior year, the City recognized a significant gain in the Sewer Authority Mid-Coastside (SAM) investment in the amount of \$2 million. In fiscal year 2020-21, the City did not recognize a gain of such size.
- 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 2020-21 the City recognized a gain on this investment of \$685 thousand.
- Expenses from Business-type Activities decreased by \$280 thousand as compared to fiscal year 2020-21. 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.

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

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

**CITY OF HALF MOON BAY
Comparative Statement
Governmental Funds Statement of Revenues, Expenditures and Fund Balance
Year Ended June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Revenues	\$ 23,259,520	\$ 18,770,648	24%
Expenditures	(19,776,033)	(29,866,615)	-34%
Transfers (net)	741,863	(1,351,247)	-155%
Net Change in Fund Balances	<u>4,225,350</u>	<u>(12,447,214)</u>	<u>-134%</u>
Fund balances at beginning of year	56,680,307	69,127,521	-18%
Fund balances at end of year	<u>60,905,657</u>	<u>56,680,307</u>	<u>7%</u>
Non-spendable	26,823,920	26,823,920	
Restricted	19,871,245	16,416,110	21%
Committed	7,271,604	7,300,642	0%
Assigned	3,069,792	2,806,125	9%
Unassigned	3,869,096	3,333,510	16%
Total fund balances	<u>60,905,657</u>	<u>56,680,307</u>	<u>7%</u>

As of June 30, 2021, the City's governmental funds reported combined fund balances of \$60.9 million, an increase of \$4.2 million in comparison with June 30, 2020, which is primarily attributed to a 34% decrease in expenditures. The governmental funds expenditures were \$19.7 million in fiscal year 2020-21, a \$10 million decrease from the prior year, mostly due to the final \$10.9 million judgement obligation bond payment that was made in the year prior.

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

- Non-spendable is \$26.8 million (44% of total balance) which represents the value of land held by the City. There has been no change in this amount from the prior year.
- Restricted is \$19.8 million (32.6% 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 \$7.3 million (12% 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

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

general fund reserve policy, which states that 50 percent of budgeted operating expenditures for the year to be committed for contingencies and economic uncertainty.

- Assigned balance is \$3.0 million (5% 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 capital project funds for future capital expenditures.
- Unassigned is \$3.8 million (6.4% 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-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, 2021, the total General Fund balance was \$11.1 million, which includes an unassigned portion of 3.8 million. The General Fund fund balances increased by \$506K for the fiscal year ended June 30, 2021.

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

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

CITY OF HALF MOON BAY
Comparative Statement

General Fund Statement of Revenues, Expenditures and Fund Balance
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Revenues			
Taxes	\$ 12,223,462	\$ 13,180,918	-7%
License and permits	405,491	414,752	-2%
Fines and forfeitures	108,937	140,238	-22%
Charges for services	1,302,597	1,161,996	12%
Investment Income	2,054	383,965	-99%
Intergovernmental revenues	169,487	45,000	277%
Miscellaneous	1,860,851	597,927	211%
Total	16,072,879	15,924,796	1%
Expenditures			
General government	2,190,316	1,988,767	10%
General administration	1,251,447	1,292,277	-3%
Public safety	4,308,681	3,994,510	8%
Public works	1,650,155	1,859,378	-11%
Recreation Services	864,764	961,043	-10%
Planning	2,462,112	2,855,632	-14%
Capital Outlay	-	120,000	-100%
Debt Service	-	572,686	-100%
Total	12,727,475	13,644,293	-6.7%
Net Transfers	(2,838,856)	(2,602,615)	9%
Net Change in Fund Balances	506,548	(322,112)	17%
Fund Balances at beginning of year	10,634,152	10,956,264	-3%
Fund Balances at end of year	\$ 11,140,700	\$ 10,634,152	5%

General Fund Revenues

General Fund revenues for the year ended June 30, 2021 increased by \$148 thousand or 1%, over the prior year. The preceding chart summarizes revenues into major categories for comparative purposes across two fiscal years.

Total tax revenues decreased by \$957 thousand or 7% from the prior year indicating impacted economic activity. Net transfers increased by \$236 thousand primarily due to an increase in capital projects being funded directly.

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

General Fund Expenditures

General Fund expenditures for the 2020-21 fiscal year decreased by \$916 thousand or 6.7%. This decrease is primarily due to the deferral of a \$572 thousand debt service payment and the general decrease in various City expenditures in response to the COVID19 pandemic.

**CITY OF HALF MOON BAY
Budget to Actual Statement
General Fund Statement of Revenues, Expenditures and Fund Balance
Year Ended June 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 14,059,643	\$ 16,072,879	\$ 2,013,236
Expenditures	(12,704,439)	(12,727,475)	(23,036)
Transfers (net)	(2,838,856)	(2,838,856)	-
Net Change in Fund Balance	<u>(1,483,652)</u>	<u>506,548</u>	<u>1,990,200</u>
Fund balances at beginning of year	10,634,152	10,634,152	-
Fund balances at end of year	<u><u>9,150,500</u></u>	<u><u>11,140,700</u></u>	<u><u>1,990,200</u></u>

General Fund Budgetary Highlights

The General Fund ending fund balance increased by \$506 thousand. The final budget planned for a net decrease of fund balance by \$1.4 million, resulting in a total of \$1.9 million additional funds unassigned at June 30, 2021. This is primarily due to revenues exceeding initial projections by \$2 million with most of the overperformance coming from transient occupancy taxes.

Other Major Governmental Funds

The following table compares governmental fund balances:

**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, 2021

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Major Governmental Funds:			
General Fund	11,140,700	10,634,152	5%
Streets and Road	4,683,338	4,130,572	13%
Lot Acquisition / Retirement	2,586,094	0	
Judgement Obligation Bonds	6,311	35,975	-82%
Library Capital	1,332,744	1,287,887	3%
Land Asset	26,823,920	26,823,920	0%
Capital Project Fund	1,737,048	1,518,238	14%
Non-Major Governmental Funds	12,595,502	12,249,563	3%
Total Fund Balances	<u>\$ 60,905,657</u>	<u>\$ 56,680,307</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/W 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, 2021, the Street and Road Funds had a fund balance of \$4.6 million, a \$552 thousand increase from the prior year, primarily due to the delay in capital project spending.

Lot Acquisition / Retirement Fund

The Lot Acquisition and Retirement fund is a newly created fund used to account for in-lieu fees and expenses within the purpose of acquiring and retiring development rights on existing legal parcels. As of June 30, 2021, the fund had a fund balance of \$2.6 million.

Judgment Obligation Bond (JOB) Fund

The JOB funds account for debt service on the judgment obligation bonds. As of June 30, 2021, the fund balance was \$6 thousand, which is a \$29 thousand decrease from the prior year. This is due to the payoff off the Series B Judgement Obligation bond and transfers back to the General Fund.

Library Fund

The Library Capital Projects fund is used to account for the design, development, and construction of the new library and the maintenance thereafter. This fund increased slightly by \$44 thousand, primarily through donations and interest.

Capital Project Funds

Capital Projects Funds include the Public Facilities Fund that accounts for expenditures related to public facilities improvements and the 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, 2021, the fund balance was \$1.7 million, a 218 thousand increase from the prior year, primarily due to a delay in capital projects spending.

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, 2021 is \$26.8 million, which consists of transfers of land assets for Glencree and Beechwood properties from the General Fund and the Judgment Obligation Bond Funds. The Glencree property was donated to the City. The Beechwood property was acquired by the City as part of the settlement of the Yamagiwa litigation in 2007. With the receipt of the insurance settlement payments, the Beechwood properties are no longer required for the Judgement Obligation Bonds. There was no activity in this fund in fiscal year 2020-21.

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.

As of June 30, 2021, the Non-Major Funds had a fund balance of \$12.5 million, a \$345 thousand increase over the prior year. This increase is primarily due to expenditures exceeding revenues by \$255 thousand but being offset by a \$601 thousand General Fund transfer in to fund capital projects.

Proprietary Fund Financial Statement Analysis

As of June 30, 2021, the City's Proprietary Fund net position was \$29 million (\$6.6 million invested in capital assets; \$9.3 million restricted for investment in Sewer Authority; \$13.1 million in unrestricted net position). Additional information on this investment can be found in Note 6 of the financial statements. Unrestricted net position of \$4.7 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, 2021, was \$79.1 million, an increase of \$6.0 million as compared to June 30, 2020.

Capital assets include land, buildings, equipment, vehicles and infrastructure. The following table presents summarized information on capital assets net of depreciation for fiscal years 2021 and 2020:

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

CITY OF HALF MOON BAY Comparative Statement Capital Assets (net of depreciation) Year Ended June 30, 2021

	Governmental Activities		Business Type Activities		Total		Variance
	2021	2020	2021	2020	2021	2020	
Land	\$ 4,756,385	4,630,615	\$ -	\$ -	\$ 4,756,385	\$ 4,630,615	3%
Rights of Way	6,723,926	6,723,926	-	-	6,723,926	6,723,926	0%
Construction in progress	7,838,052	3,934,875	1,584,587	532,297	9,422,639	4,467,172	111%
Buildings and improvements	31,225,826	30,045,573	4,567,572	3,995,366	35,793,398	34,040,939	5%
Machinery and equipment	355,898	197,805	47,349	59,427	403,247	257,232	57%
Infrastructure	22,019,770	22,938,074	-	-	22,019,770	22,938,074	-4%
Total	\$ 72,919,857	\$ 68,470,868	\$ 6,199,508	\$ 4,587,090	\$ 79,119,365	\$ 73,057,958	8%

Construction in progress increased by \$4.9 million primarily due to progress in major capital projects relating to Sewer and Highway 1 improvements. Likewise, Buildings and improvements increased by \$1.7 million primarily due to the purchase of the corporation yard. 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, 2021, the City's long-term obligations totaled \$20.9 million, primarily comprised of net pension liability.

CITY OF HALF MOON BAY Comparative Statement Long Term Obligations Year Ended June 30, 2021

	Governmental Activities		Business-type Activities		Total		Variance
	2021	2020	2021	2020	2021	2020	
Library Loan	5,154,169	5,154,169			5,154,169	5,154,169	0%
880 Stone Pine Loan	2,035,000	-			2,035,000	-	
Claims liability	947,234	938,250			947,234	938,250	1%
Employee compensated absences	539,463	398,614			539,463	398,614	35%
Pension Liability	11,780,541	11,237,684	500,233	335,734	12,280,774	11,573,418	6%
Total	\$ 20,456,407	\$ 17,728,717	\$ 500,233	\$ 335,734	\$ 20,956,640	\$ 18,064,451	16%

Library Loan: During the fiscal year ending 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 City began repayment in fiscal year 2020. In fiscal year 2021, due to budgetary constraints caused by the Covid-19 pandemic, the loan was amended so the City would not be required to make the two loans payments due in that fiscal year. The City will resume loan repayments in fiscal year 2021-2022, including the additional amount that was deferred.

880 Stone Pine Loan: Since 2009, the City has leased a 21-acre property for its corporation yard facility. During the fiscal year, the City entered into a \$3.2 million financing agreement for purchase of the property and land. The City plans to upgrade and restore the Corporation yard to store vehicles, equipment and supplies. During fiscal year 2021, the City drew down \$2,035,000 of which the terms of repayment include two payments every year due in August and February. The City will begin repayments in fiscal year 2021-2022.

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

Pension Liability: The City participates in one retirement plan through the California Public Employees' Retirement System (CalPERS). The measured net pension liability is measured as a proportionate share of the total net pension liability as reported by the CalPERS Financial Office. As of June 30, 2021, the City's share of the pension liability was measured to be \$12.2 million. This is an increase of \$707,000 or 6%. Additional information about the City's pension liability can be found in Note 8 to the Notes to the Basic Financial Statements.

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 \$128 million. At June 30, 2021 the City had no debt applicable to this limit. Additional information about the City's long-term obligations can be found in Note 5 to the Notes to the Basic Financial Statements.

Currently Known Facts, Conditions, and Decisions

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

In December 2019, the world saw the appearance of a new novel coronavirus, COVID-19, that quickly developed into a global pandemic. On March 16, 2020, San Mateo County along with five other Bay Area counties announced a "shelter-in-place" orders for all residents, directing everyone to stay inside their homes except for essential activities. With Transient Occupancy Tax and Sales Tax revenues being the most vulnerable, the shelter in place orders immediately impacted the financial outlook of the City. In response, the City defunded various capital projects, halted many expenditures, and went into a temporary furlough. The City went into fiscal year 2020-21 with a conservative budget in anticipation of impacted revenues and the adopted budget for the General Fund saw an overall decrease of expenditures by \$6.7 million or 33% percent. As the fiscal year progressed, the financial impact of COVID-19 lessened as tourism and business slowly came back to the coast. Although the financial outlook of the City has greatly improved, the effects of the pandemic and economic downturn continue to be monitored.

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

CITY OF HALF MOON BAY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (Note 2)	\$35,588,143	\$9,217,011	\$44,805,154
Accounts receivable, net	5,894,668	123,444	6,018,112
Interest receivable	67,140	18,641	85,781
Prepays	272,306		272,306
Land held for resale (Note 1i)	26,823,920		26,823,920
Investment in Sewer Authority Mid-Coastside (Note 6)		9,377,687	9,377,687
Net OPEB Asset (Note 9)	209,716	9,141	218,857
Capital assets, not depreciated (Note 4)	19,318,363	1,584,587	20,902,950
Capital assets, depreciated, net (Note 4)	53,601,494	4,614,921	58,216,415
Total assets	141,775,750	24,945,432	166,721,182
Deferred outflows of resources			
Related to OPEB (Note 9)	31,584		31,584
Related to pensions (Note 8)	2,540,337	126,059	2,666,396
Total deferred outflows of resources	2,571,921	126,059	2,697,980
Liabilities			
Accounts payable	154,612	510,827	665,439
Accrued liabilities	1,415,271		1,415,271
Deposits payable	450,852		450,852
Unearned revenue	75,000		75,000
Claims liability, due within one year (Note 10)	947,234		947,234
Compensated absences (Note 1j):			
Due within one year	26,973		26,973
Due in more than one year	512,490		512,490
Long-term debt (Note 5):			
Due within one year	1,191,724		1,191,724
Due in more than one year	5,997,445		5,997,445
Net pension liability, due in more than one year (Note 8)	11,780,541	500,223	12,280,764
Total liabilities	22,552,142	1,011,050	23,563,192
Deferred inflows of resources			
Related to OPEB (Note 9)	71,024	5,459	76,483
Related to pensions (Note 8)	598,424	16,253	614,677
Total deferred inflows of resources	669,448	21,712	691,160
Net position (Note 7)			
Net investment in capital assets	67,193,002	6,199,508	73,392,510
Restricted for:			
Investment in Sewer Authority		9,377,687	9,377,687
Debt Service	6,311		6,311
Streets and roads	7,505,365		7,505,365
Affordable housing	2,166,277		2,166,277
Capital projects	2,469,399		2,469,399
Other City projects	7,723,893		7,723,893
Total restricted net position	19,871,245	9,377,687	29,248,932
Unrestricted	34,061,834	8,461,534	42,523,368
Total net position	\$121,126,081	\$24,038,729	\$145,164,810

See accompanying notes to financial statements

CITY OF HALF MOON BAY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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	
Governmental Activities:						
General government	\$5,175,257	\$17,962	\$169,487	\$48,148	(\$4,939,660)	(\$4,939,660)
Public safety	4,743,620	138,299	156,727		(4,448,594)	(4,448,594)
Public works	2,817,305	383,211	3,797,399	3,097,542	4,460,847	4,460,847
Recreation	1,942,872	987,511			(955,361)	(955,361)
Planning	2,764,254	314,178			(2,450,076)	(2,450,076)
Total governmental activities	17,443,308	1,841,161	4,123,613	3,145,690	(8,332,844)	(8,332,844)
Business-type Activities:						
Sewer	5,670,214	4,477,159			(\$1,193,055)	(1,193,055)
Total	\$23,113,522	\$6,318,320	\$4,123,613	\$3,145,690	(8,332,844)	(9,525,899)
General revenues:						
Taxes:						
Property					3,582,161	\$3,582,161
Sales and Use					2,929,586	2,929,586
Transient occupancy					4,817,532	4,817,532
Franchise					707,353	707,353
Business License Tax					597,590	597,590
Investment income					(96,482)	(49,678)
Miscellaneous					1,585,835	1,585,835
Gain on investment in Sewer Authority Mid-Coastside (Note 6)						685,080
Transfers (Note 3)					621,266	(621,266)
Total general revenues and transfers					14,744,841	14,136
Change in Net Position					6,411,997	(1,178,919)
Net Position at beginning of year					114,714,084	25,217,648
Net Position at end of year					\$121,126,081	\$24,038,729

