

# FISCAL YEAR 2018-19

SAN CARLOS,  
CALIFORNIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2018 - June 30, 2019

**CITY OF SAN CARLOS, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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CITY OF SAN CARLOS

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November 8, 2019

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, 2019.

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, 2019 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, 2019 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 30,000.

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 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, Assistant 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 2.5% in 2018 to 2.2% in 2019. The San Carlos unemployment rate is slightly lower than the County at 2.1%. This compares with an unemployment rate of 4.2% for California and 3.8% for the nation during the same period. As of June 2019, there were an estimated 447,300 jobs in the County, an increase of 8,600 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 dropped by 2,300, to a total of 1,013,200 between June 2018 and June 2019.

The National Association of Realtors released a report that shows the national median existing home price of \$276,800 in June 2019. The increase is relatively flat compared to June 2018. However, the median sales price of existing homes in San Carlos is \$1,820,000; a 2.2% increase from the same period a year ago.

Unemployment and real estate markets reflect a local economy that has been expanding at a higher rate of growth. However, the booming market is not anticipated to continue at this rapid pace.

#### **Sales Tax**

Sales tax is a critical revenue source as it accounts for approximately 25.4% of total General Fund revenues. Local general sales tax in fiscal year 2019 was \$12 million, a 1.2% increase as compared to the fiscal year 2018 amount of \$11.8 million. The growth came primarily from restaurant and hotels, food and drugs, fuel and service stations and the auto-transportation group. July marks ten years of continuous economic growth, which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that this may be leveling off.

#### **Property Tax**

According to our independent, third-party consultant, the median existing home prices in California increased by 1.4% from 2018. In the past year, the number of sales has generally declined and growth in median sales prices has flattened in most of the state.

Most economists are predicting a weaker housing market through the balance of 2019 and in 2020. As a comparison, the gross assessed values of properties in San Carlos have increased by 10.6% in 2019 as compared to an 8.0% increase countywide. In the General Fund, property tax increased by \$1.7 million, or 14.3%, to \$13.6 million compared to \$11.9 million in the prior year due to the increase in assessed values for properties from new developments, transfer of ownership and the sale of properties. The largest assessed value increases were reported on the industrial properties located on the 800 and 900 block of Industrial Way, 201 Industrial Road, 1501 Industrial Way and commercial properties at 850 San Carlos Avenue and 555 Skyway Road. Additional improvements at the Transit Village site also produced an increase in assessed value.

### **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 Cities Group acts as administrator, claims adjuster and provider of other risk management services as required by State law. Each member of the Cities Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Cities 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, 2019 or soon after the year-end are as follows:

### **New Taxes**

In June 2018, the City Council voted to submit Ordinances 1532 and 1533 for a vote by the People of the City of San Carlos at the November 6, 2018 election. Below are descriptions of these ordinances.

Ordinance 1532 (Measure QQ on the ballot) increased the Uniform Transient Occupancy Tax rate from 10% to 12% of the amount paid for lodging and related services, effective January 1, 2019, and increases it by 0.5% each January 1 thereafter, to a maximum rate of 14%. The tax is collected by hotel operators and remitted to the City.

Ordinance 1533 (Measure NN on the ballot) sets regulations of commercial cannabis activities and imposes an excise tax of up to 10% of gross receipts on cannabis businesses.

Both measures received a majority vote by the People at the November 6, 2018 election. On December 10, 2018, the Council adopted Resolution 2018-113 declaring the results of the election, thereby deeming Ordinances 1532 and 1533 adopted and effective December 20, 2018.

### **817 Walnut Street Affordable Housing Development**

Charities Housing, a non-profit affordable housing developer, was selected by the City to redevelop the existing City-owned, affordable housing property at 817 Walnut Street. The team has proposed to redevelop the property into a 24-unit, 100% affordable project that will serve the housing needs of our city. 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.

### **Holly Street/Highway 101 Interchange Project**

The City has recently completed 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, funds from the City's Traffic Mitigation Fees; and Successor Agency 2007 bond proceeds. It is anticipated that construction will begin in December 2020.

### **Wildfire Mitigation Efforts**

In the last year, the City received two grants focusing on fuel management in parks and open spaces. The first grant is funded in part by the California Fire Safe Council in partnership with Fire Safe San Mateo County. Work funded by this grant will be done in Eaton and Big Canyon parks, which includes removal of vegetation using CALFIRE hand crews.

The second grant received is funded by the Federal Emergency Management Agency (FEMA) and will consist of fuels management in Crestview and Highlands parks and other areas identified during environmental review. The project requires the use of CALFIRE hand crews, goats and heavy equipment.

### **Silicon Valley Clean Water Financing Agreement**

In May 2019, the City Council approved a financing agreement with Silicon Valley Clean Water (SVCW) to issue Water Infrastructure Finance and Innovation Act (WIFIA) loans and 2019 Revenue Notes (2019 Notes). SVCW is a joint powers authority comprised of the City of San Carlos, the City of Redwood City, the City of Belmont, and West Bay Sanitary District. Altogether, SVCW serves over 200,000 people. This financing was authorized to finance the acquisition and construction of capital improvements to SVCW's wastewater conveyance system and wastewater treatment plant. On August 14, 2019, SVCW closed on the 2019 Notes issuance, resulting in a savings to the member agencies in loan costs for its capital projects. With the support and approval of its members, this transaction provides nearly \$197 million for the Regional Environmental Sewer Conveyance Upgrade (RESCU) construction at interest rates considerably better than the WIFIA loan rate. Because the 2019 Notes have a true interest rate of 1.27% and yield of 1.05%, this structure saves SVCW members \$9.8 million nominal (\$5.5 million Net Present Value) in interest expense versus drawing directly from the 2.40% WIFIA loan. The City's share of that savings is approximately \$842,000 over the life of the loan.

### **Construction updates on large developments are noted below:**

#### **Wheeler Plaza**

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. Public parking became available in the summer of 2018 and the units have begun selling since October 2019.

### **San Carlos Transit Village**

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, 2019, most of the buildings have been completed and the remaining construction is scheduled to be completed in late 2019.

### **Windy Hill Property**

The City 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 late 2020.

### **Black Mountain Water Property**

The City received an application for 68 townhouse units at the former Black Mountain Water property site on 806 Alameda de las Pulgas. The proposed project lies on an 11.4 acre site. The project is currently undergoing environmental review per the California Environmental Quality Act and a Public Hearing is anticipated in the summer of 2020.

### **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, 2018. This was the 25th 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 Gina Wang, Evangeline Bundang, and Marco Lao, 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, 2019

### CITY COUNCIL

Mark Olbert, Mayor/Chair of the Council  
Ron Collins, Vice Mayor  
Adam Rak, Councilmember  
Laura Parmer-Lohan, Councilmember  
Sara McDowell, Councilmember

### CITY CLERK

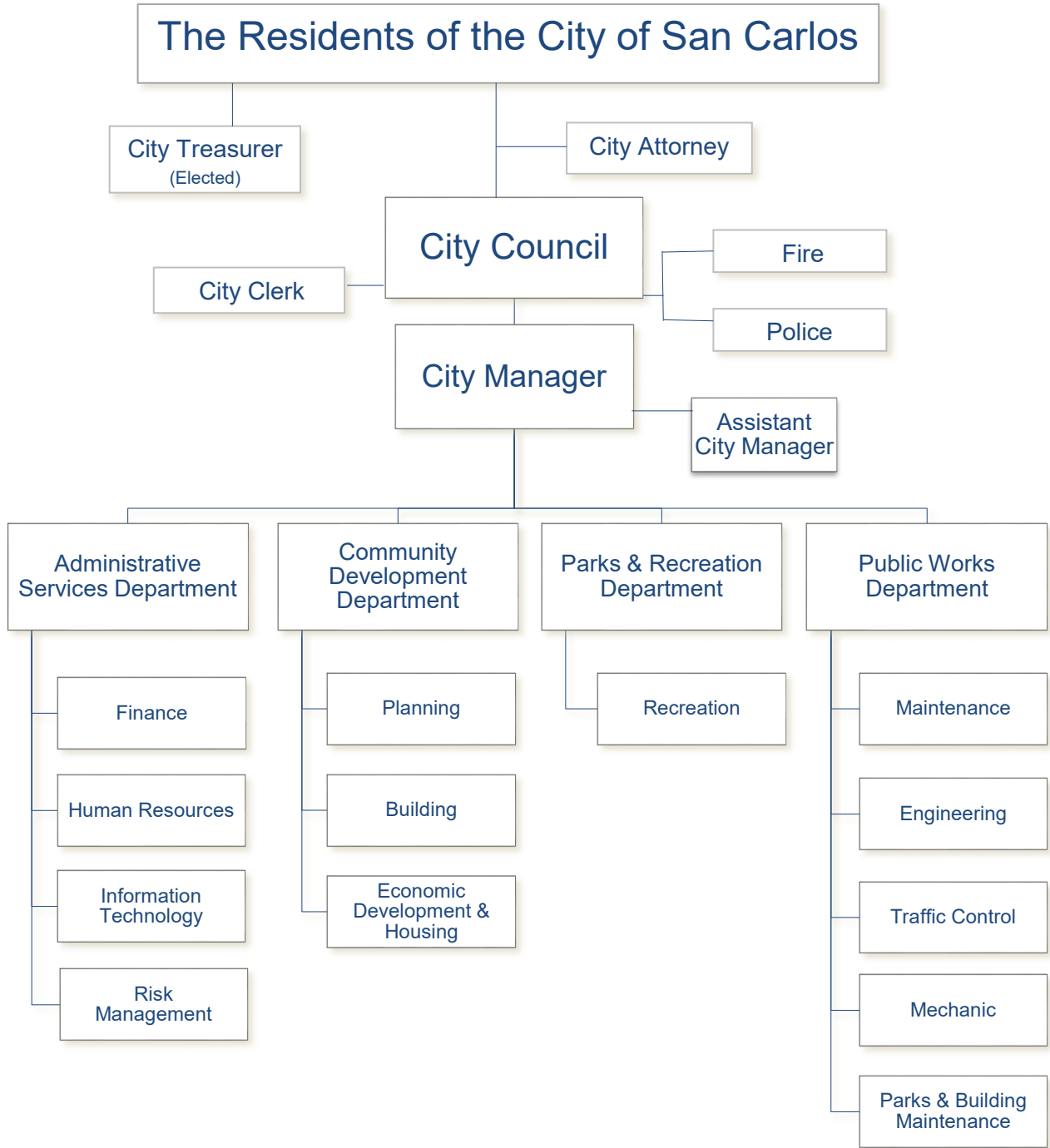
Crystal Mui, City Clerk/Community Relations Director

### CITY TREASURER

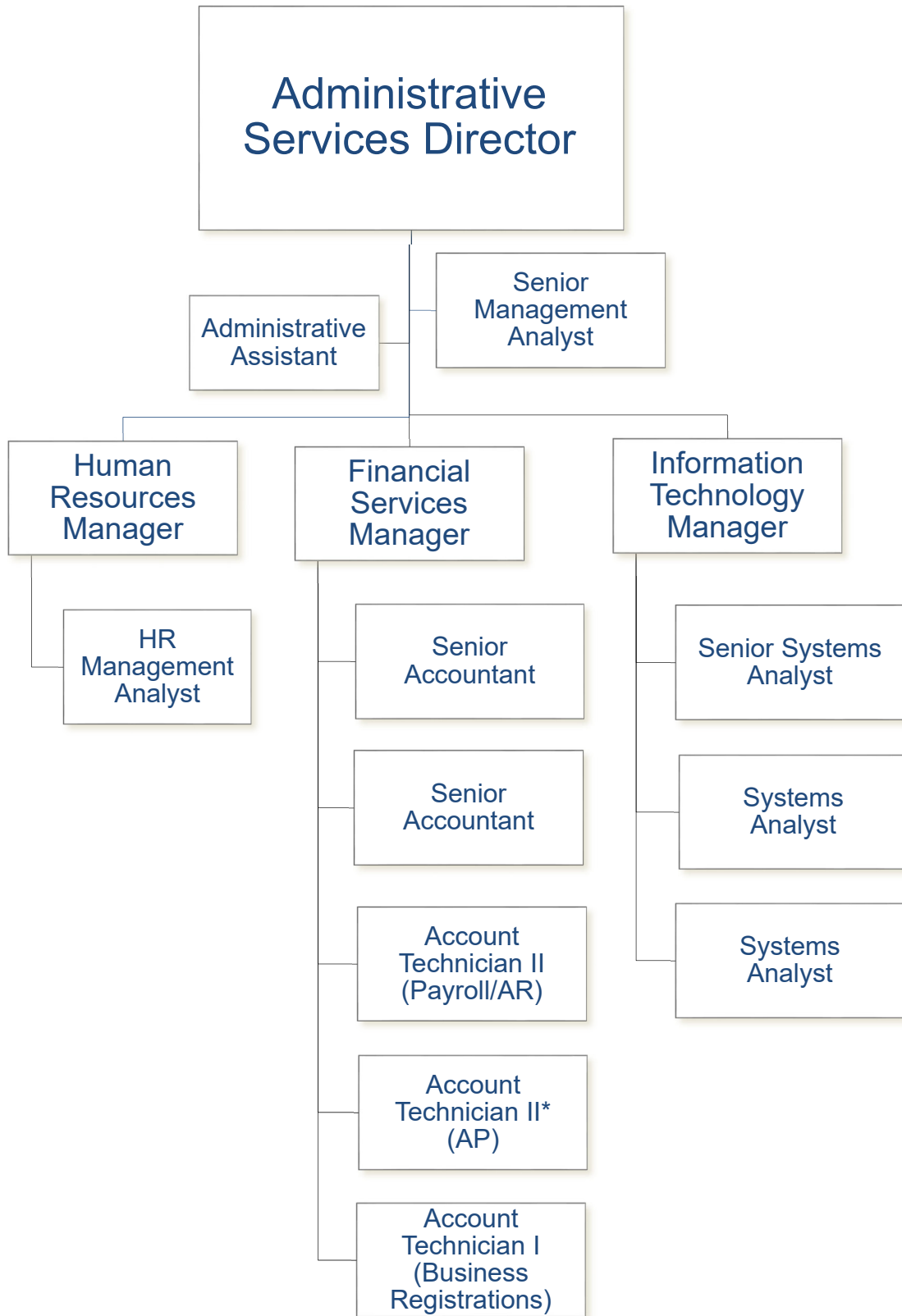
Michael J. Galvin, City Treasurer

### 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  
Dave Pucci, Acting Fire Chief



# Administrative Services



\*this position is currently underfilled



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, 2018**

*Christopher P. Morill*

Executive Director/CEO

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## 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

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

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

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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.

## ***Other Matters***

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

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section 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 Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
September 30, 2019

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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, 2019. 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 \$19.9 million to \$310.2 million, of which \$253.3 million represented governmental assets and \$56.9 million represented business-type assets.
- City deferred outflows related to pension and other post-employment benefits (OPEB) decreased by \$5.9 million to \$13.9 million, of which \$12.6 million represented governmental deferred outflows related to pension and other post-employment benefits and \$1.3 million represented business-type deferred outflows related to pension and other post-employment benefits.
- Total City liabilities decreased by \$10.9 million to \$58.8 million, of which \$54.8 million were governmental liabilities and \$4.0 million were business-type liabilities.
- City deferred inflows related to pension and OPEB increased by \$3.2 million to \$7.7 million, of which \$6.9 million were governmental deferred inflows related to pension and other post-employment benefits and \$0.8 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 \$257.6 million (net position), which increased by \$21.7 million. Of this amount, \$37.3 million represents unrestricted net position for governmental activities, which may be used to meet the government's ongoing obligations to residents and creditors. The restricted net position for business-type activities was \$21.9 million.
- City-wide revenues were \$78.9 million, of which \$60.3 million were generated by governmental activities that increased by \$4.2 million, and \$18.6 million were generated by business-type activities, which increased by \$0.9 million.
- City-wide expenses were \$57.2 million, of which \$44.4 million were incurred by governmental activities and \$12.8 million were incurred by business-type activities.

#### **Fund Level:**

- Governmental funds increased by \$16.7 million to \$94.5 million. Of this amount, \$2.9 million, or 3.1%, was unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$60.2 million, an increase of \$4.1 million from the prior year.
- Governmental Fund expenditures were \$44.2 million, a decrease of \$8.9 million from the prior year.
- Enterprise Fund net position increased by \$5.2 million to \$53.4 million. Of this amount, \$21.9 million, or 41.1%, was restricted for enterprise activities.
- Enterprise Fund operating revenues were \$18.3 million in fiscal year 2019 compared to \$17.5 million in the prior year.
- Enterprise Fund operating expenditures were \$12.5 million, an increase of \$2.1 million from \$10.4 million from the prior year.

## 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)	<i>Introductory Section</i>	<b>Introductory Sections</b>			
	<i>Financial Section</i>	<b>Management’s Discussion and Analysis</b>			
		<b>Government-wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		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	
		<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
	<b>REQUIRED SUPPLEMENTARY INFORMATION</b>				
<b>INFORMATION ON INDIVIDUAL NON-MAJOR FUNDS AND OTHER SUPPLEMENTARY INFORMATION</b>					
<i>Statistical Section</i>	<b>STATISTICAL SECTION</b>				

## 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 and 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 City/County Association of Governments of San Mateo County (C/CAG); 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 \$257.6 million at June 30, 2019.

### Net Position

Table 1 below reflects the City's net position as of June 30, 2019 and June 30, 2018:

**Table 1**  
**City's Comparative Statement of Net Position**  
**June 30, 2019 and 2018**  
(Amounts in Millions)

	Governmental Activities		Business - Type Activities		All Government		Total % Change
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 104.9	\$ 88.4	\$ 25.4	\$ 23.4	\$ 130.3	\$ 111.8	16.5%
Capital assets	148.4	147.4	31.5	31.1	179.9	178.5	0.8%
<b>Total Assets</b>	<b>253.3</b>	<b>235.8</b>	<b>56.9</b>	<b>54.5</b>	<b>310.2</b>	<b>290.3</b>	<b>6.9%</b>
Deferred outflows related to pension	12.6	17.7	1.3	2.1	13.9	19.8	-29.8%
<b>Total deferred outflow</b>	<b>12.6</b>	<b>17.7</b>	<b>1.3</b>	<b>2.1</b>	<b>13.9</b>	<b>19.8</b>	<b>-29.8%</b>
Current and other liabilities	7.3	7.4	0.4	3.1	7.7	10.5	-26.7%
Long-term obligations	47.5	54.3	3.6	4.9	51.1	59.2	-13.7%
<b>Total Liabilities</b>	<b>54.8</b>	<b>61.7</b>	<b>4.0</b>	<b>8.0</b>	<b>58.8</b>	<b>69.7</b>	<b>-15.6%</b>
Deferred inflows related to pension	6.9	4.1	0.8	0.4	7.7	4.5	71.1%
<b>Total deferred inflow</b>	<b>6.9</b>	<b>4.1</b>	<b>0.8</b>	<b>0.4</b>	<b>7.7</b>	<b>4.5</b>	<b>71.1%</b>
Net Position:							
Net investment in capital assets	\$ 144.9	\$ 143.6	\$ 31.5	\$ 31.2	\$ 176.4	\$ 174.8	0.9%
Restricted	22.0	17.6	21.9	17.0	43.9	34.6	26.9%
Unrestricted	37.3	26.5	-	-	37.3	26.5	40.8%
<b>Total Net Position</b>	<b>\$ 204.2</b>	<b>\$ 187.7</b>	<b>\$ 53.4</b>	<b>\$ 48.2</b>	<b>\$ 257.6</b>	<b>\$ 235.9</b>	<b>9.2%</b>

The largest portion of the net position (68.5%) reflects the City's \$176.4 million investment in capital assets less any capital-related outstanding debt. Capital assets are the aggregated value of land, infrastructure, equipment, 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 \$1.6 million, or 0.9%, over the prior year mainly because of the addition in capital assets associated with new equipment purchases and construction projects that were completed or underway, such as the Holly/US 101 interchange project, new mobile license plate readers for police vehicles, a fuel station upgrade at the City's corporation yard, installation of security cameras, a mobile hydro-flushing unit, a number of trucks for the sewer unit, the 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 it may be used. As of June 30, 2019, the restricted assets were 17.0%, or \$43.9 million, of the total net position. Of this amount, \$21.9 million is restricted for business-type activities, \$15.0 million for low and moderate income housing, \$2.5 million for capital projects such as street repair and maintenance and \$1.0 million for debt service. The remaining amount relates to Police grants and the Park In-Lieu fees.

The unrestricted net position of \$37.3 million represents the remaining balance of the net position. The remaining portion of the unrestricted net position may be used to meet the City's ongoing and unexpected expenses, including, 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 \$21.7 million, amounting to \$257.6 million during the fiscal year ended June 30, 2019 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, 2019 and 2018**  
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		All Government		% change
	2019	2018	2019	2018	2019	2018	
<b>Program Revenues:</b>							
Charges for Services	\$ 9.0	\$ 10.9	\$ 18.3	\$ 17.5	\$ 27.3	\$ 28.4	-3.9%
Operating Grants & Contributions	4.6	4.9	-	-	4.6	4.9	-6.1%
Capital Grants & Contributions	1.5	1.0	-	-	1.5	1.0	50.0%
<b>General Revenues:</b>							
Property Taxes	16.0	13.8	-	-	16.0	13.8	15.9%
Other Taxes	20.2	18.3	-	-	20.2	18.3	10.4%
Other General Revenues	9.0	7.2	0.3	0.2	9.3	7.4	25.7%
<b>Total Revenues</b>	<b>\$ 60.3</b>	<b>\$ 56.1</b>	<b>\$ 18.6</b>	<b>\$ 17.7</b>	<b>\$ 78.9</b>	<b>\$ 73.8</b>	<b>6.9%</b>
<b>Program Expenses:</b>							
General Government	\$ 6.4	\$ 10.5	\$ -	\$ -	\$ 6.4	\$ 10.5	-39.0%
Community Development	4.6	3.9	-	-	4.6	3.9	17.9%
Public Safety	20.2	19.0	-	-	20.2	19.0	6.3%
Public Works	9.2	9.2	-	-	9.2	9.2	0.0%
Parks & Recreation	3.9	3.1	-	-	3.9	3.1	25.8%
Sewer Operations	-	-	12.8	10.6	12.8	10.6	20.8%
Interest Expenses	0.1	0.1	-	-	0.1	0.1	0.0%
<b>Total Expenses</b>	<b>\$ 44.4</b>	<b>\$ 45.8</b>	<b>\$ 12.8</b>	<b>\$ 10.6</b>	<b>\$ 57.2</b>	<b>\$ 56.4</b>	<b>1.4%</b>
Inc/(Dec) in Net Position before transfers and extraordinary gain	\$ 15.9	\$ 10.3	\$ 5.8	\$ 7.1	\$ 21.7	\$ 17.4	24.7%
Special item (Note 14c)	-	6.0	-	-	-	6.0	-100.0%
Transfers	0.6	0.5	(0.6)	(0.5)	-	-	0%
<b>Change in Net Position</b>	<b>\$ 16.5</b>	<b>\$ 16.8</b>	<b>\$ 5.2</b>	<b>\$ 6.6</b>	<b>\$ 21.7</b>	<b>\$ 23.4</b>	<b>-7.3%</b>
Beginning Net Position	\$ 187.7	\$ 174.1	\$ 48.2	\$ 42.1	\$ 235.9	\$ 216.2	9.1%
Restatement of Net Position	-	(3.2)	-	(0.5)	-	(3.7)	n/a
<b>Ending Net Position</b>	<b>\$ 204.2</b>	<b>\$ 187.7</b>	<b>\$ 53.4</b>	<b>\$ 48.2</b>	<b>\$ 257.6</b>	<b>\$ 235.9</b>	<b>9.2%</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 above.

