



**FISCAL YEAR**

**2017 - 2018**

**SAN CARLOS, CALIFORNIA**

**THE CITY OF GOOD LIVING**

**COMPREHENSIVE**

**ANNUAL**

**FINANCIAL**

**REPORT**

**july 1, 2017- june 30, 2018**

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**CITY OF SAN CARLOS, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Prepared by**  
**CITY OF SAN CARLOS FINANCE DIVISION**

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CITY OF SAN CARLOS

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018

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November 13, 2018

To the Members of the City Council and Residents of San Carlos:

It is the policy of the City of San Carlos to annually publish a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (“GAAP”) and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of San Carlos (“the City”) for the fiscal year ended June 30, 2018.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls was designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by Maze & Associates, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year that ended June 30, 2018 are free of material misstatement. The independent audit involved: examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year that ended June 30, 2018 were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City, incorporated in 1925, is located in the San Francisco Bay Area region of the State of California, which is considered to be one of the most expensive areas of the state and country in which to live. The area also is renowned worldwide for technological innovation as home to Silicon Valley. The City currently occupies a land area of six square miles and serves a population of approximately 29,000.

The City is a General Law city, empowered to levy a transient occupancy tax on hotel/motel stays and a business registration fee on for-profit businesses within its boundaries. It also is empowered by State statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1925. Policy-making and legislative authority are vested in a City Council consisting of the Mayor, selected by the Council, and four other Council Members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing advisory commissions/committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan, at large basis. Council Members serve four-year staggered terms, with two or three Council Members elected every two years. The Mayor and Vice-Mayor are selected from among the five Council Members to serve one-year terms.

The City provides a full range of services, including: police and fire; the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events.

## **Budget Process**

The goals of the City's biennial budget process are to identify necessary and/or desirable service increase options and identify possible service reduction options, which are all combined to reach a balanced and sustainable budget. Each City department is provided with a base budget with certain inflationary increases and is given an opportunity to request additional funding if needed. The City Manager, Assistant City Manager, Administrative Services Director and the Financial Services Manager meet with each department individually to discuss and finalize the proposed budget recommendations. In the second year of the two-year budget cycle, departments are given another opportunity to review their projections and budgets and request additional funding if needed. Those recommendations are also reviewed by the City Manager and Administrative Services Director. The City Manager then presents the proposed biennial budget or mid-cycle review budget to the Council for review prior to the end of May every year. 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. The appropriated budget is prepared by fund, function/program (e.g., public safety) and department (e.g., Community Development). Department heads may make transfers of appropriations within a department. Transfers

of appropriations between departments, but within the same fund, can be approved administratively (by the Administrative Services Director or City Manager).

City Council may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same department or between departments. However, transfers of appropriations that change total fund appropriations must be approved by the City Council. Expenditures that exceed appropriations at the fund level must be approved by the City Council. Budgets are adopted on a basis consistent with GAAP. 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.

### **Economic Condition and Outlook**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which the City operates.

#### **Local Economy**

The unemployment rate in San Mateo County decreased from 2.9% in 2017 to 2.5% in 2018. The San Carlos unemployment rate is at the same level as the County at 2.5%. This compares with an unemployment rate of 4.5% for California and 4.0% for the nation during the same period. As of June 2018, there were an estimated 438,700 jobs in the County, an increase of 3,800 jobs from a year earlier. According to the California Employment Development Department, the total number of jobs located in the West Bay counties of San Francisco and San Mateo expanded by 8,200, to a total of 1,015,500 between June 2017 and June 2018.

The National Association of Realtors released a report that shows the national median existing home price of \$276,900 in June 2018. This number reflects an increase of 5.0% from June 2017. However, the median sales price of existing homes in San Carlos is \$1,780,000; a 6.0% increase from the same period a year ago.

Unemployment and real estate markets reflect a local economy that is expanding and as such we expect continued solid growth that will over time translate into higher municipal revenues.

#### **Sales Tax**

Sales tax is a critical revenue source as it accounts for approximately 27.9% of total General Fund revenues. Local general sales tax in fiscal year 2018 was \$11.8 million, an 9.9% increase as compared to the fiscal year 2017 amount of \$10.8 million. The increase reflects stable economic growth and increased online purchases. Based on the latest sales tax data, sales tax growth will be higher in the coming year. Receipts from business and industry, fuel/service stations, building and construction, food and drugs, and restaurant sales categories continue to show solid gains, reflecting the rising household income and the increased spending on home improvements, fuel consumption, and dining. The acceleration in online shopping for merchandise shipped from out-of-state makes the countywide use tax allocation one of the larger components of sales and use tax gains for the City and is expected to increase in the upcoming year.

## **Property Tax**

According to our independent, third-party consultant, while the median existing home prices increased by 6.0% from 2017, the inventory of homes available for sale remains low, keeping the growth at a moderate level. The gross assessed values of properties in San Carlos have increased by 9.1% in 2018 as compared to a 7.8% increase countywide. In the General Fund, property tax increased by \$0.7 million, or 6.2%, to \$11.9 million compared to \$11.2 million in the prior year due to the increase in assessed values.

## **Financial Policies**

In June 2008, the City Council approved financial policies formalizing long standing practices used in the past to prepare the budget. The policies were established to ensure that the City's finances are managed in a manner that will: (1) continue to provide for the delivery of quality services; (2) maintain and enhance service delivery as the community grows in accordance with the City's General Plan; (3) guarantee a balanced budget annually assuring that the City is always living within its means; and (4) establish reserves necessary to meet known and unknown future obligations. These financial policies are reviewed and updated as needed every two years as part of the biennial budget process.

## **Financial Control**

The Finance Division of the City is responsible for: establishing and maintaining an appropriate internal control structure surrounding the safeguarding of assets; the reliability of financial records to prepare the financial statements in conformity with GAAP; and maintaining asset accountability. 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.

## **Cash Management**

In accordance with the Municipal Code of the City and under authority granted by the City Council, the City Administrative Services Director is responsible for investing the unexpended cash in the City Treasury. The investment of the funds of the City of San Carlos is directed to the goals of safety, liquidity and yield. The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 53659.

The primary objective of the investment policy of the City of San Carlos is the Safety of Principal. Investments shall be placed in those securities as outlined by type and maturity sector in the City's Investment Policy. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with State and local law. Portfolio management requires continual analysis and as a result the balance between the various investments and maturities may change to give the City the optimum combination of necessary liquidity and optimal yield based on cash flow projections.

## **Risk Management**

Comprehensive general liability coverage is secured through the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), which consists of 28 member cities in the San Francisco Bay Area. Members of the PLAN JPA collectively share the risk of self-insured losses and purchase a broad range of risk management services including, but not limited to, program administration, accounting and finance, claims administration, risk control, loss prevention, actuarial services, training and education, and legal services to support the shared risk programs. PLAN JPA provides General Liability, Auto Liability, and Errors and Omissions coverage in excess of the City's retained limit, or self-insured retention (SIR). The PLAN provides \$5,000,000 of general and automobile liability coverage per occurrence and \$25,000,000 excess liability coverage per occurrence (providing a total of \$30,000,000 per occurrence) and is responsible for paying claims in excess of the City's \$100,000 deductible.

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 \$1,500,000 for safety officers and \$1,000,000 for miscellaneous employees. The Group acts as administrator, claims adjuster and provider of other risk management services as required by State law. Each member of the Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Group. Additional information concerning the City's participation in risk pools for liability and workers' compensation is provided in Note 12 to the financial statements.

## **Long-term Financial Planning and Major Initiatives**

### **Long-term Financial Planning**

The City Council and City management continue to emphasize "structural balance" in the City's financial planning. The City has established economic reserves to meet future opportunities and unexpected changes and has structurally aligned its revenues and expenditures to provide for a sustainable financial balance. To that end, the City has taken the following steps over the years:

- Budget revenues conservatively and expenditures at full cost;
- Maintain the condition of City facilities and infrastructure to optimize the use and minimize future repair/replacement costs;
- Maintain a highly motivated, talented, and well-trained workforce to serve the needs of the community;
- Retain municipal ownership of commercial properties and use ground leases to diversify the City's revenue stream;
- Secure outside funding and/or low-cost debt financing, and set aside City resources to pay for capital improvement program projects; and
- Limit the growth of on-going expenses for City services to a financially sustainable level.

## Major Events and Initiatives

Highlights of the City's major events and initiatives that were completed or in progress as of June 30, 2018 or soon after the year-end are as follows:

The City is currently in the design process to convert the Holly Street/Highway 101 Interchange from a four-quadrant cloverleaf design into ramps with signalized intersections and construct a new pedestrian and bicycle overcrossing. The goal is to increase vehicle safety and capacity, while also reducing pedestrian and bicycle conflicts. Funding for this project has been raised through Measure A Highway funds, Transportation Development Act Article III Pedestrian and Bicycle funds, Bicycle Pedestrian Improvement Program funds, Bike Path Program funds, Active Transportation Program funds, from the City's Traffic Mitigation Fees; and Successor Agency 2007 bond proceeds.

Over the past year, the Single-Family House Advisory Committee (SHAC), a 7-member City Council-appointed advisory committee, worked with City planning staff and a consultant team to evaluate the RS-6 development standards for single-family homes. This project is intended to address community reaction to house size and neighborhood fit. This past February, following six SHAC working meetings, the committee made its final recommendations. Those recommendations were considered by the Planning Commission and the City Council began reviewing and evaluating at public meetings in October 2018.

In January, the City Council executed a financing agreement with Silicon Valley Clean Water (SVCW) to issue 2018 Wastewater Revenue Bonds. SVCW is a joint powers authority comprised of the City of Belmont, City of Redwood City, City of San Carlos, and West Bay Sanitary District. Altogether, SVCW serves over 200,000 people. These bonds were issued to finance the acquisition and construction of capital improvements to SVCW's wastewater conveyance system and wastewater treatment plant.

In March, the City Council executed a Memorandum of Understanding with Charities Housing to redevelop an affordable housing project at 817 Walnut. The City owns the 6-unit multifamily apartment complex at 817 Walnut Street, which is rented to below market-rate tenants. In recent years, the aging facility began facing severe deferred maintenance, which prompted the City to consider redeveloping the property to increase the number of affordable housing units on-site. The proposed project aims to produce an estimated 24 units of affordable housing at lower incomes, providing 17 net new affordable units in San Carlos.

In April, the City Council authorized the City Manager to sign the Second Amendment with Redwood City for Fire and Emergency Services for July 1, 2018 through June 30, 2023. This agreement continues the City's philosophy to partner with other agencies to provide quality services in a fiscally sustainable manner.

In spring, project renovation work began on the San Carlos Youth Center. Updates to the facility included a reconfiguration of the front desk and lobby area, new flooring in the lobby and hallways, an updated Arts & Crafts Room, complete kitchen remodel, roof repairs and new interior and exterior paint. The renovation project is expected to be completed in October 2018.

Construction updates on four large developments are noted below:

- The Wheeler Plaza development began in March 2017. This project will bring 109 condominium housing units to San Carlos along with 196 dedicated parking spaces. The project includes a two-level public parking structure with 252 public parking spaces with electric vehicle charging stations and covered bicycle parking – resulting in an increase of 65 parking spaces in the Downtown. 10,000 new square feet of commercial space along San Carlos Avenue will also be added, in addition to a downtown plaza with public access. The project is estimated to be completed in late 2019. However, public parking became available in late summer.
- The San Carlos Transit Village development began in May 2016. The San Carlos Transit Village includes 202 residential multi-family housing units (10% of which is below-market rate housing), in addition to a small amount of commercial, office and retail space. The project is one of the first major mixed-use transit-oriented developments adjacent to a Caltrain station on the peninsula. As of June 30, 2018, several of the buildings have been completed and the remaining construction is scheduled to be completed in the fall of 2019.
- The City has approved an application from Windy Hill Property Ventures for a new Class A office complex on Industrial Road at the corner of Bransten Road, called Meridian 25. The project will include demolition of existing industrial buildings and construction of two new office buildings with landscaping, space for outdoor amenities, bicycle parking spaces, and a six-level parking structure that can accommodate approximately 1,510 vehicles. Demolition and site preparation began in June 2018 and the project is estimated to be completed in the summer of 2020.
- In June 2017, the City Council approved the Hilton Garden Inn Hotel Project at 1091 Industrial Road. The seven-story hotel includes a lobby with guest dining services, offices and utility rooms on the first floor, five small meeting rooms on the second floor, guest rooms on the third floor, guest rooms and a pool with fitness facilities on the fourth floor and guest rooms on floors five, six and seven. The development includes 162 guest rooms with an attached four-level (above grade) parking structure. Construction is anticipated to begin in the first quarter of 2019.

Construction on two large developments were completed this past fiscal year:

- The Marriott Residence Inn and Suites development began in May 2016 at the Landmark Site close to the Holly/101 Interchange. The hotel includes 204 guest rooms, with associated surface parking and site landscaping. The entire project was completed and opened for business in June 2018.
- The Honda Dealership construction began in April 2016 at 775 Industrial Way. The project includes an inventory parking lot and showroom and opened for business in June 2018.

## **Financial Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the 24th consecutive year that the City has received this prestigious award. To be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

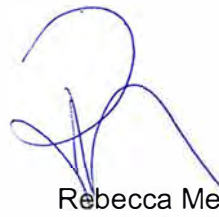
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report represents the culmination of months of work by dedicated staff in the Administrative Services Department-Finance Division. Special thanks go to Financial Services Manager, Carrie Tam, Senior Accountants Tammy Mak and Paul Harris, Accounting Technicians Roberto Garcia, Evangeline Bundang, and Karen Cao, Administrative Assistant Melissa Keefe, City Treasurer Michael Galvin, and the audit staff at Maze & Associates. Credit also must be given to City Council for its unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Jeff D. Maltbie  
City Manager



Rebecca Mendenhall  
Administrative Services Director



# **City of San Carlos**

## **Directory of Officials**

**June 30, 2018**

### **CITY COUNCIL**

Bob Grassilli, Mayor  
Cameron Johnson, Vice Mayor  
Matthew Grocott, Councilmember  
Mark Olbert, Councilmember  
Ron Collins, Councilmember

### **CITY CLERK**

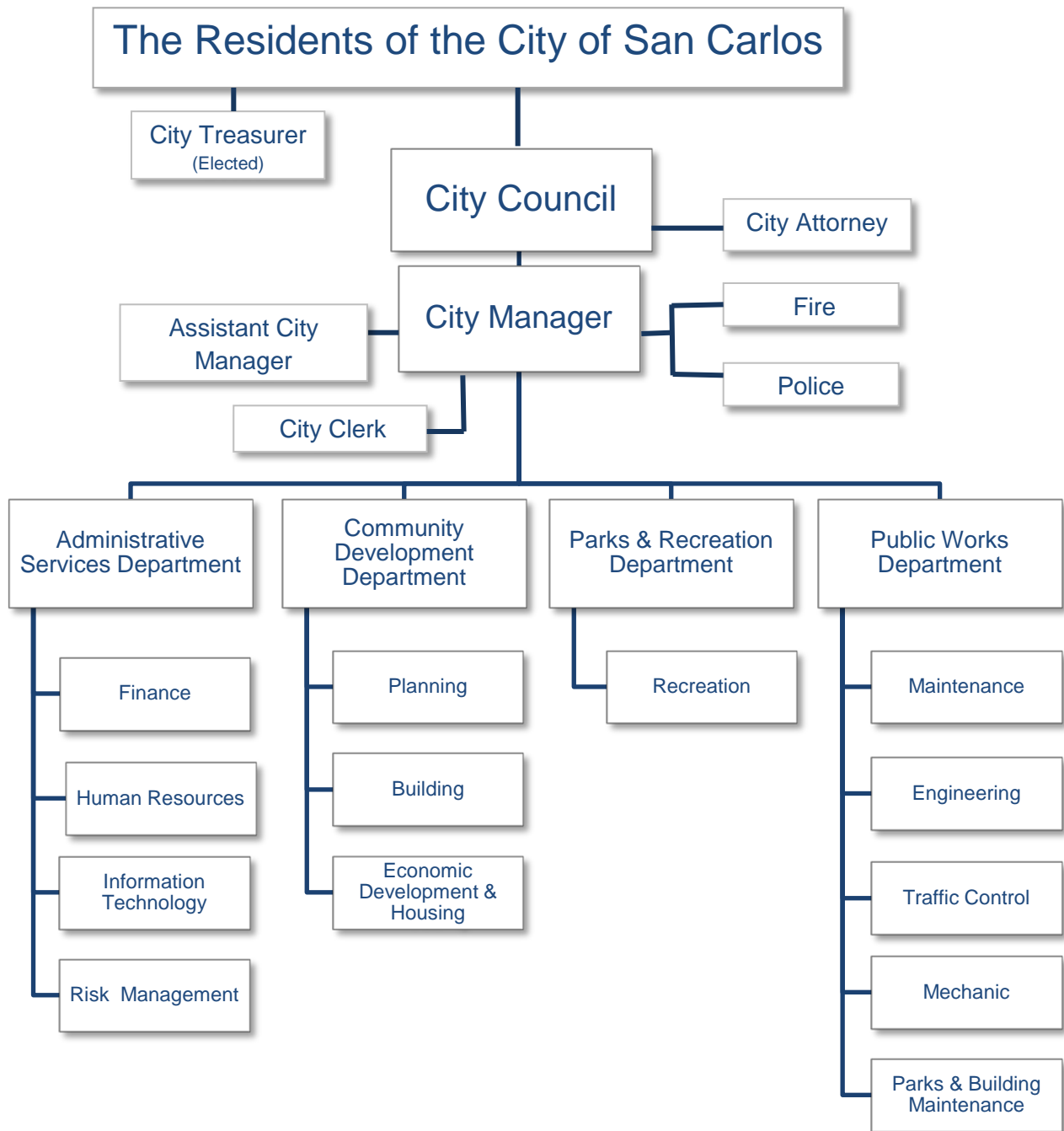
Crystal Mui, City Clerk/Community Relations Director

### **CITY TREASURER**

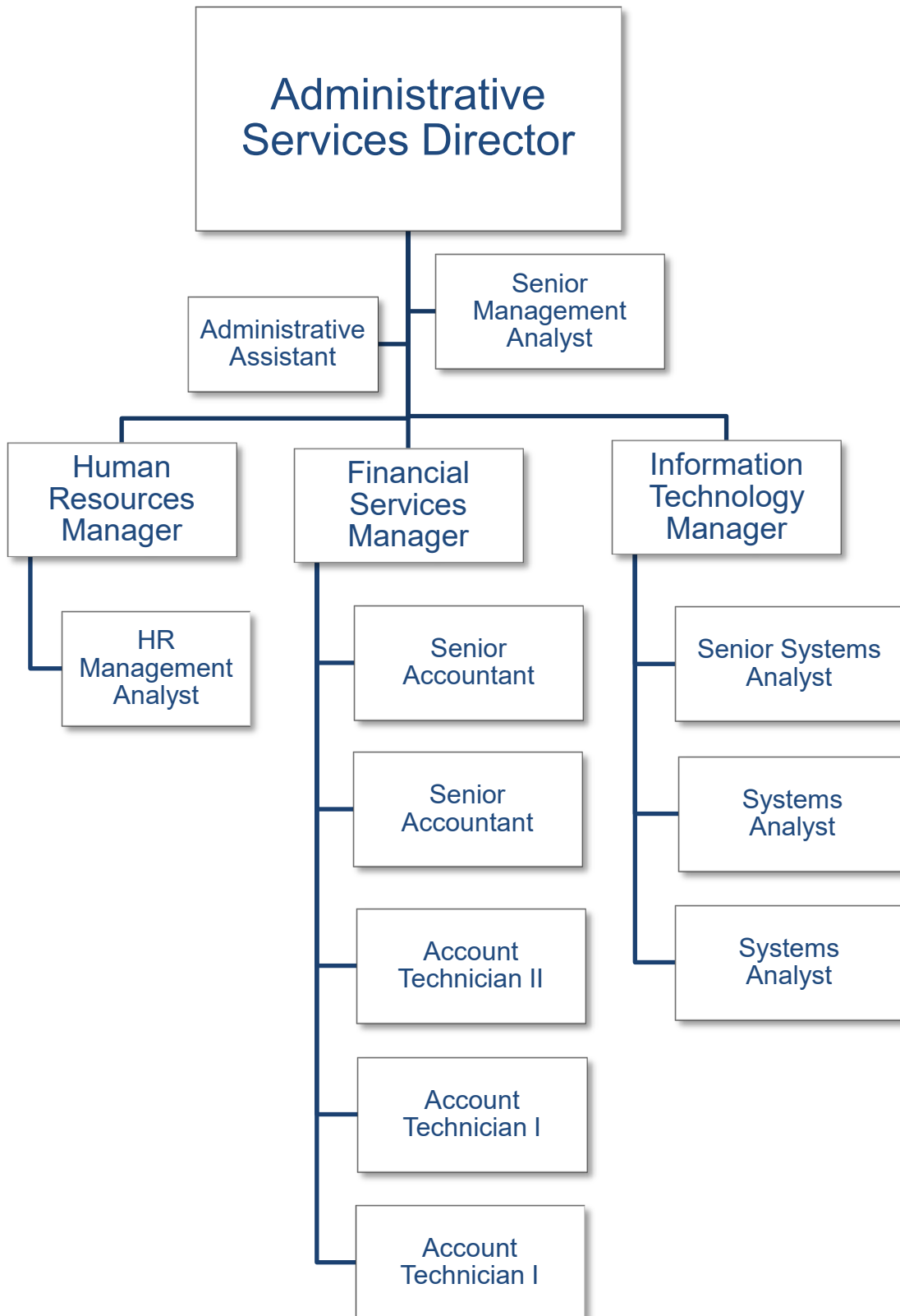
Michael J. Galvin, City Treasurer

### **ADMINISTRATION**

Jeff Maltbie, City Manager  
Tara Peterson, Assistant City Manager  
Gregory J. Rubens, City Attorney  
Mark Duri, Police Chief  
Rebecca Mendenhall, Administrative Services Director  
Amy Newby, Parks & Recreation Director  
Steven Machida, Public Works Director  
Al Savay, Community Development Director  
Stan Maupin, Fire Chief



# Administrative Services





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of San Carlos  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher F. Morill*

Executive Director/CEO

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council  
City of San Carlos, California

### ***Report on the 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 San Carlos, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principles***

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements as discussed in Note 9c and Note 11 to the financial statements.

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

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

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

The Supplemental 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 Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
October 19, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City's Comprehensive Annual Financial Report presents an overview and analysis of the City's financial activities for the fiscal year ending June 30, 2018. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

### FINANCIAL HIGHLIGHTS

#### **City-wide:**

- Total City assets increased by \$21.0 million to \$290.3 million, of which \$235.8 million represented governmental assets and \$54.5 million represented business-type assets.
- City deferred outflows related to pension and other post-employment benefits (OPEB) increased by \$10.6 million to \$19.8 million, of which \$17.7 million represented governmental deferred outflows related to pension and other post-employment benefits and \$2.1 million represented business-type deferred outflows related to pension and other post-employment benefits.
- Total City liabilities increased by \$9.2 million to \$69.7 million, of which \$61.7 million were governmental liabilities and \$8.0 million were business-type liabilities.
- City deferred inflows related to pension and OPEB increased by \$2.7 million to \$4.5 million, of which \$4.1 million were governmental deferred inflows related to pension and other post-employment benefits and \$0.4 million were business-type deferred inflows related to pension and other post-employment benefits.
- The City's assets and deferred outflows of resources exceeded the liabilities and deferred inflows by \$235.9 million (net position), which increased by \$19.7 million. Of this amount, \$26.5 million represents unrestricted net position for governmental activities, which may be used to meet the government's ongoing obligations to residents and creditors. The unrestricted net position for business-type activities was \$17.0 million.
- City-wide revenues were \$73.8 million, of which \$56.1 million were generated by governmental activities that increased by \$7.1 million, and \$17.7 million were generated by business-type activities, which increased by \$0.8 million. The City also received \$6.0 million through a settlement that is listed as a Special Item. For more information on the settlement see Note 14c.
- City-wide expenses were \$56.4 million, of which \$45.8 million were incurred by governmental activities and \$10.6 million were incurred by business-type activities.
- Included in the Statement of Activities was a restatement of \$3.7 million, of which \$3.2 million was for governmental activities and \$0.5 million was for business-type activities. The restatement was related to the implementation of the new Governmental Accounting Standards Board (GASB) Statements No. 75, Accounting and Financial Reporting for Post-Employment Benefits other than Pension. For more information see Note 9c.

#### **Fund Level:**

- Governmental funds increased by \$9.5 million to \$77.9 million. Of this amount, \$3.2 million, or 4.1%, was unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$56.1 million, an increase of \$7.1 million from the prior year.
- Governmental Fund expenditures were \$53.1 million, an increase of \$12.1 million from the prior year.
- During the fiscal year, the Governmental Fund received \$6.0 million through a legal settlement for PG&E Gas Transmission Line 147, which was listed a Special Item. For more information see Note 14c.
- Enterprise Fund net position increased by \$6.1 million to \$48.2 million. Of this amount, \$17.0 million, or 35.3%, was unassigned fund balance and available for spending at the City's discretion but is restricted for enterprise activities.

- Enterprise Fund operating revenues were \$17.5 million in fiscal year 2018 compared to \$16.8 million in the prior year.
- Enterprise Fund operating expenditures were \$10.4 million, a decrease of \$1.0 million from \$11.4 million from the prior year.
- As noted previously, there was a restatement of \$0.5 million due to the implementation of the new Governmental Accounting Standards Board (GASB) Statements No. 75, Accounting and Financial Reporting for Post-Employment Benefits other than Pension. For more information see Note 9c.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of six parts: 1) introductory section; 2) management’s discussion and analysis (this section); 3) basic financial statements; 4) required supplementary information; 5) an optional section that presents combining statements for non-major governmental funds and internal service funds; and 6) a statistical section.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City’s operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services, like public safety, were financed in the *short term* and what remains for future spending.
  - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates like businesses, such as the sewer system.
  - *Fiduciary fund* statements provide information about fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

Figure A-1  
City of San Carlos Comprehensive Annual Financial Report (CAFR)

Comprehensive Annual Financial Report (CAFR)	Introductory Section	Introductory Sections			
	Financial Section	Management’s Discussion and Analysis			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of Net Position	Governmental Funds	Proprietary Funds	Fiduciary Funds
			Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
			Reconciliation of the Governmental Funds Balance Sheet		
		Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Revenues, Expenses and Changes in Fund Net Position	Statement of Changes in Fiduciary Net Position
			Reconciliation of the Net Changes in Fund Balances	Statement of Cash Flows	
	NOTES TO THE FINANCIAL STATEMENTS				
	REQUIRED SUPPLEMENTARY INFORMATION				
INFORMATION ON INDIVIDUAL NON-MAJOR FUNDS AND OTHER SUPPLEMENTARY INFORMATION					
Statistical Section	STATISTICAL SECTION				

## Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is: "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and deferred outflows of resources and liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and the changes in it. One can think of the City's net position – the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City's services into two kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, such as Senate Bill 1 (SB-1) funding for transportation, street, and road rehabilitation, and other revenues finance most of these activities.
- *Business-type activities* – The City charges a fee to customers to help cover all or most of the cost of the services related to the Wastewater Enterprise Fund.

## Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting administrative responsibilities for using certain taxes, grants or other money. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in the reconciliation that follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities.

## Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency Funds include: the Pulgas Drainage Assessment District Special Tax Bonds; the City/County Association of Governments of San Mateo County; the South Bayside Waste Management Authority (SBWMA); and the Peninsula Traffic Congestion Alliance (Commute.org). The Private Purpose Trust Fund is used to report resources held in trust for the Successor Agency of the former Redevelopment Agency (RDA).

## Government-Wide Statement Summaries

Net position may over time serve as a useful indicator of a City's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$235.9 million at June 30, 2018

### Net Position

Table 1 below reflects the City's net position as of June 30, 2018 and June 30, 2017:

**Table 1**  
**City's Comparative Statement of Net Position**  
**June 30, 2018 and 2017**  
(Amounts in Millions)

	Governmental Activities		Business - Type Activities		All Government		Total % Change
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 88.4	\$ 78.3	\$ 23.4	\$ 19.5	\$ 111.8	\$ 97.8	14.3%
Capital assets	147.4	143.8	31.1	27.7	178.5	171.5	4.1%
<b>Total Assets</b>	<b>235.8</b>	<b>222.1</b>	<b>54.5</b>	<b>47.2</b>	<b>290.3</b>	<b>269.3</b>	<b>7.8%</b>
Deferred outflows related to pension	17.7	8.1	2.1	1.1	19.8	9.2	115.2%
<b>Total deferred outflow</b>	<b>17.7</b>	<b>8.1</b>	<b>2.1</b>	<b>1.1</b>	<b>19.8</b>	<b>9.2</b>	<b>115.2%</b>
Current and other liabilities	7.4	7.9	3.1	1.3	10.5	9.2	14.1%
Long-term obligations	54.3	46.5	4.9	4.8	59.2	51.3	15.4%
<b>Total Liabilities</b>	<b>61.7</b>	<b>54.4</b>	<b>8.0</b>	<b>6.1</b>	<b>69.7</b>	<b>60.5</b>	<b>15.2%</b>
Deferred inflows related to pension	4.1	1.7	0.4	0.1	4.5	1.8	150.0%
<b>Total deferred inflow</b>	<b>4.1</b>	<b>1.7</b>	<b>0.4</b>	<b>0.1</b>	<b>4.5</b>	<b>1.8</b>	<b>150.0%</b>
Net Position:							
Net investment in capital assets	\$ 143.6	\$ 139.8	\$ 31.2	\$ 27.7	\$ 174.8	\$ 167.5	4.4%
Restricted	17.6	14.9	-	-	17.6	14.9	18.1%
Unrestricted	26.5	19.4	17.0	14.4	43.5	33.8	28.7%
<b>Total Net Position</b>	<b>\$ 187.7</b>	<b>\$ 174.1</b>	<b>\$ 48.2</b>	<b>\$ 42.1</b>	<b>\$ 235.9</b>	<b>\$ 216.2</b>	<b>9.1%</b>

The largest portion of the net position (74.1%) reflects the City's \$174.8 million investment in capital assets less any capital-related outstanding debt. Capital assets are the aggregated value of land, buildings and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources. The City's capital assets cannot be sold and used to liquidate liabilities. This portion for the net position increased by \$7.3 million, or 4.4%, over the prior year mainly because of the addition in capital assets associated with the construction projects that were completed or underway, such as the Holly/US 101 project, Park Restroom Renovation and Replacement project, Youth Center Renovation project, and the Sewer Rehabilitation/Lateral Replacement project.

Another portion of the City's net position is subject to external restrictions, such as debt covenants, grantor's stipulations, or enabling legislation, on how they may be used. As of June 30, 2018, the restricted assets were 7.4%, or \$17.6 million, of the total net position. Of this amount, \$12.4 million is restricted for low and moderate income housing, \$1.5 million for capital projects such as street repair and maintenance and \$0.8 million for debt service. The remaining amount relates to Police grants and the Park In-Lieu fees.

The unrestricted net position of \$43.5 million represents the remaining balance of the net position. Included in this portion of the net position is \$6.5 million associated with the investment in the Silicon Valley Clean Water (SVCW) joint venture under the business-type activities; this amount is not readily available for day-to-day operational spending. The remaining portion of the unrestricted net position may be used to meet the City's ongoing and unexpected expenses, including sewer expenses, facility and infrastructure improvements, pension-related liabilities, property acquisition and emergency repairs and replacement.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole and for its separate governmental and business-type activities. The City reported positive balances in these categories for the prior fiscal year as well.

### Statement of Activities and Changes in Net Position

The City's net position increased by \$23.4 million and included a \$3.7 million restatement due to implementation of new accounting standards, amounting to \$235.9 million during the current fiscal year as indicated in the Statement of Activities and Changes in Net Position (see Table 2 below).