See accompanying notes to financial statements



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CITY OF HALF MOON BAY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	General Fund	Special Revenue Funds		Judgment Obligation Bonds
		Streets and Road	Lot Acquisition and Retirement	
Assets				
Cash and investments (Note 2)	\$9,351,572	\$4,241,455	\$2,613,143	\$6,299
Receivables:				
Accounts, net	2,275,305	1,287,020		
Interest	20,008	8,182		12
Land held for resale (Note 1i)				
Due from other funds (Note 3a)	543,139			
Prepays				
Total assets	\$12,190,024	\$5,536,657	\$2,613,143	\$6,311
Liabilities and Fund Balances				
Liabilities:				
Accounts payable		\$134,244		
Accrued liabilities	\$598,472	644,075	\$27,049	
Deposits payable	450,852			
Due to others funds (Note 3a)				
Unearned revenue		75,000		
Total Liabilities	1,049,324	853,319	27,049	
Fund balances (Note 7):				
Nonspendable				
Restricted		4,683,338	2,586,094	\$6,311
Committed	7,271,604			
Assigned				
Unassigned	3,869,096			
Total fund balances	11,140,700	4,683,338	2,586,094	6,311
Total liabilities and fund balances	\$12,190,024	\$5,536,657	\$2,613,143	\$6,311

See accompanying notes to financial statements

Capital Projects Funds			Non-major Governmental Funds	Total
Library	Land Asset	Capital Projects Fund		
\$1,330,094			\$12,390,637	\$29,933,200
		\$2,035,000	297,343	5,894,668
2,650			26,078	56,930
	\$26,823,920			26,823,920
				543,139
		272,306		272,306
<u>\$1,332,744</u>	<u>\$26,823,920</u>	<u>\$2,307,306</u>	<u>\$12,714,058</u>	<u>\$63,524,163</u>
				\$134,244
		\$27,119	\$118,556	1,415,271
				450,852
		543,139		543,139
				75,000
		570,258	118,556	2,618,506
	\$26,823,920			26,823,920
			12,595,502	19,871,245
\$1,332,744		1,737,048		7,271,604
				3,069,792
				3,869,096
<u>1,332,744</u>	<u>26,823,920</u>	<u>1,737,048</u>	<u>12,595,502</u>	<u>60,905,657</u>
<u>\$1,332,744</u>	<u>\$26,823,920</u>	<u>\$2,307,306</u>	<u>\$12,714,058</u>	<u>\$63,524,163</u>

CITY OF HALF MOON BAY
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2021

Fund balances of governmental funds	\$60,905,657
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	19,318,363
Capital assets, depreciated, net	53,245,596
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	2,571,210
Deferred inflows of resources	(668,845)
Long-term asset and liabilities that have not been included in governmental fund activity	
Long-Term Notes Payable	(7,189,169)
Compensated absences	(539,463)
Net pension liability	(11,780,541)
Net OPEB asset	206,919
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.	5,056,354
Net position of governmental activities	\$121,126,081

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, 2021

	General Fund	Special Revenue Funds		Judgment Obligation Bonds Debt Service Fund
		Streets and Road	Lot Acquisition and Retirement	
REVENUES				
Taxes	\$12,223,462			
License and Permits	405,491	\$192,099		
Fines and forfeitures	108,937			
Charges for services	1,302,597			
Impact fees/recreation fees			\$2,684,210	
Investment income	2,054	(15,894)	3,483	\$336
Intergovernmental revenues	169,487	3,843,346		
Miscellaneous	1,860,851	16,387		
Total Revenues	16,072,879	4,035,938	2,687,693	336
EXPENDITURES				
Current:				
General government	2,190,316		101,599	
General administration	1,251,447			
Public Safety	4,308,681			
Public works	1,650,155	373,503		
Recreation services	864,764			
Planning	2,462,112			
Capital outlay		3,640,689		
Debt service:				
Principal				
Interest & fees				
Total Expenditures	12,727,475	4,014,192	101,599	
Excess (deficiency) of revenues over (under) expenditures	3,345,404	21,746	2,586,094	336
Other financing sources (uses):				
Transfers in (Note 3)	528,923	533,601		
Transfers (out) (Note 3)	(3,367,779)	(2,581)		(30,000)
Proceeds from the issuance of debt				
Total other financing sources (uses)	(2,838,856)	531,020		(30,000)
Net change in fund balances	506,548	552,766	2,586,094	(29,664)
Fund balances at beginning of year	10,634,152	4,130,572		35,975
Fund balances at end of year	\$11,140,700	\$4,683,338	\$2,586,094	\$6,311

See accompanying notes to financial statements

Capital Projects Funds			Non-Major Governmental Funds	Total
Library	Land Asset	Capital Projects Fund		
				\$12,223,462
				597,590
				108,937
			\$4,245	1,306,842
			304,297	2,988,507
(\$3,291)		(\$15,653)	(46,739)	(75,704)
48,148			171,667	4,232,648
				1,877,238
44,857		(15,653)	433,470	23,259,520
				2,291,915
				1,251,447
			86,036	4,394,717
			87,194	2,110,852
			244,661	1,109,425
			200,000	2,662,112
		2,243,537	71,339	5,955,565
		2,243,537	689,230	19,776,033
44,857		(2,259,190)	(255,760)	3,483,487
		443,000	602,000	2,107,524
			(301)	(3,400,661)
		2,035,000		2,035,000
		2,478,000	601,699	741,863
44,857		218,810	345,939	4,225,350
1,287,887	\$26,823,920	1,518,238	12,249,563	56,680,307
\$1,332,744	\$26,823,920	\$1,737,048	\$12,595,502	\$60,905,657

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, 2021

Changes in fund balances of governmental funds \$4,225,350

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	5,955,565
Transfer of capital asset to internal service fund (Note 4)	(197,611)
Uncapitalized capital outlay	335,107
Depreciation expense	(1,802,165)

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	(11,063)
Compensated absences	(140,849)
Pension expense	(240,323)

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.

322,986

Changes in net position of governmental activities

\$6,411,997

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021

	Sewer Enterprise Fund	Internal Service Funds
Assets:		
Current Assets:		
Cash and investments (Note 2)	\$9,217,011	\$5,654,943
Accounts receivable	123,444	
Interest receivable	18,641	10,210
Total Current Assets	9,359,096	5,665,153
Noncurrent Assets:		
Investment in Sewer Authority Mid-Coastside (Note 6)	9,377,687	
Net OPEB Asset (Note 9)	9,141	2,797
Non-depreciable capital assets (Note 4)	1,584,587	
Depreciable capital assets, net of accumulated depreciation (Note 4)	4,614,921	355,898
Total non-current assets	15,586,336	358,695
Total Assets	24,945,432	6,023,848
Deferred Outflows of Resources		
Related to OPEB (Note 9)		711
Related to pensions (Note 8)	126,059	
Total deferred outflows of resources	126,059	711
Liabilities:		
Current Liabilities:		
Accounts payable	510,827	20,368
Claims liability (Note 10)		947,234
Total current liabilities	510,827	967,602
Noncurrent liabilities:		
Net pension liability (Note 8)	500,223	
Total Liabilities	1,011,050	967,602
Deferred Inflows of Resources		
Related to OPEB (Note 9)	5,459	603
Related to pensions (Note 8)	16,253	
Total deferred inflows of resources	21,712	603
Net Position:		
Net investment in capital assets	6,199,508	355,898
Restricted for investment in Sewer Authority	9,377,687	
Unrestricted	8,461,534	4,700,456
Total Net Position	\$24,038,729	\$5,056,354

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, 2021

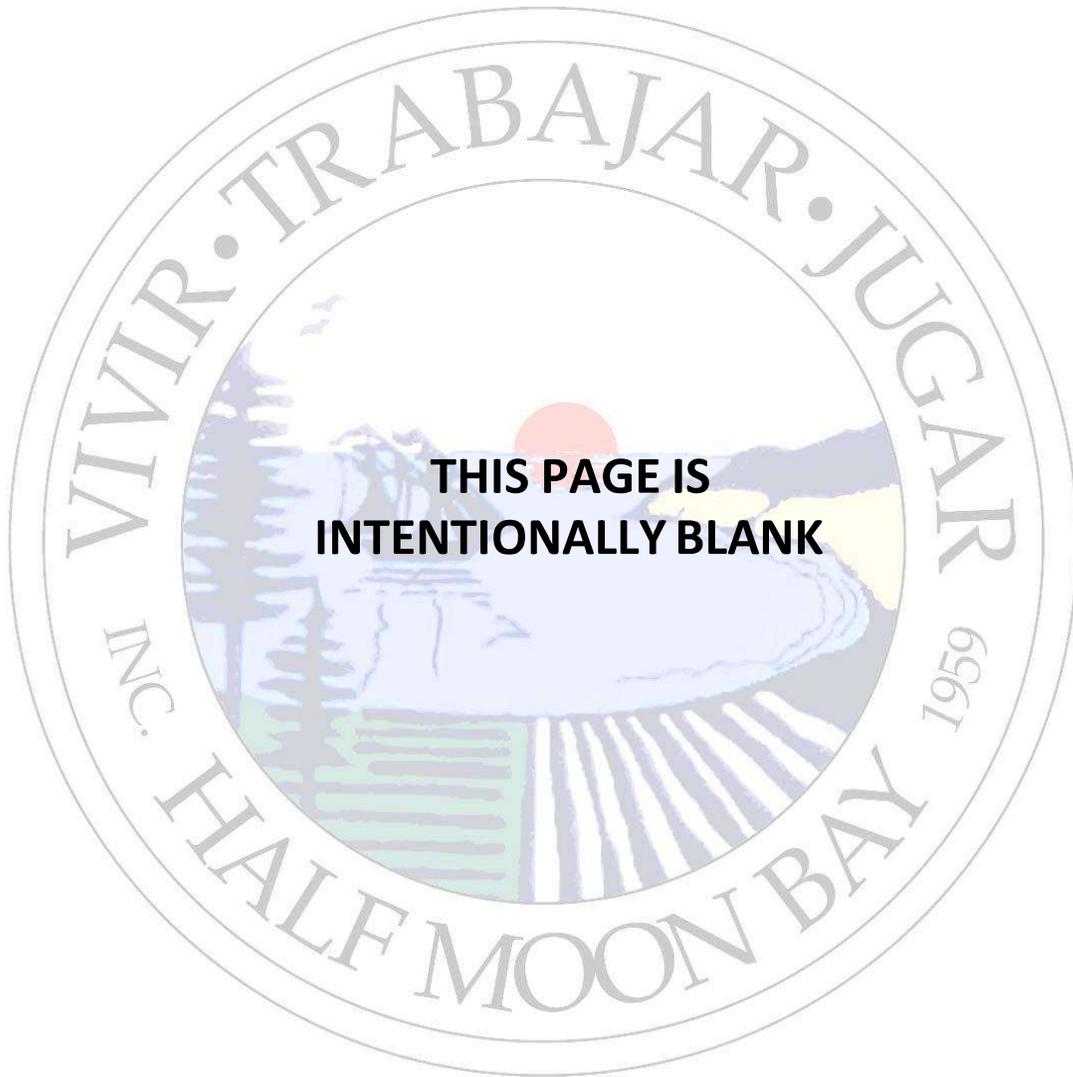
	Sewer Enterprise Fund	Internal Service Funds
Operating revenues:		
Charges for services	\$4,477,159	
Impact fees		\$44,388
Total operating revenues	4,477,159	44,388
Operating expenses:		
Salaries and wages	551,191	488,000
Contract services	4,969,691	319,059
Supplies	31,562	56,365
Repairs and maintenance	476	42,404
Insurance		267,792
Pensions		594,797
Depreciation	117,294	39,518
Total operating expenses	5,670,214	1,807,935
Total operation income	(1,193,055)	(1,763,547)
Non-operating revenues:		
Gain on investment in Sewer Authority Mid-Coastside (Note 6)	685,080	
Investment income	(49,678)	(25,481)
Total non-operating revenues	635,402	(25,481)
Income before transfers	(557,653)	(1,789,028)
Transfers:		
Transfers in (Note 3)		2,112,014
Transfers (out) (Note 3)	(621,266)	
Total transfers	(621,266)	2,112,014
Change in net position	(1,178,919)	322,986
Net position at beginning of year	25,217,648	4,733,368
Net position at end of year	\$24,038,729	\$5,056,354

See accompanying notes to financial statements

CITY OF HALF MOON BAY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021

	Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Cash received from department users	\$4,383,966	\$44,388
Cash payments to suppliers for goods and services	(4,581,882)	(1,245,921)
Cash payments to employee services	(430,223)	(477,848)
Net cash provided by operating activities	(628,139)	(1,679,381)
Cash flows from non-capital and related financing activities:		
Cash collected from other funds		2,112,014
Cash paid to other funds	(621,266)	
Net cash (used for) non capital and related financing activities	(621,266)	2,112,014
Cash flows form capital and related financing activities:		
Acquisition of capital assets	(1,729,712)	(197,611)
Net cash provided by (used for) capital and related financing activities	(1,729,712)	(197,611)
Cash flows from investing activities:		
Interest received on investments	(49,678)	(25,481)
Net cash provided by investing activities	(49,678)	(25,481)
Net increase in cash and cash equivalents	(3,028,795)	209,541
Cash and cash equivalents at beginning of year	12,245,806	5,445,402
Cash and cash equivalents at end of year	\$9,217,011	\$5,654,943
Reconciliation of operating income (loss) to net cash provided by (used for)		
Provided by (used for) operating activities:		
Operating income (loss)	(\$1,193,055)	(\$1,763,547)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	117,294	39,518
Change in assets and liabilities:		
Interest receivable, net	27,498	21,345
Accounts receivable	(120,691)	
Accounts payable	419,847	13,151
Deferred outflows of resources	(33,392)	
Deferred inflows of resources	(7,520)	1,168
Claims liability		8,984
Net OPEB asset	(2,609)	
Net pension liability	164,489	
Net cash provided by operating activities	(\$628,139)	(\$1,679,381)
Non-cash transactions:		
Gain on investment in Sewer Authority Mid-Coastside	\$685,080	

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, 2021

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) *Blended Component Unit*

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, 2021

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 101) 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 122), Measure A Local Transportation Ordinance Tax funds (Fund 124), Main Street Bridge fund (Fund 121) and other grants (Fund 123) 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 153) is used to account for the construction and facilities maintenance of the library.

The *Land Asset Capital Projects Fund* (Fund 154) was established to account for the two land parcels held for resale.

The *Lot Acquisition and Retirement Fund* (Fund 133) is used to account for in-lieu fees and expenses within the purpose of acquiring and retiring development rights on existing legal parcels.

The *Capital Projects Fund* (Fund 151) 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 201 is Sewer Operating Fund; Fund 202 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 302), *Vehicle Replacement Fund* (Fund 301), a *Risk Management Fund* (Fund 303), and *Pension Stabilization Fund* (Fund 304).

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021

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, 2021 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, 2021**

1. Significant Accounting Policies, continued

j) Compensated Absences, 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, 2021 is as follows:

Beginning Balance	\$398,614
Additions	509,270
Payments	(368,421)
Ending Balance	\$539,463
Current Portion	\$26,973
Non-current Portion	\$512,490

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, 2021**

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.

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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

1. Significant Accounting Policies, continued

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, 2021.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB 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.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

1. Significant Accounting Policies, continued

p) New GASB Pronouncements, continued

GASB 90 – Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

2. Cash, Cash Equivalents, and Investments

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$958
Deposits with financial institutions	4,132,843
Investments	40,671,353
Total City cash and investments	\$44,805,154

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

2. Cash, Cash Equivalents, and Investments, continued

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, 2021, the carrying amount of the City's deposits was \$4,132,837 and the bank balance was \$4,184,031. 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.

b) Investments Authorized by the City's Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 Years	None	None	None
U.S. Agency Securities	5 Years	None	None	None
Bankers' Acceptances	180 Days	None	20%	5%
Commercial Paper	180 Days	A2/A	15%	2%
Negotiable Certificates of Deposit	2 Years	None	30%	None
Repurchase Agreements	1 year	None	10%	5%
California Local Agency Investment Fund Pool	None	None	None	\$75 million
Time Deposits	2 years	None	10%	None
Medium-Term Notes	5 Years	Aa2/AA	10%	10%
Money Market Mutual Funds	None	Aaa/AAA	20%	5%

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

2. Cash, Cash Equivalents, and Investments, continued

c) Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One
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

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 2021. 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.

