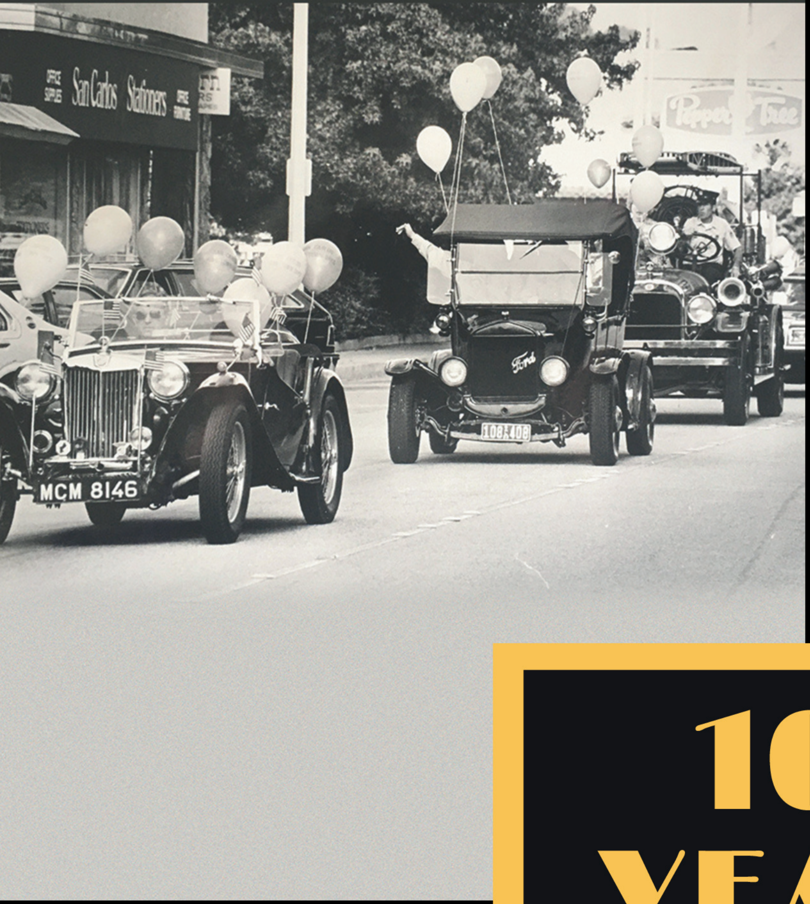
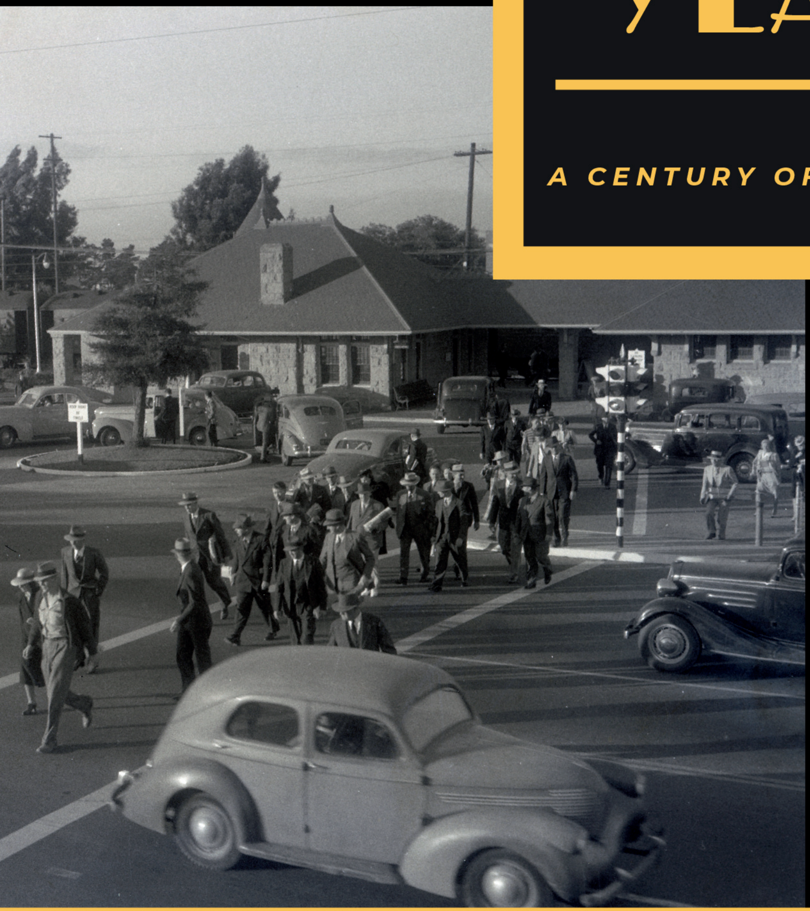
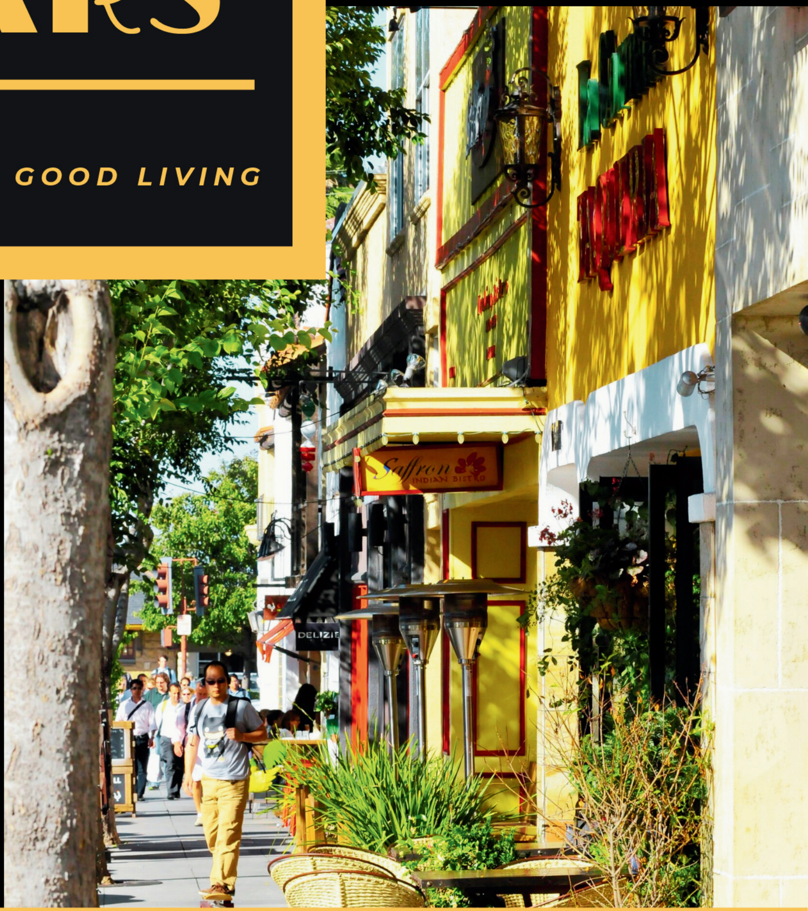


100 YEARS

A CENTURY OF GOOD LIVING





CITY OF SAN CARLOS 1925 2025 THE CITY OF GOOD LIVING 100 YEARS

SAN CARLOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

JULY 1, 2024 - JUNE 30, 2025

CITY OF SAN CARLOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Prepared by

CITY OF SAN CARLOS FINANCE DIVISION

City of San Carlos
Annual Comprehensive Financial Report
For the year ended June 30, 2025

Table of Contents

Page

INTRODUCTORY SECTION

Letter of Transmittal v
Elected and Appointed Officials xxii
The Residents of the City of San Carlos xxiii
City-Wide Organizational Chart xxiv
GFOA Certificate of Achievement for Excellence in Financial Reporting xxvi

FINANCIAL SECTION

Independent Auditors' Report 1

Management's Discussion and Analysis 5

Basic Financial Statements:

Government-Wide Financial Statements:
Statement of Net Position 26
Statement of Activities 28

Fund Financial Statements:
Governmental Fund Financial Statements:
Balance Sheet 34
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position 35
Statement of Revenues, Expenditures and Changes in Fund Balances 36
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities 37
Budgetary Comparison Statement by Department – General Fund 38

Proprietary Fund Financial Statements:
Statement of Net Position 42
Statement of Revenues, Expenses and Changes in Net Position 43
Statement of Cash Flows 44

Fiduciary Fund Financial Statements:
Statement of Fiduciary Net Position 47
Statement of Changes in Fiduciary Net Position 48

Notes to the Basic Financial Statements 51

Table of Contents

Page

FINANCIAL SECTION (Continued)

Required Supplementary Information:

Defined Benefit Pension Plans:
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios – CalPERS Cost-Sharing Plan 108
Schedule of Pension Plan Contributions – CalPERS Cost-Sharing Plan 110
Schedule of Changes in the Net Pension Liability and Related Ratios – PARS Agent Multiple-Employer Longevity Recognition Plan 112
Schedule of Plan Contributions – PARS Agent Multiple-Employer Longevity Recognition Plan 114

Other Post Employment Benefit Plan:
Schedule of Changes in OPEB Liability and Related Ratios – Other Post-Employment Benefits Plan 116
Schedule of Plan Contributions – Other Post-Employment Benefits Plan 118

Supplementary Information:

Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:
City Capital Improvement Fund 122
Housing Capital Projects Fund 123
Gas Tax 124

Nonmajor Governmental Funds:
Combining Balance Sheet 126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 128
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:
Special Revenue Funds:
NPDES 130
Police Grants 131
San Carlos Library Tenant 132
Capital Projects Funds:
Equipment Replacement 133
Measure A 134
Measure W 135
Park Fee 136
Parking In-Lieu 137
Child Care Development 138
Debt Service Fund:
San Carlos Library Bonds 139

Internal Service Funds:
Combining Statements of Net Position 142
Combining Statements of Revenues, Expenses, and Changes in Net Position 143
Combining Statements of Cash Flows 144

Custodial Funds:
Combining Statement of Fiduciary Net Position 146
Combining Statement of Changes in Fiduciary Net Position 147

Table of Contents

Page

STATISTICAL SECTION (Unaudited)

Financial Trends:
Net Positions by Component.....151
Changes in Net Position.....152
Fund Balances of Governmental Funds.....156
Changes in Fund Balances of Governmental Funds.....157

Revenue Capacity:
Assessed Valuation, Tax Rates and Tax Levies.....158
Direct and Overlapping Property Tax Rates.....159
Principal Property Tax Payers.....160
Property Tax Levies and Collections.....161
Taxable Sales by Category.....162

Debt Capacity:
Ratios of Outstanding Debt by Type.....163
Ratio of General Bonded Debt Outstanding.....164
Pledged Revenue Coverage.....165
Direct and Overlapping Debt.....166
Computation of Legal Bonded Debt Margin.....167

Demographic and Economic Information:
Demographic and Economic Statistics.....168
Principal Employers.....169
Full Time Equivalent City Personnel by Function.....170

Operating Information:
Operating Indicators by Function/Program.....171
Capital Asset Statistics by Function/Program.....172

OTHER INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.....173

This page intentionally left blank

CITY OF SAN CARLOS
OFFICE OF THE CITY MANAGER

600 ELM STREET
SAN CARLOS, CA 94070
(650) 802-4228
CITYOFSANCARLOS.ORG

November 24, 2025

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 annual comprehensive financial statements of the City of San Carlos (the City) for the fiscal year ended June 30, 2025.

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 Badawi & 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, 2025 are free of material misstatements. 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, 2025 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 a 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

San Carlos was incorporated 100 years ago, in 1925. This Annual Comprehensive Financial Report (ACFR) helps to mark this centennial year as we celebrate this historical milestone and also the people - past and present – that have shaped this wonderful city, throughout the last century, and maintained its identity as the "City of Good Living". San Carlos is located in the center of 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. San Francisco is 25 miles north and San Jose is 25 miles south. San Carlos boasts an ideal climate, good government, an outstanding school system, attractive residential areas, a fine shopping district, excellent restaurants, a modern industrial and commercial area, and plenty of open space. As part of the northern end of Silicon Valley, San Carlos hosts several technology companies and is the address of many West Coast biotech and medical instrumentation firms. 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 Councilmembers. 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. Councilmembers serve four-year staggered terms, with two or three Councilmembers elected every two years. The Mayor and Vice Mayor are selected from among the five Councilmembers 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, Administrative Services Director, and Financial Services Manager. The City Manager then presents the proposed biennial budget or mid-cycle review budget to the Council for review prior to the end of June 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). 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. A budget-to-actual comparison for the General Fund is presented in the Fund Financial section of the accompanying financial statements and comparisons for all other individual governmental funds for which an appropriated annual budget has been adopted are presented in the Supplementary Information section of the accompanying financial statements.

The Biennial Budget for Fiscal Years (FY) 2023-25 was adopted by the Council via Resolution 2023-066 on June 12, 2023. The Mid-Cycle Budget Update for FY 2024-25, or the period ending June 30, 2025, was adopted by the Council via Resolution 2024-069 on June 10, 2024.

Economic Condition and Financial 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.

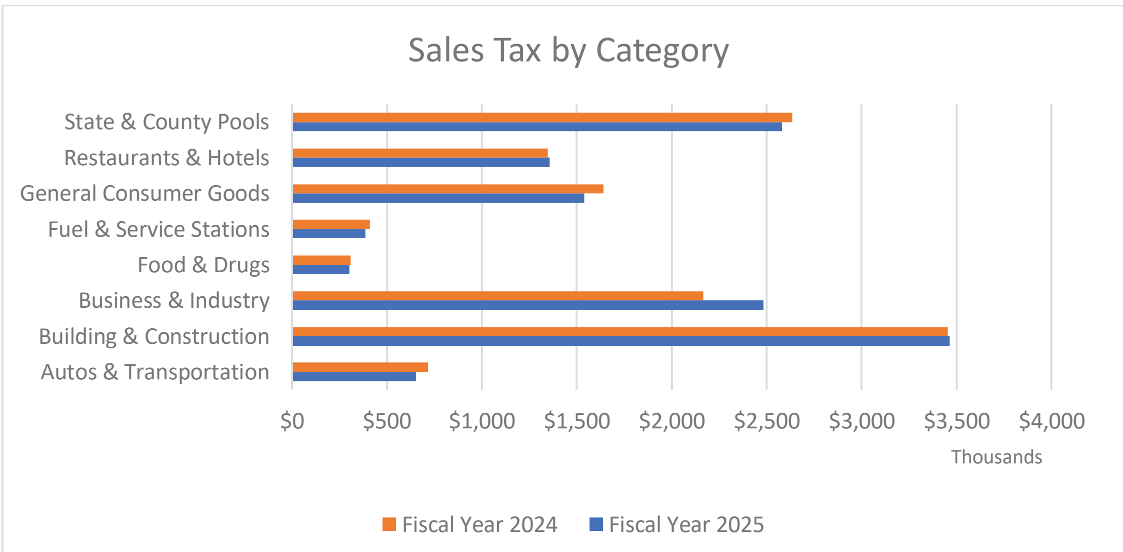
Labor Market. According to the August 2025 report from the California Employment Development Department (EDD), California's unemployment rate was 5.5% compared to 5.3% in August of the previous year. Over the past year, California employers have added 137,900 jobs, which averages out to 11,492 jobs gained per month since August 2024. There were 367,379 people certifying for unemployment insurance benefits during the August 2025 sample week which compares to 386,665 people in July 2025 and 382,640 people in August 2024.

At a more local level, according to the EDD, as of August 2025, there were an estimated 404,100 people in employment in San Mateo County, an increase of 3,400 from August 2024. The unemployment rate in the county has remained level over the last year at 4.1% with some fluctuations over the period, driven largely by a broader trend of slowing job growth particularly in the technology and biotechnology sectors. Related to this, the San Carlos unemployment rate has climbed slightly to 4.0% from 3.4% a year earlier. This compares with an adjusted unemployment rate of 5.5% for California as of August 2025 and 4.3% for the nation during the same period.

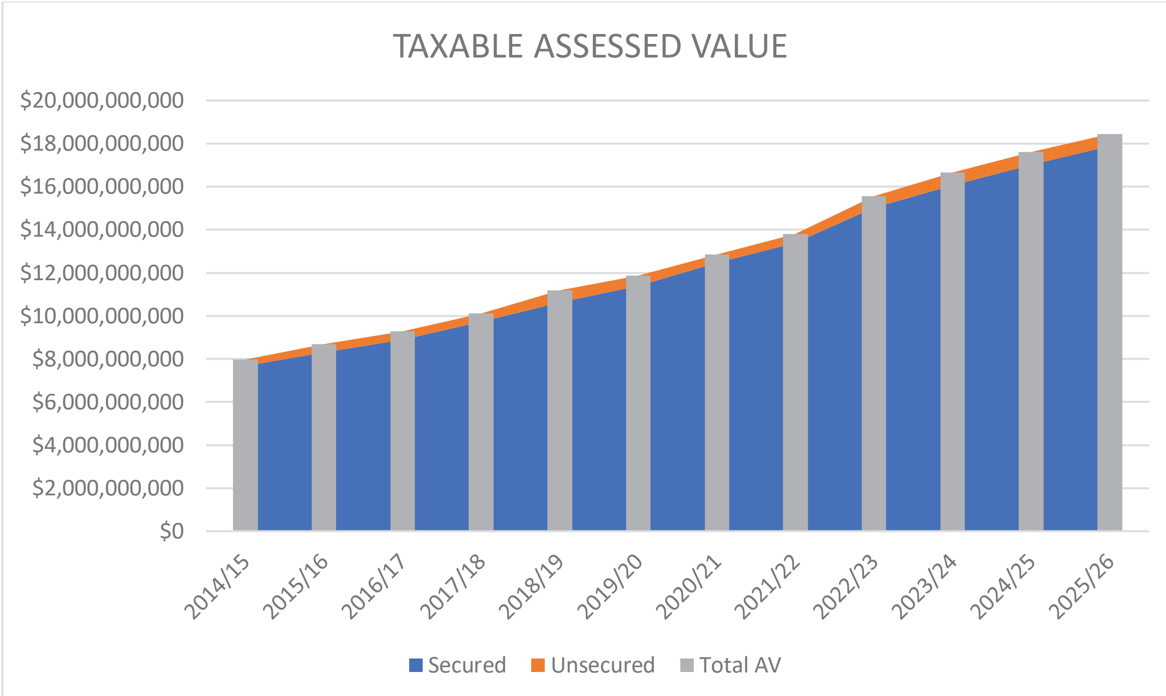
Inflation. As of September 2025, U.S. inflation has eased but remains slightly above the Federal Reserve's 2% target over the longer term. The Consumer Price Index (CPI) rose about 2.9 percent year-over-year in August 2025. Economic growth has slowed, with Gross Domestic Product (GDP) projected to rise 1.6 percent in 2025, reflecting a cooling labor market and weaker demand. In response, the Federal Open Market Committee

(FOMC) cut the federal funds rate by 0.25% in September 2025 to a target range of 4.00–4.25 percent — the first rate cut of the year. The Fed reaffirmed its long-run 2 percent inflation goal and noted that while inflation pressures have moderated, risks to employment and growth have increased.