As of June 30, 2019, the City's total net position was \$257.6 million. This is an increase of \$21.7 million, or 9.2%, from the prior year. The changes in net position are explained in the following paragraphs. Total revenue of all government-wide activities was \$78.9 million, an increase of \$5.1 million, or 6.9%, while the total expense of all government-wide activities increased by \$0.8 million, or 1.4%, to \$57.2 million.

### **Governmental Activities**

Net position in the governmental activities totaled \$204.2 million, an increase of \$16.5 million, or 8.8%, from the prior year.

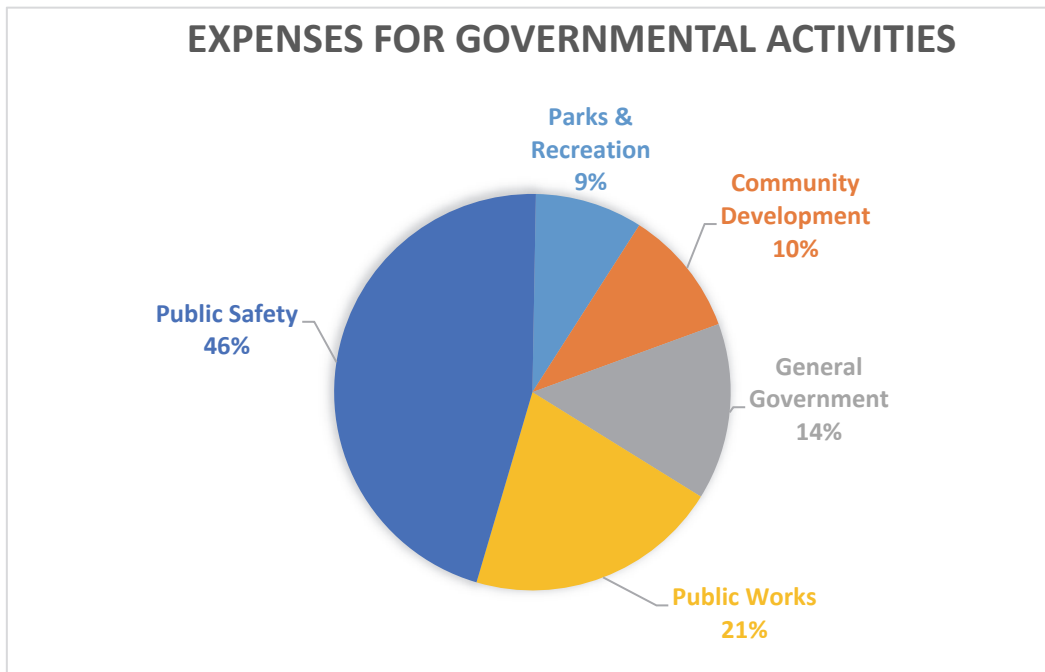
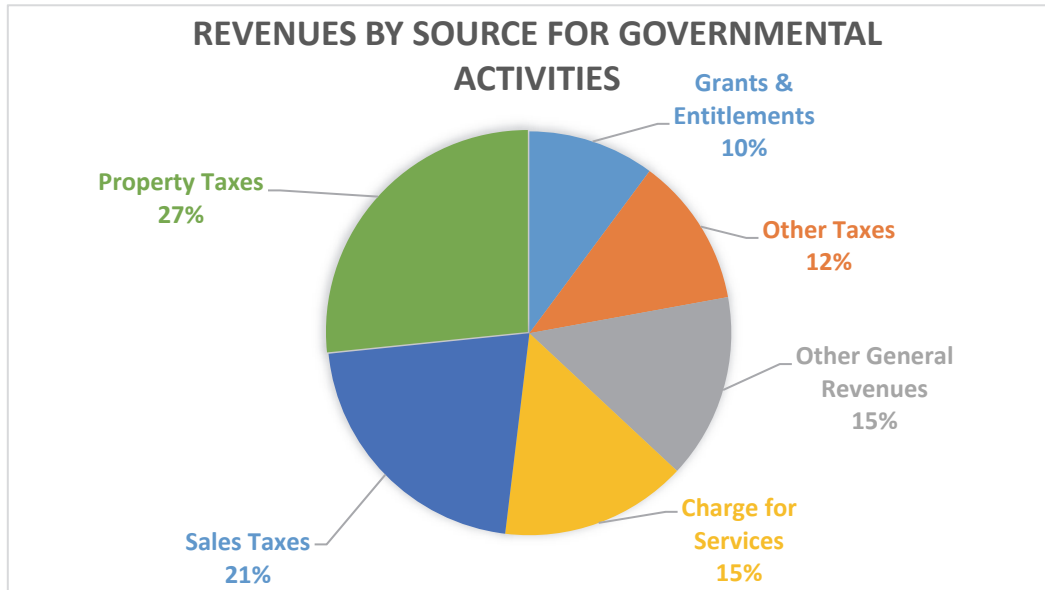
Total revenue for the City's governmental activities before extraordinary gain and transfers increased by \$4.2 million, or 7.5%, to \$60.3 million. Total governmental activity expenses decreased by \$1.4 million, or 3.1%, to \$44.4 million. Transfers into governmental activities from the sewer fund were \$0.6 million, or an increase of \$0.1 million compared to the previous fiscal year.

As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through City taxes was \$36.2 million, as some of the cost was paid by those who directly benefited from the programs (\$9.0 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$6.1 million), or by other general revenues (\$9.0 million).

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

- Property Taxes increased by \$2.2 million, or 16.3%, to \$16.0 million primarily due to the increase in the assessed value for properties from new developments, transfers of ownership, and the sale of properties. This was coupled with larger pass through payments and residual amounts from the Redevelopment Property Tax Trust Fund distributions.
- Sales Taxes increased by \$0.2 million, or 1.7%, to \$12.9 million in comparison with the prior year mainly due to the stable economic growth and the revenue from restaurants and hotels, food and drugs, fuel and service stations, and autos and transportation groups. The State of California implemented a new software system for sales taxes and the implementation caused a delay in payment processing leading to timing differences in cash receipts.
- Charges for Services decreased by \$1.9 million, or 17.3%, to \$9.0 million, mainly from decreased 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, in the previous year. 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.
- Operating Grants and Contributions decreased by \$0.3 million, or 6.1%, to \$4.6 million, mainly due to lower affordable housing in-lieu fees received compared to the prior year and the \$1.4 million in bond proceeds from the Successor Agency for the Holly/US 101 interchange project received in the prior year. This was largely offset by greater funds received through Senate Bill 1 (SB 1) funding for transportation, street, and road rehabilitation, and \$2.4 million in commercial linkage fees received from the Palo Alto Medical Foundation and other commercial development projects.
- Capital Grants and Contributions increased by \$0.5 million, or 50%, to \$1.5 million, mainly due to a \$0.5 million grant received from the Palo Alto Medical Foundation for the Holly/US 101 interchange project. 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 \$1.8 million, or 25%, to \$9 million, from the prior year. The increase is due to greater investment income from higher interest rates and an increase in vehicle in-lieu fees related to higher assessed property values.
- Governmental Expenses totaled \$44.4 million in the fiscal year 2019, a decrease of \$1.4 million from the prior year's expenses of \$45.8 million. The decrease is mainly associated with the one-time pay-down of \$7.0 million to the pension and other post-employment benefits plans in the previous fiscal year and partially offset by an increase in salary and benefit expenses.



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

Business-type activities' total net position for fiscal year 2019 was \$53.4 million, an increase of \$5.2 million, or 10.8%, from the prior year as indicated in the Statement of Activities and Changes in Net Position. The change in Net Position was lower in the current fiscal year when compared to the prior year primarily due to the increased debt interest payments made during the year, and in the prior 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 \$0.3 million. Every year the City adjusts this investment based on the City's proportion of financial activity in SVCW.

The restricted portion of the ending net position includes \$6.1 million in investment in the SVCW joint venture that is not readily available for day-to-day operational spending. As of June 30, 2019, the City's direct obligation is approximately \$46.6 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**

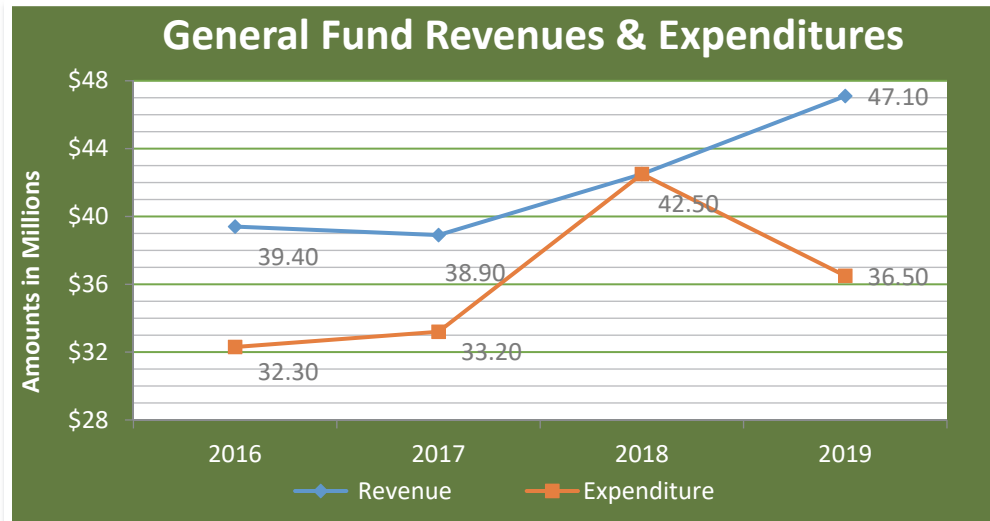
As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

### *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 \$38.4 million, representing an increase of \$8.9 million, or 30.1%, higher than the fiscal year 2018 fund balance of \$29.6 million. This increase is explained in the following paragraphs.

The General Fund's total revenues increased by \$4.6 million, or 10.9%, to \$47.1 million compared to the prior fiscal year amount of \$42.5 million. The General Fund expenditures totaled \$36.5 million, a decrease of \$6.0 million, or 14.2%, from prior year expenditures of \$42.5 million. The previous fiscal year expenditures included a one-time pay-down of \$7.0 million to the pension and other post-employment benefits plans, which accounts for the majority of the difference.

As a comparison, there was an increase in revenue between the fiscal years 2017 and 2018 of 9.4% mostly due to increases in property tax, sales tax, license and permits, and other revenue. Between the two years, there was an increase in expenditures of 28.1% mostly due to the one-time pay-down of pension and other post-employment benefits in fiscal year 2018, which made up the majority of the difference in expenditures in that year. When the payment is excluded, the total expenditures in fiscal year 2018 were \$35.5 million compared to \$36.5 million in the current fiscal year, an increase of \$1 million, or 2.8%. The following chart shows the revenues and expenses over the years:



	FY 16	FY 17	FY 18	FY 19
Total Revenues	\$ 39.4	\$ 38.9	\$ 42.5	\$ 47.1
Dollar Change	N/A	\$ (0.5)	\$ 3.6	\$ 4.6
Percentage Change	N/A	-1.3%	9.4%	10.9%

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

- Property Taxes increased by \$1.7 million, or 14.3%, primarily due to the increase in the assessed value for properties from new developments, transfers of ownership, and the sale of properties. This was coupled with larger pass through payments and residual amounts from the Redevelopment Property Tax Trust Fund distributions.
- Sales Taxes increased by \$0.1 million, or 1.2%, in comparison with the prior year mainly because of economic growth and the continued growth in revenues from restaurants and hotels, food and drugs, fuel and service stations, and autos and transportation groups.
- Charges for Services decreased slightly by \$0.1 million, or 2.4%. In the previous 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 \$1.5 million, or 68.6%. The increase is primarily a result of an increase in investment income due to higher interest rates and a more favorable fair value adjustment.
- Revenues from Licenses and Permits decreased slightly by \$0.3 million, or 11.3%. Similar to the reason for the increase in the charges for services, fees collected in the previous year for building, electrical, plumbing, encroachment and mechanical permits were higher due to the onset of several large projects.
- Business Registration remained relatively flat at \$1.0 million compared to the prior year of \$0.9 million. The small increase was largely due to the 4% annual increase in Business Registration fees.
- Transient Occupancy Tax, or TOT, increased by \$1.5 million, or 88.6%, compared to the prior year due to the opening of a new hotel and also the passage of Measure QQ. The tax measure increased the local hotel tax on hotel guests from 10% to 12% beginning on January 1, 2019 with an annual increase of 0.5% and capped at 14%.

- Vehicle In-Lieu increased by \$0.4 million, or 11.3%, 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 decreased by \$0.3 million, or 15.2%, from the prior year. The decrease is primarily a result of a one-time rebate payment from the San Mateo County Sheriff's Office in the previous fiscal year.

<b>General Fund Actual Expenditures*</b>				
(Amounts in Millions)				
	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>
Total Expenditures	\$ 32.3	\$ 33.2	\$ 42.5	\$ 36.5
Dollar Change	N/A	\$ 0.9	\$ 9.3	\$ (6.0)
<b>Percentage Change</b>	<b>N/A</b>	<b>2.8%</b>	<b>28.1%</b>	<b>-14.1%</b>

\*General Fund actual expenditures for fiscal year 2016 excludes repayment of an 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 decreased by \$6.7 million, or 55.6%. The decrease is primarily associated with the prior fiscal year one-time payments of \$5.0 million to CalPERS to pay-down the pension liability and \$2.0 million for the Other Post Employment Benefit ("OPEB") trust plans. Excluding those payments, governmental expenditures slightly increased by \$0.3 million, or 4.9%, mainly due to the increase in the lump-sum payment to CalPERS for the required annual unfunded accrued liability ("UAL").
- Community Development Expenditures dropped by \$0.3 million, or 7.2%, largely due to decreases in professional services for contractors to assist with economic development and planning projects. This cost decrease was reflective of fees collected from developers.
- Public Safety Expenditures were \$1.0 million, or 5.3%, higher than the previous year. The primary reason for the change is contract increases for fire, police and dispatch services.
- Public Works Expenditures have stayed relatively flat at \$4.5 million.
- Parks and Recreation Expenditures rose slightly by \$0.1 million, or 2.7%, mainly due to additional events and programs.

*Capital Improvement Fund* – This fund has a fund balance of \$29.2 million at the close of fiscal year 2019, which represents an increase of \$3.5 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 decreased from \$7.6 million in the prior year to \$1.8 million in the current year due to additional funding of capital projects such as the Holly St./US 101 Interchange and Pedestrian Overcrossing Project in the prior year.
- Licenses and Permits, and Traffic Impact Mitigation Fees, decreased by \$2.0 million compared to the prior year due to more large scale development project fees received in the previous fiscal year.
- Other Revenue decreased by \$0.9 million due to \$1.4 million of bond proceeds that were received in the previous year from the Successor Agency for the Holly St./US 101 project, partially offset by \$0.5 million in contributions to the project from the Palo Alto Medical Foundation.

- Property Taxes increased by \$0.5 million due to an increase in assessed values.
- Capital Project Expenditures decreased by \$2.3 million due to less spending on some capital projects as certain projects were delayed. In the previous year, large projects included 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, 2019, it has a fund balance of \$15.0 million, which is restricted for housing purposes. The fund balance increased by \$2.6 million compared to the prior year primarily due to a one-time Commercial Linkage Fee of \$2 million received from the Palo Alto Medical Foundation for amending the development agreement with the City.

*Other Governmental Funds* – The total fund balance for the Other Governmental Funds increased to \$11.9 million compared with \$10.2 million in the previous fiscal year, an increase of \$1.7 million, or 16.7%. This was due to an increased level of funding from Senate Bill 1 (SB-1) funding for transportation, street, and road rehabilitation, and reduced expenditure on capital-related projects.

*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 \$53.4 million, an increase of \$5.2 million, or 10.8%. The operating revenues in the Sewer Fund of \$18.3 million increased by \$0.8 million when compared to the previous fiscal year due to a 5% increase in the sewer rates. During the previous 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 resulting in a 20.2% increase in operating expenditures to \$12.5 million in the current fiscal year when compared to \$10.4 million in the previous fiscal year.

Also, as stated previously, the City recorded an adjustment in the investment in SVCW during this fiscal year of \$0.3 million. More detail on the investment can be found in Note 13d. Included in the \$53.4 million ending net position, \$12.7 million is restricted for capital projects, \$3.6 million is restricted for debt service, \$3 million is restricted for pension and other benefits programs and \$2.6 million is restricted for sewer system maintenance.

*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 \$1.3 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 were as follows:

- Increase in the General Government budget by \$0.8 million for a property purchase at 1201-1225 San Carlos Avenue, lease expenses for new digital billboards, and salaries and benefits for an additional position.
- Increase in the Community Development budget by \$0.2 million for an additional position.
- Increase in the Public Safety budget by \$0.35 million for additional crossing guards.
- Increase in the transfer out from the General Fund to the Capital Projects Fund by \$0.25 million to purchase and install mobile automated license plate readers and the City Hall Emergency Operations Center Furniture and Equipment Updates project.

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 \$5.0 million, or 11.8%. 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 \$2.1 million, or 18.2%. The increases reflect higher secured tax rolls from new developments, sales of properties, and property transfer activities. This was coupled with larger pass through payments and residual amounts from Redevelopment Property Tax Trust Fund distributions.
- Sales Taxes were greater than the budget by \$0.9 million, or 8.5%, due to the stable economic growth and revenue received from restaurants and hotels, food and drugs, fuel and service stations, and autos and transportation groups. The State of California implemented a new software system for sales taxes and the implementation caused a delay in payment processing leading to timing differences in cash receipts. The State is almost all caught up with the adjustments.
- Vehicle In-Lieu exceeded budget by \$0.3 million, or 8.0%, due to higher assessed property values.
- Business Registration slightly exceeded budget by \$0.1 million, or 16.7%, due to scheduled annual rate increases and increased efforts in collecting delinquent business registration fees.
- Other Revenue exceeded budget by \$0.3 million, or 19.2%, due to increases in cost reimbursements from the joint power authorities.
- Transient Occupancy Taxes were more than budget by \$0.5 million, or 20.3%, because of the opening of the new Marriott Residence Inn and Suites hotel and the passage of a transient occupancy tax measure, which increased the tax from 10% to 12%.
- Use of Money and Property Revenues were more than budget by \$0.8 million, or 30.8%, due to an increase in investment income due to higher interest rates and a more favorable fair value adjustment.
- Current Charges for Services were less than budget by \$0.6 million, or 12.3%, due to the timing of development fees for large construction projects that were expected to begin or be completed his fiscal year. As noted previously, the timing of these fees can vary depending on when the projects begin.
- License and Permits slightly exceeded the budget by \$0.5 million, or 26.7%, due to new residential and commercial building projects and renovations of existing properties.

Total expenditures were under budget by \$6.7 million, or 15.5%.

- Salaries and Benefits were under budget by \$2.1 million, or 12.3%, due to the salary and benefit savings realized from vacant positions during the fiscal year and the savings generated from the prepayment of pension obligations the year before.
- Operating Expenditures were under budget by \$3.9 million, or 13.8%, primarily in professional services due to the delays in the start and completion of certain projects and major developments, and cost savings from fuel and vehicle maintenance, field and programs, equipment purchase and maintenance, contracted public safety services, instructors, and legal services.
- Capital Outlay was also under budget by \$0.5 million as the plans for a property at 1201-1225 San Carlos Avenue were delayed.

## Capital Assets and Debt Administration

### Capital Assets

The City's investment in capital assets for government and business-type activities amounts to \$179.9 million as of June 30, 2019. 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 2019 is \$1.3 million, or 0.7%. 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, 2019 and 2018 (Amounts in Millions)							
	Governmental Activities		Business Type Activities		All Government		% Change
	2019	2018	2019	2018	2019	2018	
Land and other assets not being depreciated	\$ 73.3	\$ 73.8	\$ 0.2	\$ 0.2	\$ 73.5	\$ 74.0	-0.7%
Facilities, infrastructure and equipment, net of depreciation	75.1	73.6	31.3	31.0	106.4	104.6	1.7%
<b>Total</b>	<b>\$ 148.4</b>	<b>\$ 147.4</b>	<b>\$ 31.5</b>	<b>\$ 31.2</b>	<b>\$ 179.9</b>	<b>\$ 178.6</b>	<b>0.7%</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 2019, the City had total outstanding long-term obligations of \$3.4 million, a decrease of 8.1%, due to the pay down of the bond.