	Total
Investments exempt from Fair Value Hierarchy:	
San Mateo County Investment Pool	\$32,926,951
California Local Agency Investment Fund	<u>7,744,402</u>
Total Investments	<u>40,671,353</u>
Cash in Bank and on hand	<u>4,133,801</u>
Total Cash and Investments	<u><u>\$44,805,154</u></u>

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

2. Cash, Cash Equivalents, and Investments, continued

e) Interest Rate Risk

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

Investment Type	Remaining Maturity (in Months)	
	12 Months Or Less	Total
<i>Available for Operations</i>		
California Local Agency Investment Fund	\$7,744,402	\$7,744,402
San Mateo County Investment Pool	32,926,951	32,926,951
Total Investments	\$40,671,353	40,671,353
<i>Demand Deposits and Cash on Hand</i>		4,133,801
		\$44,805,154

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) 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		\$7,744,402	\$7,744,402
San Mateo County Investment Pool	\$32,926,951		32,926,951
Cash in banks and on hand		4,133,801	4,133,801
Total Cash & Investments	\$32,926,951	\$11,878,203	\$44,805,154

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

2. Cash, Cash Equivalents, and Investments, continued

h) Investments in San Mateo County Investment Pool

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 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, 2021, these investments matured in an average of 1.81 years.

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

The City is also a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2021 these investments matured in an average of 291 days.

3. Interfund Transactions

a) Current Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of fiscal year. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2021, \$543,139 was loaned from the General Fund to the Capital Projects Fund.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

3. Interfund Transactions, continued

b) Transfers

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>	
General Fund	Judgment Obligation Bonds Debt Service Fund	\$30,000	(e)
	Sewer Enterprise Fund	498,923	(a)
Streets and Road Special Revenue Fund	General Fund	533,601	(b)
Capital Projects Capital Project Fund	General Fund	443,000	(d)
Non-Major Governmental Funds	General Fund	602,000	(d)
Internal Service Funds	General Fund	1,789,178	(e)
	Streets and Roads Special Revenue Fund	2,581	(e)
	Non-Major Governmental Funds	301	(e)
	Sewer Enterprise Fund	122,343	(e)
		<u>\$4,021,927</u>	

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

In fiscal year 2021, the City transferred \$197,611 depreciable assets from governmental fund to the Equipment and Vehicle Replacement Internal Services Fund. The transfer from the governmental activities is only recorded in the governmental-wide financial statements and therefore, transfers in and out do not reconcile on the fund statements.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

4. Capital Assets

a) Capital Assets Activity

A Summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Transfers	Balance June 30, 2021
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$4,630,615	\$125,770		\$4,756,385
Rights of way	6,723,926			6,723,926
Construction in progress	3,934,875	4,076,921	(\$173,744)	7,838,052
Total capital assets not being depreciated	<u>15,289,416</u>	<u>4,202,691</u>	<u>(173,744)</u>	<u>19,318,363</u>
Capital assets being depreciated:				
Buildings & improvements	36,020,587	2,054,230		38,074,817
Machinery & equipment	1,061,002	23,867	173,744	1,258,613
Infrastructure	38,621,014	9,884		38,630,898
Total capital assets being depreciated	<u>75,702,603</u>	<u>2,087,981</u>	<u>173,744</u>	<u>77,964,328</u>
Less accumulated depreciation for:				
Buildings & improvements	5,975,014	873,977		6,848,991
Machinery & equipment	863,197	39,518		902,715
Infrastructure	15,682,940	928,188		16,611,128
Total accumulated depreciation	<u>22,521,151</u>	<u>1,841,683</u>		<u>24,362,834</u>
Net depreciable assets	<u>53,181,452</u>	<u>246,298</u>	<u>173,744</u>	<u>53,601,494</u>
Governmental activity capital assets, net	<u>\$68,470,868</u>	<u>\$4,448,989</u>		<u>\$72,919,857</u>

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

4. Capital Assets, continued

a) Capital Assets Activity, continued

	Balance June 30, 2020	Additions	Transfers	Balance June 30, 2021
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Construction in progress	\$532,297	\$1,500,392	(\$448,102)	\$1,584,587
Total capital assets not being depreciated	<u>532,297</u>	<u>1,500,392</u>	<u>(448,102)</u>	<u>1,584,587</u>
Capital assets being depreciated:				
Buildings & improvements	5,760,897	229,320	448,102	6,438,319
Machinery & equipment	763,646			763,646
Total capital assets being depreciated	<u>6,524,543</u>	<u>229,320</u>	<u>448,102</u>	<u>7,201,965</u>
Less accumulated depreciation for:				
Buildings & improvements	1,765,531	105,216		1,870,747
Machinery & equipment	704,219	12,078		716,297
Total accumulated depreciation	<u>2,469,750</u>	<u>117,294</u>		<u>2,587,044</u>
Net depreciable assets	<u>4,054,793</u>	<u>112,026</u>	<u>448,102</u>	<u>4,614,921</u>
Business-type activity capital assets, net	<u>\$4,587,090</u>	<u>\$1,612,418</u>		<u>\$6,199,508</u>

b) Depreciation

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$94,528
Recreation	823,660
Public safety	15,879
Public works	868,098
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>39,518</u>
Total Governmental Activities	<u>\$1,841,683</u>
Business-Type Activities:	
Sewer Fund	<u>\$117,294</u>

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2021.

	Original Issue Amount	Balance June 30, 2020	Additions	Balance June 30, 2021	Current Portion
<i>Governmental Activity Debt</i>					
Direct borrowings:					
San Mateo County advancement	\$5,726,855	\$5,154,169		\$5,154,169	\$1,145,371
Capital Lease:					
iBank Financing Lease A & B	3,200,000		\$2,035,000	2,035,000	46,353
Total Governmental Activity		<u>\$5,154,169</u>	<u>\$2,035,000</u>	<u>\$7,189,169</u>	<u>\$1,191,724</u>

a) *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, 2030. As of June 30, 2021, the City had drawn down \$5,726,855. Repayments began in fiscal year 2020.

In fiscal year 2021, the loan was amended so the City would not be required to make the two loans payments due in fiscal year 2021 due to COVID-19. However, the City will begin making loan repayments in fiscal 2022 and the final payment would be made no later than April 2030.

b) *Financing Lease – Financing Agreement with the California Infrastructure and Economic Development Bank*

During fiscal year ended June 30, 2021, the City entered into a \$3.2 million lease agreement with the California Infrastructure and Economic Development Bank (iBank) for the 880 Stone Pine Road property purchase and related construction costs. The City plans to upgrade and restore the Corporation yard. This will then be used to store the City’s vehicles, equipment, and supplies. The terms of repayment are directly from the rental income with two interest payments due on August 1 and February 1 every fiscal year with one annual principal payment due on August 1 of each year. The first principal payment is due on August 2022. During fiscal year 2021, the City drew down \$2,035,000.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

5. Long-Term Debt, continued

c) Debt Service

As of June 30, 2021, annual debt service to maturity for the private placements is as follows:

Year ending June 30	Governmental Activities		
	Principal	Interest	Total
2022	\$1,191,724	\$974,009	\$2,165,733
2023	620,197	986,826	1,607,023
2024	621,385	985,624	1,607,009
2025	622,603	984,392	1,606,995
2026	623,851	983,128	1,606,979
2027-2031	1,993,716	4,285,005	6,278,721
2032-2036	311,884	2,786,799	3,098,683
2037-2041	352,869	848,613	1,201,482
2042-2046	399,239	81,907	481,146
2047-2051	451,701	28,788	480,489
Total	<u>\$7,189,169</u>	<u>\$12,945,091</u>	<u>\$20,134,260</u>

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 audited financial statements for June 30, 2020, the City recorded its investment in SAM in the amount of \$9,377,687 at June 30, 2021.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

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.

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, 2021, 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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

7. Net Position/Fund Balances, continued

c) Classifications, continued

- *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, 2021

7. Net Position/Fund Balances, continued

d) Policies, continued

Fund balances for all the major and non-major governmental funds as of June 30, 2021 were distributed as follows:

	General Fund	Streets and Roads	Judgment Obligation Bonds	Library	Land Asset	Lot Acquisition and Retirement	Capital Projects	Non-major Governmental Funds	Total
Nonspendable:									
Land held for resale					\$26,823,920				\$26,823,920
Total nonspendable					26,823,920				26,823,920
Restricted:									
Streets & roads		\$4,683,338							\$4,683,338
Community development						\$2,586,094			2,586,094
Park development improvements								\$2,415,481	2,415,481
Debt service			\$6,311						6,311
Police grants								\$560,712	560,712
Storm drain maintenance improvements								\$1,415,933	1,415,933
Traffic mitigation								\$4,225,386	4,225,386
Affordable housing								\$2,166,277	2,166,277
Public facilities								\$1,405,167	1,405,167
Total restricted		4,683,338	6,311			2,586,094		12,188,956	19,464,699
Committed:									
Contingency reserve	\$7,271,604								7,271,604
Total committed	7,271,604								7,271,604
Assigned:									
San Mateo County Library				\$1,332,744					1,332,744
Capital projects							\$1,737,048		1,737,048
Total assigned				1,332,744			1,737,048		3,069,792
Unassigned:									
	\$3,869,096								3,869,096
Total Fund Balances	\$11,140,700	\$4,683,338	\$6,311	\$1,332,744	\$26,823,920	\$2,586,094	\$1,737,048	\$12,188,956	\$60,499,111

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, 2021

7. Net Position/Fund Balances, continued

f) Closure of the Other Post-Employment Benefits Plan Trust Fund

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities* during the year ended June 30, 2021. As a result, the City determined that the activities of the OPEB Fund should no longer be reported in the OPEB Trust Fund, since the City does not have control of the assets of the PARS OPEB Plan as a whole. Therefore the OPEB Trust Fund is no longer reported in the financial statements as of July 1, 2020.

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.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

8. Pension Plans, continued

a) General Information about the Pension Plans, continued

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

The Plan’s provisions and benefits in effect at June 30, 2021, 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%	7.25%
Required employer contribution rates	11.746%	7.874%
	<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 \$364,746 in fiscal year 2021.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

8. Pension Plans, continued

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, 2021, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$728,503	\$594,797

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. The long-term portion of governmental activities of pension liabilities are liquidated primarily by the General Fund.

As of June 30, 2021, 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	\$5,729,928
Safety	6,550,836
Total Net Pension Liability	\$12,280,764

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, 2020, 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, 2019 rolled forward to June 30, 2020 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.

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

8. Pension Plans, continued

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

The City's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2019	0.13120%	0.10123%
Proportion - June 30, 2020	0.13584%	0.09833%
Change - Increase (Decrease)	0.00464%	(0.00290%)

For the year ended June 30, 2021, the City recognized pension expense of \$447,545 for Miscellaneous Plan and \$723,723 for Safety Plan, with a total pension expense of \$1,171,268. At June 30, 2021, 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	\$728,503		\$594,797		\$1,323,300	
Changes in assumptions		(\$40,868)		(\$21,821)		(\$62,689)
Differences between actual and expected experience	295,280		507,984		803,264	
Net change in Proportion DIDO and Net Pension Liability	227,238				227,238	
Net difference in actual contribution and proportion contributions		(145,306)		(406,682)		(551,988)
Net differences between projected and actual earnings on plan investments	170,217		142,377		312,594	
Total	\$1,421,238	(\$186,174)	\$1,245,158	(\$428,503)	\$2,666,396	(\$614,677)

\$1,323,300 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
2022	\$91,594	(\$35,197)	\$56,397
2023	187,410	95,073	282,483
2024	145,916	90,643	236,559
2025	81,641	71,339	152,980
Total	\$506,561	\$221,858	\$728,419

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

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, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous & Safety
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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	Lessor of the contract COLA up to 2.50% 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.

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, 2021

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 and forecasted information for 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.

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 Comprehensive Annual Financial Report, 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, 2021**

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	\$8,616,641	\$9,424,346	\$18,040,987
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$5,729,928	\$6,550,836	\$12,280,764
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$3,344,727	\$4,192,849	\$7,537,576

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. The long-term portion of governmental activities of OPEB liabilities are liquidated primarily by the General Fund.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021, membership in the plan consisted of the following:

	Number of Covered Employees
Active employees	37
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	25
Inactive employees entitled to but not yet receiving benefit payments	11
Total	73

c) Net OPEB Liability

The components of the net OPEB liability of the City at June 30, 2021, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2020:	\$519,226	\$702,917	(\$183,691)
Changes Recognized for the Measurement Period:			
Service Cost	30,749	-	30,749
Interest	32,113	-	32,113
Expected investment income	-	-	-
Contributions:	-	-	-
Employer - City's contribution	-	(5,366)	5,366
Employer - Implicit subsidy	-	-	-
Net investment income	-	136,486	(136,486)
Benefit payments	(29,523)	(29,523)	-
Actual vs. expected experience	-	-	-
Changes of assumptions	30,158	-	30,158
Administrative expenses*	-	(2,934)	2,934
Net Changes during Fiscal Year 2021	63,497	98,663	(35,166)
Balance at Fiscal Year Ending 6/30/2021:	\$582,723	\$801,580	(\$218,857)

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

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, 2021, calculated using the discount rate of 5.50%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage point higher than the current rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(4.50%)	(5.50%)	(6.50%)
(\$149,184)	(\$218,857)	(\$276,534)

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
(\$292,662)	(\$218,857)	(\$127,402)

e) Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	6/30/2021
Contribution Policy	City contributes full ADC
Actuarial Cost Method	Entry Age Normal. Level percentage of payroll
Actuarial Assumptions:	
Discount Rate	5.50% ⁽¹⁾
Long Term Expected Rate	6.00% ⁽²⁾
Rate of Return on Assets	6.00% ⁽³⁾
Inflation	2.75%
Payroll Growth	3.00%
Mortality Rate	CalPERS 1997-2015 Experience Study; Mortality projected fully generational with Society of Actuaries Scale MP-2019
Healthcare Trend Rate	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, 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, 2021

(2) At June 30, 2020

(3) Expected City Contributions projected to keep sufficient plan assets to pay all benefits from trust.

f) Change in Assumptions

During fiscal year 2021, the discount rate was changed from 6.00% in fiscal year 2020 to 5.50%.

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

9. Other Post Employment Healthcare Benefits, continued

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

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$20,897. At June 30, 2021, 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		(\$69,569)
Changes in assumptions	\$26,915	(6,914)
Differences between actual and expected experience	4,669	
Total	\$31,584	(\$76,483)

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
2022	(\$13,733)
2023	(14,463)
2024	(13,684)
2025	(15,949)
2026	2,935
Thereafter	9,995
Total	(\$44,899)

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

9. Other Post Employment Healthcare Benefits, continued

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, 2021
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. The City did not make any contribution to the Trust in fiscal year 2021.

Investment Policy

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

The following is the City adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	48.00%	4.57%
Fixed Income	45.00%	0.72%
REITs	2.00%	3.76%
Cash	5.00%	0.06%
Total	100.00%	

CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021

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 Pooled Liability Assurance Network Joint Powers Authority 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 The Plan becomes responsible for payment of all claims up to the limit. The Cities Group covers workers compensation claims up to \$2,500,000 in primary payment (\$1,000,000 for miscellaneous employees and \$1,500,000 for safety employees) and has coverage above that limit to a maximum of \$10,000,000 per incident in excess. The City has no deductible for these claims. The City also belongs to the California Sanitation Risk Management Authority, which insures the City up to \$500,000 per property against sewer backup damages. The City is liable for only one claim per property and is not liable for any future damages, as the property owner is then required to install a back flow valve on their line, with the exception of properties in certain low lying areas.