Sales Taxes. San Carlos's sales tax receipts adjusted for economic data for FY 2024-25 were 0.8% above the prior year. Building and Construction, Business and Industry, and Restaurants and Hotels were the main categories that experienced an increase in revenue, while General Consumer Goods, Autos and Transportation, Fuel and Service Stations, Food and Drugs, and the State and County pools saw a decline in revenue. The September Federal Funds rate reduction may spur some changes in consumer spending patterns but overall does not translate into a short-term gain in sales taxes. Given other challenges at the macroeconomic level, such as tariffs driving uncertainty, it is expected that there will be a slight reduction in sales tax revenue in the next fiscal year, returning to growth again the year after.



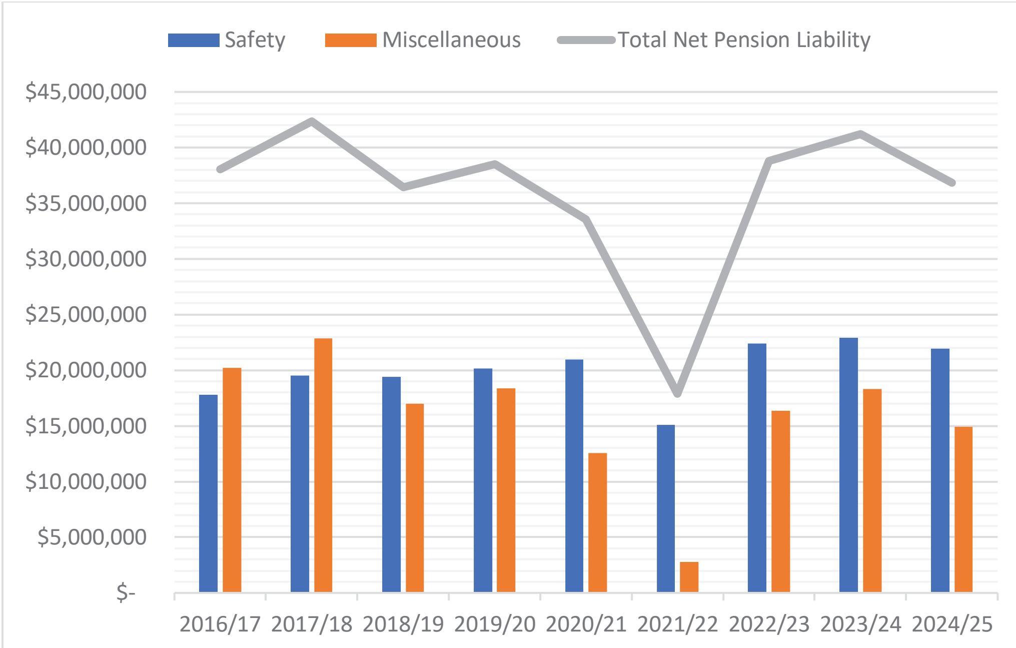
Property Taxes. On July 2, 2024, the San Mateo County Assessor's Office released the 2025-26 Local Assessment Rolls for each agency in the county. Countywide, the assessment roll increased by $15.6 billion, or 4.8%, to a record high of $341.1 billion in assessed value. The assessment roll for San Carlos increased by $890 million, or 5.13%, for a total of $18.4 billion. In comparison, in 2024-25, the City's assessment roll increased by 5.64%. The changes compared to the prior year reflect the continued impact of higher mortgage rates, a slowdown in commercial construction, and a low inventory of single-family homes available for sale.



Home Sales. According to the San Mateo County Association of Realtors (SAMCAR), as of June 2025, the median sale price of a single-family residential home in San Carlos is $2.755 million, as compared to $2.155 million in June 2024. This is a 9% decrease in median sale price and contrasts with a countywide median sales price of $2 million. The median price per square foot in the city has increased by 5.7% since June 2024. This represents a strong upward trend in home valuations over the last year following a gradual decline seen during the prior year.

Building Activity. Commercial and residential building permits issued for FY 2024-25 totaled $5,139,723. Permit totals were down 58.6% from a year ago. Permits issued for the first quarter of FY 2025-26 totaled $1,092,198, which represents an increase of 26.9% from the first quarter of FY 2024-25. Both of these changes are due to the timing of large development projects. As noted later in this report, there are a number of large projects in process and we expect permit revenue to increase over the next few years accordingly.

Net Pension Liability. The CalPERS Public Employees' Retirement Fund (PERF) is the primary pension fund in the City. The PERF has experienced significant fluctuations in returns over the last several years. The CalPERS Board made changes in the discount rate assumptions in FY 2021-22, lowering it from 7.0% to 6.8%, which has the effect of increasing the Unfunded Actuarial Liability (UAL) and the overall total Net Pension Liability (NPL). Discount rate changes, in addition to volatility in investment, drive the annual pension obligations of the City. Since the actuarial reports are done following the end of the fiscal year, there is a delay in the impact to the City. In FY 2021-22, the PERF experienced a -6.1% return which, combined with the reduction in the discount rate, increased our net pension obligation significantly in FY 2022-23 as shown in the chart below.



The City has previously used $12 million of prior years' savings/surpluses to pay down our unfunded pension liabilities. This has resulted in annual and long-term savings. Following the large increases in CalPERS costs in FY 2022-23, in January 2024, the City paid a further $3 million of prior years' savings toward the UAL and in April 2025, another $4 million towards the UAL. These additional payments over the last two years are estimated to generate combined gross savings of approximately $10.6 million through 2045, or operating savings of $829,000 annually, on average, over the next ten years.

As the attached financial statements will reflect, the City's conservative budgeting coupled with the unexpected growth, kept the City in strong financial shape.

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. The City Council most recently adopted the financial policies on May 12, 2025 via Resolution 2025-033.

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.

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:

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

In FY 2024-25, the City Council and executive management staff continued the Strategic Planning process begun in FY 2005-06. As part of this process, the City retained two facilitators to lead councilmembers and staff through the City's Strategic Planning process. The process resulted in the review of the City's Mission Statement, Vision Statement, Core Values, and the establishment of Goals and Objectives. The City Council adopted the 2025 Strategic Plan at its April 14, 2025 meeting after a series of three strategic planning meetings. The three meetings included a public Council Mini Retreat on October 14, 2024, a public Strategic Planning Retreat on February 6, 2025, and an Executive and Management Team Meeting on March 20, 2025. The City Council appropriates the funds necessary to meet operating and capital activities and the adopted strategic goals and objectives.

Major Events and Initiatives

Highlights of the City's major events and initiatives that were in progress as of June 30, 2025, or soon after the year end, are as follows:

Downtown Specific Plan

The City kicked off the Downtown Specific Plan (Plan) project in March 2022, to create a new vision for Downtown San Carlos, including Laurel Street, El Camino Real, and the cross streets from Holly Street to Greenwood Avenue. Since then, the project has advanced significantly with the production of a public draft Downtown Specific Plan document during FY 2024-25, following extensive community engagement.

The final Downtown Specific Plan is a policy document that will:

- Guide the evolution of the downtown area for the next twenty years.
- Create welcoming, well-designed spaces that reflect the charm and character of San Carlos.
- Support local businesses, attract innovation, and keep our downtown thriving.
- Make it easier and safer to get around - on foot, by bicycle, car, or transit.
- Offer smart solutions to balance parking needs and reduce congestion.
- Enhance parks, plazas, and shared spaces that bring people together.
- Celebrate creativity and community identity through meaningful public art installations.
- Build a greener, more resilient downtown that's ready for the future.
- Upgrade the systems that keep our city running smoothly.
- Turn vision into reality with clear steps and ongoing community partnership.

To implement improvements contained in the Plan, a strategic phasing plan was developed due to the scale and complexity of the project. Thirteen different segments were identified and designed to minimize disruptions while ensuring continuous community access. The precise sequencing of the phases will ultimately be decided by the City Council and based on funding availability. This approach allows for flexibility and adaptation as the project progresses, ensuring that the improvements align with the long-term vision for the area. These phases, mapped across different streets, are:

Phase 1A – Harrington Park
Phase 1B - 700 Block of Laurel
Phase 2 – 600 Block East Alley Parking Improvements
Phase 3 - 600 Block Laurel Street and the New Plaza
Phase 4 - San Carlos Avenue 1100 and 1200
Phase 5 - 700 and 800 Block Alleyways
Phase 6 – 800 Block Laurel Street
Phase 7 – Arroyo Avenue
Phase 8 – Olive Street
Phase 9 – Cherry Street (between El Camino Real and Walnut Street)
Phase 10 – Walnut Street
Phase 11 – Elm Street
Phase 12 – San Carlos Avenue 1300 and 1400 Blocks and Cherry Street (Between Walnut Street and Chestnut Street)

During FY 2024-25, a number of City Council study sessions were held to review the broader Plan and to discuss specific design elements of Phases 1A and 1B. At the June 9, 2025 City Council meeting, the City's Capital Improvement Program

(CIP) budget was adopted which included funding for design and construction of Phase 1A and partial funding for design and construction of Phase 1B.

A public hearing to consider the final Downtown Specific Plan for adoption will take place on November 24, 2025.

Below Market Rate (BMR) Housing and Accessory Dwelling Units (ADUs)

The City's 2025 Strategic Plan set objectives to increase the number of below market rate (BMR) housing units to meet local and regional housing requirements. The City continues to pursue development of a 33-unit affordable housing project at 1232-1244 Cherry Street. The project is a partnership between the City and non-profit affordable housing developers, HIP Housing and Eden Housing. The City acquired the property in February 2022 to create a 100% affordable housing project. Since then, the City has approved a total loan amount of $12.9 million to the developer, which includes the predevelopment loan, to facilitate the purchase of the property from the City and construction of the housing units. Purchase of the property from the City was finalized in July 2025. Residential construction has begun and is expected to be completed late 2026.

The City had previously completed a 23-unit, 100% affordable project at 817 Walnut Street with a $7.3 million loan from the City of San Carlos, and a generous partnership with Charities Housing, the local nonprofit organization that developed the property and manages the 23-unit building.

The City is also planning a future affordable housing development on the properties located at 1800 El Camino Real and 1131-1133 Eaton Avenue. It is estimated that this site has a realistic capacity to produce 77 units of housing, of which 65 could be affordable to Very Low-, Low-, and Moderate-Income households. It is possible that the site could provide for 99 units or more of housing, depending on the impact of site constraints such as creek setbacks, building design options, and density bonuses that may be granted for achieving certain affordable housing goals. The City anticipates releasing a request for proposals (RFP) in the near future to identify a non-profit affordable housing developer to assist with the project.

Alternative dwelling units (ADUs) are also being leveraged by the City to create additional housing in San Carlos. During the year ended June 30, 2025, the City approved a total of 26 dwelling units, including one single-family unit and 25 ADUs.

In addition, the City is an active member of a non-profit ADU Resource Center (21 Elements) that began assisting San Carlos for ADU-related activities in June 2024.

Northeast Area Specific Plan

As a part of the City's 2022 Strategic Plan, the City Council established a goal to create a Northeast Area Specific Plan in response to continued development interest in the area. The Plan focuses on the area north of Holly Street, to the San Carlos City limits at Belmont Creek, and between U.S. Highway 101 and Old County Road. The Northeast Area Specific Plan aims to create a vision, policies, and standards to guide new development in the northeast area of San Carlos in a way that supports existing and new businesses, residents, and the overall community.

Since the City Council's endorsement of the Draft Land Use Plan in February 2024, City staff and the consultant team have begun drafting the Specific Plan and initiated the environmental and technical analyses. Work to date has included studies on traffic and circulation, strategizing a mobility action plan, streetscape design, infrastructure assessment, development of design standards, review of community benefits and open space requirements, and an Environmental Impact Review study, as well as involvement of the broader community through regular meetings and study sessions to gather input and feedback on the plan. All these efforts will help create the Draft Northeast Area Specific Plan, which is expected to be ready for adoption in spring 2026.

The Specific Plan will:

- Carefully and creatively plan for new development and construction
- Celebrate the area's industrial legacy and leverage new opportunities
- Introduce housing within the area
- Support industrial access and provide ways for people to walk, bicycle, take transit, and drive to and through the area
- Champion district resiliency and thoughtfully plan for the future of both the natural and built environments
- Address environmental needs, including flooding from Belmont Creek, the potential presence of hazardous substances, and other needs.

Infrastructure Improvements

The City of San Carlos has allocated over $164 million over the next five years through June 30, 2030. These major infrastructure projects can be broken down into the following categories:

- Sewage Improvements and Replacements - $60.0 million
- Street Improvements - $44.4 million
- Safe Routes to Schools - $7.4 million
- Storm Drainage System Improvements - $5.2 million
- Parks and Recreation Projects - $1.5 million
- Traffic and Transit - $18.3 million
- General Planning and Zoning Amendments - $16.5 million
- Childcare investments - $8 million
- Facilities and Technology Improvements - $3.2 million

The City continues to implement the Bicycle and Pedestrian Master Plan to encourage alternative modes of transportation and improve mobility. The San Carlos Avenue pedestrian safety improvements phase III – Wellington to Beverly project was substantially complete by the end of the year. The Brittan Avenue Sidewalk Construction – Sunset Drive to Rogers Avenue project has progressed towards completion projected for December 2025, and the Alameda de las Pulgas Corridor Improvement project is in progress and due to be completed in 2027.

The City also continues to identify and implement citywide street and intersection projects and initiatives to improve traffic flow and parking, utilizing smart technologies, in San Carlos. In April 2024, the City Council adopted the Traffic Signal Master Plan, which includes, among other things, upgrading 15 signal pedestrian heads for countdown timing, installing Kimley-Horn Integrated Transportation System (KITS) at 12 intersections, upgrading 148 pedestrian pushbuttons to accessible pedestrian signal systems, piloting up to two intersections for video signal detection, and re-timing signals along upper East San Carlos Avenue.

In an ongoing effort to improve pedestrian safety and implement Safe Routes to Schools Program ("SRTS") recommendations, improvements at Arroyo Avenue and Chestnut Street are currently underway and anticipated to be completed in 2026. Similarly, intersection and sidewalk improvements to primary school routes to schools are also underway on Tamarack and Belle Avenues, Elm Street and Arroyo Avenue, Belmont Avenue and Cedar Street, and St. Francis Way and Cedar Street. Additional SRTS projects are in the recently approved CIP pipeline.

The City is in the process of pursuing a number of grants to help finance plans for short-, mid-, and long-term bicycle and pedestrian improvements at the U.S. 101/Holly Street interchange, and has begun the process to identify a departmentwide Public Works Department technology solution to streamline project workflows and protect the City's infrastructure improvements.

Climate Mitigation and Adaptation Plan

The City of San Carlos adopted a Climate Mitigation and Adaptation Plan (CMAP) in September 2021. The CMAP serves as a blueprint for how San Carlos will address climate change by reducing our community's greenhouse gas emissions and adapting to changing climate conditions.

The CMAP sets the goal of reducing emissions 40% by 2030 and 80% by 2050 and includes 45 strategies to achieve those goals with a planning horizon out to 2050. To this end, the City is in the process of developing a citywide electric vehicle (EV) plan to install 15 EV charging stations by 2030 and 25 by 2050, including issuing a RFP to install charging stations in City-owned parking lots.

After the completion of the San Carlos Youth Center solar array installation in June 2024, the City continued its focus on solar energy for public buildings by signing two similar agreements with PCE for the installation of solar arrays on the Adult Community Center and Library at no cost to the City, which are due to be completed in February 2026 and February 2027, respectively. In addition, the City secured a $457,000 Peninsula Clean Energy grant to install a new rooftop and solar array at the Corporation Yard, expected to be completed in February 2026.

The City continues to coordinate with regional and state agencies and neighboring jurisdictions to study, develop, and implement coordinated approaches to flood protection, sea level rise, and rising groundwater levels due to climate change. In March 2025, the City Council adopted a Management Plan for the Pulgas Creek Watershed which drains approximately 3.5 square miles located in San Carlos, as well as portions of the City of Belmont and unincorporated San Mateo County. The goals of the Pulgas Creek Watershed Management Plan are to: reduce flood risks; improve water quality; protect open space, wildlife habitat, and creeks; provide access and community connection to creeks; and define creek-adjacent property owners' responsibilities and opportunities. In addition, staff are coordinating with OneShoreline to integrate its sea level rise mitigation planning into the City's planning initiatives.

The City has been actively engaging with the community throughout the year in areas such as home electrification, water conservation, composting and sustainability, as well as educating the community on wildfire and emergency preparedness. These efforts will continue through newsletters, webinars and in-person presentations, training, and exercises.

Recreation Services

In its 2023 Strategic Plan, the City Council added a new goal to explore new recreational opportunities by completing an assessment of parks, open space, and other recreation facilities to support the health and well-being for community members of all ages. Following execution of a contract with GATES + Associates in June 2024, there have been multiple rounds of community engagement with the aim to finalize the Parks Master Plan by Spring 2026.

Work is also underway to assess new opportunities in implementing the Trails Connection Plan for public trails including the design and construction of Devonshire Canyon Trail and Trillium Way Trial, the first of which is complete and the second approaching the construction phase.

Construction Updates on Large Developments

<u>Commercial Developments:</u>

501 Industrial Road – New Hotel
Status: Approved

The City has approved an application for a new 188 room hotel. The project includes a six-story building with at-grade parking and site landscaping improvements. The project was approved in November 2023 and the building permit is expected to be issued late 2025. Its estimated completion date is Spring 2027.

405 Industrial Road – Life Science Building
Status: Completed

This project included demolition of the existing Public Storage buildings and construction of a new, six-story building for life science research and development (R&D) use with two levels of parking above-grade and one parking level underground. The City Council approved the development agreement on November 28, 2022 and the project was completed in early 2025. The project provided $4.2 million in community benefits (received in August 2025), including new landscaping at the northeast corner of Industrial Road and Holly Street on City-owned property, a green boulevard, and replacement of 17 trees along the western side of Industrial Road.

777 Industrial Road – Life Science Research & Development Building
Status: Completed

This project included the redevelopment of the former Honda dealership to a life science R&D building and also three levels of office/lab space above at-grade parking. The Planning Commission approved the development application in June 2021. Construction of the building has been completed.

789 Old County Road – Two Life Science Research and Development Buildings
Status: Approved

This project includes demolition of existing buildings and construction of two new buildings: one four-story and one five-story, with a parking structure for life science R&D use. The application was approved by the City Council on October 14, 2025. The developer obtained a 15-year development agreement and will contribute over $4.2 million in community benefits including constructing off-site improvements such as undergrounding utilities, new sidewalks, street trees, and lighting.

841 Old County Road – Two Life Science Research and Development Buildings
Status: Approved

This project includes demolition of existing, one-, and two-story commercial buildings and construction of two new buildings: one four-story and one five-story, with two levels of underground parking for life science R&D use. The project was approved by the City Council at its October 9, 2023 meeting. The project was approved with a 10-year development agreement. This project includes $7.69 million in community benefits contributions including credits for on-site improvements

888 Bransten Road – Research and Development Building
Status: Under construction

This project includes demolition of existing one- and two-story industrial buildings and construction of a new 105,416 square feet, three-story building for life science R&D use with a shared parking agreement and surface parking. The Planning and Transportation Commission approved the project on March 20, 2023. Demolition permits have been issued. Demolition of the site has been completed. Construction is expected to take 18-24 months.

987 Commercial Street – Alexandria Center for Life Science Project
Status: Approved

The project involves construction of an office/R&D campus-style development on the 25.34-acre site bounded by Industrial Road to the east, Commercial Street to the north, Old County Road to the west, and Pulgas Creek to the south.

The approved campus development includes six life science R&D buildings totaling 1,603,879 square feet of floor area, a centrally located tenant amenity building, two parking garages, and community-accessible open space with amenities, including enhancement of the Pulgas Creek corridor along the project's southern boundary.