Outstanding Long-Term Obligations June 30, 2019 and 2018 (Amounts in Millions)					
	Governmental Activities				% Change
	2019	2018			
2015 GO Refunding Bond	\$ 3.4	\$ 3.7			-8.1%
<b>Total</b>	<b>\$ 3.4</b>	<b>\$ 3.7</b>			<b>-8.1%</b>

As of June 30, 2019, the City's general obligation limit is \$397.7 million, 3.75% of total assessed valuation subject to taxation. With outstanding debt of \$3.4 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 2020 budget:

- *Revenue Projections:* The overall growth of the General Fund Revenue is projected to be approximately 2.8% higher than the fiscal year 2019 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 0.3% higher than in the fiscal year 2019 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 mid-year update of the fiscal year 2019-20 budget process. Changes to the existing project budget and the addition of new projects totaling \$4.9 million in expenditures were approved for fiscal year 2020. The new projects include: (1) Downtown Plan; (2) Wheeler Plaza Garage Cameras Design Study; (3) Wheeler Plaza Garage Extra Lighting, Painting and Electric Vehicle Stations; (4) Street Tree/Neighborhood Improvements; (5) Chilton Park Improvements; and (6) Study Land Use and Regulatory Options.
- *Sewer Rate Adjustments:* Per City Council's decision during the wastewater rate setting discussions in 2019, there will be a 4.5% sewer rate increase in fiscal year 2020. 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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 97,663,253	\$ 18,469,246	\$ 116,132,499
Receivables:			
Accounts	3,706,177	825,335	4,531,512
Notes	1,464,225	-	1,464,225
Down payment assistance loan program	730,515	-	730,515
Prepaid items	398,241	-	398,241
Property held for resale	972,829	-	972,829
Investment in SVCW	-	6,145,323	6,145,323
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	8,516,856	-	8,516,856
Capital assets, net of depreciation	75,089,185	31,321,732	106,410,917
<b>Total Assets</b>	<b>253,299,154</b>	<b>56,915,370</b>	<b>310,214,524</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	11,983,622	1,200,131	13,183,753
Deferred OPEB related items	609,434	91,065	700,499
<b>Total Deferred Outflows of Resources</b>	<b>12,593,056</b>	<b>1,291,196</b>	<b>13,884,252</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	4,237,707	444,363	4,682,070
Accrued benefits	7,210	-	7,210
Deposits payable	2,601,592	-	2,601,592
Unearned revenue	419,977	-	419,977
Non-Current Liabilities:			
Due within one year	1,047,380	49,016	1,096,396
Due in more than one year	3,703,896	32,677	3,736,573
Net pension liability	40,216,791	3,110,730	43,327,521
Net OPEB liability	2,621,949	391,785	3,013,734
<b>Total Liabilities</b>	<b>54,856,502</b>	<b>4,028,571</b>	<b>58,885,073</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	6,880,814	781,694	7,662,508
<b>Total Deferred Inflows of Resources</b>	<b>6,880,814</b>	<b>781,694</b>	<b>7,662,508</b>
<b>Net Position:</b>			
Net investment in capital assets	144,862,733	31,475,466	176,338,199
Restricted for:			
Public safety	277,666	-	277,666
Parks and recreation	3,167,105	-	3,167,105
Public works	2,516,206	-	2,516,206
Housing	15,039,440	-	15,039,440
Capital projects	-	12,745,323	12,745,323
Debt Service	956,071	3,567,000	4,523,071
Pension and other benefits programs	-	2,993,013	2,993,013
Sewer system maintenance	-	2,615,499	2,615,499
Unrestricted	37,335,673	-	37,335,673
<b>Total Net Position</b>	<b>\$ 204,154,894</b>	<b>\$ 53,396,301</b>	<b>\$ 257,551,195</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 6,380,239	\$ 1,373,465	\$ -	\$ -
Public safety	20,312,716	671,586	149,154	-
Community development	4,573,922	3,479,906	2,572,264	-
Parks and recreation	3,887,509	1,555,971	37,164	619,262
Public works	9,228,138	1,944,495	1,866,895	876,221
Interest on long-term debt	65,287	-	-	-
<b>Total Governmental Activities</b>	<b>44,447,811</b>	<b>9,025,423</b>	<b>4,625,477</b>	<b>1,495,483</b>
Business-type Activities:				
Sewer	12,864,967	18,294,560	-	-
<b>Total Business-type Activities</b>	<b>12,864,967</b>	<b>18,294,560</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 57,312,778</b>	<b>\$ 27,319,983</b>	<b>\$ 4,625,477</b>	<b>\$ 1,495,483</b>

**General revenues:**

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Motor vehicle in-lieu

Use of money and property

Miscellaneous

**Transfers**

**Total general revenues and transfers**

Change in Net Position

Net Position, beginning of the year

**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>
\$ (5,006,774)	\$ -	\$ (5,006,774)
(19,491,976)	-	(19,491,976)
1,478,248	-	1,478,248
(1,675,112)	-	(1,675,112)
(4,540,527)	-	(4,540,527)
(65,287)	-	(65,287)
<b>(29,301,428)</b>	<b>-</b>	<b>(29,301,428)</b>
-	5,429,593	5,429,593
-	<b>5,429,593</b>	<b>5,429,593</b>
<b>(29,301,428)</b>	<b>5,429,593</b>	<b>(23,871,835)</b>
16,025,098	-	16,025,098
3,123,042	-	3,123,042
12,931,123	-	12,931,123
4,121,311	-	4,121,311
3,563,988	-	3,563,988
4,507,003	353,156	4,860,159
877,612	-	877,612
597,100	(597,100)	-
<b>45,746,277</b>	<b>(243,944)</b>	<b>45,502,333</b>
16,444,849	5,185,649	21,630,498
187,710,045	48,210,652	235,920,697
<b>\$ 204,154,894</b>	<b>\$ 53,396,301</b>	<b>\$ 257,551,195</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 Supplementary 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, 2019**

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Housing</u>
<b>Assets:</b>			
Cash and investments	\$ 41,208,950	\$ 29,305,387	\$ 13,479,749
Receivables:			
Accounts	3,380,340	190,202	607
Notes	-	-	1,464,225
Down payment assistance loan program	-	-	730,515
Prepaid items	398,241	-	-
Property held for resale	-	-	972,829
<b>Total Assets</b>	<b><u>\$ 44,987,531</u></b>	<b><u>\$ 29,495,589</u></b>	<b><u>\$ 16,647,925</u></b>
<b>Liabilities, Deferred Inflows, of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 3,469,271	\$ 344,011	\$ 37,928
Accrued benefits	7,210	-	-
Deposits payable	2,598,963	-	2,629
Unearned revenues	419,977	-	-
<b>Total Liabilities</b>	<b><u>6,495,421</u></b>	<b><u>344,011</u></b>	<b><u>40,557</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	53,910	-	1,567,928
<b>Total Deferred Inflows of Resources</b>	<b><u>53,910</u></b>	<b><u>-</u></b>	<b><u>1,567,928</u></b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid items	398,241	-	-
<b>Restricted for:</b>			
Public safety	-	-	-
Parks and recreation	-	-	-
Public works	-	-	-
Debt service	-	-	-
Housing	-	-	15,039,440
<b>Committed to:</b>			
General government	-	-	-
Community development	-	-	-
Capital projects	-	29,151,578	-
Emergency reserve	6,618,444	-	-
Strategic property acquisition	7,191,795	-	-
Community endowment	2,000,000	-	-
<b>Assigned to:</b>			
Unfunded liabilities	7,000,000	-	-
Facility/infrastructure improvements	12,341,500	-	-
<b>Unassigned</b>	<b><u>2,888,220</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Fund Balances</b>	<b><u>38,438,200</u></b>	<b><u>29,151,578</u></b>	<b><u>15,039,440</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 44,987,531</u></b>	<b><u>\$ 29,495,589</u></b>	<b><u>\$ 16,647,925</u></b>

See Notes to Financial Statements

CITY OF SAN CARLOS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Cash and investments	\$ 12,107,097	\$ 96,101,183
Receivables:		
Accounts	135,028	3,706,177
Notes	-	1,464,225
Down payment assistance loan program	-	730,515
Prepaid items	-	398,241
Property held for resale	-	972,829
<b>Total Assets</b>	<b>\$ 12,242,125</b>	<b>\$ 103,373,170</b>
<b>Liabilities, Deferred Inflows, of Resources, and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 333,869	\$ 4,185,079
Accrued benefits	-	7,210
Deposits payable	-	2,601,592
Unearned revenues	-	419,977
<b>Total Liabilities</b>	<b>333,869</b>	<b>7,213,858</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenues	14,411	1,636,249
<b>Total Deferred Inflows of Resources</b>	<b>14,411</b>	<b>1,636,249</b>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Prepaid items	-	398,241
<b>Restricted for:</b>		
Public safety	277,666	277,666
Parks and recreation	3,167,105	3,167,105
Public works	2,516,206	2,516,206
Debt service	956,071	956,071
Housing	-	15,039,440
<b>Committed to:</b>		
General government	1,745,124	1,745,124
Community development	172,713	172,713
Capital projects	3,058,960	32,210,538
Emergency reserve	-	6,618,444
Strategic property acquisition	-	7,191,795
Community endowment	-	2,000,000
<b>Assigned to:</b>		
Unfunded liabilities	-	7,000,000
Facility/infrastructure improvements	-	12,341,500
<b>Unassigned</b>	<b>-</b>	<b>2,888,220</b>
<b>Total Fund Balances</b>	<b>11,893,845</b>	<b>94,523,063</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 12,242,125</b>	<b>\$ 103,373,170</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, 2019

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Fund balances of governmental funds \$ 94,523,063

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. 148,363,914

Long-term debt and compensated absences that have not been included in governmental fund activity

Bonds payable	(3,501,181)
Compensated absences	(718,095)

Net Pension Liability and other deferred items

Proportionate share of net pension liability	(40,216,791)
Deferred outflows related to pensions	11,983,622
Deferred inflows related to pensions	(6,880,814)

Net OPEB Liability and other deferred items

Net OPEB liability	(2,621,949)
Deferred outflows related to OPEB	609,434

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. (32,688)

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. 1,636,249

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. 1,010,130

**Net Position of Governmental Activities** \$ 204,154,894

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, 2019

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Housing</u>
<b>Revenues:</b>			
Sales taxes	\$ 11,981,838	\$ -	\$ -
Property taxes	13,579,102	1,972,165	-
Transient occupancy taxes	3,123,042	-	-
Franchise taxes	1,914,521	2,206,790	-
Vehicle in-lieu	3,563,988	-	-
Business registration	1,019,428	-	-
Licenses and permits	2,218,970	223,303	-
From other agencies	28,117	-	-
Charges for services	4,120,367	-	-
Fines and forfeitures	283,864	-	-
Use of money and property	3,575,383	76,880	326,531
Other revenue	1,722,155	773,844	2,572,264
<b>Total Revenues</b>	<b>47,130,775</b>	<b>5,252,982</b>	<b>2,898,795</b>
<b>Expenditures:</b>			
Current:			
General government	5,396,150	-	-
Community development	4,093,800	-	306,338
Public safety	19,467,510	-	-
Public works	4,500,296	3,548,719	-
Parks and recreation	2,997,533	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	<b>36,455,289</b>	<b>3,548,719</b>	<b>306,338</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,675,486	1,704,263	2,592,457
<b>Other Financing Sources (Uses):</b>			
Transfers in	597,100	1,800,000	-
Transfers out	(2,385,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,787,900)</b>	<b>1,800,000</b>	<b>-</b>
Net Change in Fund Balances	8,887,586	3,504,263	2,592,457
Fund Balances, Beginning of Year	29,550,614	25,647,315	12,446,983
<b>Fund Balances, End of Year</b>	<b>\$ 38,438,200</b>	<b>\$ 29,151,578</b>	<b>\$ 15,039,440</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, 2019

	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>		
Sales taxes	\$ 949,285	\$ 12,931,123
Property taxes	473,831	16,025,098
Transient occupancy taxes	-	3,123,042
Franchise taxes	-	4,121,311
Vehicle in-lieu	-	3,563,988
Business registration	-	1,019,428
Licenses and permits	298,170	2,740,443
From other agencies	1,946,267	1,974,384
Charges for services	9,945	4,130,312
Fines and forfeitures	-	283,864
Use of money and property	414,420	4,393,214
Other revenue	852,389	5,920,652
<b>Total Revenues</b>	<b>4,944,307</b>	<b>60,226,859</b>
<b>Expenditures:</b>		
Current:		
General government	299,084	5,695,234
Community development	-	4,400,138
Public safety	100,000	19,567,510
Public works	1,174,423	9,223,438
Parks and recreation	-	2,997,533
Capital outlay	1,898,256	1,898,256
Debt service:		
Principal	290,000	290,000
Interest and fiscal charges	83,435	83,435
<b>Total Expenditures</b>	<b>3,845,198</b>	<b>44,155,544</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,099,109	16,071,315
<b>Other Financing Sources (Uses):</b>		
Transfers in	1,435,000	3,832,100
Transfers out	(850,000)	(3,235,000)
<b>Total Other Financing Sources (Uses)</b>	<b>585,000</b>	<b>597,100</b>
Net Change in Fund Balances	1,684,109	16,668,415
Fund Balances, Beginning of Year	10,209,736	77,854,648
<b>Fund Balances, End of Year</b>	<b>\$ 11,893,845</b>	<b>\$ 94,523,063</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, 2019**

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Net change in fund balances total governmental funds \$ 16,668,415

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	3,447,596
Depreciation expense	(2,463,573)
Retirement of capital assets	(16,675)

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	290,000
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.

(1,513,647)

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

3,625

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.

(55,859)

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.

36,341

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.

34,103

**Change in net position of governmental activities**

**\$ 16,444,849**

**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, 2019**

	<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	\$ 11,043,100	\$ 11,043,100	\$ 11,981,838	\$ 938,738
Property taxes	11,488,300	11,488,300	13,579,102	2,090,802
Transient occupancy taxes	2,595,900	2,595,900	3,123,042	527,142
Franchise taxes	1,945,900	1,945,900	1,914,521	(31,379)
Vehicle in lieu	3,300,000	3,300,000	3,563,988	263,988
Business registration	873,600	873,600	1,019,428	145,828
Licenses and permits	1,750,700	1,750,700	2,218,970	468,270
From other agencies	15,300	15,300	28,117	12,817
Charges for current services	4,700,300	4,700,300	4,120,367	(579,933)
Fines and forfeitures	261,200	261,200	283,864	22,664
Use of money and property	2,733,700	2,733,700	3,575,383	841,683
Other revenue	1,445,000	1,445,000	1,722,155	277,155
<b>Total Revenues</b>	<b>42,153,000</b>	<b>42,153,000</b>	<b>47,130,775</b>	<b>4,977,775</b>
<b>Expenditures:</b>				
Current				
General Government:				
City Council	305,100	370,260	260,092	110,168
City Manager	1,619,700	1,774,703	1,540,880	233,823
City Clerk	534,900	534,900	405,277	129,623
Administrative Services	3,586,000	3,586,000	2,783,100	802,900
General Government	70,100	690,100	59,795	630,305
City Treasurer	18,600	20,400	9,586	10,814
City Attorney	373,900	373,900	337,420	36,480
Total General Government	6,508,300	7,350,263	5,396,150	1,954,113
Community Development:				
Administration	588,300	780,800	583,090	197,710
Economic Development	970,100	970,100	691,858	278,242
Building	2,085,400	2,085,400	1,545,327	540,073
Planning	2,498,200	2,498,200	1,273,525	1,224,675
Total Community Development	6,142,000	6,334,500	4,093,800	2,240,700
Public Safety:				
Police	9,999,900	10,034,900	9,780,567	254,333
Fire	10,201,200	10,201,200	9,686,943	514,257
Total Public Safety	20,201,100	20,236,100	19,467,510	768,590

See Notes to Financial Statements

CITY OF SAN CARLOS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Works:				
Administration	1,551,000	1,551,000	1,123,877	427,123
Garage	122,800	122,800	72,856	49,944
Street Maintenance	386,400	386,400	340,423	45,977
Park Maintenance	2,089,600	2,089,600	1,743,940	345,660
Traffic Control	321,600	321,600	279,006	42,594
Building Maintenance	1,079,100	1,079,100	940,194	138,906
Total Public Works	<u>5,550,500</u>	<u>5,550,500</u>	<u>4,500,296</u>	<u>1,050,204</u>
Parks and Recreation:				
Administration	582,400	582,400	503,251	79,149
Recreation	3,107,600	3,107,600	2,494,282	613,318
Total Parks and Recreation	<u>3,690,000</u>	<u>3,690,000</u>	<u>2,997,533</u>	<u>692,467</u>
<b>Total Expenditures</b>	<b><u>42,091,900</u></b>	<b><u>43,161,363</u></b>	<b><u>36,455,289</u></b>	<b><u>6,706,074</u></b>
Excess (Deficiency) of Revenues Over Expenditures	<u>61,100</u>	<u>(1,008,363)</u>	<u>10,675,486</u>	<u>11,683,849</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	597,100	597,100	597,100	-
Transfers (out)	<u>(2,135,000)</u>	<u>(2,385,000)</u>	<u>(2,385,000)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(1,537,900)</u></b>	<b><u>(1,787,900)</u></b>	<b><u>(1,787,900)</u></b>	<b><u>-</u></b>
Net Change in Fund Balance	<u>\$ (1,476,800)</u>	<u>\$ (2,796,263)</u>	<u>\$ 8,887,586</u>	<u>\$ 11,683,849</u>
Beginning Fund Balance			<u>29,550,614</u>	
<b>Ending Fund Balance</b>			<b><u>\$38,438,200</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, 2019

	Business-Type Activities – Enterprise Fund <u>Sewer</u>	Governmental Activities – Internal Service Funds
<b>Assets:</b>		
Current Assets:		
Cash and investments	\$ 18,469,246	\$ 1,562,070
Receivables:		
Accounts receivable	825,335	-
<b>Total Current Assets</b>	<b>19,294,581</b>	<b>1,562,070</b>
Noncurrent:		
Investment in SVCW	6,145,323	-
Capital assets, net:		
Land	153,734	-
Construction in process	-	-
Depreciable capital assets, net	31,321,732	-
<b>Total Noncurrent Assets</b>	<b>37,620,789</b>	<b>-</b>
<b>Total Assets</b>	<b>56,915,370</b>	<b>1,562,070</b>
<b>Deferred Outflows of Resources:</b>		
Deferred pension related items	1,200,131	-
Deferred OPEB related items	91,065	-
<b>Total Deferred Outflows of Resources</b>	<b>1,291,196</b>	<b>-</b>
<b>Liabilities:</b>		
Current:		
Accounts payable	444,363	19,940
Compensated absences	49,016	-
Claims payable	-	282,000
<b>Total Current Liabilities</b>	<b>493,379</b>	<b>301,940</b>
Noncurrent:		
Compensated absences	32,677	-
Claims payable	-	250,000
Net Pension Liability	3,110,730	-
Net OPEB Liability	391,785	-
<b>Total Noncurrent Liabilities</b>	<b>3,535,192</b>	<b>250,000</b>
<b>Total Liabilities</b>	<b>4,028,571</b>	<b>551,940</b>
<b>Deferred Inflows of Resources:</b>		
Deferred pension related items	781,694	-
<b>Total Deferred Inflows of Resources</b>	<b>781,694</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets	31,475,466	-
Restricted for:		
Capital projects	12,745,323	-
Debt service	3,567,000	-
Pension and other benefits programs	2,993,013	-
Sewer system maintenance	2,615,499	-
Unrestricted	-	1,010,130
<b>Total Net Position</b>	<b>\$ 53,396,301</b>	<b>\$ 1,010,130</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, 2019

	Business-Type Activities – Enterprise Fund <u>Sewer</u>	Governmental Activities – Internal Service Funds
<b>Operating Revenues:</b>		
Charges for services	\$ 18,294,560	\$ 900,000
Cost reimbursements	-	641,675
<b>Total Operating Revenues</b>	<b>18,294,560</b>	<b>1,541,675</b>
<b>Operating Expenses:</b>		
Salaries and benefits (Note 10 & 11)	1,663,162	-
Sewer operations	7,792,392	-
Insurance premiums	-	641,772
Claims expense	-	868,838
Depreciation expense	1,015,486	-
Miscellaneous	2,072,525	29,322
<b>Total Operating Expenses</b>	<b>12,543,565</b>	<b>1,539,932</b>
Operating Income (Loss)	5,750,995	1,743
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	353,156	32,360
Decrease in Investment in Sewer Authority	(321,402)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>31,754</b>	<b>32,360</b>
Income (Loss) Before Transfers	5,782,749	34,103
Transfers (out)	(597,100)	-
Change in net position	5,185,649	34,103
Net position, beginning of the year	48,210,652	976,027
<b>Net position, end of the year</b>	<b>\$ 53,396,301</b>	<b>\$ 1,010,130</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 17,469,225	\$ -
Cash received/(paid to) interfund service provided	-	1,576,282
Cash paid to suppliers for goods and services	(12,545,499)	(856,471)
Cash paid to employees for services	(1,779,868)	-
Claims paid	-	(899,838)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>3,143,858</b>	<b>(180,027)</b>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Transfers (out)	(597,100)	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(597,100)</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(1,320,816)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,320,816)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	353,156	32,360
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>353,156</b>	<b>32,360</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,579,098</b>	<b>(147,667)</b>
Cash and Cash Equivalents at Beginning of Year	16,890,148	1,709,737
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 18,469,246</b>	<b>\$ 1,562,070</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 5,750,995	\$ 1,743
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,015,486	-
Change in assets and liabilities:		
Receivables, net	(825,335)	34,607
Accounts payable	(2,680,582)	(132,563)
Accrued liabilities	-	(52,814)
Claims payable	-	(31,000)
Compensated absences	5,756	-
Net pension liability and deferred outflows/inflows of resources	(70,271)	-
Net OPEB liability and deferred outflows/inflows of resources	(52,191)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 3,143,858</b>	<b>\$ (180,027)</b>
<b>Schedule of non-cash capital and related financing activities:</b>		
Investment in joint venture	\$ (321,402)	
<b>See Notes to Financial Statements</b>		

## 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, 2019

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund</u> <u>Successor Agency of the Former RDA</u>
<b>Assets:</b>		
Cash and investments	\$ 28,285,433	\$ 1,120,248
Cash and investments with fiscal agent	-	1,120,143
Receivables:		
Accounts receivable	3,882,148	-
Prepaid items	32,524	-
<b>Total Assets</b>	<b><u>\$ 32,200,105</u></b>	<b><u>2,240,391</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 5,075,588	109,637
Due to members	26,841,828	-
Unearned revenue	282,689	-
Long-term liabilities		
Due in one year	-	696,380
Due in more than one year	-	13,312,269
<b>Total Liabilities</b>	<b><u>\$ 32,200,105</u></b>	<b><u>14,118,286</u></b>
<b>Net Position:</b>		
Held in trust for other purposes		<u>(11,877,895)</u>
<b>Total Net Position</b>		<b><u>\$ (11,877,895)</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, 2019

	Private- Purpose Trust Fund
	Successor Agency of the Former RDA
<b>Additions:</b>	
Taxes	\$ 1,395,478
Use of money and property	26,919
<b>Total Additions</b>	<b>1,422,397</b>
<b>Deductions:</b>	
Administrative expenses	78,064
Other miscellaneous expenses	281,676
Interest expense	562,096
<b>Total Deductions</b>	<b>921,836</b>
<b>Change in Net Position</b>	<b>500,561</b>
Net Position - Beginning of the Year	(12,378,456)
<b>Net Position - End of the Year</b>	<b>\$ (11,877,895)</b>

See Notes to Financial Statements

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**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019**

**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:** 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:** 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, 2019**

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

**Housing Capital Projects Fund:** 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 fund in the accompanying financial statements:

**Sewer Enterprise Fund:** 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 the 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, 2019**

**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 billed in two equal installments, on November 1 and February 1, due by December 10 and April 10 (of the following year), respectively. Taxes are considered delinquent if paid after the due dates. 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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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 general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**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:

*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. 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, 2019**

**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, 2019**

**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, 2019 are classified in the following financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 116,132,499
Subtotal	116,132,499
Fiduciary Funds:	
Cash and investments	29,405,681
Cash and investments with fiscal agent	1,120,143
Subtotal	30,525,824
Total cash and investments	\$ 146,658,323

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 8,200
Deposits with financial institutions	5,196,871
Investments	141,453,252
Total cash and Investments	\$ 146,658,323

**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, 2019**

**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	As permitted by LAIF (currently \$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	Minimum 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, 2019**

**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	\$ 57,895,570	\$ 57,895,570
California Local Agency Investment Fund	82,437,539	82,437,539
California Asset Management Program	1,120,143	1,120,143
Total Investments	<u>\$ 141,453,252</u>	141,453,252
Cash in bank and cash on hand		<u>5,205,071</u>
Total Cash and Investments		<u>\$ 146,658,323</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, 2019 for each investment type:

Investment Type	Total
Not rated:	
California Local Agency Investment Fund	\$82,437,539
San Mateo County Investment Pool	57,895,570
California Asset Management Program	1,120,143
Total Investments	<u>141,453,252</u>
Cash in bank and cash on hand	<u>5,205,071</u>
Total Cash and Investments	<u>\$ 146,658,323</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019:

Investment Type	Exempt	Total
<b>Investments by Fair Value:</b>		
California Local Agency Investment Pool	\$ 82,437,539	\$ 82,437,539
San Mateo County Investment Pool	57,895,570	57,895,570
Total Investments at Fair Value	\$ 140,333,109	140,333,109
<b>Investments Measured at Net Asset Value:</b>		
California Asset Management Program		1,120,143
Total Investments		141,453,252
<i>Cash in banks</i>		5,205,071
Total Cash and Investments		\$ 146,658,323

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 No. 72, Fair Value Measurement and Application.