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

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

**CITY OF HALF MOON BAY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

10. Risk Management (Continued)

a) *The Cities Group*

The City, along with five other governments located within San Mateo County, is a member of The Cities Group, a public entity risk pool and a provider of workers' compensation insurance coverage, claims management, risk management services and legal defense to each participating member. The Cities Group is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to The Cities Group may be modified by Board decision according to the loss experience of each member. This loss experience mechanism will operate to ensure that each member returns over a period of time to The Cities Group the funds paid out on its behalf as paid losses. In the opinion of City management, premiums paid represent the best available estimate of the ultimate cost of the City's participation in The Cities Group and, accordingly, the accompanying basic financial statements of the City includes no provisions for possible refunds or additional assessments. For the year ended June 30, 2021, the City paid premiums of \$40,431 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.

For the year ended June 30, 2021, the City paid premiums of \$211,682. 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:

	June 30, 2021	June 30, 2020
Beginning balance of claims payable	\$938,250	\$903,761
Increase in estimated liability	391,310	567,657
Claims paid	(382,326)	(533,168)
Ending balance of claims payable	\$947,234	\$938,250

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>	<u>6/30/2019</u>	<u>6/30/2020</u>
Plan's proportion of the Net Pension Liability (Asset)	0.04792%	0.10917%	0.11869%	0.12281%	0.12663%	0.13120%	0.13584%
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	\$5,254,057	\$5,729,928
Covered Payroll	\$1,412,295	\$1,986,876	\$2,014,025	\$2,423,106	\$3,177,604	\$3,415,448	\$3,945,078
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%	153.83%	145.24%
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%	75.07%	278.58%

* Fiscal year 2015 was the 1st year of implementation

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>	<u>6/30/2019</u>	<u>6/30/2020</u>
Plan's proportion of the Net Pension Liability (Asset)	0.06033%	0.10493%	0.10385%	0.10143%	0.10417%	0.10123%	0.03615%
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	\$6,319,361	\$6,550,836
Covered Payroll	N/A						
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	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%	73.37%	223.00%

* Fiscal year 2015 was the 1st year of implementation

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Plan
 Cost-Sharing Multiple Employer Defined Pension Plan
 As of fiscal year ending June 30, 2021
 Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal year ended June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$168,511	\$344,215	\$435,299	\$525,289	\$649,405	\$728,503
Contributions in relation to the actuarially determined contributions	<u>(168,511)</u>	<u>(344,215)</u>	<u>(435,299)</u>	<u>(525,289)</u>	<u>(649,405)</u>	<u>(728,503)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$2,014,025	\$2,423,106	\$3,177,604	\$3,415,448	\$3,945,078	\$3,974,973
Contributions as a percentage of covered-employee payroll	8.4%	14.2%	13.7%	15.4%	16.5%	18.3%

Notes to Schedule

Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
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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	13 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	(1)
Investment rate of return	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50%

(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

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
 Cost-Sharing Multiple Employer Defined Pension Plan
 As of fiscal year ending June 30, 2021
 Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal year ended June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$414,500	\$249,322	\$445,240	\$551,942	\$555,649	\$594,797
Contributions in relation to the actuarially determined contributions	<u>(414,500)</u>	<u>(249,322)</u>	<u>(445,240)</u>	<u>(551,942)</u>	<u>(555,649)</u>	<u>(594,797)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	N/A	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	N/A

Notes to Schedule

Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
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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	13 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	(1)
Investment rate of return	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50%

- (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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS A Single Employer OPEB Plan Last 10 fiscal years*

Measurement Date	6/30/2017	6/30/18	6/30/2019	6/30/20	6/30/21
Total OPEB Liability (1)					
Service Cost	\$25,533	\$27,065	\$27,877	\$28,713	\$30,749
Interest	24,624	26,373	28,268	30,256	32,113
Differences between expected and actual experience	-	-	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)	(24,885)	(29,523)
Actual vs. expected experience	-	-	-	5,947	-
Changes of assumptions	-	-	-	(8,808)	30,158
Net change in total OPEB liability	<u>27,635</u>	<u>30,885</u>	<u>33,357</u>	<u>31,223</u>	<u>63,497</u>
Total OPEB liability - beginning	<u>396,126</u>	<u>423,761</u>	<u>454,646</u>	<u>488,003</u>	<u>519,226</u>
Total OPEB liability - ending (a)	<u>\$423,761</u>	<u>\$454,646</u>	<u>\$488,003</u>	<u>\$519,226</u>	<u>\$582,723</u>
OPEB fiduciary net position					
Net investment income	\$48,425	\$32,087	\$41,937	\$29,170	\$136,486
Contributions:					
Employer - City's contribution	22,522	39,261	22,928	26,083	(5,366)
Employer - Implicit subsidy	-	-	-	-	-
Administrative expense	(2,071)	(1,552)	(1,745)	(2,911)	(2,934)
Actual vs. expected experience	-	-	-	-	-
Benefit payments	(22,522)	(22,553)	(22,788)	(24,885)	(29,523)
Net change in plan fiduciary net position	<u>46,354</u>	<u>47,243</u>	<u>40,332</u>	<u>27,457</u>	<u>98,663</u>
Plan fiduciary net position - beginning	<u>541,531</u>	<u>587,885</u>	<u>635,128</u>	<u>675,460</u>	<u>702,917</u>
Plan fiduciary net position - ending (b)	<u>\$587,885</u>	<u>\$635,128</u>	<u>\$675,460</u>	<u>\$702,917</u>	<u>\$801,580</u>
Net OPEB liability - ending (a)-(b)	<u>(\$164,124)</u>	<u>(\$180,482)</u>	<u>(\$187,457)</u>	<u>(\$183,691)</u>	<u>(\$218,857)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	138.73%	139.70%	138.41%	135.38%	137.56%
Covered-employee payroll (A)	N/A **	\$3,009,829	\$4,157,271	\$4,976,211	\$4,806,006
Total OPEB liability as a percentage of covered-employee payroll	N/A **	-6.00%	-4.51%	-3.69%	-4.55%

* 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

(A) City's contributions to OPEB plan are not based on a measure of pay

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

A Single Employer OPEB Plan
Last 10 fiscal years*

Fiscal Year Ended June 30,	2017	2018	2019	2020	2021
Actuarially Determined Contribution (ADC)	\$16,708	\$17,251	\$15,539	\$16,054	\$15,992
Less: Contributions in Relation to the ADC	<u>(22,522)</u>	<u>(39,261)</u>	<u>(22,928)</u>	<u>(26,083)</u>	<u>(5,366)</u>
Contribution deficiency (excess)	<u>(\$5,814)</u>	<u>(\$22,010)</u>	<u>(\$7,389)</u>	<u>(\$10,029)</u>	<u>\$10,626</u>
Covered-employee payroll	N/A **	\$3,009,829	\$ 4,157,271	\$ 4,976,211	\$ 4,806,006
Contributions as a percentage of Covered-employee payroll	N/A **	1.30%	0.55%	0.52%	0.11%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, level percentage of payroll
Amortization Period	13.2-year fixed period for
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Actuarial Assumptions:	
Discount Rate	5.50%
Inflation	2.75%
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
PEMHCA Minimum	4.25% annual increases
Mortality	CalPERS 1997-2015 experience study Mortality projected fully generational with Society of Actuaries Scale MP-2019
Mortality Improvement	

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal year ended June 30,¹	Annual money-weighted rate of return, net of investment expense
2017*	8.60%
2018	7.60%
2019	7.60%
2020	4.10%
2021	19.63%

¹ This schedule is intended to show information for 10 years.
Additional years will be added to this schedule in future fiscal years
* Fiscal year 2017 was the first year of GASB 74 implementation

CITY OF HALF MOON BAY
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes	\$8,991,498	\$10,996,763	\$12,223,462	\$1,226,699
Licenses and permits	241,532	241,532	405,491	163,959
Fines and forfeitures	115,802	115,802	108,937	(6,865)
Charges for services	989,758	837,710	1,302,597	464,887
Investment income	219,994	148,039	2,054	(145,985)
Intergovernmental revenues	15,000	15,000	169,487	154,487
Miscellaneous	1,704,797	1,704,797	1,860,851	156,054
Total revenues	<u>12,278,381</u>	<u>14,059,643</u>	<u>16,072,879</u>	<u>2,013,236</u>
Expenditures:				
Current Operations:				
General Government	1,849,168	1,941,150	2,190,316	(249,166)
General administration	1,149,190	1,198,943	1,251,447	(52,504)
Public Safety	4,403,888	4,412,021	4,308,681	103,340
Public Works	1,384,334	1,520,320	1,650,155	(129,835)
Recreation services	973,518	923,361	864,764	58,597
Planning	2,316,922	2,482,329	2,462,112	20,217
Debt service:				
Principal	226,315	226,315		226,315
Total expenditures	<u>12,303,335</u>	<u>12,704,439</u>	<u>12,727,475</u>	<u>(23,036)</u>
Excess of revenues over expenditures	<u>(24,954)</u>	<u>1,355,204</u>	<u>3,345,404</u>	<u>1,990,200</u>
Other financing sources (uses):				
Transfers in	528,923	528,923	528,923	
Transfers out	<u>(1,136,178)</u>	<u>(3,367,779)</u>	<u>(3,367,779)</u>	
Total Other Financing Sources (Uses)	<u>(607,255)</u>	<u>(2,838,856)</u>	<u>(2,838,856)</u>	
Net change in fund balance	<u>(\$632,209)</u>	<u>(\$1,483,652)</u>	506,548	<u>\$1,990,200</u>
Fund balance at beginning of year			<u>10,634,152</u>	
Fund balance at end of year			<u>\$11,140,700</u>	

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, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
Licenses and permits	\$90,000	\$90,000	\$192,099	\$102,099
Investment income	34,437	34,437	(15,894)	(50,331)
Intergovernmental revenue	4,677,154	4,677,154	3,843,346	(833,808)
Miscellaneous			16,387	16,387
Total revenues	<u>4,801,591</u>	<u>4,801,591</u>	<u>4,035,938</u>	<u>(765,653)</u>
Expenditures:				
Current:				
Public works	357,618	411,934	373,503	38,431
Capital Outlay	<u>4,729,000</u>	<u>4,859,601</u>	<u>3,640,689</u>	<u>1,218,912</u>
Total expenditures	<u>5,086,618</u>	<u>5,271,535</u>	<u>4,014,192</u>	<u>1,257,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(285,027)</u>	<u>(469,944)</u>	<u>21,746</u>	<u>491,690</u>
Other financing sources (uses):				
Transfer in	603,000	733,601	533,601	(200,000)
Transfer out	<u>(202,581)</u>	<u>(202,581)</u>	<u>(2,581)</u>	<u>200,000</u>
Total other financing sources (uses)	<u>400,419</u>	<u>531,020</u>	<u>531,020</u>	
Net change in fund balance	<u>\$115,392</u>	<u>\$61,076</u>	552,766	<u>\$491,690</u>
Fund balance at beginning of year			<u>4,130,572</u>	
Fund balance at end of year			<u>\$4,683,338</u>	

CITY OF HALF MOON BAY
 LOT ACQUISITION AND RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits			\$2,684,210	\$2,684,210
Investment income			3,483	3,483
Total revenues			<u>2,687,693</u>	<u>2,687,693</u>
Expenditures:				
Current:				
General government			101,599	(101,599)
Total expenditures			<u>101,599</u>	<u>(101,599)</u>
Excess (deficiency) of revenues over (under) expenditures			<u>2,586,094</u>	<u>2,586,094</u>
Net change in fund balance			<u><u>\$2,586,094</u></u>	<u><u>\$2,586,094</u></u>
Fund balance at beginning of year				
Fund balance at end of year			<u><u>\$2,586,094</u></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.



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SUPPLEMENTARY INFORMATION

CITY OF HALF MOON BAY
 JUDGMENT OBLIGATION BONDS DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income		\$336	\$336
Total revenues		<u>336</u>	<u>336</u>
Other financing sources:			
Transfers (out)	<u>(30,000)</u>	<u>(30,000)</u>	
Total other financing sources	<u>(30,000)</u>	<u>(30,000)</u>	
Net change in fund balance	<u><u>(\$30,000)</u></u>	<u>(29,664)</u>	<u><u>\$336</u></u>
Fund balance at beginning of year		<u>35,975</u>	
Fund balance at end of year		<u><u>\$6,311</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, 2021

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income		(\$3,291)	(\$3,291)
Intergovernmental revenues		48,148	
Total Revenues		44,857	(3,291)
Net change in fund balance		44,857	\$44,857
Fund balance at beginning of year		1,287,887	
Fund balance at end of year		\$1,332,744	

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, 2021

	<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	\$219,994	\$148,039	(\$15,653)	(\$163,692)
Total revenues	<u>219,994</u>	<u>148,039</u>	<u>(15,653)</u>	<u>(163,692)</u>
Expenditures:				
Current Operations:				
Capital Outlay		2,703,000	2,243,537	459,463
Total expenditures		<u>2,703,000</u>	<u>2,243,537</u>	<u>459,463</u>
Excess of revenues over expenditures	<u>219,994</u>	<u>(2,554,961)</u>	<u>(2,259,190)</u>	<u>295,771</u>
Other financing sources (uses):				
Transfers in	528,923	443,000	443,000	
Proceeds from the issuance of debt		<u>2,180,000</u>	<u>2,035,000</u>	<u>(145,000)</u>
Total Other Financing Sources (Uses)	<u>528,923</u>	<u>2,623,000</u>	<u>2,478,000</u>	<u>(145,000)</u>
Net change in fund balance	<u>\$748,917</u>	<u>\$68,039</u>	218,810	<u>\$150,771</u>
Fund balance at beginning of year			<u>1,518,238</u>	
Fund balance at end of year			<u>\$1,737,048</u>	

CITY OF HALF MOON BAY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2021

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 128) 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 111) accounts for the maintenance of the existing storm drain system.

The *Traffic Mitigation Fund* (Fund 112) 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 126) 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 125) 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 113) 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 127) 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 152) 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, 2021

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Assets					
Cash and investments	\$582,705	\$351,002	\$4,216,989	\$2,161,971	\$2,606,123
Accounts receivable					297,343
Interest receivable	1,183	699	8,397	4,306	6,504
Total assets	\$583,888	\$351,701	\$4,225,386	\$2,166,277	\$2,909,970
Liabilities:					
Accrued expenses	\$23,176				
Accrued liabilities					\$87,943
Total liabilities	23,176				87,943
Fund Balances:					
Restricted	560,712	\$351,701	\$4,225,386	\$2,166,277	2,822,027
Total fund balances	560,712	351,701	4,225,386	2,166,277	2,822,027
Total liabilities and fund balances	\$583,888	\$351,701	\$4,225,386	\$2,166,277	\$2,909,970

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Total</u>
\$1,406,143	\$1,065,704	\$12,390,637
2,847	2,142	297,343
<u>1,408,990</u>	<u>\$1,067,846</u>	<u>26,078</u>
	\$3,614	\$26,790
<u>\$3,823</u>		<u>91,766</u>
<u>3,823</u>	<u>3,614</u>	<u>118,556</u>
<u>1,405,167</u>	<u>1,064,232</u>	<u>12,595,502</u>
<u>1,405,167</u>	<u>1,064,232</u>	<u>12,595,502</u>
<u>\$1,408,990</u>	<u>\$1,067,846</u>	<u>\$12,714,058</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, 2021

	SPECIAL REVENUE FUNDS				
	Police Grants	Storm Drain Operating	Traffic Mitigation	Affordable Housing	Parks Development
Revenues:					
Charges for services					
Impact fees/recreation fees			\$40,644		\$263,653
Investment income	(\$1,545)	(\$961)	(11,262)	(\$8,233)	(13,981)
Intergovernmental revenues	156,727				8,415
Total Revenues	155,182	(961)	29,382	(8,233)	258,087
Expenditures:					
Current:					
Public Safety	86,036				
Public Works			15,720		8,415
Recreation Services					244,661
Planning				200,000	
Capital outlay					(2,663)
Total Expenditures	86,036		15,720	200,000	250,413
Excess (deficiency) of revenues over (under) expenditures	69,146	(961)	13,662	(208,233)	7,674
Other financing sources:					
Transfers in					222,000
Transfer (out)					
Total Other Financing Sources					222,000
Net change in fund balances	69,146	(961)	13,662	(208,233)	229,674
Fund balances at beginning of year	491,566	352,662	4,211,724	2,374,510	2,592,353
Fund balances at end of year	\$560,712	\$351,701	\$4,225,386	\$2,166,277	\$2,822,027