The project will be implemented in three phases over a 15-year period. In addition to construction of the proposed buildings and outdoor improvements, each phase would include demolition of any remaining structures in that phase area and any adjacent roadway and creek-side improvements.

The City Council approved the project at its May 27, 2025 meeting. The project includes over $50 million in community benefits including $43,050,000 in fiscal contribution, improving Pulgas Creek with a new publicly accessible creekside trail, improving Commercial Street and Old County Road with a new traffic signal, on-site art, formation of a Transportation Management Association to provide coordinated transportation solutions for the area, making all on-site open spaces available to the public with on-site parking, and non-profit organization access to amenity space.

1021 Howard Avenue – Life Science Project
Status: Approved

This project includes construction of a new, three-story building, which will provide approximately 190,869 square feet of R&D use, plus two levels of 456 subsurface parking spaces. The Planning and Transportation Commission approved the project on August 1, 2022.

1030 Brittan Avenue – Research and Development Lab & Office
Status: Completed

This project included the construction of a new, three-story building with one level of underground parking, a first floor that includes parking and tenant space, and two levels of laboratory and office area. The Planning Commission approved the project on July 19, 2021. The building permit was issued in June 2022 and the project was completed in 2024.

930 Commercial Street – New Auto Repair Facility
Status: Under Planning Review

This project proposes to demolish two existing single-story industrial buildings and construct a new, single-story 42,850-square-foot private automobile repair facility on a 1.69-acre parcel. The proposed structure features a contemporary architectural design, highlighted by a 8-foot-tall central glass pop-up roof and exterior cladding of dark gray metal panels.

The facility will be used to service and maintain a fleet of corporate vehicles and will include indoor storage for up to 30 vehicles. Additionally, the site will provide six parking stalls and two loading spaces in a surface parking lot located along the eastern portion of the project site.

Residential Developments:

11 El Camino Real – New Apartment Building
Status: Approved

This project proposes to redevelop an underutilized auto-centric site into a vibrant 242-unit development with an underground parking area offering 297 spaces. This proposal is the largest multifamily development ever presented in the City under the updated zoning code and Housing Element. Within this development, 15% of the units will be designated as deed-restricted BMR units, with 24 units designated as affordable to very low-income households, and 12 units designated as affordable to low-income households. The Planning and Transportation Commission approved the project on September 18, 2023. The applicant submitted for a building permit in mid-2025. Construction could begin early 2026, with an expected completion date of end of 2026.

1232-1244 Cherry Street – New Affordable Housing Project
Status: Approved

This project proposes to demolish the existing vacant office building at 1232 Cherry Street and the six-unit structure at 1244 Cherry Street. The applicant proposes to construct a new five-story residential building consisting of 33 affordable housing units, including 15 one-bedroom units, 9 two-bedroom units, and 9 three-bedroom units. All residential units will be for rent at rates that are affordable to moderate- and lower-income households. The project was approved by the Planning and Transportation Commission at its June 7, 2023 meeting. The project broke ground in April 2025 and is expected to be completed in late 2026.

1800 El Camino Real – New Affordable Housing Project
Status: Under Review

On June 26, 2023, the City Council approved the purchase of properties located at 1800 El Camino Real and 1131-1133 Eaton Avenue for affordable housing redevelopment purposes. It is estimated that the site has a realistic capacity to produce 77 units of housing, of which 65 could be affordable to very low-, low-, and moderate-income households. It is possible that the site could provide for 99 units or more of housing, depending on the impact of site constraints such as creek setbacks, building design options, and density bonuses that may be granted for achieving certain affordable housing goals. The purchase of the properties was finalized on October 5, 2023. Developers will be invited to provide their proposal via an RFP process for a development program and prospective building design, as well as a prospective pro forma indicating development costs, gap financing, potential sources of funding, and terms of an offer for disposition and development. The RFP is expected to be released in the next two to five years

150-160 Vista Del Grande – New Multi-family Neighborhood
Status: Under Planning review

The City received an application for 89 residential units at 150-160 Vista del Grande. The proposed project lies on a 12.2 acre site. The planning application is currently under review.

808 Alameda de las Pulgas – New Townhouse Development
Status: Approved

On May 1, 2023, the Planning and Transportation Commission approved a Conditional Use Permit, final Environmental Impact Report, Tentative Subdivision Map, Design Review, Below Market Rate Housing plan, Transportation Demand Management plan, and Tree Removal, Grading, and Dirt Haul certificate to develop 87 townhouse dwelling units on the vacant 11.4-acre site at 808 Alameda de las Pulgas. The approved plans include 10 below-market-rate housing units, landscape improvements, and a new public roadway connection to the adjacent Vista del Grande site and Coronado Avenue.

240 El Camino Real – New Apartment Building
Status: Under Planning Review

The City has received a SB 330 application for a 157-unit apartment building. This project proposes to replace two aging strip retail buildings and associated parking lots to convert to market rate and affordable rental housing within walking distance to Downtown San Carlos and Caltrain. The project consists of six to seven stories of residential units comprised of studio, one-bedroom, two-bedroom, and three-bedroom units over an internal and partially underground parking garage offering 157 parking spaces. Within this development, 15% of the units will be designated as deed-restricted BMR units.

Financial Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Annual Comprehensive Financial Report (“Annual Report”) for the fiscal year ended June 30, 2024. This was the 32nd year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Annual Report. 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 Annual Report 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 Paul Harris, Senior Accountants Paula Decano and Marco Lao, Accountant Mithun Alexander, Accounting Technicians Daniel Dela Cruz and Grace Lee, Management Analyst Cheryl Hong, Administrative Assistant Madeleine Payumo, City Treasurer Inge Tiegel, and the audit staff at Badawi & 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
Rebecca Mendenhall
Administrative Services Director

MAYOR

SARA MCDOWELL

MEMBERS OF THE CITY COUNCIL

PRANITA VENKATESH
VICE MAYOR

JOHN DUGAN
COUNCIL MEMBER

NEIL LAYTON
COUNCIL MEMBER

ADAM RAK
COUNCIL MEMBER

CITY TREASURER

INGE TIEGEL

CITY STAFF

JEFF MALTBIE
City Manager

REBECCA MENDENHALL
Administrative Services Director

PAUL HARRIS
Financial Services Manager

CITY STAFF

AMY NEWBY
Parks & Recreation Director

BARAKA CARTER
Fire Chief

GREG DACUNHA
Deputy Fire Chief

CRYSTAL MUI
City Clerk/Director of Community Relations

NIL BLACKBURN
Assistant City Manager

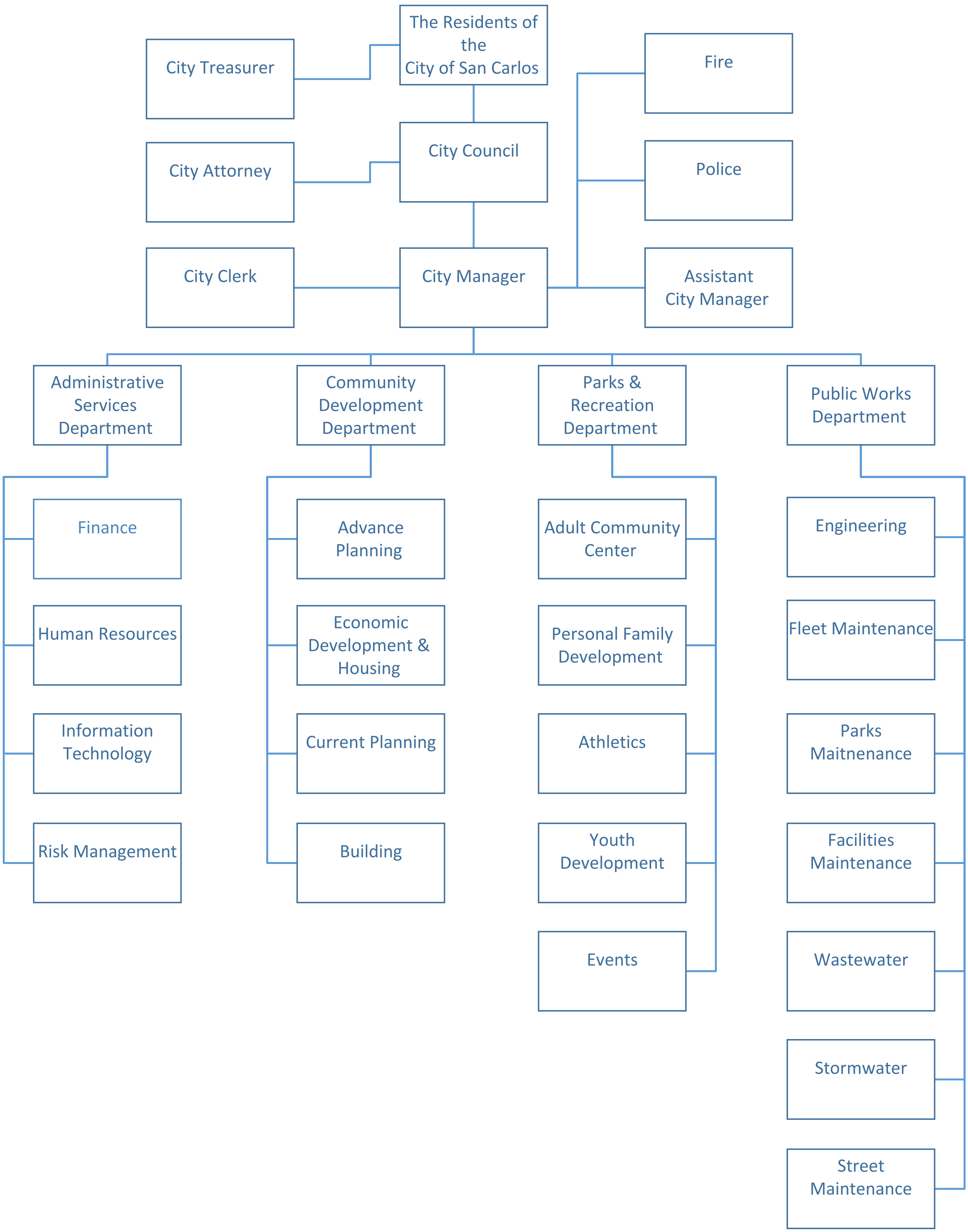
MARK MYERS
Police Captain

GREG RUBENS
City Attorney

AL SAVAY
Community Development Director

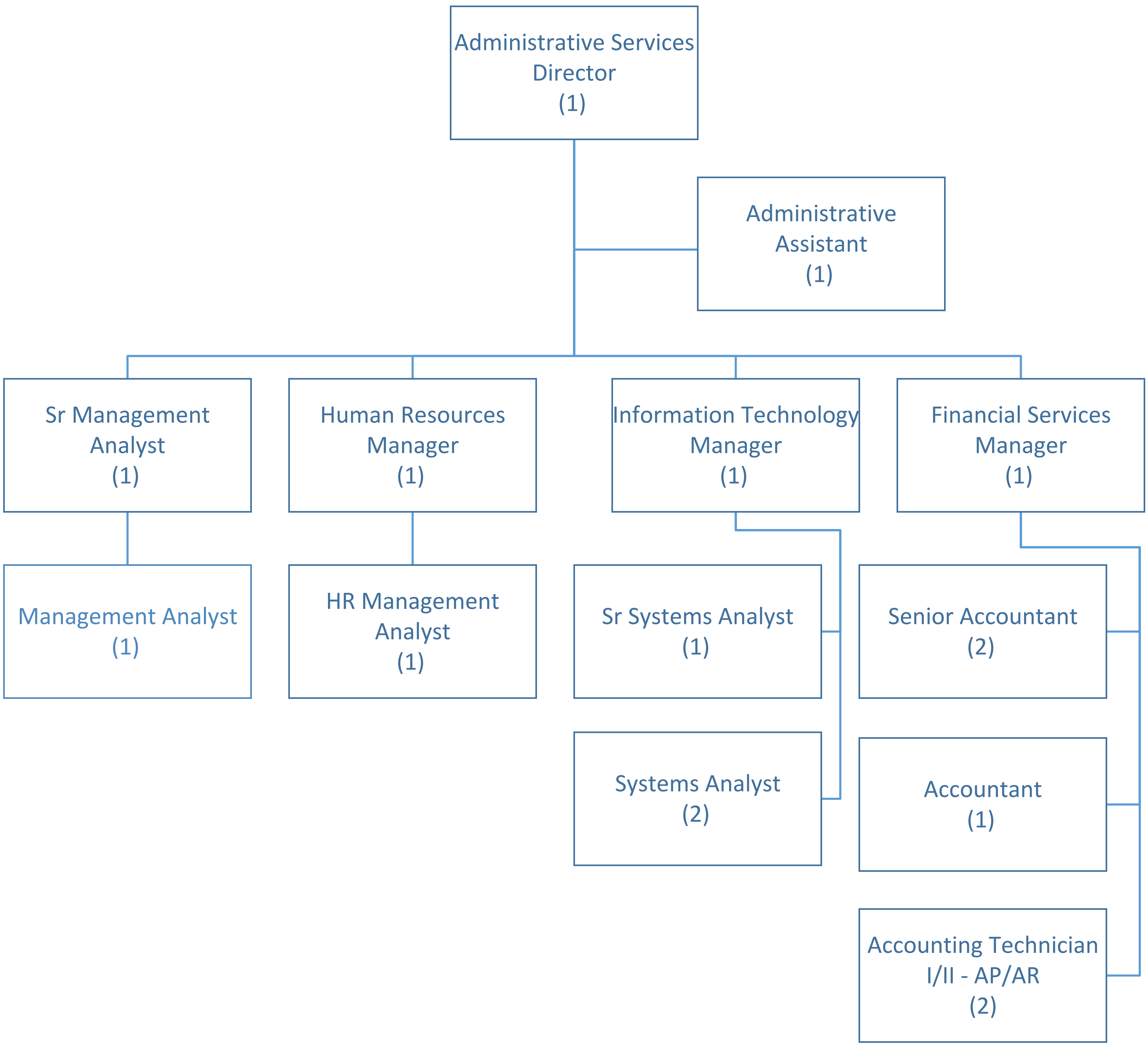
STEVEN MACHIDA
Public Works Director

Organization Chart



Administrative Services Department

Organization Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Carlos
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

BADAWI & ASSOCIATES
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedule for the General Fund of the City of San Carlos (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedule for the General Fund of the City, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Silicon Valley Clean Water (SVCW) as of and for the year ended June 30, 2024, which represent 6.9 percent, 7.1 percent, and 6.8 percent, respectively, of the assets, net position, and expenses of the Sewer Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Investment in SVCW, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required pension and OPEB schedules on pages 5-20 and 108-119 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 combining nonmajor fund statements and the budgetary comparison schedules for the Capital Improvements Fund, Housing Fund, and nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund statements and the budgetary comparison schedules for the Capital Improvements Fund, Housing Fund, and nonmajor governmental funds are the responsibility of management and were derived from and relate 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 combining nonmajor fund statements and the budgetary comparison schedules for the Capital Improvements Fund, Housing Fund, and nonmajor governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the information included in the annual comprehensive financial report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Badawi & Associates

Badawi & Associates, CPAs
Emeryville, California
November 5, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City's Annual Comprehensive Financial Report (ACFR) presents an overview and analysis of the City's financial activities for the fiscal year ending June 30, 2025. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

Citywide:

- Total City assets increased by $21.9 million to $510.3 million, of which $413.2 million represented governmental assets and $97.0 million represented business-type assets.
- City deferred outflows related to pension and other post-employment benefits (OPEB) decreased by $4.9 million to $18.8 million, of which $17.3 million represented governmental deferred outflows related to pension and OPEB and $1.5 million represented business-type deferred outflows related to pension and OPEB.
- Total City liabilities increased by $0.1 million to $76.1 million, of which $72.0 million were governmental liabilities and $4.1 million were business-type liabilities.
- Total City deferred inflows of resources increased by $3.0 million to $31.7 million, of which $27.8 million were lease related (GASB 87), $3.6 million were governmental deferred inflows related to pension and OPEB, and $0.3 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 $421.2 million (net position), which increased by $14.0 million. Of this amount, $66.8 million represented unrestricted net position for governmental activities, which may be used to meet the government's ongoing obligations to residents and creditors. The unrestricted net position for business-type activities was $31.1 million.
- Citywide revenues were $107.8 million, of which, excluding interfund transfers, $82.8 million were generated by governmental activities that decreased by $10.2 million and $25.0 million were generated by business-type activities, which decreased by $0.3 million.
- Citywide expenses were $96.4 million, of which $76.6 million were incurred by governmental activities and $19.8 million were incurred by business-type activities.

Fund Level:

- Total fund balance for Governmental Funds increased by $3.3 million to $143.5 million. Of this amount, $2.5 million, or 1.7%, was unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues, excluding transfers, were $81.6 million, a decrease of $10.7 million from the prior year.
- Governmental Fund expenditures were $83.4 million, a decrease of $2.9 million from the prior year.
- Enterprise Fund net position increased by $4.5 million to $94.1 million. Of this amount, $26.6 million, or 28.3%, was restricted for enterprise activities.
- Enterprise Fund operating revenues were $22.3 million in fiscal year 2024-25, a decrease of $0.5 million from $22.8 million in the prior year.
- Enterprise Fund operating expenditures were $18.5 million, an increase of $2.5 million from $16.0 million in 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.

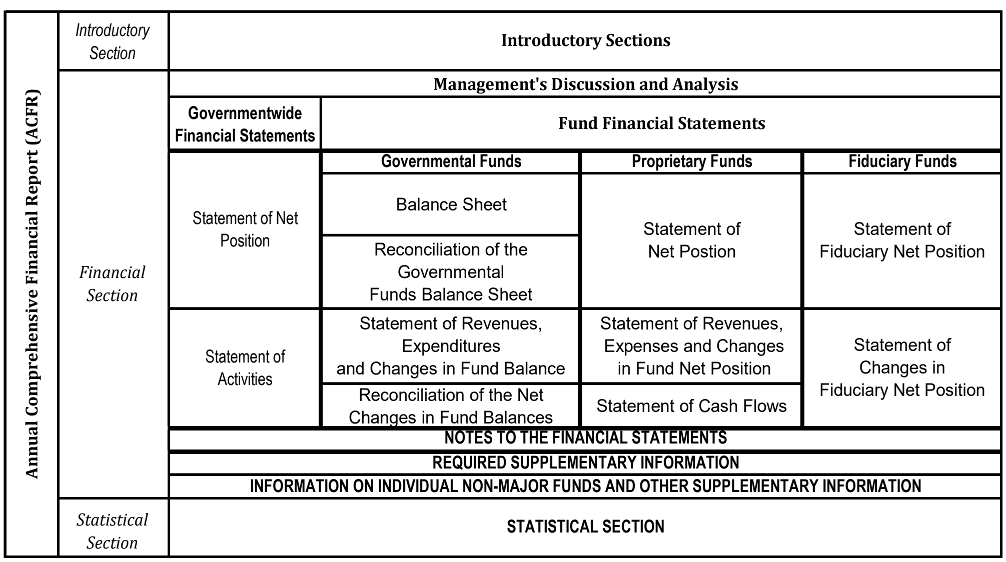
The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are **governmentwide 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, and report the City's operations in *more detail* than the governmentwide 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 custodial 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 these 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 Annual Comprehensive Financial Report



Reporting the City as a Whole

The accompanying **governmentwide 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 on 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, the 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 monies. 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 governmentwide 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. Custodial funds include the City/County Association of Governments of San Mateo County (C/CAG). Private Purpose Trust Fund is used to report resources held in trust for the Successor Agency of the former Redevelopment Agency (RDA).