**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, 2019, these investments have an average maturity of 173 days.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019, the fair value approximated was the City's cost.

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

The City's former 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, 2019, the City has recorded a receivable totaling \$276,518 for loans given out to six buyers.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

On April 27, 2009, the City Council approved revisions to the terms of the program 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, 2019, the City has recorded a receivable totaling \$453,997 for loans given out to seven buyers, consisting of \$350,300 in principal and \$103,697 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, 2019 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Sewer Enterprise Fund	\$ 597,100 (A)
Capital Improvement Fund	General Fund	1,750,000 (B)
	Non-Major Governmental Fund	50,000 (B)
Non-Major Governmental Funds	General Fund	635,000 (C)
	Non-Major Governmental Fund	800,000 (B)
Total Interfund Transfers		\$ 3,832,100

(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, 2019**

**NOTE 5 – CAPITAL ASSETS**

Capital assets of Governmental Activities as of June 30, 2019 consisted of the following:

	Balance at June 30, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
<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	9,060,623	1,136,550	-	(1,680,317)	8,516,856
Total non-depreciable assets	<u>73,818,496</u>	<u>1,136,550</u>	<u>-</u>	<u>(1,680,317)</u>	<u>73,274,729</u>
Capital assets being depreciated:					
Buildings and improvements	40,453,511	983,910	-	531,404	41,968,825
Equipment	5,542,767	362,986	(31,388)	98,920	5,973,285
Infrastructure	68,638,391	964,150	-	1,049,993	70,652,534
Total capital assets being depreciated	<u>114,634,669</u>	<u>2,311,046</u>	<u>(31,388)</u>	<u>1,680,317</u>	<u>118,594,644</u>
Less accumulated depreciation for:					
Buildings	(16,646,347)	(1,258,629)	-	-	(17,904,976)
Equipment	(3,814,803)	(286,624)	14,713	-	(4,086,714)
Infrastructure	(20,595,449)	(918,320)	-	-	(21,513,769)
Total accumulated depreciation	<u>(41,056,599)</u>	<u>(2,463,573)</u>	<u>14,713</u>	<u>-</u>	<u>(43,505,459)</u>
Net capital assets being depreciated	<u>73,578,070</u>	<u>(152,527)</u>	<u>(16,675)</u>	<u>1,680,317</u>	<u>75,089,185</u>
Capital assets, net	<u>\$ 147,396,566</u>	<u>\$ 984,023</u>	<u>\$ (16,675)</u>	<u>\$ -</u>	<u>\$ 148,363,914</u>

**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	\$ 399,702
Public Safety	118,712
Public Works	1,144,326
Community Development	35,958
Parks and Recreation	764,875
Total Governmental Activities	<u>\$ 2,463,573</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**b. Business Activities**

	Balance at June 30, 2018	Additions	Transfers	Balance at June 30, 2019
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 153,734	\$ -	\$ -	\$ 153,734
Construction in progress	46,172	-	(46,172)	-
Total non-depreciable assets	199,906	-	(46,172)	153,734
Capital assets being depreciated:				
Equipment	1,575,467	273,000	-	1,848,467
Sewer network system	37,713,292	1,047,816	46,172	38,807,280
Total capital assets being depreciated	39,288,759	1,320,816	46,172	40,655,747
Less accumulated depreciation for:				
Equipment	(1,200,397)	(136,239)	-	(1,336,636)
Sewer network system	(7,118,132)	(879,247)	-	(7,997,379)
Total accumulated depreciation	(8,318,529)	(1,015,486)	-	(9,334,015)
Net capital assets being depreciated	30,970,230	305,330	46,172	31,321,732
Capital assets, net	\$ 31,170,136	\$ 305,330	\$ -	\$ 31,475,466

Depreciation expense of \$1,015,486 was charged to the Sewer Enterprise Fund as of June 30, 2019.

**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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 6 – PROPERTY HELD FOR RESALE (Continued)**

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, 2019 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 LIABILITIES**

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

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 662,236	\$ 453,817	\$ (397,958)	\$ 718,095	\$ 430,857
Claims liability	563,000	881,105	(912,105)	532,000	282,000
2015 Refunding General Obligation Bonds	3,675,000	-	(290,000)	3,385,000	320,000
Bond Premiums	130,704	-	(14,523)	116,181	14,523
<b>Total Governmental Activities</b>	<u>\$ 5,030,940</u>	<u>\$ 1,334,922</u>	<u>\$ (1,614,586)</u>	<u>\$ 4,751,276</u>	<u>\$ 1,047,380</u>

**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 proceeds from the bonds were used for the construction of the City's public library.

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 \$3,385,000 and \$309,575, respectively. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$372,800 and \$473,831, 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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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.

The Refunding Bonds are general obligations of the City, payable solely from *ad valorem* property taxes levied by the City and collected by San Mateo County. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. There were no such events occurred during the fiscal year ending June 30, 2019.

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

For the Year Ending June 30	Principal	Interest	Total
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	435,000	33,550	468,550
2025 - 2027	1,460,000	44,900	1,504,900
Total	<u>\$ 3,385,000</u>	<u>\$ 309,575</u>	<u>\$ 3,694,575</u>

**NOTE 8 – COMPENSATED ABSENCES**

The changes in compensated absences for the year ending June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One year
<b>Governmental Activities:</b>					
Compensated absences	\$ 662,236	\$ 453,817	\$ (397,958)	\$ 718,095	\$ 430,857
<b>Total Governmental Activities</b>	<u>\$ 662,236</u>	<u>\$ 453,817</u>	<u>\$ (397,958)</u>	<u>\$ 718,095</u>	<u>\$ 430,857</u>
<b>Business-Type Activities:</b>					
Compensated absences	\$ 75,937	\$ 23,537	\$ (17,781)	\$ 81,693	\$ 49,016
<b>Total Business-type Activities</b>	<u>\$ 75,937</u>	<u>\$ 23,537</u>	<u>\$ (17,781)</u>	<u>\$ 81,693</u>	<u>\$ 49,016</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 9 – FUND BALANCES**

**a. Fund Balance**

Detailed classifications of the City's Fund Balances as of June 30, 2019 are below:

Fund Balance Classifications	General Fund	Capital Project Funds		Other Governmental Funds	Total
		Capital Improvement	Housing		
<b>Nonspendable:</b>					
Inventory and prepaids	\$ 398,241	\$ -	\$ -	\$ -	\$ 398,241
<b>Total Nonspendable Fund Balances</b>	<b>398,241</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>398,241</b>
<b>Restricted for:</b>					
Police grants	-	-	-	277,666	277,666
City parks	-	-	-	3,167,105	3,167,105
Traffic management	-	-	-	649,124	649,124
National Pollutant Discharge Elimination System	-	-	-	490,004	490,004
Street maintenance	-	-	-	1,377,078	1,377,078
Debt service	-	-	-	956,071	956,071
Housing	-	-	15,039,440	-	15,039,440
<b>Total Restricted Fund Balances</b>	<b>-</b>	<b>-</b>	<b>15,039,440</b>	<b>6,917,048</b>	<b>21,956,488</b>
<b>Committed to:</b>					
Library tenant activities	-	-	-	1,745,124	1,745,124
Parking lot improvements	-	-	-	172,713	172,713
Equipment replacement	-	-	-	3,058,960	3,058,960
Capital projects	-	29,151,578	-	-	29,151,578
Strategic property acquisitions	7,191,795	-	-	-	7,191,795
Emergency reserve	6,618,444	-	-	-	6,618,444
Community endowment	2,000,000	-	-	-	2,000,000
<b>Total Committed Fund Balances</b>	<b>15,810,239</b>	<b>29,151,578</b>	<b>-</b>	<b>4,976,797</b>	<b>49,938,614</b>
<b>Assigned to:</b>					
Unfunded liabilities	7,000,000	-	-	-	7,000,000
Facility/infrastructure improvements	12,341,500	-	-	-	12,341,500
<b>Total Assigned Fund Balances</b>	<b>19,341,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,341,500</b>
<b>Unassigned:</b>					
General Fund	2,888,220	-	-	-	2,888,220
<b>Total Unassigned Fund Balances</b>	<b>2,888,220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,888,220</b>
<b>Total Fund Balances</b>	<b>\$ 38,438,200</b>	<b>\$ 29,151,578</b>	<b>\$ 15,039,440</b>	<b>\$ 11,893,845</b>	<b>\$ 94,523,063</b>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019 was \$6,618,444.

**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, 2019 was \$7,191,795.

**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, 2019 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, 2019 was \$3,058,960.

The City also has commitments for community development projects, general government and capital projects totaling \$31,069,415.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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.

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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

The provisions and benefits of each plan in effect at June 30, 2019 are summarized as follows:

	<i>City Miscellaneous Plans</i>			
	<i>Tier 1</i>	<i>Tier 2</i>	<i>Tier 3</i>	<i>PEPRA</i>
Hire date	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	2.0% to 2.7%	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	8%	7%	6.5%
Required employer contribution rates	12.556%	10.953%	9.241%	6.939%
	<i>City Safety Plans</i>			
	<i>Tier 1</i>	<i>PEPRA</i>		
Hire date	On or after October 23, 2011	On or after January 1, 2013		
Benefit formula	2% @ 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	2.0% to 2.7%	2.0% to 2.7%		
Required employee contribution rates	9%	12%		
Required employer contribution rates	15.719%	13.034%		

Beginning in fiscal year 2016, CalPERS collects employer contributions for the plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis. In the current fiscal year, the City's required contributions for the unfunded liability in the Miscellaneous and Safety Plans were \$1,040,407 and \$1,440,638, respectively.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

	Safety	Miscellaneous
Contributions - employer	\$ 1,456,904	\$ 1,799,956

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

As of the June 30, 2018 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	\$ 19,398,821
Miscellaneous	17,011,933
Total Net Pension Liability	\$ 36,410,754

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

Proportion - June 30, 2018	0.38%
Proportion - June 30, 2017	0.43%
Change Increase/(Decrease)	-0.05%

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

For the year ended June 30, 2019, the City recognized a pension expense of \$4,851,191 for the CalPERS Plan. At June 30, 2019, 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	\$ 1,456,904	\$ -	\$ 1,799,956	\$ -	\$ 3,256,860	\$ -
Differences between actual and expected experience	416,815	(1,581)	652,718	(222,116)	1,069,533	(223,697)
Changes in assumptions	1,903,364	(256,798)	1,939,411	(475,312)	3,842,775	(732,110)
Net differences between projected and actual earnings on plan investments	131,339	-	84,103	-	215,442	-
Difference in actual contributions and proportion contributions	-	(297,209)	3,510,420	(563,155)	3,510,420	(860,364)
Change in proportion and differences between actual contributions and proportionate share of contributions	43,555	(1,093,895)	141,410	(3,789,353)	184,965	(4,883,248)
<b>Total</b>	<b>\$ 3,951,977</b>	<b>\$ (1,649,483)</b>	<b>\$ 8,128,018</b>	<b>\$ (5,049,936)</b>	<b>\$ 12,079,995</b>	<b>\$ (6,699,419)</b>

In the table above, the \$3,256,860 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2018 but before the end of the City's reporting period ended June 30, 2019, will be recognized as a reduction of the net pension liabilities in the subsequent fiscal year 2020 rather than in the current fiscal year 2019. 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	Miscellaneous	Total
	Annual Amortization	Annual Amortization	
2020	\$ 1,199,710	\$ 1,363,847	\$ 2,563,557
2021	530,289	654,398	1,184,687
2022	(750,043)	(587,107)	(1,337,150)
2023	(134,366)	(153,012)	(287,378)
<b>Total</b>	<b>\$ 845,590</b>	<b>\$ 1,278,126</b>	<b>\$ 2,123,716</b>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Actuarial Assumptions**

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Discount Rate	7.15%
Inflation Rate	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Annual increase vary by category, entry age and duration of service
Mortality Rate Table <sup>1</sup>	Derived using CalPers Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

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

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

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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

In determining the long-term expected rate of return, CalPERS 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+ 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 adjusted to account for assumed administrative expenses.

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 (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS CAFR, Fixed Income is included in the Global Debt Securities  
Liquidity is included in Short-term Investments; Inflation Assets are included  
in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period

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

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

The following presents the City's proportionate share of the net pension liability for 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	\$ 27,088,510	\$ 19,398,821	\$ 13,098,497
Miscellaneous	26,990,944	17,011,933	8,774,422

**Pension Plan Fiduciary Net Position**

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

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

**Plan Description and Benefits**

The City sponsors a Longevity Recognition Single Employer Defined Benefit 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, \$863.30 per month for 2019, 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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Participants Covered**

As of the measurement date, June 30, 2018, the number of participants is as follows: 31 active and 42 retirees.

**Contributions**

During the year ended June 30, 2019, the contributions totaled \$459,000.

**Net Pension Liability**

The net pension liability for the plan is measured as the total pension liability, less the Plan's fiduciary net position. A summary of the actuarial assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions and Discount Rate**

<b>Actuarial Methods and Assumptions</b>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Discount Rate	6.00%
Inflation Rate	2.75%
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Investment Rate of Return	6.00% net of investment expenses
Demographic Assumptions	Rates of retirement, disability and other terminations are based on the CalPERS 2014 experience study using data from 1997 to 2011, except for a different basis used to project future mortality improvement.
Mortality Improvements	Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected with Macleod Watts Scale 2017 applied generationally.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Changes in the Net Pension Liability**

The changes in the June 30, 2018 measurement date follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2017</b>	\$ 9,773,370	\$ 1,975,960	\$ 7,797,410
<b>Changes in the year:</b>			
Service cost	168,032	-	168,032
Interest on the total pension liability	585,709	-	585,709
Contribution - employer	-	1,520,000	(1,520,000)
Net investment income	-	116,751	(116,751)
Administrative expenses	-	(2,367)	2,367
Differences due to plan experience	-	-	-
Change of assumptions	-	-	-
Benefit payments	(359,186)	(359,186)	-
<b>Net changes</b>	<u>394,555</u>	<u>1,275,198</u>	<u>(880,643)</u>
<b>Balance at June 30, 2018</b>	<u>\$ 10,167,925</u>	<u>\$ 3,251,158</u>	<u>\$ 6,916,767</u>

**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	\$8,319,321	\$6,916,767	\$5,765,190

**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, 2019**

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

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

For the year ended June 30, 2019, the City recognized pension expense of \$463,406 for the PARS Longevity Recognition Plan. At June 30, 2019, the City reported the following related to this Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 459,000	\$ -
Differences between actual and expected experience	429,169	-
Changes in assumptions	151,841	(963,089)
Net differences between projected and actual earnings on plan investments	<u>63,748</u>	<u>-</u>
Total	<u>\$ 1,103,758</u>	<u>\$ (963,089)</u>

The \$459,000 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2020	\$ (204,466)
2021	(124,143)
2022	2,966
2023	7,312
Total	<u>\$ (318,331)</u>

**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, 2019**

**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 \$863.30 per month for 2019. 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 \$136 per month for 2019.

As of June 30, 2019, 75 retired employees participated in the retiree healthcare benefits. Additionally, 83 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, 2019:

Active employees	83
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	75
Inactive employees entitled to but not yet receiving benefit payments	34
Total	192

**c. Net OPEB Liability**

**Actuarial Methods and Assumptions:** The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions:

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Actuarial Methods and Assumptions**

Validation Date	July 1, 2017
Measurement Date	June 30, 2018
Funding Method	Entry age normal cost, level percent of pay
Assets Valuation Method	Market value of assets
	6.70% as of June 30, 2018
	7.00% as of June 30, 2017
	net of plan investment expenses and including
Long Term Return on Assets	inflation
	6.70% as of June 30, 2018
Discount Rates	7.00% as of June 30, 2017
	3.25% per year, used only to allocate the cost of
Salary Increase	benefits between service years
Inflation Rate	2.75% per year
	7.50% in 2019, step down to 0.50% per year to 5%
Healthcare Cost Trend Rates	by 2024 and thereafter
Mortality Improvement	Macleod Watts Scale 2017 applied generationally

**Discount Rate:** The discount rate used to measure the Total OPEB Liability was 6.7%.

**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>Balance at Fiscal Year Ending 6/30/2018:</b>	\$5,516,765	\$1,520,551	\$3,996,214
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	103,043	-	103,043
Interest on the total OPEB liability	378,808	-	378,808
Expected investment income	-	144,354	(144,354)
Employer Contributions	-	1,502,744	(1,502,744)
Administrative expenses	-	(904)	904
Other expenses	-	(2,011)	2,011
Difference between expected and actual experience	-	-	-
Changes of assumptions	153,245	-	153,245
Investment experience	-	(26,607)	26,607
Benefit payments	(416,540)	(416,540)	-
<b>Net Changes during Fiscal Year 2019</b>	<u>218,556</u>	<u>1,201,036</u>	<u>(982,480)</u>
<b>Balance at Fiscal Year Ending 6/30/2019:</b>	<u>\$5,735,321</u>	<u>\$2,721,587</u>	<u>\$3,013,734</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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%
(5.7%)	(6.7%)	(7.7%)
\$3,582,414	\$3,013,734	\$2,530,580

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%)
\$2,492,647	\$3,013,734	\$3,695,533

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$368,318. As of fiscal year ended June 30, 2019, 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	\$ 575,870	\$ -
Net difference between projected and actual earnings on investments	798	
Differences between actual and expected experience	-	
Changes of assumptions	123,831	-
Total	\$ 700,499	-

\$575,870 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, 2020. 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
2020	\$ 27,906
2021	27,906
2022	27,905
2023	34,737
2024	6,175
Total	\$ 124,629

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 Cities Group acts as administrator, claim adjuster and provides other risk management services as required by State law. Each member of the Cities Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Cities 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, 2019 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, 2019 and 2018, the amount of settlements did not exceed insurance coverage.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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,	
	2019	2018
Beginning balance	\$ 563,000	\$ 597,170
Net change in liability for claims and claims paid but not reported	881,105	648,310
Claims paid	(912,105)	(682,480)
Balance at June 30	532,000	563,000
Current Portion	282,000	313,000
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, 2019**

**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, 2019 was \$2,086,130.

**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 2019 were \$7,046,520.

**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 2019 were \$6,954,680.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019, the City contributed \$3,441,888 toward the cost of operating and maintaining the facility and paid debt principal and interest of \$3,689,899 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 2020, the City is obligated to pay debt principal and interest payments totaling \$3,566,963.

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

Total Assets	\$ 447,262,930
Total Deferred Outflows	6,236,059
Total Liability	(372,589,353)
Total Deferred Inflows	(1,243,778)
Total Net Position	<u>\$ 79,665,858</u>
Total Operating Revenues	\$ 45,091,922
Total Operating Expenses	(33,005,971)
Total Operating Income (Loss)	12,085,951
Other Income (Loss)	(10,412,108)
Net Income	<u>\$ 1,673,843</u>
Cumulative Agency Balances:	
Belmont	\$ 24,060,518
San Carlos	6,145,323
Redwood City	37,275,076
West Bay Sanitation District	12,184,941
Total Net Position	<u>\$ 79,665,858</u>

As of June 30, 2019, the City's direct obligation is \$46,614,369, which is related to the 2009, 2014, 2015 and 2018 revenue bonds.

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 2019, gross Sewer Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$18,829,097. The operating and maintenance costs, including operating expenses, transfers out for overhead and administrative cost but excluding interest, and depreciation or amortization amounted to \$9,026,667. Net revenues available for debt services amounted to \$9,802,430, which represented coverage of 2.99 times over the total of debt services of \$3,279,895.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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.

Water Infrastructure Finance and Innovation Act (WIFIA) Loan and Revenue Notes

On May 28, 2019, the City entered into a Financing Agreement with SVCW for repayment of its allocated share of the WIFA to finance WIFIA program in the amount of \$33,725,000. The WIFIA loan is to provide funding for the construction of improvements to wastewater treatment plant and facilities, including the Regional Environment Sewer Conveyance Upgrade Program.

The City's investment in SVCW was adjusted to reflect a net decrease in the investment of \$0.3 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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**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 \$100,065 for the year ended June 30, 2019. The City provided financial services to C/CAG and received \$88,200 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 \$150,500 for the services during the fiscal year. The financial services agreement was terminated between the City and SBWMA as of July 1, 2019.

Financial statements may be obtained by mailing a request to the City of Redwood City, 1017 Middlefield Road, Redwood City, California, 94063.

**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, and the County of San Mateo, Town of Atherton and Town of Hillsborough. It was formed to perform transit systems management efforts to mitigate traffic congestion in the member communities. Commute.org began operations on July 1, 2000. Starting on January 1, 2018, the City began providing financial services to Commute.org and received \$79,900 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, 2019**

**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, 2019**

**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 \$767,594 in April 2019. The next guaranteed payment will be \$786,783 in April 2020.

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).

**Ordinance 1538 - Amending Development Agreement to the Palo Alto Medical Foundation**

On November 13, 2018 Council approved to amend the Development Agreement between the City and the Palo Alto Medical Foundation for health care, research and education relating to the development of property at 301 Industrial Road to extend the vesting period for 10 years. PAMF agreed to pay the City a portion of the Commercial Linkage Fee in the amount of \$2 million within 14 days after the amendment is final with the remaining fee due at the time building permits are issued. PAMF is also required to make a contribution of \$500,000 towards the US101/Holly Pedestrian Bridge Project.

The initial contribution from PAMF to the City for the execution of the First Amendment to the Development Agreement is \$2.5 million.