CAPITAL PROJECTS FUNDS

<u>Public Facilities</u>	<u>Storm Drain Improvements</u>	<u>Total</u>
	\$4,245	\$4,245
		304,297
(\$7,158)	(3,599)	(46,739)
<u>6,525</u>		<u>171,667</u>
<u>(633)</u>	<u>646</u>	<u>433,470</u>
		86,036
	63,059	87,194
		244,661
		200,000
<u>92,244</u>	<u>(18,242)</u>	<u>71,339</u>
<u>92,244</u>	<u>44,817</u>	<u>689,230</u>
<u>(92,877)</u>	<u>(44,171)</u>	<u>(255,760)</u>
225,000	155,000	602,000
	(301)	(301)
<u>225,000</u>	<u>154,699</u>	<u>601,699</u>
132,123	110,528	345,939
<u>1,273,044</u>	<u>953,704</u>	<u>12,249,563</u>
<u>\$1,405,167</u>	<u>\$1,064,232</u>	<u>\$12,595,502</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$1,769	(\$1,545)	(\$3,314)
Intergovernmental	<u>140,453</u>	<u>156,727</u>	<u>16,274</u>
Total Revenues	<u>142,222</u>	<u>155,182</u>	<u>12,960</u>
Expenditures:			
Current:			
Public Safety	<u>292,222</u>	<u>86,036</u>	<u>206,186</u>
Total expenditures	<u>292,222</u>	<u>86,036</u>	<u>219,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,000)</u>	<u>69,146</u>	<u>219,146</u>
Net change in fund balance	<u><u>(\$150,000)</u></u>	<u>69,146</u>	<u><u>\$219,146</u></u>
Fund Balance at beginning of year		<u>491,566</u>	
Fund balance at end of year		<u><u>\$560,712</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	<u>\$624</u>	<u>(\$961)</u>	<u>(\$1,585)</u>
Total revenues	<u>624</u>	<u>(961)</u>	<u>(1,585)</u>
Expenditures:			
Current:			
Public works	<u>54,000</u>	<u></u>	<u>54,000</u>
Total expenditures	<u>54,000</u>	<u></u>	<u>54,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,376)</u>	<u>(961)</u>	<u>52,415</u>
Net change in fund balance	<u><u>(\$53,376)</u></u>	<u>(961)</u>	<u><u>\$52,415</u></u>
Fund balance at beginning of year		<u>352,662</u>	
Fund balance at end of year		<u><u>\$351,701</u></u>	

CITY OF HALF MOON BAY
 TRAFFIC MITIGATION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees	\$34,041	\$40,644	\$6,603
Investment income	2,497	(11,262)	(13,759)
Total revenues	36,538	29,382	(7,156)
Expenditures:			
Current:			
Public works		15,720	(15,720)
Total expenditures		15,720	(15,720)
Excess (deficiency) of revenues over (under) expenditures	36,538	13,662	(22,876)
Net change in fund balance	\$36,538	13,662	(\$22,876)
Fund balance at beginning of year		4,211,724	
Fund balance at end of year		\$4,225,386	

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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Recreation fees/impact fees			
Investment income	<u>\$11,548</u>	<u>(\$8,233)</u>	<u>(\$19,781)</u>
Total revenues	<u>11,548</u>	<u>(8,233)</u>	<u>(19,781)</u>
Expenditures:			
Current:			
Planning	<u>200,000</u>	<u>200,000</u>	<u></u>
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u></u>
Excess of revenues over expenditures	<u>11,548</u>	<u>(208,233)</u>	<u>(19,781)</u>
Other financing sources (uses):			
Transfers in	<u></u>	<u></u>	<u></u>
Total Other Financing Sources (uses)	<u></u>	<u></u>	<u></u>
Net change in fund balance	<u><u>\$11,548</u></u>	<u><u>(208,233)</u></u>	<u><u>(\$19,781)</u></u>
Fund balance at beginning of year		<u>2,374,510</u>	
Fund balance at end of year		<u><u>\$2,166,277</u></u>	

CITY OF HALF MOON BAY
PARKS DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees/recreation fees	\$318,132	\$263,653	(\$54,479)
Investment income	832	(13,981)	(14,813)
Intergovernmental revenues	140,000	8,415	(131,585)
 Total Revenues	 458,964	 258,087	 (200,877)
Expenditures:			
Current:			
Recreation services	589,275	244,661	344,614
Public works		8,415	(8,415)
Capital outlay		(2,663)	2,663
 Total expenditures	 589,275	 250,413	 338,862
 Excess of revenues over expenditures	 (130,311)	 7,674	 137,985
Other financing sources:			
Transfers in	222,000	222,000	
 Total other financing sources	 222,000	 222,000	
 Net change in fund balance	 \$91,689	 229,674	 \$137,985
 Fund balance at beginning of year		 2,592,353	
 Fund balance at end of year		 \$2,822,027	

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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$3,641	(\$7,158)	(\$10,799)
Intergovernmental revenue		6,525	6,525
Total revenues	<u>3,641</u>	<u>(633)</u>	<u>(4,274)</u>
Expenditures:			
Capital Outlay	1,225,000	92,244	1,132,756
Total expenditures	<u>1,225,000</u>	<u>92,244</u>	<u>1,132,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,221,359)</u>	<u>(92,877)</u>	<u>1,128,482</u>
Other financing sources (uses):			
Transfers in	225,000	225,000	
Total Other Financing Sources (uses)	<u>225,000</u>	<u>225,000</u>	
Net change in fund balance	<u>(\$996,359)</u>	132,123	<u>\$1,128,482</u>
Fund balance at beginning of year		<u>1,273,044</u>	
Fund balance at end of year		<u><u>\$1,405,167</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, 2021

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for services	\$9,685	\$4,245	(\$5,440)
Investment income	3,745	(3,599)	(7,344)
Total Revenues	<u>13,430</u>	<u>646</u>	<u>(12,784)</u>
Expenditures:			
Public works		63,059	(63,059)
Capital outlay	167,000	(18,242)	185,242
Total expenditures	<u>167,000</u>	<u>44,817</u>	<u>122,183</u>
Excess of revenues over expenditures	<u>(153,570)</u>	<u>(44,171)</u>	<u>109,399</u>
Other financing sources:			
Transfers in	155,000	155,000	
Transfers out	(301)	(301)	
Total other financing sources	<u>154,699</u>	<u>154,699</u>	
Net change in fund balance	<u>\$1,129</u>	110,528	<u>\$109,399</u>
Fund balance at beginning of year		<u>953,704</u>	
Fund balance at end of year		<u>\$1,064,232</u>	

CITY OF HALF MOON BAY, CALIFORNIA

INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED JUNE 30, 2021

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 302) and *Vehicle Replacement* (Fund 301) *Fund* is used to account for replacement of furniture, fixtures, equipment, and vehicles. These funds cover the cost of repair, maintenance and replacement of City vehicles and provide for the service, maintenance of the management information systems, leased copiers and leased postage meter. Revenues are derived from charges to user departments (all funds) based on usage.

The *Risk Management Fund* (Fund 303) 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 304) 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, 2021

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Assets				
Current Assets:				
Cash and investments	\$793,128	\$3,398,622	\$1,463,193	\$5,654,943
Interest receivable	512	6,836	2,862	10,210
Total Current Assets	793,640	3,405,458	1,466,055	5,665,153
Non-current assets:				
Net OPEB asset		2,797		2,797
Capital assets, net of Accumulated depreciation	355,898			355,898
Total Assets	1,149,538	3,408,255	1,466,055	6,023,848
Deferred outflow of resources				
Related to OPEB		711		711
Total deferred outflows of resources		711		711
Liabilities				
Current Liabilities:				
Accounts payable	8,584	11,784		20,368
Claims liability		947,234		947,234
Total Liabilities	8,584	959,018		967,602
Deferred inflow of resources				
Related to OPEB		603		603
Total deferred inflows of resources		603		603
Net Position				
Net position:				
Invested in capital assets	355,898			355,898
Unrestricted	785,056	2,449,345	1,466,055	4,700,456
Total net position	\$1,140,954	\$2,449,345	\$1,466,055	\$5,056,354

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, 2021

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Operating revenues:				
Impact fees	\$8,483		\$35,905	\$44,388
Total operating revenues	8,483		35,905	44,388
Operating expenses:				
Salaries and wages	11,746	\$111,508	364,746	488,000
Contract services	278,784	40,275		319,059
Services and supplies	56,361	4		56,365
Repairs and maintenance	42,404			42,404
Insurance expense		267,792		267,792
Pension			594,797	594,797
Depreciation	39,518			39,518
Total operating expenses	428,813	419,579	959,543	1,807,935
Operating income (loss)	(420,330)	(419,579)	(923,638)	(1,763,547)
Non-operating revenues (expenses):				
Investment income	(3,467)	(10,537)	(11,477)	(25,481)
Total non-operating revenues	(3,467)	(10,537)	(11,477)	(25,481)
Transfers in	612,014	500,000	1,000,000	2,112,014
Change in net position	188,217	69,884	64,885	322,986
Net position at beginning of year	952,737	2,379,461	1,401,170	4,733,368
Net position at end of year	<u>\$1,140,954</u>	<u>\$2,449,345</u>	<u>\$1,466,055</u>	<u>\$5,056,354</u>

CITY OF HALF MOON BAY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Equipment and Vehicle Replacement	Risk Management	Pension Stabilization	Total
Cash flows from operating activities:				
Cash received from department users	\$8,483		\$35,905	\$44,388
Cash payments to suppliers of goods and services	(356,017)	(\$297,868)	(592,036)	(1,245,921)
Cash payments to employees for services	(11,746)	(101,356)	(364,746)	(477,848)
Net cash provided by (used for) operating activities	(359,280)	(399,224)	(920,877)	(1,679,381)
Cash flows from non-capital financing activities:				
Transfer in	612,014	500,000	1,000,000	2,112,014
Net cash provided by (used for) non-capital financing activities	612,014	500,000	1,000,000	2,112,014
Cash flows from investing activities:				
Interest received on investments	(3,467)	(10,537)	(11,477)	(25,481)
Net cash provided by investing activities	(3,467)	(10,537)	(11,477)	(25,481)
Net increase (decreased) in cash and cash equivalents	51,656	90,239	67,646	209,541
Cash and cash equivalents at beginning of year	741,472	3,308,383	1,395,547	5,445,402
Cash and cash equivalents at end of year	\$793,128	\$3,398,622	\$1,463,193	\$5,654,943
Reconciliation of operating income to net cash flows provided by operating activities:				
Operating income (loss)	(\$420,330)	(\$419,579)	(\$923,638)	(\$1,763,547)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	39,518			39,518
(Increase) in interest receivable	12,948	5,636	2,761	21,345
Increase (Decreased) in accounts payable	8,584	4,567		13,151
Increase (Decreased) in employees benefits		1,168		1,168
Increase (Decreased) in claims liability		8,984		8,984
Net cash provided by (used for) operating activities	(359,280)	(399,224)	(920,877)	(1,679,381)

STATISTICAL SECTION



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CITY OF HALF MOON BAY, CALIFORNIA

STATISTICAL SECTION

FISCAL YEAR ENDED JUNE 30, 2021

This part of the City's annual comprehensive 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 annual comprehensive 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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Invested in capital assets, net of related debt	\$ 33,635,252	\$ 34,516,084	\$ 36,067,826	\$ 37,550,877	\$ 40,513,950	\$ 46,399,149	\$ 63,168,981	\$ 60,800,162	\$ 62,744,013	\$ 67,193,002
Restricted	-	-	38,078,982	18,540,842	19,779,956	22,157,470	25,844,530	27,738,822	16,416,110	19,871,245
Unrestricted	26,111,627	43,069,044	7,998,768	26,042,003	34,369,708	28,173,022	17,010,742	25,475,062	35,553,961	34,061,834
Total governmental activities net position	\$ 59,746,879	\$ 77,585,128	\$ 82,145,576	\$ 82,133,722	\$ 94,663,614	\$ 96,729,641	\$ 106,024,253	\$ 114,014,046	\$ 114,714,084	\$ 121,126,081
Business-type activities:										
Invested in capital assets, net of related debt	\$ 4,511,633	\$ 4,089,787	\$ 4,024,768	\$ 3,970,876	\$ 3,871,356	\$ 3,816,994	\$ 4,490,973	\$ 4,566,718	\$ 4,587,090	\$ 6,199,508
Restricted	-	-	-	-	-	-	5,946,230	6,385,095	8,692,609	9,377,687
Unrestricted	13,604,197	15,881,577	18,347,207	19,063,158	20,635,855	21,900,766	14,129,580	13,683,606	11,937,949	8,461,534
Total business-type activities net position	\$ 18,115,830	\$ 19,971,364	\$ 22,371,975	\$ 23,034,034	\$ 24,507,211	\$ 25,717,760	\$ 24,566,783	\$ 24,635,419	\$ 25,217,648	\$ 24,038,729
Primary government:										
Invested in capital assets, net of related debt	\$ 38,146,885	\$ 38,605,871	\$ 40,092,594	\$ 41,521,753	\$ 44,385,306	\$ 50,216,143	\$ 67,659,954	\$ 65,366,880	\$ 67,331,103	\$ 73,392,510
Restricted	-	-	38,078,982	18,540,842	19,779,956	22,157,470	31,790,760	34,123,917	25,108,719	29,248,932
Unrestricted	39,715,824	58,950,621	26,345,975	45,105,161	55,005,563	50,073,788	31,140,322	39,158,668	47,491,910	42,523,368
Total primary government net position ⁽¹⁾	\$ 77,862,709	\$ 97,556,492	\$ 104,517,551	\$ 105,167,756	\$ 119,170,825	\$ 122,447,401	\$ 130,591,036	\$ 138,649,465	\$ 139,931,732	\$ 145,164,810

⁽¹⁾ 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

The \$700 thousand increase in primary government net position in FY 2019-20 is primarily attributable to increased investments in capital assets

The \$4.8 million increase in primary government net position in FY 2020-21 is primarily attributable to a higher than expected revenues and lower expenditures budgeted

CITY OF HALF MOON BAY

Changes in Net Position

Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses:										
Governmental activities:										
General government	\$ 3,196,920	\$ 3,016,622	\$ 6,058,766	\$ 3,271,719	\$ 5,678,534	\$ 6,367,929	\$ 7,634,037	\$ 7,506,947	\$ 8,267,054	\$ 7,939,511
Public safety	3,739,193	4,020,875	3,209,351	3,901,511	3,449,122	5,183,033	3,878,176	3,975,865	4,631,203	4,743,620
Public works	1,910,246	2,203,959	2,316,147	2,605,015	2,670,228	3,314,879	3,801,624	3,506,195	3,754,258	2,817,305
Recreation services	335,383	208,152	221,703	282,251	337,331	348,604	926,730	1,167,467	1,808,657	1,942,872
Interest and fiscal charges	1,182,228	1,172,672	1,155,865	1,053,237	937,704	937,704	937,704	937,704	468,852	-
Total governmental activities expenses	10,363,970	10,622,280	12,961,832	11,113,733	13,072,919	16,152,149	17,178,271	17,094,178	18,930,024	17,443,308
Business-type activities:										
Sewer	2,630,004	3,224,026	2,881,315	4,078,003	2,943,013	2,966,613	4,757,056	4,562,513	5,950,383	5,670,214
Total business-type activities expenses	2,630,004	3,224,026	2,881,315	4,078,003	2,943,013	2,966,613	4,757,056	4,562,513	5,950,383	5,670,214
Total primary government expenses	12,993,974	13,846,306	15,843,147	15,191,736	16,015,932	19,118,762	21,935,327	21,656,691	24,880,407	23,113,522
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 573,847	\$ 322,092	\$ 769,532	\$ 562,974	\$ 658,244	\$ 526,111	\$ 243,580	\$ 391,071	\$ 260,672	\$ 332,140
Public safety	119,719	153,154	117,737	107,738	118,204	95,883	961,407	64,011	159,631	138,299
Public works	317,715	549,671	632,607	423,449	407,342	452,260	672,979	392,876	332,903	383,211
Recreation services	508,032	457,531	534,225	550,144	588,890	624,771	841,581	630,725	494,433	987,511
Operating grants and contributions	897,344	1,182,936	1,512,220	1,903,151	390,970	1,166,559	932,873	1,390,373	786,552	4,123,613
Capital grants and contributions	1,645,343	571,140	775,559	596,856	7,915,220	607,526	6,940,211	5,090,594	627,168	3,145,690
Total governmental activities program revenues	4,062,000	3,236,524	4,341,880	4,144,312	10,078,870	3,473,110	10,592,631	7,959,650	2,661,359	9,110,464
Business-type activities:										
Charges for services:										
Sewer	3,851,696	5,279,838	5,502,406	5,105,502	4,715,919	4,524,358	4,261,126	4,533,846	4,540,020	4,477,159
Operating grants and contributions	1,965,858	1,540	4,074	45,628	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	5,817,554	5,281,378	5,506,480	5,151,130	4,715,919	4,524,358	4,261,126	4,533,846	4,540,020	4,477,159
Total primary government program revenues	9,879,554	8,517,902	9,848,360	9,295,442	14,794,789	7,997,468	14,853,757	12,493,496	7,201,379	13,587,623
Net revenues (expenses):										
Governmental activities	\$ (6,301,970)	\$ (7,385,756)	\$ (8,619,952)	\$ (6,969,421)	\$ (2,994,049)	\$ (12,679,039)	\$ (6,585,640)	\$ (9,134,528)	\$ (16,268,665)	\$ (8,332,844)
Business-type activities	3,187,550	2,057,352	2,625,165	1,073,127	1,772,906	1,557,745	(495,930)	(28,667)	(1,410,363)	(1,193,055)
Total net revenues (expenses) ⁽³⁾	(3,114,420)	(5,328,404)	(5,994,787)	(5,896,294)	(1,221,143)	(11,121,294)	(7,081,570)	(9,163,195)	(17,679,028)	(9,525,899)