Governmentwide 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 $421.2 million on June 30, 2025.

Net Position

Table 1 below reflects the City's net position as of June 30, 2025 and June 30, 2024.

Table 1
City's Comparative Statement of Net Position
June 30, 2025 and 2024
(Amounts in Millions)

	Governmental Activities		Business - Type Activities		All Government		Total % Change
	2025	2024	2025	2024	2025	2024	
Current and other assets	$ 194.1	$ 180.4	$ 60.5	$ 58.6	$ 254.6	$ 239.0	6.5%
Capital assets	219.1	214.6	36.5	34.7	255.6	249.3	2.5%
Total Assets	413.2	395.0	97.0	93.3	510.2	488.3	4.5%
Deferred outflows - Pension/OPEB	17.3	21.9	1.5	1.7	18.8	23.6	-20.3%
Total deferred outflow	17.3	21.9	1.5	1.7	18.8	23.6	-20.3%
Current and other liabilities	19.0	15.2	1.2	1.8	20.2	17.0	18.8%
Non-Current Long-term obligations	53.0	55.6	2.9	3.3	55.9	58.9	-5.1%
Total Liabilities	72.0	70.8	4.1	5.1	76.1	75.9	0.3%
Deferred inflow s related to:							
Pension/OPEB	3.6	3.8	0.3	0.3	3.9	4.1	-4.9%
Lease	27.8	24.6	-	-	27.8	24.6	13.0%
Total deferred inflow	31.4	28.4	0.3	0.3	31.7	28.7	10.5%
Net Position:							
Net investment in capital assets	$ 214.5	$ 209.3	$ 36.5	$ 34.7	$ 251.0	$ 244.0	2.9%
Restricted	45.8	40.6	26.6	19.7	72.4	60.3	20.1%
Unrestricted	66.8	67.8	31.0	35.2	97.8	103.0	-5.0%
Total Net Position	$ 327.1	$ 317.7	$ 94.1	$ 89.6	$ 421.2	$ 407.3	3.4%

The largest portion of the net position (59.6%) reflects the City's $251.0 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 of the net position increased by $7.0 million, or 2.9%, over the prior year mainly because of the addition in capital assets associated with construction projects that were completed or underway. These included: the Fire Station 16 Replacement project; the Downtown Renovation Plan Implementation project; the 2nd Floor Library Remodel project; and Annual Sewer System Rehabilitation Program 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, 2025, the restricted assets were 17.2%, or $72.4 million, of the total net position. Of this amount, $17.4 million was for low- and moderate-income housing, $21.9 million was for capital projects such as street rehabilitation, and $4.7 million was for debt service. The remaining $28.4 million relates to police grants, Park In-Lieu Fees, Measure A funds, Gas Tax, and Stormwater funds.

The unrestricted net position of $97.8 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 replacements.

At the end of the current fiscal year, the City can 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 $11.3 million, amounting to $421.2 million, during the fiscal year ended June 30, 2025, as indicated in the Statement of Activities and Changes in Net Position (see Table 2 on next page).

Table 2
Statement of Activities and Changes in Net Position
June 30, 2025 and 2024
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		All Government		% change
	2025	2024	2025	2024	2025	2024	
Program Revenues:							
Charges for Services	$ 13.9	$ 14.3	$ 22.3	$ 22.7	$ 36.2	$ 37.0	-2.2%
Operating Grants & Contributions	5.3	14.1	-	-	5.3	14.1	-62.4%
Capital Grants & Contributions	0.9	0.7	-	-	0.9	0.7	28.6%
General Revenues:							
Property Taxes	23.0	22.3	-	-	23.0	22.3	3.1%
Other Taxes	22.9	22.6	-	-	22.9	22.6	1.3%
Other General Revenues	16.7	19.0	2.7	2.6	19.4	21.6	-10.2%
Total Revenues	$ 82.7	$ 93.0	$ 25.0	$ 25.3	$ 107.7	$ 118.3	-9.0%
Program Expenses:							
General Government	$ 14.4	$ 11.8	$ -	$ -	$ 14.4	$ 11.8	22.0%
Community Development	9.0	8.9	-	-	9.0	8.9	1.1%
Public Safety	27.4	25.2	-	-	27.4	25.2	8.7%
Public Works	19.4	13.4	-	-	19.4	13.4	44.8%
Parks & Recreation	6.3	6.3	-	-	6.3	6.3	0.0%
Sewer Operations	-	-	19.8	15.5	19.8	15.5	27.7%
Interest Expenses	0.1	0.1	-	-	0.1	0.1	0.0%
Total Expenses	$ 76.6	$ 65.7	$ 19.8	$ 15.5	$ 96.4	$ 81.2	18.7%
Inc/(Dec) in Net Position before transfers and extraordinary gain	$ 6.1	$ 27.3	$ 5.2	$ 9.8	$ 11.3	$ 37.1	-69.5%
Transfers	0.7	0.7	(0.7)	(0.7)	-	-	0%
Change in Net Position	$ 6.8	$ 28.0	$ 4.5	$ 9.1	$ 11.3	$ 37.1	-69.5%
Beginning Net Position	$ 317.7	$ 289.7	$ 89.6	$ 80.5	$ 407.3	$ 370.2	10.0%
Restatement of Net Position	2.6	-	(0.03)	-	2.6	-	n/a
Ending Net Position	$ 327.1	$ 317.7	$ 94.1	$ 89.6	$ 421.2	$ 407.3	3.4%

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, 2025, the City's total net position was $421.2 million. This is an increase of $11.3 million, or 2.8%, from the prior year. The changes in net position are explained in the following paragraphs. Total revenue of all governmentwide activities was $107.7 million, a decrease of $10.6 million, or 9.0%, while the total expense of all governmentwide activities increased by $15.2 million, or 18.7%, to $96.4 million.

Governmental Activities

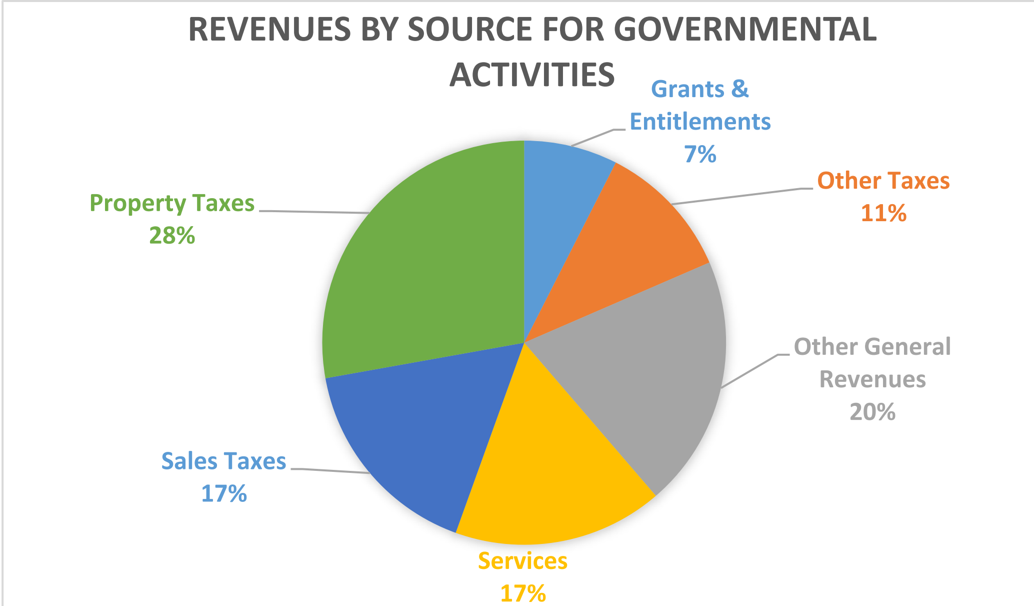
Net position in governmental activities totaled $327.1 million, an increase of $9.4 million, or 3.0%, from the prior year.

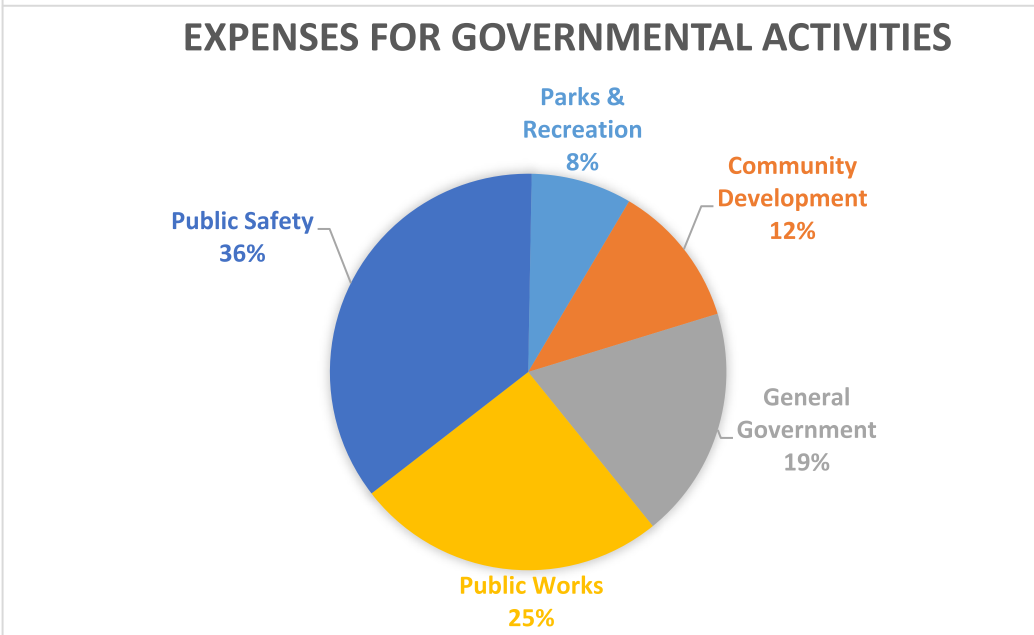
Total revenue for the City's governmental activities before extraordinary gain and transfers decreased by $10.3 million, or 11.1%, to $82.7 million. Total governmental activity expenses increased by $10.9 million, or 16.6%, to $76.6 million. Transfers into governmental activities from the Wastewater Fund were $0.7 million, which was at the same level as the previous fiscal year.

As shown in the Statement of Activities, the amount that taxpayers ultimately financed these activities through City taxes was $45.9 million, while some of the cost was paid by those who directly benefited from the programs ($13.9 million), or by other governments and organizations that subsidized certain programs with grants and contributions ($6.2 million), or by other general revenues ($16.7 million).

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

- **Charges for Services** decreased by $0.4 million, or 3.1%, to $13.9 million. There was a decrease of $2.0 million compared to the previous year due to the reduced collection of childcare impact fees and traffic impact mitigation fees due to delays in planned development projects related to tariffs and uncertainty in the economy. Childcare impact fee and traffic impact mitigation fee revenues can vary from year to year due to the timing of these large-scale development projects. The decrease was partially offset by an increase in Parks & Recreation classes and program fees, in Public Works with plan check fees, and in Community Development with building permit fees.
- **Operating Grants and Contributions** decreased by $8.8 million to $5.3 million, mainly due to a one-time $4.1 million Commercial Linkage Fee received from the new commercial building development at 405 Industrial Road and $5.1 million American Rescue Plan Act (ARPA) funds being reclassed from unearned revenue to revenue for the Fire Station 16 Replacement project in the prior fiscal year.
- **Capital Grants and Contributions** slightly increased by $0.2 million, to $0.9 million, mainly due to more grants being received for Public Works and more donations being received for Community Development in fiscal year 2024-25.
- **Property Taxes** increased by $0.7 million, or 3.2%, to $23.0 million primarily due to the increase in the assessed value of properties from new developments, transfers of ownership, and the sale of properties in calendar year 2024.
- **Other Taxes** include sales taxes, transient occupancy taxes (TOT) and franchise taxes. Sales taxes decreased by $0.3 million, or 1.9%, to $13.8 million compared to the prior year due to a continued inflationary environment and interest rates staying at a high level which has put pressure on consumers. Consumer behavior has shifted to focus on essential household items over more expensive purchases in the last few years. Rising prices are somewhat offsetting the effect of lower sales volume. TOT increased by $0.4 million to $3.8 million due to continuing recovery in travel activity during the year. Franchise taxes increased slightly by $0.2 million to $5.3 million.
- **Other General Revenues** decreased by $2.3 million to $16.7 million, from the prior year. The decrease is mainly due to the receipt of the Wheeler Plaza profit sharing agreement payment ($2.5 million) and PG&E claim settlement payment ($0.85 million) in the prior fiscal year. The decrease was partially offset by higher motor vehicle in-lieu fee revenue than the prior year in which the city received the relatively higher countywide shortfall payment relating to fiscal year 2022-23.
- **Governmental Expenses** totaled $76.6 million in the fiscal year 2024-25, an increase of $10.9 million from the prior year's expenses of $65.7 million. The increase is mainly associated with an increase in professional services expenditures to assist with greater activity in the City's development projects, cost increases in our public safety agreements, increase in general liabilities, and the increase in depreciation.





Business-Type Activities

Business-type activities' total net position for fiscal year 2024-25 was $94.1 million, an increase of $4.5 million, or 5.0%, from the prior year as indicated in the Statement of Activities and Changes in Net Position (table 2). The change in Net Position was less in the current fiscal year when compared to the prior year primarily due to higher expenditures on operating overhead and $2.1 million in cash in-lieu of debt payments. In fiscal year 2024-25, there was a net decrease in the investment in Silicon Valley Clean Water (SVCW) in the amount of $1.3 million. Every year, the City adjusts this investment based on the City's proportion of financial activity in SVCW. SVCW (formerly the South Bayside System Authority) was formed in 1975 by 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 generated by each member entity.

The unrestricted portion of the ending net position includes $6.7 million in investment in the SVCW joint venture. As of June 30, 2025, the City's direct obligation is approximately $77.9 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 13b to the Financial Statements.

Financial Analysis of the City's Funds

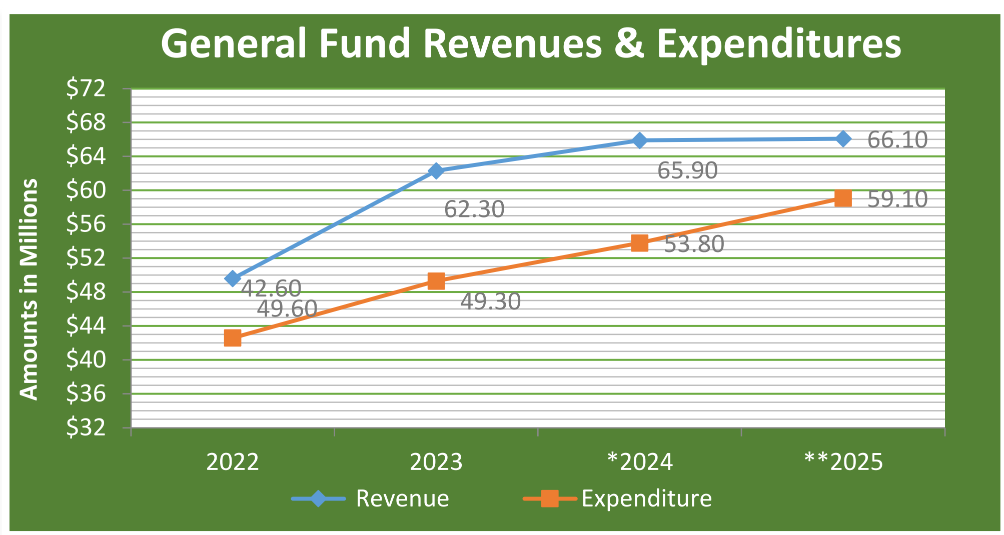
As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Governmental Funds

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance in the General Fund was $62.8 million, representing an increase of $3.8 million, or 6.5%, higher than the fiscal year 2023-24 fund balance of $59.0 million. This increase is explained in the following paragraphs.

The General Fund's total revenues increased by $0.2 million, or 0.4%, to $66.1 million compared to the prior fiscal year amount of $65.9 million. The General Fund expenditures totaled $59.1 million, an increase of $5.3 million, or 9.9%, from prior year expenditures of $53.8 million. The increase in expenditures was primarily caused by an Additional Discretionary Contribution (ADC) payment to CalPERS towards the unfunded pension liability that was $1 million over and above the amount paid in the prior fiscal year ($4 million versus $3 million), increases in the public safety agreements, higher professional services expenses to assist with the increase in the City's development and public works projects, and increases in salaries and benefits per the negotiated employee agreements.

The following chart shows the Revenues and Expenditures over the past few years:



*General Fund actual expenditures include a $3.0 million payment towards California Public Employees Retirement System ("CalPERS") Unfunded Pension Liability in fiscal year 2023-24.
**General Fund actual expenditures include a $4.0 million payment towards California Public Employees Retirement System ("CalPERS") Unfunded Pension Liability in fiscal year 2024-25.

Revenues

General Fund Actual Revenues (Amounts in Millions)				
	FY 22	FY 23	FY 24	FY25
Total Revenues	$ 49.6	$ 62.3	$ 65.9	$ 66.1
Dollar Change	N/A	$ 12.7	$ 3.6	$ 0.2
Percentage Change	N/A	25.6%	5.8%	0.3%

Changes in the Revenues of the City's General Fund from the prior year are as follows:

- **Property Taxes** increased by $0.6 million, or 3.2%, primarily due to an increase in the assessed value of properties for new developments, transfers of ownership, and the sale of properties.
- **Sales Taxes** decreased by $0.3 million, or 2.1%, in comparison with the prior year, due to a continued inflationary environment and high interest rates. Consumer behavior has shifted to focus on essential household items over more expensive purchases in the last few years. Rising prices are partially offsetting the effect of lower sales volume, which were more prevalent in the categories of autos and transportation, building and construction, food and drugs, fuel and service stations, and general consumer goods. Business and industry had a slight increase related to pre-tariff stockpiling which drove and propelled electrical equipment sales, and restaurants and hotels also experienced an increase due to higher menu prices.
- **Charges for Services** increased by $0.8 million, or 12.8%. This was mainly due to an increase in Community Development with construction demolition deposits, in Public Works with plan check fees, and in Parks & Recreation classes and program fees.
- **Use of Money and Property** decreased by $2.2 million, to $8.6 million. The decrease is primarily due to the receipt of $2.5 million profit sharing payment following the sale of the final unit in the Wheeler Plaza development in the prior fiscal year.
- **Revenues from Licenses and Permits** decreased by $0.3 million, or 6.7%, when compared to the previous year due to a slight change in demand for building, electrical, plumbing, encroachment, and mechanical permits. Similar to Charges for Services, this revenue category can vary from year to year due to the timing of development projects.
- **Business Registration** increased by $0.5 million, or 38.3%, to $1.9 million, compared to the prior fiscal year primarily due to registration fee revenue received from previously unlicensed businesses coming into compliance following auditing activity initiated during the fiscal year.
- **Transient Occupancy Tax, or TOT**, increased by $0.4 million, or 10.7%, compared to the prior year. This increase is due to the continued growth in tourism and travel activity and related hotel room occupancy.
- **Vehicle In-Lieu Revenues** increased by $1.0 million, or 26.6%, compared to the prior year. In fiscal year 2004-05, Senate Bill 1096 was enacted, which redirected Motor Vehicle License Fees (VLF) collected by the Department of Motor Vehicles from the cities and counties to the state. To make the cities and counties whole, the legislation specified that revenue lost by the cities would be "backfilled" by the County as a "property tax in-lieu" payment rather than paid directly by the State. The County notified the City that if the "backfilled" amount exceeded a certain limit, there would not be enough money to fully cover the amount owed. For example, in April 2021, San Mateo County notified the City that it was experiencing a countywide shortfall in fiscal year 2020-21 in the amount of $96 million due to a reduction in the number of non-basic aid school districts in the County, which in turn resulted in less available property tax revenues to fund the fiscal year 2020-21 VLF. The $1.0 million increase seen in fiscal year 2024-25 was due to the payment received relating

to the fiscal year 2022-23 shortfall which was greater than the shortfall payment received in the prior year.