**Table 2**  
**Statement of Activities and Changes in Net Position**  
**June 30, 2018 and 2017**  
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		All Government		% change	
	2018	2017	2018	2017	2018	2017		
<b>Program Revenues:</b>								
Charges for Services	\$ 10.9	\$ 8.7	\$ 17.5	\$ 16.8	\$ 28.4	\$ 25.5	11.4%	
Operating Grants & Contributions	4.9	2.1	-	-	4.9	2.1	133.3%	
Capital Grants & Contributions	1.0	2.4	-	-	1.0	2.4	-58.3%	
<b>General Revenues:</b>								
Property Taxes	13.8	12.8	-	-	13.8	12.8	7.8%	
Other Taxes	18.3	16.9	-	-	18.3	16.9	8.3%	
Other General Revenues	7.2	6.1	0.2	0.1	7.4	6.2	19.4%	
<b>Total Revenues</b>	<b>\$ 56.1</b>	<b>\$ 49.0</b>	<b>\$ 17.7</b>	<b>\$ 16.9</b>	<b>\$ 73.8</b>	<b>\$ 65.9</b>	<b>12.0%</b>	
<b>Program Expenses:</b>								
General Government	\$ 10.5	\$ 6.3	\$ -	\$ -	\$ 10.5	\$ 6.3	66.7%	
Community Development	3.9	4.7	-	-	3.9	4.7	-17.0%	
Public Safety	19.0	18.3	-	-	19.0	18.3	3.8%	
Public Works	9.2	8.0	-	-	9.2	8.0	15.0%	
Parks & Recreation	3.1	3.9	-	-	3.1	3.9	-20.5%	
Sewer Operations	-	-	10.6	9.6	10.6	9.6	10.4%	
Interest Expenses	0.1	0.1	-	-	0.1	0.1	0.0%	
<b>Total Expenses</b>	<b>\$ 45.8</b>	<b>\$ 41.3</b>	<b>\$ 10.6</b>	<b>\$ 9.6</b>	<b>\$ 56.4</b>	<b>\$ 50.9</b>	<b>10.8%</b>	
Inc/(Dec) in Net Position before transfers and extraordinary gain	<b>\$ 10.3</b>	<b>\$ 7.7</b>	<b>\$ 7.1</b>	<b>\$ 7.3</b>	<b>\$ 17.4</b>	<b>\$ 15.0</b>	16.0%	
Loss on Sale of Capital Assets	-	(2.7)	-	-	-	(2.7)	n/a	
Special item (Note 14c)	6.0	-	-	-	6.0	-	100%	
Transfers	0.5	0.6	(0.5)	(0.6)	-	-	0%	
<b>Change in Net Position</b>	<b>\$ 16.8</b>	<b>\$ 5.6</b>	<b>\$ 6.6</b>	<b>\$ 6.7</b>	<b>\$ 23.4</b>	<b>\$ 12.3</b>	<b>90.1%</b>	
Beginning Net Position	\$ 174.1	\$ 168.5	\$ 42.1	\$ 35.4	\$ 216.2	\$ 203.9	6.0%	
Restatement of Net Position	(3.2)	-	(0.5)	-	(3.7)	-	n/a	
<b>Ending Net Position</b>	<b>\$ 187.7</b>	<b>\$ 174.1</b>	<b>\$ 48.2</b>	<b>\$ 42.1</b>	<b>\$ 235.9</b>	<b>\$ 216.2</b>	<b>9.1%</b>	

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Net Position summarized in Table 2 of the previous page.

As of June 30, 2018, the City's total net position was \$235.9 million. This is an increase of \$19.7 million, or 9.1%, from the prior year. The changes in net position are explained in the following paragraphs. Total revenue of all government-wide activities was \$73.8 million, an increase of \$7.9 million, or 12.0%, while the total expense of all government-wide activities increased by \$5.5 million, or 10.8%, to \$56.4 million.

### ***Governmental Activities***

Net position in the governmental activities totaled \$187.7 million, an increase of \$13.6 million, or 7.8%, from the prior year.

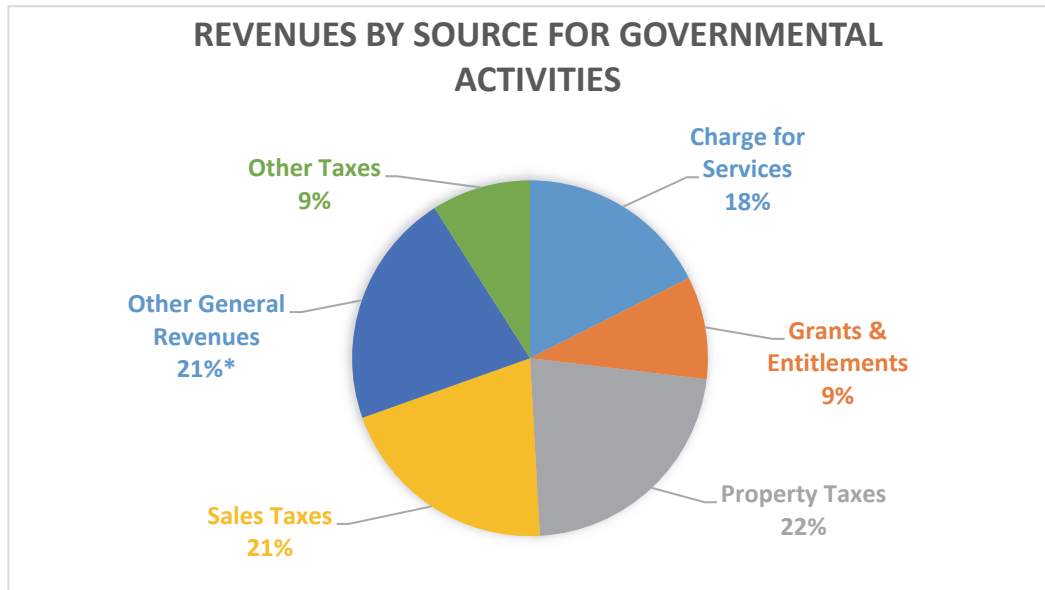
Total revenue for the City's governmental activities before extraordinary gain and transfers increased by \$7.1 million, or 14.5%, to \$56.1 million. Total governmental activity expenses increased by \$4.5 million, or 10.9%, to \$45.8 million. The current fiscal year included a claim settlement of \$6.0 million and transfers into governmental activities from the sewer fund of \$0.5 million. The previous fiscal year included a loss on the sale of capital assets of \$2.7 million and transfers into governmental activities from the sewer fund of \$0.6 million.

As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through City taxes was \$32.1 million, as some of the cost was paid by those who directly benefited from the programs (\$10.9 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.9 million), or by other general revenues (\$7.2 million).

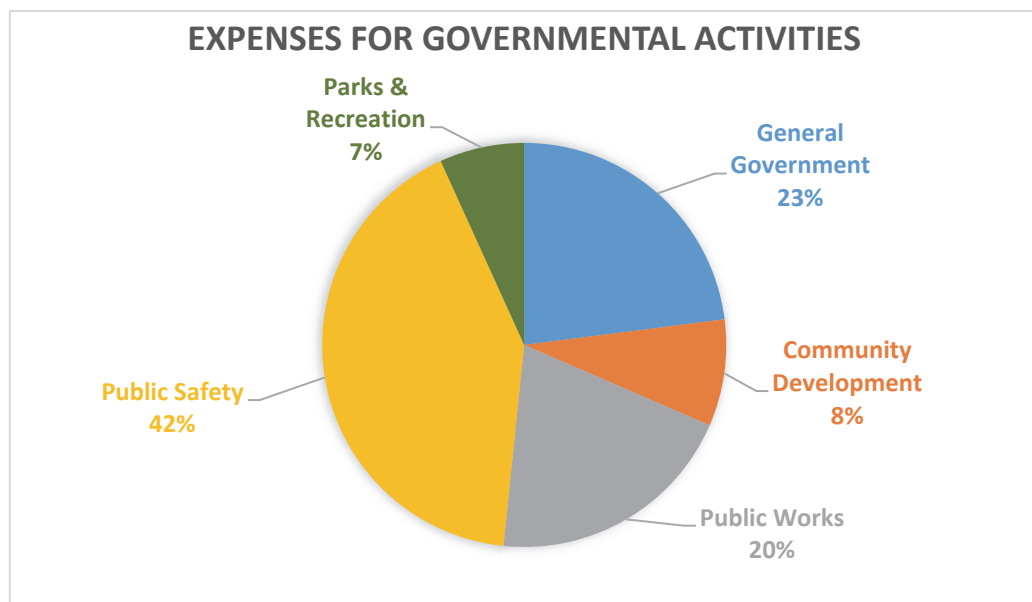
The reasons for significant changes in the revenues and expenses of the City's governmental activities are as follows:

- Property taxes increased by \$0.9 million, or 7.1%, to \$13.8 million due to the increase in the assessed value for properties.
- Sales taxes increased by \$1.1 million, or 9.9%, to \$12.7 million in comparison with the prior year mainly due to the stable economic growth and the revenue from large building, construction and industry businesses in the city.
- Charges for Services increased by \$2.3 million, or 26.0%, to \$10.9 million, mainly from increased revenues related to building plan checks and permits, encroachment permits and traffic impact mitigation fees collected on large scale development projects, such as the Alexandria Properties project. Revenue related to development activities can fluctuate from year to year depending on the timing of large construction projects and when developers pull their permits. The development-related increases were offset by decreases in public safety revenue.
- Operating Grants and Contributions increased by \$2.8 million, or 133.3%, to \$4.9 million, mainly due to \$1.4 million in bond proceeds from the Successor Agency for the Holly/US 101 project, \$0.2 million received through Senate Bill 1 (SB-1) funding for transportation, street, and road rehabilitation and \$1.1 million from affordable housing in-lieu fees on major development projects.
- Capital Grants and Contributions decreased by \$1.4 million, or 58.3%, to \$1.0 million, due to several grants received in the prior year for the Holly/US 101 project amounting to \$1.1 million. There was also a \$0.4 million decrease in park facility development fees that are used to fund additional facilities and improve existing facilities. As noted previously, revenue related to development activities can fluctuate from year to year depending on the timing of large construction projects and when developers pull their permits.

- Other general revenues increased by \$1.1 million, or 18.0%, to \$7.2 million, from the prior year. The increase is due to an increase in investment income from higher interest rates, a one-time rebate payment from the San Mateo County Sheriff's Office and an increase vehicle in-lieu due to higher assessed property values.
- Governmental expenses totaled \$45.8 million in the fiscal year 2018, an increase of \$4.5 million from the prior year's expenses of \$41.3 million. The increase is mainly associated with the one-time pay-down of \$7.0 million to the pension and other post-employment benefits plans. These pension contributions made subsequent to the measurement date lead to a reduction of the pension expenses in the year ended June 30, 2018 in the amount of \$3.3 million.
- Governmental activities included a \$6.0 million claim settlement for the PG&E Gas Transmission Line 147. A more detailed explanation on the settlement can be found in Note 14c.
- Governmental activities included a restatement of \$3.2 million, related to the implementation of the new Governmental Accounting Standards Board (GASB) Statements No. 75, Accounting and Financial Reporting for Post-Employment Benefits other than Pension. For more information see Note 9c.



\*Includes \$6.0 million for the claim settlement



### ***Business-Type Activities***

Business-type activities' total net position for fiscal year 2018 was \$48.2 million, an increase of \$6.1 million, or 14.5%, from the prior year.

The change in net position for fiscal year 2018 is \$6.6 million, and included a \$0.5 million restatement due to implementation of new accounting standards, amounting to \$48.2 million during the current fiscal year as indicated in the Statement of Activities and Changes in Net Position. There was a 5.0% increase in the sewer rate this fiscal year, contributing to the increase in the net position. During the fiscal year, the City also made one-time payments to the pension and OPEB plans, which was reflected as a credit in pension expense and ultimately decreased salaries and benefits. The City's investment in SVCW was also adjusted to reflect a net decrease in the investment of \$0.2 million. Every year the City adjusts this investment based on the City's proportion of financial activity in SVCW.

The unrestricted portion of the ending net position includes \$6.5 million in investment in the SVCW joint venture that is not readily available for day-to-day operational spending. As of June 30, 2018, SVCW has a balance of \$268.3 million in long-term debt that it reports in its financial statements. Of that amount, the City's share of the obligation is approximately \$47.6 million. Since the City reports the SVCW joint venture as net investment, this obligation is not directly reported in the City's financial statements as long-term debt. More information can be found in Note 13d to the Financial Statements.

### **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

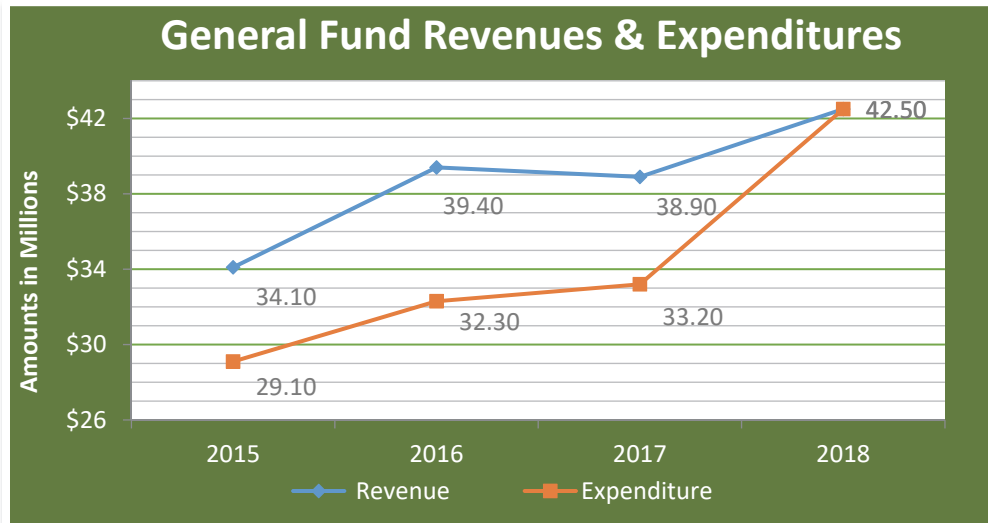
#### *Governmental Funds*

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance in the General Fund was \$29.6 million, representing a decrease of \$2.5 million, or 7.8%, lower than the fiscal year 2017 fund balance of \$32.1 million. This decrease is explained in the following paragraphs.

Governmental funds' total revenues increased by \$3.6 million, or 9.4%, to \$42.5 million compared to the prior fiscal year amount of \$38.9 million. The General Fund expenditures totaled \$42.5 million, an increase of \$9.3 million, or 28.1%, from prior year expenditures of \$33.2 million. The current fiscal year expenditures included a one-time pay-down of \$7.0 million to the pension and other post-employment benefits plans.

As a comparison, there was a decrease in revenue between the fiscal years 2016 and 2017 of 1.3% due to one-time payments of approximately \$1 million received in fiscal year 2016 for the extension of a lease agreement with the Inns of America and a new digital billboard in the City, and an increase in expenditures of 2.8%. The current year's one-time pay-down of pension and other post-employment benefits made up the majority of the difference in expenditures in 2018. When the payment is excluded, the total expenditures in the current fiscal year would be \$35.5 million, or an increase of \$2.3 million; or 6.9% compared to the previous year's amount of \$33.2 million. The following chart shows the revenues and expenses over the years:





	FY 15	FY 16	FY 17	FY 18
Total Revenues	\$ 34.1	\$ 39.4	\$ 38.9	\$ 42.5
Dollar Change	N/A	\$ 5.3	\$ (0.5)	\$ 3.6
Percentage Change	N/A	15.5%	-1.3%	9.4%

Significant changes in the revenues of the City's General Fund from the prior year are as follows:

- Property taxes increased by \$0.7 million, or 6.2%, due to a general increase in the assessed property values.
- Sales tax increased by \$1.1 million, or 9.9%, in comparison with the prior year mainly because of economic growth and the continued growth in revenues from large building, construction and industry businesses in the city.
- Revenues from other agencies was relatively flat compared to the prior year.
- Charges for services increased by \$0.3 million, or 7.1%. In the current year, there were development fees collected for several new major commercial and residential developments. The timing of these projects can vary from year to year depending on the developer's timeline.
- Use of Money and Property increased by \$0.4 million, or 21.2%. The increase is primarily a result of an increase in investment income due to higher interest rates.
- Revenues from Licenses and Permits increased by \$0.4 million, or 21.2%. Similar to the reason for the increase in the charges for services, fees collected in the current year for building, electrical, plumbing, encroachment and mechanical permits were higher due to the on-set of several large projects.
- Business Registration remained relatively flat at \$0.9 million compared to the prior year.
- Vehicle In-Lieu increased by \$0.3 million, or 9.2%, compared to the prior year due to higher assessed values on properties. In May 2004, Governor Schwarzenegger proposed a swap of city and county vehicle license fees revenues for additional property tax share as a part of a state-local budget agreement. Each year, a portion of this revenue increases in proportion to the growth in assessed value.
- Other general revenues increased by \$0.5 million, or 29.8%, from the prior year. The increase is primarily a result of a one-time rebate payment from the San Mateo County Sheriff's Office in the current fiscal year.

<b>General Fund Actual Expenditures*</b>				
(Amounts in Millions)				
	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>
Total Expenditures	\$ 29.1	\$ 32.3	\$ 33.2	\$ 42.5
Dollar Change	N/A	\$ 3.2	\$ 0.9	\$ 9.3
<b>Percentage Change</b>	<b>N/A</b>	<b>11.0%</b>	<b>2.8%</b>	<b>28.1%</b>

\*General Fund actual expenditures for fiscal year 2016 excludes repayment of ABAG loan and for fiscal year 2018 includes payment of California Public Employees Retirement System (CalPERS) Unfunded Pension Liability and Other Post-Employment Benefit (OPEB) Trusts of \$7.0 million.

Significant changes in the expenditures of the City's General Fund from the prior year are as follows:

- General Government expenditures have increased by \$7.3 million, or 151.5%. The increase is primarily associated with the one-time payments of \$5.0 million to CalPERS to pay-down the pension liability and \$2.0 million for the OPEB trust plans. Excluding those payments, governmental expenditures slightly increased by \$0.3 million or 6.5% mainly due to the increase in the lump-sum payment to CalPERS for the required annual unfunded accrued liability (UAL).
- Community Development expenditures rose by \$0.5 million, or 14.0%, largely due to increases in professional services for contractors to assist with economic development and planning projects. This cost increase was offset by fees collected from developers.
- Public Safety expenditures are \$0.7 million, or 4.2%, higher than the previous year. The primary reason for the change is contract increases for fire, police and dispatch services.
- Public Works expenditures have increased by \$0.6 million, or 15.4%. The majority of the increase is associated with professional services related to parks, median, and open space maintenance and traffic and transit engineering services, and plan check and support costs and an increase in salaries and benefits due to filling positions that were vacant the previous year.
- Parks and Recreation expenditures rose by \$0.1 million, or 3.7%, mainly due to additional events and programs.

*Capital Improvement Fund* – This fund has a fund balance of \$25.6 million at the close of fiscal year 2018, which represents an increase of \$9.1 million from the prior year. Significant changes in the Capital Improvement Fund are as follows:

- Transfers from the General Fund to the Capital Improvement Fund increased from \$3.4 million in the prior year to \$7.6 million in the current year to help fund capital projects such as the Holly St./US 101 Interchange and Pedestrian Overcrossing Project.
- Revenue from other agencies decreased by \$1.3 million since there were fewer grant reimbursements this year compared to the previous fiscal year for capital projects, but were offset by an increase in other revenue of \$1.4 million mainly due to receipts of bond proceeds from the Successor Agency for the Holly St./US 101 project.
- Licenses and permits, and traffic impact mitigation fees, increased by \$1.7 million compared to the prior year due to more large scale development projects in the current fiscal year.
- Capital project expenditures increased by \$1.9 million due to spending on some large capital projects, such as the Park Restroom Replacement, Youth Center Renovation, East San Carlos Avenue Traffic Signal, South Laurel Employee Parking Lot on El Camino Real, St. Francis Way Traffic Calming Improvements, and the Holly St./US 101 Interchange projects. Some capital projects were deferred to this fiscal year and future fiscal years as it has become difficult to find contractors to perform services due to the strong economy.

*Housing Capital Projects Fund* – This fund is used to account for affordable housing-related financial activities. As of June 30, 2018, it has a fund balance of \$12.4 million, which is restricted for housing purposes. The fund balance increased by \$2.9 million compared to the prior year due to additional revenue received related to the Housing In-Lieu fees for large residential projects.

*Other Governmental Funds* – The total fund balance for the Other Governmental Funds remained at \$10.2 million this fiscal year.

*Major Enterprise Fund* – The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements. The Sewer Fund is the only enterprise fund reported in the proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Position.

The Sewer Fund’s total net position at the end of the fiscal year was \$48.2 million, an increase of \$6.6 million, or 15.7%, and included a \$0.5 million restatement due to implementation of new accounting standards. The revenues in the Sewer Fund of \$17.5 million increased by \$0.7 million when compared to the previous fiscal year due to an increase in the sewer rates. During the fiscal year, the City also made one-time payments to pay-down the pension and OPEB plans, which were reflected as a credit in pension expense and ultimately decreased salaries and benefits.

Also, as stated previously, the City recorded an adjustment in the investment in SVCW during this fiscal year of \$0.2 million. More detail on the investment can be found in Note 13d. Included in the \$48.2 million ending net position is \$6.5 million in investment in the SVCW joint venture that is not readily available for day-to-day operational spending.

*Internal Service Funds* – The City uses internal service funds to account for risk management, including worker’s compensation, general liability and property insurance. The Longevity Benefits Fund is used to account for other post-employment benefits (OPEB) for retired employees.

## **General Fund Budgetary Highlights**

The final General Fund budget differs from the original adopted budget by \$11.4 million mainly because of amendments approved by City Council during the year. There were increases in budgeted expenditures and transfer outs, and increases in budgeted revenue. The changes are as follows:

- Increase in the General Government budget by \$7.0 million for one-time pay-downs of the unfunded liabilities related to the pension and other post-employment benefits plans.
- Increase in the General Government and Community Development budgets by \$0.4 million for professional services related to cannabis regulations, strategic zoning analysis and key development projects.
- Increase in the transfer out from the General Fund to the Capital Projects Fund by \$7.0 million for the Holly St./US 101 Interchange and Pedestrian Overcrossing Project. The increase in expenditures was offset by a pay-back of \$3.0 million once the PG&E settlement was received, which in turn increased the revenue by \$3.0 million in the General Fund as shown under the Special Item line.

Major deviations between the final budget of the General Fund and its actual operating results were as follows:

Total revenues were greater than the final budget by \$3.4 million, or 8.7%. The City’s policy is to budget conservatively. Revenues are estimated using accepted standards and estimates provided by the State, other governmental agencies and outside consultants.

- Property taxes exceeded budget by \$1.9 million, or 19.5%. The increases reflect higher secured tax rolls and property transfer activities.

- Sales taxes were greater than the budget by \$1.4 million, or 13.9%, due to the stable economic growth and revenue received from large building, construction and industry businesses in the city.
- Vehicle In-Lieu exceeded budget by \$0.4 million, or 14.4%, due to higher assessed property values.
- Business registration slightly exceeded budget by \$0.1 million, or 7.8%, due to scheduled annual rate increases and increased efforts on collecting delinquent business registration fees.
- Other revenue exceeded budget by \$0.7 million, or 52.9%, due to a one-time rebate payment from the San Mateo County Sheriff's Office and increases in cost reimbursements from the joint power authorities.
- Transient occupancy taxes were less than budget by \$0.8 million, or 32.3%, because of the delay in opening the new Marriott Residence Inn and Suites Hotel (formerly known as the Landmark Hotel).
- Use of money and property revenues were less than budget by \$0.5 million, or 18.0%, due to the timing of a new digital billboard that was expected to be contracted this fiscal year.
- Current charges for services were less than budget by \$0.3 million, or 5.6%, due to the timing of development fees for large construction projects that were expected to begin or be completed in this fiscal year. As noted previously, the timing of these fees can vary depending on timing of the projects.
- License and permits slightly exceeded the budget by \$0.4 million, or 19.6%, due to new residential and commercial building projects and renovations of existing properties.

Total expenditures were under budget by \$3.6 million, or 7.8%.

- Salaries and benefits were under budget by \$1.6 million, or 7.0%, due to the salary and benefit savings realized from vacant positions during the fiscal year.
- Operating expenditures were under budget by \$2.0 million, or 7.6%, primarily in professional services due to the delays in the start and completion of certain projects and major developments, and cost savings from fuel, contracted public safety services and legal services.

## Capital Assets and Debt Administration

### Capital Assets

The City's investment in capital assets for government and business-type activities amounts to \$178.6 million as of June 30, 2018. The investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads and streets. The total increase in capital assets for fiscal year 2018 is \$7.1 million, or 4.1%. The increase relates to the current year capital assets additions. The increase is offset by the increase in depreciation and retirement of capital assets.

Capital Assets							
June 30, 2018 and 2017							
(Amounts in Millions)							
	Governmental Activities		Business Type Activities		All Government		% Change
	2018	2017	2018	2017	2018	2017	
Land and other assets not being depreciated	\$ 73.8	\$ 71.0	\$ 0.2	\$ 0.2	\$ 74.0	\$ 71.2	3.9%
Facilities, infrastructure and equipment, net of depreciation	73.6	72.8	31.0	27.5	104.6	100.3	4.3%
<b>Total</b>	<b>\$ 147.4</b>	<b>\$ 143.8</b>	<b>\$ 31.2</b>	<b>\$ 27.7</b>	<b>\$ 178.6</b>	<b>\$ 171.5</b>	<b>4.1%</b>

For the government-wide statement of net position presentation, all depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year.

Governmental fund financial statements record capital asset purchases as expenditures. Ongoing infrastructure projects are accounted for in construction-in-progress. Additional information about the City's capital assets can be found in Note 5 to the financial statements.

### Long-Term Obligations

At the end of the fiscal year 2018, the City had total outstanding long-term obligations of \$3.7 million, a decrease of 5.1%, due to the pay down of the bond.

Outstanding Long-Term Obligations June 30, 2018 and 2017 (Amounts in Millions)			
	Governmental Activities		% Change
	2018	2017	
2015 GO Refunding Bond	3.7	3.9	-5.1%
<b>Total</b>	<b>\$ 3.7</b>	<b>\$ 3.9</b>	<b>-5.1%</b>

In February 2015, the Standard & Poor's Rating Services has affirmed its "AAA" rating, with a stable outlook, on the City's General Obligation debt. As of June 30, 2018, the City's general obligation limit is \$364.5 million, 3.75%, of total assessed valuation subject to taxation. With outstanding debt of \$3.7 million subject to the legal debt limit, the City is not at risk of exceeding its legal debt limit.

Additional information on the City's long-term debt can be found in Note 7 to the accompanying financial statements.

### Economic Factors and Next Year's Budgets and Rates

The following key economic factors were considered in developing the fiscal year 2019 budget:

- *Revenue Projections:* The overall growth of the General Fund revenue is projected to be approximately 7.8% higher than the fiscal year 2018 revised budget based on the steady expansion of the local economy, the increased construction and remodeling activities and the upward property tax and sales tax trends.
- *Expenditures:* The overall General Fund expenditure is budgeted to be 7.1% higher than in the fiscal year 2018 revised budget. The salary and benefits expenditure increases are based on the known Memorandum of Understanding (MOU) provisions negotiated with bargaining groups and increases in pension costs. CalPERS agencies that participate in the pension fund have been informed by CalPERS that pension costs will be increasing significantly due to the decrease in the discount rate. There is also a projected increase to operating expenses in professional services for known contract arrangements and anticipated needs for utilities, office and field program supplies, equipment leases, facilities maintenance programs and training.
- *Capital Improvement Project Funds:* An update of the five-year Capital Improvement Plan was included as part of the fiscal year 2018-20 budget process. Changes to the existing project budget and the addition of new projects totaling \$5.7 million in expenditures were approved for fiscal year 2019. The new projects include projects such as: (1) Bicycle and Pedestrian Master Plan; (2) Existing Highlands Park Synthetic Turf Infill; (3) Fire Station #13 HVAC Replacement; (4) San Carlos Avenue Pedestrian Safety Improvements; (5) Traffic Calming Improvements; (6) Upgrade of Existing Sports Field Lighting at Burton and Highlands Parks; (7) Park Water Feature Modifications; (8) Repave Asphalt Walking Path at Highlands Park; (9) Traffic Impact Fee Update; (10) Transfer Switches for Portable Generators; and (11) City Tree Consultant.

- *Sewer Rate Adjustments:* Per City Council's decision during the wastewater rate setting discussions in 2016, there will be a 5% sewer rate increase in fiscal year 2019. The revenues collected through the sewer fees are used to fund capital improvements and the City's share of the SVCW's sewer treatment plant improvements.

### **Contacting the City's Financial Management**

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or additional financial information can be obtained by contacting the City at:

City of San Carlos  
Administrative Services Department  
600 Elm Street  
San Carlos, CA 94070  
(650) 802-4128

**CITY OF SAN CARLOS**

**STATEMENT OF NET POSITION  
AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column, and the financial position of all of the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred outflows/inflows of resources, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues – that is, revenues which are generated directly by these programs – are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and San Carlos Housing Authority, which is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of these entities.

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CITY OF SAN CARLOS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 81,942,518	\$ 16,890,148	\$ 98,832,666
Receivables:			
Accounts	2,728,538	-	2,728,538
Notes	1,394,208	-	1,394,208
Down payment assistance loan program	730,733	-	730,733
Prepaid items	607,633	-	607,633
Property held for resale	972,829	-	972,829
Investment in SVCW	-	6,466,725	6,466,725
Capital assets, not being depreciated:			
Land	62,344,159	153,734	62,497,893
Rights of way	2,413,714	-	2,413,714
Construction in progress	9,060,623	46,172	9,106,795
Capital assets, net of depreciation	73,578,070	30,970,230	104,548,300
<b>Total Assets</b>	<b>235,773,025</b>	<b>54,527,009</b>	<b>290,300,034</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	16,470,132	1,971,786	18,441,918
Deferred OPEB related items	1,292,360	210,384	1,502,744
<b>Total Deferred Outflows of Resources</b>	<b>17,762,492</b>	<b>2,182,170</b>	<b>19,944,662</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	4,860,621	3,124,945	7,985,566
Accrued benefits	12,847	-	12,847
Deposits payable	2,172,349	-	2,172,349
Unearned revenue	373,372	-	373,372
Non-Current Liabilities:			
Due within one year	1,014,865	45,562	1,060,427
Due in more than one year	4,016,075	30,375	4,046,450
Net pension liability	45,863,798	4,288,429	50,152,227
Net OPEB liability	3,436,743	559,471	3,996,214
<b>Total Liabilities</b>	<b>61,750,670</b>	<b>8,048,782</b>	<b>69,799,452</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	4,051,309	445,921	4,497,230
Deferred OPEB related items	23,493	3,824	27,317
<b>Total Deferred Inflows of Resources</b>	<b>4,074,802</b>	<b>449,745</b>	<b>4,524,547</b>
<b>Net Position:</b>			
Net investment in capital assets	143,590,862	31,170,136	174,760,998
Restricted for:			
Public safety	273,565	-	273,565
Parks and recreation	2,486,942	-	2,486,942
Public works	1,507,455	-	1,507,455
Debt Service	837,294	-	837,294
Housing	12,446,983	-	12,446,983
Unrestricted	26,566,944	17,040,516	43,607,460
<b>Total Net Position</b>	<b>\$187,710,045</b>	<b>\$ 48,210,652</b>	<b>\$235,920,697</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 10,536,582	\$ 1,323,703	\$ -	\$ -
Public safety	19,030,927	522,690	139,777	-
Community development	3,916,838	4,075,435	1,823,813	100,000
Parks and recreation	3,127,329	1,576,562	18,775	539,829
Public works	9,153,462	3,419,090	2,881,918	333,897
Interest on long-term debt	73,925	-	-	-
<b>Total Governmental Activities</b>	<b>45,839,063</b>	<b>10,917,480</b>	<b>4,864,283</b>	<b>973,726</b>
Business-type Activities:				
Sewer	10,604,504	17,487,381	-	-
<b>Total Business-type Activities</b>	<b>10,604,504</b>	<b>17,487,381</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 56,443,567</b>	<b>\$ 28,404,861</b>	<b>\$ 4,864,283</b>	<b>\$ 973,726</b>

**General revenues:**

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Motor vehicle in-lieu - unrestricted

Use of money and property

Miscellaneous

**Transfers**

**Special Item (Note 14c)**

**Total general revenues, transfers and special item**

Change in Net Position

Net Position, beginning of the year, as restated (Note 9c)

**Net Position, end of the Year**

See Notes to Financial Statements

**Net (Expenses) Revenues and Changes  
In Net Position  
Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (9,212,879)	\$ -	\$ (9,212,879)
(18,368,460)	-	(18,368,460)
2,082,410	-	2,082,410
(992,163)	-	(992,163)
(2,518,557)	-	(2,518,557)
(73,925)	-	(73,925)
<b>(29,083,574)</b>	<b>-</b>	<b>(29,083,574)</b>
-	6,882,877	6,882,877
-	<b>6,882,877</b>	<b>6,882,877</b>
<b>(29,083,574)</b>	<b>6,882,877</b>	<b>(22,200,697)</b>
13,777,611	-	13,777,611
1,655,658	-	1,655,658
12,716,614	-	12,716,614
3,962,800	-	3,962,800
3,202,810	-	3,202,810
2,782,096	199,087	2,981,183
1,307,380	-	1,307,380
457,400	(457,400)	-
6,000,000	-	6,000,000
<b>45,862,369</b>	<b>(258,313)</b>	<b>45,604,056</b>
16,778,795	6,624,564	23,403,359
170,931,250	41,586,088	212,517,338
<b>\$ 187,710,045</b>	<b>\$ 48,210,652</b>	<b>\$ 235,920,697</b>

See Notes to Financial Statements

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## FUND FINANCIAL STATEMENTS

Only individual major funds are presented in the Fund Financial Statements, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

## MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND** – The primary fund of the City used to account for all revenue and expenditures not legally restricted as to use. A broad range of municipal activities are provided through this fund including City Manager, City Attorney, Administrative Services, City Clerk, Community Development, Public Safety, Public Works, and Parks and Recreation.

**CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND** – This fund is used to account for major capital projects not provided for in one of the other capital projects funds.

**HOUSING CAPITAL PROJECTS FUND** – This fund is used to account for development fees that must be used to finance affordable housing for City residents and the housing activities assumed by the City when the former Redevelopment Agency was dissolved.

CITY OF SAN CARLOS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Housing</u>
<b>Assets:</b>			
Cash and investments	\$ 32,285,743	\$ 26,725,145	\$ 10,946,763
Receivables:			
Accounts	2,454,713	175,277	1,817
Notes	-	-	1,394,208
Down payment assistance loan program	-	-	730,733
Prepaid items	607,633	-	-
Property held for resale	-	-	972,829
<b>Total Assets</b>	<b><u>\$ 35,348,089</u></b>	<b><u>\$ 26,900,422</u></b>	<b><u>\$ 14,046,350</u></b>
<b>Liabilities, Deferred Inflows, of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 3,128,127	\$ 1,253,107	\$ 110,239
Accrued benefits	12,847	-	-
Deposits payable	2,169,720	-	2,629
Unearned revenues	373,372	-	-
<b>Total Liabilities</b>	<b><u>5,684,066</u></b>	<b><u>1,253,107</u></b>	<b><u>112,868</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	113,409	-	1,486,499
<b>Total Deferred Inflows of Resources</b>	<b><u>113,409</u></b>	<b><u>-</u></b>	<b><u>1,486,499</u></b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid items	607,633	-	-
<b>Restricted for:</b>			
Public Safety	-	-	-
Parks and recreation	-	-	-
Public works	-	-	-
Debt service	-	-	-
Housing	-	-	12,446,983
<b>Committed to:</b>			
General government	-	-	-
Community development	-	-	-
Capital projects	-	25,647,315	-
Emergency reserve	6,232,557	-	-
Strategic property acquisition	7,691,795	-	-
Community Endowment	2,000,000	-	-
<b>Assigned to:</b>			
Unfunded liabilities	2,000,000	-	-
Facility/infrastructure improvements	7,841,500	-	-
<b>Unassigned</b>	<b><u>3,177,129</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Fund Balances</b>	<b><u>29,550,614</u></b>	<b><u>25,647,315</u></b>	<b><u>12,446,983</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 35,348,089</u></b>	<b><u>\$ 26,900,422</u></b>	<b><u>\$ 14,046,350</u></b>

See Notes to Financial Statements

CITY OF SAN CARLOS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Cash and investments	\$ 10,275,130	\$ 80,232,781
Receivables:		
Accounts	62,124	2,693,931
Notes	-	1,394,208
Down payment assistance loan program	-	730,733
Prepaid items	-	607,633
Property held for resale	-	972,829
<b>Total Assets</b>	<b>\$ 10,337,254</b>	<b>\$ 86,632,115</b>
<b>Liabilities, Deferred Inflows, of Resources, and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 127,518	\$ 4,618,991
Accrued benefits	-	12,847
Deposits payable	-	2,172,349
Unearned revenues	-	373,372
<b>Total Liabilities</b>	<b>127,518</b>	<b>7,177,559</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenues	-	1,599,908
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>1,599,908</b>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Prepaid items	-	607,633
<b>Restricted for:</b>		
Public Safety	273,565	273,565
Parks and recreation	2,486,942	2,486,942
Public works	1,507,455	1,507,455
Debt service	837,294	837,294
Housing	-	12,446,983
<b>Committed to:</b>		
General government	1,714,076	1,714,076
Community development	148,051	148,051
Capital projects	3,242,353	28,889,668
Emergency reserve	-	6,232,557
Strategic property acquisition	-	7,691,795
Community Endowment	-	2,000,000
<b>Assigned to:</b>		
Unfunded liabilities	-	2,000,000
Facility/infrastructure improvements	-	7,841,500
<b>Unassigned</b>	<b>-</b>	<b>3,177,129</b>
<b>Total Fund Balances</b>	<b>10,209,736</b>	<b>77,854,648</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 10,337,254</b>	<b>\$ 86,632,115</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET POSITION  
JUNE 30, 2018

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Fund balances of governmental funds	\$ 77,854,648
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	147,396,566
Long-term debt and compensated absences that have not been included in governmental fund activity	
Bonds payable	(3,805,704)
Compensated absences	(662,236)
Net Pension Liability and other deferred items	
Proportionate share of net pension liability	(45,863,798)
Deferred outflows related to pensions	16,470,132
Deferred inflows related to pensions	(4,051,309)
Net OPEB Liability and other deferred items	
Net OPEB liability	(3,436,743)
Deferred outflows related to OPEB	1,292,360
Deferred inflows related to OPEB	(23,493)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(36,313)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	1,599,908
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. These Assets and liabilities of the internal service funds must be added to the statement of net position.	976,027
<b>Net Position of Governmental Activities</b>	<b>\$ 187,710,045</b>

See Notes to Financial Statements



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CITY OF SAN CARLOS

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Housing</u>
<b>Revenues:</b>			
Sales taxes	\$ 11,841,587	\$ -	\$ -
Property taxes	11,875,827	1,457,561	-
Transient occupancy taxes	1,655,658	-	-
Franchise taxes	1,929,854	2,032,946	-
Vehicle in-lieu	3,202,810	-	-
Business registration	907,409	-	-
Licenses and permits	2,501,870	2,239,242	-
From other agencies	19,187	-	-
Charges for services	4,223,162	-	-
Fines and forfeitures	202,126	-	-
Use of money and property	2,120,344	43,550	197,438
Other revenue	2,031,492	1,701,304	1,923,813
<b>Total Revenues</b>	<b><u>42,511,326</u></b>	<b><u>7,474,603</u></b>	<b><u>2,121,251</u></b>
<b>Expenditures:</b>			
Current:			
General government	12,142,427	-	-
Community development	4,413,577	-	254,847
Public safety	18,478,952	-	-
Public works	4,540,328	5,829,036	-
Parks and recreation	2,919,349	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	<b><u>42,494,633</u></b>	<b><u>5,829,036</u></b>	<b><u>254,847</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,693</u>	<u>1,645,567</u>	<u>1,866,404</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	610,241	7,625,000	-
Transfers out	(8,129,000)	(154,841)	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>(7,518,759)</u></b>	<b><u>7,470,159</u></b>	<b><u>-</u></b>
Net Change in Fund Balances Before Special Item	(7,502,066)	9,115,726	1,866,404
<b>Special Item (Note 14c)</b>			
PG&E Settlement	<u>5,000,000</u>	<u>-</u>	<u>1,000,000</u>
Net Change in Fund Balances	(2,502,066)	9,115,726	2,866,404
Fund Balances, Beginning of Year	<u>32,052,680</u>	<u>16,531,589</u>	<u>9,580,579</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 29,550,614</u></b>	<b><u>\$ 25,647,315</u></b>	<b><u>\$ 12,446,983</u></b>

See Notes to Financial Statements

CITY OF SAN CARLOS

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>		
Sales taxes	\$ 875,027	\$ 12,716,614
Property taxes	444,223	13,777,611
Transient occupancy taxes	-	1,655,658
Franchise taxes	-	3,962,800
Vehicle in-lieu	-	3,202,810
Business registration	-	907,409
Licenses and permits	22,675	4,763,787
From other agencies	1,583,605	1,602,792
Charges for services	8,400	4,231,562
Fines and forfeitures	-	202,126
Use of money and property	319,538	2,680,870
Other revenue	717,091	6,373,700
<b>Total Revenues</b>	<b><u>3,970,559</u></b>	<b><u>56,077,739</u></b>
<b>Expenditures:</b>		
Current:		
General government	207,670	12,350,097
Community development	-	4,668,424
Public safety	90,000	18,568,952
Public works	1,048,386	11,417,750
Parks and recreation	-	2,919,349
Capital outlay	2,771,420	2,771,420
Debt service:		
Principal	265,000	265,000
Interest and fiscal charges	91,760	91,760
<b>Total Expenditures</b>	<b><u>4,474,236</u></b>	<b><u>53,052,752</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(503,677)</u>	<u>3,024,987</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	1,234,000	9,469,241
Transfers out	<u>(728,000)</u>	<u>(9,011,841)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>506,000</u></b>	<b><u>457,400</u></b>
Net Change in Fund Balances Before Special Item	2,323	3,482,387
<b>Special Item (Note 14c)</b>		
PG&E Settlement	<u>-</u>	<u>6,000,000</u>
Net Change in Fund Balances	2,323	9,482,387
Fund Balances, Beginning of Year	<u>10,207,413</u>	<u>68,372,261</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 10,209,736</u></b>	<b><u>\$ 77,854,648</u></b>

See Notes to Financial Statements

**CITY OF SAN CARLOS**

**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES –  
TOTAL GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds \$ 9,482,387

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

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	5,937,536
Depreciation expense	(2,374,553)
Retirement of capital assets	(1,000)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal repaid on bonds	265,000
Premium on debt obligations	14,523

Pension/OPEB expense related to net pension/OPEB liability is recorded on the economic resources basis of accounting and, therefore, employer cash contributions are added back to fund balance.

3,340,336

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

3,312

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(5,681)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

61,076

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

55,859

**Change in net position of governmental activities**

**\$ 16,778,795**

**See Notes to Financial Statements**

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CITY OF SAN CARLOS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes	\$ 10,394,000	\$ 10,394,000	\$ 11,841,587	\$ 1,447,587
Property taxes	9,939,500	9,939,500	11,875,827	1,936,327
Transient occupancy taxes	2,447,000	2,447,000	1,655,658	(791,342)
Franchise taxes	1,904,200	1,904,200	1,929,854	25,654
Vehicle in lieu	2,800,000	2,800,000	3,202,810	402,810
Business registration	841,800	841,800	907,409	65,609
Licenses and permits	2,091,000	2,091,000	2,501,870	410,870
From other agencies	49,600	49,600	19,187	(30,413)
Charges for current services	4,467,000	4,474,500	4,223,162	(251,338)
Fines and forfeitures	263,600	263,600	202,126	(61,474)
Use of money and property	2,586,800	2,586,800	2,120,344	(466,456)
Other revenue	1,223,100	1,328,500	2,031,492	702,992
<b>Total Revenues</b>	<b>39,007,600</b>	<b>39,120,500</b>	<b>42,511,326</b>	<b>3,390,826</b>
<b>Expenditures:</b>				
Current				
General government:				
City Council	289,500	289,500	182,767	106,733
City Manager	1,470,400	1,529,329	1,321,414	207,915
City Clerk	509,400	509,400	436,815	72,585
Administrative Services	3,362,500	3,362,500	2,847,897	514,603
General government	68,700	7,068,700	7,000,000	68,700
City Treasurer	19,700	19,700	1,616	18,084
City Attorney	357,200	357,200	351,918	5,282
Total general government	6,077,400	13,136,329	12,142,427	993,902
Community development:				
Administration	567,600	567,600	548,603	18,997
Economic development	1,021,800	1,106,800	684,488	422,312
Building	1,773,900	1,703,900	1,693,988	9,912
Planning	1,575,200	1,868,558	1,486,498	382,060
Total community development	4,938,500	5,246,858	4,413,577	833,281
Public safety:				
Police	9,552,400	9,552,400	9,261,630	290,770
Fire	9,561,400	9,579,600	9,217,322	362,278
Total public safety	19,113,800	19,132,000	18,478,952	653,048

See Notes to Financial Statements

CITY OF SAN CARLOS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public works:				
Administration	1,318,000	1,353,000	1,216,817	136,183
Garage	107,600	107,600	56,019	51,581
Street maintenance	177,900	177,900	170,428	7,472
Park maintenance	2,008,000	2,008,000	1,878,780	129,220
Traffic control	315,300	315,300	260,733	54,567
Building maintenance	969,000	1,020,800	957,551	63,249
Total public works	<u>4,895,800</u>	<u>4,982,600</u>	<u>4,540,328</u>	<u>442,272</u>
Parks and recreation:				
Administration	770,700	770,700	529,423	241,277
Recreation	2,841,200	2,841,200	2,389,926	451,274
Total parks and recreation	<u>3,611,900</u>	<u>3,611,900</u>	<u>2,919,349</u>	<u>692,551</u>
<b>Total Expenditures</b>	<b><u>38,637,400</u></b>	<b><u>46,109,687</u></b>	<b><u>42,494,633</u></b>	<b><u>3,615,054</u></b>
Excess (Deficiency) of Revenues Over Expenditures	<u>370,200</u>	<u>(6,989,187)</u>	<u>16,693</u>	<u>7,005,880</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	585,400	585,400	610,241	24,841
Transfers (out)	<u>(1,054,300)</u>	<u>(8,054,300)</u>	<u>(8,129,000)</u>	<u>(74,700)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(468,900)</u></b>	<b><u>(7,468,900)</u></b>	<b><u>(7,518,759)</u></b>	<b><u>(49,859)</u></b>
Net Change in Fund Balances Before Special Item	<u>(98,700)</u>	<u>(14,458,087)</u>	<u>(7,502,066)</u>	<u>6,956,021</u>
<b>Special Item (Note 14c)</b>				
PG&E Settlement	<u>2,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 1,901,300</u>	<u>\$ (9,458,087)</u>	<u>(2,502,066)</u>	<u>\$ 6,956,021</u>
Beginning Fund Balance			<u>32,052,680</u>	
<b>Ending Fund Balance</b>			<b><u>\$29,550,614</u></b>	

See Notes to Financial Statements

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## MAJOR PROPRIETARY FUND

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds extends to Proprietary Funds.

Budget versus actual comparisons regarding proprietary funds that are major funds are not presented.

**SEWER ENTERPRISE FUND** – This fund is used to account for sewage treatment, transmission, major replacements and improvements to the City's sewer system.

CITY OF SAN CARLOS

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2018

	<b>Business-Type Activities – Enterprise Fund Sewer</b>	<b>Governmental Activities – Internal Service Funds</b>
<b>Assets:</b>		
Current Assets:		
Cash and investments	\$ 16,890,148	\$ 1,709,737
Receivables:		
Accounts receivable	-	34,607
<b>Total Current Assets</b>	<b>16,890,148</b>	<b>1,744,344</b>
Noncurrent:		
Investment in SVCW	6,466,725	-
Capital assets, net:		
Land	153,734	-
Construction in process	46,172	-
Depreciable capital assets, net	30,970,230	-
<b>Total Noncurrent Assets</b>	<b>37,636,861</b>	<b>-</b>
<b>Total Assets</b>	<b>54,527,009</b>	<b>1,744,344</b>
<b>Deferred Outflows of Resources:</b>		
Deferred pension related items	1,971,786	-
Deferred OPEB related items	210,384	-
<b>Total Deferred Outflows of Resources</b>	<b>2,182,170</b>	<b>-</b>
<b>Liabilities:</b>		
Current:		
Accounts payable	3,124,945	152,503
Accrued liabilities	-	52,814
Compensated absences	45,562	-
Claims payable	-	313,000
<b>Total Current Liabilities</b>	<b>3,170,507</b>	<b>518,317</b>
Noncurrent:		
Compensated absences	30,375	-
Claims payable	-	250,000
Net Pension Liability	4,288,429	-
Net OPEB Liability	559,471	-
<b>Total Noncurrent Liabilities</b>	<b>4,878,275</b>	<b>250,000</b>
<b>Total Liabilities</b>	<b>8,048,782</b>	<b>768,317</b>
<b>Deferred Inflows of Resources:</b>		
Deferred pension related items	445,921	-
Deferred OPEB related items	3,824	-
<b>Total Deferred Inflows of Resources</b>	<b>449,745</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets	31,170,136	-
Unrestricted	17,040,516	976,027
<b>Total Net Position</b>	<b>\$ 48,210,652</b>	<b>\$ 976,027</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

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

	<b>Business-Type Activities – Enterprise Fund Sewer</b>	<b>Governmental Activities – Internal Service Funds</b>
<b>Operating Revenues:</b>		
Charges for services	\$ 17,487,381	\$ 936,203
Cost reimbursements	-	1,000,525
<b>Total Operating Revenues</b>	<b>17,487,381</b>	<b>1,936,728</b>
<b>Operating Expenses:</b>		
Salaries and benefits (Note 10 & 11)	479,301	-
Sewer operations	6,565,924	-
Insurance premiums	-	501,544
Claims expense	-	1,387,313
Depreciation expense	912,424	-
Miscellaneous	2,433,500	48,879
<b>Total Operating Expenses</b>	<b>10,391,149</b>	<b>1,937,736</b>
Operating Income (Loss)	7,096,232	(1,008)
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	199,087	21,643
Grants	-	35,224
Decrease in Investment in Sewer Authority	(213,355)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(14,268)</b>	<b>56,867</b>
Income (Loss) Before Transfers	7,081,964	55,859
Transfers in	128,000	-
Transfers (out)	(585,400)	-
Change in net position	6,624,564	55,859
Net position, beginning of the year, as restated (Note 9c)	41,586,088	920,168
<b>Net position, end of the year</b>	<b>\$ 48,210,652</b>	<b>\$ 976,027</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities – Enterprise Fund <u>Sewer</u>	Governmental Activities – Internal Service Funds
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and users	\$ 18,031,057	\$ -
Cash received/(paid to) interfund service provided	-	1,939,733
Cash paid to suppliers for goods and services	(7,097,817)	(354,733)
Cash paid to employees for services	(1,740,927)	-
Claims paid	-	(1,421,483)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>9,192,313</b>	<b>163,517</b>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Transfers in	128,000	-
Transfers (out)	(585,400)	-
From other agencies	-	35,224
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(457,400)</b>	<b>35,224</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(4,342,257)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(4,342,257)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	199,087	21,643
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>199,087</b>	<b>21,643</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,591,743</b>	<b>220,384</b>
Cash and Cash Equivalents at Beginning of Year	12,298,405	1,489,353
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 16,890,148</b>	<b>\$ 1,709,737</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 7,096,232	\$ (1,008)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	912,424	-
Change in assets and liabilities:		
Receivables, net	543,676	3,005
Net OPEB asset	3,219	-
Accounts payable	1,901,607	142,876
Accrued liabilities	-	52,814
Claims payable	-	(34,170)
Compensated absences	13,792	-
Net pension liability and deferred outflows/inflows of resources	(1,117,209)	-
Net OPEB liability and deferred outflows/inflows of resources	(161,428)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 9,192,313</b>	<b>\$ 163,517</b>
<b>Non-Cash Investing, Capital and Financing Activities:</b>		
Investment in joint venture	\$ (213,355)	

See Notes to Financial Statements

## FIDUCIARY FUNDS

Fiduciary Funds are presented separately from the Government-wide and Fund Financial Statements.

Agency funds account for assets held by the City as an agent for individuals, government entities and non-public organizations. These include the following:

**AGENCY FUNDS** – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**SUCCESSOR AGENCY OF THE FORMER RDA PRIVATE PURPOSE TRUST FUND** – This fund is used to account for the activities related to the dissolution of the former San Carlos Redevelopment Agency.

CITY OF SAN CARLOS

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2018

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund</u> <u>Successor Agency of the Former RDA</u>
<b>Assets:</b>		
Cash and investments	\$ 42,445,148	\$ 1,067,857
Cash and investments with fiscal agent	6,452,737	1,095,694
Receivables:		
Accounts receivable	7,671,670	-
Interest receivable	69,547	-
Prepaid items	174,394	-
Capital assets:		
Capital assets, not being depreciated	-	281,676
<b>Total Assets</b>	<b><u>\$ 56,813,496</u></b>	<b><u>2,445,227</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 10,224,363	88,556
Due to members	44,279,389	-
Deposits payable	1,233,640	-
Interest payable	900,167	-
Unearned revenue	175,937	-
Long-term liabilities		
Due in one year	-	726,478
Due in more than one year	-	14,008,649
<b>Total Liabilities</b>	<b><u>\$ 56,813,496</u></b>	<b><u>14,823,683</u></b>
<b>Net Position:</b>		
Held in trust for other purposes		<u>(12,378,456)</u>
<b>Total Net Position</b>		<b><u>\$ (12,378,456)</u></b>

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

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	<u>Private- Purpose Trust Fund</u> <u>Successor Agency of the Former RDA</u>
<b>Additions:</b>	
Taxes	\$ 2,160,820
Use of money and property	<u>20,638</u>
<b>Total Additions</b>	<b><u>2,181,458</u></b>
<b>Deductions:</b>	
Administrative expenses	1,512,270
Interest expense	1,037,713
Bond refinancing cost	<u>209,860</u>
<b>Total Deductions</b>	<b><u>2,759,843</u></b>
<b>Change in Net Position</b>	(578,385)
Net Position - Beginning of the Year	<u>(11,800,071)</u>
<b>Net Position - End of the Year</b>	<b><u>\$ (12,378,456)</u></b>

See Notes to Financial Statements

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**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Reporting Entity**

The **City of San Carlos** (City) is a general-law city that operates under the Council-Manager form of government, with five elected Council members served by a full time City Manager and staff. The City provides many services, including public safety, streets and roads, parks and recreation and planning and community development. The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The financial statements include the City and its component units; entities for which the City is financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations and data from these units are combined with data of the City. Their financial activities have been aggregated and merged (termed blending) with those of the City in the accompanying financial statements.

The **San Carlos Housing Authority** (Housing Authority) is a separate government entity whose purpose is to provide housing to low and moderate income families within certain areas of the city. The Housing Authority is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Housing Authority. The Housing Authority is financially dependent on the City. The financial activities of the Housing Authority have been included in these financial statements.

Separate statements for the Housing Authority are not prepared.

**b. Basis of Presentation**

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

**Government-wide Statements:** The Statement of Net Position and the Statement of Activities display information about the primary government (City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. All fiduciary activities are reported only in the fund financial statements. Eliminations have been made to minimize the double counting of internal activities; however, inter-fund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category, governmental, proprietary and fiduciary, are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues and expenses, such as charges for services and salaries and benefits, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as investment earnings and interest expense, result from non-exchange transactions or ancillary activities.

**c. Major Funds**

The City's major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column.

Major funds are defined as funds that have either assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

**General Fund** – is the primary fund of the City that is used to account for all revenues and expenditures of the City not legally restricted as to use. A broad range of municipal activities are provided through this fund including City Council, City Manager, City Attorney, Administrative Services, City Clerk, Community Development, Public Safety, Public Works, and Parks and Recreation.

**Capital Improvement Capital Projects Fund** – is used to account for major capital projects not provided for in one of the other capital project funds.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Housing Capital Projects Fund** – is used to account for development fees that must be used to finance affordable housing for City residents and the housing activities assumed by the City when the former Redevelopment Agency was dissolved.

The City reports the following major enterprise funds in the accompanying financial statements:

**Sewer Enterprise Fund** – is used to account for sewage treatment, transmission, major replacements and improvements to the City's sewer system.

The City also reports the following fund types:

**Internal Service Fund** – these funds account for workers' compensation, general liability and other post-employment benefits; all of which are provided to other departments on a cost-reimbursement basis.

**Fiduciary Funds** – agency funds are used to account for assets held by the City as an agent for 1988 Special Tax Bonds Assessment Districts, City/County Association of Governments of San Mateo County (C/CAG), South Bayside Waste Management Authority (SBWMA) and Peninsula Traffic Congestion Relief Alliance (Commute.org). Private-purpose trust funds are used to account for the assets and liabilities of the former Redevelopment Agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated. All fiduciary funds, including agency funds, use the accrual, rather than the modified accrual, basis of accounting.

The financial activities of these funds are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

**d. Basis of Accounting**

The Government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds 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*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Those revenues susceptible to accrual are property, sales and use, transient occupancy, franchise and gas taxes, intergovernmental revenues, grants and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until collected.

Non-exchange transactions are those in which the City gives or receives value without directly receiving or giving equal value in exchange and includes taxes, grants, entitlements and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

**e. Property Taxes and Sewer Charges**

Revenue is recognized in the period for which the tax and assessment is levied. The County of San Mateo levies, bills and collects property taxes and sewer charges for the City; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above, generally within 60 days.

**f. Assets, Deferred Inflows/Outflows, Liabilities and Fund Balance Net Position**

**Investments**

For financial reporting purposes, investments are adjusted to their 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 or sale of investments. Some investments are valued on an unamortized cost basis. For these investments, there is no material difference from fair value.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Cash equivalents also represent the proprietary fund's share in the cash and investment pool of the City. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments on the combined balance sheet for the proprietary funds is considered cash and cash equivalents.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both Government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City's policy is to capitalize all assets with costs exceeding the \$5,000 threshold and a useful life of more than one year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Building and Improvements	10 - 50 years
Equipment	5 - 10 years
Infrastructure and Sewer System Network	75 - 100 years

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements' of net position and the governmental fund balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, which is deferred outflows relating to the net pension obligation reported in the statements' of net position. These outflows are the result of contributions made after the measurement period, which are expensed in the following year, and of adjustments due to the difference in proportions and the difference between actual contributions made and the proportionate share of the risk pool's total contributions.

In addition to liabilities, the statements' of net position and the governmental balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. 1) Deferred inflows relating to the net pension obligation reported in the Government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments and differences in proportions. This amount is deferred and amortized straight-line over a five-year period. 2) Governmental funds report unavailable revenues from the following sources: cost reimbursements; charge for services; and revenues from housing loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Compensated Absences**

Compensated absences comprise unpaid vacation that is accrued as earned. All employees who hold full-time regular positions are entitled to 12 working days of vacation pay upon successful completion of their first year of continuous service. The accrual rate increases after length of service exceeds four years. Maximum accumulation of vacation is two years of vacation accrual. Upon termination or retirement, full-time employees are entitled to receive compensation at their current base salary for all unused vacation leave. The City's liability for compensated absences is recorded in the statements' of net position. The compensated absences are reported in governmental funds only if they are matured. The liability for compensated absences is determined annually. For governmental funds, the portion expected to be permanently liquidated is recorded as fund liabilities.

Compensated absences are liquidated by the fund that has recorded the liability, primarily the General Fund.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pensions**

In Government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 10) and the required supplementary information (RSI) section immediately following the Notes to Financial Statements, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of the City's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred as pension expenses or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the City's pension plan with CalPERS and additions to/deductions from the plan's 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 benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

In the fund financial statements, governmental funds report the following fund balance classifications:

*Nonspendable* includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

*Restricted* includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) by law through constitutional provisions or enabling legislation.

*Committed* includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority; City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a Council resolution.

*Assigned* includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose, which is established by City Council resolution.

*Unassigned* includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

The City Council adopts and amends committed fund balance amounts through resolution. The City Council authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through resolution.

**Fund Balance Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use assigned fund balance for the purpose for which it was assigned. The hierarchy followed to deplete the reserves is as follows: first unassigned fund balance will be depleted; second assigned fund balances will be depleted at discretion of the City Manager; and lastly committed fund balances will be depleted in accordance to approved commitments and formal action of the City Council.

**Net Position**

Net position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net position is divided into three captions. These captions apply only to net position, which is determined only at the Government-wide level, and are described below:



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Net investment in capital assets* describes the portion of net position that 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 that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements and funds restricted to low and moderate income purposes.

*Unrestricted* describes the portion of net position that is not restricted to use.

**Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the Government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**g. Budgets and Budgetary Accounting Policies**

The City adopts a biennial operating budget on or before June 30 to ensure that two fiscal years for the General Fund, all Special Revenue Funds and all Debt Service Funds are budgeted. Expenditures for the Capital Projects Funds are budgeted and managed on a project length basis and budget to actual comparisons for these expenditures have been excluded from the accompanying financial statements. The City follows a budgeting process in which the City's plans and objectives are outlined and budgeted. This work program is reviewed with the City Council to determine the priority and timing of plans and objectives. Revisions are made to the work program, which in its final form is adopted by the City Council as an operating budget, effective July 1 for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds.

City Council may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same department or between departments. However, transfers of appropriations that change total fund appropriations must be approved by the City Council. Expenditures that exceed appropriations at the fund level must be approved by the City Council. Budgets are adopted on a basis consistent with generally accepted accounting principles.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. 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.