CITY OF HALF MOON BAY

Changes in Net Position

**Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,411,605	\$ 2,829,102	\$ 2,613,407	\$ 2,871,413	\$ 3,116,710	\$ 3,126,884	\$ 3,379,657	\$ 3,613,782	\$ 3,667,867	\$ 3,582,161
Sales and use taxes	2,127,152	2,584,599	3,556,753	3,862,041	4,068,786	2,514,852	2,836,614	2,804,748	3,042,265	2,929,586
Transient occupancy taxes	4,230,920	4,524,646	4,974,614	5,433,394	5,935,558	6,024,855	6,434,808	6,828,108	5,291,821	4,817,532
Other taxes	828,343	787,952	814,840	832,390	808,224	919,666	1,038,546	1,242,286	1,346,187	1,304,943
Investment income	425,702	385,353	291,224	798,406	811,191	583,497	703,351	1,188,804	2,257,971	(96,482)
Other general revenues	1,378,696	962,353	929,562	779,392	783,472	1,575,312	1,386,752	1,446,593	1,362,594	2,207,101
Special Item: Insurance proceeds ⁽²⁾	-	13,150,000	-	-	-	-	-	-	-	-
Total governmental activities	11,402,418	25,224,005	13,180,400	14,577,036	15,523,941	14,745,066	15,779,728	17,124,321	16,968,705	14,744,841
Business-type activities:										
Investment income	31,464	48,182	25,446	63,696	93,088	135,003	195,743	332,868	382,491	(49,678)
Miscellaneous	(250,000)	(250,000)	(250,000)	(250,000)	(392,817)	(482,199)	(857,213)	(235,565)	1,610,101	63,814
Total business-type activities	(218,536)	(201,818)	(224,554)	(186,304)	(299,729)	(347,196)	(661,470)	97,303	1,992,592	14,136
Total primary government	11,183,882	25,022,187	12,955,846	14,390,732	15,224,212	14,397,870	15,118,258	17,221,624	18,961,297	14,758,977
Changes in net position:										
Governmental activities	\$ 5,100,448	\$ 17,838,249	\$ 4,560,448	\$ 7,607,615	\$ 12,529,892	\$ 2,066,027	\$ 9,194,088	\$ 7,989,793	\$ 700,040	\$ 6,411,997
Business-type activities	2,969,014	1,855,534	2,400,611	886,823	1,473,177	1,210,549	(1,157,400)	68,636	582,229	(1,178,919)
Total primary government ⁽¹⁾	\$ 8,069,462	\$ 19,693,783	\$ 6,961,059	\$ 8,494,438	\$ 14,003,069	\$ 3,276,576	\$ 8,036,688	\$ 8,058,429	\$ 1,282,269	\$ 5,233,078

⁽¹⁾ Change in Net Assets in Primary Government:

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

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

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

FY 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

FY 2020-21 increase in net position of \$4.8 million is primarily due to higher revenues from capital and operating grants/contributions

⁽²⁾ Special Items:

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

⁽³⁾ Total net expenses in FY 2019-20 increased by \$8.5 million primarily for the final \$10.9 million payment of the judgement obligation bond

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund:										
Nonspendable	\$ 9,145,574	\$ 8,917,500	\$ 8,917,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	3,672,354	3,800,352	4,255,283	3,012,735	2,909,550	5,070,257	5,070,257	5,146,354	7,300,642	7,271,604
Assigned	1,110,256	1,825,000	2,609,294	6,529,822	7,829,894	-	-	-	-	-
Unassigned	2,587,992	3,143,252	3,978,376	6,529,822	7,829,894	5,986,903	4,892,195	5,809,910	3,333,510	3,869,096
Total general fund ⁽¹⁾	\$ 16,516,176	\$ 17,686,104	\$ 19,760,453	\$ 9,542,557	\$ 10,739,444	\$ 11,057,160	\$ 9,962,452	\$ 10,956,264	\$ 10,634,152	\$ 11,140,700
All other governmental funds:										
Nonspendable	\$ 17,906,420	\$ 17,906,420	\$ 17,906,420	\$ 26,823,920	\$ -	\$ -	\$ -	\$ 26,823,920	\$ 26,823,920	\$ 26,823,920
Restricted	-	7,431,343	21,169,241	23,288,017	31,602,450	23,288,663	25,844,530	27,738,822	16,416,110	19,871,245
Committed	6,130,588	13,150,000	-	-	26,823,920	26,823,920	26,823,920	-	-	-
Assigned	-	-	-	-	-	5,611,038	2,161,189	1,244,495	2,806,125	3,069,792
Unassigned	-	-	-	-	-	-	-	2,564,020	-	-
Total all other governmental funds ⁽²⁾	\$ 24,037,008	\$ 38,487,763	\$ 39,075,661	\$ 50,111,937	\$ 58,426,370	\$ 55,723,621	\$ 54,829,639	\$ 58,171,257	\$ 46,046,155	\$ 49,764,957

(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
FY 2019-20 Unassigned fund balance decrease is primarily due to lower revenues from TOT
FY 2020-21 Unassigned fund balance increase primarily due to unexcepted revenue overperformance in TOT

(2) Other Governmental Funds:

FY 2011-12 Nonspendable fund balance is land held for resale. The increase in Restricted fund balance reflects the change in classification for special revenue funds, as well as increased restricted monies for capital projects.
FY 2012-13 Nonspendable fund balance is land held for resale. The increase in the Committed balance is for the monies to be used for the debt reduction program on the Judgment Obligation Bonds.
FY 2013-14 Restricted fund balance increase is due to the reclass of the Committed balance in the Judgement Obligation Bond fund.
FY 2014-15 Nonspendable fund balance increase is due to the land held for resale transfer from the General Fund to the newly created Land Asset Fund.
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 \$3.0 M increase is primarily due to progress in capital projects
FY 2019-20 \$12.1 M decrease is primarily due to the final \$10.9 million payment of the Judgement Obligation Bond
FY 2020-21 \$3.3 M increase is primarily due to the receipt of an one-time \$2.6 million in-lieu fee

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Taxes	\$ 9,598,020	\$ 10,726,299	\$ 12,060,866	\$ 12,999,238	\$ 13,929,278	\$ 12,586,257	\$ 13,638,171	\$ 14,448,702	\$ 13,180,918	\$ 12,223,462
Licenses and permits	306,022	482,488	537,634	394,931	379,749	444,388	370,269	377,873	521,121	597,590
Fines and forfeitures	74,990	116,060	93,737	83,812	102,202	79,132	171,873	189,415	140,238	108,937
Charges for services	546,433	636,772	940,320	765,457	806,642	701,163	1,255,479	1,165,640	1,173,171	1,306,842
Recreation fees/ Impact fees	991,622	556,402	821,973	625,166	717,469	1,173,275	1,065,005	2,700,943	304,827	2,988,507
Investment income	425,612	385,353	291,227	798,408	772,575	549,489	703,354	1,225,128	1,164,650	(75,704)
Rents and leases	15,017	12,250	11,518	-	20,000	10,080	87,536	75,603	-	-
Intergovernmental revenues	1,824,763	1,312,202	1,925,058	2,260,890	8,058,785	1,069,157	1,910,615	2,074,855	1,506,209	4,232,648
Administrative fees	3,659	249	1,633	65	-	-	-	-	-	-
Miscellaneous	215,760	13,875,666	587,731	519,595	400,376	1,089,054	908,337	1,325,476	779,514	1,877,238
Total revenues	14,001,898	28,103,741	17,271,697	18,447,562	25,187,076	17,701,975	20,110,639	23,583,635	18,770,648	23,259,320
Expenditures										
Current:										
General government	2,194,722	3,295,081	3,316,520	2,727,404	3,582,831	3,143,214	3,968,569	3,445,355	3,281,719	3,543,362
Public safety	3,724,355	4,005,358	2,744,812	946,395	1,083,666	3,610,736	3,689,490	3,727,302	4,104,603	4,394,717
Public works	3,274,946	3,110,738	3,233,403	3,089,741	3,208,099	1,639,299	1,768,330	2,147,231	2,301,920	2,110,852
Recreation services	190,175	62,803	1,780,847	1,987,691	1,347,508	176,497	701,405	896,854	976,977	1,109,425
Planning services	532,116	687,726	77,155	142,020	183,328	2,353,980	2,505,066	2,686,651	3,156,081	2,662,112
Capital outlay	58,861	-	2,254,869	4,437,029	7,766,781	-	18,996,455	5,027,468	4,088,777	5,955,565
Debt service:										
Principal retirement ⁽¹⁾	330,000	395,000	290,000	4,655,000	-	-	-	-	11,487,686	-
Interest and fiscal charges	1,185,637	1,176,352	1,161,844	1,053,237	937,704	937,704	937,704	937,704	468,852	-
Total expenditures	11,490,812	12,733,058	14,859,450 ⁽²⁾	17,347,258	14,780,165	19,628,211	32,567,019	18,868,565	29,866,615	19,776,033
Excess (deficiency) of revenues over (under) expenditures	2,511,086	15,370,683	2,412,247	1,100,304	10,406,911	(1,926,236)	(12,456,380)	4,715,070	(11,095,967)	3,483,487
Other financing sources (uses):										
Advanced Proceeds from San Mateo County	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-	-	5,726,855	-	-	2,035,000
Capital grants	-	-	-	-	-	-	-	726,000	-	-
Transfers in ⁽³⁾	2,669,092	3,279,711	3,368,987	35,780,529	5,285,654	5,059,687	5,024,534	3,216,998	7,026,829	2,107,524
Transfers out ⁽²⁾	(2,419,092)	(3,029,711)	(3,118,987)	(36,062,453)	(6,181,245)	(5,518,484)	(6,010,554)	(4,322,638)	(8,378,076)	(3,400,661)
Total other financing sources (uses)	250,000	250,000	250,000	(281,924)	(895,591)	(458,797)	10,467,690	(379,640)	(1,351,247)	741,863
Net change in fund balances ⁽³⁾	\$ 2,761,086	\$ 15,620,683	\$ 2,662,247	\$ 818,380	\$ 9,511,320	\$ (2,385,033)	\$ (1,988,690)	\$ 4,335,430	\$ (12,447,214)	\$ 4,225,350
Debt service as a percentage of noncapital expenditures	13.3%	12.3%	11.5%	39.1%	9.1%	7.9%	6.9%	6.8%	46.4%	0.0%

⁽¹⁾ In FY 2014-15 the City elected to completely pay off the 2009A Judgement Obligation Bonds. In FY 2019-20 the city paid off the 2009B Judgement Obligation Bond

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

⁽³⁾ The net change in fund balance of \$15.6 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

The net decrease in fund balance of \$12.4 million in FY 2019-20 is primarily due to the final \$10.9 million payoff of the judgement obligation bond

The net increase in fund balance of \$3.8 million in FY 2020-21 is primarily due to higher revenues than anticipated

CITY OF HALF MOON BAY

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

Last Ten Fiscal Years

As of June 30th

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
LODGING TYPE										
Hotels/Motels	\$ 4,032,596	\$ 4,302,932	\$ 4,583,970	\$ 5,002,165	\$ 5,643,075	\$ 5,785,989	\$ 6,078,131	\$ 6,409,533	\$ 4,852,270	\$ 4,161,340
B&Bs/ Inns / Cottages	95,678	104,057	114,610	101,393	99,062	60,671	68,729	66,079	104,715	105,823
RV Parks/Camps	97,244	96,187	243,467	281,880	148,191	150,019	170,855	159,065	164,658	241,705
Vacation Rentals	5,401	21,470	35,392	45,105	44,230	43,790	115,398	218,561	170,178	308,664
Totals	\$ 4,230,920	\$ 4,524,646	\$ 4,977,439	\$ 5,430,543	\$ 5,934,558	\$ 6,040,468	\$ 6,433,114	\$ 6,853,237	\$ 5,291,821	\$ 4,817,532

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

Source: City of Half Moon Bay Finance Department

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

Fiscal Year Ended June 30	TOT Tax Rate
2012	12%
2013	12%
2014	12%
2015	12%
2016	12%
2017	12%
2018	12%
2019	12%
2020	12%
2021	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 Prior

TOT Taxpayer Type	2020-21		2010-11	
	TOT Collected	Percent of Total TOT Revenues	TOT Collected	Percent of Total TOT Revenues
Hotels/Motels/Lodges	\$4,161,340	86.38%	\$ 4,032,596	95.31%
Bed & Breakfasts and Inns	\$105,823	2.20%	\$ 95,678	2.26%
RV Parks & Campgrounds	\$241,705	5.02%	\$ 97,244	2.30%
Vacation Rentals	\$308,664	6.41%	\$ 5,401	0.13%
	\$ 4,817,532	100.00%	\$ 4,230,920	100.00%

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY

Ratios of Outstanding Debt by Type ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities											
	Lease Revenue Bonds		Long-Term Notes		Judgment Obligation Bonds		Total Governmental Activities ⁽²⁾		Total Primary Government		Percentage of Personal Income ⁽⁴⁾	Debt Per Capita ⁽³⁾
2012	115,000	-	-	16,140,000	16,255,000	16,255,000	16,255,000	16,255,000	16,255,000	39.04%	1,216	
2013	-	-	-	15,860,000	15,860,000	15,860,000	15,860,000	15,860,000	15,860,000	36.55%	1,382	
2014	-	-	-	15,570,000	15,570,000	15,570,000	15,570,000	15,570,000	15,570,000	33.52%	1,344	
2015	-	-	-	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	22.46%	931	
2016	-	-	-	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	21.33%	931	
2017	-	-	-	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	21.35%	871	
2018	-	-	-	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	20.29%	867	
2019	-	-	-	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	10,915,000	17.32%	864	
2020	-	-	5,154,170	-	5,154,170	5,154,170	5,154,170	5,154,170	5,154,170	8.03%	408	
2021	-	-	7,189,169	-	7,189,169	7,189,169	7,189,169	7,189,169	7,189,169	11.35%	556	

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

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

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

⁽⁴⁾ Population information was obtained from California State Department of Finance; Per Capita income from the

United States Census Bureau

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ⁽¹⁾	Debt Per Capita
	Lease Revenue Bonds	Judgment Obligation Bonds	Total		
2012	115	16,140	16,255	0.0007%	1,231
2013	-	15,860	15,860	0.0007%	1,186
2014	-	15,570	15,570	0.0007%	1,357
2015	-	10,915	10,915	0.0005%	942
2016	-	10,915	10,915	0.0004%	931
2017	-	10,915	10,915	0.0004%	931
2018	-	10,915	10,915	0.0004%	871
2019	-	10,915	10,915	0.0004%	867
2020	-	-	-	0.0000%	-
2021	-	-	-	0.0000%	-