- **Other General Revenues** decreased by $0.3 million, or 11.4%, compared to the prior year. The decrease is primarily due to $0.3 million in higher claim payments received in the prior year relating to the storm that occurred during the winter of fiscal year 2022-23, coupled with the cessation of contracted financial services for the Peninsula Traffic Congestion Relief Alliance (Commute.org) at the end of fiscal year 2023-24.

Expenditures

General Fund Actual Expenditures*
(Amounts in Millions)

	FY 22	FY 23	*FY 24	**FY 25
Total Expenditures	$ 42.6	$ 49.3	$ 53.8	$ 59.1
Dollar Change	N/A	$ 6.7	$ 4.5	$ 5.3
Percentage Change	**N/A**	**15.7%**	**9.1%**	**9.9%**

*General Fund actual expenditures include a $3.0 million payment of California Public Employees Retirement System ("CalPERS") Unfunded Pension Liability in fiscal year 2023-24.
**General Fund actual expenditures include a $4.0 million payment of California Public Employees Retirement System ("CalPERS") Unfunded Pension Liability in fiscal year 2024-25.

Changes in the Expenditures of the City's General Fund from the prior year are as follows:

- **General Government Expenditures** increased by $1.7 million, or 16.0%, in fiscal year 2024-25 due to a one-time payment of $4.0 million to CalPERS towards the unfunded pension liability which was $1.0 million more than the prior year. This increase was also due to higher information technology equipment maintenance costs, professional costs related to the business registration discovery audit program aimed at bringing previously unregistered businesses into compliance, and legal services costs.
- **Community Development Expenditures** increased by $0.3 million, or 4.6%, mainly associated with an increase in professional services and contractors expenditures to assist with the increase in the City's development projects.
- **Public Safety Expenditures** increased by $1.6 million, or 6.7%, in comparison to the previous year. The primary reasons were higher annual pension payments to CalPERS and the contract increases for fire, police, and dispatch services.
- **Public Works Expenditures** increased by $0.4 million, or 6.1%, mainly due to increases in maintenance costs and the additional costs associated with the new Assistant Public Works Director position.
- **Parks and Recreation Expenditures** increased by $0.2 million, or 4.7%, mainly due to increases in part-time staff costs as compared to the prior fiscal year to support an increase in offered programs, classes, and special community events, and increases in special events insurance, professional services for the special events, and instructor costs in classes.

Capital Improvement Fund – This fund had a fund balance of $30.4 million at the close of fiscal year 2024-25, which represents a decrease of $4.7 million from the restated prior year ending fund balance mainly due to American Rescue Plan Act (ARPA) funds being reclassed in prior fiscal year 2023-24 from unearned revenue to revenue.

- **Transfers in** from other funds to help fund various capital improvement projects decreased by $2.3 million to $3.0 million due to a higher beginning fund balance, thereby requiring less funding from other funds.
- **Licenses and Permits** and **Traffic Impact Mitigation Fees** decreased by $0.4 million mainly due to $1.0 million less Traffic Impact Mitigation Fees collected from large-scale

development projects than the prior fiscal year. The Traffic Impact Mitigation Fee revenues can vary from year to year due to the timing of large-scale development projects. This decrease was partially offset by a $0.65 million downtown improvement fund received from the developer of the 987 Commercial Street property for the Downtown Renovation Plan Design/Implementation project.

- **Other Revenue** decreased by $0.9 million due to a one-time claim and settlement from PG&E received in prior fiscal year 2023-24.
- **Property Taxes** from the Educational Revenue Augmentation Fund (ERAF) refund remained largely flat with a slight increase of $0.1 million to $3.3 million.
- **Funding From Other Agencies** decreased by $4.4 million due to the recognition of ARPA funds as revenue, in the prior fiscal year, related to the Fire Station 16 replacement project.
- **Use of Money and Property** decreased by $0.1 million due to lower investment income in fiscal year 2024-25.
- **Capital Project Expenditures** increased slightly by $0.2 million to $12.5 million. The large capital projects in fiscal year 2024-25 were: 1) the Fire Station 16 Replacement project; 2) San Carlos Ave Pedestrian Safety Improvements Phase III project; 3) 2nd Floor Library Remodel project; 4) Downtown Renovation Plan Design/Implementation project; and 5) City of San Carlos Centennial Celebration project.

Housing Capital Projects Fund – This fund is used to account for affordable housing-related financial activities. As of June 30, 2025, it had a fund balance of $17.4 million, which is restricted for housing purposes. The fund balance increased by $3.1 million compared to the prior year mainly due to proceeds from the sale of property at 1232-1244 Cherry Street.

Gas Tax Fund – The fund balance increased by $3.4 to $21.1 million in fiscal year 2024-25 mainly due to a $7.8 million transfer in from the General Fund, Capital Improvement Fund, and Nonmajor Governmental Funds for the Street Resurfacing project and the timing of projects.

Other Governmental Funds – The total fund balance for the other Nonmajor Governmental Funds decreased to $11.8 million compared with $14.2 million in the prior fiscal year due to $1.0 million less childcare impact fee revenue received compared to the prior fiscal year, $0.4 million San Carlos Library Tenant Fund revenue recorded in the General Fund, $1.0 million in additional debt service payments related to the payoff of the 2015 General Obligation Bond, and transfers to the Capital Improvement Fund and General Fund in anticipation of closure of the Library Tenant Fund in fiscal year 2025-26.

Major Enterprise Fund – The City's proprietary fund statements provide the same type of information found in the governmentwide financial statements. The Wastewater Fund is the only enterprise fund reported in the proprietary funds Statement of Revenues, Expenses, and Changes in Net Position.

The Wastewater Fund's total net position at the end of the fiscal year was $94.1 million, an increase of $4.5 million, or 5.0%, compared to the prior year. The operating expenditures in the Wastewater Fund increased by $2.5 million compared to the previous year. This increase was due to $2.1 million in cash in-lieu of debt payment to SVCW and $0.2 million additional salaries and benefits expenditures related to the negotiated employee agreements.

Also, as stated previously, the City recorded an adjustment in the investment in SVCW during this fiscal year of $1.3 million. More detail on the investment can be found in Note 13b. Included in the $94.1 million ending net position, $21.9 million is restricted for capital projects and $4.7 million is restricted for debt service. The remaining net position is unrestricted and includes $1.7 million for pension and other benefits programs, and $29.4 million 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 OPEB for retired employees. Total net position for these funds was negative $0.5 million which was $2.1 million less than the prior year mainly due to $1.8 million higher general liability claim expenses and $0.3 million higher insurance premium costs.

General Fund Budgetary Highlights

The final General Fund expenditure budget differs from the original adopted budget by $4.2 million, mostly because of amendments approved by City Council during the year which added appropriations. The changes were as follows:

- Increase in the General Government expenditure budget by $0.02 million for elected officials' salary and benefit changes.
- Increase in the General Government expenditure budget by $0.01 million for providing meal services to three wait-listed San Carlos residents.
- Increase in the General Government expenditure budget by $0.1 million for legal services to assist with public records act searches.
- Increase of $4.0 million for an Additional Discretionary Contribution (ADC) towards the CalPERS unfunded accrued liability
- Increase in the Community Development expenditure budget of $0.01 million for the reclassification of a Senior Sustainability Specialist position in the City Manager's Office to a Senior Management Analyst position in the Community Development department.
- Increase in the Public Safety expenditure budget by $0.1 million for flock safety automatic license plate recognition cameras/licenses.

Major deviations between the final budget of the General Fund and its actual operating results for Revenue and Expenditures are discussed below.

Revenue. Total revenues were greater than the final budget by $8.9 million, or 19.0%. 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** received were lower than the budget by $0.3 million, or 1.6%, due to lower receipts for real property transfer tax and supplemental property tax assessments in a continued relatively high mortgage rates environment with fewer properties sold during the year.
- **Sales Taxes** were less than budget by $1.1 million, or 8.2%, mainly due to a continued inflationary environment and high interest rates which led to a change in consumer behavior, as previously mentioned, shifting spending on expensive purchases to more essential household items.
- **Vehicle In-Lieu** was greater than budget by $1.2 million, or 36.0%, due to the payment received in fiscal year 2024-25 relating to the fiscal year 2022-23 shortfall.
- **Business Registration** exceeded budget by $0.5 million, or 40.9%, due to audit activity to bring previously unregistered businesses into compliance.
- **Transient Occupancy Taxes** were lower than budget by $0.7 million, or 15.2%. Although the hotel industry is still recovering from the COVID-19 pandemic, it has not yet fully returned to historical occupancy levels.
- **Use of Money and Property** revenues were greater than budget by $5.4 million, primarily due to higher-than-expected interest rates in investment accounts and a positive impact from the Government Accounting Standards Board (GASB) 31 required fair value adjustment to the investment account balances.
- **Charges for Services** were higher than budget by $1.8 million, or 34.9%, primarily due to an increase in Public Works plan check fees, in Community Development with construction demolition deposits and in Parks & Recreation classes and program fees. This revenue category can vary from year to year due to the timing of development projects.
- **License and Permit** revenues exceeded the budget by $1.2 million, or 47.0%, due to the issuance of permits relating to new residential and commercial building projects, and renovations of existing properties. As noted previously, the timing of large development is difficult to predict and can fluctuate greatly from year to year.

- **Revenue from Other Agencies** exceeded the budget by $0.1 million mainly due to receipt of a Sequoia Healthcare Grant and more state highway maintenance reimbursements received during the fiscal year.
- **Other Revenue** exceeded budget by $0.5 million, or 31.7%, mainly due to receipt of reimbursements relating to the fiscal year 2022-23 winter storm, electric vehicle charging station reimbursement, and an increase in special events sponsorships.

Expenditures. Total expenditures were under budget by $4.2 million, or 6.7%.

- **Salaries and Benefits** were under budget by $1.7 million, or 7.0%, due to the salary and benefit savings realized from vacant or under-filled positions during the fiscal year and the savings generated from the prepayment of pension obligations in fiscal years 2017-18 and 2019-20.
- **Operating Expenditures** were under budget by $2.5 million, or 6.0%, primarily in professional services due to the delays in the start and completion of certain projects such as 987 Commercial Street and 888 Bransten Road.

Other Budgetary Highlights

Capital Outlay for total Governmental Funds was also under budget by $28.7 million primarily due to delays in numerous Capital Improvement Plan projects including: the Downtown Renovation Plan Design/Implementation project; the Brittan Avenue Sidewalk Improvements project; the San Carlos Avenue Pedestrian Safety Improvement Phase IV project; the Storm Channel Sediment Removal projects; Brittan Ave & Alameda de las Pulgas Widening project; and the Intersection Pedestrian Improvements project. The majority of these projects will roll forward to the next fiscal year along with their respective budgets.

Capital Assets and Debt Administration

Capital Assets

The City’s investment in capital assets for government and business-type activities amounts to $255.5 million as of June 30, 2025. The investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, and streets. As shown in the table below, the total increase in capital assets for fiscal year 2025 is $6.2 million, or 2.5%. The increase relates to the current year capital assets additions including the Fire Station 16 Replacement project; the 2nd Floor City Hall Remodel (Phase II) project; the Downtown Renovation Plan Implementation project; and the Traffic Calming Improvements project. The increase is offset by the greater depreciation and retirement of some capital assets.

Capital Assets
June 30, 2025 and 2024
(Amounts in Millions)

	Governmental Activities		Business Type Activities		All Government		% Change
	2025	2024	2025	2024	2025	2024	
Land and other assets not being depreciated	$ 103.0	$ 99.4	$ 0.6	$ 0.3	$ 103.6	$ 99.7	3.9%
Facilities, infrastructure and equipment, net of depreciation	116.0	115.2	35.9	34.4	151.9	149.6	1.5%
Total	$ 219.0	$ 214.6	$ 36.5	$ 34.7	$ 255.5	$ 249.3	2.5%

For the governmentwide 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 2025, the City had total outstanding long-term obligations of $4.6 million (shown in the table below), a decrease of 11.5%, due to the payoff of the Library building General Obligation bond. A new billboard was also added to leases payable in fiscal year 2024-25.

Outstanding Long-Term Obligations
June 30, 2025 and 2024
(Amounts in Millions)

	Governmental Activities		% Change
	2025	2024	
2015 GO Refunding Bond	$ -	$ 1.5	-100.0%
Leases Payable	$ 4.6	$ 3.7	24.3%
Total	$ 4.6	$ 5.2	-11.5%

As of June 30, 2025, the City's general obligation limit is $637.5 million, 3.75% of total assessed valuation subject to taxation. With outstanding debt of $4.6 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 2025-26 budget:

- *Revenue Projections*. The overall growth of the General Fund Revenue is projected to be approximately 7.6% greater than the fiscal year 2024-25 revised budget. The fiscal year 2025-26 budget reflects continued economic growth resulting from increases in charges for services, licenses and permits, and use of money and property revenue budget categories, and an expected continued increase in the assessed value of properties which positively impacts property taxes.
- *Expenditures.* The overall General Fund Expenditure is budgeted to be 7.8% higher than in the fiscal year 2024-25 revised budget. In fiscal year 2024-25, there were a number of staffing changes and program enhancements for the General Fund that have been incorporated into the budget. The changes are necessary to implement the strategic plan objectives, support the increased level of development activity, manage the increase in infrastructure projects, and advance increased communication needs.
- *Capital Improvement Project Funds*. An update to the five-year Capital Improvement Plan was included as part of the fiscal year 2025-26 budget process. Changes to existing projects and the addition of new projects totaling $32.3 million in expenditures were approved for fiscal year 2025-26. The major changes and additions included: 1) continued funding for the Annual Sewer System Rehabilitation Program; 2) continued funding for the Annual On-Call Sewer Contracts; (3) Shoreway Road Sewer Main Relocation Project; 4) Sewer Capacity Improvements Project; 5) Replacement of Combination Sewer Truck Project; 6) continued funding for the Annual Street Resurfacing Project; 7) Storm Drain Improvements Project; 8) Brittan Avenue Sidewalk Improvements (Between Rogers Ave & Sunset Drive) Project; 9) Holly St/US 101 Interchange Modifications Project; 10) Downtown Renovation Plan Design/Implementation Project; and 11) 2nd Floor City Hall Remodel Project.

- *Sewer Rate Adjustments.* Per the City Council's decision during the wastewater rate setting discussions in 2025, there will be a 3.0% sewer rate increase in fiscal year 2025-26. 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

BASIC
FINANCIAL STATEMENTS

This page intentionally left blank

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank

This page intentionally left blank

City of San Carlos
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 132,120,733	$ 52,877,991	$ 184,998,724
Cash and investments with fiscal agents	3,564,342	-	3,564,342
Receivables:			
Accounts	5,988,037	1,029,284	7,017,321
Lease receivable	993,612	-	993,612
Prepaid costs	2,536,503	-	2,536,503
Property held for resale	972,829	-	972,829
Total current assets	146,176,056	53,907,275	200,083,331
Noncurrent assets:			
Receivables:			
Lease receivable	29,485,343	-	29,485,343
Notes and loans	18,127,256	-	18,127,256
Down payment assistance loan program	364,183	-	364,183
Investment in SVCW	-	6,668,905	6,668,905
Capital assets:			
Nondepreciable	103,026,697	556,233	103,582,930
Depreciable	178,586,131	52,408,274	230,994,405
Less accumulated depreciation	(62,552,480)	(16,496,950)	(79,049,430)
Total capital assets	219,060,348	36,467,557	255,527,905
Total noncurrent assets	267,037,130	43,136,462	310,173,592
Total assets	413,213,186	97,043,737	510,256,923
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension related items	16,609,954	1,385,645	17,995,599
Deferred OPEB related items	691,994	85,527	777,521
Total deferred outflows of resources	17,301,948	1,471,172	18,773,120

See accompanying Notes to Basic Financial Statements

City of San Carlos
Statement of Net Position (Continued)
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	8,655,398	1,065,254	9,720,652
Accrued benefits	163,966	-	163,966
Deposits payable	5,695,529	-	5,695,529
Unearned revenue	2,773,214	-	2,773,214
Compensated absences - current	1,120,731	109,403	1,230,134
Claims payable - current	356,400	-	356,400
Long-term debt - current portion	195,925	-	195,925
Total current liabilities	18,961,163	1,174,657	20,135,820
Noncurrent liabilities:			
Compensated absences	557,052	48,525	605,577
Claims payable	2,680,600	-	2,680,600
Collective net pension liability	44,594,281	2,803,180	47,397,461
Net OPEB liability	808,939	99,982	908,921
Long-term debt	4,382,478	-	4,382,478
Total noncurrent liabilities	53,023,350	2,951,687	55,975,037
Total liabilities	71,984,513	4,126,344	76,110,857
DEFERRED INFLOWS OF RESOURCES			
Lease related	27,790,453	-	27,790,453
Deferred pension related items	3,315,175	224,440	3,539,615
Deferred OPEB related items	312,431	38,615	351,046
Total deferred inflows of resources	31,418,059	263,055	31,681,114
NET POSITION			
Net investment in capital assets	214,481,945	36,467,557	250,949,502
Restricted for:			
General Government	2,931,088	-	2,931,088
Community development	686,520	-	686,520
Public safety	430,588	-	430,588
Parks and recreation	3,214,820	-	3,214,820
Public works	21,140,432	-	21,140,432
Housing	17,436,257	-	17,436,257
Capital projects	-	21,892,905	21,892,905
Debt service	-	4,692,000	4,692,000
Total restricted	45,839,705	26,584,905	72,424,610
Unrestricted	66,790,912	31,073,048	97,863,960
Total net position	$ 327,112,562	$ 94,125,510	$ 421,238,072

See accompanying Notes to Basic Financial Statements.

City of San Carlos
Statement of Activities
For the year ended June 30, 2025

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
General government	$ 14,406,978	$ 2,095,381	$ -	$ 295,503	$ 2,390,884
Community development	9,007,205	6,686,303	1,114,528	-	7,800,831
Public safety	27,394,130	611,628	195,049	-	806,677
Public works	19,368,760	1,550,463	3,752,971	258,899	5,562,333
Parks and recreation	6,343,368	2,973,639	284,569	325,251	3,583,459
Interest on long-term debt	150,743	-	-	-	-
Total governmental activities	76,671,184	13,917,414	5,347,117	879,653	20,144,184
Business-type Activities:					
Sewer	19,764,696	22,334,324	-	-	22,334,324
Total business-type activities	19,764,696	22,334,324	-	-	22,334,324
Total primary government	$ 96,435,880	$ 36,251,738	$ 5,347,117	$ 879,653	$ 42,478,508

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Total taxes

Motor vehicle in lieu, unrestricted

Use of money and property

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Restatements

Net postion - beginning of year, as restated

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (12,016,094)	$ -	$ (12,016,094)
(1,206,374)	-	(1,206,374)
(26,587,453)	-	(26,587,453)
(13,806,427)	-	(13,806,427)
(2,759,909)	-	(2,759,909)
(150,743)	-	(150,743)
(56,527,000)	-	(56,527,000)
-	2,569,628	2,569,628
-	2,569,628	2,569,628
(56,527,000)	2,569,628	(53,957,372)
22,985,809	-	22,985,809
3,787,802	-	3,787,802
13,848,303	-	13,848,303
5,257,449	-	5,257,449
45,879,363	-	45,879,363
4,632,029	-	4,632,029
10,410,584	2,712,009	13,122,593
1,695,743	-	1,695,743
740,900	(740,900)	-
63,358,619	1,971,109	65,329,728
6,831,619	4,540,737	11,372,356
317,666,560	89,619,424	407,285,984
2,614,383	(34,651)	2,579,732
320,280,943	89,584,773	409,865,716
$ 327,112,562	$ 94,125,510	$ 421,238,072

This page intentionally left blank

FUND
FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

This page intentionally left blank

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 Information 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.