After holding a public hearing on November 13, 2018, the City Council introduced Ordinance 1538 amending the Palo Alto Medical Foundation Development Agreement to provide a 10-year extension of the term of the vested rights to allow the development of the hospital building in accordance with the project approvals. The City Council adopted Ordinance 1538 at its November 26, 2018 meeting.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 \$6,771,347 from years 1 through 11. City will receive the year 12 payment of \$786,783 in April 2020 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.
H	\$2.5 million	One-time payment to the City for amending development agreement	Received — by City of San Carlos on March 6, 2019, \$2 million paid for the commercial linkage fee and \$0.5 million was used for US101/Holly Pedestrian Bridge Project

**Total: \$93,304,000 (minimum) over 50 years**

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**b. Construction Commitments**

Construction commitments as of June 30, 2019 consisted of the following projects:

Project Name	Contract Amount	Expenditures to date as of June 30, 2019	Remaining Commitments
Holly Street/US 101 Interchange Modification	\$ 2,560,431	\$ 619,190	\$ 1,941,241
Sewer Rehabilitation, Construction Management and Inspection Services	843,700	171,267	672,433
On-Call Sewer Contract	824,050	663,969	160,081
Sports Field Lighting at Burton and Highlands Park	1,796,004	-	1,796,004
Total	<u>\$ 6,024,185</u>	<u>\$ 1,454,426</u>	<u>\$ 4,569,759</u>

**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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**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	\$ 1,120,248
Cash and investments with fiscal agent	1,120,143
Total Cash and Investments	\$ 2,240,391

**b. Capital Assets**

Capital assets of the Successor Agency as of June 30, 2019 consisted of the following:

	Balance at June 30, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets not being depreciated:					
Construction in progress	\$ 281,676	\$ -	\$ -	\$ (281,676)	\$ -
Total non-depreciable assets	\$ 281,676	\$ -	\$ -	\$ (281,676)	\$ -

**c. Long-term Debt**

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

	Balance June 30, 2018	Retirements	Balance June 30, 2019	Due Within One Year
<b>Notes Payable:</b>				
Installment Purchase Agreement (a)	\$ 2,529,443	\$ (61,478)	\$ 2,467,965	\$ 67,748
2007 Taxable Revenue Bonds, Series B	365,000	(365,000)	-	-
2018 Tax Allocation Refunding Bonds (b)	11,840,684	(300,000)	11,540,684	628,632
Total	\$ 14,735,127	\$ (726,478)	\$ 14,008,649	\$ 696,380

(a) The Installment Purchase Agreement is a direct borrowing debt issue.

(b) The 2018 Tax Allocation Refunding Bonds are a direct placement debt issue.

**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 (San Carlos Elms). The Agency signed a direct borrowing 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, 2019, the total principal and interest remaining on the debt is \$4,877,083.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**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.

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. The 2007 series B Taxable Bonds were fully repaid as of June 30, 2019.

**Tax Allocation Refunding Bonds**

In April 2018, the Successor Agency issued \$11,840,684 of 2018 Tax Allocation Refunding Direct Placement 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 \$14,178,913 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 \$1,395,478 and the debt service obligation on the bonds was \$959,757.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019:

For the Year Ending June 30	Direct Placement Tax Allocation Refunding Bonds			Direct Borrowing Installment Purchase Agreement		
	Principal	Interest	Total	Principal	Interest	Total
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	703,118	244,304	947,422	99,905	205,495	305,400
2025-2029	3,826,863	904,835	4,731,698	674,777	852,223	1,527,000
2030-2034	4,393,633	320,088	4,713,721	1,096,539	430,461	1,527,000
2035			-	281,409	14,674	296,083
Total	\$ 11,540,684	\$ 2,638,228	\$ 14,178,912	\$ 2,467,965	\$ 2,409,118	\$ 4,877,083

**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, 2019, the City is waiting for an appeal process to be made available so that an appeal can be filed.

**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**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	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.25%	0.23%	0.23%	0.18%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,765,793	\$ 16,833,679	\$ 20,234,806	\$ 22,834,231	\$ 17,011,933
Plan's Covered Payroll	6,254,350	6,577,443	7,079,214	7,389,579	7,885,229
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	220%	256%	286%	309%	216%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.29%	72.85%	68.77%	68.08%	76.94%

Measurement Dates:	Safety				
	6/30/14	6/30/15	6/30/16	6/30/2017	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.23%	0.21%	0.20%	0.20%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,974,817	\$ 15,579,631	\$ 17,790,912	\$ 19,520,586	\$ 19,398,821
Plan's Covered Payroll	2,225,546	114,534	119,583	53,322	103,515
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	628%	13603%	14877%	36609%	18740%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	73.42%	69.92%	66.12%	64.49%	65.22%

**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 2018, there were no changes in the discount rate

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**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	2019
Actuarially determined contribution	\$ 1,261,404	\$ 1,102,597	\$ 670,838	\$ 6,926,132	\$ 1,799,956
Contributions in relation to the actuarially determined contributions	(1,261,404)	(1,102,597)	(670,838)	(6,926,132)	(1,799,956)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,254,350	\$ 6,577,443	\$ 7,079,214	\$ 7,389,579	\$ 7,885,229
Contributions as a percentage of covered payroll	20.17%	16.76%	9.48%	93.73%	22.83%

Fiscal year ended	Safety				
	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 1,034,659	\$ 1,169,706	\$ 1,112,696	\$ 1,255,290	\$ 1,456,904
Contributions in relation to the actuarially determined contributions	(1,034,659)	(1,169,706)	(1,112,696)	(1,255,290)	(1,456,904)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,225,546	\$ 114,534	\$ 119,583	\$ 53,322	\$ 103,515
Contributions as a percentage of covered payroll	46.49%	1021%	930%	2354%	1407%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	11 Years as of the Valuation Date
Asset valuation method	Market Value of Assets
Discount Rate	7.15%
Inflation	2.50%
Salary increases	Annual increase vary by category, entry age and duration of service
Retirement age	50 and up

\* Fiscal year 2015 was the 1st year of implementation, therefore only five 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	6/30/2018
<b>Total Pension Liability</b>					
Service Cost	Not available	\$239,822	\$225,433	\$229,629	\$168,032
Interest	Not available	455,847	470,045	478,414	585,709
Changes of assumptions	Not available		802,583	(2,369,059)	
Differences due to plan experience				1,055,691	
Benefit payments	Not available	(261,805)	(299,652)	(333,528)	(359,186)
<b>Net change in total pension liability</b>	Not available	433,864	1,198,409	(938,853)	394,555
<b>Total pension liability - beginning</b>	Not available	9,079,950	9,513,814	10,712,223	9,773,370
<b>Total pension liability - ending (a)</b>	9,079,950	9,513,814	10,712,223	9,773,370	10,167,925
<b>Plan fiduciary net position</b>					
Contributions - employer	311,000	328,200	350,000	452,000	1,520,000
Net investment income	141,262	29,190	15,848	128,999	116,751
Administrative expenses		(373)	(394)	(455)	(2,367)
Benefit payments	(208,839)	(261,805)	(299,652)	(333,528)	(359,186)
<b>Net change in plan fiduciary net position</b>	243,423	95,212	65,802	247,016	1,275,198
<b>Plan fiduciary net position - beginning</b>	1,324,507	1,567,930	1,663,142	1,728,944	1,975,960
<b>Plan fiduciary net position - ending (b)</b>	1,567,930	1,663,142	1,728,944	1,975,960	3,251,158
Net pension liability - ending (a)-(b)	\$7,512,020	\$7,850,672	\$8,983,279	\$7,797,410	\$6,916,767
Plan fiduciary net position as a percentage of the total pension liability	17.27%	17.48%	16.14%	20.22%	31.97%
Covered payroll <sup>1</sup>	\$4,751,000	\$3,794,000	\$3,848,632	\$3,726,133	\$3,451,329
Net pension liability as percentage of covered payroll	158.11%	206.92%	233.41%	209.26%	200.41%

**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 five years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PARS LONGEVITY RECOGNITION PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

<u>Fiscal year ended</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	Not available	\$ 765,384	\$834,000	\$857,928	\$795,117
Contributions in relation to the actuarially determined contributions	Not available	(350,000)	(452,000)	(1,520,000)	(459,000)
Contribution deficiency (excess)	Not available	<u>\$ 415,384</u>	<u>\$ 382,000</u>	<u>\$ (662,072)</u>	<u>\$ 336,117</u>
Covered payroll	Not available	\$ 3,794,000	\$ 3,848,632	\$ 3,726,133	\$ 3,492,842
Contributions as a percentage of covered payroll	Not available	9.23%	11.74%	40.79%	13.14%

**Notes to Schedule**

Valuation Date:	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level % of Pay
Amortization Period	Closed 19 years
Asset Valuation Method	Market value
Discount Rate	6.00%
Inflation	2.75%
Annual Salary Increases	3.25%
Investment Rate of Return	6.0% net of investment expenses.
Mortality	CalPERS 2014 Experience Study
Mortality Improvement	MacLeoad Watts Scale 2017 (generational)

\* Fiscal year 2015 was the 1st year of implementation, therefore only five 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>	<b>6/30/2018</b>	<b>6/30/2017</b>
<b>Total OPEB Liability (1)</b>		
Service Cost	\$ 103,043	\$ 99,800
Interest	378,808	372,359
Differences between expected and actual experience	-	-
Benefit payments	(416,540)	(350,018)
Changes of assumptions	153,245	-
<b>Net change in total OPEB liability</b>	<b>218,556</b>	<b>122,141</b>
<b>Total OPEB liability - beginning</b>	<b>5,516,765</b>	<b>5,394,624</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 5,735,321</b>	<b>\$ 5,516,765</b>
 <b>OPEB fiduciary net position</b>		
Contributions - employer	\$ 1,502,744	\$ 470,037
Net investment income	117,747	127,483
Administrative expense	(904)	(656)
Other expenses	(2,011)	
Benefit payments	(416,540)	(350,018)
<b>Net change in plan fiduciary net position</b>	<b>1,201,036</b>	<b>246,846</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,520,551</b>	<b>1,273,705</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,721,587</b>	<b>\$ 1,520,551</b>
 Net OPEB liability - ending (a)-(b)	<b>\$ 3,013,734</b>	<b>\$ 3,996,214</b>
 Covered-employee payroll	<b>\$ 7,720,689</b>	<b>\$ 7,198,797</b>
 Total OPEB liability as a percentage of covered-employee payroll	<b>39.03%</b>	<b>55.51%</b>

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

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>2019</b>	<b>2018</b>
Actuarially Determined Contribution (ADC)	\$373,834	\$471,538
<b>Less:</b> Contributions in Relation to the ADC	<u>575,870</u>	<u>1,502,744</u>
Contribution deficiency (excess)	<u>(\$202,036)</u>	<u>(\$1,031,206)</u>
Covered-employee payroll	<u>\$ 8,235,888</u>	<u>\$ 7,198,797</u>
Contributions as a percentage of Covered-employee payroll	6.99%	20.87%

**Notes to Schedule:**

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

**Assumptions and Methods**

Actuarial Cost Method	Entry age normal
Amortization Method	Level % of pay
Amortization Period	Closed 21 years
Asset Valuation Method	Market value
Inflation	2.75%
	7.5% to 5%
Healthcare Trend Rates	in 0.5% steps
Salary Increases	3.25%
Investment Rate of Return	7.00%
Retirement Age	Ages 50 to 75
Mortality	CalPERS 2014 Experience Study
Mortality Improvement	MacLeod Watts Scale 2017

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**SUPPLEMENTARY INFORMATION**

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 700,000	\$ 700,000	\$ 1,972,165	\$ 1,272,165
Franchise taxes	1,942,600	1,942,600	2,206,790	264,190
Licenses and permits	1,920,000	1,920,000	223,303	(1,696,697)
From other agencies	600,000	21,966,474	-	(21,966,474)
Use of money and property	-	-	76,880	76,880
Other revenue	198,000	553,500	773,844	220,344
<b>Total Revenues</b>	<b>5,360,600</b>	<b>27,082,574</b>	<b>5,252,982</b>	<b>(21,829,592)</b>
<b>Expenditures:</b>				
Capital outlay	5,675,000	40,250,767	3,548,719	36,702,048
<b>Total Expenditures</b>	<b>5,675,000</b>	<b>40,250,767</b>	<b>3,548,719</b>	<b>36,702,048</b>
Excess (Deficiency) of Revenues Over Expenditures	(314,400)	(13,168,193)	1,704,263	14,872,456
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,550,000	1,800,000	1,800,000	-
Transfers (out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,550,000</b>	<b>1,800,000</b>	<b>1,800,000</b>	<b>-</b>
Net Change in Fund Balance	<u>\$ 1,235,600</u>	<u>\$ (11,368,193)</u>	3,504,263	<u>\$ 14,872,456</u>
Beginning Fund Balance			25,647,315	
<b>Ending Fund Balance</b>			<b><u>\$29,151,578</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
HOUSING CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 57,800	\$ 57,800	\$ 326,531	\$ 268,731
Other revenue	404,600	404,600	2,572,264	2,167,664
<b>Total Revenues</b>	<b>462,400</b>	<b>462,400</b>	<b>2,898,795</b>	<b>2,436,395</b>
<b>Expenditures:</b>				
Community development	955,400	4,354,509	306,338	4,048,171
<b>Total Expenditures</b>	<b>955,400</b>	<b>4,354,509</b>	<b>306,338</b>	<b>4,048,171</b>
Net Change in Fund Balance	<u>\$ (493,000)</u>	<u>\$ (3,892,109)</u>	\$ 2,592,457	<u>\$ 6,484,566</u>
Beginning Fund Balance			12,446,983	
<b>Ending Fund Balance</b>			<b><u>\$ 15,039,440</u></b>	

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## 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  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Special Revenue Funds			Capital Projects Fund
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
<b>Assets:</b>				
Cash and investments	\$459,222	\$ 277,666	\$ 1,771,117	\$ 3,203,303
Receivables:				
Accounts receivable	34,609	-	14,411	-
<b>Total Assets</b>	<b>\$ 493,831</b>	<b>\$ 277,666</b>	<b>\$ 1,785,528</b>	<b>\$ 3,203,303</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 3,827	\$ -	\$ 25,993	\$ 144,343
<b>Total Liabilities</b>	<b>3,827</b>	<b>-</b>	<b>25,993</b>	<b>144,343</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	14,411	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>14,411</b>	<b>-</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Public safety	-	277,666	-	-
Parks and recreation	-	-	-	-
Public works	490,004	-	-	-
Debt service	-	-	-	-
<b>Committed to:</b>				
General government	-	-	1,745,124	-
Community development	-	-	-	-
Capital projects	-	-	-	3,058,960
<b>Total Fund Balances</b>	<b>490,004</b>	<b>277,666</b>	<b>1,745,124</b>	<b>3,058,960</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 493,831</b>	<b>\$ 277,666</b>	<b>\$ 1,785,528</b>	<b>\$ 3,203,303</b>

CITY OF SAN CARLOS

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<b>Capital Projects Funds</b>			
	<b>Measure A</b>	<b>Gas Tax</b>	<b>Park Fee</b>	<b>Parking In-Lieu</b>
<b>Assets:</b>				
Cash and investments	\$ 649,124	\$ 1,450,776	\$ 3,167,105	\$ 172,713
Receivables:				
Accounts receivable	-	86,008	-	-
<b>Total Assets</b>	<b>\$ 649,124</b>	<b>\$ 1,536,784</b>	<b>\$ 3,167,105</b>	<b>\$ 172,713</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 159,706	\$ -	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>159,706</b>	<b>-</b>	<b>-</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	-	-	-	-
Parks and recreation	-	-	3,167,105	-
Public works	649,124	1,377,078	-	-
Debt service	-	-	-	-
<b>Committed to:</b>				
General government	-	-	-	-
Community development	-	-	-	172,713
Capital projects	-	-	-	-
<b>Total Fund Balances</b>	<b>649,124</b>	<b>1,377,078</b>	<b>3,167,105</b>	<b>172,713</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 649,124</b>	<b>\$ 1,536,784</b>	<b>\$ 3,167,105</b>	<b>\$ 172,713</b>

CITY OF SAN CARLOS

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>San Carlos Library Bonds</u>	
<b>Assets:</b>		
Cash and investments	\$ 956,071	\$12,107,097
Receivables:		
Accounts receivable	-	135,028
<b>Total Assets</b>	<b><u>\$ 956,071</u></b>	<b><u>\$ 12,242,125</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ -	\$ 333,869
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>333,869</u></b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue	-	14,411
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>14,411</u></b>
<b>Fund balances:</b>		
<b>Restricted for:</b>		
Public safety	-	277,666
Parks and recreation	-	3,167,105
Public works	-	2,516,206
Debt service	956,071	956,071
<b>Committed to:</b>		
General government	-	1,745,124
Community development	-	172,713
Capital projects	-	3,058,960
<b>Total Fund Balances</b>	<b><u>956,071</u></b>	<b><u>11,893,845</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 956,071</u></b>	<b><u>\$ 12,242,125</u></b>

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CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	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	530,521	148,748	-	-
Charges for current services	-	-	-	-
Use of money and property	8,840	5,353	277,223	-
Other revenue	162,282	-	52,909	-
<b>Total Revenues</b>	<b>701,643</b>	<b>154,101</b>	<b>330,132</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	299,084	-
Public safety	-	100,000	-	-
Public works	634,248	-	-	-
Capital outlay	-	-	-	818,393
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>634,248</b>	<b>100,000</b>	<b>299,084</b>	<b>818,393</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	67,395	54,101	31,048	(818,393)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	635,000
Transfers (out)	-	(50,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(50,000)</b>	<b>-</b>	<b>635,000</b>
Net Change in Fund Balances	67,395	4,101	31,048	(183,393)
Fund Balances, Beginning of Year	422,609	273,565	1,714,076	3,242,353
<b>Fund Balances, End of Year</b>	<b>\$ 490,004</b>	<b>\$ 277,666</b>	<b>\$ 1,745,124</b>	<b>\$ 3,058,960</b>

CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 949,285	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	295,133	-	3,037
From other agencies	-	1,266,998	-	-
Charges for current services	-	9,945	-	-
Use of money and property	12,488	27,545	60,901	3,689
Other revenue	-	-	619,262	17,936
<b>Total Revenues</b>	<b>961,773</b>	<b>1,599,621</b>	<b>680,163</b>	<b>24,662</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	89,575	450,600	-	-
Capital outlay	-	1,079,863	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>89,575</b>	<b>1,530,463</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>872,198</b>	<b>69,158</b>	<b>680,163</b>	<b>24,662</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	800,000	-	-
Transfers (out)	(800,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(800,000)</b>	<b>800,000</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	72,198	869,158	680,163	24,662
Fund Balances, Beginning of Year	576,926	507,920	2,486,942	148,051
<b>Fund Balances, End of Year</b>	<b>\$ 649,124</b>	<b>\$ 1,377,078</b>	<b>\$ 3,167,105</b>	<b>\$ 172,713</b>

CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>San Carlos Library Bonds</u>	
<b>Revenues:</b>		
Sales taxes	\$ -	\$ 949,285
Property taxes	473,831	473,831
Licenses and permits	-	298,170
From other agencies	-	1,946,267
Charges for current services	-	9,945
Use of money and property	18,381	414,420
Other revenue	-	852,389
	<u>492,212</u>	<u>4,944,307</u>
<b>Total Revenues</b>		
<b>Expenditures:</b>		
Current:		
General government	-	299,084
Public safety	-	100,000
Public works	-	1,174,423
Capital outlay	-	1,898,256
Debt service:		
Principal	290,000	290,000
Interest and fiscal charges	83,435	83,435
	<u>373,435</u>	<u>3,845,198</u>
<b>Total Expenditures</b>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>118,777</u>	<u>1,099,109</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	1,435,000
Transfers (out)	-	(850,000)
	<u>-</u>	<u>585,000</u>
<b>Total Other Financing Sources (Uses)</b>		
Net Change in Fund Balances	118,777	1,684,109
Fund Balances, Beginning of Year	<u>837,294</u>	<u>10,209,736</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 956,071</u></u>	<u><u>\$ 11,893,845</u></u>