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

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

CITY OF HALF MOON BAY

Direct and Overlapping Debt

June 30, 2021

2020-21 Assessed Value		\$ 3,426,640,450	
	<u>Percentage Applicable ⁽¹⁾</u>	<u>Total Debt 6/30/2021</u>	<u>City's Share of Debt 06/30/21</u>
Overlapping Tax and Assessment Debt:			
San Mateo Community College District	1.338%	\$ 761,305,961	\$ 10,186,274
Cabrillo Unified School District	46.239%	118,106,391	54,611,214
Midpeninsula Regional Open Space District	1.018%	86,400,000	879,552
Granada Sanitary District 1915 Act Bonds	18.015%	<u>990,000</u>	<u>178,349</u>
		\$ 966,802,352	\$ 65,855,389
 <u>Ratio to Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt			1.92%
Direct and Overlapping General Fund Debt:			
San Mateo County General Fund Obligations	1.338%	\$ 640,119,345	\$ 8,564,797
San Mateo County Board of Education Certificates of Participation	1.338%	6,840,000	91,519
Midpeninsula Regional Open Space District General Fund Obligations	1.018%	106,000,600	1,079,086
Direct: City of Half Moon Bay Loan Agreement	100%	5,154,170	5,154,170
Direct: iBank Financing Lease A & B	100%	<u>2,035,000</u>	<u>2,035,000</u>
			\$ 7,189,170
Total Direct Debt			75,590,791
Total Overlapping Debt			<u>82,779,961 ⁽²⁾</u>
Combined Total Debt			

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

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

Ratios to 2020-21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.92%
Total Direct Debt (\$7,189,170)	0.21%
Combined Total Debt	2.42%

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed valuation	\$ 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	\$ 3,303,922,465	\$ 3,426,640,450
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	576,803,170	586,909,772	590,252,714	638,339,406	683,310,545	688,942,100	723,273,483	780,768,759	825,980,616	856,660,113
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	86,520,475	88,036,466	88,537,907	95,750,911	102,496,582	103,341,315	108,491,022	117,115,314	123,897,092	128,499,017
Total net debt applicable to limit: General obligation bonds	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	\$ 70,265,475	\$ 72,176,466	\$ 72,967,907	\$ 84,835,911	\$ 91,581,582	\$ 92,426,315	\$ 97,576,022	\$ 106,200,314	\$ 123,897,092	\$ 128,499,017
Total debt applicable to the limit as a percentage of debt limit	18.8%	18.0%	17.6%	11.4%	10.6%	10.6%	10.1%	9.3%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective 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

6/30/2021 and Ten Years Prior

Employer	2021		2011	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ritz Carlton Hotel	550	15.55%	480	4.46%
Rocket Farms Inc.	138	3.90%		
New Leaf Community Market	123	3.48%		
Safeway Store	99	2.80%	108	1.00%
Sam's Chowder House	50	1.41%	140	1.30%
Hassett Hardware	50	1.41%		
Three Amigos	49	1.38%		
Mullins Bar & Grill	49	1.38%		
Half Moon Bay Golf Links	49	1.38%		
McMahon Floral	43	1.22%		
Cabrillo Unified School District			278	2.58%
Nursery Exchange			141	1.31%
CVS Pharmacy			61	0.57%
Odwalla			50	0.46%
Its Italia			49	0.45%
Ocean Colony Partners			49	0.45%
Ocean Shore Hardware			47	0.44%
Subtotal Top Ten Employers	1,200	33.92%	1,403	13.03%
Total Employment	3,538	100.00%	10,770	100.00%

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

Source for 2021: 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	16	16	20	23	20	26	31	24	30	27
Public Safety	-	-	-	-	-	-	-	0	0	0
Public Works/Maintenance	3	3	4	4	4	3	4	6	6	8
Recreation Services	-	-	-	-	0	-	5	5	2	5
Planning	3	3	1	1	2	2	6	9	7	7
Total	22	22	25	28	26	31	46	44	45	47

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

Source: City of Half Moon Bay Finance Department

CITY OF HALF MOON BAY
Operating Indicators By Function
Last Ten Fiscal Years

	June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police: ⁽¹⁾										
Arrests - Part 1 crimes	43	41	50	30	44	38	48	54	71	56
Traffic citations	518	1,175	1,067	436	527	489	921	2,128	2,517	1,664
Parking citations	774	1,222	1,152	1,065	1,598	1,212	3,994	3,465	2,444	1,698
Parks and Recreation: ⁽²⁾										
Number of recreation classes	83	60	155	87	88	75	159	105	123	41
Number of facility rentals ⁽³⁾	25	101	24	42	110	88	324	397	389	200
Building and Code Enforcement: ⁽⁴⁾										
Number of permits issued (est.)	550	457	500	487	413	460	413	473	450	352
Number of plan checks (est.)	100	104	100	110	105	220	166	205	237	185
Number of inspections (est.)	2,000	2,009	2,000	2,355	2,820	2,216	2,520	2,442	2,057	1,839
Planning: ⁽³⁾										
Planning Commission Meetings	24	20	22	20	15	12	20	23	20	23
Number of permits processed	70	80	75	70	111	47	43	102	145	89

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

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

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

⁽⁴⁾ Information will continue to be added as made available.

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

	June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Sheriff Substation/EOC	1	1	1	1	1	1	1	1	1	1
Public Works:										
Streets (miles)	35	35	35	35	35	29	29	29	28	28
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	38	38
Library								1	1	1
Facilities/Buildings	6	6	6	6	6	6	6	6	6	6
Bike Trails (miles)	3	3	6	6	7	7	7	7	7	7
Land (acres)	100	100	100	176	176	176	176	176	176	197
Administration:										
Facilities/Buildings	1	1	1	1	1	1	1	1	1	1

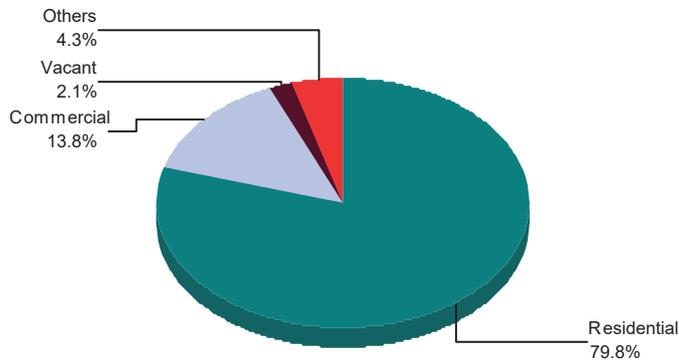
Source: City of Half Moon Bay Finance Department

THE CITY OF HALF MOON BAY 2020/21 USE CATEGORY SUMMARY

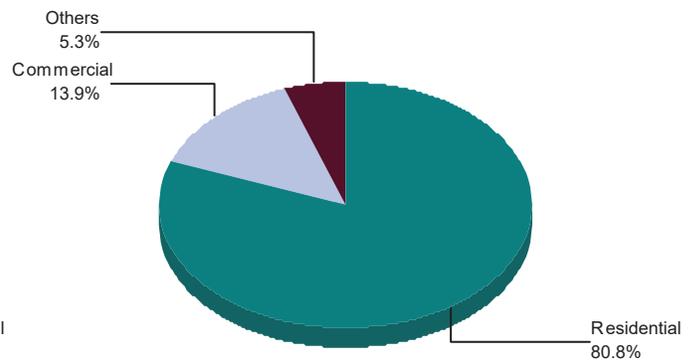
BASIC PROPERTY VALUE TABLE

Category	Parcels	Assessed Value	Net Taxable Value
Residential	3,812	\$2,822,540,130 (79.8%)	\$2,769,600,677 (80.8%)
Commercial	218	\$489,035,556 (13.8%)	\$476,253,451 (13.9%)
Industrial	15	\$9,561,139 (0.3%)	\$9,561,139 (0.3%)
Agricultural	41	\$30,797,928 (0.9%)	\$15,605,023 (0.5%)
Govt. Owned	98	\$80,000 (0.0%)	\$0 (0.0%)
Institutional	21	\$19,374,245 (0.5%)	\$1,689,318 (0.0%)
Miscellaneous	12	\$16,274,069 (0.5%)	\$16,274,069 (0.5%)
Recreational	24	\$35,715,468 (1.0%)	\$35,379,201 (1.0%)
Vacant	1,924	\$74,234,137 (2.1%)	\$62,452,178 (1.8%)
Unsecured	[236]	\$40,619,481 (1.1%)	\$39,825,394 (1.2%)
Unknown	1	\$0 (0.0%)	\$0 (0.0%)
TOTALS	6,166	\$3,538,232,153	\$3,426,640,450

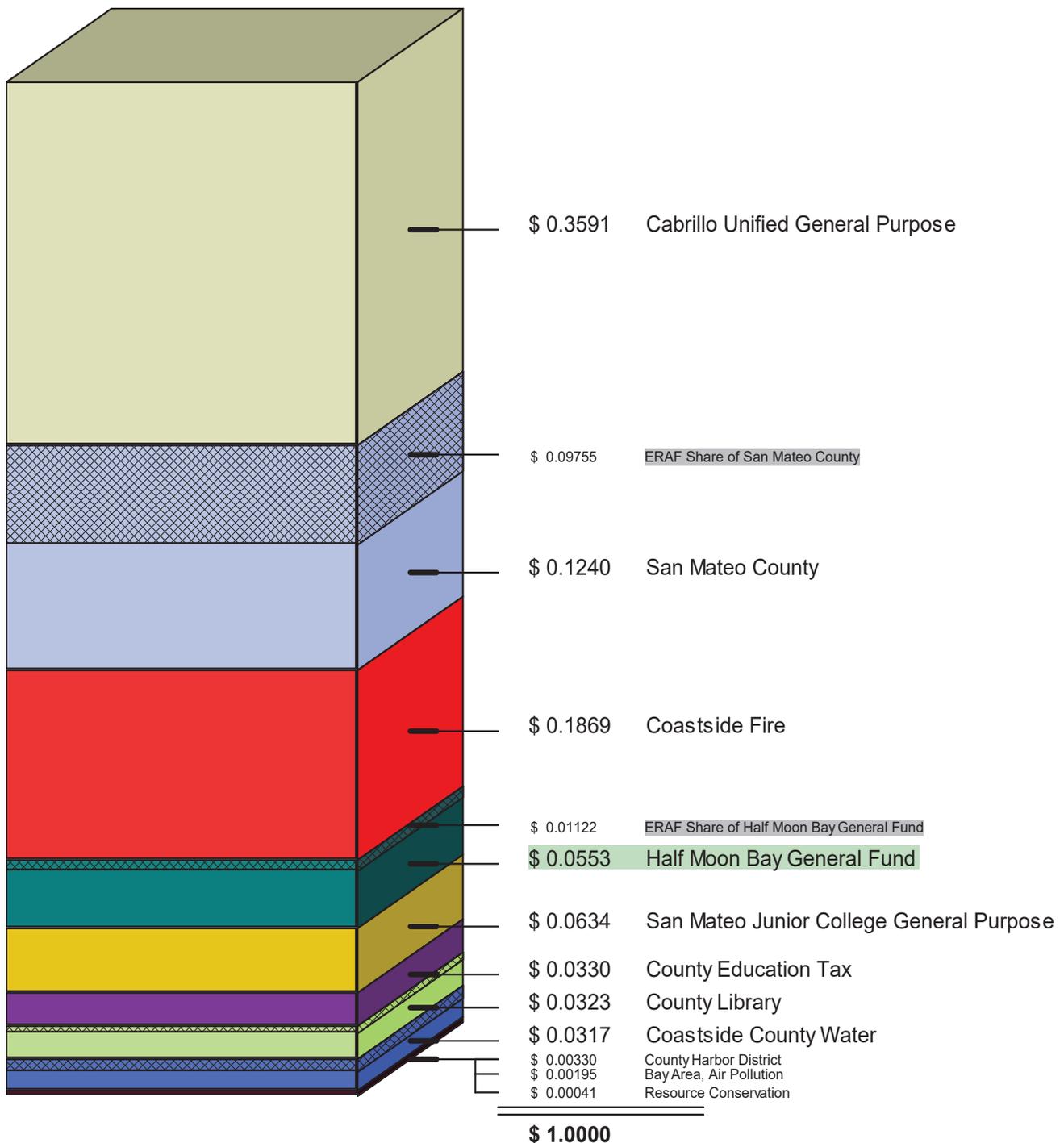
ASSESSED VALUE



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 2020/21 Annual Tax Increment Tables

Prepared On 8/23/2021 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

2020/21 ROLL SUMMARY

Taxable Property Values

	Secured	Nonunitary Utilities	Unsecured
Parcels	6,166	0	236
TRAs	8	0	7
Values			
Land	1,680,801,185	0	116,618
Improvements	1,797,599,716	0	4,248,415
Personal Property	16,782,769	0	25,071,686
Fixtures	2,429,002	0	11,182,762
Aircraft	0	0	0
Total Value	\$3,497,612,672	\$0	\$40,619,481
Exemptions			
Real Estate	110,010,913	0	386,456
Personal Property	769,086	0	322,876
Fixtures	17,617	0	84,755
Aircraft	0	0	0
Homeowners*	15,939,000	0	7,000
Total Exemptions*	\$110,797,616	\$0	\$794,087
Total Net Value	\$3,386,815,056	\$0	\$39,825,394

Combined Values	Total
Total Values	\$3,538,232,153
Total Exemptions	\$111,591,703
Net Total Values	\$3,426,640,450
Net Aircraft Values	\$0

* Note: Homeowner Exemptions are not included in Total Exemptions

Totals do not Include Aircraft Values or Exemptions

Data Source: San Mateo County Assessor 2020/21 Combined Tax Rolls
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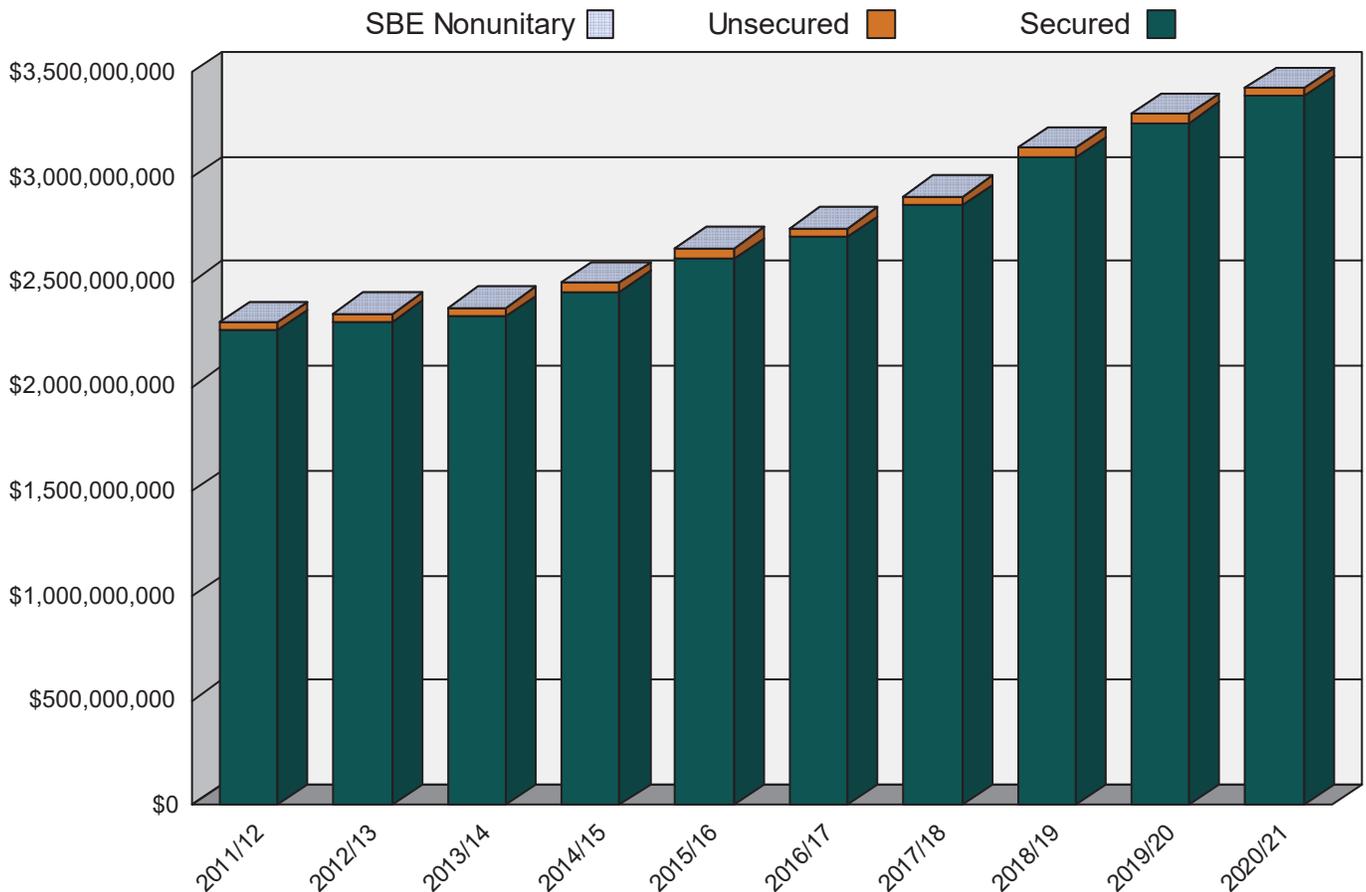
Prepared On 8/23/2021 By MV

THE CITY OF HALF MOON BAY

NET TAXABLE ASSESSED VALUE HISTORY

2011/12 - 2020/21 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2011/12	\$2,266,736,579	\$40,476,099	\$0	2,307,212,678	
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%
2019/20	\$3,261,227,148	\$40,695,317	\$0	3,301,922,465	5.18%
2020/21	\$3,386,815,056	\$39,825,394	\$0	3,426,640,450	3.78%
				Average % Change	4.93%



* Net AV changes less than two percent are in purple font. Negative Net AV percent changes are in red.