**i. Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH AND INVESTMENTS**

The City pools cash from all sources and all funds except cash and investments held by trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

**a. Policies**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City invests in investment pools. Individual investments are allowed under the City's Investment Policy and are defined as specific identifiable securities instruments, or an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. However, the City primarily invests in investment pools. To increase security, the City employs the trust department of a bank as the custodian of certain City managed investments, regardless of their form.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**b. Classification**

Cash and investments as of June 30, 2018 are classified in the following financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 98,832,666
Subtotal	98,832,666
Fiduciary Funds:	
Cash and investments	43,513,005
Cash and investments with fiscal agent	7,548,431
Subtotal	51,061,436
Total cash and investments	\$ 149,894,102

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

Cash on hand	\$ 8,650
Deposits with financial institutions	9,492,432
Investments	140,393,020
Total cash and Investments	\$ 149,894,102

**c. Investments Authorized by the California Government Code and the City's Investment Policy**

The following table 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 (or the City's Investment Policy, where more restrictive) 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 bond indentures of the City, rather than the general provisions of the California Government Code or the City's Investment Policy.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
State of California Local Agency Investment Fund	Upon Demand	N/A	\$65 million per account	N/A
San Mateo County Investment Pool	Upon Demand	N/A	As permitted by County Treasurer, currently no limit	N/A
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	100%	N/A
U.S. Government Agency and Federal Agency Securities	5 Years	N/A	100%	N/A
Bankers Acceptances	180 Days	N/A	40%	(B)
Commercial Paper	270 Days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	5 Years	N/A	30%	(A)
Time Certificates of Deposit - Banks or Savings and Loans	5 Years	N/A	30%	(A)
Medium Term Corporate Notes	5 Years	A	30%	(A)

- (A) 10% of outstanding paper of issuing corporation and 10% of the portfolio in one corporation.  
(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

**d. Investments Authorized by Debt Agreements**

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Credit Quality
Securities of the U.S. government or its agencies	None
Time certificates of deposit	None
Bankers acceptances	None
Commercial paper	A1
California Local Agency Investment Fund	None
Repurchase agreements	None
Small Business Administration loans	None
Money market funds	AA-m (1), AAA-m (2)
Negotiable certificates of deposit	None
Investment agreement	None
Tax-exempt obligations	AAA
Medium-term notes	AAA (1)

- (1) SBWMA Series 2009A Bond  
(2) San Carlos RDA 2007 and 2018 TAB

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2 – CASH 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. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy is to hold investments to maturity to mitigate the interest rate risk. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	Total
San Mateo County Investment Pool	\$ 73,219,428	\$ 73,219,428
California Local Agency Investment Fund	59,625,161	59,625,161
California Asset Management Program	1,093,551	1,093,551
Money market mutual funds	6,454,880	6,454,880
Total Investments	<u>\$ 140,393,020</u>	140,393,020
Cash in bank and cash on hand		<u>9,501,082</u>
Total Cash and Investments		<u>\$ 149,894,102</u>

**f. Credit Risk**

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 a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of June 30, 2018 for each investment type:

Investment Type	AAAm	Total
Money market mutual funds	\$ 6,454,880	\$ 6,454,880
Totals	<u>\$ 6,454,880</u>	6,454,880
Not rated:		
California Local Agency Investment Fund		59,625,161
San Mateo County Investment Pool		73,219,428
California Asset Management Program		1,093,551
Total Investments		<u>140,393,020</u>
Cash in bank and cash on hand		<u>9,501,082</u>
Total Cash and Investments		<u>\$ 149,894,102</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**g. Fair Value Hierarchy**

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 inputs used to measure fair value of the assets: Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

Investment Type	Exempt	Total
<b>Investments by Fair Value:</b>		
California Local Agency Investment Pool	\$ 59,625,161	\$ 59,625,161
San Mateo County Investment Pool	73,219,428	73,219,428
Total Investments at Fair Value	<u>\$ 132,844,589</u>	<u>132,844,589</u>
<b>Investments Measured at Net Asset Value:</b>		
California Asset Management Program		1,093,551
<b>Investments Measured at Amortized Cost:</b>		
Money market mutual funds		6,454,880
Total Investments		140,393,020
<i>Cash in banks</i>		9,501,082
Total Cash and Investments		<u>\$ 149,894,102</u>

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pools measured at fair value and exempt in the fair value hierarchy under GASB 72.

**h. Local Agency Investment Fund**

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain State funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills and corporations. At June 30, 2018, these investments have an average maturity of 193 days.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**i. San Mateo County Investment Fund**

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53684 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. The City reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share.

**j. California Asset Management Program**

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by a Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the Act) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. CAMP's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code.

The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2018, the fair value approximated was the City's cost.

**NOTE 3 – DOWN PAYMENT ASSISTANCE LOAN (DAL) PROGRAM RECEIVABLE**

The City's Redevelopment Agency previously offered first time home buyers, who qualified as having low and moderate income, loans for use as a down payment on the purchase of a home. The loans bore an interest rate of 3% and were secured by second deeds of trust on the underlying property. No payments are due until five years after the date of purchase, at which time the buyer has the option of converting the loan into shared equity in the property or extending the loan for an additional 10-years with monthly payments and a balloon payment for the unpaid balance at the end of the 10-year term. On February 1, 2012, this receivable was transferred to the City when it took over the housing function of the Redevelopment Agency upon dissolution. At June 30, 2018, the City has recorded a receivable totaling \$289,960 for loans given out to six buyers.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3 – DOWN PAYMENT ASSISTANCE LOAN (DAL) PROGRAM RECEIVABLE**  
**(Continued)**

On April 27, 2009, the City Council approved revisions to the terms of DAL for the first time home buyer program. Payments are deferred for the term of the loan. Homeowners of units other than a Below Market Rate unit and/or any unit subject to a resale restriction agreement will be required to pay shared appreciation in addition to the repayment of principal and accrued interest at the time the DAL Program loan repayment is due. Interest rate and loan term remain unchanged. At June 30, 2018, the City has recorded a receivable totaling \$440,773 for loans given out to seven buyers, consisting of \$350,300 in principal and \$90,473 in accrued interest.

**NOTE 4 – INTERFUND TRANSACTIONS**

**a. Transfers Between Funds**

The purpose of the majority of transfers is to move resources from one fund to another. Less often, a transfer may be made to open or close a fund.

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

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
General Fund	Sewer Enterprise Fund	\$ 585,400 (A)
General Fund	Capital Improvement Fund	24,841 (B)
Capital Improvement Fund	General Fund	7,625,000 (B)
Non-Major Governmental Fund	General Fund	504,000 (C)
Non-Major Governmental Fund	Capital Improvement Fund	130,000 (B)
Non-Major Governmental Fund	Non-Major Governmental Fund	600,000 (B)
Sewer Enterprise Fund	Non-Major Governmental Fund	<u>128,000 (B)</u>
Total Interfund Transfers		<u>\$ 9,597,241</u>

(A) Sewer right of way

(B) Capital projects

(C) To fund equipment and technology replacement



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 5 – CAPITAL ASSETS**

Capital assets of Governmental Activities as of June 30, 2018 consisted of the following:

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 62,344,159	\$ -	\$ -	\$ -	\$ 62,344,159
Rights of way	2,413,714	-	-	-	2,413,714
Construction in progress	6,244,921	4,299,543	-	(1,483,841)	9,060,623
Total non-depreciable assets	<u>71,002,794</u>	<u>4,299,543</u>	<u>-</u>	<u>(1,483,841)</u>	<u>73,818,496</u>
Capital assets being depreciated:					
Buildings and improvements	38,829,689	153,090	-	1,470,732	40,453,511
Equipment	6,108,233	359,907	(925,373)	-	5,542,767
Infrastructure	67,500,286	1,124,996	-	13,109	68,638,391
Total capital assets being depreciated	<u>112,438,208</u>	<u>1,637,993</u>	<u>(925,373)</u>	<u>1,483,841</u>	<u>114,634,669</u>
Less accumulated depreciation for:					
Buildings	(15,430,237)	(1,216,110)	-	-	(16,646,347)
Equipment	(4,478,389)	(260,787)	924,373	-	(3,814,803)
Infrastructure	(19,697,793)	(897,656)	-	-	(20,595,449)
Total accumulated depreciation	<u>(39,606,419)</u>	<u>(2,374,553)</u>	<u>924,373</u>	<u>-</u>	<u>(41,056,599)</u>
Net capital assets being depreciated	<u>72,831,789</u>	<u>(736,560)</u>	<u>(1,000)</u>	<u>1,483,841</u>	<u>73,578,070</u>
Capital assets, net	<u>\$ 143,834,583</u>	<u>\$ 3,562,983</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ 147,396,566</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 5 – CAPITAL ASSETS (Continued)**

**a. Depreciation**

Depreciation expense was charged to governmental functions based on the use of the related assets. The amounts allocated to each function or program are as follows:

<b>Governmental Activities:</b>	
General Government	\$ 401,852
Public Safety	13,584
Public Works	1,200,220
Community Development	35,817
Parks and Recreation	<u>723,080</u>
Total Governmental Activities	<u><u>\$ 2,374,553</u></u>

**b. Business Activities**

	Balance at June 30, 2017	Additions	Balance at June 30, 2018
<b>Business-type Activities:</b>			
Capital assets not being depreciated:			
Land	\$ 153,734	\$ -	\$ 153,734
Construction in progress	<u>37,431</u>	<u>8,741</u>	<u>46,172</u>
Total non-depreciable assets	<u>191,165</u>	<u>8,741</u>	<u>199,906</u>
Capital assets being depreciated:			
Equipment	1,499,318	76,149	1,575,467
Sewer network system	<u>33,455,925</u>	<u>4,257,367</u>	<u>37,713,292</u>
Total capital assets being depreciated	<u>34,955,243</u>	<u>4,333,516</u>	<u>39,288,759</u>
Less accumulated depreciation for:			
Equipment	(1,024,958)	(175,439)	(1,200,397)
Sewer network system	<u>(6,381,147)</u>	<u>(736,985)</u>	<u>(7,118,132)</u>
Total accumulated depreciation	<u>(7,406,105)</u>	<u>(912,424)</u>	<u>(8,318,529)</u>
Net capital assets being depreciated	<u>27,549,138</u>	<u>3,421,092</u>	<u>30,970,230</u>
Capital assets, net	<u><u>\$ 27,740,303</u></u>	<u><u>\$ 3,429,833</u></u>	<u><u>\$ 31,170,136</u></u>

Depreciation expense of \$912,424 was charged to the Sewer Enterprise Fund as of June 30, 2018.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 6 – PROPERTY HELD FOR RESALE**

Property held for resale is stated at the lower of historical cost or net realizable value (equal to agreed-upon sales price if a disposition and development agreement has been reached with a developer).

In October 2009, the Redevelopment Agency purchased a low income housing unit property. On February 1, 2012, this property was transferred to the City when it took over the housing function of the Redevelopment Agency upon dissolution. The unit is being held for future resale to an individual who is eligible for the low income housing program.

In December 2016, the City Council authorized the City to purchase a below market rate (BMR) unit with available funds from the Low and Moderate Income Housing Fund. The unit is being held for future resale or for rental to a qualified income restricted household.

In October 2017, the City Council authorized the City to purchase a below market rate (BMR) unit with available funds from the Low and Moderate Income Housing Fund. The unit is being held for future resale or for rental to a qualified income restricted household.

The City has three properties held for resale. The properties are reported in governmental activities in the Statement of Net Position as Property Held for Resale. The carrying value at June 30, 2018 was:

Property Name	Property Address	Amount
Housing Unit	633 Elm St #305, San Carlos	\$ 354,999
Housing Unit	633 Elm St #405, San Carlos	377,987
Housing Unit	1001 Laurel St #207, San Carlos	239,843
Total Value		<u>\$ 972,829</u>

**NOTE 7 – LONG-TERM DEBT**

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 656,555	\$ 470,184	\$ (464,503)	\$ 662,236	\$ 397,342
Claims liability	597,170	648,310	(682,480)	563,000	313,000
2015 Refunding General Obligation Bonds	3,940,000	-	(265,000)	3,675,000	290,000
Bond Premiums	145,227	-	(14,523)	130,704	14,523
<b>Total Governmental Activities</b>	<u>\$ 5,338,952</u>	<u>\$ 1,118,494</u>	<u>\$ (1,426,506)</u>	<u>\$ 5,030,940</u>	<u>\$ 1,014,865</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 7 – LONG-TERM DEBT (Continued)**

**a. 2015 Refunding General Obligation Bonds**

The 2015 Refunding Bonds were issued under a resolution adopted by the City Council on February 9, 2015 to refinance the City’s outstanding City of San Carlos 2005 General Obligation Refunding Bonds, which were issued on December 20, 2005 in the aggregate principal amount of \$8,115,000. The 2005 General Obligation Bonds were refunded with the issuance of the 2015 General Obligation (GO) Bonds.

The 2015 Refunding Bonds are General Obligations of the City payable solely from ad valorem property taxes levied by the City and collected by the County. The total principal and interest remaining to be paid on the bonds is \$3,675,000 and \$392,375, respectively. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$356,125 and \$444,223, respectively.

The total cash flow savings including the application of the excess tax revenues of \$1,483,637 were \$2,498,038 and the net present value of the savings resulted in an economic gain of \$777,443. The refunding resulted in a \$19 savings for the average residential homeowner, which reduces the GO Bond tax from \$47 to \$28. Estimated savings will change over time with the growth in the City’s assessed value, but is estimated to average \$17 for the 11 years that a 2015 GO Bond tax rate is required. Total estimated savings to the average residential homeowner is \$182.

Interest on Refunding GO Bonds accrues from the date of delivery and is payable semi-annually on February 1 and August 1, commencing August 1, 2015, and ranging from 3% to 2%. Principal payments are due annually on August 1.

Annual debt service requirements for the 2015 Refunding GO Bonds are shown below:

For the Year Ending June 30	Principal	Interest	Total
2019	\$ 290,000	\$ 82,800	\$ 372,800
2020	320,000	73,650	393,650
2021	365,000	63,375	428,375
2022	390,000	52,050	442,050
2023	415,000	42,050	457,050
2024 - 2027	1,895,000	78,450	1,973,450
Total	<u>\$ 3,675,000</u>	<u>\$ 392,375</u>	<u>\$ 4,067,375</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8 – COMPENSATED ABSENCES**

The changes in compensated absences for the year ending June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One year
<b>Governmental Activities:</b>					
Compensated absences	\$ 656,555	\$ 470,184	\$ (464,503)	\$ 662,236	\$ 397,342
<b>Total Governmental Activities</b>	<b>\$ 656,555</b>	<b>\$ 470,184</b>	<b>\$ (464,503)</b>	<b>\$ 662,236</b>	<b>\$ 397,342</b>
<b>Business-Type Activities:</b>					
Compensated absences	\$ 62,145	\$ 52,423	\$ (38,631)	\$ 75,937	\$ 45,562
<b>Total Business-type Activities</b>	<b>\$ 62,145</b>	<b>\$ 52,423</b>	<b>\$ (38,631)</b>	<b>\$ 75,937</b>	<b>\$ 45,562</b>

**NOTE 9 – FUND BALANCES**

**a. Fund Balance**

Detailed classifications of the City's Fund Balances, as of June 30, 2018 are below:

Fund Balance Classifications	Capital Project Funds			Other Governmental Funds	Total
	General Fund	Capital Improvement	Housing		
<b>Nonspendable:</b>					
Inventory and prepaids	\$ 607,633	\$ -	\$ -	\$ -	\$ 607,633
<b>Total Nonspendable Fund Balances</b>	<b>607,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>607,633</b>
<b>Restricted for:</b>					
Police grants	-	-	-	273,565	273,565
City parks	-	-	-	2,486,942	2,486,942
Traffic management	-	-	-	576,926	576,926
National Pollutant Discharge Elimination System	-	-	-	422,609	422,609
Street maintenance	-	-	-	507,920	507,920
Debt service	-	-	-	837,294	837,294
Housing	-	-	12,446,983	-	12,446,983
<b>Total Restricted Fund Balances</b>	<b>-</b>	<b>-</b>	<b>12,446,983</b>	<b>5,105,256</b>	<b>17,552,239</b>
<b>Committed to:</b>					
Library tenant activities	-	-	-	1,714,076	1,714,076
Parking lot improvements	-	-	-	148,051	148,051
Equipment replacement	-	-	-	3,242,353	3,242,353
Capital projects	-	25,647,315	-	-	25,647,315
Strategic property acquisitions	7,691,795	-	-	-	7,691,795
Emergency reserve	6,232,557	-	-	-	6,232,557
Community endowment	2,000,000	-	-	-	2,000,000
<b>Total Committed Fund Balances</b>	<b>15,924,352</b>	<b>25,647,315</b>	<b>-</b>	<b>5,104,480</b>	<b>46,676,147</b>
<b>Assigned to:</b>					
Unfunded liabilities	2,000,000	-	-	-	2,000,000
Facility/infrastructure improvements	7,841,500	-	-	-	7,841,500
<b>Total Assigned Fund Balances</b>	<b>9,841,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,841,500</b>
<b>Unassigned:</b>					
General Fund	3,177,129	-	-	-	3,177,129
<b>Total Unassigned Fund Balances</b>	<b>3,177,129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,177,129</b>
<b>Total Fund Balances</b>	<b>\$ 29,550,614</b>	<b>\$ 25,647,315</b>	<b>\$ 12,446,983</b>	<b>\$ 10,209,736</b>	<b>\$ 77,854,648</b>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 9 – FUND BALANCES (Continued)**

**b. Fund Balance Commitments**

The City has the following committed fund balances shown on the governmental balance sheet:

Economic Uncertainties – General Fund committed fund balance for Economic Uncertainties equal to a minimum of 12.5% of the General Fund expenditures with a target of increasing to 20% of General Fund expenditures.

Once established, appropriations from the Economic Uncertainties fund balance commitment can only be made by formal action of the City Council. Generally, appropriations and access to these funds will be reserved for emergency situations. Examples of such emergencies include, but are not limited to: catastrophic disaster (declared by Governor); budgeted revenue taken by another government entity; or a more than 5% drop in projected revenue to the General Fund. The balance as of June 30, 2018 was \$6,232,557.

Strategic Property Acquisitions – General Fund committed fund balance for Strategic Property Acquisitions accumulates funds from the proceeds of future sales of City properties, as directed by the City Manager or City Council.

Once established, appropriations from the Strategic Property Acquisitions fund balance commitment can only be made by formal action of the City Council. Generally, appropriations and access to these funds will be reserved for funding strategic property acquisitions by the City. The balance as of June 30, 2018 was \$7,691,795.

Community Endowment – General Fund committed fund balance for community endowment to establish a community foundation to benefit San Carlos and its communities. The balance as of June 30, 2018 was \$2,000,000.

Equipment and Vehicle Replacement Reserves – A Replacement Fund will be maintained as a separate fund for budgetary purposes to fund the replacement costs of existing non-sewer-related vehicles, major equipment and information technology items when they reach the end of their useful lives. Sewer-related items will be maintained in the Wastewater Fund. The Replacement Fund will be analyzed by staff at least annually as part of the budget update process for changes in assets, useful lives, estimated replacement costs and appropriate funding levels. This fund is to be maintained at a level sufficient to fund 100% of the assets, based on estimated replacement costs and useful lives. The balance as of June 30, 2018 was \$3,242,353.

The City also has commitments for community development projects, general government and capital projects totaling \$27,509,442.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 9 – FUND BALANCES (Continued)**

**c. Net Position Restatements**

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees (both active employees and inactive employees) are provided with post-employment benefits other pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net position as of July 1, 2017 of the Governmental Activities, Business-Type Activities and Sewer Enterprise Fund were restated and reduced by \$3,161,298, \$514,339 and \$514,339 respectively. See Note 11 for additional information.

**NOTE 10 – NET PENSION LIABILITY**

**a. California Public Employees' Retirement System (CalPERS) Plan**

**Description of Plan**

The City of San Carlos Miscellaneous Plans Tier 1, Tier 2, Tier 3 and Public Employees' Pension Reform Act of 2013 (PEPRA), and all Safety Plans (Safety Police and Safety Fire) are all cost-sharing multiple-employer defined benefit pension plans (the Cost-Sharing Plans) administered by the California Public Employees' Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the City's Cost-Sharing Plans. Benefit provisions under the Cost-Sharing Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include full descriptions of each of the Cost-Sharing Plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov).

**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 an age as early as 50 in the Cost-Sharing Plans with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit; the 1957 Survivor Benefit; or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

PEPRA requires new benefits and member contributions for new members as defined by PEPRA that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013 risk-pool valuations. Therefore, pursuant to PEPRA, the Miscellaneous “Classic” plan is closed to new entrants as of January 1, 2013.

The provisions and benefits of each plan in effect at June 30, 2018 are summarized as follows:

<i>City Miscellaneous Rate Plans</i>				
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>PEPRA</u>
	Prior to March 16, 2009	Prior to April 23, 2012	On or after April 23, 2012	On or after January 1, 2013
Benefit formula	2.7%@55	2.5%@55	2%@55	2%@62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 and up	50 and up	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2% to 2.7%	2% to 2.5%	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	8%	8%	7%	6.5%
Required employer contribution rates	12.014%	10.449%	8.762%	6.625%
<i>City Safety Rate Plans</i>				
	<u>Tier 1</u>	<u>PEPRA</u>		
	On or after October 23, 2011	On or after January 1, 2013		
Benefit formula	2.0% @ 50	2.7% @ 57		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
Retirement age	50 and up	50 and up		
Monthly benefits, as a % of eligible compensation	2% to 2.7%	2% to 2.7%		
Required employee contribution rates	9%	11.5%		
Required employer contribution rates	14.971%	11.99%		

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) 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 all Miscellaneous Plans and Safety Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

	Safety	Miscellaneous
Contributions - employer	\$ 1,255,290	\$ 6,926,132



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

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

As of the June 30, 2017 measurement date, the City reported net pension liabilities for its proportionate share of the net pension liability of each Miscellaneous and Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	\$ 19,520,586
Miscellaneous	22,834,231
Total Net Pension Liability	\$ 42,354,817

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

Proportion - June 30, 2017	0.43%
Proportion - June 30, 2016	0.44%
Change Increase/(Decrease)	-0.01%

For the year ended June 30, 2018, the City recognized a pension expense of \$2,420,180 for the CalPERS Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety		Miscellaneous		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
Contributions subsequent to measurement date	\$ 1,255,290	\$ -	\$ 6,926,132	\$ -	\$ 8,181,422	\$ -
Differences between actual and expected experience	160,553	(41,861)	24,057	(344,663)	184,610	(386,524)
Changes in assumptions	2,328,424	(178,643)	2,984,922	(227,603)	5,313,346	(406,246)
Net differences between projected and actual earnings on plan investments	507,688	-	675,066	-	1,182,754	-
Difference in actual contributions and proportion contributions	-	(214,292)	-	(946,802)	-	(1,161,094)
Change in proportion and differences between actual contributions and proportionate share of contributions	105,777	(877,292)	782,217	-	887,994	(877,292)
Total	\$ 4,357,732	\$ (1,312,088)	\$ 11,392,394	\$ (1,519,068)	\$ 15,750,126	\$ (2,831,156)

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

In the table above, the \$8,181,422 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	Safety Annual Amortization	Miscellaneous Annual Amortization	Total
2019	\$ 151,592	\$ 981,173	\$ 1,132,765
2020	1,225,831	1,534,401	2,760,232
2021	709,997	832,419	1,542,416
2022	(297,066)	(400,799)	(697,865)

**Actuarial Assumptions**

The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

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

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov)

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Change in Assumptions** – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15% for each of the Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the assumed 7.15% discount rate is adequate and the use of the municipal bond rate is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a) <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-2.20%	-2.70%
Total	<u>100%</u>		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Safety	\$ 27,212,734	\$ 19,520,586	\$ 13,232,639
Miscellaneous	32,673,387	22,834,231	14,685,264

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**b. Public Agency Retirement Services (PARS) Longevity Recognition Plan**

**Plan Description and Benefits**

The City sponsors a Longevity Recognition Plan for its retirees. All full-time employees hired before January 1, 2009 are eligible for a longevity recognition benefit if they retire from the City with a CalPERS pension and with at least 10 years of City service. All AFSCME (formerly known as Clerical and Mid-Management) and Teamsters employees hired on or after January 1, 2009 and before the following exclusion dates depending on bargaining group are eligible for a longevity recognition benefit if they retire from the City with a CalPERS pension and with at least 15 years of City service.

<u>Bargaining Group</u>	<u>Exclusion Date</u>
AFSCME (formerly known as Mid-Management)	December 13, 2010
AFSCME (formerly known as Clerical)	February 28, 2011
Teamsters	March 28, 2011

Employees hired by the City before January 1, 2009 receive a monthly payment equal to the Internal Revenue Code (IRC) Section 125 Plan benefit for active Miscellaneous employees and the former fire service employees with single coverage, \$821.37 per month for 2018, subject to future annual increases. The cap for Police retirees has been \$718.11 since 2011 and is not expected to be increased.

Eligible employees hired by the City after January 1, 2009 and before the exclusion date for their respective bargaining groups will receive a monthly payment of \$350 per month with no future increases upon retirement.

The longevity recognition benefit is payable for the retiree's lifetime. No continuation of longevity benefits are payable to surviving spouses or dependents. No employees hired after the above exclusion dates are eligible for longevity benefits.

**Participants Covered**

As of the measurement date, June 30, 2017, the number of participants is as follows: 34 active and 40 retirees.

**Contributions**

During the year ended June 30, 2018, the contributions totaled \$1,520,000.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Net Pension Liability**

The net pension liability for the plan is measured as the total pension liability, less the Plan's fiduciary net position. For governmental funds, the General Fund has been primarily used to liquidate pension liabilities. A summary of the actuarial assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions and Discount Rate**

PARS Longevity Recognition Plan	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal cost method, level percent of pay 20-year amortization of unfunded liability (closed period) as a level percentage of projected payroll.
Discount Rate	6.00%
Inflation	2.75%
Annual Salary Increases	3.25%
Municipal Bond Index Rate	3.53%. As of June 30, 2017, the 20-year AA bond yield (based on the Bond Buyer Index).
Investment Rate of Return	6.0% net of investment expenses. Rates based on statistics taken from the California PERS Experience Study Report adopted in 2014 and include a margin for mortality improvement based Macleod Watts Scale 2017 applied generationally.
Mortality	

Assets are invested in PAR's Highmark Moderate Index PLUS Diversified Portfolio.

Asset Class	Asset Allocation	Expected Arithmetic Nominal Return (50 yrs)
U.S. Equity	50.0%	7.84%
U.S. Fixed Income	45.0%	4.88%
Cash	5.0%	3.19%
Expected Geometric Return (50 yrs)		5.94%

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Changes in the Net Pension Liability**

The changes in the June 30, 2017, Measurement Date follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016</b>	\$ 10,712,223	\$ 1,728,944	\$ 8,983,279
<b>Changes in the year:</b>			
Service cost	229,629	-	229,629
Interest on the total pension liability	478,414	-	478,414
Contribution - employer	-	452,000	(452,000)
Net investment income	-	128,999	(128,999)
Administrative expenses	-	(455)	455
Differences due to plan experience	1,055,691	-	1,055,691
Change of assumptions	(2,369,059)	-	(2,369,059)
Benefit payments	(333,528)	(333,528)	-
<b>Net changes</b>	<b>(938,853)</b>	<b>247,016</b>	<b>(1,185,869)</b>
<b>Balance at June 30, 2017</b>	<b>\$ 9,773,370</b>	<b>\$ 1,975,960</b>	<b>\$ 7,797,410</b>

**Sensitivity of the Net Pension Liability to changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate		
	1% Decrease 5.00%	Current 6.00%	1% Increase 7.00%
Net Pension Liability	\$ 9,184,109	\$ 7,797,410	\$ 6,662,228

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plans' fiduciary net position is available in the separately issued PARS financial reports.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension**

For the year ended June 30, 2018, the City recognized pension expense of \$454,518 for the PARS Longevity Recognition Plan. At June 30, 2018, the City reported the following related to this plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 1,520,000	\$ -
Differences between actual and expected experience	742,430	-
Changes in assumptions	368,755	(1,666,074)
Net differences between projected and actual earnings on plan investments	60,607	-
Total	\$ 2,691,792	\$ (1,666,074)

The \$1,520,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	Annual Amortization
2019	\$ (146,703)
2020	(211,778)
2021	(131,455)
2022	(4,346)

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS**

**a. Provisions and Benefits**

**OPEB Healthcare** – During fiscal year 2009, the City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. City Council authorized a deposit of \$1,575,000 with CERBT on October 10, 2008 to begin funding its OPEB liability.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouse and dependents are not included) under Public Employees' Medical Healthcare Act (PEMHCA). A summary of eligibility and retiree contribution requirements are described below:



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Employees are eligible for retiree health benefits if they retire from the City with a CalPERS pension.

For retirees who retired on or before December 31, 2008, the City will reimburse the retiree only premium, up to the active employee single cap. The cap amount for miscellaneous is \$821.37 per month for 2018. The cap amount for safety (Police) retirees is \$718.11 and is not expected to be increased.

The City will continue to pay the CalPERS minimum contribution for surviving spouses of retirees as long as they remain enrolled in a health plan sponsored by CalPERS (PEMHCA).

For employees retiring on or after January 1, 2009 from the City of San Carlos who choose to enroll in a CalPERS retiree health plan, the City contributes the minimum monthly premium amount specified by CalPERS towards the cost of CalPERS (PEMHCA) medical premiums. The minimum is \$133 per month for 2018.

As of June 30, 2018, 73 retired employees participated in the retiree healthcare benefits. Additionally, 80 current employees have met the criteria for the retiree healthcare benefits and are eligible to participate in the program if they retire from the City of San Carlos in future years.

**b. Employees Covered**

Membership in the plan consisted of the following at June 30, 2018:

Active employees	80
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	73
Inactive employees entitled to but not yet receiving benefit payments	<u>33</u>
Total	<u><u>186</u></u>

**c. Net OPEB Liability**

**Actuarial Methods and Assumptions** – The City’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions (for governmental funds, the General Fund has been primarily used to liquidate OPEB liabilities):

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

<u>Actuarial Assumption</u>	<u>Measurement Date</u>
Measurement Date	June 30, 2017
Funding Method	Entry Age Normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	7% as of June 30, 2016 and June 30, 2017
Discount Rates	7% as of June 30, 2016 and June 30, 2017
Salary increases	3.25% per year, used only to allocate the cost of benefits between service years
Inflation	2.75% per year
Healthcare cost trend rates	Start at 7.5% and grade down to 5.0% per year for years 2024 and thereafter
Mortality rate	MacLeod Watts Scale 2017 applied generationally

**Discount Rate** – The discount rate used to measure the total OPEB liability was 7.0%.

**Changes in Net OPEB Liability** - The changes in the Net OPEB Liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
<b>(Measurement Date 6/30/16)</b>	\$ 5,394,624	\$ 1,273,705	\$ 4,120,919
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	99,800	-	99,800
Interest on the total OPEB liability	372,359	-	372,359
Expected investment income	-	93,337	(93,337)
Employer contribution	-	470,037	(470,037)
Administrative expenses	-	(656)	656
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Investment Experience	-	34,146	(34,146)
Benefit payments	(350,018)	(350,018)	-
<b>Net Changes during Fiscal Year 2018</b>	<u>122,141</u>	<u>246,846</u>	<u>(124,705)</u>
<b>Balance at Fiscal Year Ending 6/30/2018:</b>	<u>\$ 5,516,765</u>	<u>\$ 1,520,551</u>	<u>\$ 3,996,214</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**d. Sensitivity of the Net OPEB Liability**

The following presents the net OPEB liability, as well as what the 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 discount rate:

<b>Net OPEB Liability/(Asset)</b>		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(6 %)	(7%)	(8%)
\$4,537,979	\$3,996,214	\$3,535,829

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

<b>Net OPEB Liability/(Asset)</b>		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
(6.5%)	(7.5%)	(8.5%)
\$3,539,704	\$3,996,214	\$4,588,541

**e. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$372,649. As of fiscal year ended June 30, 2018, it reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 1,502,744	\$ -
Differences between actual and expected experience	-	27,317
Changes of assumptions	-	-
Total	\$1,502,744	\$27,317

\$1,502,744 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	\$ (6,829)
2020	(6,829)
2021	(6,829)
2022	(6,830)
2023	-
Thereafter	-

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 12 – RISK MANAGEMENT**

**a. Liability Coverage**

The City participates in the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), which consists of 28 member cities in the San Francisco bay area. Members of the PLAN JPA collectively share the risk of self-insured losses and purchase a broad range of risk management services including, but not limited to, program administration, accounting and finance, claims administration, risk control, loss prevention, actuarial services, training and education, and legal services to support the shared risk programs. PLAN JPA provides General Liability, Auto Liability, and Errors and Omissions coverage in excess of the City's retained limit, or self-insured retention (SIR). The PLAN JPA provides \$5,000,000 of general and automobile liability coverage per occurrence and \$25,000,000 excess liability coverage per occurrence (providing a total of \$30,000,000 per occurrence) and is responsible for paying claims in excess of the City's \$100,000 deductible.

Financial statements may be obtained from PLAN JPA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**b. 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 \$1,500,000 for safety officers and \$1,000,000 for miscellaneous employees. The Group acts as administrator, claim adjuster and provides other risk management services as required by State law. Each member of the Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Group.

Financial statements may be obtained from the Cities Group, P.O. Box 111, Burlingame, CA 94011-0111.

**c. Liability for Uninsured Claims**

The City's liability for uninsured claims at June 30, 2018 was estimated by management based on the PLAN JPA's claims experience and recorded in the Liability Insurance Internal Service Fund.