Gas Tax Fund - Used to account for revenue received from highway users tax and expended under the State of California, Streets and Highways Code Section 2103, 2015, 2107 and 2107.5. Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017 provides funding for local streets and roads over the next 10 years. Measure M approved in 2010 provides funding for local streets and roads for 25 years. These revenues must be expended for maintenance or construction of streets.

City of San Carlos
Balance Sheet
Governmental Funds
June 30, 2025

		Capital Project Funds				
	General Fund	Capital Improvement	Housing	Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 64,642,092	$ 32,163,284	$ 835,795	$ 21,791,316	$ 10,149,994	$ 129,582,481
Cash and investments with fiscal agents	-	-	-	-	3,564,342	3,564,342
Receivables:						
Accounts receivable	4,957,282	715,665	3	246,429	63,928	5,983,307
Notes and loans	-	-	18,127,256	-	-	18,127,256
Down payment assistance loan program	-	-	364,183	-	-	364,183
Lease receivable	30,478,955	-	-	-	-	30,478,955
Prepaid items	2,536,503	-	-	-	-	2,536,503
Property held for resale	-	-	972,829	-	-	972,829
Total assets	$ 102,614,832	$ 32,878,949	$ 20,300,066	$ 22,037,745	$ 13,778,264	$ 191,609,856
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	5,018,095	2,407,310	123,598	898,056	169,427	8,616,486
Accrued benefits	163,966	-	-	-	-	163,966
Deposits payable	5,694,000	-	1,529	-	-	5,695,529
Unearned revenue	896,473	-	-	74,862	1,801,879	2,773,214
Total liabilities	11,772,534	2,407,310	125,127	972,918	1,971,306	17,249,195
Deferred Inflows of Resources						
Unavailable revenue	241,924	62,176	2,738,682	-	-	3,042,782
Lease related	27,790,453	-	-	-	-	27,790,453
Total deferred inflows of resources	28,032,377	62,176	2,738,682	-	-	30,833,235
Fund Balances:						
Nonspendable:						
Prepaid items	2,536,503	-	-	-	-	2,536,503
Restricted for:						
General government	-	1,183,667	-	-	1,747,421	2,931,088
Community development	-	-	-	-	686,520	686,520
Public safety	-	-	-	-	430,588	430,588
Parks and recreation	-	1,791,544	-	-	1,423,276	3,214,820
Public works	-	192,593	-	19,374,348	1,573,491	21,140,432
Housing	-	-	17,436,257	-	-	17,436,257
Committed to:						
General government	-	-	-	-	2,680,055	2,680,055
Community development	-	-	-	-	-	-
Capital projects	-	27,241,659	-	1,690,479	3,265,607	32,197,745
Economic uncertainties reserve	9,846,816	-	-	-	-	9,846,816
Strategic property acquisition	12,191,795	-	-	-	-	12,191,795
Assigned to:						
Unfunded liabilities	3,000,000	-	-	-	-	3,000,000
Facility/infrastructure improvements	30,741,500	-	-	-	-	30,741,500
Strategic property acquisition	2,000,000	-	-	-	-	2,000,000
Unassigned	2,493,307	-	-	-	-	2,493,307
Total fund balances	62,809,921	30,409,463	17,436,257	21,064,827	11,806,958	143,527,426
Total liabilities, deferred inflows of resources and fund balances	$ 102,614,832	$ 32,878,949	$ 20,300,066	$ 22,037,745	$ 13,778,264	$ 191,609,856

See accompanying Notes to Basic Financial Statements.

City of San Carlos
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2025

Total Fund Balances - Total Governmental Funds	$ 143,527,426
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:	
Nondepreciable	103,026,697
Depreciable, net	116,033,651
Total capital assets	219,060,348
Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	(532,930)
Unavailable revenues recorded in the fund financial statements resulting from activities in which revenues were earned but were not available are reclassified as revenues in the Government-Wide Financial Statements.	3,042,782
In the Government-Wide Financial Statements, deferred employer contributions for pension and OPEB, certain differences between actuarial estimates and actual results, and other adjustments resulting from changes in assumptions and benefits are deferred in the current year.	
Deferred outflows of resources related to pension	16,609,954
Deferred outflows of resources related to OPEB	691,994
Deferred inflows of resources related to pension	(3,315,175)
Deferred inflows of resources related to OPEB	(312,431)
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Compensated absences - due within one year	(1,120,731)
Long-term debt - due within one year	(195,925)
Compensated absences - due in more than one year	(557,052)
Net pension liability	(44,594,281)
Net OPEB liability	(808,939)
Long-term debt - due in more than one year	(4,382,478)
Total long-term liabilities	(51,659,406)
Net Position of Governmental Activities	$ 327,112,562

See accompanying Notes to Basic Financial Statements

City of San Carlos
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2025

		Capital Project Funds				
	General Fund	Capital Improvement	Housing	Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Sales taxes	$ 12,232,053	$ -	$ -	$ -	$ 1,616,250	$ 13,848,303
Property taxes	19,155,502	3,331,926	-	-	793,884	23,281,312
Transient occupancy taxes	3,787,802	-	-	-	-	3,787,802
Franchise taxes	2,432,702	2,824,746	-	-	-	5,257,448
Vehicle in-lieu	4,632,029	-	-	-	-	4,632,029
Business registration	1,855,681	-	-	-	-	1,855,681
Licenses and permits	3,888,994	737,621	-	4,581	-	4,631,196
From other agencies	92,155	749,336	-	1,771,108	699,441	3,312,040
Charges for services	7,062,218	-	-	11,664	-	7,073,882
Fines and forfeitures	135,981	-	-	-	-	135,981
Use of money and property	8,627,473	175,564	194,381	1,116,173	233,061	10,346,652
Other revenue	2,212,976	234,380	554,184	-	465,754	3,467,294
Total revenues	66,115,566	8,053,573	748,565	2,903,526	3,808,390	81,629,620
EXPENDITURES:						
Current:						
General government	11,974,182	-	-	-	-	11,974,182
Community development	7,276,360	-	813,901	-	-	8,090,261
Public safety	25,542,927	-	-	-	150,000	25,692,927
Public works	7,671,496	-	-	1,216,102	891,309	9,778,907
Parks and recreation	5,289,300	-	-	-	-	5,289,300
Capital outlay	1,050,544	12,470,713	10,745	6,077,421	1,146,739	20,756,162
Debt service:						
Principal	174,871	-	-	-	1,460,000	1,634,871
Interest and fiscal charges	118,010	-	-	-	44,900	162,910
Total expenditures	59,097,690	12,470,713	824,646	7,293,523	3,692,948	83,379,520
REVENUES OVER (UNDER) EXPENDITURES	7,017,876	(4,417,140)	(76,081)	(4,389,997)	115,442	(1,749,900)
OTHER FINANCING SOURCES (USES):						
Transfers in	1,066,462	3,007,478	-	7,767,900	743,266	12,585,106
Transfers out	(5,310,000)	(3,275,000)	-	-	(3,259,206)	(11,844,206)
Proceeds from sale of property	-	-	3,259,998	-	-	3,259,998
Issuance of leases	1,050,544	-	-	-	-	1,050,544
Total other financing sources (uses)	(3,192,994)	(267,522)	3,259,998	7,767,900	(2,515,940)	5,051,442
Net change in fund balances	3,824,882	(4,684,662)	3,183,917	3,377,903	(2,400,498)	3,301,542
FUND BALANCES:						
Beginning of year	58,985,039	35,094,125	14,252,340	17,686,924	11,347,122	137,365,550
Restatement due to recognition of trust	-	-	-	-	2,860,334	2,860,334
Beginning of year, as restated	58,985,039	35,094,125	14,252,340	17,686,924	14,207,456	140,225,884
End of year	$ 62,809,921	$ 30,409,463	$ 17,436,257	$ 21,064,827	$ 11,806,958	$ 143,527,426

See accompanying Notes to Basic Financial Statements.

City of San Carlos
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities
For the year ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	$ 3,301,542
Amounts reported for governmental activities in the Government-Wide Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated lives as depreciation expense. This was the amount of capital assets recorded in the current period.	12,293,971
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	(4,971,937)
Disposals of capital assets are recorded as a gain or loss in the Government-Wide Statement of Activities as a result of removal of the underlying asset along with any compensation or fees related to the disposal, but the fund financials record revenue for cash received and expense for fees paid. This reflects the amount that is subtracted from the proceeds on sale of property amount, resulting in a gain of $436,540.	(2,823,458)
Accrued compensated leave payments were reported as expenditures in the governmental funds, however expense is recognized in the Government-Wide Statement of Activities based on earned leave accruals.	(125,605)
Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Long-term debt repayments	1,634,871
Issuance of long-term debt	(1,050,544)
Change in interest payable	12,167
Amortization of bonds premium (discount), net	43,566
Current year employer pension contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	8,114,038
Pension expense is reported in the Government-Wide Statement of Activities does not require the use of current financial resources, and therefore is not reported as expenditures in governmental funds.	(8,302,373)
OPEB expense is reported in the Government-Wide Statement of Activities does not require the use of current financial resources, and therefore is not reported as expenditures in governmental funds.	231,917
Unavailable revenues recorded in the fund financial statements resulting from activities in which revenues were earned but were not available are reclassified as revenues in the Government-Wide Financial Statements. This is the change in unavailable revenues during the fiscal year.	560,344
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	(2,086,880)
Change in Net Position of Governmental Activities	$ 6,831,619

See accompanying Notes to Basic Financial Statements

City of San Carlos
Budgetary Comparison Statement by Department
General Fund
For the year ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Sales taxes	$ 13,330,670	$ 13,330,670	$ 12,232,053	$ (1,098,617)
Property taxes	19,464,800	19,464,800	19,155,502	(309,298)
Transient occupancy taxes	4,468,000	4,468,000	3,787,802	(680,198)
Franchise taxes	2,121,400	2,121,400	2,432,702	311,302
Vehicle in-lieu	3,407,000	3,407,000	4,632,029	1,225,029
Business registration	1,316,600	1,316,600	1,855,681	539,081
Licenses and permits	2,645,000	2,645,000	3,888,994	1,243,994
From other agencies	11,600	11,600	92,155	80,555
Charges for services	5,233,750	5,233,750	7,062,218	1,828,468
Fines and forfeitures	328,700	328,700	135,981	(192,719)
Use of money and property	3,234,700	3,234,700	8,627,473	5,392,773
Other revenue	1,680,870	1,680,870	2,212,976	532,106
Total revenues	57,243,090	57,243,090	66,115,566	8,872,476
EXPENDITURES:				
Current:				
General government:				
City council	321,500	351,370	280,701	70,669
City manager	2,632,080	2,509,030	2,182,231	326,799
City clerk	617,550	742,550	592,261	150,289
Administrative services	4,345,650	4,345,650	4,144,242	201,408
General government	433,600	4,433,600	4,433,499	101
City treasurer	20,600	20,600	9,127	11,473
City attorney	431,750	556,750	625,002	(68,252)
Total general government	8,802,730	12,959,550	12,267,063	692,487
Community development:				
Administration	1,294,550	1,424,600	1,368,245	56,355
Economic development	725,300	725,300	232,154	493,146
Building	2,832,550	2,832,550	2,551,612	280,938
Planning	2,569,800	2,569,800	2,030,782	539,018
Advance planning	1,228,900	1,228,900	1,093,567	135,333
Total community development	8,651,100	8,781,150	7,276,360	1,504,790
Public safety:				
Police	13,628,270	13,711,770	12,821,062	890,708
Fire	12,906,600	12,906,600	12,721,865	184,735
Total public safety	26,534,870	26,618,370	25,542,927	1,075,443

City of San Carlos
Budgetary Comparison Statement by Department (Continued)
General Fund
For the year ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Public works:				
Administration	2,516,200	2,516,200	1,919,620	596,580
Garage	93,725	93,725	51,062	42,663
Street maintenance	505,000	505,000	493,550	11,450
Park maintenance	3,201,825	3,201,825	3,107,867	93,958
Traffic control	372,100	372,100	388,853	(16,753)
Building maintenance	1,753,175	1,753,175	1,710,544	42,631
Total public works	8,442,025	8,442,025	7,671,496	770,529
Parks and recreation:				
Administration	987,750	997,750	960,095	37,655
Recreation	4,446,265	4,446,265	4,329,205	117,060
Total parks and recreation	5,434,015	5,444,015	5,289,300	154,715
Total expenditures	57,864,740	62,245,110	58,047,146	4,197,964
REVENUES OVER (UNDER) EXPENDITURES	(621,650)	(5,002,020)	8,068,420	13,070,440
OTHER FINANCING SOURCES (USES):				
Transfers in	855,800	855,800	1,066,462	210,662
Transfers out	(5,310,000)	(5,310,000)	(5,310,000)	-
Total other financing sources (uses)	(4,454,200)	(4,454,200)	(4,243,538)	210,662
Net change in fund balances	$ (5,075,850)	$ (9,456,220)	3,824,882	$ 13,281,102
FUND BALANCES:				
Beginning of year			58,985,039	
End of year			$ 62,809,921	

This page intentionally left blank

MAJOR PROPRIETARY FUNDS

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, 2025

	Business-Type Activities Enterprise Fund Sewer	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments	$ 52,877,991	$ 2,538,252
Receivables:		
Accounts receivable	1,029,284	4,730
Total current assets	53,907,275	2,542,982
Noncurrent:		
Investment in SVCW	6,668,905	-
Capital assets:		
Nondepreciable capital assets	556,233	-
Depreciable capital assets	52,408,274	-
Accumulated depreciation	(16,496,950)	-
Net capital assets	36,467,557	-
Total noncurrent assets	43,136,462	-
Total assets	97,043,737	2,542,982
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension related items	1,385,645	-
Deferred OPEB related items	85,527	-
Total deferred outflows of resources	1,471,172	-
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	1,065,254	38,912
Compensated absences - current	109,403	-
Claims payable - current	-	356,400
Total current liabilities	1,174,657	395,312
Noncurrent liabilities:		
Compensated absences	48,525	-
Claims payable	-	2,680,600
Net pension liability	2,803,180	-
Net OPEB liability	99,982	-
Total noncurrent liabilities	2,951,687	2,680,600
Total liabilities	4,126,344	3,075,912
DEFERRED INFLOWS OF RESOURCES		
Deferred pension related items	224,440	-
Deferred OPEB related items	38,615	-
Total deferred inflows of resources	263,055	-
NET POSITION		
Net investment in capital assets	36,467,557	-
Restricted for:		
Capital projects	21,892,905	-
Debt service	4,692,000	-
Unrestricted	31,073,048	(532,930)
Total net position	$ 94,125,510	$ (532,930)

See accompanying Notes to Basic Financial Statements.

City of San Carlos

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the year ended June 30, 2025

	Business-Type Activities Enterprise fund	Governmental Activities - Internal Service Funds
	Sewer	
OPERATING REVENUES:		
Charges for services	$ 22,334,324	$ 1,154,300
Cost reimbursements	-	1,919,900
Total operating revenues	22,334,324	3,074,200
OPERATING EXPENSES:		
Salaries and benefits	2,103,021	-
Sewer operations	9,515,258	-
Insurance premiums	-	1,922,894
Claims expense	-	3,320,029
Depreciation expense	1,333,868	-
Miscellaneous	5,549,676	53,556
Total operating expenses	18,501,823	5,296,479
Operating income (loss)	3,832,501	(2,222,279)
NONOPERATING REVENUES (EXPENSES):		
Investment income	2,712,009	130,669
Miscellaneous	-	4,730
Increase (decrease) in investment in Sewer Authority	(1,262,873)	-
Total nonoperating revenues (expenses)	1,449,136	135,399
Income before contributions and transfers	5,281,637	(2,086,880)
CONTRIBUTIONS AND TRANSFERS:		
Transfers out	(740,900)	-
Total contributions and transfers	(740,900)	-
Change in net position	4,540,737	(2,086,880)
NET POSITION:		
Beginning of year	89,619,424	1,553,950
Restatement due to implementation of GASB 101	(34,651)	-
Beginning of year, as restated	89,584,773	1,553,950
End of year	$ 94,125,510	$ (532,930)

See accompanying Notes to Basic Financial Statements.

City of San Carlos
Combining Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2025

	Business-Type Activities Enterprise Funds Sewer	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	$ 22,300,869	$ -
Cash received from/(paid to) interfund services	-	3,074,200
Cash paid to suppliers for goods and services	(15,732,958)	(113,656)
Cash paid to employees for services	(2,237,905)	-
Claims paid	-	(3,320,029)
Net cash provided by (used in) operating activities	4,330,006	(359,485)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash transfers out	(740,900)	-
Net cash provided by (used in) noncapital financing activities	(740,900)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(3,122,117)	-
Net cash provided by (used in) capital and related financing activities	(3,122,117)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	2,712,009	130,669
Miscellaneous	-	-
Net cash provided by (used in) investing activities	2,712,009	130,669
Net cash flows	3,178,998	(228,816)
CASH AND INVESTMENTS - Beginning of year	49,698,993	2,767,068
CASH AND INVESTMENTS - End of year	$ 52,877,991	$ 2,538,252
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ 3,832,501	$ (2,222,279)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,333,868	-
Changes in assets and liabilities:		
Receivables, net	(33,455)	-
Accounts payable	(668,024)	(32,206)
Compensated absences	51,976	-
Claims payable	-	1,895,000
Net pension liability and deferred outflows/inflows of resources	(158,196)	-
Net OPEB liability and deferred outflows/inflows of resources	(28,664)	-
Net cash provided by (used in) operating activities	$ 4,330,006	$ (359,485)
NONCASH TRANSACTIONS:		
Investment in joint venture	$ (1,262,873)	$ -

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUNDS

Fiduciary Funds are presented separately from the Government-wide and Fund Financial Statements. These include the following:

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.

Custodial Funds - Custodial Funds are used to account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds ***.***

This page intentionally left blank

City of San Carlos
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Private Purpose Trust Fund Successor Agency of the Former RDA	Custodial Funds
ASSETS		
Cash and investments	$ 1,143,342	$ 32,089,788
Receivables:		
Accounts receivable	-	5,977,946
Notes and loans	-	2,741,801
Total assets	1,143,342	40,809,535
LIABILITIES		
Accounts payable and accrued liabilities	79,218	8,602,565
Unearned revenue	-	755,840
Long-term liabilities:		
Long-term debt - due within one year	865,258	-
Long-term debt - due in more than one year	8,573,964	-
Total liabilities	9,518,440	9,358,405
FIDUCIARY NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	-	31,451,130
Held in trust for private purposes	(8,375,098)	-
Total Fiduciary Net Position	$ (8,375,098)	$ 31,451,130

See accompanying Notes to Basic Financial Statements.