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
NPDES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From other agencies	\$ 526,200	\$ 526,200	\$ 530,521	\$ 4,321
Use of money and property	-	-	8,840	8,840
Other revenue	145,300	145,300	162,282	16,982
<b>Total Revenues</b>	<b>671,500</b>	<b>671,500</b>	<b>701,643</b>	<b>30,143</b>
<b>Expenditures:</b>				
Public works	741,500	741,500	634,248	107,252
<b>Total Expenditures</b>	<b>741,500</b>	<b>741,500</b>	<b>634,248</b>	<b>107,252</b>
Net Change in Fund Balance	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	67,395	<u>\$ 137,395</u>
Beginning Fund Balance			422,609	
<b>Ending Fund Balance</b>			<b><u>\$ 490,004</u></b>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE  
 POLICE GRANTS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
From other agencies	\$ 106,100	\$ 106,100	\$ 148,748	\$ 42,648
Use of money and property	-	-	5,353	5,353
<b>Total Revenues</b>	<b>106,100</b>	<b>106,100</b>	<b>154,101</b>	<b>48,001</b>
<b>Expenditures:</b>				
Public safety	100,000	100,000	100,000	-
<b>Total Expenditures</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balance	<u>\$ (43,900)</u>	<u>\$ (43,900)</u>	4,101	<u>\$ 48,001</u>
Beginning Fund Balance			<u>273,565</u>	
<b>Ending Fund Balance</b>			<u><b>\$ 277,666</b></u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
 SAN CARLOS LIBRARY TENANT  
 FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 241,500	\$ 241,500	\$ 277,223	\$ 35,723
Other revenues	37,000	37,000	52,909	15,909
<b>Total Revenues</b>	<b>278,500</b>	<b>278,500</b>	<b>330,132</b>	<b>51,632</b>
<b>Expenditures:</b>				
General government	272,700	565,865	299,084	266,781
<b>Total Expenditures</b>	<b>272,700</b>	<b>565,865</b>	<b>299,084</b>	<b>266,781</b>
Net Change in Fund Balance	<u>\$ 5,800</u>	<u>\$ (287,365)</u>	31,048	<u>\$ 318,413</u>
Beginning Fund Balance			<u>1,714,076</u>	
<b>Ending Fund Balance</b>			<u><b>\$ 1,745,124</b></u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
EQUIPMENT REPLACEMENT  
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 548,100	\$ 1,148,100	\$ 818,393	\$ 329,707
<b>Total Expenditures</b>	<b>548,100</b>	<b>1,148,100</b>	<b>818,393</b>	<b>329,707</b>
Excess (Deficiency) of Revenues Over Expenditures	(548,100)	(1,148,100)	(818,393)	329,707
<b>Other Financing Sources (Uses):</b>				
Transfers in	635,000	635,000	635,000	-
Net Change in Fund Balance	<u>\$ 86,900</u>	<u>\$ (513,100)</u>	(183,393)	<u>\$ 329,707</u>
Beginning Fund Balance			<u>3,242,353</u>	
<b>Ending Fund Balance</b>			<b><u>\$ 3,058,960</u></b>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE  
 MEASURE A  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Sales taxes	\$ 800,000	\$ 800,000	\$ 949,285	\$ 149,285
Use of money and property	-	-	12,488	12,488
<b>Total Revenues</b>	<b>800,000</b>	<b>800,000</b>	<b>961,773</b>	<b>161,773</b>
<b>Expenditures:</b>				
Public works	120,700	120,700	89,575	31,125
<b>Total Expenditures</b>	<b>120,700</b>	<b>120,700</b>	<b>89,575</b>	<b>31,125</b>
Excess (Deficiency) of Revenues Over Expenditures	679,300	679,300	872,198	192,898
<b>Other Financing Sources (Uses):</b>				
Transfers (out)	(800,000)	(800,000)	(800,000)	-
Net Change in Fund Balance	\$ (120,700)	\$ (120,700)	72,198	\$ 192,898
Beginning Fund Balance			576,926	
<b>Ending Fund Balance</b>			<b>\$ 649,124</b>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE  
 GAS TAX  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Licenses and permits	\$ 20,700	\$ 20,700	\$ 295,133	\$ 274,433
Charges for current servcies	6,000	6,000	9,945	3,945
From other agencies	1,930,200	1,930,200	1,266,998	(663,202)
Use of money and property	-	-	27,545	27,545
<b>Total Revenues</b>	<b>1,956,900</b>	<b>1,956,900</b>	<b>1,599,621</b>	<b>(357,279)</b>
<b>Expenditures:</b>				
Public works	496,300	496,300	450,600	45,700
Capital outlay	2,055,000	2,251,200	1,079,863	1,171,337
<b>Total Expenditures</b>	<b>2,551,300</b>	<b>2,747,500</b>	<b>1,530,463</b>	<b>1,217,037</b>
Excess (Deficiency) of Revenues Over Expenditures	(594,400)	(790,600)	69,158	859,758
<b>Other Financing Sources (Uses):</b>				
Transfers in	800,000	800,000	800,000	-
Net Change in Fund Balance	\$ 205,600	\$ 9,400	869,158	\$ 859,758
Beginning Fund Balance			507,920	
<b>Ending Fund Balance</b>			<b>\$ 1,377,078</b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
PARK FEE  
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 60,901	\$ 58,801
Other revenue	324,000	324,000	619,262	295,262
<b>Total Revenues</b>	<b>326,100</b>	<b>326,100</b>	<b>680,163</b>	<b>354,063</b>
<b>Expenditures:</b>				
Capital outlay		723,928	-	723,928
<b>Total Expenditures</b>	<b>-</b>	<b>723,928</b>	<b>-</b>	<b>723,928</b>
Excess (Deficiency) of Revenues Over Expenditures	326,100	(397,828)	680,163	1,077,991
Net Change in Fund Balance	<u>\$ 326,100</u>	<u>\$ (397,828)</u>	680,163	<u>\$ 1,077,991</u>
Beginning Fund Balance			2,486,942	
<b>Ending Fund Balance</b>			<b><u>\$ 3,167,105</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
PARKING IN-LIEU  
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 3,900	\$ 3,900	\$ 3,037	\$ (863)
Use of money and property	-	-	3,689	3,689
Other revenue	-	-	17,936	17,936
<b>Total Revenues</b>	<b>3,900</b>	<b>3,900</b>	<b>24,662</b>	<b>20,762</b>
<b>Expenditures:</b>				
Community development	14,700	74,700	-	74,700
<b>Total Expenditures</b>	<b>14,700</b>	<b>74,700</b>	<b>-</b>	<b>74,700</b>
Net Change in Fund Balance	<u>\$ (10,800)</u>	<u>\$ (70,800)</u>	24,662	<u>\$ 95,462</u>
Beginning Fund Balance			148,051	
<b>Ending Fund Balance</b>			<u><b>\$ 172,713</b></u>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
SAN CARLOS LIBRARY BONDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 374,700	\$ 374,700	\$ 473,831	\$ 99,131
Use of money and property	-	-	18,381	18,381
<b>Total Revenues</b>	<b>374,700</b>	<b>374,700</b>	<b>492,212</b>	<b>117,512</b>
<b>Expenditures:</b>				
Principal	290,000	290,000	290,000	-
Interest and fiscal charges	83,500	83,500	83,435	65
<b>Total Expenditures</b>	<b>373,500</b>	<b>373,500</b>	<b>373,435</b>	<b>65</b>
Net Change in Fund Balance	<u>\$ 1,200</u>	<u>\$ 1,200</u>	118,777	<u>\$ 117,577</u>
Beginning Fund Balance			837,294	
<b>Ending Fund Balance</b>			<u><b>\$ 956,071</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, 2019

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
<b>Assets:</b>				
Current:				
Cash and investments	\$ 283,295	\$ 917,040	\$ 361,735	\$ 1,562,070
<b>Total Assets</b>	<b>\$ 283,295</b>	<b>\$ 917,040</b>	<b>\$ 361,735</b>	<b>\$ 1,562,070</b>
<b>Liabilities:</b>				
Accounts payable	\$ 9,535	\$ 10,405	\$ -	\$ 19,940
Claims payable:				
Due within one year	94,000	188,000	-	282,000
Due in more than one year	-	250,000	-	250,000
<b>Total Liabilities</b>	<b>103,535</b>	<b>448,405</b>	<b>-</b>	<b>551,940</b>
<b>Net Position:</b>				
Unrestricted	179,760	468,635	361,735	1,010,130
<b>Total Net Position</b>	<b>\$ 179,760</b>	<b>\$ 468,635</b>	<b>\$ 361,735</b>	<b>\$ 1,010,130</b>

CITY OF SAN CARLOS

**COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Workers' Compensation</b>	<b>Liability Insurance</b>	<b>Longevity Benefits</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 900,000	\$ 900,000
Cost reimbursements	71,250	570,425	-	641,675
<b>Total Operating Revenues</b>	<b>71,250</b>	<b>570,425</b>	<b>900,000</b>	<b>1,541,675</b>
<b>Operating Expenses:</b>				
Insurance premiums	83,359	558,413	-	641,772
Claims expense	(31,000)	26,838	873,000	868,838
Miscellaneous	24,987	4,335	-	29,322
<b>Total Operating Expenses</b>	<b>77,346</b>	<b>589,586</b>	<b>873,000</b>	<b>1,539,932</b>
Operating Income	(6,096)	(19,161)	27,000	1,743
<b>Nonoperating Revenues:</b>				
Investment income	5,476	19,731	7,153	32,360
<b>Total Nonoperating Revenues</b>	<b>5,476</b>	<b>19,731</b>	<b>7,153</b>	<b>32,360</b>
Changes in Net Position	(620)	570	34,153	34,103
<b>Net Position:</b>				
Beginning of Year	180,380	468,065	327,582	976,027
<b>End of Fiscal Year</b>	<b>\$ 179,760</b>	<b>\$ 468,635</b>	<b>\$ 361,735</b>	<b>\$ 1,010,130</b>

CITY OF SAN CARLOS

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
<b>Cash Flows from Operating Activities:</b>				
Receipts from other funds	\$ 71,250	\$ 605,032	\$ 900,000	\$ 1,576,282
Payments to suppliers	(98,811)	(757,660)	-	(856,471)
Claims paid	-	(26,838)	(873,000)	(899,838)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(27,561)</b>	<b>(179,466)</b>	<b>27,000</b>	<b>(180,027)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest	5,476	19,731	7,153	32,360
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>5,476</b>	<b>19,731</b>	<b>7,153</b>	<b>32,360</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(22,085)</b>	<b>(159,735)</b>	<b>34,153</b>	<b>(147,667)</b>
Cash and Cash Equivalents at Beginning of Year	305,380	1,076,775	327,582	1,709,737
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 283,295</b>	<b>\$ 917,040</b>	<b>\$ 361,735</b>	<b>\$ 1,562,070</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (6,096)	\$ (19,161)	\$ 27,000	\$ 1,743
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>				
Change in assets and liabilities:				
Accounts receivable	-	34,607	-	34,607
Accounts payable	9,535	(142,098)	-	(132,563)
Accrued liabilities	-	(52,814)	-	(52,814)
Claims payable	(31,000)	-	-	(31,000)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (27,561)</b>	<b>\$ (179,466)</b>	<b>\$ 27,000</b>	<b>\$ (180,027)</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:

**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.

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<b>City/County Association of Government of San Mateo County</b>				
<b>Assets:</b>				
Cash and investments	\$ 24,641,463	\$ 18,010,068	\$ 15,235,472	\$ 27,416,059
Receivables:				
Accounts receivable	2,287,509	7,395,765	6,511,406	3,171,868
<b>Total Assets</b>	<b><u>\$ 26,928,972</u></b>	<b><u>\$ 25,405,833</u></b>	<b><u>\$ 21,746,878</u></b>	<b><u>\$ 30,587,927</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 4,042,416	\$ 15,105,622	\$ 14,289,005	\$ 4,859,033
Due to members	22,886,556	19,299,670	16,457,332	25,728,894
<b>Total Liabilities</b>	<b><u>\$ 26,928,972</u></b>	<b><u>\$ 34,405,292</u></b>	<b><u>\$ 30,746,337</u></b>	<b><u>\$30,587,927</u></b>
<b>South Bayside Waste Management Authority</b>				
<b>Assets:</b>				
Cash and investments	\$ 17,064,706	\$ -	\$ 17,064,706	\$ -
Cash with fiscal agent	6,452,737	-	6,452,737	-
Prepaid items	133,743	-	133,743	-
Receivables:	-	-	-	-
Accounts receivable	4,725,837	-	4,725,837	-
Interest receivable	69,547	-	69,547	-
<b>Total Assets</b>	<b><u>\$ 28,446,570</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,446,570</u></b>	<b><u>\$ -</u></b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 5,764,270	\$ -	\$ 5,764,270	\$ -
Interest payable	900,167	-	900,167	-
Deposits payable	1,233,640	-	1,233,640	-
Due to members	20,548,493	-	20,548,493	-
<b>Total Liabilities</b>	<b><u>\$ 28,446,570</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,446,570</u></b>	<b><u>\$ -</u></b>

## CITY OF SAN CARLOS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019**

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<b><u>Peninsula Traffic Congestion Relief Alliance</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 738,979	\$ 4,033,057	\$ 3,902,662	\$ 869,374
Prepaid items	40,651	27,300	35,427	32,524
Grants receivable	658,324	710,281	658,325	710,280
<b>Total Assets</b>	<b>\$ 1,437,954</b>	<b>\$ 4,770,638</b>	<b>\$ 4,596,414</b>	<b>\$ 1,612,178</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 417,677	\$ 3,114,138	\$ 3,315,260	\$ 216,555
Unearned revenue	175,937	282,689	175,937	282,689
Due to members	844,340	4,015,168	3,746,574	1,112,934
<b>Total Liabilities</b>	<b>\$ 1,437,954</b>	<b>\$ 7,411,995</b>	<b>\$ 7,237,771</b>	<b>\$ 1,612,178</b>
<b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 42,445,148	\$ 22,043,125	\$ 36,202,840	\$ 28,285,433
Receivables:				
Accounts receivable	7,013,346	7,395,765	11,237,243	3,171,868
Interest Receivable	69,547	-	69,547	-
Prepaid items	174,394	27,300	169,170	32,524
Grants receivable	658,324	710,281	658,325	710,280
Restricted Assets:				
Cash and investments with fiscal agents	6,452,737	-	6,452,737	-
<b>Total Assets</b>	<b>\$ 56,813,496</b>	<b>\$ 30,176,471</b>	<b>\$ 54,789,862</b>	<b>\$ 32,200,105</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 10,224,363	\$ 18,219,760	\$ 23,368,535	\$ 5,075,588
Interest Payable	900,167	-	900,167	-
Due to members	44,279,389	23,314,838	40,752,399	26,841,828
Deposits payable	1,233,640	-	1,233,640	-
Unearned revenue	175,937	282,689	175,937	282,689
<b>Total Liabilities</b>	<b>\$ 56,813,496</b>	<b>\$ 41,817,287</b>	<b>\$ 66,430,678</b>	<b>\$ 32,200,105</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

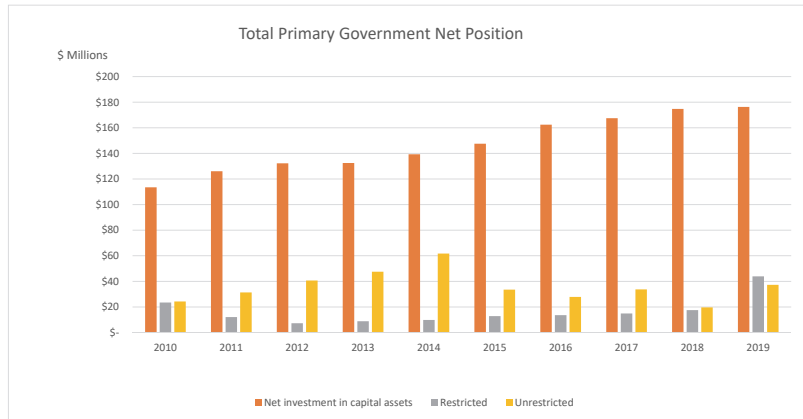
### Sources

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

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**Net Position by Component**  
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net investment in capital assets	\$ 101,975,928	\$ 113,903,786	\$ 119,426,713	\$ 119,171,599	\$ 124,467,083	\$ 132,736,463	\$ 140,578,718	\$ 139,749,356	\$ 143,590,862	\$ 144,862,733
Restricted	23,500,466	12,143,894	7,322,914	8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	21,956,488
Unrestricted	19,737,818	26,256,514	34,473,081	39,942,056	42,689,655	14,374,721	14,261,604	19,429,741	2,656,694	37,335,673
<b>Total governmental activities net position</b>	<b>\$ 145,214,212</b>	<b>\$ 152,304,194</b>	<b>\$ 161,222,708</b>	<b>\$ 167,984,890</b>	<b>\$ 177,016,634</b>	<b>\$ 160,015,799</b>	<b>\$ 168,474,470</b>	<b>\$ 174,092,548</b>	<b>\$ 174,092,548</b>	<b>\$ 204,154,894</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 11,528,037	\$ 12,133,706	\$ 12,798,962	\$ 13,337,359	\$ 14,840,080	\$ 14,855,225	\$ 21,838,351	\$ 27,740,303	\$ 31,170,136	\$ 31,475,466
Restricted										21,920,835
Unrestricted	4,591,798	5,117,936	6,210,876	7,556,596	19,028,996	19,212,357	13,613,839	14,360,124	17,040,516	-
<b>Total business-type activities net position</b>	<b>\$ 16,119,835</b>	<b>\$ 17,251,642</b>	<b>\$ 19,009,838</b>	<b>\$ 20,893,955</b>	<b>\$ 33,869,076</b>	<b>\$ 34,067,582</b>	<b>\$ 35,452,190</b>	<b>\$ 42,100,427</b>	<b>\$ 42,100,427</b>	<b>\$ 53,396,301</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 113,503,965	\$ 126,037,492	\$ 132,225,675	\$ 132,508,958	\$ 139,307,163	\$ 147,591,688	\$ 162,417,069	\$ 167,489,659	\$ 174,760,998	\$ 176,338,199
Restricted	23,500,466	12,143,894	7,322,914	8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	43,877,323
Unrestricted	24,329,616	31,374,450	40,683,957	47,498,652	61,718,651	33,587,078	27,875,443	33,789,865	19,697,210	37,335,673
<b>Total primary government net position</b>	<b>\$ 161,334,047</b>	<b>\$ 169,555,836</b>	<b>\$ 180,232,546</b>	<b>\$ 188,878,845</b>	<b>\$ 210,885,710</b>	<b>\$ 194,083,381</b>	<b>\$ 203,926,660</b>	<b>\$ 216,192,975</b>	<b>\$ 216,192,975</b>	<b>\$ 257,551,195</b>



## Changes in Net Position

Last Ten Fiscal Years

	2010	2011	2012	2013
<b>Expenses</b>				
Governmental Activities:				
General Government	\$ 5,167,150	\$ 3,950,781	\$ 5,663,863	\$ 6,475,824
Public Safety	14,590,515	15,074,068	13,449,771	14,574,275
Public Works	2,398,325	1,945,532	2,493,488	2,687,707
Community Development	3,763,475	3,611,267	4,081,250	2,766,720
Parks and Recreation	4,799,953	3,707,647	4,018,025	4,117,692
Interest on Long Term Debt	1,383,563	1,565,337	608,784	264,260
<b>Total Governmental Activities Expenses</b>	<b>32,102,981</b>	<b>29,854,632</b>	<b>30,315,181</b>	<b>30,886,478</b>
Business-Type Activities:				
Sewer	6,696,224	7,314,132	7,887,064	7,874,008
<b>Total Business-Type Activities Expenses</b>	<b>6,696,224</b>	<b>7,314,132</b>	<b>7,887,064</b>	<b>7,874,008</b>
<b>Total Primary Government Expenses</b>	<b>\$ 38,799,205</b>	<b>\$ 37,168,764</b>	<b>\$ 38,202,245</b>	<b>\$ 38,760,486</b>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 1,485,737	\$ 1,348,137	\$ 1,027,189	\$ 1,074,928
Public Safety	553,269	468,078	515,745	505,948
Public Works	593,230	626,538	2,230,306	597,220
Community Development	2,194,437	1,909,598	2,125,361	2,017,110
Parks and Recreation	2,027,398	1,722,864	1,951,859	2,122,207
Operating Grants and Contributions	1,303,320	1,621,920	1,257,912	1,591,002
Capital Grants and Contributions	270,875	594,081	1,054,103	1,070,551
<b>Total Government Activities Program Revenues</b>	<b>8,428,266</b>	<b>8,291,216</b>	<b>10,162,475</b>	<b>8,978,966</b>
Business-Type Activities:				
Charges for Services:				
Sewer	8,020,388	8,993,614	10,195,074	10,222,616
<b>Total Business-Type Activities Program Revenue</b>	<b>8,020,388</b>	<b>8,993,614</b>	<b>10,195,074</b>	<b>10,222,616</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 16,448,654</b>	<b>\$ 17,284,830</b>	<b>\$ 20,357,549</b>	<b>\$ 19,201,582</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (23,674,715)	\$ (21,563,416)	\$ (20,152,706)	\$ (21,907,512)
Business-Type Activities	1,324,164	1,679,482	2,308,010	2,348,608
<b>Total Primary Government Net Expense</b>	<b>\$ (22,350,551)</b>	<b>\$ (19,883,934)</b>	<b>\$ (17,844,696)</b>	<b>\$ (19,558,904)</b>

	2014	2015	2016	2017	2018	2019
\$	5,321,121	\$ 5,189,609	\$ 6,017,538	\$ 6,329,346	\$ 10,536,582	\$ 6,380,239
	15,592,529	16,069,651	17,430,558	18,375,585	19,030,927	20,312,716
	8,255,888	9,167,760	8,266,278	7,978,435	9,153,462	9,228,138
	2,991,374	3,272,803	4,096,699	4,700,675	3,916,838	4,573,922
	3,043,648	3,203,949	2,367,444	3,858,835	3,127,329	3,887,509
	276,859	334,808	268,810	81,837	73,925	65,287
	35,481,419	37,238,580	38,447,327	41,324,713	45,839,063	44,447,811
	8,320,370	11,882,000	14,067,910	9,663,209	10,604,504	12,864,967
	8,320,370	11,882,000	14,067,910	9,663,209	10,604,504	12,864,967
\$	43,801,789	\$ 49,120,580	\$ 52,515,237	\$ 50,987,922	\$ 56,443,567	\$ 57,312,778
\$	1,071,289	\$ 1,749,186	\$ 1,258,805	\$ 1,297,282	\$ 1,323,703	\$ 1,373,465
	527,366	560,303	518,876	618,102	522,690	671,586
	1,201,650	769,083	2,222,932	1,502,215	3,419,090	1,944,495
	2,625,860	3,227,818	4,359,416	3,618,051	4,075,435	3,479,906
	2,206,374	1,710,865	1,499,342	1,630,102	1,576,562	1,555,971
	1,942,020	1,718,123	1,717,004	2,093,580	4,864,283	4,625,477
	4,907,492	4,882,958	4,295,854	2,416,816	973,726	1,495,483
	14,482,051	14,618,336	15,872,229	13,176,148	16,755,489	15,146,383
	12,685,252	15,335,342	16,798,299	16,793,613	17,487,381	18,294,560
	12,685,252	15,335,342	16,798,299	16,793,613	17,487,381	18,294,560
\$	27,167,303	\$ 29,953,678	\$ 32,670,528	\$ 29,969,761	\$ 34,242,870	\$ 33,440,943
\$	(20,999,368)	\$ (22,620,244)	\$ (22,575,098)	\$ (28,148,565)	\$ (29,083,574)	\$ (29,301,428)
	4,364,882	3,453,342	2,730,389	7,130,404	6,882,877	5,429,593
\$	(16,634,486)	\$ (19,166,902)	\$ (19,844,709)	\$ (21,018,161)	\$ (22,200,697)	\$ (22,200,697)

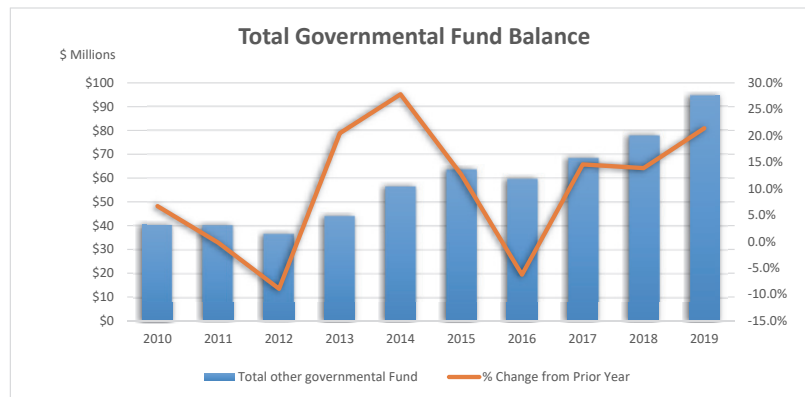
	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 12,785,913	\$ 14,414,923	\$ 12,615,467	\$ 11,231,717
Sales Taxes	5,697,574	5,752,468	5,870,214	6,427,400
Motor Vehicle In-Lieu	2,230,997	2,315,671	2,205,159	2,155,983
Transient Occupancy Tax	682,750	815,197	943,513	1,120,864
Nonregulatory Franchise and Business	2,663,713	2,916,896	3,000,857	3,240,864
Use of money and property	782,328	1,190,048	1,443,720	1,552,992
Loss on sale of capital assets	-	-	-	-
Other	313,444	853,307	818,682	2,429,847
Transfers	540,000	584,600	595,000	510,000
Special item	-	-	-	-
Extraordinary gain/(loss) on dissolution of RDA	-	-	2,184,427	-
<b>Total Government Activities</b>	<b>25,696,719</b>	<b>28,843,110</b>	<b>29,677,039</b>	<b>28,669,667</b>
Business-Type Activities:				
Use of money and property	38,243	36,925	45,186	45,509
Miscellaneous Revenues	214,440	-	-	-
Transfers	(540,000)	(584,600)	(595,000)	(510,000)
<b>Total Business-Type Activities</b>	<b>(287,317)</b>	<b>(547,675)</b>	<b>(549,814)</b>	<b>(464,491)</b>
<b>Total Primary Government</b>	<b>\$ 25,409,402</b>	<b>\$ 28,295,435</b>	<b>\$ 29,127,225</b>	<b>\$ 28,205,176</b>
<b>Change in Net Position</b>				
Governmental Activities	\$ 2,022,004	\$ 7,279,694	\$ 9,524,333	\$ 6,762,155
Business-Type Activities	1,036,847	1,131,807	1,758,196	1,884,117
<b>Total Primary Government</b>	<b>\$ 3,058,851</b>	<b>\$ 8,411,501</b>	<b>\$ 11,282,529</b>	<b>\$ 8,646,272</b>