For the years ended June 30, 2018 and 2017, the amount of settlements did not exceed insurance coverage.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 12 – RISK MANAGEMENT (Continued)**

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior years' claims experience as follows for the year's ended:

	June 30,	
	2018	2017
Beginning balance	\$ 597,170	\$ 573,896
Net change in liability for claims and claims paid but not reported	648,310	385,196
Claims paid	(682,480)	(361,922)
Balance at June 30	563,000	597,170
Current Portion	313,000	347,170
Long-term Portion	\$ 250,000	\$ 250,000

**NOTE 13 – JOINT VENTURES**

The City participates in joint ventures through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these Joint Power Authorities (JPA) exercise full powers and authorities within the scope of the related joint powers agreements, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

**a. Belmont-San Carlos Fire Department**

The South County Fire Authority was formed in 1979 between the Cities of San Carlos and Belmont on an equal basis to provide more efficient fire protection services for the two cities. Any assets used by the Fire Authority but owned by the member agencies prior to the creation of the Fire Authority remain the property of the members. Each member contributes its pro rata share of operating costs to the Fire Authority.

On April 12, 2010, the City Council adopted a resolution authorizing the City Manager to send notice to Belmont Fire Protection District of the City's intent to dissolve the JPA establishing Belmont-San Carlos Fire Department. The service termination of the Belmont-San Carlos Fire Department took effect on October 1, 2011.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 13 – JOINT VENTURES (Continued)**

As a result of the termination of service with the Belmont-San Carlos Fire Department, the City is required to make an annual contribution for: other post-employment benefits for retirees who have earned lifetime medical coverage; unfunded liabilities of the safety and miscellaneous retirement plans with CalPERS; outstanding workers' compensation claims from past employees; and liability claims or other obligations of the former Fire Department. The City's contribution during the year ended June 30, 2018 was \$1,982,231.

**b. Fire and Emergency Services Agreement with the City of Redwood City**

In July 2011, the City of San Carlos and the City of Redwood City entered into a JPA agreement for fire and emergency services. This original agreement allowed the City of San Carlos to maintain a fire department, including personnel and infrastructure, at its sole cost sufficient to provide certain emergency and non-emergency services. The City of Redwood City provided certain fire and emergency services, including fire administration and support; fire prevention; investigation; and training. The City of San Carlos pays the City of Redwood City a fee for the services provided that is reviewed in January of each year and amended to reflect actual increases or decreases in cost.

On June 24, 2013, the City Council adopted a resolution for the execution of the amended and restated agreement between the Cities of Redwood City and San Carlos for a full service model for fire and emergency services. The restated agreement also included the transfer of fire services personnel from the City of San Carlos to the City of Redwood City on July 1, 2013. The term of the agreement was five years, began on July 1, 2013 and expired on June 30, 2018.

In April 2018, the Cities of Redwood City and San Carlos negotiated a restated agreement for another five years, commencing on July 1, 2018 and expiring on June 30, 2023. Cost of services will be reviewed annually and brought forward for Council approval each year. The total charges for fiscal year 2018 were \$6,966,771.

**c. Law Enforcement Services Agreement with the County of San Mateo**

In September 2010, the City Council approved a five-year Police Services Agreement contract with the County of San Mateo Sheriff's Office to provide law enforcement to the City. The contract with the Sheriff includes police management, patrol, investigation, traffic enforcement, community and school services, as well as support service components. The contract maintains minimum staffing levels for patrol, provides for the same quick response times and restores many of the key community programs that the San Carlos Police Department had provided during better economic times. The consolidation of police services with the Sheriff's Office results in estimated annual savings of approximately \$2 million. Annual cost increases are limited to those increases required under California Government Code Section 51350.

On May 11, 2015, the agreement with the Sheriff's Office was renewed for another five-year term expiring June 30, 2020. In the seventh year of the agreement, the total charges for fiscal year 2018 were \$6,825,933.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 13 – JOINT VENTURES (Continued)**

**d. Silicon Valley Clean Water (SVCW)**

Silicon Valley Clean Water (formerly the South Bayside System Authority) was formed in 1975 between the cities of San Carlos, Belmont, Redwood City and the West Bay Sanitation District to operate a wastewater treatment facility. The cost of operating and maintaining the facility is divided in proportion to the volume of sewage entering from each member entity. During the year ended June 30, 2018, the City contributed \$3,517,764 toward the cost of operating and maintaining the facility and paid debt principal and interest of \$2,270,872 that included the State revolving fund loan and the financing agreements to finance the construction and rehabilitation of the SVCW's wastewater system. For the fiscal year 2019, the City is obligated to pay debt principal and interest payments totaling \$3,689,899.

The condensed financial information of the JPA as of June 30, 2018 is as follows:

Total Assets	\$ 449,087,134
Total Deferred Outflows	6,236,059
Total Liability	(371,588,721)
Total Deferred Inflows	(1,243,778)
Total Net Position	<u>\$ 82,490,694</u>
Total Operating Revenues	\$ 40,628,874
Total Operating Expenses	(34,673,538)
Total Operating Income (Loss)	5,955,336
Other Income (Loss)	(5,045,446)
Net Income	<u>\$ 909,890</u>
Cumulative Agency Balances:	
Belmont	\$ 24,309,696
San Carlos	6,466,725
Redwood City	38,467,812
West Bay Sanitation District	13,246,461
Total Net Position	<u>\$ 82,490,694</u>

Of the \$371,588,721 liability, \$268,295,000 is related to the 2009, 2014, 2015 and 2018 revenue bonds. Of that amount, the City's direct obligation is \$47,590,798.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 13 – JOINT VENTURES (Continued)**

The City entered into financing agreements with SVCW for repayment of the City's allocated share of the 2009, 2014, 2015 and 2018 bonds in the amount of \$56,582,027. The financing agreements are secured by a pledge of the City's Sewer Enterprises Fund Net Revenue as defined under the financing agreements. For fiscal year 2018, gross Sewer Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$17,870,837. The operating and maintenance costs, including operating expenses, transfers out for overhead and administrative cost but excluding interest, and depreciation or amortization amounted to \$8,259,626. Net revenues available for debt services amounted to \$9,611,211, which represented coverage of 5.16 times over the total of debt services of \$1,860,867.

In October 2015, SVCW issued the 2015 wastewater revenue bonds in the amount of \$70.2 million. Pursuant to the financing agreement, the City's allocable share of the 2015 bonds is approximately 15.14%.

Of the total bond proceeds, \$8.5 million will be used to refund, on an advance basis, certain maturities of the 2008 Bonds and approximately \$49.8 million will be used to refund, on an advance crossover basis, certain maturities of the 2009 Bonds.

Proceeds associated with the Refunded 2008 Bonds were deposited into the "2008 Escrow Fund" for principal and interest payments through August 1, 2017, which was when the remaining proceeds were applied to pay the redemption price of the outstanding Refunded 2008 Bonds in full. As a result of the deposit and the application of funds under the escrow agreement relating to the Refunded 2008 Bonds, the Refunded 2008 Bonds are considered fully defeased upon the issuance of the 2015 bonds and are no longer secured by revenues that were originally pledged for the payment of the 2008 Bonds.

Proceeds associated with the Refunded 2009 Bonds were deposited into the "2009 Escrow Fund" until the Crossover date of August 1, 2019, when all of the outstanding Refunded 2009 Bonds will be redeemed, without premium. Prior to the Crossover date, the Refunded 2009 Bonds will continue to be secured by and payable from the revenues that were originally pledged for the payment of the 2009 Bonds.

On February 1, 2018, SVCW issued the 2018 Wastewater Revenue Bonds in the amount of \$140,955,000 to finance the acquisition and construction of capital improvements to SVCW's wastewater system. Under the JPA, the City is obligated to pay its allocated share of debt service on the 2018 Bonds.

On February 1, 2018, the City entered into a Financing Agreement with SVCW for repayment of its allocated share of the 2018 Bonds in the amount of \$25,635,000 and to provide adequate security for the 2018 Bonds. The financing agreement is secured by a pledge of the City's Sewer Enterprise Fund Net Revenue as defined under the financing agreement. The pledge of future Net Revenue ends upon repayment of all the remaining debt service, which is scheduled to occur on August 1, 2048.



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 13 – JOINT VENTURES (Continued)**

The City's investment in SVCW was adjusted to reflect a net decrease in the investment of \$0.2 million. Every year the City adjusts the investment based on the City's proportion of financial activity at SVCW.

Financial statements may be obtained by mailing a request to Silicon Valley Clean Water, 1400 Radio Road, Redwood City, CA 94065.

**e. City/County Association of Governments of San Mateo County (C/CAG)**

City/County Association of Governments of San Mateo County was formed in 1990 between the various cities in San Mateo County to prepare, adopt, monitor and enforce State mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was \$99,762 for the year ended June 30, 2018. The City provided financial services to C/CAG and received \$85,000 for the services during the fiscal year.

Financial statements may be obtained by mailing a request to the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

**f. South Bayside Waste Management Authority (SBWMA)**

The South Bayside Waste Management Authority (the Authority) was formed by a joint powers agreement on October 13, 1999. Members of the Authority currently include the cities of Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, as well as the West Bay Sanitary District and the County of San Mateo. The members are required by AB 939 to reduce, recycle and reuse solid waste generated within their respective jurisdictions and to provide source reduction, recycling and composting activities. The Authority's purpose is to assist its members in meeting these requirements. The City provided financial services to SBWMA and received \$145,000 for the services during the fiscal year.

Financial statements may be obtained by mailing a request to the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

**g. Peninsula Traffic Congestion Relief Alliance (Commute.org)**

The Peninsula Traffic Congestion Alliance (Commute.org) is a joint exercise of powers between the Cities of Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, County of San Mateo, Town of Atherton and Town of Hillsborough formed to perform transit systems management efforts to mitigate traffic congestion in the member communities. The Commute.org began operations on July 1, 2000. Starting on January 1, 2018, the City began providing financial services to Commute.org and received \$54,450 for the services during the fiscal year.

Financial statements may be obtained by mailing a request to the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES**

The City is subject to litigation arising during the normal course of business. In the opinion of the City Attorney, there is no pending litigation that is likely to have a material adverse effect on the financial position of the City.

The City participates in Federal, State and local grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act of 1984, as amended, and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**a. Palo Alto Medical Foundation Development Agreement**

On October 8, 2007, after an extensive 3 1/2-year process, the City Council approved a proposal by the Palo Alto Medical Foundation (PAMF) to develop a regional Medical Clinic, Medical Office Building and Hospital on an 18-acre site at 301 Industrial Road in San Carlos that formerly housed the Varian – CPI Eimac plant. In 2011, Sutter Health, PAMF's parent organization, approved funding for the first phase construction of its medical facility in San Carlos. This included construction of the Medical Office Building and Clinic, the parking garage to serve full facility build-out, and site improvements, including utilities, loop access road and landscaping. In May 2012, PAMF received construction permits from the City and began work. The Medical Office Building and Clinic opened to patients in November 2014. A second phase of the project, to construct the Hospital on this site, remains unfunded.

The purchase and transfer of the 18-acre site at 301 Industrial Road took a major parcel in San Carlos off of the property tax rolls of the City. This occurred when the title to the site passed from 301 Industrial LLC (the entity performing the site clearance and remediation activities) to PAMF, which is a tax-exempt entity. In addition, the PAMF San Carlos Center generates very little in sales tax revenue for the City. To offset this fiscal impact, a Development Agreement with PAMF was entered into to ensure that the City would be in substantially the same position financially as the City would likely have been with use of the Project Site instead for another, economically productive use.

The key components of the Development Agreement are described in the table below. The Development Agreement guarantees the City nearly \$91,000,000 in revenue over a 50-year period. When factoring in costs for City services, the Development Agreement would net the City \$43,939,000 over 50 years, resulting in a positive net present value of \$11,642,000. The net amount does not include one-time payments of \$1 million to the City for athletic fields and \$1.5 million to the San Carlos Education Foundation for educational purposes. This amount also does not include the City's share of any excess returns of the \$9 million principal amount to be funded by PAMF under the agreement, which could be substantial depending on the investment returns received on the fund.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

The financial impacts of these developments are beneficial to the City. The Guaranteed Minimum Payments (item "C" in the table below) began in 2010-11 with a payment of \$630,000 in April 2011 after receipt of \$250,000 per year payments in the two years prior as described in the Development Agreement. Guaranteed Minimum Payments continued the following year with a payment of \$748,872 in April 2018. The next guaranteed payment will be \$767,593 in April 2019.

In addition to receiving the Year 3 Guaranteed Minimum Payments of \$630,000 in April 2011 as specified in the Development Agreement, the start of construction triggered two more events.

First, the City received the "construction period revenue" for Phase 1 of the PAMF development (see item "D" in the table below). Since the second phase of the project is unfunded, the City and PAMF agreed to allocate \$252,700 of the total construction period revenue to Phase 1, which the City has received.

Second, the start of construction triggered payment to the City of the "guaranteed minimum annual operational use tax revenue" one year after construction is completed (see item "E" in the table below).

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

The revenue sources contained in the Development Agreement are summarized in the following table:

	<b>Funding Source</b>	<b>Summary Description</b>	<b>Current Status</b>
A	\$9 million endowment fund (called the Designated Fund)	At the end of 50 years, the Designated Fund becomes the City's to administer	No change.
B	50% of excess returns on the Designated Fund at the end of the payment term	In addition to receiving the \$9 million Designated Fund at the end of the term of the agreement, the City will then receive 50% of the amount of the Designated Fund that exceeds \$9 million	No change.
C	Guaranteed minimum payments from the revenue on the Designated Fund	\$250,000 in each of Years 1 and 2 \$630,000 in Year 3 \$630,000 inflated by 2.5% per year for the next 49 years	The City has received a total of \$6,003,753 from years 1 through 10. City will receive the year 11 payment of \$767,593 in April 2019 as scheduled.
D	Guaranteed minimum construction-related use tax revenue	\$722,000 for the principal construction period	With the start of construction in May 2012, construction period revenue (use tax assigned to the project by the contractors) began to flow to the City's sales tax account. At completion of Phase I construction, the City had received a total of \$252,700 in construction user taxes.
E	Guaranteed minimum annual operational use tax revenue	\$152,000/year inflated by 3% per year for 50 years	Deferred — \$152,000 per year is guaranteed for 50 years starting 1 year after construction of both the Medical Clinic and Hospital facilities are completed.
F	\$1.5 million	One-time payment to the San Carlos Education Foundation for health-related school programs	Received by San Carlos Education Foundation on Feb. 5, 2008.
G	\$1 million	One-time payment to the City to improve athletic facilities and fields	Received — by City of San Carlos on Feb. 5, 2008 and the funds were used to install a synthetic turf field at Lower Highlands Park.

**Total: \$90,804,000 (minimum) over 50 years**

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**b. Construction Commitments**

Construction commitments as of June 30, 2018 consisted of the following projects:

Project Name	Contract Amount	Expenditures to date as of June 30, 2018	Remaining Commitments
Holly Street/US 101 Interchange Modification	\$ 3,453,798	\$ 875,767	\$ 2,578,031
Street Resurfacing	1,398,882	1,161,729	237,153
Sewer Rehabilitation, Construction Management and Inspection Services	843,700	108,418	735,282
On-Call Sewer Contract	721,850	417,929	303,921
Youth Center Upgrade	953,339	273,428	679,911

**c. PG&E Gas Transmission Line 147**

PG&E Natural Gas Transmission Line 147 is a 20” high pressure natural gas transmission pipeline that is 3.8 miles long and runs from the Interstate 280 corridor, through San Carlos (roughly along Brittan Avenue), to the intersection of Old County Road and Commercial Avenue, where it connects with PG&E high pressure natural gas Line 101, that runs north and south along the Peninsula.

On October 3, 2013, the City of San Carlos received a series of internal emails from PG&E that disclosed alarming information about the condition of Line 147. Included in the emails was a question from an engineer speculating if Line 147 presented another “San Bruno situation.” The City immediately asked PG&E to shut down Line 147 until its safety could be determined. PG&E refused the City’s request. The City Manager notified the City Council that he would be declaring a local State of Emergency, which the City Council declared ratified the next day. With the help of Congresswoman Jackie Speier and State Senator Jerry Hill and representatives of the CPUC, PG&E reduced the Line’s pressure by 20%. A temporary injunction against PG&E was then obtained by the City in the San Mateo County Superior Court requiring that PG&E immediately shut off service to Line 147. PG&E lowered the pressure in compliance and petitioned the court to set aside the injunction, which was subsequently denied.

During the next several weeks the City Council and our local representatives questioned PG&E about its practices and its disregard for the safety of the communities it serves. In the meantime, PG&E was seeking approval from the CPUC to re-pressurize the line. During a hearing in December 2013, PG&E received approval from the CPUC to re-pressurize the line back to its maximum operating pressure.

In 2014, PG&E undertook community outreach and began plans to investigate the safety of Line 147. From 2015 to 2017, PG&E undertook several investigations of the line and conducted a number of repairs. In June 2017, the work was completed and PG&E received approval to re-pressurize Line 147 to its maximum operating pressure, which is the pressure it operates at today.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

Legal Issues

In October 2014, PG&E released emails as a result of a Public Records Act request by San Bruno that demonstrated that there were improper communications between PG&E representatives and CPUC Commissioners in advance of the December 2013 hearing. These emails showed hundreds of ex parte violations where PG&E officials communicated with decision-makers without providing the required notification to other parties. Of particular note to San Carlos were several email strings from a PG&E executive actively influencing a CPUC decision-maker up to the December 19, 2013 CPUC hearing without following the CPUC's ex parte notice rules.

As a result of the release of these emails, on November 23, 2015 the CPUC filed the Order Instituting Investigation and Order to Show Cause. After evaluation of all the emails and further inquiries for other communications, the interested parties agreed to start settlement negotiations in December 2016. The Settlement Agreement was negotiated by the interested parties with PG&E. The City Council was kept apprised of the settlement negotiations in several closed sessions, which by CPUC rule were required to be confidential until the filing of the joint motion for its approval. The City Attorney acted as representative and negotiator for the City at the CPUC and outside counsel was not required. The City Manager and the City Attorney reviewed the City's negotiating position as negotiations proceeded. The City Attorney was responsible for the negotiating strategy and advocacy for the City in the negotiations.

The Settlement Agreement with PG&E, San Bruno, the Utility Reform Network and the CPUC was approved in April 2018. The Settlement Agreement provides, in addition to other non-financial remedies, that PG&E pay the sum of \$97.5 million dollars, of which \$6,000,000 ("Settlement") is payable to the City of San Carlos General Fund, which can be used for any municipal purpose. The City Council directed that \$2 million of the Settlement be used to fund an endowment benefitting San Carlos residents, \$3 million be used to fund the US 101 Bicycle & Pedestrian Bridge and Freeway Interchange Improvement Project and \$1 million be used for the creation of affordable housing.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provided for the dissolution of all Redevelopment Agencies in the State of California. This action impacted the reporting entity of the City of San Carlos that previously had reported a Redevelopment Agency within the reporting entity of the City as a blended component unit.

The Bill provided that upon dissolution of a Redevelopment Agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of State and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, Redevelopment Agencies in California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, Successor Agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Redevelopment Agency until all enforceable obligations of the prior Redevelopment Agency have been paid in full and all assets have been liquidated.

**Additional Information for the Successor Agency of the Former RDA**

**a. Cash and Investments**

Cash and investments reported in the Successor Agency in the accompanying financial statements consisted of the following:

Cash and investments	\$	1,067,857
Cash and investments with fiscal agent		1,095,694
Total Cash and Investments	\$	2,163,551

**b. Capital Assets**

Capital assets of the Successor Agency as of June 30, 2018 consisted of the following:

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018
Capital assets not being depreciated:				
Construction in progress	\$ 281,676	\$ -	\$ -	\$ 281,676
Total non-depreciable assets	\$ 281,676	\$ -	\$ -	\$ 281,676

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued)**

**c. Long-term Debt**

The Successor Agency long-term debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
<b>Notes Payable:</b>					
Installment Purchase Agreement	\$ 2,585,233	\$ -	\$ (55,790)	\$ 2,529,443	\$ 61,478
Richard A. Berghella Trust Agreement,	564,673	-	(564,673)	-	-
2007 Non-Taxable Revenue Bonds, Series A	11,675,000	-	(11,675,000)	-	-
2007 Taxable Revenue Bonds, Series B	710,000	-	(345,000)	365,000	365,000
2018 Tax Allocation Refunding Bonds	-	11,840,684	-	11,840,684	300,000
<b>Total</b>	<b>\$ 15,534,906</b>	<b>\$ 11,840,684</b>	<b>\$ (12,640,463)</b>	<b>\$ 14,735,127</b>	<b>\$ 726,478</b>

**Installment Purchase Agreement**

On October 1, 1994, the Redevelopment Agency (Agency) purchased real property and provided the bulk of the financing required to construct and equip an 85-unit residential care facility for elderly low income persons. As part of the transaction, the San Carlos Development Corporation (SCDC) agreed to purchase and operate the facility. The Agency signed an Installment Purchase Agreement in the amount of \$2,800,000 to finance its purchase of the land. Payments are made out of receipts from SCDC. Interest payments on the Installment Agreement are due monthly and principal payments began on May 1, 2012 and will continue through June 1, 2035, bearing interest of 10.9%. As of June 30, 2018, the total principal and interest remaining on the debt is \$5,182,483.

**Richard A. Berghella Trust Agreement**

In October 2001, the Agency entered into a purchase agreement for \$720,156 to purchase a parcel of land to be used for the construction of a residential facility for low and moderate income residents of the city. The agreement calls for monthly principal and interest payments of \$6,055 due on the 15th day of each month through August 15, 2032, bearing interest at 9.50% per annum. The agreement was fully repaid as of June 30, 2018.

**Tax Allocation Bonds**

In December 2007, the Agency issued \$12,875,000 of 2007 Series A Revenue Bonds and \$3,135,000 of 2007 Series B Taxable Revenue Bonds to refinance the 1995 and 1997 Tax Allocation Bonds and to finance various redevelopment activities within or of benefit to the Project Area. The refunding resulted in an overall debt service increase of \$75,767. The net present value of the savings resulted in an economic gain of \$416,051. The 1995 and 1997 Tax Allocation Revenue Bonds were subsequently retired in December 2007.



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER  
REDEVELOPMENT AGENCY (Continued)**

The 2007 Series A and Series B Bonds are special obligations of the Agency payable solely from and secured by a pledge of tax revenues, including ad valorem taxes and incremental taxes that are required to be deposited into the housing fund, generated within the Project Area. Principal payments are payable annually on September 1 and the last principal payment is scheduled to occur in 2033. Interest payments are due semi-annually on September 1 and March 1 and bear interest between 3.25% and 5.5%. The pledge of future tax revenue ends upon repayment of the total 2007 Series A and Series B bonds in the amount of \$27 million. The 2007 Series A Bonds were defeased and fully repaid during fiscal year 2018 with the issuance of the Successor Agency's 2018 Tax Allocation Refunding Bonds which are discussed below.

On February 1, 2012, this debt was transferred to the Successor Agency, which took over responsibility of winding down the operations of the former Agency upon dissolution.

**Tax Allocation Refunding Bonds**

In April 2018, the Successor Agency issued \$11,840,684 of 2018 Tax Allocation Refunding Bonds to refinance the 2007 Series A Tax Allocation Revenue Bonds. The refunding resulted in an overall debt service decrease of \$1,833,697. The net present value of the savings resulted in an economic gain of \$1,466,261. This equates to \$1.5 million in cumulative cash flow savings through 2033, or about \$100,000 annually, which would be divided amongst the taxing entities. The 2007 Series A Tax Allocation Revenue Bonds were subsequently retired in May 2018.

The 2018 Bonds are special obligations of the Agency payable solely from and secured by a pledge of Redevelopment Property Tax Trust Fund Revenues. Principal payments are payable annually on September 1 and the last principal payment is scheduled to occur in 2033. Interest payments are due semi-annually on September 1 and March 1 and bear interest of 2.85%. The pledge of future tax revenue ends upon repayment of the total 2018 bonds in the amount of \$14.8 million.

The Agency pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue that it receives. The bonds were issued to provide financing for various capital projects. Assembly Bill 1X 26 provided that upon dissolution of the Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$15,141,203 with annual debt service requirements as included below. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved Redevelopment Agency was \$2,160,820 and the debt service obligation on the bonds was \$1,068,234.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER  
REDEVELOPMENT AGENCY (Continued)**

**Debt Service Requirements**

The following schedule illustrates the debt service requirements to maturity for the debt outstanding as of June 30, 2018:

For the Year Ending June 30	Bonds			Agreements		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 665,000	\$ 297,291	\$ 962,291	\$ 61,478	\$ 243,922	\$ 305,400
2020	628,632	319,951	948,583	67,748	237,652	305,400
2021	643,860	301,818	945,678	74,657	230,743	305,400
2022	662,985	283,196	946,181	82,270	223,130	305,400
2023	681,593	264,036	945,629	90,660	214,740	305,400
2024-2028	3,720,795	1,012,389	4,733,184	612,333	914,667	1,527,000
2029-2033	4,275,239	443,620	4,718,859	995,065	531,935	1,527,000
2034-2035	927,580	13,218	940,798	545,232	56,251	601,483
Total	\$ 12,205,684	\$ 2,935,519	\$ 15,141,203	\$ 2,529,443	\$ 2,653,040	\$ 5,182,483

**d. Commitments and Contingent Liabilities**

The Successor Agency is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation that is likely to have a material adverse effect on the financial position of the Successor Agency.

**e. State Controller Office Asset Transfer Review**

In October 2014, the State Controller’s office completed the fieldwork for its review of the asset transfers between the City and Redevelopment Agency made from January 1, 2011 through January 31, 2012 in accordance with Health and Safety Code section 34167.5. Through the review, the State Controller’s office identified that the repayment of principal and interest on a loan between the City and the former Redevelopment Agency, in the amount of \$3,308,092, was deemed unallowable and should be returned. The results of the review was based on the State Controller’s interpretation and understanding of the Code. The City disagrees with the finding and has communicated such to the State Controller’s office. As of June 30, 2018, the City is waiting for an appeal process to be made available so that an appeal can be filed.

**REQUIRED SUPPLEMENTARY INFORMATION**

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<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**CALPERS COST SHARING PLAN  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Dates:	Miscellaneous			
	6/30/14	6/30/15	6/30/16	6/30/17
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.25%	0.23%	0.23%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,765,793	\$ 16,833,679	\$ 20,234,806	\$ 22,834,231
Plan's Covered Payroll	6,254,350	6,577,443	7,079,214	7,389,579
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	220%	256%	286%	309%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.29%	72.85%	68.77%	68.08%

Measurement Dates:	Safety			
	6/30/14	6/30/15	6/30/16	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.23%	0.21%	0.20%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,974,817	\$ 15,579,631	\$ 17,790,912	\$ 19,520,586
Plan's Covered Payroll	2,225,546	114,534	119,583	53,322
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	628%	13603%	14877%	36609%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	73.42%	69.92%	66.12%	64.49%

**Notes to Schedule:**

**Benefit Changes:** There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes).

**Changes in assumptions:** In 2017, the accounting discount rate reduced from 7.65% to 7.15%

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

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**CALPERS COST SHARING PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Fiscal year ended	Miscellaneous			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 1,261,404	\$ 1,102,597	\$ 670,838	\$ 6,926,132
Contributions in relation to the actuarially determined contributions	(1,261,404)	(1,102,597)	(670,838)	(6,926,132)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,254,350	\$ 6,577,443	\$ 7,079,214	\$ 7,389,579
Contributions as a percentage of covered payroll	20.17%	16.76%	9.48%	93.73%

Fiscal year ended	Safety			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 1,034,659	\$ 1,169,706	\$ 1,112,696	\$ 1,255,290
Contributions in relation to the actuarially determined contributions	(1,034,659)	(1,169,706)	(1,112,696)	(1,255,290)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,225,546	\$ 114,534	\$ 119,583	\$ 53,322
Contributions as a percentage of covered payroll	46.49%	1021%	930%	2354%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	expense, including inflation
Retirement age	50 years
Mortality	Derived using CalPers Membership Data for all Funds.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**PARS LONGEVITY RECOGNITION PLAN  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017
<b>Total Pension Liability</b>				
Service Cost	Not available	\$ 239,822	\$ 225,433	\$ 229,629
Interest	Not available	455,847	470,045	478,414
Changes of assumptions	Not available		802,583	(2,369,059)
Differences due to plan experience				1,055,691
Benefit payments, including refunds of employee contributions	Not available	(261,805)	(299,652)	(333,528)
<b>Net change in total pension liability</b>	Not available	433,864	1,198,409	(938,853)
<b>Total pension liability - beginning</b>	Not available	9,079,950	9,513,814	10,712,223
<b>Total pension liability - ending (a)</b>	9,079,950	9,513,814	10,712,223	9,773,370
<b>Plan fiduciary net position</b>				
Contributions - employer	311,000	328,200	350,000	452,000
Net investment income	141,262	29,190	15,848	128,999
Administrative expenses		(373)	(394)	(455)
Benefit payments, including refunds of employee contributions	(208,839)	(261,805)	(299,652)	(333,528)
<b>Net change in plan fiduciary net position</b>	243,423	95,212	65,802	247,016
<b>Plan fiduciary net position - beginning</b>	1,324,507	1,567,930	1,663,142	1,728,944
<b>Plan fiduciary net position - ending (b)</b>	1,567,930	1,663,142	1,728,944	1,975,960
Net pension liability - ending (a)-(b)	\$ 7,512,020	\$ 7,850,672	\$ 8,983,279	\$ 7,797,410
Plan fiduciary net position as a percentage of the total pension liability	17.27%	17.48%	16.14%	20.22%
Covered payroll <sup>1</sup>	\$ 4,751,000	\$ 3,794,000	\$ 3,848,632	\$ 3,726,133
Net pension liability as percentage of covered payroll	158.11%	206.92%	233.41%	209.26%

**Notes to Schedule:**

<sup>1</sup> Covered payroll as of June 30, 2015 only reflects 36 of 43 active employees.

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

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**PARS LONGEVITY RECOGNITION PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Fiscal year ended	2015	2016	2017	2018
Actuarially determined contribution	Not available	\$ 765,384	\$834,000	\$857,928
Contributions in relation to the actuarially determined contributions	Not available	(350,000)	(452,000)	(1,520,000)
Contribution deficiency (excess)	Not available	\$ 415,384	\$ 382,000	\$ (662,072)
 Covered payroll <sup>1</sup>	 Not available	 \$ 3,794,000	 \$ 3,848,632	 \$ 3,726,133
 Contributions as a percentage of covered payroll	 Not available	 9.23%	 11.74%	 40.79%

**Notes to Schedule**

Valuation date: June 30, 2017

Actuarial cost method	Entry-Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 year amortization of unfunded liability (closed period) as a level percentage of projected payroll

Discount Rate	6.00%
Inflation	2.75%
Annual Salary Increases	3.25%

Investment Rate of Return	6.0% net of investment expenses.
Mortality	Rates based on statistics taken from the California PERS Experience Study Report adopted in 2014 and include a margin for mortality improvement based Macleod Watts Scale 2017 applied generationally.

<sup>1</sup> Covered payroll as of June 30, 2015 only reflects 36 of 43 actives employees.  
\* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.