City of San Carlos
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2025

	Private Purpose Trust Fund	
	Successor Agency of the Former RDA	Custodial Funds (see Supplementary Information for breakdown)
ADDITIONS:		
Taxes	$ 1,272,640	$ -
Members contributions	-	2,706,782
Intergovernmental	-	14,404,292
Fees and assessments	-	2,683,460
Miscellaneous	4,239	1,820,568
Total additions	1,276,879	21,615,102
DEDUCTIONS:		
Administrative expenses	10,250	803,837
Distribution	-	11,294,396
Professional services	-	9,582,616
Interest expense	410,170	107,584
Transfer of operations	-	1,285,610
Total deductions	420,420	23,074,043
Change in fiduciary net position	856,459	(1,458,941)
FIDUCIARY NET POSITION:		
Beginning of year	(9,231,557)	32,910,071
End of year	$ (8,375,098)	$ 31,451,130

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

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. Services provided by the City include public safety, streets and roads, parks and recreation, planning and community development, and others. The accounting policies of the City conform to Generally Accepted Accounting Principles ("GAAP") as applicable to governments. These 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, therefore data from these units are combined with City data. 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 both controlled by and financially dependent on the City. The City Council members serve as the Authority's Commissioners. The bond issuance authorizations are approved by the City's Council and the City is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from any other remedies. As such, the financial activities of the Housing Authority have been included as a blended component unit in these financial statements, and no separate statements for the Housing Authority were 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Presentation, continued

Fund Financial Statements: 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 following major governmental funds are reported 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.

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.

Gas Tax Fund: Used to account for revenue received from highway users' tax and expended under the State of California, Streets and Highways Code Section 2103, 2015, 2107 and 2107.5. Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017 provides funding for local streets and roads over the next 10 years. Measure M approved in 2010 provides funding for local streets and roads for 25 years. These revenues must be expended for maintenance or construction of streets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Major Funds, continued

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

Wastewater (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: Custodial 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). 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 use the accrual, rather than the modified accrual, basis of accounting. On July 1, 2024, the Peninsula Traffic Congestion Relief Alliance (Commute.org)'s accounting records and fiduciary responsibility transferred to the City of Millbrae.

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

D. Basis of Accounting

The Government-wide, proprietary funds and fiduciary funds 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 revenues reported in the governmental funds to be available if the revenues are collected generally 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, including lease liabilities, as well as claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions, including entering into contracts giving the City the right to use leased assets are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and financing through leases are reported as other financing sources.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Basis of Accounting, continued

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 ("County") 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Assets, Deferred Inflows/Outflows, Liabilities and Fund Balance Net Position Investments, continued

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, except for the intangible right-to-use lease assets, the measurement of which is discussed in Note 7 below. Capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. 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, are reported at acquisition value rather than fair value.

All capital assets with limited useful lives and the right-to-use leased assets 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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Assets, Deferred Inflows/Outflows, Liabilities and Fund Balance Net Position Investments, continued

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 assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualify for reporting in this category, which is deferred outflows relating to the net pension and other post-employment benefit liabilities 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 differences between actuarial estimates and actual results, along with changes in the City's proportionate share in the pension cost-sharing plan.

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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. 1) Deferred inflows relating to the net pension and other post-employment benefits liabilities reported in the Government-wide statement of net position. These inflows are the result of the net difference between actuarial estimates and actual results, along with changes in the City's proportionate share in the pension cost-sharing plan. 2) Governmental funds report unavailable revenues from the following sources: cost reimbursements; charges 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. 3) Deferred inflows relating to the leases receivable for the City as a lessor. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Compensated Absences

Compensated absences comprise unpaid vacation, compensatory time, administrative leave time, and float holidays that is accrued as earned (vacation and compensatory time), or in one lump amount (administrative leave time and float holidays) every January 1. 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. Management employees may be entitled to a higher accrual rate based on prior work at a reciprocal agency or a CalPERS agency per the Salaries and Benefits resolution. 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 and compensatory leave. Unused administrative leave and float holidays are lost on December 31.

The City's liability for compensated absences is recorded in the statements of net position. Liabilities for leave are assumed to be accrued using the last in, first out method, meaning the most recently earned leave is used first. The City has recorded a liability only when it is more likely than not that the leave will be taken or paid for. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Assets, Deferred Inflows/Outflows, Liabilities and Fund Balance Net Position Investments, 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 of 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 benefit's 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.

Fund Balance

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

Nonspendable: 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: 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Assets, Deferred Inflows/Outflows, Liabilities and Fund Balance Net Position Investments, continued

Fund Balance, continued

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

Assigned: 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: The residual amounts that have not been restricted, committed, or assigned to specific purposes. The general fund is the only fund that reports an unassigned fund balance amount. In other governmental funds it is not appropriate to report an 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 with approved commitments and formal action of the City Council.

Net Position

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Assets, Deferred Inflows/Outflows, Liabilities and Fund Balance Net Position Investments, continued

Net Position, continued

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 typically 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 GAAP. 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).

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 GAAP. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Fair Value Measurements, continued

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, which 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 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.

J. New Accounting Pronouncements

GASB Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The City added accruals for floating holiday time, compensatory time, and administrative leave as a result of this statement. Beginning net position and June 30, 2024 balances of compensated absences were adjusted in the implementation of this statement. Please see notes 7 and 16 for more details.

GASB Statement No. 102, Certain Risk Disclosures - The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The City had no adjustments or new disclosures as a result of this Statement.

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. 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.

NOTE 2 - CASH AND INVESTMENTS, CONTINUED

A. Policies, continued

The City invests in investment pools. While 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, 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.

The City's investments are carried at fair value, as required by GAAP. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, including the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments as of June 30, 2025 are classified in the following financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 184,998,724
Cash and investments with fiscal agent	3,564,342
Subtotal	$ 188,563,066
Fiduciary Funds:	
Cash and investments	33,233,130
Subtotal	33,233,130
Total cash and investments	$ 221,796,196

Cash and investments as of June 30, 2025 consist of the following:

Cash on hand	$ 5,950
Deposits with financial institutions	5,028,422
Investments	216,761,824
Total cash and investments	$ 221,796,196

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.

NOTE 2 - CASH AND INVESTMENTS, CONTINUED

C. Investments Authorized by the California Government Code and the City's Investment Policy, Continued

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
State California Local Agency Investment Fund	Upon Demand	N/A	As permitted by LAIF (currently $75 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%	10%
U.S. Government Agency and Federal Agency	5 years	N/A	100%	N/A
Mortgage Securities or Mortgage-Backed Securities	5 years	(B)	20%	N/A
Bankers Acceptances	180 days	N/A	40%	(A)
Commercial Paper	270 days	Highest letter and number rating by an NRSRO	25%	(C)
Negotiable Certificates of Deposit	5 years	N/A	30%	5%
Placement Service Deposits – Deposits or Certificates of Deposits	5 years	N/A	50%	N/A
Medium Term Corporate Notes	5 years	A	30%	5%

(A) No more than 30% of the agency's money may be in banker's acceptances of any one commercial bank.

(B) Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.

(C) No more than 10% of outstanding paper of issuing corportion

NOTE 2 - CASH AND INVESTMENTS, CONTINUED

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	AAA-m (1)
Negotiable certificates of deposit	None
Investment agreement	None
Tax-exempt obligations	AAA

(1) San Carlos RDA 2018 TAB

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	$ 125,925,402	$ 125,925,402
California Local Agency Investment Fund	90,836,422	90,836,422
Total Investments	216,761,824	216,761,824
Cash In bank and cash on hand		5,034,372
Total Cash and Investments		$ 221,796,196

NOTE 2 - CASH AND INVESTMENTS, CONTINUED

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, 2025 for each investment type.

Investment Type	Total
Not rated:	
California Local Agency Investment Fund	$ 90,836,422
San Mateo County Investment Pool	125,925,402
Total Investments	216,761,824
Cash in bank and cash on hand	5,034,372
Total Cash and Investments	$ 221,796,196

G. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets: 1) Level 1 inputs are quoted prices in an active market for identical assets; 2) Level 2 inputs are significant other observable inputs; and 3) Level 3 inputs are significant unobservable inputs.

Money markets, and external investment pools such as the California Local Agency Investment Fund and the San Mateo County Investment Pool, are exempt from 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, using a fair value factor of 1.00119831 as of June 30, 2025. 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. On June 30, 2025, LAIF's investments in structured notes and asset-backed securities were 3.81% of the total LAIF balance as compared to 3.00% in the prior year.

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 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, corporate botes, commercial paper, 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, using a fair value factor of 1.01103 as of June 30, 2025.

K. Custodial Credit Risk

Custodial credit risk for deposits is the risk that the City will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party if a depository institution fails. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to deposits.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. State law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

NOTE 3 - LOANS RECEIVABLE

The City's loans receivable balances as of June 30, 2025 is summarized below:

Loan Program/Description	Total
Down Payment Assistance - original program	$ 67,479
Down Payment Assistance - revised program	296,704
Total Down Payment Assistance Loan Program Receivable	$ 364,183
817 Walnut Street	$ 8,525,447
1232 Cherry Street	7,701,670
Human Investment Project Inc.	293,962
Laureola Oaks	1,606,177
Total Notes and Loans Receivable	$ 18,127,256

NOTE 3 - LOANS RECEIVABLE, CONTINUED

A. Down Payment Assistance Loan ("DAL" Program)

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 were due until five years after the date of purchase, at which time the buyer had 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. On June 30, 2025, the City has recorded a receivable totaling $67,479 for loans given out to two buyers.

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 are 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 rates and loan terms remained unchanged. On June 30, 2025, the City had recorded a receivable totaling $296,704 for loans given out to four buyers, consisting of $192,000 in principal and $104,704 in accrued interest. The DAL program was discontinued after the dissolution of RDA in 2012.

B. Disposition, Development and Loan Agreement (817 Walnut Street)

On June 19, 2020, the City and Walnut Street, L.P. entered a Disposition, Development and Loan Agreement ("DDLA"). The purpose of the DDLA is to effectuate the Redevelopment Plan for the San Carlos Redevelopment Project by developing housing affordable to extremely low-income households. Although Assembly Bill x1 26 dissolved the San Carlos Redevelopment Agency ("Former Agency") effective February 1, 2012, the City elected to retain the authority to perform housing functions previously performed by the Former Agency as permitted by Section 34176.

The development includes 24 units of multi-family rental housing (the "improvement"), of which 6 units are restricted to 30% of the Area Median Income (AMI), 6 units are restricted to 40% of AMI, 6 units are restricted to 50% of AMI, and 5 units are restricted to 60% of AMI for a 75-year term. The City shall convey the leasehold interest in the Property under the terms of the Lease to the Tenant for one dollar ($1) per annum for a 75-year period. In addition, the land will remain with the City at the end of the lease term. The improvements were financed through a City loan in the approximate amount of $7.3 million and other public financing and private lender construction and permanent financing. The City loan accrues interest at 4% annually, and is to be repaid annually from residual receipts, if any. The loan will be payable in full at the end of the 55-year loan term. At June 30, 2025, the total outstanding principal and interest was $8,525,447.

NOTE 3 - LOANS RECEIVABLE, CONTINUED

C. Loan Agreement (1232 Cherry Street)

On August 2, 2021, the City and Cherry Street Commons, L.P. ("Borrower") entered a Predevelopment Loan Agreement for an amount not to exceed $1,000,000. The City is the owner of the real property located at 1232 Cherry Street in San Carlos. The City selected the Borrower to construct a residential project on the Property that consists of at least 25 dwelling units together with parking and related improvements. On June 26, 2023, the City agreed to provide a project loan to Borrower with a total principal amount not to exceed $12,860,000 inclusive of the Predevelopment Loan amount. The unpaid principal balance accrues simple interest at the rate of 3% per annum. Principal and interest shall be due and payable following termination of the agreement unless forgiven in accordance with Section 1.3.3 or rolled over and assumed in accordance with Section 1.5 of the agreement. At June 30, 2025, the total outstanding principal and interest was $7,701,670.

D. Housing Association for the Needy and Dispossessed Loan (1244 Cherry Street)

On May 31, 1995, the City and Cherry Street Commons, L.P. ("Borrower") entered a Housing Association for the Needy and Dispossessed Loan Agreement with a deed of trust to a trustee, Old Republic Title Company. The term is 40 years from the date of execution of this note. The City provided the Borrower a promissory note of $100,000. The outstanding principal shall not be required to be paid for the first 30 years of the term of this loan and will commence payments on June 1, 2025 with no interest. The note is due and payable in full on or before June 1, 2035. In fiscal year 2024-25, the City forgave the entirety of the loan.

E. Human Investment Project Inc. Agreement

On June 28, 1994, the City and the County of San Mateo ("Borrower") entered a Human Investment Project Agreement. The City is the owner of the real property located at 717 Cedar Street in San Carlos, The City selected the Borrower to construct a residential project on the property that provides for disposition and development of a shared housing facility for low income families. The City agreed to provide a loan to the Borrower with a total principal amount of $300,000. The total cost of the project was $541,010. The Project was financed by the Agency, (55.45%, $300,000) County, (24.42%, $132,110) and HIP. (20.13%, $108,900) At June 30, 2025, the total outstanding principal was $293,962.

F. Laureola Oaks Purchase and Sale Agreement

On November 30, 1992, the City ("Seller") and the Laureola Oaks Associates ("Buyer") entered a Purchase and Sale Agreement for 608 East San Carlos Avenue. The purchase price for the real property was $200,000 dollars and paid through Escrow. The Seller provided the Buyer a loan of $175,000 (unpaid principal). The unpaid principal bears interest which is compounded annually with a 7% rate. The principal and interest will be due and payable in full on March 9, 2049. At June 30, 2025, the total outstanding principal and interest was $1,606,177.

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

The purpose of most 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, 2025 were as follows:

	Transfers Out:					
Transfers In:	General Fund	Capital Improvement Fund	Non-Major Governmental Funds	Sewer Fund	Total	
General Fund	$ -	$ -	$ 325,562	$ 740,900	$ 1,066,462	(A)
Capital Improvement Fund	2,000,000	-	1,007,478	-	3,007,478	(B)
Gas Tax Fund	2,850,000	3,275,000	1,642,900	-	7,767,900	(B)
Non-Major Governmental Funds	460,000	-	283,266	-	743,266	(B)
Total Interfund Transfers	$ 5,310,000	$ 3,275,000	$ 3,259,206	$ 740,900	$ 12,585,106	

(A) Sewer right-of-way, excess library bond funds, and library-related expenditures
(B) Capital projects, equipment and technology replacements

NOTE 5 - CAPITAL ASSETS

A. Governmental Activities

At June 30, 2025 capital assets of Governmental Activities as of June 30, 2025 consisted of the following:

Governmental Activities	Balance at June 30, 2024	Additions	Retirements	Transfers	Balance at June 30, 2025
Capital assets not being depreciated:					
Land	$ 63,533,769	$ -	$ (1,189,215)	$ 10,475,892	$ 72,820,446
Rights of way	2,413,714	-	-	-	2,413,714
Construction in progress	33,418,406	8,167,096	-	(13,792,965)	27,792,537
Total non-depreciable assets	99,365,889	8,167,096	(1,189,215)	(3,317,073)	103,026,697
Capital assets being depreciated:					
Buildings and improvements	71,581,836	51,770	(1,885,785)	3,072,702	72,820,523
Equipment	8,135,081	225,661	(641,203)	-	7,719,539
Right-to-use leased equipment	4,089,621	1,050,544	-	-	5,140,165
Infrastructure	89,862,633	2,798,900	-	244,371	92,905,904
Total capital assets being depreciated	173,669,171	4,126,875	(2,526,988)	3,317,073	178,586,131
Less accumulated depreciation for:					
Buildings	(26,399,081)	(2,920,433)	282,868	-	(29,036,646)
Equipment	(4,917,716)	(554,373)	609,877	-	(4,862,212)
Right-to-use leased equipment	(659,916)	(245,247)	-	-	(905,163)
Infrastructure	(26,496,575)	(1,251,884)	-	-	(27,748,459)
Total accumulated depreciation	(58,473,288)	(4,971,937)	892,745	-	(62,552,480)
Net capital assets being depreciated	115,195,883	(845,062)	(1,634,243)	3,317,073	116,033,651
Capital assets, net	$ 214,561,772	$ 7,322,034	$ (2,823,458)	$ -	$ 219,060,348

NOTE 5 - CAPITAL ASSETS, CONTINUED

B. 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:

Governmental Activities:		
General Government	$	655,074
Public Safety		232,940
Public Works		1,518,365
Parks and Recreation		1,240,928
Community Development		1,324,630
Total Governmental Activities	$	4,971,937

The intangible right-to-use lease asset's related leases payable is further discussed in Note 7 - Long-Term Liabilities.

C. Business Activities

Business-type Activities	Balance at June 30, 2024	Additions	Retirements	Balance at June 30, 2025
Capital assets not being depreciated:				
Land	$ 153,734	$ -	$ -	$ 153,734
Construction in progress	121,259	281,240	-	402,499
Total non-depreciable assets	274,993	281,240	-	556,233
Capital assets being depreciated				
Equipment	2,165,485	177,467	(55,654)	2,287,298
Sewer network system	47,457,566	2,663,410	-	50,120,976
Total capital assets being depreciated	49,623,051	2,840,877	(55,654)	52,408,274
Less accumulated depreciation for				
Equipment	(1,864,165)	(65,823)	55,654	(1,874,334)
Sewer network system	(13,354,571)	(1,268,045)		(14,622,616)
Total accumulated depreciation	(15,218,736)	(1,333,868)	55,654	(16,496,950)
Net capital assets being depreciated	34,404,315	1,507,009	-	35,911,324
Capital assets, net	$ 34,679,308	$ 1,788,249	$ -	$ 36,467,557

Depreciation expense of $1,333,868 was charged to the Sewer Enterprise Fund in the year ended June 30, 2025.

NOTE 5 - CAPITAL ASSETS, CONTINUED

D. *Net Investment in Capital Assets*

The balances related to Net Investment in Capital Assets were comprised of the following as of June 30, 2025:

	Governmental Activities	Business-Type Activities	Total
Capital Assets, Net of Accumulated Depreciation	$ 219,060,348	$ 36,467,557	$ 255,527,905
Less Capital Debt	(4,578,403)	-	(4,578,403)
	$ 214,481,945	$ 36,467,557	$ 250,949,502

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).

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, 2025 is shown in the table below.

Date of Purchase	Property Name	Property Address	Amount
2/12/2012	Low Income Housing Unit	633 Elm St #305, San Carlos	$ 354,999
2/8/2017	Low & Moderate Income Housing Unit	633 Elm St #405, San Carlos	377,987
10/17/2017	Low & Moderate Income Housing Unit	1001 Laurel St #207, San Carlos	239,843
			$ 972,829

NOTE 7 - LONG TERM LIABILITIES

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

Governmental Activities	Balance June 30, 2024, as restated	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Compensated absences, as restated	$ 1,552,178	$ 1,178,618	$ (1,053,013)	$ 1,677,783	$ 1,120,731
Claims liability	1,142,000	2,358,655	(463,655)	3,037,000	356,400
Leases payable	3,702,730	$1,050,544	(174,871)	4,578,403	195,925
2015 Refunding General Obligation Bonds	1,460,000	-	(1,460,000)	-	-
Bond Premiums	43,566	-	(43,566)	-	-
Total Governmental Activities	$ 7,900,474	$ 4,587,817	$ (3,195,105)	$ 9,293,186	$ 1,673,056

Business-Type Activities	Balance June 30, 2024, as restated	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Compensated absences, as restated	$ 105,952	$ 114,802	$ (62,826)	$ 157,928	$ 109,403
Total Governmental Activities	$ 105,952	$ 114,802	$ (62,826)	$ 157,928	$ 109,403

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 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 original proceeds from the bonds were used for the construction of the City’s public library.