Data Source: San Mateo County Assessor 0/ - 2020/21 Combined Tax Rolls

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THE CITY OF HALF MOON BAY

ASSESSED VALUE OF TAXABLE PROPERTY

2011/12 - 2020/21 Taxable Property Values

Category	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Residential	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	2,652,141,529	2,769,600,677
Commercial	330,355,442	333,127,837	344,198,890	346,707,418	356,041,843	363,813,823	372,002,147	457,418,903	467,790,599	476,253,451
Industrial	5,901,115	6,016,889	6,133,649	6,172,772	6,292,015	6,801,114	7,185,938	8,419,613	9,374,259	9,561,139
Agricultural								17,322,251	16,208,520	15,605,023
Dry Farm	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	0
Institutional	260,279	265,484	293,694	272,021	277,456	281,685	309,882	315,819	298,922	1,689,318
Irrigated	6,116,088	4,368,007	3,423,600	4,862,761	5,333,856	4,324,786	4,411,271			
Miscellaneous	12,953,724	20,894,204	12,075,286	22,681,808	23,460,537	14,211,644	17,677,501	16,786,985	15,398,633	16,274,069
Recreational	37,455,517	38,043,156	38,699,751	38,874,879	39,568,823	40,290,547	41,062,725	42,118,338	43,356,325	35,379,201
Vacant	50,669,067	48,630,331	50,679,666	45,226,113	45,773,151	43,437,146	56,557,151	55,779,365	56,658,361	62,452,178
Unsecured	40,476,099	37,048,774	40,818,124	42,658,908	53,103,728	39,462,822	40,418,385	44,156,277	40,695,317	39,825,394
Unknown	4,917,140		5,867,351							0
TOTALS	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	3,301,922,465	3,426,640,450
Total Direct Rate	0.05426	0.05453	0.05452	0.05818	0.05818	0.05819	0.05819	0.05821	0.05821	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 2011/12 - 2020/21 Combined Tax Rolls

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Prepared On 8/23/2021 By MV

THE CITY OF HALF MOON BAY 2020/21 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	
1) SHC HALF MOON BAY LLC (Pending Appeals On Parcels)	2	\$211,525,320	6.25%	1	\$11,000	0.03%	Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS LP	18	\$34,209,177	1.01%				Recreational Half Moon Bay General Fund
3) HMB MUSICH LLC	3	\$30,171,600	0.89%				Commercial Half Moon Bay General Fund
4) KEET NERHAN	29	\$21,213,068	0.63%	2	\$54,117	0.14%	Commercial Half Moon Bay General Fund
5) PROFESSIONAL PENINSULA PROPERTIES LLC	8	\$12,455,340	0.37%				Commercial Half Moon Bay General Fund
6) DINO E ANDREOTTI JR	13	\$11,489,317	0.34%				Vacant Half Moon Bay General Fund
7) IWF HALF MOON BAY LLC	1	\$10,899,509	0.32%				Commercial Half Moon Bay General Fund
8) LONGS DRUG STORE INC	1	\$9,076,188	0.27%				Commercial Half Moon Bay General Fund
9) CASTRO PARTNERS LLC	3	\$8,049,717	0.24%				Commercial Half Moon Bay General Fund
10) STAY CAL HMB LLC LESSEE	1	\$7,348,821	0.22%				Commercial Half Moon Bay General Fund
Top Ten Total	79	\$356,438,057	10.52%	3	\$65,117	0.16%	
City Total		\$3,386,815,056			\$39,825,394		
					\$356,503,174	10.40%	
					\$3,426,640,450		

THE CITY OF HALF MOON BAY 2011/12 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	
1) SHC HALF MOON BAY LLC (Pending Appeals On Parcels)	2	\$134,790,621	5.95%				Commercial Half Moon Bay General Fund
2) OCEAN COLONY PARTNERS LP	39	\$22,661,141	1.00%	1	\$176,579	0.44%	Recreational Half Moon Bay General Fund
3) KEET S. NERHAN	34	\$22,377,835	0.99%	2	\$76,552	0.19%	Commercial Half Moon Bay General Fund
4) SOUTH WAVECREST LLC	2	\$19,643,292	0.87%	1	\$121,468	0.30%	Recreational Half Moon Bay General Fund
5) REGENCY CENTERS LP	3	\$13,971,810	0.62%				Commercial Half Moon Bay General Fund
6) FRANCESCO CARRUBBA	5	\$12,892,044	0.57%				Commercial Half Moon Bay General Fund
7) 2651 NORTH CABRILLO HIGHWAY LLC	6	\$10,939,276	0.48%				Dry Farm Half Moon Bay General Fund
8) COMCAST OF CALIFORNIA COMPANY WA LP				1	\$10,000,036	24.71%	Unsecured Half Moon Bay General Fund
9) LONGS DRUG STORE INC	1	\$9,910,586	0.44%				Commercial Half Moon Bay General Fund
10) IWF HALF MOON BAY LP	1	\$9,174,271	0.40%				Commercial Half Moon Bay General Fund
Top Ten Total	93	\$256,360,876	11.31%	5	\$10,374,635	25.63%	
City Total		\$2,266,736,579			\$40,476,099		
					\$266,735,511	11.56%	
					\$2,307,212,678		

THE CITY OF HALF MOON BAY

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

Last 10 Fiscal Years										
Agency	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cabrillo Unified Bond	0.05220	0.07220	0.07190	0.07040	0.07260	0.08320	0.07510	0.07110	0.11510	0.08950
Mid-Penninsula Regional Open Space	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00160	0.00150
San Mateo Community College 2005 Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00350	0.00370
San Mateo Junior College	0.01990	0.01940	0.01940	0.01900	0.02500	0.02470	0.02350	0.01750	0.02310	0.01760
Total Direct & Overlapping² Tax Rates	1.07210	1.09160	1.09130	1.08940	1.09760	1.10790	1.09860	1.08860	1.14330	1.11230
City's Share of 1% Levy Per Prop 13³	0.05459	0.05465	0.05463	0.05525	0.05525	0.05525	0.05525	0.05526	0.05526	0.05526
Voter Approved City Debt Rate										
Redevelopment Rate⁴										
Total Direct Rate⁵	0.05426	0.05453	0.05452	0.05818	0.05818	0.05819	0.05819	0.05821	0.05821	0.05821

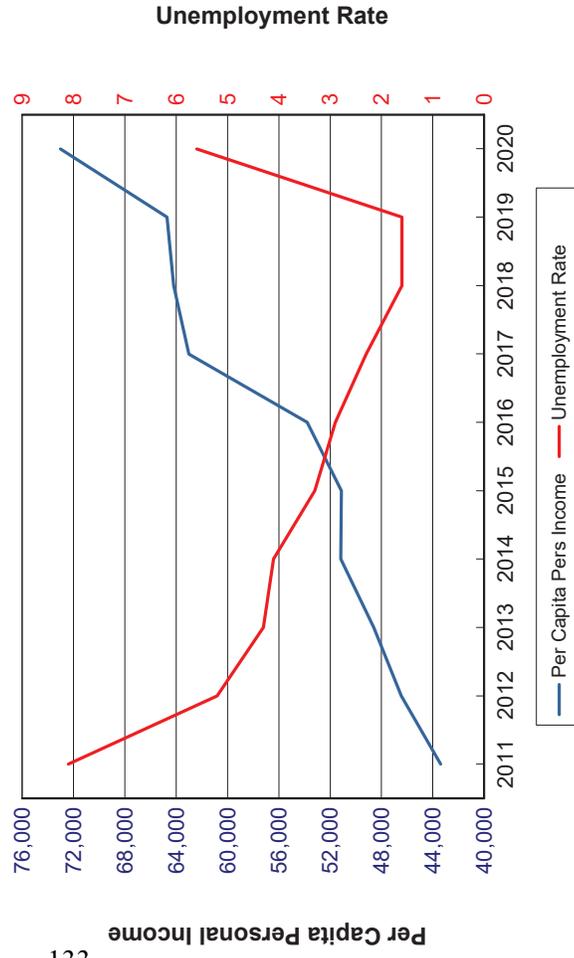
Notes:
¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all property owners.
³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. The ERAF portion of the City's Levy has been subtracted where known.
⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.
⁵Total Direct Rate is the weighted average of all individual direct rates applied by the City/Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City/Agency in the same proportions as general fund revenue.

THE CITY OF HALF MOON BAY

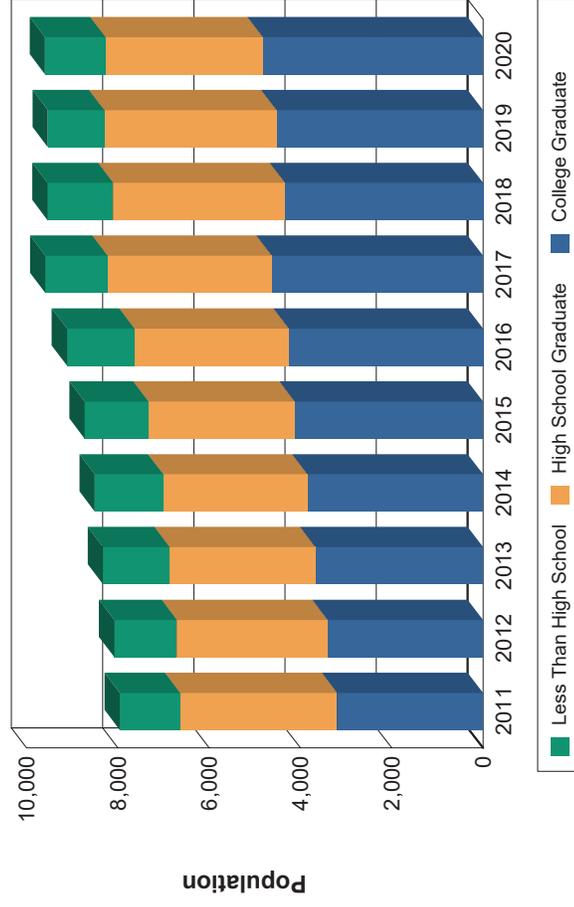
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
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%
2019	12,431	\$804,495	\$64,716	1.6%	45.3	87.1%	47.5%
2020	12,309	\$898,800	\$73,019	5.6%	46.8	86.2%	50.3%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

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

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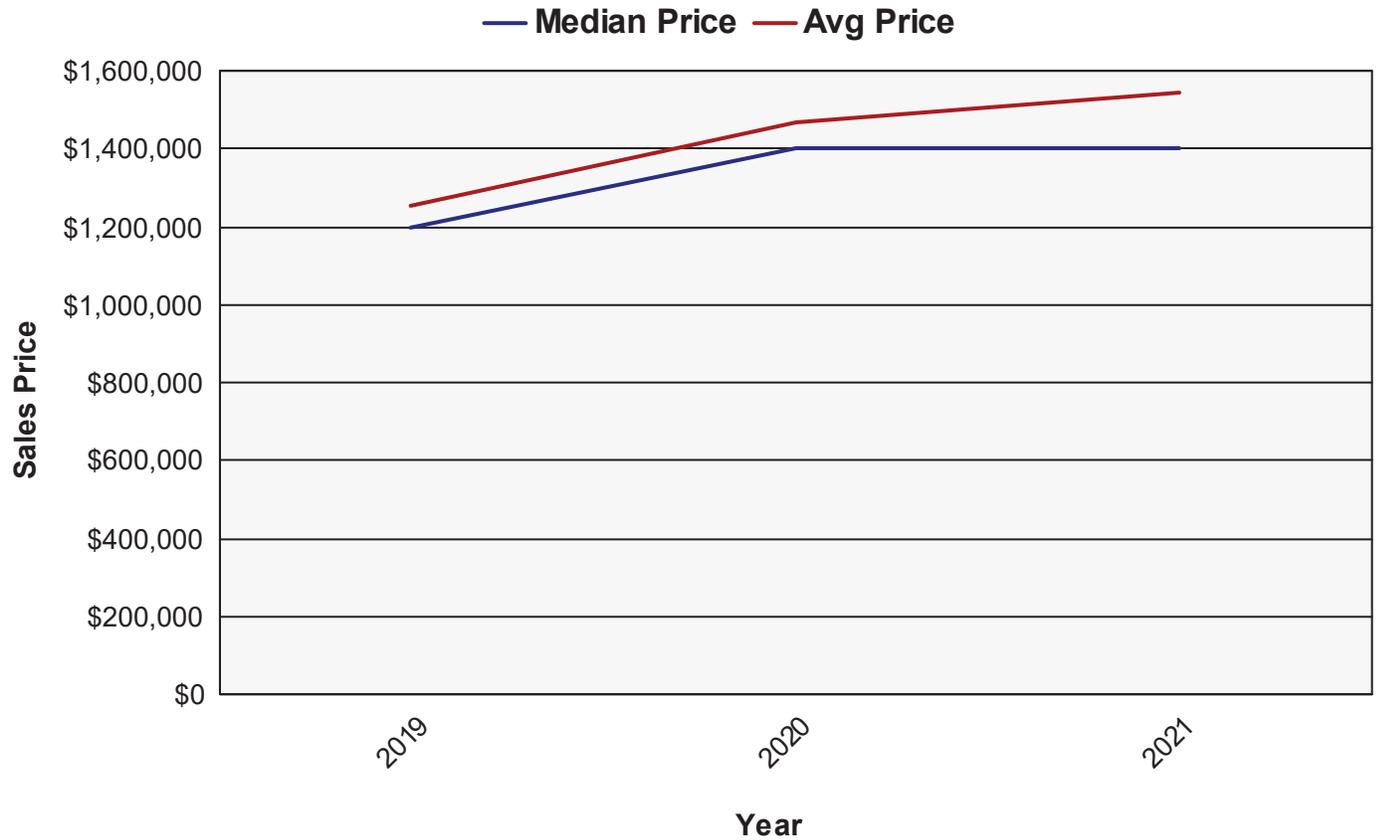
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THE CITY OF HALF MOON BAY

SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2019 - 6/30/2021)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2019	129	\$1,253,841	\$1,200,000	
2020	166	\$1,466,910	\$1,400,000	16.67%
2021	78	\$1,542,013	\$1,400,000	0.00%



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Half Moon Bay, California as of and for the year ended June 30, 2021 have issued our report thereon dated December 6, 2021. Our report included an emphasis of a matter paragraph disclosing the implementation of a new accounting principle.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 financial statements. 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 16, 2021, 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 16, 2021