<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

<b>Measurement Date</b>	<u><b>6/30/17</b></u>
<b>Total OPEB Liability (1)</b>	
Service Cost	\$ 99,800
Interest	372,359
Differences between expected and actual experience	-
Benefit payments	(350,018)
Changes of assumptions	-
<b>Net change in total OPEB liability</b>	<u>122,141</u>
<b>Total OPEB liability - beginning</b>	<u>5,394,624</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 5,516,765</u></u>
 <b>OPEB fiduciary net position</b>	
Contributions - employer	\$ 470,037
Net investment income	127,483
Administrative expense	(656)
Benefit payments	(350,018)
<b>Net change in plan fiduciary net position</b>	<u>246,846</u>
<b>Plan fiduciary net position - beginning</b>	<u>1,273,705</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 1,520,551</u></u>
 Net OPEB liability - ending (a)-(b)	<u><u>\$ 3,996,214</u></u>
 Covered-employee payroll	\$ 7,198,797
 Total OPEB liability as a percentage of covered-employee payroll	55.51%

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

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**SUPPLEMENTAL INFORMATION**

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CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 700,000	\$ 700,000	\$ 1,457,561	\$ 757,561
Franchise taxes	1,414,300	1,414,300	2,032,946	618,646
Licenses and permits	-	-	2,239,242	2,239,242
From other agencies	19,700,000	21,110,000	-	(21,110,000)
Use of money and property	-	-	43,550	43,550
Other revenue	4,265,000	2,630,384	1,701,304	(929,080)
<b>Total Revenues</b>	<b>26,079,300</b>	<b>25,854,684</b>	<b>7,474,603</b>	<b>(18,380,081)</b>
<b>Expenditures:</b>				
Capital outlay	28,645,100	42,195,037	5,829,036	36,366,001
<b>Total Expenditures</b>	<b>28,645,100</b>	<b>42,195,037</b>	<b>5,829,036</b>	<b>36,366,001</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,565,800)	(16,340,353)	1,645,567	17,985,920
<b>Other Financing Sources (Uses):</b>				
Transfers in	550,300	7,550,300	7,625,000	74,700
Transfers (out)	(130,000)	(130,000)	(154,841)	(24,841)
<b>Total Other Financing Sources (Uses)</b>	<b>420,300</b>	<b>7,420,300</b>	<b>7,470,159</b>	<b>49,859</b>
Net Change in Fund Balance	<u>\$ (2,145,500)</u>	<u>\$ (8,920,053)</u>	9,115,726	<u>\$ 18,035,779</u>
Beginning Fund Balance			16,531,589	
<b>Ending Fund Balance</b>			<b><u>\$ 25,647,315</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
HOUSING  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 28,000	\$ 28,000	\$ 197,438	\$ 169,438
Other revenue	800,500	800,500	1,923,813	1,123,313
<b>Total Revenues</b>	<b>828,500</b>	<b>828,500</b>	<b>2,121,251</b>	<b>1,292,751</b>
<b>Expenditures:</b>				
Community development	1,686,200	4,047,933	254,847	3,793,086
<b>Total Expenditures</b>	<b>1,686,200</b>	<b>4,047,933</b>	<b>254,847</b>	<b>3,793,086</b>
Net Change in Fund Balances Before Special Item	(857,700)	(3,219,433)	1,866,404	5,085,837
<b>Special Item (Note 14c)</b>				
PG&E Settlement	1,000,000	1,000,000	1,000,000	-
Net Change in Fund Balance	\$ 142,300	\$ (2,219,433)	2,866,404	\$ 5,085,837
Beginning Fund Balance			9,580,579	
<b>Ending Fund Balance</b>			<b>\$ 12,446,983</b>	

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**NPDES FUND** – Used to account for revenues received from assessments levied by the County on property and disburses funds in compliance with the provisions of the National Pollutant Discharge Elimination System.

**POLICE GRANTS FUND** – Used to account for grant activities and services paid for and reimbursed by grant funding. This fund includes grants from the following funding sources:

- **Supplemental Law Enforcement Services Funds (SLESF)** – Under the SLESF program, cities and counties receive State funds to augment public safety expenditures.
- **Office of Traffic Safety (OTS) State Funding** – The program funds a variety of traffic related projects including equipment, personnel and overhead reimbursement.

**SAN CARLOS LIBRARY TENANT FUND** – Used to account for the San Carlos Library tenant activities.

### CAPITAL PROJECTS FUNDS

**EQUIPMENT REPLACEMENT FUND** – Used to account for the anticipated replacement of general equipment needs.

**MEASURE A FUND** – Used to account for the City's share of a one-half cent sales tax restricted for transportation purposes.

**GAS TAX FUNDS** – Used to account for revenue received and expended under the State of California, Streets and Highways Code Sections 2103, 2105, 2106, 2107, and 2107.5. These revenues must be expended for maintenance or construction of streets.

**PARK FEE FUND** – Used to account for development fees collected and used to finance the acquisition and construction of City parks.

**PARKING IN-LIEU FUND** – Used to account for fees charged to business in lieu of required parking. These revenues are used to pay for parking lot improvements and repairs.

### DEBT SERVICE FUND

**SAN CARLOS LIBRARY BONDS DEBT SERVICE FUND** – Used to accumulate the annual tax levies earmarked for payment of principal and interest on the General Obligation Bonds.

CITY OF SAN CARLOS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Special Revenue Funds			Capital Projects Fund
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
<b>Assets:</b>				
Cash and investments	\$ 423,813	\$ 273,565	\$ 1,714,076	\$ 3,244,207
Receivables:				
Accounts receivable	-	-	-	-
<b>Total Assets</b>	<b>\$ 423,813</b>	<b>\$ 273,565</b>	<b>\$ 1,714,076</b>	<b>\$ 3,244,207</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,204	\$ -	\$ -	\$ 1,854
<b>Total Liabilities</b>	<b>1,204</b>	<b>-</b>	<b>-</b>	<b>1,854</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Public safety	-	273,565	-	-
Parks and recreation	-	-	-	-
Public works	422,609	-	-	-
Debt service	-	-	-	-
<b>Committed to:</b>				
General government	-	-	1,714,076	-
Community development	-	-	-	-
Capital projects	-	-	-	3,242,353
<b>Total Fund Balances</b>	<b>422,609</b>	<b>273,565</b>	<b>1,714,076</b>	<b>3,242,353</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 423,813</b>	<b>\$ 273,565</b>	<b>\$ 1,714,076</b>	<b>\$ 3,244,207</b>



CITY OF SAN CARLOS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>Capital Projects Funds</u>			
	<u>Measure A</u>	<u>Gas Tax</u>	<u>Park Fee</u>	<u>Parking In-Lieu</u>
<b>Assets:</b>				
Cash and investments	\$ 576,926	\$ 570,256	\$ 2,486,942	\$ 148,051
Receivables:				
Accounts receivable	-	62,124	-	-
<b>Total Assets</b>	<b><u>\$ 576,926</u></b>	<b><u>\$ 632,380</u></b>	<b><u>\$ 2,486,942</u></b>	<b><u>\$ 148,051</u></b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 124,460	\$ -	\$ -
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>124,460</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	-	-
Parks and recreation	-	-	2,486,942	-
Public works	576,926	507,920	-	-
Debt service	-	-	-	-
<b>Committed to:</b>				
General government	-	-	-	-
Community development	-	-	-	148,051
Capital projects	-	-	-	-
<b>Total Fund Balances</b>	<b><u>576,926</u></b>	<b><u>507,920</u></b>	<b><u>2,486,942</u></b>	<b><u>148,051</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 576,926</u></b>	<b><u>\$ 632,380</u></b>	<b><u>\$ 2,486,942</u></b>	<b><u>\$ 148,051</u></b>

CITY OF SAN CARLOS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>San Carlos Library Bonds</u>	
<b>Assets:</b>		
Cash and investments	\$ 837,294	\$ 10,275,130
Receivables:		
Accounts receivable	-	62,124
<b>Total Assets</b>	<b><u>\$ 837,294</u></b>	<b><u>\$ 10,337,254</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ -	\$ 127,518
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>127,518</u></b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund balances:</b>		
<b>Restricted for:</b>		
Public safety	-	273,565
Parks and recreation	-	2,486,942
Public works	-	1,507,455
Debt service	837,294	837,294
<b>Committed to:</b>		
General government	-	1,714,076
Community development	-	148,051
Capital projects	-	3,242,353
<b>Total Fund Balances</b>	<b><u>837,294</u></b>	<b><u>10,209,736</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 837,294</u></b>	<b><u>\$ 10,337,254</u></b>

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CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds			Capital Projects Funds
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
<b>Revenues:</b>				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
From other agencies	528,612	139,416	-	-
Charges for current services	-	-	-	-
Use of money and property	5,187	3,239	256,081	-
Other revenue	177,262	-	-	-
<b>Total Revenues</b>	<b>711,061</b>	<b>142,655</b>	<b>256,081</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	207,670	-
Community development	-	-	-	-
Public safety	-	90,000	-	-
Public works	472,362	-	-	-
Capital outlay	-	-	-	325,887
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>472,362</b>	<b>90,000</b>	<b>207,670</b>	<b>325,887</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	238,699	52,655	48,411	(325,887)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	504,000
Transfers (out)	(128,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(128,000)</b>	<b>-</b>	<b>-</b>	<b>504,000</b>
Net Change in Fund Balances	110,699	52,655	48,411	178,113
Fund Balances, Beginning of Year	311,910	220,910	1,665,665	3,064,240
<b>Fund Balances, End of Year</b>	<b>\$ 422,609</b>	<b>\$ 273,565</b>	<b>\$ 1,714,076</b>	<b>\$ 3,242,353</b>

CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Capital Projects Funds</u>			
	<u>Measure A</u>	<u>Gas Tax</u>	<u>Park Fee</u>	<u>Parking In-Lieu</u>
<b>Revenues:</b>				
Sales taxes	\$ 875,027	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	21,373	-	1,302
From other agencies	-	915,577	-	-
Charges for current services	-	8,400	-	-
Use of money and property	6,826	6,734	29,460	2,113
Other revenue	-	-	539,829	-
	<u>881,853</u>	<u>952,084</u>	<u>569,289</u>	<u>3,415</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Public safety	-	-	-	-
Public works	89,324	486,700	-	-
Capital outlay	-	1,415,562	1,029,971	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>89,324</u>	<u>1,902,262</u>	<u>1,029,971</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>792,529</u>	<u>(950,178)</u>	<u>(460,682)</u>	<u>3,415</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	730,000	-	-
Transfers (out)	(600,000)	-	-	-
	<u>(600,000)</u>	<u>730,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	192,529	(220,178)	(460,682)	3,415
Fund Balances, Beginning of Year	384,397	728,098	2,947,624	144,636
<b>Fund Balances, End of Year</b>	<u><u>\$ 576,926</u></u>	<u><u>\$ 507,920</u></u>	<u><u>\$ 2,486,942</u></u>	<u><u>\$ 148,051</u></u>

CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>San Carlos Library Bonds</u>	
<b>Revenues:</b>		
Sales taxes	\$ -	\$ 875,027
Property taxes	444,223	444,223
Licenses and permits	-	22,675
From other agencies	-	1,583,605
Charges for current services	-	8,400
Use of money and property	9,898	319,538
Other revenue	-	717,091
	<u>454,121</u>	<u>3,970,559</u>
<b>Total Revenues</b>		
	<b>454,121</b>	<b>3,970,559</b>
<b>Expenditures:</b>		
Current:		
General government	-	207,670
Community development	-	-
Public safety	-	90,000
Public works	-	1,048,386
Capital outlay	-	2,771,420
Debt service:		
Principal	265,000	265,000
Interest and fiscal charges	91,760	91,760
	<u>356,760</u>	<u>4,474,236</u>
<b>Total Expenditures</b>		
	<b>356,760</b>	<b>4,474,236</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>97,361</u>	<u>(503,677)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	1,234,000
Transfers (out)	-	(728,000)
	<u>-</u>	<u>506,000</u>
<b>Total Other Financing Sources (Uses)</b>		
	<b>-</b>	<b>506,000</b>
Net Change in Fund Balances	97,361	2,323
Fund Balances, Beginning of Year	<u>739,933</u>	<u>10,207,413</u>
<b>Fund Balances, End of Year</b>	<u><b>\$ 837,294</b></u>	<u><b>\$ 10,209,736</b></u>

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
NPDES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From other agencies	\$ 548,400	\$ 548,400	\$ 528,612	\$ (19,788)
Use of money and property	-	-	5,187	5,187
Other revenue	133,200	133,200	177,262	44,062
<b>Total Revenues</b>	<b>681,600</b>	<b>681,600</b>	<b>711,061</b>	<b>29,461</b>
<b>Expenditures:</b>				
Public works	674,200	546,200	472,362	73,838
<b>Total Expenditures</b>	<b>674,200</b>	<b>546,200</b>	<b>472,362</b>	<b>73,838</b>
Excess (Deficiency) of Revenues Over Expenditures	7,400	135,400	238,699	103,299
<b>Other Financing Sources (Uses):</b>				
Transfers (out)	-	(128,000)	(128,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(128,000)</b>	<b>(128,000)</b>	<b>-</b>
Net Change in Fund Balance	<u>\$ 7,400</u>	<u>\$ 7,400</u>	110,699	<u>\$ 103,299</u>
Beginning Fund Balance			311,910	
<b>Ending Fund Balance</b>			<b><u>\$ 422,609</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
POLICE GRANTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From other agencies	\$ 104,000	\$ 104,000	\$ 139,416	\$ 35,416
Use of money and property	-	-	3,239	3,239
<b>Total Revenues</b>	<b>104,000</b>	<b>104,000</b>	<b>142,655</b>	<b>38,655</b>
<b>Expenditures:</b>				
Public safety	90,000	90,000	90,000	-
Capital outlay	50,000	50,000	-	50,000
<b>Total Expenditures</b>	<b>140,000</b>	<b>140,000</b>	<b>90,000</b>	<b>50,000</b>
Net Change in Fund Balance	<u>\$ (36,000)</u>	<u>\$ (36,000)</u>	52,655	<u>\$ 88,655</u>
Beginning Fund Balance			220,910	
<b>Ending Fund Balance</b>			<u><b>\$ 273,565</b></u>	



CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
SAN CARLOS LIBRARY TENANT  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Use of money and property	\$ 236,800	\$ 236,800	\$ 256,081	\$ 19,281
<b>Total Revenues</b>	<b>236,800</b>	<b>236,800</b>	<b>256,081</b>	<b>19,281</b>
<b>Expenditures:</b>				
General government	156,700	562,159	207,670	354,489
<b>Total Expenditures</b>	<b>156,700</b>	<b>562,159</b>	<b>207,670</b>	<b>354,489</b>
Net Change in Fund Balance	<u>\$ 80,100</u>	<u>\$ (325,359)</u>	48,411	<u>\$ 373,770</u>
Beginning Fund Balance			<u>1,665,665</u>	
<b>Ending Fund Balance</b>			<u><b>\$ 1,714,076</b></u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
EQUIPMENT REPLACEMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Capital outlay	\$ 284,300	\$ 1,126,351	\$ 325,887	\$ 800,464
<b>Total Expenditures</b>	<b>284,300</b>	<b>1,126,351</b>	<b>325,887</b>	<b>800,464</b>
Excess (Deficiency) of Revenues Over Expenditures	(284,300)	(1,126,351)	(325,887)	800,464
<b>Other Financing Sources (Uses):</b>				
Transfers in	504,000	504,000	504,000	-
Net Change in Fund Balance	<u>\$ 219,700</u>	<u>\$ (622,351)</u>	178,113	<u>\$ 800,464</u>
Beginning Fund Balance			<u>3,064,240</u>	
<b>Ending Fund Balance</b>			<b><u>\$ 3,242,353</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
MEASURE A  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes	\$ 742,900	\$ 742,900	\$ 875,027	\$ 132,127
Use of money and property	-	-	6,826	6,826
<b>Total Revenues</b>	<b>742,900</b>	<b>742,900</b>	<b>881,853</b>	<b>138,953</b>
<b>Expenditures:</b>				
Public works	118,300	118,300	89,324	28,976
<b>Total Expenditures</b>	<b>118,300</b>	<b>118,300</b>	<b>89,324</b>	<b>28,976</b>
Excess (Deficiency) of Revenues Over Expenditures	624,600	624,600	792,529	167,929
<b>Other Financing Sources (Uses):</b>				
Transfers (out)	(600,000)	(600,000)	(600,000)	-
Net Change in Fund Balance	<u>\$ 24,600</u>	<u>\$ 24,600</u>	192,529	<u>\$ 167,929</u>
Beginning Fund Balance			<u>384,397</u>	
<b>Ending Fund Balance</b>			<b><u>\$ 576,926</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses and permits	\$ 46,800	\$ 46,800	\$ 21,373	\$ (25,427)
Charges for current services	-	-	8,400	8,400
From other agencies	940,000	940,000	915,577	(24,423)
Use of money and property	-	-	6,734	6,734
<b>Total Revenues</b>	<b>986,800</b>	<b>986,800</b>	<b>952,084</b>	<b>(34,716)</b>
<b>Expenditures:</b>				
Public works	486,700	486,700	486,700	-
Capital outlay	1,285,000	1,963,383	1,415,562	547,821
<b>Total Expenditures</b>	<b>1,771,700</b>	<b>2,450,083</b>	<b>1,902,262</b>	<b>547,821</b>
Excess (Deficiency) of Revenues Over Expenditures	(784,900)	(1,463,283)	(950,178)	513,105
<b>Other Financing Sources (Uses):</b>				
Transfers in	730,000	730,000	730,000	-
Net Change in Fund Balance	<u>\$ (54,900)</u>	<u>\$ (733,283)</u>	(220,178)	<u>\$ 513,105</u>
Beginning Fund Balance			<u>728,098</u>	
<b>Ending Fund Balance</b>			<b><u>\$ 507,920</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
PARK FEE  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Use of money and property	\$ 2,100	\$ 2,100	\$ 29,460	\$ 27,360
Other revenue	97,900	147,900	539,829	391,929
<b>Total Revenues</b>	<b>100,000</b>	<b>150,000</b>	<b>569,289</b>	<b>419,289</b>
<b>Expenditures:</b>				
Capital outlay	75,000	1,776,572	1,029,971	746,601
<b>Total Expenditures</b>	<b>75,000</b>	<b>1,776,572</b>	<b>1,029,971</b>	<b>746,601</b>
Excess (Deficiency) of Revenues Over Expenditures	25,000	(1,626,572)	(460,682)	1,165,890
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Net Change in Fund Balance	<u>\$ 25,000</u>	<u>\$ (1,626,572)</u>	(460,682)	<u>\$ 1,165,890</u>
Beginning Fund Balance			<u>2,947,624</u>	
<b>Ending Fund Balance</b>			<b><u>\$ 2,486,942</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
PARKING IN-LIEU  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses and permits	\$ 8,700	\$ 8,700	\$ 1,302	\$ (7,398)
Use of money and property	400	400	2,113	1,713
<b>Total Revenues</b>	<b>9,100</b>	<b>9,100</b>	<b>3,415</b>	<b>(5,685)</b>
<b>Expenditures:</b>				
Community development	64,600	64,600	-	64,600
Capital outlay	3,000	3,000	-	3,000
<b>Total Expenditures</b>	<b>67,600</b>	<b>67,600</b>	<b>-</b>	<b>67,600</b>
Net Change in Fund Balance	<u>\$ (58,500)</u>	<u>\$ (58,500)</u>	3,415	<u>\$ 61,915</u>
Beginning Fund Balance			144,636	
<b>Ending Fund Balance</b>			<b><u>\$ 148,051</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
 SAN CARLOS LIBRARY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 357,500	\$ 357,500	\$ 444,223	\$ 86,723
Use of money and property	-	-	9,898	9,898
<b>Total Revenues</b>	<b>357,500</b>	<b>357,500</b>	<b>454,121</b>	<b>96,621</b>
<b>Expenditures:</b>				
Principal	265,000	265,000	265,000	-
Interest and fiscal charges	91,900	91,900	91,760	140
<b>Total Expenditures</b>	<b>356,900</b>	<b>356,900</b>	<b>356,760</b>	<b>140</b>
Net Change in Fund Balance	<u>\$ 600</u>	<u>\$ 600</u>	97,361	<u>\$ 96,761</u>
Beginning Fund Balance			739,933	
<b>Ending Fund Balance</b>			<u><b>\$ 837,294</b></u>	

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## INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis. The concept of major funds does not extend to internal service funds because they do not do business with outside parties. The Statement of Activities, the net revenues or expenses of each internal service fund, is eliminated by netting them against the operations of the other City departments, which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

**WORKERS' COMPENSATION FUND** – Used to account for activities relating to Workers' Compensation claims and the premiums for coverage.

**LIABILITY INSURANCE FUND** – Used to account for activities relating to general liability claims against the City and premiums for coverage above the City's risk retention level.

**LONGEVITY BENEFITS FUND** – Used to account for activities relating to health care benefits for retired employees.

CITY OF SAN CARLOS

COMBINING STATEMENTS OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2018

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
<b>Assets:</b>				
Current:				
Cash and investments	\$ 305,380	\$ 1,076,775	\$ 327,582	\$ 1,709,737
Accounts receivable	-	34,607	-	34,607
<b>Total Assets</b>	<b>\$ 305,380</b>	<b>\$ 1,111,382</b>	<b>\$ 327,582</b>	<b>\$ 1,744,344</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 152,503	\$ -	\$ 152,503
Accrued liabilities	-	52,814	-	52,814
Claims payable:				
Due within one year	125,000	188,000	-	313,000
Due in more than one year	-	250,000	-	250,000
<b>Total Liabilities</b>	<b>125,000</b>	<b>643,317</b>	<b>-</b>	<b>768,317</b>
<b>Net Position:</b>				
Unrestricted	180,380	468,065	327,582	976,027
<b>Total Net Position</b>	<b>\$ 180,380</b>	<b>\$ 468,065</b>	<b>\$ 327,582</b>	<b>\$ 976,027</b>

CITY OF SAN CARLOS

COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds			Total
	Workers' Compensation	Liability Insurance	Longevity Benefits	
<b>Operating Revenues:</b>				
Charges for services	\$ 7,803	\$ -	\$ 928,400	\$ 936,203
Cost reimbursements	81,025	919,500	-	1,000,525
<b>Total Operating Revenues</b>	<b>88,828</b>	<b>919,500</b>	<b>928,400</b>	<b>1,936,728</b>
<b>Operating Expenses:</b>				
Insurance premiums	64,579	436,965	-	501,544
Claims expense	27,830	482,483	877,000	1,387,313
Miscellaneous	1,276	47,603	-	48,879
<b>Total Operating Expenses</b>	<b>93,685</b>	<b>967,051</b>	<b>877,000</b>	<b>1,937,736</b>
Operating Income	(4,857)	(47,551)	51,400	(1,008)
<b>Nonoperating Revenues:</b>				
Investment income	4,958	12,741	3,944	21,643
From other agencies	-	35,224	-	35,224
<b>Total Nonoperating Revenues</b>	<b>4,958</b>	<b>47,965</b>	<b>3,944</b>	<b>56,867</b>
Changes in Net Position	101	414	55,344	55,859
<b>Net Position:</b>				
Beginning of Year	180,279	467,651	272,238	920,168
<b>End of Fiscal Year</b>	<b>\$ 180,380</b>	<b>\$ 468,065</b>	<b>\$ 327,582</b>	<b>\$ 976,027</b>

CITY OF SAN CARLOS

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
<b>Cash Flows from Operating Activities:</b>				
Receipts from other funds	\$ 88,828	\$ 922,505	\$ 928,400	\$ 1,939,733
Payments to suppliers	(65,855)	(288,878)	-	(354,733)
Claims paid	-	(544,483)	(877,000)	(1,421,483)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>22,973</b>	<b>89,144</b>	<b>51,400</b>	<b>163,517</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
From other agencies	-	35,224	-	35,224
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>-</b>	<b>35,224</b>	<b>-</b>	<b>35,224</b>
<b>Cash Flows from Investing Activities:</b>				
Interest	4,958	12,741	3,944	21,643
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>4,958</b>	<b>12,741</b>	<b>3,944</b>	<b>21,643</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>27,931</b>	<b>137,109</b>	<b>55,344</b>	<b>220,384</b>
Cash and Cash Equivalents at Beginning of Year	277,449	939,666	272,238	1,489,353
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 305,380</b>	<b>\$ 1,076,775</b>	<b>\$ 327,582</b>	<b>\$ 1,709,737</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (4,857)	\$ (47,551)	\$ 51,400	\$ (1,008)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>				
Change in assets and liabilities:				
Accounts receivable	-	3,005	-	3,005
Accounts payable	-	142,876	-	142,876
Accrued liabilities	-	52,814	-	52,814
Claims payable	27,830	(62,000)	-	(34,170)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 22,973</b>	<b>\$ 89,144</b>	<b>\$ 51,400</b>	<b>\$ 163,517</b>

## AGENCY FUNDS

Agency Funds are presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as agent for individuals, governmental entities and non-public organizations. These funds include the following:

**ASSESSMENT DISTRICTS FUND** – Used to account for the collection and payment to holders of the 1988 Special Tax Bonds.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY (C/CAG)** – Used to account for City/County Association of Governments of San Mateo County’s activities. The City acts as fiscal agent for this entity.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (SBWMA)** – Used to account for the South Bayside Waste Management Authority’s activities. The City acts as fiscal agent for this entity.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE (COMMUTE.ORG)** – Used to account for the Peninsula Traffic Congestion Relief Alliance’s activities. The City acts as fiscal agent for this entity.

CITY OF SAN CARLOS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Assessment Districts Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ 11,790	\$ -	\$ 11,790	\$ -
<b>Total Assets</b>	<b>\$ 11,790</b>	<b>\$ -</b>	<b>\$ 11,790</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Due to assessment district bondholders	\$ 11,790	\$ -	\$ 11,790	\$ -
<b>Total Liabilities</b>	<b>\$ 11,790</b>	<b>\$ -</b>	<b>\$ 11,790</b>	<b>\$ -</b>
<b>City/County Association of Government of San Mateo County</b>				
<b>Assets:</b>				
Cash and investments	\$ 21,976,647	\$ 58,364,226	\$ 55,699,410	\$ 24,641,463
Receivables:				
Accounts receivable	3,907,855	6,193,061	7,813,407	2,287,509
<b>Total Assets</b>	<b>\$ 25,884,502</b>	<b>\$ 64,557,287</b>	<b>\$ 63,512,817</b>	<b>\$ 26,928,972</b>
<b>Liabilities:</b>				
Accounts payable	\$ 3,736,160	\$ 15,106,967	\$ 14,800,711	\$ 4,042,416
Due to members	22,148,342	17,998,599	17,260,385	22,886,556
<b>Total Liabilities</b>	<b>\$ 25,884,502</b>	<b>\$ 33,105,566</b>	<b>\$ 32,061,096</b>	<b>\$ 26,928,972</b>
<b>South Bayside Waste Management Authority</b>				
<b>Assets:</b>				
Cash and investments	\$ 14,861,163	\$ 200,366,944	\$ 198,163,401	\$ 17,064,706
Cash with fiscal agent	6,364,259	4,230,972	4,142,494	6,452,737
Prepaid items	720	136,942	3,919	133,743
Receivables:				
Accounts receivable	4,615,340	38,780,284	38,669,787	4,725,837
Interest receivable	36,178	69,547	36,178	69,547
<b>Total Assets</b>	<b>\$ 25,877,660</b>	<b>\$ 243,584,689</b>	<b>\$ 241,015,779</b>	<b>\$ 28,446,570</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 3,882,096	\$ 54,543,304	\$ 52,661,130	\$ 5,764,270
Interest payable	919,504	1,780,996	1,800,333	900,167
Deposits payable	1,233,640	-	-	1,233,640
Due to members	19,842,420	72,110,198	71,404,125	20,548,493
<b>Total Liabilities</b>	<b>\$ 25,877,660</b>	<b>\$ 128,434,498</b>	<b>\$ 125,865,588</b>	<b>\$ 28,446,570</b>

CITY OF SAN CARLOS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Peninsula Traffic Congestion Relief Alliance</b>				
<b>Assets:</b>				
Cash and investments	\$ -	\$ 2,742,561	\$ 2,003,582	\$738,979
Prepaid items	-	40,651	-	40,651
Grants receivable	-	743,147	84,823	658,324
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 3,526,359</b>	<b>\$ 2,088,405</b>	<b>\$ 1,437,954</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 1,952,817	\$ 1,535,140	\$ 417,677
Unearned revenue	-	175,937	-	175,937
Due to members	-	4,809,161	3,964,821	844,340
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 6,937,915</b>	<b>\$ 5,499,961</b>	<b>\$ 1,437,954</b>
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Cash and investments	\$ 36,849,600	\$261,473,731	\$255,878,183	\$ 42,445,148
Receivables:				
Accounts receivable	8,523,189	44,973,345	46,483,188	7,013,346
Interest Receivable	36,178	69,547	36,178	69,547
Prepaid items	720	177,593	3,919	174,394
Grants receivable	-	743,147	84,823	658,324
Restricted Assets:				
Cash and investments with fiscal agents	6,364,259	4,230,972	4,142,494	6,452,737
<b>Total Assets</b>	<b>\$ 51,773,946</b>	<b>\$311,668,335</b>	<b>\$306,628,785</b>	<b>\$ 56,813,496</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 7,618,247	\$ 71,603,097	\$ 68,996,981	\$ 10,224,363
Interest Payable	919,504	1,780,996	1,800,333	900,167
Due to members	41,990,765	94,917,955	92,629,331	44,279,389
Deposits payable	1,233,640	-	-	1,233,640
Unearned revenue	-	175,937	-	175,937
Due to assessment	11,790	-	11,790	-
<b>Total Liabilities</b>	<b>\$ 51,773,946</b>	<b>\$168,477,985</b>	<b>\$163,438,435</b>	<b>\$ 56,813,496</b>

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## STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### 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:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source - the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Top Ten Property Tax Payers
4. Property Tax Levies and Collections

### Debt Capacity

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

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Pledged-Revenue Coverage
4. Computation of Direct and Overlapping Debt
5. Computation of Legal Bonded Debt Margin

### 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:

1. Demographic and Economic Statistics
2. Principal Employers
3. Full Time Equivalent City Employees by Function

### Operating Information

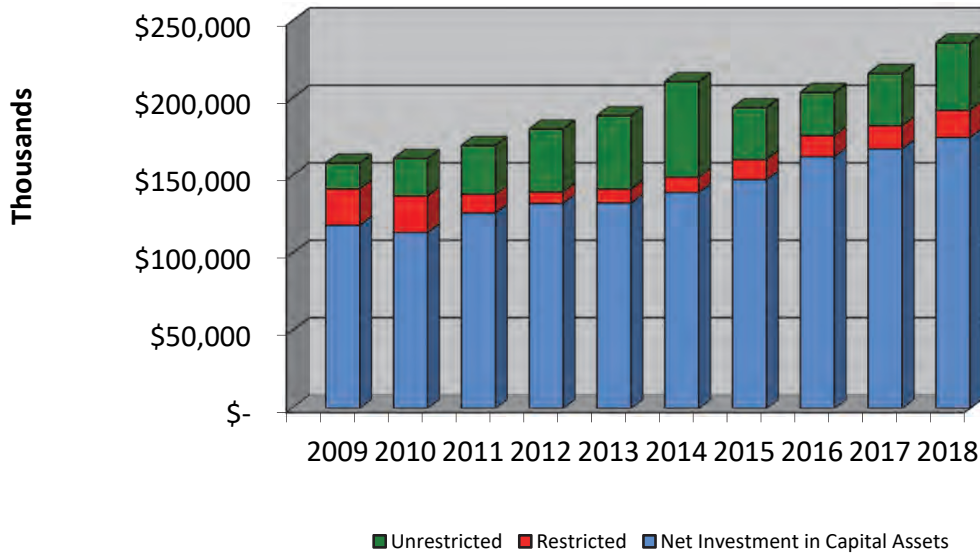
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Operating Indicators by Function/Program
2. Capital Asset Statistics by Function/Program

### Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**CITY OF SAN CARLOS**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**



	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 107,041,257	\$ 101,975,928	\$ 113,903,786	\$ 119,426,713
Restricted	23,426,300	23,500,466	12,143,894	7,322,914
Unrestricted	12,724,651	19,737,818	26,256,514	34,473,081
Total governmental activities net position	<u>\$ 143,192,208</u>	<u>\$ 145,214,212</u>	<u>\$ 152,304,194</u>	<u>\$ 161,222,708</u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 11,097,233	\$ 11,528,037	\$ 12,133,706	\$ 12,798,962
Unrestricted	3,985,755	4,591,798	5,117,936	6,210,876
Total business-type activities net position	<u>\$ 15,082,988</u>	<u>\$ 16,119,835</u>	<u>\$ 17,251,642</u>	<u>\$ 19,009,838</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 118,138,490	\$ 113,503,965	\$ 126,037,492	\$ 132,225,675
Restricted	23,426,300	23,500,466	12,143,894	7,322,914
Unrestricted	16,710,406	24,329,616	31,374,450	40,683,957
Total primary government net position	<u>\$ 158,275,196</u>	<u>\$ 161,334,047</u>	<u>\$ 169,555,836</u>	<u>\$ 180,232,546</u>