	2014	2015	2016	2017	2018	2019
\$	12,907,307	\$ 11,295,391	\$ 12,117,407	\$ 12,867,544	\$ 13,777,611	\$ 16,025,098
	7,287,136	9,882,460	10,708,021	11,574,662	12,716,614	12,931,123
	2,438,078	2,515,600	2,744,676	2,933,877	3,202,810	3,563,988
	1,270,072	1,396,732	1,578,740	1,570,815	1,655,658	3,123,042
	3,351,838	3,437,742	3,552,639	3,792,976	3,962,800	4,121,311
	1,918,054	2,330,545	3,147,860	2,271,719	2,782,096	4,507,003
	-	-	-	(2,686,318)	-	-
	686,427	708,552	1,284,689	867,468	1,307,380	877,612
	172,200	591,000	562,600	573,900	457,400	597,100
	-	-	-	-	6,000,000	-
	-	2,172,017	-	-	-	-
	30,031,112	34,330,039	35,696,632	33,766,643	45,862,369	45,746,277
	91,110	77,276	109,244	91,733	199,087	353,156
	32,358	26,973	-	-	-	-
	(172,200)	(591,000)	(562,600)	(573,900)	(457,400)	(597,100)
	(48,732)	(486,751)	(453,356)	(482,167)	(258,313)	(243,944)
\$	29,982,380	\$ 33,843,288	\$ 35,243,276	\$ 33,284,476	\$ 45,604,056	\$ 45,502,333
\$	9,031,744	\$ 11,709,795	\$ 13,121,534	\$ 5,618,078	\$ 16,778,795	\$ 16,444,849
	4,316,150	2,966,591	2,277,033	6,648,237	6,624,564	5,185,649
\$	13,347,894	\$ 14,676,386	\$ 15,398,567	\$ 12,266,315	\$ 23,403,359	\$ 21,630,498

## Fund Balances - Governmental Funds

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Fund</b>										
Reserved	\$ 2,556,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,207,477	-	-	-	-	-	-	-	-	-
Nonspendable	-	712,160	713,300	1,062,700	15,130,823	14,422,062	348,263	380,712	607,633	398,241
Restricted	-	-	-	42,000	-	-	-	-	-	-
Committed	-	2,706,600	6,853,165	7,151,565	3,200,000	3,300,000	11,291,795	12,131,795	15,924,352	15,810,239
Assigned	-	2,728,704	9,175,000	9,700,000	12,901,565	13,683,365	14,000,000	16,841,500	9,841,500	19,341,500
Unassigned	-	10,694,918	3,002,379	3,052,124	3,040,483	3,386,603	3,971,159	2,698,673	3,177,129	2,888,220
<b>Total General Fund</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>\$ 34,792,030</b>	<b>\$ 29,611,217</b>	<b>\$ 32,052,680</b>	<b>\$ 29,550,614</b>	<b>\$ 38,438,200</b>
<b>Other Governmental Funds</b>										
Reserved	\$ 4,093,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,228,197	-	-	-	-	-	-	-	-	-
Capital project funds	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	12,904,615	13,634,148	14,913,451	17,552,239	21,956,488
Committed	-	5,760,066	9,652,778	14,369,247	12,377,737	15,968,926	16,433,787	21,406,130	30,751,795	34,128,375
Assigned	-	5,578,686	-	-	-	-	-	-	-	-
Unassigned	-	(22,835)	(22,610)	-	-	-	-	-	-	-
<b>Total other governmental Fund</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>	<b>\$ 28,873,541</b>	<b>\$ 30,067,935</b>	<b>\$ 36,319,581</b>	<b>\$ 48,304,034</b>	<b>\$ 56,084,863</b>
<b>Total Governmental Fund Balance</b>	<b>40,398,892</b>	<b>40,302,193</b>	<b>36,696,926</b>	<b>44,206,871</b>	<b>56,510,504</b>	<b>63,665,571</b>	<b>59,679,152</b>	<b>68,372,261</b>	<b>77,854,648</b>	<b>94,523,063</b>
<b>% Change from Prior Year</b>	<b>6.7%</b>	<b>-0.2%</b>	<b>-8.9%</b>	<b>20.5%</b>	<b>27.8%</b>	<b>12.7%</b>	<b>-6.3%</b>	<b>14.6%</b>	<b>13.9%</b>	<b>21.4%</b>

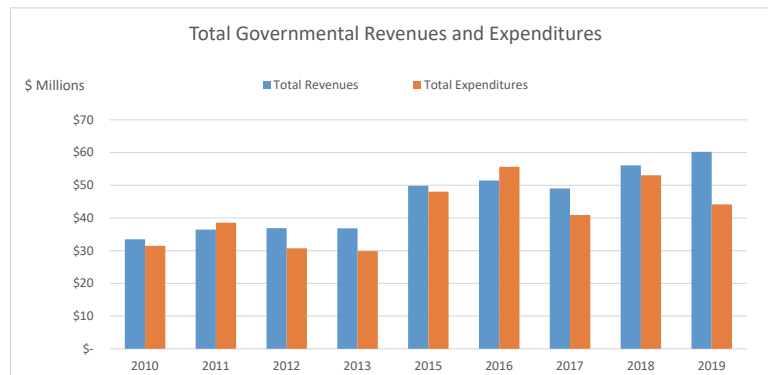


The City implemented Governmental Accounting Standards Board Statement Number 54 in fiscal year 2011.

## Changes in Fund Balances - Governmental Funds

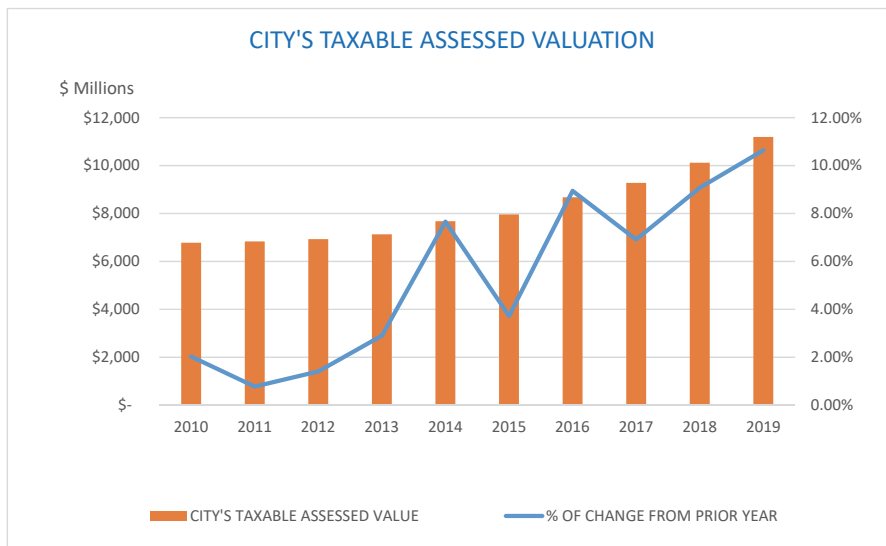
Last Ten Fiscal Years

	2010	2011	2012	2013	2015	2016	2017	2018	2019
<b>Revenues</b>									
Taxes	\$ 24,060,951	\$ 26,868,250	\$ 25,282,782	\$ 24,176,828	\$ 28,527,925	\$ 30,701,483	\$ 32,739,874	\$ 35,315,493	\$ 39,764,562
Licenses, permits and fees	1,607,864	1,020,215	3,198,769	2,024,279	2,465,157	4,534,737	3,511,276	5,671,196	3,759,871
Fines and forfeitures	397,210	299,364	265,091	234,218	265,288	234,697	255,632	202,126	283,864
Use of money and property	1,693,320	2,004,508	1,864,401	1,805,466	6,124,308	3,143,760	2,195,096	2,680,870	4,393,214
From other agencies	1,385,530	2,125,347	2,048,990	1,824,567	4,218,621	4,360,957	2,753,794	1,602,792	1,974,384
Charges for services	2,725,768	2,532,268	2,557,464	2,912,353	3,785,239	4,253,198	3,952,620	4,231,562	4,130,312
Other	1,621,224	1,594,824	1,674,507	3,878,322	4,439,450	4,236,064	3,613,927	6,373,700	5,920,652
<b>Total Revenues</b>	<b>33,491,867</b>	<b>36,444,776</b>	<b>36,892,004</b>	<b>36,856,033</b>	<b>49,825,988</b>	<b>51,464,896</b>	<b>49,022,219</b>	<b>56,077,739</b>	<b>60,226,859</b>
<b>Expenditures</b>									
<b>Current:</b>									
General government	3,736,126	3,031,272	4,555,802	4,165,249	4,824,314	4,988,340	4,840,215	12,350,097	5,695,234
Public safety	14,521,349	15,298,099	13,119,914	14,410,769	15,993,240	17,340,123	17,827,665	18,568,952	19,567,510
Public works	1,178,543	1,223,829	1,673,870	1,641,955	4,121,793	4,612,132	8,930,843	11,417,750	9,223,438
Community development	3,656,015	3,542,118	3,932,661	2,666,132	3,104,920	4,134,764	4,250,662	4,668,424	4,400,138
Parks and recreation	4,226,263	3,379,167	3,438,598	3,597,600	2,590,068	2,775,229	2,816,465	2,919,349	2,997,533
Capital outlay	2,165,396	9,854,906	2,465,296	2,841,083	10,596,619	12,271,896	1,887,675	2,771,420	1,898,256
<b>Debt service:</b>									
Principal repayment	624,164	662,049	700,264	265,000	6,405,000	9,210,000	250,000	265,000	290,000
Interest and fiscal charges	1,391,888	1,574,187	843,435	268,300	400,240	300,908	99,485	91,760	83,435
<b>Total Expenditures</b>	<b>31,499,744</b>	<b>38,565,627</b>	<b>30,729,840</b>	<b>29,856,088</b>	<b>48,036,194</b>	<b>55,633,392</b>	<b>40,903,010</b>	<b>53,052,752</b>	<b>44,155,544</b>
Excess (deficiency) of revenues over (under) expenditures	1,992,123	(2,120,851)	6,162,164	6,999,945	1,789,794	(4,168,496)	8,119,209	3,024,987	16,071,315
<b>Other Financing Sources (Uses)</b>									
Transfers in	3,981,090	4,283,631	2,938,040	4,303,415	6,441,141	4,815,399	5,846,109	9,469,241	3,832,100
Transfers (out)	(3,441,090)	(3,699,031)	(2,293,040)	(3,793,415)	(5,850,141)	(4,252,799)	(5,272,209)	(9,011,841)	(3,235,000)
Loss on sale of property	-	-	-	-	-	(380,523)	-	-	-
Proceeds from sale of capital assets	-	1,509,424	-	-	-	-	-	-	-
Proceeds of Debt	-	-	-	-	4,774,273	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-	-	-	-	-
Capital contribution	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>540,000</b>	<b>2,094,024</b>	<b>645,000</b>	<b>510,000</b>	<b>5,365,273</b>	<b>182,077</b>	<b>573,900</b>	<b>457,400</b>	<b>597,100</b>
Special item	-	-	-	-	-	-	-	6,000,000	-
Extraordinary gain/(loss) on dissolution of RDA	-	-	(10,412,431)	-	-	-	-	-	-
<b>Net Change in fund balances</b>	<b>\$ 2,532,123</b>	<b>\$ (26,827)</b>	<b>\$ (3,605,267)</b>	<b>\$ 7,509,945</b>	<b>\$ 7,155,067</b>	<b>\$ (3,986,419)</b>	<b>\$ 8,693,109</b>	<b>\$ 9,482,387</b>	<b>\$ 16,668,415</b>
Debt service as a percentage of noncapital expenditures	6.6%	7.5%	5.3%	1.7%	16.3%	20.7%	1.0%	0.8%	1.0%



## Assessed Valuation, Tax Rates and Tax Levies LAST TEN FISCAL YEARS

Fiscal Year	Real Property					Unsecured Property	Total Assessed	% Change from Prior Year	Total Direct Tax Rate
	Residential Property	Commercial Property	Industrial Property	Others	Total Real Property				
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	2.03%	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	0.78%	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	1.41%	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	2.90%	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	7.66%	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	3.72%	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	8.94%	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	6.91%	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	9.07%	0.11346
2019	8,556,401,938	1,038,848,823	920,844,274	89,053,163	10,605,148,198	590,331,671	11,195,479,869	10.64%	0.11460



Source:

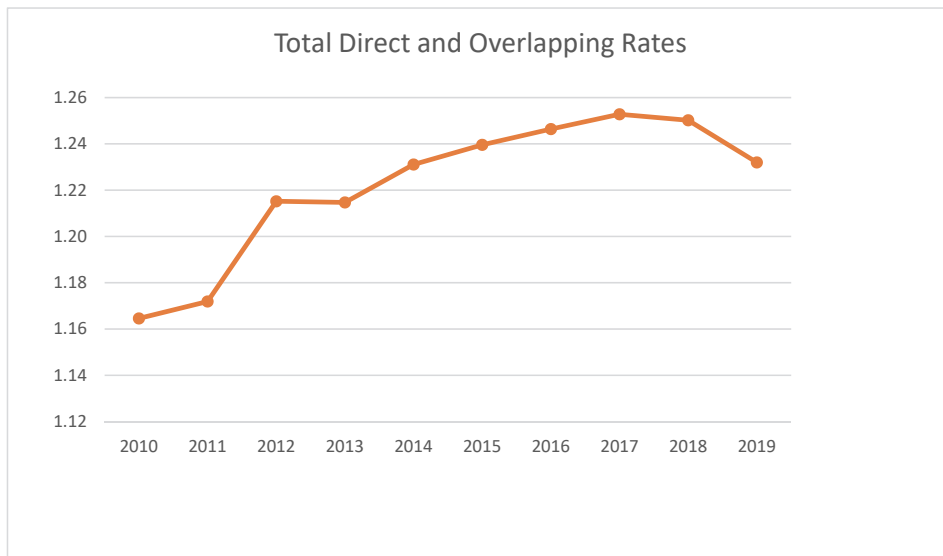
San Mateo County Assessor 2008/09- 2017/18 Combined Tax Rolls

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

## Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years  
(Rate per \$100 of Taxable Value)

Fiscal Year	Basic Levy	¹City's Share of 1% Levy Per Prop 13	City Debt Rate	San Mateo			Sequoia Union High	Belmont Redwood City	Mid-Peninsula Regional Open Space	Total Direct Overlapping Tax Rate	Total Direct Rate*
				Junior College	San Carlos Elementary	Shore Elementary					
2010	1.0000	0.10799	0.0088	0.0182	0.0531	0.0277	0.0568	-	1.1646	0.19582	
2011	1.0000	0.10801	0.0089	0.0193	0.0528	0.0311	0.0598	-	1.1719	0.19600	
2012	1.0000	0.10802	0.0089	0.0199	0.0535	0.0358	0.0971	-	1.2152	0.19481	
2013	1.0000	0.10803	0.0088	0.0194	0.0528	0.0356	0.0981	-	1.2147	0.19504	
2014	1.0000	0.10755	0.0084	0.0194	0.0775	0.0313	0.0945	-	1.2311	0.11685	
2015	1.0000	0.10803	0.0082	0.0190	0.0768	0.0433	0.0923	-	1.2396	0.11840	
2016	1.0000	0.10803	0.0042	0.0250	0.0725	0.0434	0.1005	0.0008	1.2464	0.11424	
2017	1.0000	0.10802	0.0040	0.0247	0.0646	0.0391	0.1198	0.0006	1.2528	0.11379	
2018	1.0000	0.10800	0.0038	0.0235	0.0643	0.0383	0.1194	0.0009	1.2502	0.11346	
2019	1.0000	0.10800	0.0037	0.0175	0.0600	0.0365	0.1125	0.0018	1.2320	0.11460	



Source:  
San Mateo County Assessor 2009/10- 2018/19 Tax Rate Table

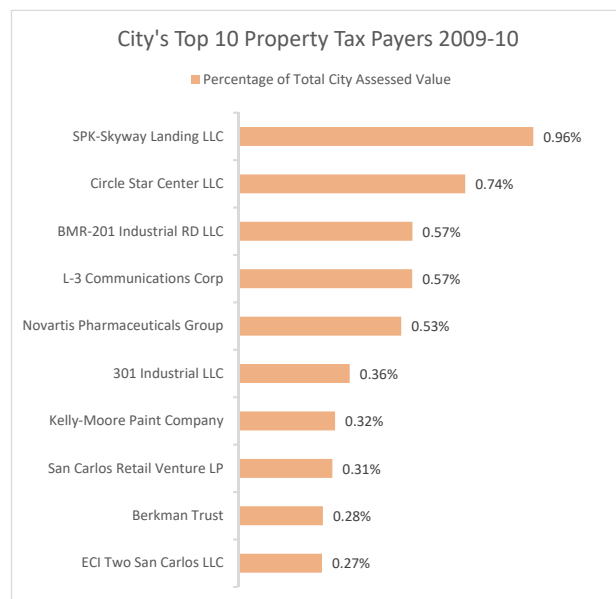
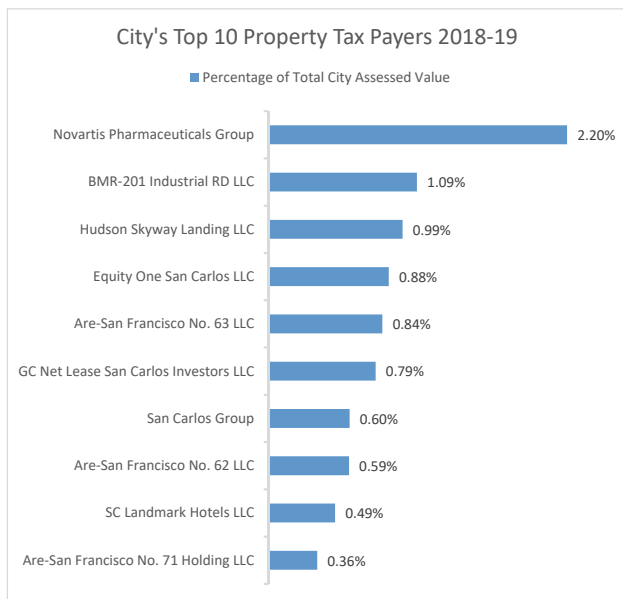
¹City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.  
The ERAF portion of the City's Levy has been subtracted where known.

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

## Principal Property Tax Payers

Current Fiscal Year and Ten Years Prior

Taxpayer	2018-2019			Taxpayer	2009-2010		
	Assessed Value	Rank	Percentage of Total City Assessed Value		Assessed Value	Rank	Percentage of Total City Assessed Value
Novartis Pharmaceuticals Group	\$ 245,752,619	1	2.20%	SPK-Skyway Landing LLC	\$ 65,300,000	1	0.96%
BMR-201 Industrial RD LLC	122,129,076	2	1.09%	Circle Star Center LLC	50,251,320	2	0.74%
Hudson Skyway Landing LLC	110,300,581	3	0.99%	BMR-201 Industrial RD LLC	38,567,909	3	0.57%
Equity One San Carlos LLC	98,940,000	4	0.88%	L-3 Communications Corp	38,513,989	4	0.57%
Are-San Francisco No. 63 LLC	93,691,485	5	0.84%	Novartis Pharmaceuticals Group	36,082,973	5	0.53%
GC Net Lease San Carlos Investors LLC	88,160,130	6	0.79%	301 Industrial LLC	24,710,020	6	0.36%
San Carlos Group	66,708,000	7	0.60%	Kelly-Moore Paint Company	21,458,121	7	0.32%
Are-San Francisco No. 62 LLC	66,258,254	8	0.59%	San Carlos Retail Venture LP	20,863,330	8	0.31%
SC Landmark Hotels LLC	54,743,076	9	0.49%	Berkman Trust	18,782,447	9	0.28%
Are-San Francisco No. 71 Holding LLC	40,055,399	10	0.36%	ECI Two San Carlos LLC	18,571,139	10	0.27%
<b>Total Top 10 Taxpayers' Totals</b>	<b>\$ 986,738,620</b>		<b>8.81%</b>		<b>\$ 333,101,248</b>		<b>4.91%</b>
<b>City's Total Assessed Valuation</b>	<b>\$ 11,195,479,868</b>		<b>100%</b>		<b>\$ 6,782,588,792</b>		<b>100%</b>

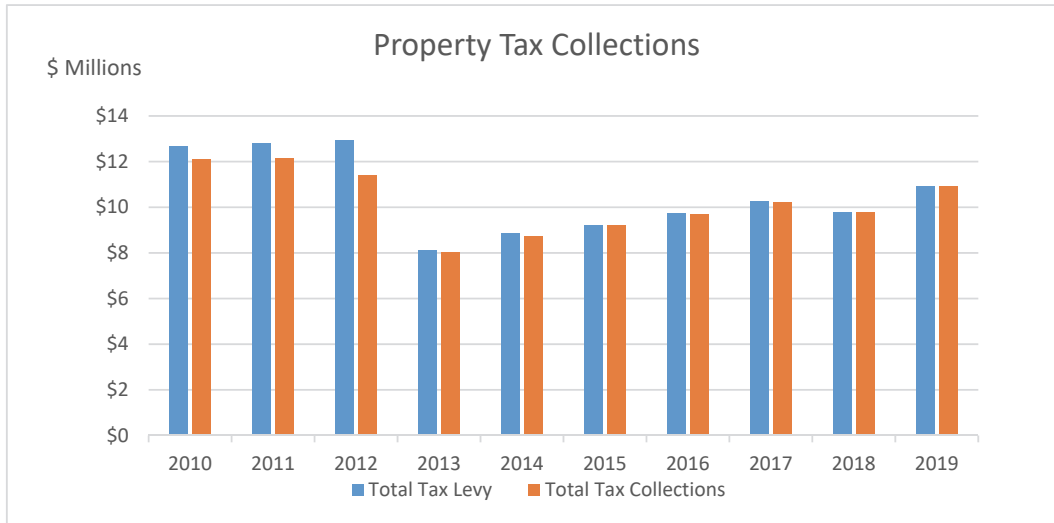


Source:  
San Mateo County Assessor 2018/19 Combined Tax Rolls and the SBE Non Unitary Tax Roll  
Top Property Tax Payers Based on Net Values

# Property Tax Levies and Collections

## Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2010	\$ 12,695,894	\$ 12,124,097	95.50%	-	\$ 12,124,097	95.50%
2011	12,829,443	12,155,993	94.75%	-	12,155,993	94.75%
2012	12,955,911	11,398,356	87.98%	-	11,398,356	87.98%
2013	8,138,448	8,027,011	98.63%	-	8,027,011	98.63%
2014	8,879,658	8,757,878	98.63%	-	8,757,878	98.63%
2015	9,229,066	9,208,905	99.78%	-	9,208,905	99.78%
2016	9,744,532	9,693,047	99.47%	-	9,693,047	99.47%
2017	10,273,217	10,231,703	99.60%	-	10,231,703	99.60%
2018	9,804,156	9,807,155	100.00%	-	9,807,155	100.00%
2019	10,934,085	10,913,557	99.81%	-	10,913,557	99.81%



**Source**

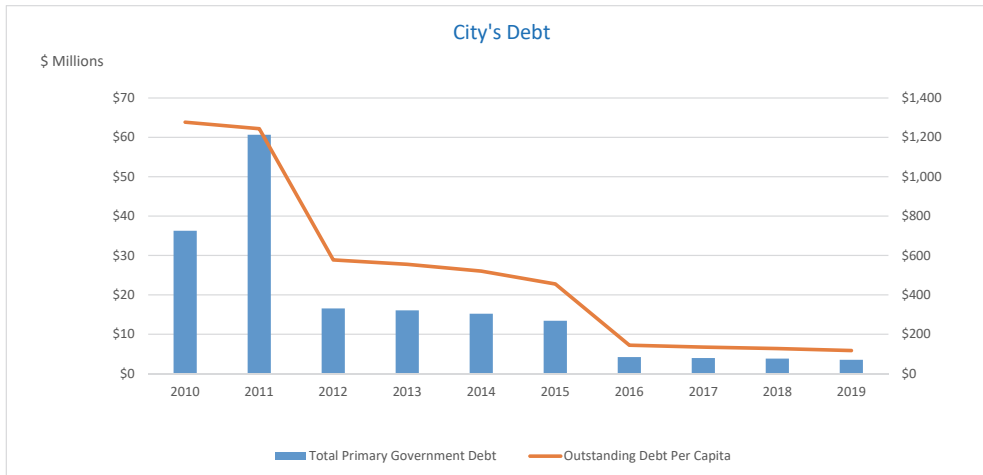
San Mateo County Assessor 2009/10 - 2018/19 Combined Tax Rolls  
 2018-19 County of San Mateo Estimated Property Tax Revenue

1. In 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.
2. Prior to fiscal year 2012, property tax levies included property tax increment from the former Redevelopment Agency.
3. Beginning fiscal year 2013, the amounts presented include only the City's general secured and unsecured property taxes collections. The tax collection is subjected to adjustment for all increases, decreases and refunds processed throughout the fiscal year.

## Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	<u>Governmental Activities</u>					<u>Business Type Activities**</u>			Total Primary Government Debt	% of Personal Income (a)	Outstanding Debt Per Capita
	General Obligation Bonds Public	California Energy Commission	Former RDA Debt *	ABAG Lease Agreement	2015 Refunding General Obligation Bonds	2008 Financing Agreement	2009 Financing Agreement				
	Library	Commission									
2010	\$ 7,425,000	\$ 135,627	\$ 18,751,683	\$ -	\$ -	\$ 1,510,000	\$ 8,450,000	\$ 36,272,310	2.38%	\$ 1,277	
2011	7,200,000	68,822	43,581,445	-	-	1,460,000	8,330,000	60,640,267	2.19%	1,244	
2012	6,955,000	-	-	-	-	1,410,000	8,175,000	16,540,000	0.97%	577	
2013	6,690,000	-	-	-	-	1,355,000	8,015,000	16,060,000	0.91%	555	
2014	6,405,000	-	-	8,800,000	-	-	-	15,205,000	0.89%	520	
2015	-	-	-	8,800,000	4,600,000	-	-	13,400,000	0.73%	455	
2016	-	-	-	-	4,190,000	-	-	4,190,000	0.21%	144	
2017	-	-	-	-	3,940,000	-	-	3,940,000	0.19%	134	
2018	-	-	-	-	3,805,704	-	-	3,805,704	0.16%	127	
2019	-	-	-	-	3,501,181	-	-	3,501,181	(a)	117	



**Sources:**

- City of San Carlos Debt Schedule
- State of California, Department of Finance (population)
- U.S. Department of Commerce, Bureau of the Census (income)

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

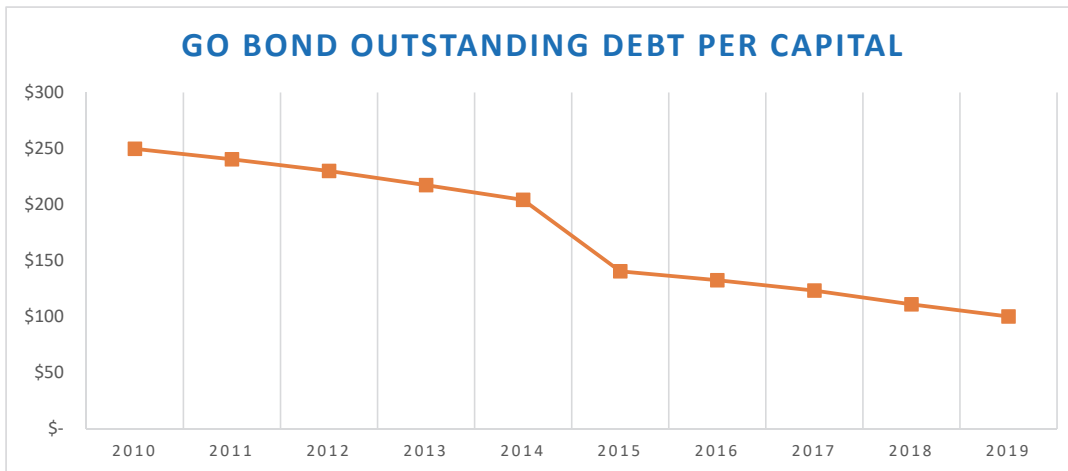
(a) See Schedule (Demographic Statistics) for personal income and population data. Data for 2019 is not available.

\* 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.

## Ratio of General Bonded Debt Outstanding Last Ten Fiscal Years

General Bonded Debt Outstanding							Per Capita (4)
Fiscal Year	2005 General Obligation Debt (1)	2015 Refunding General Obligation Bond	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Assessed Value (3)		
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	
2019	-	3,385,000	391,031	2,993,969	0.03%	100.25	



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

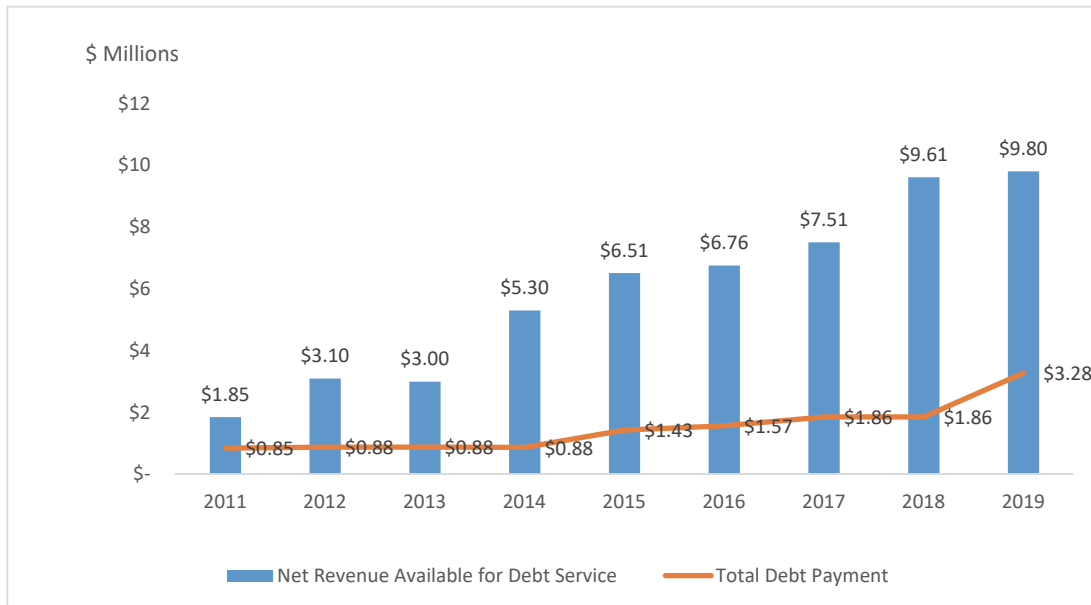
# Pledged Revenue Coverage

Last Nine Fiscal Years

## San Carlos Sewer Fund - SVCW 2008, 2009, 2014, 2015, 2018 Financing Agreement

### Financing Agreement

Fiscal Year	Net Revenue Available for Debt Service	Financing Agreement					Total Debt Payment	Coverage
		2008	2009	2014	2015	2018		
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
2019	9,802,430	-	743,691	645,745	471,000	1,419,459	3,279,895	2.99



Source

City of San Carlos Annual Financial Statements

## Direct And Overlapping Debt

### June 30, 2019

2018-19 Assessed Valuation	\$11,195,479,869
Redevelopment Successor Agency Incremental Valuation	\$1,201,350,275

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2019	Percentage Applicable (1)	City's Share of Debt 6/30/2019
San Mateo Community College District	\$ 801,050,076	5.010%	\$ 40,132,609
Sequoia Union High School District	518,005,000	11.699%	60,601,405
Belmont-Redwood Shores School District	62,399,636	5.490%	3,425,740
Belmont-Redwood Shores School Facilities Improvement District	37,662,333	9.100%	3,427,272
Belmont-Redwood Shores School Facilities Improvement District	20,725,000	0.679%	140,723
Redwood City School District	135,719,096	2.840%	3,854,422
San Carlos School District	115,741,118	96.141%	111,274,668
<b>City of San Carlos</b>	<b>3,385,000</b>	<b>100%</b>	<b>3,385,000</b>
Midpeninsula Regional Park District	92,460,000	3.872%	3,580,051
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$ 1,787,147,259</b>		<b>\$ 229,821,891</b>
<b>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</b>			
San Mateo County General Fund Obligations	\$ 551,005,360	5.010%	\$ 27,605,369
San Mateo County Board of Education Certificates of Participation	8,140,000	5.010%	407,814
Midpeninsula Regional Park District General Fund Obligations	117,450,600	3.872%	4,547,687
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>	<b>\$ 676,595,960</b>		<b>\$ 32,560,870</b>
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)	\$ 11,540,684	100%	\$ 11,540,684
<b>TOTAL DIRECT DEBT</b>			<b>3,385,000</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>270,538,444</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$ 273,923,444</b> (2)

**RATIOS TO 2018-2019 ASSESSED VALUATION:**

<b>Direct Debt (\$3,385,000)</b>	<b>0.03%</b>
Total Direct and Overlapping Tax and Assessment Debt	2.05%
Combined Total Debt	2.45%

**RATIOS TO REDEVELOPMENT INCREMENTAL VALUATION (\$1,201,350,275):**

Total Overlapping Tax Increment Debt	0.96%
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Source

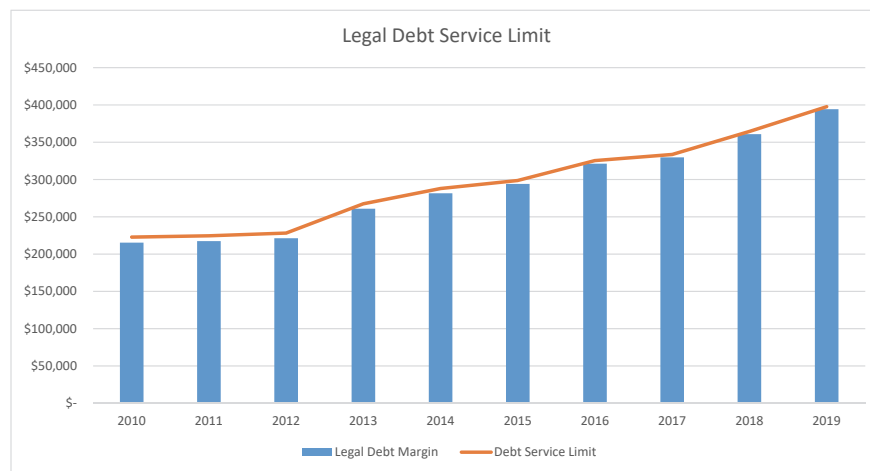
California Municipal Statistics, Inc.

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

## Computation of Legal Bonded Debt Margin

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Secured property assessed value, net of exempt real property	\$ 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	\$ 10,604,982
<b>Legal Debt Limit</b>										
Debit service limit (3.75% of property assessed value ) (a)	222,773	224,579	228,215	267,472	287,960	298,686	325,412	333,577	364,494	397,687
Less: General Obligation Bond	7,425	7,200	6,955	6,690	6,405	4,600	4,190	3,940	3,675	3,385
<b>Legal debt margin</b>	<b>\$ 215,348</b>	<b>\$ 217,379</b>	<b>\$ 221,260</b>	<b>\$ 260,782</b>	<b>\$ 281,555</b>	<b>\$ 294,086</b>	<b>\$ 321,222</b>	<b>\$ 329,637</b>	<b>\$ 360,819</b>	<b>\$ 394,302</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>3.45%</b>	<b>3.31%</b>	<b>3.14%</b>	<b>2.57%</b>	<b>2.27%</b>	<b>1.56%</b>	<b>1.30%</b>	<b>1.20%</b>	<b>1.02%</b>	<b>0.86%</b>



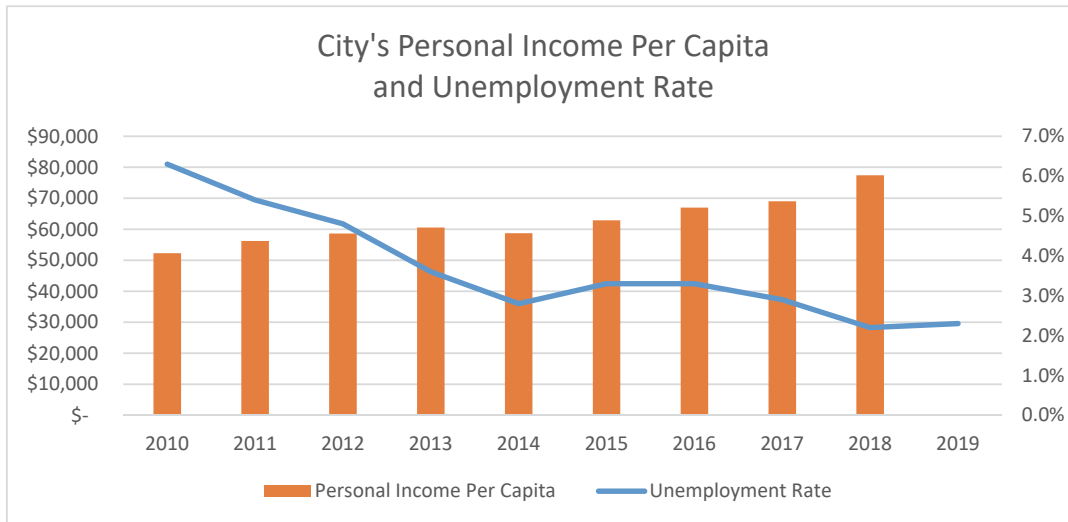
Source  
County of San Mateo, Assessed Valuation Reports

1. 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

# Demographic And Economic Statistics

## Last Ten Fiscal Years

Fiscal Year	City Population	Total Personal Income (In Thousands)	Personal Income Per Capita	Unemployment Rate	San Mateo Population	City Population % of County
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	2,311,883	77,413	2.2%	774,155	3.86%
2019	29,864	(a)	(b)	2.3%	774,351	3.86%



**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

(a) & (b) Information is not available

## Principal Employers

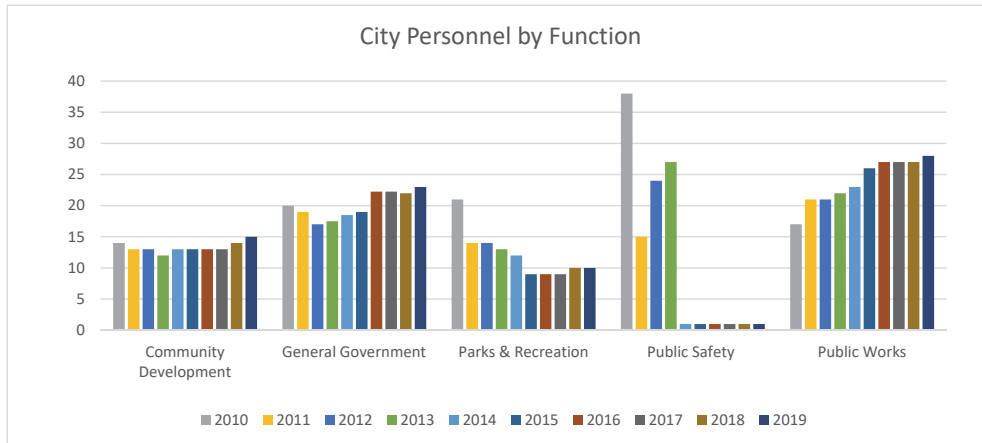
Current Year and Ten Years Ago

Employer	2019				2010		
	Number of Employees	Rank	Percent of Total City Employment		Number of Employees	Rank	Percent of Total City Employment
PALO ALTO MEDICAL FOUNDATION	500	1	2.82%	SAN MATEO COUNTY TRANSIT	759	1	4.94%
NATERA INC	405	2	2.29%	ISS FACILITY SERVICE	500	2	3.26%
PACIFIC GAS & ELECTRIC CO	284	3	1.60%	L-3 ELECTRON DEVICES	397	3	2.59%
RECOLOGY SAN MATEO COUNTY	240	4	1.36%	KELLY MOORE PAINT CO	300	4	1.95%
NOVARTIS PHARMACEUTICALS	230	5	1.30%	ALLIED WASTE SERVICES	250	5	1.63%
OPORTUN, INC	219	6	1.24%	SIEMENS COMMUNICATIONS	250	6	1.63%
DELTA STAR INC	216	7	1.22%	HOME DEPOT	240	7	1.56%
THE HOME DEPOT #0628	212	8	1.20%	SAN CARLOS ELEM. SCHOOL DISTRICT	232	8	1.51%
CHECK POINT SOFTWARE TECH INC	208	9	1.18%	TESLA MOTORS	200	9	1.30%
SC TRANSIT VILLAGE, INC	202	10	1.14%	BEST BUY	150	10	0.98%
<b>Top 10 Employers</b>	<b>2716</b>		<b>15.34%</b>		<b>3278</b>		<b>21.35%</b>
<b>Total Employment of the City's Labor Force</b>	<b>17,700</b>				<b>15,353</b>		

Source  
 FY 2019 data from City of San Carlos business license database  
 FY 2010 data from InfoGroup

## Full Time Equivalent City Personnel By Function Last Ten Fiscal Years

Adopted Budget Authorized Personnel For Fiscal Year Ended June 30										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Community Development	14	13	13	12	13	13	13	13	14	15
General Government	20	19	17	18	19	19	22	22	22	23
Parks & Recreation	21	14	14	13	12	9	9	9	10	10
Public Safety	38	15	24	27	1	1	1	1	1	1
Public Works	17	21	21	22	23	26	27	27	27	28
<b>Total Full Time Equivalent Personnel</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>	<b>77</b>



Source  
City budget document

1. Starting on October 31, 2010, County of San Mateo Sheriff's Office began providing police services to the City.
2. The Belmont-San Carlos Fire Department was dissolved on October 12, 2011.
3. The City of Redwood City began providing full fire and emergency services including the transfer of the fire service personnel from the City of San Carlos to the City of Redwood City on July 1, 2013.

## Operating Indicators by Function/Program

Last Ten Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety:										
* Fire										
Fire calls for service	N/A	N/A	992	1,896	1,961	2,209	2,365	2,232	2,415	2,312
Primary fire inspections conducted	N/A	N/A	240	465	356	638	700	450	659	984
Police:										
Communication Center calls answered										
Police calls for Service	13,638	12,236	11,058	13,490	12,831	13,446	17,985	12,474	13,094	13,013
Law violations:										
Part I and Part II crimes	2,843	2,446	2,132	1,780	1,988	1,868	1,544	1,387	1,469	1,572
Physical arrests (adult and juvenile)	1,060	912	704	657	683	732	713	803	790	878
Traffic violations	4,660	3,701	2,932	3,666	3,224	3,260	2,599	1,843	2,347	5,389
Parking violations	5,103	4,573	4,533	4,558	3,609	6,613	4,794	8,014	4,706	11,020
Street										
Pavement Condition Index	64	67	64	64	60	60	60	63	63	61
Sewer										
Sewer service connections	11,309	11,309	11,335	11,355	11,107	11,000	11,017	11,017	11,033	11,010
Average daily flow (millions of gallons)	N/A	2.60	1.75	1.66	1.66	1.81	1.80	2.69	1.66	2.21
Maximum Allocated Treatment Capacity,										
Average Dry Weather Flow (Millions of Gallons)	4.47	4.47	4.47	4.47	4.47	4.39	5.18	4.90	4.39	4.39
Maximum Allocated Treatment Capacity, Peak Wet										
Weather Flow (Millions of Gallons)	14.30	14.30	14.30	14.30	14.30	15.96	25.00	14.30	14.30	14.3
Culture and recreation:										
Community Services:										
Adult Registrations	3,086	2,312	2,585	2,481	2,750	2,825	2,949	4,120	5,789	5,688
Tot/Youth Registrations	6,262	6,189	7,117	7,646	7,042	7,524	6,433	5,595	4,426	4,919
Facility Rentals	158	185	178	189	133	114	79	129	106	104
Picnic Rentals	146	N/A *	144	166	173	196	235	236	223	284
Organized Play Participants	6,620	5,454	8,005	7,184	6,761	7,222	7,900	7,985	7,856	7,922
Organized Play Hours Permitted	17,228	17,368	18,611	17,212	17,046	17,856	18,440	18,560	18,470	18,505

**Source:**

Various city department records

1. The Belmont-San Carlos Fire Department was dissolved on October 12, 2011. City re-established the Fire Department in October 2011. Information prior to the FY2011 is not available.
2. The Wastewater Treatment Plant had problems with its flow meters in 2010, the data for average daily flow is not available.
3. Due to budget cuts, the picnic rental program was halted in FY 2011. It was re-instated in FY 2012.

## Capital Asset Statistics By Function/Program

Last Ten Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Public safety:</b>										
Fire stations	2	2	2	2	2	2	2	2	2	2
Police stations	1	1	1	1	1	1	1	1	1	1
<b>Streets</b>										
Total Length (Miles)	87	87	87	87	87	87	87	87	87	87
Street lights	1,888	1,888	1,888	1,888	1,888	1,916	1,942	1,942	1,942	1,942
Traffic Signals	20	20	20	20	21	21	21	21	22	22
<b>Parking Lots</b>										
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	386	386
Number of Employee Permits issued	94	94	91	91	91	91	91	91	13	68
<b>Wastewater</b>										
Total Sewer Main Length (Miles)	106	106	104	104	104	105	105	105	105	105
Sewer Pump Stations	6	6	6	6	6	6	6	6	6	6
<b>Storm water</b>										
Catch basins/inlets	1,324	1,324	1,324	1,324	1,324	1,324	1,326	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
<b>General government:</b>										
City Hall	1	1	1	1	1	1	1	1	1	1
City Museum	1	1	1	1	1	1	1	1	1	1
<b>Parks and recreation:</b>										
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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