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 119,171,599	\$ 124,467,083	\$ 132,736,463	\$ 140,578,718	\$ 139,749,356	\$ 143,590,862
8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239
39,942,056	42,689,655	14,374,721	14,261,604	19,429,741	26,566,944
<u>\$ 167,984,890</u>	<u>\$ 177,016,634</u>	<u>\$ 160,015,799</u>	<u>\$ 168,474,470</u>	<u>\$ 174,092,548</u>	<u>\$ 187,710,045</u>
\$ 13,337,359	\$ 14,840,080	\$ 14,855,225	\$ 21,838,351	\$ 27,740,303	\$ 31,170,136
7,556,596	19,028,996	19,212,357	13,613,839	14,360,124	17,040,516
<u>\$ 20,893,955</u>	<u>\$ 33,869,076</u>	<u>\$ 34,067,582</u>	<u>\$ 35,452,190</u>	<u>\$ 42,100,427</u>	<u>\$ 48,210,652</u>
\$ 132,508,958	\$ 139,307,163	\$ 147,591,688	\$ 162,417,069	\$ 167,489,659	\$ 174,760,998
8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239
47,498,652	61,718,651	33,587,078	27,875,443	33,789,865	43,607,460
<u>\$ 188,878,845</u>	<u>\$ 210,885,710</u>	<u>\$ 194,083,381</u>	<u>\$ 203,926,660</u>	<u>\$ 216,192,975</u>	<u>\$ 235,920,697</u>

**CITY OF SAN CARLOS**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Expenses</b>				
Governmental Activities:				
General Government	\$ 5,627,987	\$ 5,167,150	\$ 3,950,781	\$ 5,663,863
Public Safety	14,188,879	14,590,515	15,074,068	13,449,771
Public Works	2,195,710	2,398,325	1,945,532	2,493,488
Community Development	3,656,176	3,763,475	3,611,267	4,081,250
Parks and Recreation	4,618,697	4,799,953	3,707,647	4,018,025
Interest on Long Term Debt	1,409,090	1,383,563	1,565,337	608,784
Total Governmental Activities Expenses	<u>31,696,539</u>	<u>32,102,981</u>	<u>29,854,632</u>	<u>30,315,181</u>
Business-Type Activities:				
Sewer	5,187,771	6,696,224	7,314,132	7,887,064
Total Business-Type Activities Expenses	<u>5,187,771</u>	<u>6,696,224</u>	<u>7,314,132</u>	<u>7,887,064</u>
Total Primary Government Expenses	<u>\$ 36,884,310</u>	<u>\$ 38,799,205</u>	<u>\$ 37,168,764</u>	<u>\$ 38,202,245</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 1,463,589	\$ 1,485,737	\$ 1,348,137	\$ 1,027,189
Public Safety	433,521	553,269	468,078	515,745
Public Works	571,395	593,230	626,538	2,230,306
Community Development	1,997,953	2,194,437	1,909,598	2,125,361
Parks and Recreation	2,229,688	2,027,398	1,722,864	1,951,859
Operating Grants and Contributions	925,265	1,303,320	1,621,920	1,257,912
Capital Grants and Contributions	293,889	270,875	594,081	1,054,103
Total Governmental Activities Program Revenues	<u>7,915,300</u>	<u>8,428,266</u>	<u>8,291,216</u>	<u>10,162,475</u>
Business-Type Activities:				
Charges for Services:				
Sewer	7,756,952	8,020,388	8,993,614	10,195,074
Total Business-Type Activities Program Revenue	<u>7,756,952</u>	<u>8,020,388</u>	<u>8,993,614</u>	<u>10,195,074</u>
Total Primary Government Program Revenues	<u>\$ 15,672,252</u>	<u>\$ 16,448,654</u>	<u>\$ 17,284,830</u>	<u>\$ 20,357,549</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (23,781,239)	\$ (23,674,715)	\$ (21,563,416)	\$ (20,152,706)
Business-Type Activities	2,569,181	1,324,164	1,679,482	2,308,010
Total Primary Government Net Expense	<u>\$ (21,212,058)</u>	<u>\$ (22,350,551)</u>	<u>\$ (19,883,934)</u>	<u>\$ (17,844,696)</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 6,475,824	\$ 5,321,121	\$ 5,189,609	\$ 6,017,538	\$ 6,329,346	\$ 10,536,582
14,574,275	15,592,529	16,069,651	17,430,558	18,375,585	19,030,927
2,687,707	8,255,888	9,167,760	8,266,278	7,978,435	9,153,462
2,766,720	2,991,374	3,272,803	4,096,699	4,700,675	3,916,838
4,117,692	3,043,648	3,203,949	2,367,444	3,858,835	3,127,329
264,260	276,859	334,808	268,810	81,837	73,925
<u>30,886,478</u>	<u>35,481,419</u>	<u>37,238,580</u>	<u>38,447,327</u>	<u>41,324,713</u>	<u>45,839,063</u>
7,874,008	8,320,370	11,882,000	14,067,910	9,663,209	10,604,504
<u>7,874,008</u>	<u>8,320,370</u>	<u>11,882,000</u>	<u>14,067,910</u>	<u>9,663,209</u>	<u>10,604,504</u>
<u>\$ 38,760,486</u>	<u>\$ 43,801,789</u>	<u>\$ 49,120,580</u>	<u>\$ 52,515,237</u>	<u>\$ 50,987,922</u>	<u>\$ 56,443,567</u>
\$ 1,074,928	\$ 1,071,289	\$ 1,749,186	\$ 1,258,805	\$ 1,297,282	\$ 1,323,703
505,948	527,366	560,303	518,876	618,102	522,690
597,220	1,201,650	769,083	2,222,932	1,502,215	3,419,090
2,017,110	2,625,860	3,227,818	4,359,416	3,618,051	4,075,435
2,122,207	2,206,374	1,710,865	1,499,342	1,630,102	1,576,562
1,591,002	1,942,020	1,718,123	1,717,004	2,093,580	4,864,283
1,070,551	4,907,492	4,882,958	4,295,854	2,416,816	973,726
<u>8,978,966</u>	<u>14,482,051</u>	<u>14,618,336</u>	<u>15,872,229</u>	<u>13,176,148</u>	<u>16,755,489</u>
<u>10,222,616</u>	<u>12,685,252</u>	<u>15,335,342</u>	<u>16,798,299</u>	<u>16,793,613</u>	<u>17,487,381</u>
<u>10,222,616</u>	<u>12,685,252</u>	<u>15,335,342</u>	<u>16,798,299</u>	<u>16,793,613</u>	<u>17,487,381</u>
<u>\$ 19,201,582</u>	<u>\$ 27,167,303</u>	<u>\$ 29,953,678</u>	<u>\$ 32,670,528</u>	<u>\$ 29,969,761</u>	<u>\$ 34,242,870</u>
\$ (21,907,512)	\$ (20,999,368)	\$ (22,620,244)	\$ (22,575,098)	\$ (28,148,565)	\$ (29,083,574)
2,348,608	4,364,882	3,453,342	2,730,389	7,130,404	6,882,877
<u>\$ (19,558,904)</u>	<u>\$ (16,634,486)</u>	<u>\$ (19,166,902)</u>	<u>\$ (19,844,709)</u>	<u>\$ (21,018,161)</u>	<u>\$ (22,200,697)</u>

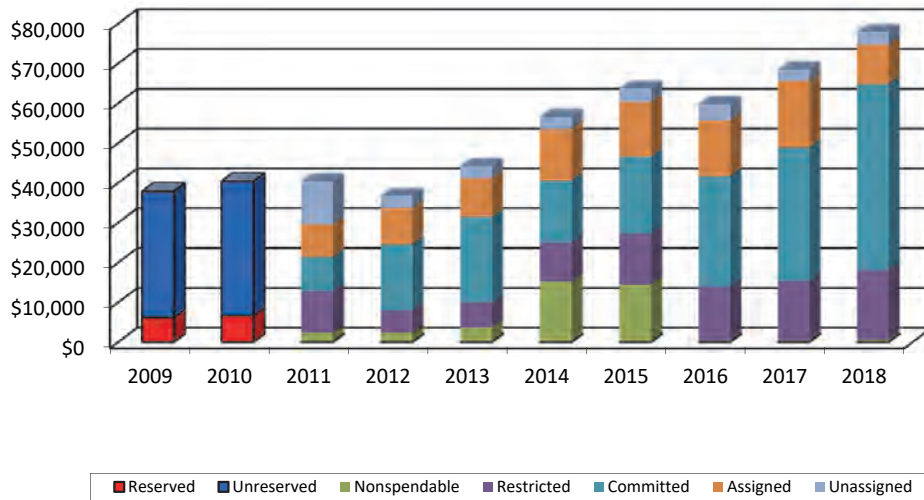
**CITY OF SAN CARLOS**  
**Changes in Net Position**  
**(continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 14,247,207	\$ 12,785,913	\$ 14,414,923	\$ 12,615,467
Sales Taxes	5,669,333	5,697,574	5,752,468	5,870,214
Motor Vehicle In-Lieu	2,176,235	2,230,997	2,315,671	2,205,159
Transient Occupancy Tax	750,175	682,750	815,197	943,513
Nonregulatory Franchise and Business	2,520,723	2,663,713	2,916,896	3,000,857
Use of money and property	300,513	782,328	1,190,048	1,443,720
Loss on sale of capital assets	-	-	-	-
Other	287,928	313,444	853,307	818,682
Transfers	1,183,000	540,000	584,600	595,000
Special item	-	-	-	-
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	2,184,427
Total Government Activities	<u>27,135,114</u>	<u>25,696,719</u>	<u>28,843,110</u>	<u>29,677,039</u>
Business-Type Activities:				
Use of money and property	(35,134)	38,243	36,925	45,186
Miscellaneous Revenues	-	214,440	-	-
Transfers	(1,183,000)	(540,000)	(584,600)	(595,000)
Total Business-Type Activities	<u>(1,218,134)</u>	<u>(287,317)</u>	<u>(547,675)</u>	<u>(549,814)</u>
Total Primary Government	<u>\$ 25,916,980</u>	<u>\$ 25,409,402</u>	<u>\$ 28,295,435</u>	<u>\$ 29,127,225</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 3,353,875	\$ 2,022,004	\$ 7,279,694	\$ 9,524,333
Business-Type Activities	1,351,047	1,036,847	1,131,807	1,758,196
Total Primary Government	<u>\$ 4,704,922</u>	<u>\$ 3,058,851</u>	<u>\$ 8,411,501</u>	<u>\$ 11,282,529</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 11,231,717	\$ 12,907,307	\$ 11,295,391	\$ 12,117,407	\$ 12,867,544	\$ 13,777,611
6,427,400	7,287,136	9,882,460	10,708,021	11,574,662	12,716,614
2,155,983	2,438,078	2,515,600	2,744,676	2,933,877	3,202,810
1,120,864	1,270,072	1,396,732	1,578,740	1,570,815	1,655,658
3,240,864	3,351,838	3,437,742	3,552,639	3,792,976	3,962,800
1,552,992	1,918,054	2,330,545	3,147,860	2,271,719	2,782,096
-	-	-	-	(2,686,318)	-
2,429,847	686,427	708,552	1,284,689	867,468	1,307,380
510,000	172,200	591,000	562,600	573,900	457,400
-	-	-	-	-	6,000,000
-	-	2,172,017	-	-	-
<u>28,669,667</u>	<u>30,031,112</u>	<u>34,330,039</u>	<u>35,696,632</u>	<u>33,766,643</u>	<u>45,862,369</u>
45,509	91,110	77,276	109,244	91,733	199,087
-	32,358	26,973	-	-	-
(510,000)	(172,200)	(591,000)	(562,600)	(573,900)	(457,400)
<u>(464,491)</u>	<u>(48,732)</u>	<u>(486,751)</u>	<u>(453,356)</u>	<u>(482,167)</u>	<u>(258,313)</u>
<u>\$ 28,205,176</u>	<u>\$ 29,982,380</u>	<u>\$ 33,843,288</u>	<u>\$ 35,243,276</u>	<u>\$ 33,284,476</u>	<u>\$ 45,604,056</u>
\$ 6,762,155	\$ 9,031,744	\$ 11,709,795	\$ 13,121,534	\$ 5,618,078	\$ 16,778,795
1,884,117	4,316,150	2,966,591	2,277,033	6,648,237	6,624,564
<u>\$ 8,646,272</u>	<u>\$ 13,347,894</u>	<u>\$ 14,676,386</u>	<u>\$ 15,398,567</u>	<u>\$ 12,266,315</u>	<u>\$ 23,403,359</u>

**CITY OF SAN CARLOS**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

Thousands



	2009	2010	2011	2012	2013	2014
<b>General Fund</b>						
Reserved	\$ 1,433,666	\$ 2,556,020	\$ -	\$ -	\$ -	\$ -
Unreserved	8,455,536	9,207,477	-	-	-	-
Nonspendable	-	-	712,160	713,300	1,062,700	15,130,823
Restricted	-	-	-	-	42,000	-
Committed	-	-	2,706,600	6,853,165	7,151,565	3,200,000
Assigned	-	-	2,728,704	9,175,000	9,700,000	12,901,565
Unassigned	-	-	10,694,918	3,002,379	3,052,124	3,040,483
<b>Total General Fund</b>	<b>\$ 9,889,202</b>	<b>\$ 11,763,497</b>	<b>\$ 16,842,382</b>	<b>\$ 19,743,844</b>	<b>\$ 21,008,389</b>	<b>\$ 34,272,871</b>
<b>All Other Governmental Funds</b>						
Reserved	\$ 4,725,179	\$ 4,093,846	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:						
Special revenue funds	1,038,590	1,228,197	-	-	-	-
Capital project funds	22,213,798	23,313,352	-	-	-	-
Nonspendable	-	-	1,587,305	1,585,662	2,538,601	-
Restricted	-	-	10,556,589	5,737,252	6,290,634	9,859,896
Committed	-	-	5,760,066	9,652,778	14,369,247	12,377,737
Assigned	-	-	5,578,686	-	-	-
Unassigned	-	-	(22,835)	(22,610)	-	-
<b>Total all other governmental funds</b>	<b>\$ 27,977,567</b>	<b>\$ 28,635,395</b>	<b>\$ 23,459,811</b>	<b>\$ 16,953,082</b>	<b>\$ 23,198,482</b>	<b>\$ 22,237,633</b>

(a) The City implemented Governmental Accounting Standards Board Statement Number 54 in fiscal year 2011.



<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
14,422,062	348,263	380,712	607,633
-	-	-	-
3,300,000	11,291,795	12,131,795	15,924,352
13,683,365	14,000,000	16,841,500	9,841,500
3,386,603	3,971,159	2,698,673	3,177,129
<u>\$ 34,792,030</u>	<u>\$ 29,611,217</u>	<u>\$ 32,052,680</u>	<u>\$ 29,550,614</u> (a)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
12,904,615	13,634,148	14,913,451	17,552,239
15,968,926	16,433,787	21,406,130	30,751,795
-	-	-	-
-	-	-	-
<u>\$ 28,873,541</u>	<u>\$ 30,067,935</u>	<u>\$ 36,319,581</u>	<u>\$ 48,304,034</u>

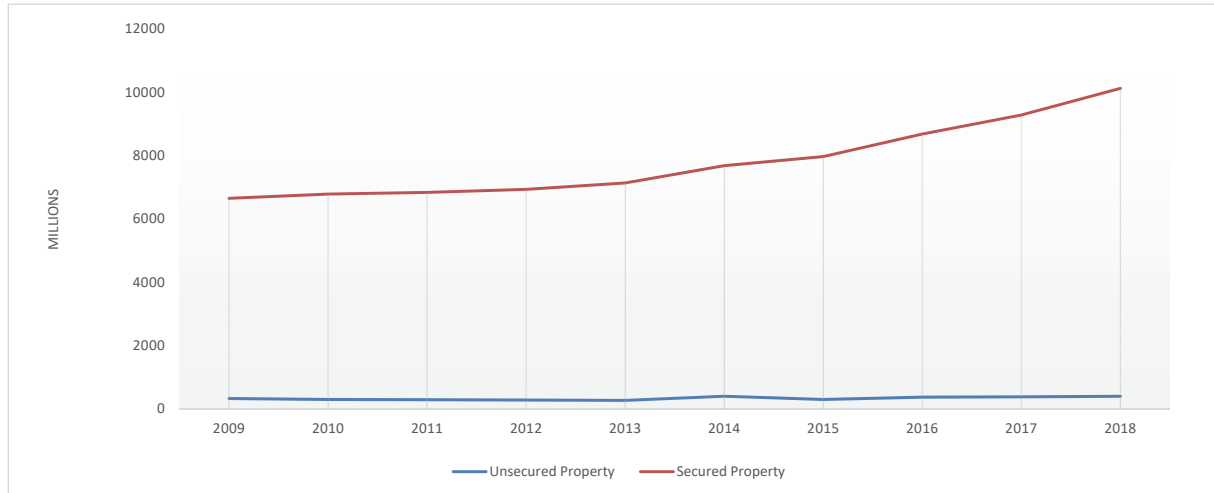
**CITY OF SAN CARLOS**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>				
Taxes	\$ 25,363,673	\$ 24,060,951	\$ 26,868,250	\$ 25,282,782
Licenses, permits and fees	1,541,665	1,607,864	1,020,215	3,198,769
Fines and forfeitures	312,853	397,210	299,364	265,091
Use of money and property	1,248,692	1,693,320	2,004,508	1,864,401
From other agencies	987,347	1,385,530	2,125,347	2,048,990
Charges for services	2,561,133	2,725,768	2,532,268	2,557,464
Other	1,861,965	1,621,224	1,594,824	1,674,507
Total Revenues	<u>33,877,328</u>	<u>33,491,867</u>	<u>36,444,776</u>	<u>36,892,004</u>
<b>Expenditures</b>				
Current:				
General government	5,886,424	3,736,126	3,031,272	4,555,802
Public safety	14,130,234	14,521,349	15,298,099	13,119,914
Public works	1,200,883	1,178,543	1,223,829	1,673,870
Community development	3,581,043	3,656,015	3,542,118	3,932,661
Parks and recreation	4,225,018	4,226,263	3,379,167	3,438,598
Capital outlay	3,556,380	2,165,396	9,854,906	2,465,296
Debt service:				
Principal repayment	636,421	624,164	662,049	700,264
Interest and fiscal charges	1,417,182	1,391,888	1,574,187	843,435
Total Expenditures	<u>34,633,585</u>	<u>31,499,744</u>	<u>38,565,627</u>	<u>30,729,840</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(756,257)</u>	<u>1,992,123</u>	<u>(2,120,851)</u>	<u>6,162,164</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,380,752	3,981,090	4,283,631	2,938,040
Transfers (out)	(7,077,952)	(3,441,090)	(3,699,031)	(2,293,040)
Loss on sale of property	-	-	-	-
Proceeds from sale of capital assets	45,000	-	1,509,424	-
Proceeds of Debt	-	-	-	-
Payments to refunded bond escrow	-	-	-	-
Capital contribution	-	-	-	-
Total other financing sources (uses)	<u>1,347,800</u>	<u>540,000</u>	<u>2,094,024</u>	<u>645,000</u>
Special item	-	-	-	-
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	(10,412,431)
Net Change in fund balances	<u>\$ 591,543</u>	<u>\$ 2,532,123</u>	<u>\$ (26,827)</u>	<u>\$ (3,605,267)</u>
Debt service as a percentage of noncapital expenditures	6.5%	6.6%	7.5%	5.3%

**Fiscal Year Ended June 30,**

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 24,176,828	\$ 27,254,431	\$ 28,527,925	\$ 30,701,483	\$ 32,739,874	\$ 35,315,493
2,024,279	2,271,457	2,465,157	4,534,737	3,511,276	5,671,196
234,218	219,944	265,288	234,697	255,632	202,126
1,805,466	2,176,508	6,124,308	3,143,760	2,195,096	2,680,870
1,824,567	4,119,086	4,218,621	4,360,957	2,753,794	1,602,792
2,912,353	3,389,107	3,785,239	4,253,198	3,952,620	4,231,562
3,878,322	2,886,134	4,439,450	4,236,064	3,613,927	6,373,700
<u>36,856,033</u>	<u>42,316,667</u>	<u>49,825,988</u>	<u>51,464,896</u>	<u>49,022,219</u>	<u>56,077,739</u>
4,165,249	4,715,318	4,824,314	4,988,340	4,840,215	12,350,097
14,410,769	15,360,993	15,993,240	17,340,123	17,827,665	18,568,952
1,641,955	6,779,012	4,121,793	4,612,132	8,930,843	11,417,750
2,666,132	2,870,822	3,104,920	4,134,764	4,250,662	4,668,424
3,597,600	2,574,917	2,590,068	2,775,229	2,816,465	2,919,349
2,841,083	7,691,263	10,596,619	12,271,896	1,887,675	2,771,420
265,000	285,000	6,405,000	9,210,000	250,000	265,000
268,300	258,604	400,240	300,908	99,485	91,760
<u>29,856,088</u>	<u>40,535,929</u>	<u>48,036,194</u>	<u>55,633,392</u>	<u>40,903,010</u>	<u>53,052,752</u>
<u>6,999,945</u>	<u>1,780,738</u>	<u>1,789,794</u>	<u>(4,168,496)</u>	<u>8,119,209</u>	<u>3,024,987</u>
4,303,415	1,645,165	6,441,141	4,815,399	5,846,109	9,469,241
(3,793,415)	(1,472,965)	(5,850,141)	(4,252,799)	(5,272,209)	(9,011,841)
-	-	-	(380,523)	-	-
-	-	-	-	-	-
-	8,800,000	4,774,273	-	-	-
-	-	-	-	-	-
-	1,550,695	-	-	-	-
<u>510,000</u>	<u>10,522,895</u>	<u>5,365,273</u>	<u>182,077</u>	<u>573,900</u>	<u>457,400</u>
-	-	-	-	-	6,000,000
-	-	-	-	-	-
<u>\$ 7,509,945</u>	<u>\$ 12,303,633</u>	<u>\$ 7,155,067</u>	<u>\$ (3,986,419)</u>	<u>\$ 8,693,109</u>	<u>\$ 9,482,387</u>
1.9%	1.7%	16.3%	20.7%	1.0%	0.8%

**CITY OF SAN CARLOS  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**

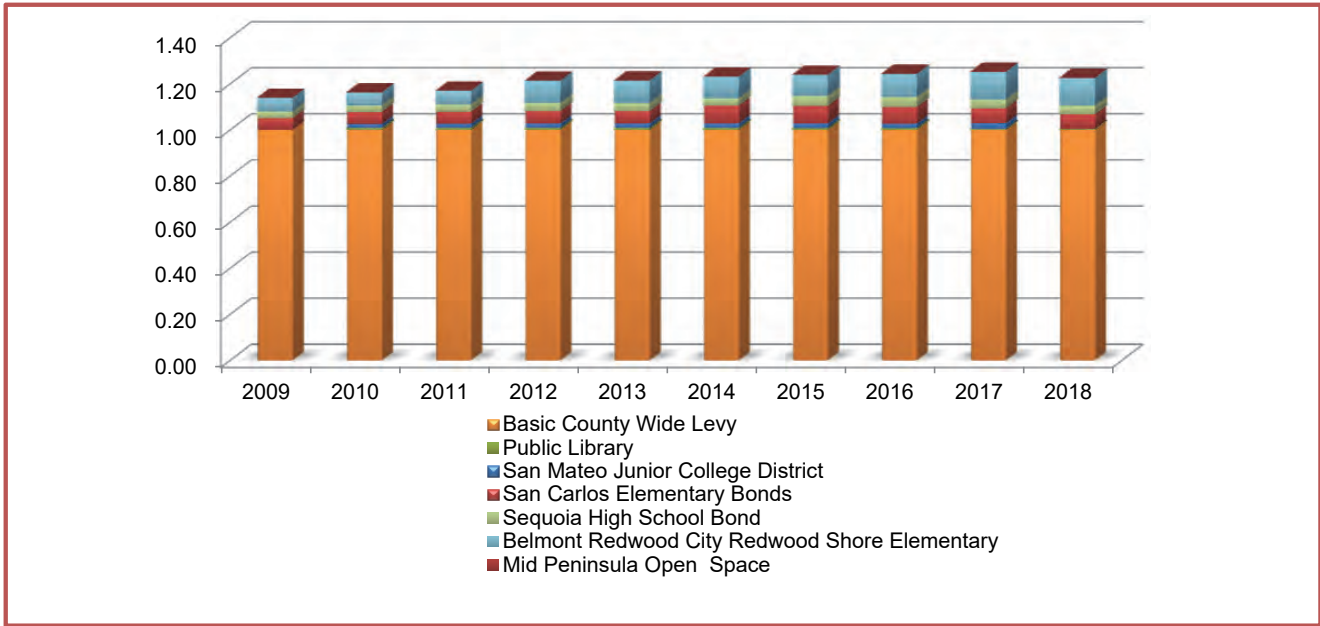


Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2009	\$ 5,237,194,752	\$ 530,328,970	\$ 493,030,102	\$ 58,254,703	\$ 6,318,808,527	\$ 329,100,047	\$ 6,647,908,574	\$ 6,647,908,574	0.19262%
2010	5,385,051,647	537,954,158	510,871,559	49,573,684	6,483,451,048	299,137,744	6,782,588,792	6,782,588,792	0.19582%
2011	5,438,326,043	532,479,578	524,446,802	50,382,008	6,545,634,431	289,541,082	6,835,175,513	6,835,175,513	0.19600%
2012	5,532,457,020	530,784,713	530,206,176	57,106,808	6,650,554,717	280,928,376	6,931,483,093	6,931,483,093	0.19481%
2013	5,717,858,710	516,269,311	559,907,761	69,214,632	6,863,250,414	269,345,842	7,132,596,256	7,132,596,256	0.19504%
2014	6,120,011,894	541,914,403	556,804,162	59,050,682	7,277,781,141	401,155,969	7,678,937,110	7,678,937,110	0.11685%
2015	6,489,784,870	561,595,333	563,659,154	50,870,561	7,665,909,918	299,060,205	7,964,970,123	7,964,970,123	0.11840%
2016	6,979,211,977	665,733,132	598,644,941	63,226,293	8,306,816,343	370,528,439	8,677,344,782	8,677,344,782	0.11424%
2017	7,420,946,280	770,190,805	636,526,534	67,885,633	8,895,549,252	381,768,262	9,277,317,514	9,277,317,514	0.11379%
2018	7,974,893,577	932,202,492	719,752,790	93,148,004	9,719,996,863	399,049,241	10,119,046,104	10,119,046,104	0.11346%

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

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**CITY OF SAN CARLOS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (RATE PER \$100 OF TAXABLE VALUE)  
 LAST TEN FISCAL YEARS**



Fiscal Year	City Direct Rates			Overlapping Rates						Total Direct Overlapping Tax Rate	Total* Direct Rate
	Basic County Wide Levy	City's share <sup>1</sup> of 1% Levy Per Prop 13	Public Library	San Mateo Junior College District	San Carlos Elementary Bonds	Sequoia High School Bond	Belmont Redwood City Redwood Shore Elementary	Mid Peninsula Open Space			
2009	1.0000	0.13273	0.0089	0.0165	0.0517	0.0282	0.0601	-	1.1654	0.19262	
2010	1.0000	0.13273	0.0088	0.0182	0.0531	0.0277	0.0568	-	1.1646	0.19582	
2011	1.0000	0.13273	0.0089	0.0193	0.0528	0.0311	0.0598	-	1.1719	0.19600	
2012	1.0000	0.13273	0.0089	0.0199	0.0535	0.0358	0.0971	-	1.2152	0.19481	
2013	1.0000	0.13273	0.0088	0.0194	0.0528	0.0356	0.0981	-	1.2147	0.19504	
2014	1.0000	0.13273	0.0084	0.0194	0.0775	0.0313	0.0945	-	1.2311	0.11685	
2015	1.0000	0.13273	0.0082	0.0190	0.0768	0.0433	0.0923	-	1.2396	0.11840	
2016	1.0000	0.13273	0.0042	0.0250	0.0725	0.0434	0.1005	0.0008	1.2464	0.11424	
2017	1.0000	0.13273	0.0040	0.0247	0.0646	0.0391	0.1198	0.0006	1.2528	0.11379	
2018	1.0000	0.13273	0.0038	0.0235	0.0643	0.0383	0.1194	0.0009	1.2502	0.11346	

<sup>1</sup>City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.

\*Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information

Data Source: San Mateo County Assessor 2008/09 - 2017/18 Tax Rate Table

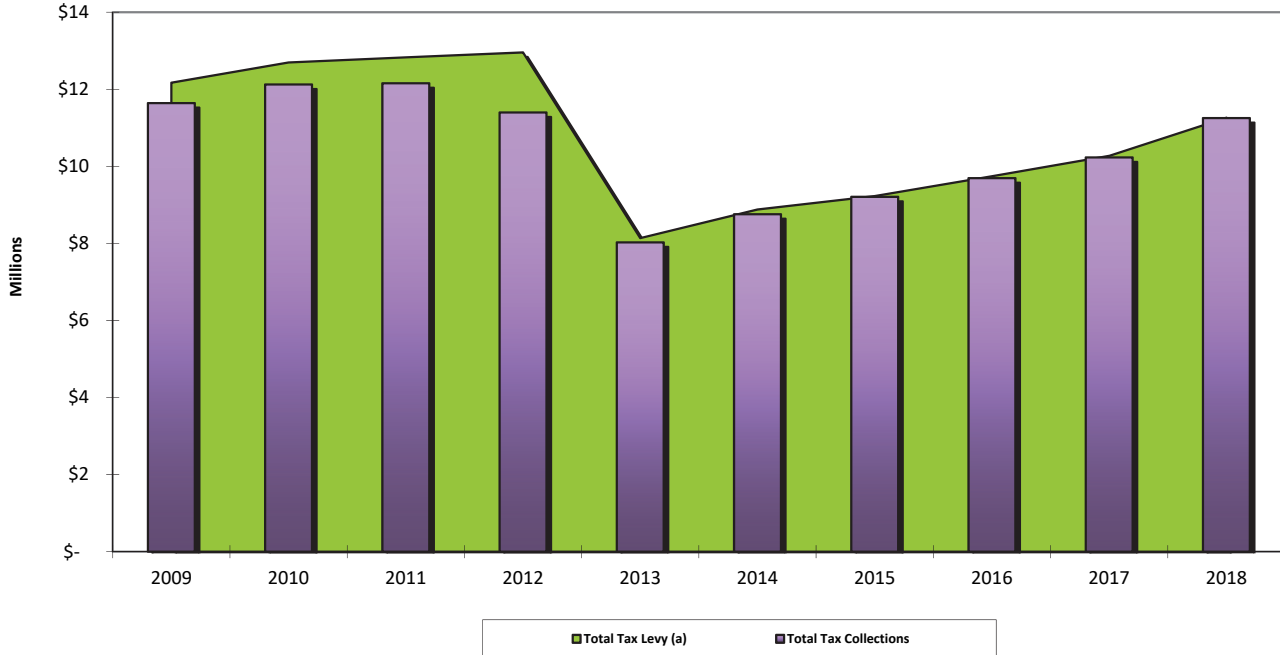
**CITY OF SAN CARLOS  
TOP TEN PROPERTY TAX PAYERS  
CURRENT YEAR AND TEN YEARS AGO**

<b>Taxpayer</b>	<b>2017-2018</b>			<b>2008-2009</b>		
	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Assessed Value</b>	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Assessed Value</b>
Hudson Skyway Landing LLC	\$ 108,137,827	1	1.07%			
Equity One San Carlos LLC	97,000,000	2	0.96%			
GC Net Lease San Carlos Investors LLC	86,431,501	3	0.85%			
Novartis Pharmaceuticals Group	66,565,357	4	0.66%			
San Carlos Group	65,400,000	5	0.65%			
Are-San Francisco No. 63 LLC	61,793,954	6	0.61%			
BMR-201 Industrial RD LLC	41,771,477	7	0.41%	\$38,151,728	4	0.57%
Premia Shoreway Owner LLC	39,270,000	8	0.39%			
MLC V San Carlos LLC	37,179,000	9	0.37%			0.00%
Natera Inc	27,158,269	10	0.27%			
Nektar Therapeutics				93,760,798	1	1.41%
SPK-Skyway Landing LLC				70,992,000	2	1.07%
Circle Star Center LLC				54,366,000	3	0.82%
L-3 Communications Corp				34,942,983	5	0.53%
301 Industrial LLC				24,225,510	6	0.36%
Black Mountain Holdings LLC				23,772,792	7	0.36%
Brittan Corners Shopping Center LLC				22,723,945	8	0.34%
Kelly-Moore Paint Company				19,729,514	9	0.30%
San Carlos Retail Venture LP				19,004,246	10	0.29%
Subtotal	<u>\$ 630,707,385</u>		<u>6.23%</u>	<u>\$401,669,516</u>		<u>6.04%</u>

Total Net Assessed Valuation:  
 Fiscal Year 2017-2018 \$10,119,046,104  
 Fiscal Year 2008-2009 \$6,647,908,574

Source: San Mateo County Assessor 2017/18 Combined Tax Rolls.  
 Top Property Tax Payers Based on Net Values

**CITY OF SAN CARLOS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**



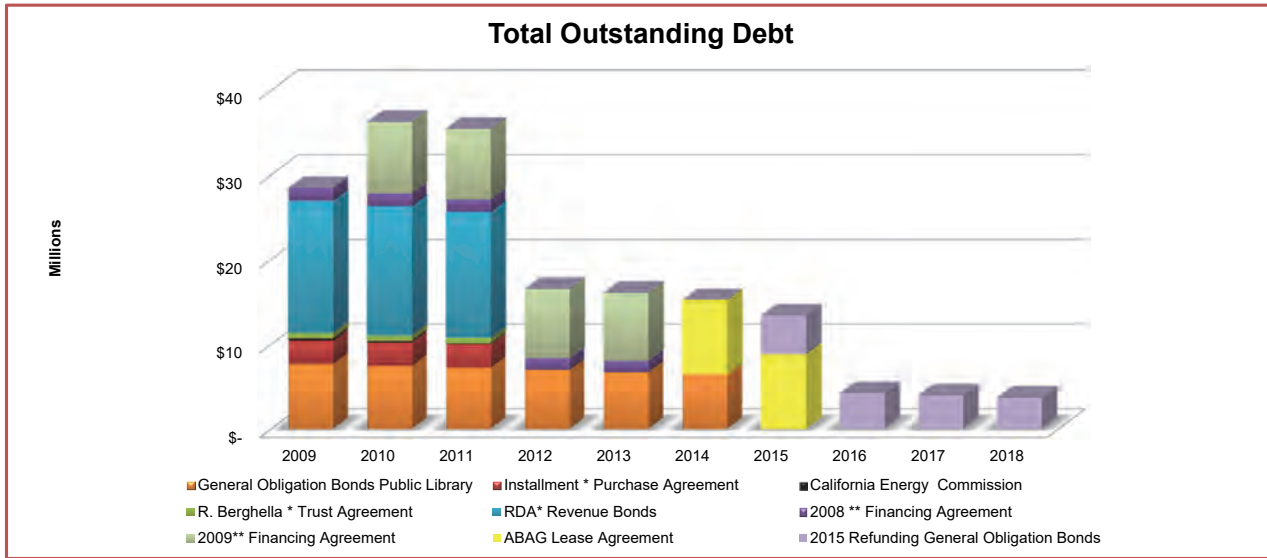
Fiscal Year	Total Tax Levy (a)	Current Tax Collections (b)	Percent of Levy Collected	Delinquent Tax Collections (c)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2009	\$ 12,171,289	\$ 11,641,072	95.64%	N/A	\$ 11,641,072	95.64%
2010	12,695,894	12,124,097	95.50%	N/A	12,124,097	95.50%
2011	12,829,443	12,155,993	94.75%	N/A	12,155,993	94.75%
2012	12,955,911	11,398,356	87.98%	N/A	11,398,356	87.98%
2013	8,138,448	8,027,011	98.63%	N/A	8,027,011	98.63%
2014	8,879,658	8,757,878	98.63%	N/A	8,757,878	98.63%
2015	9,229,066	9,208,905	99.78%	N/A	9,208,905	99.78%
2016	9,744,532	9,693,047	99.47%	N/A	9,693,047	99.47%
2017	10,273,217	10,231,703	99.60%	N/A	10,231,703	99.60%
2018	11,261,716	11,252,458	99.92%	N/A	11,252,458	99.92%

Source: San Mateo County Assessor 2008/09 - 2017/18 Combined Tax Rolls  
2017/18 County of San Mateo Estimated property tax revenue

Note: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California

- a) Prior to the dissolution of the Redevelopment Agency in FY 2012; the data in this table included the general fund property taxes, debt service tax, and the Redevelopment Agency tax increments. Beginning FY 2013, the amounts presented are the secured and unsecured estimated property tax revenue provided by the County at the beginning of the fiscal year. The tax levy is subject to adjustment for all increases, decreases and refunds processed throughout the fiscal year.
- b) Prior to the dissolution of the Redevelopment Agency in FY 2012; the data in this table included the basic and supplemental property taxes, debt service tax and the Redevelopment Agency tax increments. Beginning FY 2013, the amounts presented include only the City's general secured and unsecured property taxes collections. The tax collection is subject to adjustment for all increases, decreases and refunds processed throughout the fiscal year.
- c) Beginning fiscal year 1995, the County entered a "Teeter Plan" agreement with the City which allows the City to keep 100% of the secured taxes, and the County to keep all interest and delinquency charges collected. Delinquent tax collection data is not available.

**CITY OF SAN CARLOS  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**



Fiscal Year	Governmental Activities						2015 Business Type Activities			Total Primary Government	Percentage of Personal Income (a)	Per Capita
	General Obligation Bonds Public Library	Installment * Purchase Agreement	California Energy Commission	R. Berghella * Trust Agreement	RDA* Revenue Bonds	ABAG Lease Agreement	2015 Refunding General Obligation Bonds	2008 ** Financing Agreement	2009** Financing Agreement			
2009	\$ 7,630,000	\$ 2,800,000	\$ 200,475	\$ 671,009	\$ 15,635,000	\$ -	\$ -	\$ 1,510,000	\$ -	\$ 28,446,484	1.55%	\$ 986.73
2010	7,425,000	2,800,000	135,627	661,683	15,290,000	-	-	1,510,000	8,450,000	36,272,310	2.38%	1,276.92
2011	7,200,000	2,800,000	68,822	651,439	14,930,000	-	-	1,460,000	8,330,000	35,440,261	2.19%	1,243.78
2012	6,955,000	-	-	-	-	-	-	1,410,000	8,175,000	16,540,000	0.97%	577.23
2013	6,690,000	-	-	-	-	-	-	1,355,000	8,015,000	16,060,000	0.91%	555.11
2014	6,405,000	-	-	-	-	8,800,000	-	-	-	15,205,000	0.89%	520.38
2015	-	-	-	-	-	8,800,000	4,600,000	-	-	13,400,000	0.73%	455.02
2016	-	-	-	-	-	-	4,190,000	-	-	4,190,000	0.21%	144.44
2017	-	-	-	-	-	-	3,940,000	-	-	3,940,000	0.19%	134.42
2018	-	-	-	-	-	-	3,675,000	-	-	3,675,000	(a)	122.92

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.

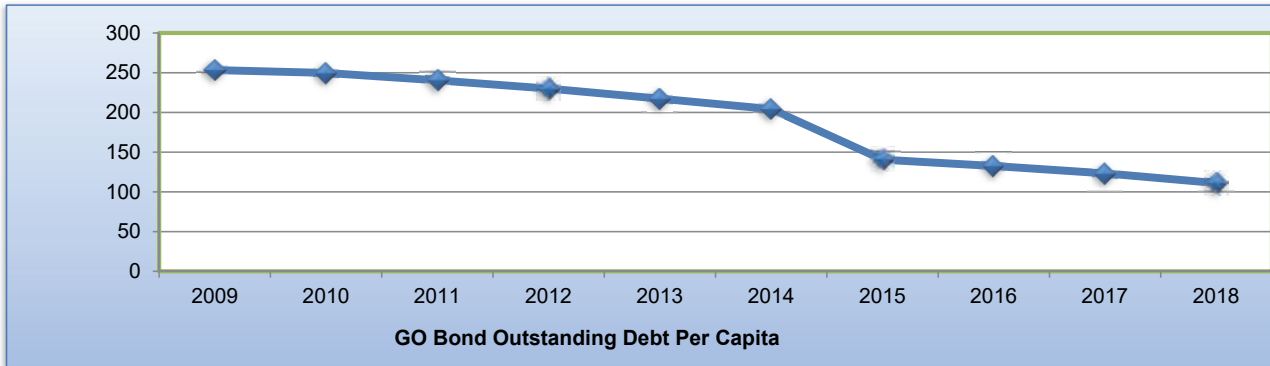
Sources: City of San Carlos Debt Schedule  
State of California, Department of Finance (population)  
U.S. Department of Commerce, Bureau of the Census (income)  
(a) See Schedule (Demographic Statistics) for personal income and population data.  
Data for 2018 is not available

\* As a result of the dissolution of the Redevelopment Agency on February 1, 2012, the long-term debt of the former Redevelopment Agency was transferred to the Successor Agency when it took over the responsibility of winding down the operations of the former Agency.

\*\* Adjustments made in FY2013 relating to the City's investment in the Silicon Valley Water Joint Venture.



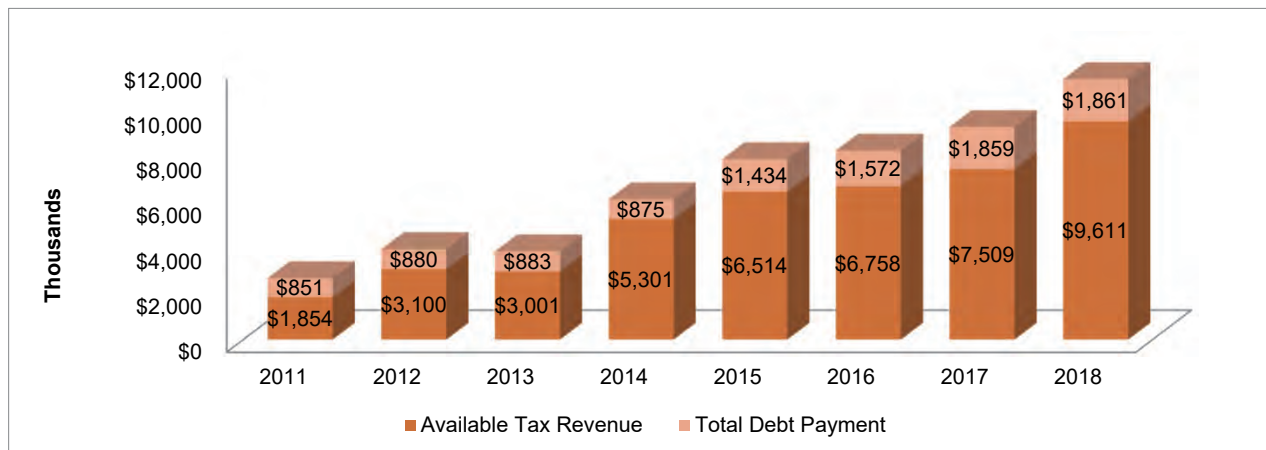
**CITY OF SAN CARLOS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**



Fiscal Year	General Bonded Debt Outstanding				Total	Percentage of Assessed Value (3)	Per Capita (4)
	2005 General Obligation Debt (1)	2015 Refunding General Obligation Bonds	Less: Amounts Available in Debt Service Fund (2)				
2009	\$ 7,630,000	\$ -	\$ 327,112	\$ 7,302,888	0.11%	253.32	
2010	7,425,000	-	331,025	7,093,975	0.10%	249.74	
2011	7,200,000	-	350,365	6,849,635	0.10%	240.39	
2012	6,955,000	-	364,775	6,590,225	0.10%	229.99	
2013	6,690,000	-	401,700	6,288,300	0.09%	217.36	
2014	6,405,000	-	436,396	5,968,604	0.08%	204.27	
2015	-	4,600,000	460,660	4,139,340	0.05%	140.56	
2016	-	4,190,000	343,987	3,846,013	0.04%	132.58	
2017	-	3,940,000	323,532	3,616,468	0.04%	123.38	
2018	-	3,675,000	353,099	3,321,901	0.03%	111.11	

1. This is the general bonded debt of governmental activities, net of original issuance discounts and premiums
2. This is the amount restricted for debt service principal payments
3. Assessed value has been used because the actual value of taxable property is not readily available in the State of California
4. Population data can be found in the Schedule of Demographic and Economic Statistics

**CITY OF SAN CARLOS  
 PLEDGED-REVENUE COVERAGE  
 LAST EIGHT FISCAL YEARS**



San Carlos Sewer Fund - SCVCW 2008, 2009, 2014 & 2015 Financing Agreement							
Fiscal Year	Net Revenue Available for Debt Services	Financing Agreement				Total	Coverage
		2008	2009	2014	2015		
2011	\$ 1,853,539	\$ 117,308	\$ 733,352	\$ -	\$ -	\$ 850,660	2.18
2012	3,099,735	115,308	765,177	-	-	880,485	3.52
2013	3,000,783	118,208	765,278	-	-	883,486	3.40
2014	5,300,680	116,008	759,246	-	-	875,254	6.06
2015	6,514,209	118,707	757,204	558,039	-	1,433,950	4.54
2016	6,758,316	110,850	754,175	646,163	60,448	1,571,636	4.30
2017	7,509,125	-	750,113	645,494	463,400	1,859,007	4.04
2018	9,611,211	-	749,907	645,410	465,550	1,860,867	5.16

Source: City of San Carlos Annual Financial Statements

**CITY OF SAN CARLOS  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2018**

2017-18 Assessed Valuation \$10,119,046,104  
Redevelopment Successor Agency Incremental Valuation \$1,047,563,773

	Total Debt 6/30/2018	(1) Percentage Applicable	City's Share of Debt 6/30/2018
<b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			
San Mateo Community College District	\$ 576,424,069	4.890%	\$ 28,187,137
Sequoia Union High School District	504,560,000	11.410%	57,570,296
Belmont-Redwood Shores School District	64,535,440	3.871%	2,498,167
Belmont-Redwood Shores School Facilities Improvement District	37,868,768	6.249%	2,366,419
Belmont-Redwood Shores School Facilities Improvement District	21,265,000	0.680%	144,602
Redwood City School District	145,251,202	2.943%	4,274,743
San Carlos School District	118,266,118	96.072%	113,620,625
<b>City of San Carlos</b>	<b>3,675,000</b>	<b>100%</b>	<b>3,675,000</b>
Midpeninsula Regional Park District	93,350,000	3.772%	3,521,162
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$ 1,565,195,597</b>		<b>\$ 215,858,151</b>
<b>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</b>			
San Mateo County General Fund Obligations	\$ 366,157,077	4.890%	\$ 17,905,081
San Mateo County Board of Education Certificates of Participation	8,745,000	4.890%	427,631
Midpeninsula Regional Park District General Fund Obligations	123,040,600	3.772%	4,641,091
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>	<b>\$ 497,942,677</b>		<b>\$ 22,973,803</b>
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)	\$ 12,205,684	100%	\$ 12,205,684
<b>TOTAL DIRECT DEBT</b>			<b>3,675,000</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>247,362,638</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$ 251,037,638 (2)</b>

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

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

**RATIOS TO 2017-2018 ASSESSED VALUATION:**

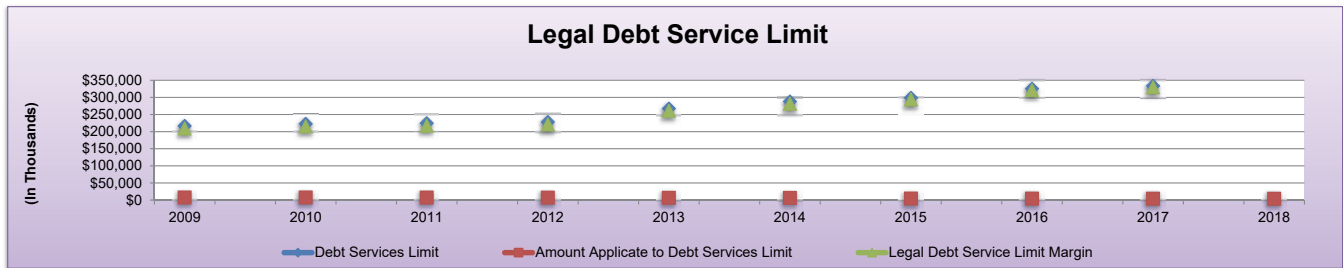
**Direct Debt (\$3,675,000) 0.04%**  
Total Direct and Overlapping Tax and Assessment Debt 2.13%  
Combined Total Debts 2.48%

**RATIOS TO REDEVELOPMENT INCREMENTAL VALUATION (\$1,047,563,773):**

Total Overlapping Tax Increment Debt 1.17%

Source: California Municipal Statistics, Inc.

**CITY OF SAN CARLOS  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
LAST TEN FISCAL YEARS**



	2009	2010	2011	2012	Fiscal Year In Thousands 2013	2014	2015	2016	2017	2018
Secured property assessed value, net of exempt real property	\$ 5,781,085	\$ 5,940,600	\$ 5,988,768	\$ 6,085,726	\$ 7,132,596	\$ 7,678,937	\$ 7,964,970	\$ 8,677,644	\$ 8,895,382	\$ 9,719,830
<b>Legal Debt Limit</b>										
Debit service limit (3.75% of property assessed value)(a)	216,791	222,773	224,579	228,215	267,472	287,960	298,686	325,412	333,577	364,494
Less: amount applicable to debt service limit(b)	7,630	7,425	7,200	6,955	6,690	6,405	4,600	4,190	3,940	3,675
Legal debt margin	<u>\$ 209,161</u>	<u>\$ 215,348</u>	<u>\$ 217,379</u>	<u>\$ 221,260</u>	<u>\$ 260,782</u>	<u>\$ 281,555</u>	<u>\$ 294,086</u>	<u>\$ 321,222</u>	<u>\$ 329,637</u>	<u>\$ 360,819</u>
Total net debt applicable to the limit as a percentage of debt limit	3.65%	3.45%	3.31%	3.14%	2.57%	2.27%	1.56%	1.30%	1.20%	1.02%

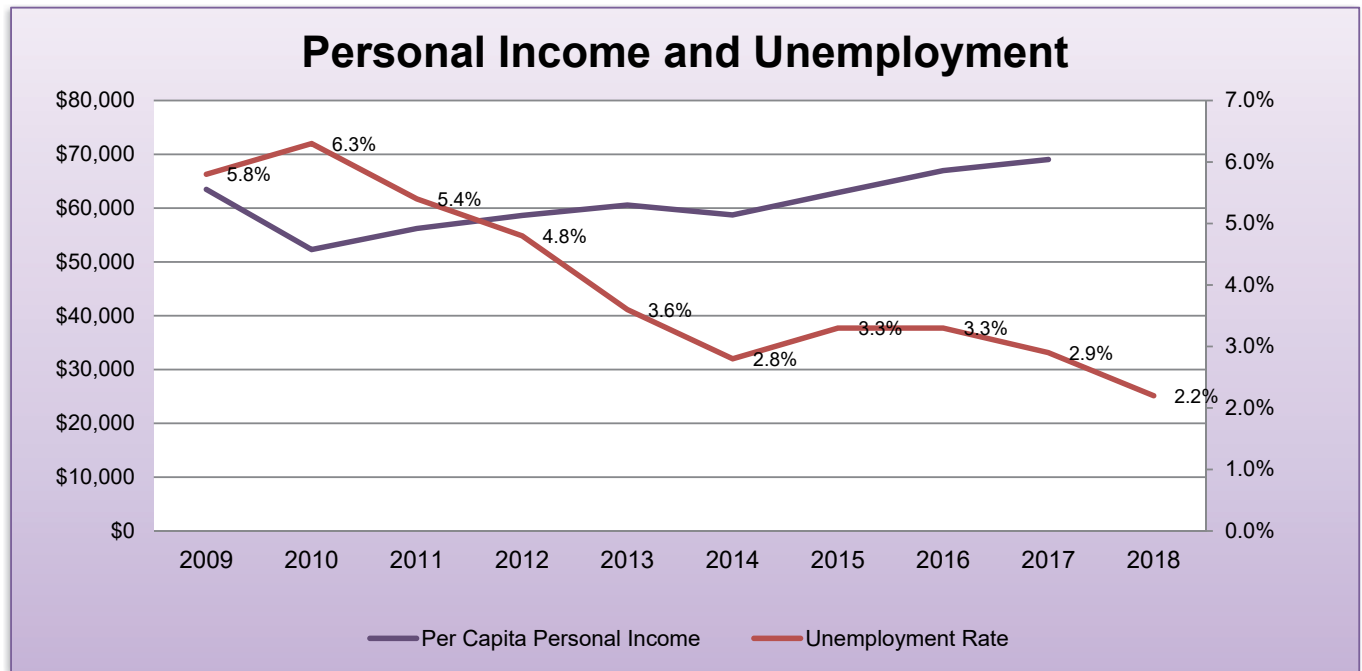
NOTE:

(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

(b) The amount applicable to debt service limit represents the amount of debt services payment that is the obligation of the City

Source: City Finance Department  
San Mateo County Tax Assessor's Office

**CITY OF SAN CARLOS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**



Fiscal Year	City Population	Total Personal Income (amount express in thousands)	Per Capita Personal Income	Unemployment Rate	San Mateo County Population	City Population % of County
2009	28,829	\$ 1,830,173	\$ 63,484	5.8%	745,858	3.87%
2010	28,406	1,524,777	52,299	6.3%	754,285	3.77%
2011	28,494	1,614,668	56,223	5.4%	724,702	3.93%
2012	28,654	1,696,601	58,643	4.8%	729,443	3.93%
2013	28,931	1,769,882	60,573	3.6%	735,678	3.93%
2014	29,219	1,717,440	58,740	2.8%	745,193	3.92%
2015	29,449	1,824,271	62,888	3.3%	753,123	3.91%
2016	29,008	1,963,141	66,976	3.3%	766,041	3.79%
2017	29,311	2,063,967	69,035	2.9%	770,763	3.80%
2018	29,897	(a)	(b)	2.2%	774,155	3.86%

Data Source:

Population: California State Department of Finance

Unemployment Data: California Employment Development Department

Income Data : ESRI - Demographic estimates are based on the last available census.

Demographic data is totaled from census Block Groups that overlap the City's boundaries

Note: (a) & (b) Information is not available

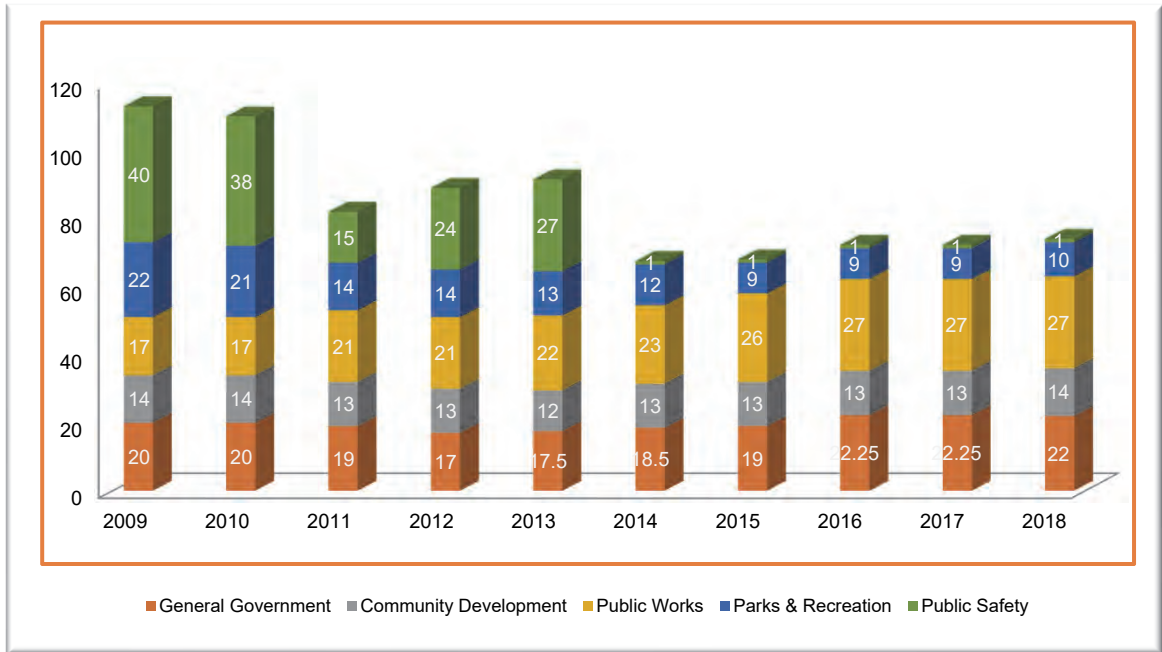
**CITY OF SAN CARLOS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND TEN YEARS AGO**

Employer	2018 *			2009*		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
PALO ALTO MEDICAL FOUNDATION	500	1	2.92%			
NATERA INC	405	2	2.37%			
PACIFIC GAS & ELECTRIC CO	331	3	1.94%	320	4	2.06%
RECOLOGY SAN MATEO COUNTY	240	4	1.40%			
NOVARTIS PHARMACEUTICALS	230	5	1.35%	155	8	1.00%
DELTA STAR INC	221	6	1.29%	200	6	1.29%
THE HOME DEPOT #0628	221	7	1.29%	165	7	1.06%
OPORTUN, INC	219	8	1.28%			
CHECK POINT SOFTWARE TECH INC	208	9	1.22%			
GEORGE P JOHNSON COMPANY	150	10	0.88%			
SAMTRANS				452	1	2.92%
L3 ELECTRON DEVICES				387	2	2.50%
ALLIED WASTE MANAGEMENT				369	3	2.38%
KELLY MOORE PAINT CO				251	5	1.62%
BEST BUY STORES LP				140	9	0.90%
REI				85	10	0.55%

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

Source: \*data from City of San Carlos business license database

**CITY OF SAN CARLOS  
 FULL TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS**



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	20	20	19	17	18	19	19	22	22	22
Community Development	14	14	13	13	12	13	13	13	13	14
Public Works	17	17	21	21	22	23	26	27	27	27
Parks & Recreation	22	21	14	14	13	12	9	9	9	10
Public Safety	40	38	15	24	27	1	1	1	1	1
** Police services are provided by County of San Mateo Sheriff's Office										
*** San Carlos Fire begins only in FY 2012										
**** Transfer of fire services personnel to City of Redwood City										
<b>Total Number Employees:</b>	<b>113</b>	<b>110</b>	<b>82</b>	<b>89</b>	<b>92</b>	<b>68</b>	<b>68</b>	<b>72</b>	<b>72</b>	<b>74</b>

Source: City budget document

\*\* On October 31, 2010, The County of San Mateo Sheriff's Office assumed law enforcement responsibilities for the City of San Carlos.

\*\*\* On October 12, 2011 the Belmont-San Carlos Fire Department dissolved; re-establishing the City of San Carlos Fire Department with Fire Command staff contracted with the City of Redwood City.

\*\*\*\* As of July 1, 2013 the City of Redwood City provides full fire and emergency services including the transfer of fire service personnel from the City of San Carlos to the City of Redwood City.

**CITY OF SAN CARLOS  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Function/Program</b>										
Public safety:										
* Fire										
Fire calls for service				992	1,896	1,961	2,209	2,365	2,232	2,415
Primary fire inspections conducted				240	465	356	638	700	450	659
Police:										
Communication Center calls answered										
Police calls for Service	14,434	13,638	12,236	11,058	13,490	12,831	13,446	17,985	12,474	13,094
Law violations:										
Part I and Part II crimes	2,638	2,843	2,446	2,132	1,780	1,988	1,868	1,544	1,387	1,469
Physical arrests (adult and juvenile)	1,005	1,060	912	704	657	683	732	713	803	790
Traffic violations	2,916	4,660	3,701	2,932	3,666	3,224	3,260	2,599	1,843	2,347
Parking violations	4,357	5,103	4,573	4,533	4,558	3,609	6,613	4,794	8,014	4,706
Street										
Pavement Condition Index	64	64	67	64	64	60	60	60	63	63
Sewer										
Sewer service connections	11,192	11,309	11,309	11,335	11,355	11,107	11,000	11,017	11,017	11,033
Average daily flow (millions of gallons)	2.45	N/A	2.60	1.75	1.66	1.66	1.81	1.80	3	1.66
Maximum Allocated Treatment Capacity, Average Dry Weather Flow (Millions of Gallons)	4.47	4.47	4.47	4.47	4.47	4.47	4.39	5.18	5	4.39
Maximum Allocated Treatment Capacity, Peak Wet Weather Flow (Millions of Gallons)	14.30	14.30	14.30	14.30	14.30	14.30	15.96	25.0	14	14.3
Culture and recreation:										
Community Services:										
Adult Registrations	3,304	3,086	2,312	2,585	2,481	2,750	2,825	2,949	4,120	5,789
Tot/Youth Registrations	7,577	6,262	6,189	7,117	7,646	7,042	7,524	6,433	5,595	4,426
Facility Rentals	94	158	185	178	189	133	114	79	129	106
Picnic Rentals	184	146	N/A *	144	166	173	196	235	236	223
Organized Play Participants	6,742	6,620	5,454	8,005	7,184	6,761	7,222	7,900	7,985	7,856
Organized Play Hours Permitted	19,329	17,228	17,368	18,611	17,212	17,046	17,856	18,440	18,560	18,470

Note: N/A denotes information not available.

The Wastewater Treatment Plant had problems with its flow meters in 2010, the data for average daily flow is not available.

N/A\* Due to budget cuts, the picnic rental program was halted in FY 2011. It was reinstated in FY 2012.

\* The Belmont-San Carlos Fire Department was dissolved on October 12, 2011. City reestablished the Fire Department in October 2011. Information prior to the FY 2011 is not available.

Source: Various city department records



**CITY OF SAN CARLOS  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Function/Program</b>										
Public safety:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Police stations	1	1	1	1	1	1	1	1	1	1
Streets										
Total Length (Miles)	87	87	87	87	87	87	87	87	87	87
Street lights	1,740	1,888	1,888	1,888	1,888	1,888	1,916	1,942	1,942	1,942
Traffic Signals	20	20	20	20	20	21	21	21	21	22
Parking Lots										
Number of City Parking Lots	4	4	4	4	4	4	4	4	4	4
Number of Public Parking Spaces	356	356	356	356	356	356	356	356	356	386
Number of Employee Permit	94	94	94	91	91	91	91	91	91	13
Wastewater										
Total Sewer Main Length (Miles)	106	106	106	104	104	104	105	105	105	105
Sewer Pump Stations	6	6	6	6	6	6	6	6	6	6
Storm water										
Catch basins/inlets	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,326	1,326	1,326
Stormwater Pump Stations	3	3	3	3	3	3	3	3	3	3
Manholes	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205
General government:										
City Hall	1	1	1	1	1	1	1	1	1	1
City Museum	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Parks (and associated buildings)	13	13	13	13	13	13	13	13	13	13
Community centers	2	2	2	2	2	2	2	2	2	2

Source: Various city department records

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