NOTE 7 - LONG TERM LIABILITIES, CONTINUED

A. 2015 Refunding General Obligation Bonds, 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 2% to 3%. Principal payments are due annually on August 1.

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 of competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2025.

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. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were $1,504,900 and $498,381 respectively. The bond was fully defeased during the fiscal year ended June 30, 2025 as part of the City's centennial celebration.

No excess fund balance was applied to the tax levy rate for fiscal year 2024-25. The residential homeowner paid on average approximately $25.75 per residential property in fiscal year 2024-25.

B. Leases Payable

The City entered into a lease agreement with K & E Investments, LLC dated 9/10/2018 for Billboard 2 located on 815 American Street, San Carlos from 1/1/2019 through 12/31/2038. An initial lease liability was recorded in the amount of $1,616,987 as of July 1, 2021. As of June 30, 2025, the value of the lease liability was $1,390,448. The City is required to make monthly payments in amounts of $8,333 that shall be increased by 12.5% at the end of every 5-year period. The lease has an interest rate of 3.25%. The intangible right-to-use lease asset is amortized over the life of the lease. As of June 30, 2025, the net value of the right-to-use lease asset and accumulated amortization was $1,257,655 and $359,332, respectively.

The City entered into a lease agreement with Brittan Corners Shopping Center, LLC dated 10/15/2018 for Billboard 3 located on 1119 Industrial Road, San Carlos from 9/1/2019 through 8/31/2039. An initial lease liability was recorded in the amount of $2,472,634 as of July 1, 2021. As of June 30, 2025, the value of the lease liability was $2,152,167. The City is required to make monthly payments in amounts of $12,500 that shall be increased by 12.5% at the end of every 5-year period. The lease has an interest rate of 3.25%. The intangible right-to-use lease asset is amortized over the life of the lease. As of June 30, 2025, the net value of the right-to-use lease asset and accumulated amortization was $1,952,078 and $520,556, respectively.

The City entered into a lease agreement with R & M Dean Associates, LLC dated October 4, 2022 for Billboard 4 located at 611 Industrial Road, San Carlos. The lease commenced 1/8/2025 and rent is due monthly through January 2045. An initial lease liability was recorded in the amount of $1,050,544. As of June 30, 2025, the value of the lease liability was $1,035,788. Monthly payments start at $5,000 and increase 2% annually. The lease has an interest rate of 3.25%. The intangible right-to-use lease asset is amortized over the life of the lease. As of June 30, 2025, the net value of the right-to-use lease asset and accumulated amortization was $1,025,269 and $25,275, respectively.

NOTE 7 - LONG TERM LIABILITIES, CONTINUED

B. Leases Payable, continued

The terms of the leases are summarized below:

Lessor	Property Address	Original Lease Date	Lease Ending Date	Term Duration (Years)	Remaining Lease Term (Years)	Extension Years
K & E Investments, LLC	815 American Street	1/1/2019	12/31/2038	20	14	10
Brittan Corners Shopping Center, LLC	1119 Industrial Road	9/1/2019	8/31/2039	20	14	10
R & M Dean Associates, LLC	611 Industrial Road	1/8/2025	1/7/2045	20	19	10

(Continued below)

Lessor	Expiration Date Including Options	Interest Exp	Principal Expenditure	Monthly Payment	Lease Asset (Net)	Lease Liability
K & E Investments, LLC	12/31/2048	$ 46,360	$ 66,140	$ 9,375	$ 1,257,655	$ 1,390,449
Brittan Corners Shopping Center, LLC	8/31/2049	71,650	93,975	14,063	1,952,078	2,152,166
R & M Dean Associates, LLC	1/7/2055	14,115	14,756	5,000	1,025,269	1,035,788
		$ 132,125	$ 174,871	$ 28,438	$ 4,235,002	$ 4,578,403

The transactions details for the leases are summarized below:

Leases	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Current Portion
K & E Investments, LLC	$ 1,456,589	$ -	$ (66,140)	$ 1,390,449	$ 68,322
Brittan Corners Shopping Center, LLC	2,246,141	-	(93,975)	2,152,166	100,290
R & M Dean Associates, LLC	-	1,050,544	(14,756)	1,035,788	27,313
	$ 3,702,730	$ 1,050,544	$ (174,871)	$ 4,578,403	$ 195,925

NOTE 7 - LONG TERM LIABILITIES, CONTINUED

B. Leases Payable, continued

The future principal and interest lease payments as of June 30 were as follows:

For the Year Ended June 30,	Principal	Interest	Total
2026	$ 195,925	$ 145,902	$ 341,827
2027	203,618	139,420	343,038
2028	211,589	132,685	344,274
2029	226,928	125,638	352,566
2030	260,704	117,753	378,457
2031-2035	1,523,375	450,194	1,973,569
2036-2040	1,602,404	170,102	1,772,506
2041-2045	353,860	27,512	381,372
	$ 4,578,403	$ 1,309,206	$ 5,887,609

NOTE 8 – FUND BALANCES

A. Fund Balances

Detailed classifications of the City's fund balances as of June 30, 2025 are below.

Fund Balances Classifications	General Fund	Capital Project Funds: Capital Improvement	Capital Project Funds: Housing	Capital Project Funds: Gas Tax	Other Governmental Funds	Total
Nonspendable:						
Prepaids	$ 2,536,503	$ -	$ -	$ -	$ -	$ 2,536,503
Total Nonspendable Fund Balance	2,536,503	-	-	-	-	2,536,503
Restricted for:						
General government	-	217,966	-	-	-	217,966
General plan update	-	546,572	-	-	-	546,572
PEG funding	-	419,129	-	-	-	419,129
Child care	-	-	-	-	665,362	665,362
Parking lot improvements	-	-	-	-	21,158	21,158
Police grants	-	-	-	-	430,588	430,588
City parks	-	1,791,544	-	-	1,423,276	3,214,820
Library	-	-	-	-	1,747,421	1,747,421
Traffic management	-	-	-	-	702,780	702,780
National Pollutant Discharge Elimination System	-	-	-	-	870,711	870,711
Street maintenance	-	192,593	-	19,374,348	-	19,566,941
Housing	-	-	17,436,257	-	-	17,436,257
Total Restricted Fund Balances	-	3,167,804	17,436,257	19,374,348	5,861,296	45,839,705
Committed to:						
Library tenant activities	-	-	-	-	2,680,055	2,680,055
Equipment replacement	-	-	-	-	3,265,607	3,265,607
Capital projects	-	27,241,659	-	-	-	27,241,659
Street maintenance	-	-	-	1,690,479	-	1,690,479
Economic uncertainties reserve	9,846,816	-	-	-	-	9,846,816
Strategic property acquisition	12,191,795	-	-	-	-	12,191,795
Total Committed Fund Balances	22,038,611	27,241,659	-	1,690,479	5,945,662	56,916,411
Assigned to:						
Unfunded liabilities	3,000,000	-	-	-	-	3,000,000
Facility/infrastructure improvements	30,741,500	-	-	-	-	30,741,500
Strategic property acquisition	2,000,000	-	-	-	-	2,000,000
Total Assigned Fund Balances	35,741,500	-	-	-	-	35,741,500
Unassigned:						
General Fund	2,493,307	-	-	-	-	2,493,307
Total Unassigned Fund Balances	2,493,307	-	-	-	-	2,493,307
Total Fund Balances	$ 62,809,921	$ 30,409,463	$ 17,436,257	$ 21,064,827	$ 11,806,958	$143,527,426

NOTE 8 – FUND BALANCES, CONTINUED

B. Fund Balance Commitments

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

Library tenant activities: These committed amounts are approved by the City Council for library renovations and other library-related expenditures.

Equipment replacement: Committed balances for equipment replacement represent City Council designations for anticipated general equipment needs.

Capital Projects: Committed balances in the capital projects funds represent budgeted and contracted amounts the City Council has approved for capital projects.

Street maintenance: This committed balance is specifically for street-related capital projects

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

Once established, appropriations from the Strategic Property Acquisitions Reserve fund balance commitment can only be made by formal action of the City Council. Appropriations and access to these funds are reserved for funding strategic property acquisitions by the City. The balance as of June 30, 2025 was $12,191,795.

Economic uncertainties reserve: See General Fund Policies below.

C. General Fund Policies

Economic Uncertainties: The General Fund tracks a fund balance reserve 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.

Appropriations from the Economic Uncertainties fund balance can only be made by formal action of the City Council. Generally, appropriations and access to these funds will be reserved for emergency situations and not to be used for ongoing expenditures. Emergency situations are further defined as catastrophic disasters as declared locally or by the state or federal government or budgeted revenue taken by another government entity. The balance as of June 30, 2025 was $9,846,816, or 17% of total General Fund operating expenditures.

NOTE 9 – LEASES

A. *Policies*

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivable or liabilities with an initial, individual value of $500,000 or more, based on the future lease payments remaining at the start of the lease.

NOTE 9 - LEASES, CONTINUED

A. *Policies, continued*

Lessor

The City is a lessor for noncancellable leases of buildings and facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lessee

The City is a lessee for three billboards located on 815 American Street, 1119 Industrial Road, and 611 Industrial Road, San Carlos. City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, City generally uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that City is reasonably certain to exercise.

NOTE 9 - LEASES, CONTINUED

A. *Policies, continued*

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

B. Leases Receivable (City as Lessor)

The terms and balances related to leases receivable and deferred inflows of resources recorded in the General Fund as of June 30, 2025 were:

Lessee	Property Address	Original Lease Date	Lease Ending Date	Term Duration (years)	Remaining Lease Term (years)	Extension Years	Expiration Date Including Options
Duvall Properties	525 Skyway Road	11/1/2003	10/31/2042	39	17	-	10/31/2042
San Carlos Properties, LLC	505 Skyway Road	11/1/1997	10/31/2042	45	17	-	10/31/2042
Brittan Corners LLC	1101 Industrial Road	3/1/2000	12/1/2039	40	14	10	12/1/2049
GRM FISC, LLC	555 Skyway Road	2/12/1996	2/12/2041	45	16	25	2/12/2066
San Carlos Group I, LLC	800 Brittan Avenue	9/1/2005	8/31/2050	45	25	10	8/31/2060
Clear Channel Outdoor	800 Bransten Road	11/1/2014	10/31/2039	25	14	-	10/31/2039
Clear Channel Outdoor	815 American Street	1/1/2019	12/31/2038	20	14	10	12/31/2048
Outfront Media	1119 Industrial Road	9/1/2019	8/31/2039	20	14	10	8/31/2049
Orion Outdoor Media	611 Industrial Roat	1/8/2025	1/7/2045	20	20	10	1/7/2055

Lessee	Interest Revenue	Lease Revenue (A)	Monthly Lease Receipts as of June 30, 2025	Lease Receivable Balance at June 30, 2025	Deferred Inflow of Resources at June 30, 2025
Duvall Properties	$ 40,106	$ 61,543	$ 6,543	$ 1,213,118	$ 1,107,767
San Carlos Properties, LLC	21,595	33,137	3,523	653,215	596,471
Brittan Corners LLC	56,216	102,660	10,618	1,691,129	1,539,907
GRM FISC, LLC	62,706	257,137	11,612	1,890,877	1,715,784
San Carlos Group I, LLC	229,573	240,658	23,874	7,032,531	6,257,119
Clear Channel Outdoor	138,615	245,138	22,762	4,190,358	3,677,061
Clear Channel Outdoor	139,413	269,274	28,125	4,168,629	3,769,835
Outfront Media	167,185	411,677	32,813	5,021,744	4,554,866
Orion Outdoor Media	62,930	262,701	22,500	4,617,354	4,571,643
	$ 918,339	$ 1,883,925	$ 162,370	$ 30,478,955	$ 27,790,453

Notes:
(A) Lease Revenue includes payments for excess gross reciepts and signing bonuses per the agreements with the lessees.

NOTE 9 - LEASES, CONTINUED

B. Leases Receivable (City as Lessor), continued

The future principal and interest lease receivables as of June 30, were as follows:

For the Year Ended June 30,	Principal	Interest	Total
2026	$ 993,612	$ 976,338	$ 1,969,950
2027	1,050,777	943,182	1,993,959
2028	1,118,765	908,049	2,026,814
2029	1,207,064	870,490	2,077,554
2030	1,354,257	829,153	2,183,410
2031 - 2035	8,272,931	3,400,879	11,673,810
2036 - 2040	9,867,821	1,834,246	11,702,067
2041 - 2045	3,930,949	736,197	4,667,146
2046 - 2050	2,582,925	240,857	2,823,782
2051	99,854	406	100,260
	$ 30,478,955	$ 10,739,797	$ 41,218,752

C. Leases Payable and Right-to-use Leased Equipment

See more details for Leases payable in Note 7 and Right-to-use Leased Equipment in Note 5.

NOTE 10 - NET PENSION LIABILITY

<u>Summary of Pension Balances</u>

Below is a summary of the deferred outflows of resources, net pension liabilities, and deferred inflows of resources for the pension plans at the City as of June 30, 2025:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
CalPERS Plan:			
Safety Pool	$ 5,398,837	$ 21,914,000	$ 1,499,243
Miscellaneous Pool	11,544,344	14,945,492	2,040,372
PARS Longevity Plan	1,052,418	10,537,969	-
Total	$ 17,995,599	$ 47,397,461	$ 3,539,615

For the year ended June 30, 2025, the total pension expense for all plans amounted to $8,934,683.

NOTE 10 - NET PENSION LIABILITY, CONTINUED

A. California Public Employees' Retirement System ("CalPERS") Plan

Description of Plan

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors 6 rate plans (4 miscellaneous and 2 safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website: 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 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.

NOTE 10 - NET PENSION LIABILITY, CONTINUED

A. California Public Employees' Retirement System ("CalPERS") Plan, continued

Benefits Provided, continued

The provisions and benefits of each plan in effect at June 30, 2025 are summarized as follows:

	Miscellaneous			
	Tier 1	Tier 2	Tier 3	PEPRA
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
Benefit amount calculated	Single highest year	Single highest year	3 year average	3 year average
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%	8%
Required employer contribution rates	16.31%	14.41%	12.17%	7.94%
Required UAL Payment	$ 884,626	$ 7,100	$ 15,487	$ 15,398

	Safety	
	Tier 1	PEPRA
Hire date	On or after October 23, 2011	On or after January 1, 2013
Benefit formula	2% @50	2.7% at 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Benefit amount calculated	3 years average	3 years average
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%	n/a
Required employer contribution rates	20.09%	n/a
Required UAL Payment	$ 1,697,469	$ -

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 accrued liability ("UAL"). The UAL payments for the fiscal year ended June 30, 2025 are shown in the table above.

NOTE 10 - NET PENSION LIABILITY, CONTINUED

A. California Public Employees' Retirement System ("CalPERS") Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for 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.

The City's contributions to the Plan for the measurement period ended June 30, 2024 were:

	Safety	Miscellanous	Total
Contributions - employer	$ 1,468,828	$ 5,214,283	$ 6,683,111

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

As of June 30, 2025, the City reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	$ 21,914,000
Miscellaneous	14,945,492
Total Net Pension Liability	$ 36,859,492

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The City's proportion of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2024 was as follows:

Proportion - June 30, 2023	0.33029%
Proportion - June 30, 2024	0.30394%
Change - Increase/(Decrease)	-0.02636%

NOTE 10 - NET PENSION LIABILITY, CONTINUED

A. California Public Employees' Retirement System ("CalPERS"), continued

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

For the year ended June 30, 2025, the City recognized a pension expense of $7,668,255 for the Plan. At June 30, 2025, 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	$ 1,718,140	$ -	$ 6,292,902	$ -	$ 8,011,042	$ -
Differences between actual and expected experience	1,788,377	(58,148)	1,292,175	(50,420)	3,080,552	(108,568)
Changes in assumptions	539,916	-	384,130	-	924,046	-
Net differences between projected and actual earnings on plan investments	1,059,223		860,394	-	1,919,617	-
Changes in employer's proportion	-	(1,284,508)	1,161,829	(1,167,728)	1,161,829	(2,452,236)
Differences between the employer's contribution and the employer's proportionate share of contributions	293,181	(156,587)	1,552,914	(822,224)	1,846,095	(978,811)
	$ 5,398,837	$ (1,499,243)	$ 11,544,344	$ (2,040,372)	$ 16,943,181	$ (3,539,615)

In the table above, the $8,011,042 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2024 but before the end of the City's reporting period ended June 30, 2025, will be recognized as a reduction of the net pension liabilities in the subsequent fiscal year 2026 rather than in the current fiscal year 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Safety Annual Amortization	Miscellaneous Annual Amortization	Total
2026	$ 663,368	$ 1,441,528	$ 2,104,896
2027	2,127,527	1,935,032	4,062,559
2028	(247,023)	129,355	(117,668)
2029	(362,418)	(294,845)	(657,263)

NOTE 10 - NET PENSION LIABILITY, CONTINUED

A. California Public Employees' Retirement System ("CalPERS"), continued

Actuarial Assumptions

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Discount Rate	6.90%
Inflation Rate	2.30%
Salary Increases	Varies by entry age and service
Investment Rate of Return	6.90%
Mortality Rate Table	Derived using CalPERS' membership data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies

(1) The mortality table used was developed based on CalPERS' specific data. The rates incorporate generational mortality to capure ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability as of the measurement date of June 30, 2024 for the Plan was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A detailed report testing these projections can be obtained from the CalPERS website.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

NOTE 10 - NET PENSION LIABILITY, CONTINUED

A. California Public Employees' Retirement System ("CalPERS"), continued

Discount Rate, continued

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return (a,b)
Global equity - cap-weighted	30%	4.54%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High Yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

(a) An expected inflation of 2.3% used for this period
(b) Figures are based on the 2021-22 asset liability management study

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

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current rate:

	Net Pension Liability (Asset)		
	1% Decrease 5.90%	Current 6.90%	1% Increase 7.90%
Safety	$ 30,578,861	$ 21,914,000	$ 14,827,362
Miscellaneous	27,945,383	14,945,492	4,244,670
Total	$ 58,524,244	$ 36,859,492	$ 19,072,032

Payable to the Pension Plan

At June 30, 2025 the City reported a payable of $100,171 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

NOTE 10 - NET PENSION LIABILITY, CONTINUED

B. Public Agency Retirement Services ("PARS") Longevity Recognition Plan

Plan Description and Benefits

The City sponsors an agent multiple-employer Longevity Recognition Defined Benefit Plan (Longevity 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.

Bargaining Group	Exclusion Date
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 ($1,175.15 per month for 2025) subject to future annual increases. The cap for retirees from the former Police Department has been $718.11 since 2011 and is not expected to be increased.

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

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

Participants Covered

As of the valuation date, June 30, 2023, the number of participants was as follows: 22 active and 51 retirees.

Contributions

During the measurement period ended June 30, 2024, employer contributions to the plan totaled $888,300.

Net Pension Liability

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

NOTE 10 - NET PENSION LIABILITY, CONTINUED

B. Public Agency Retirement Services ("PARS") Longevity Recognition Plan, continued

Actuarial Assumptions and Discount Rate

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Funding Method	Entry-Age normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Discount Rate	6.3%
Inflation Rate	2.50% per year
Salary Increase	3.0% per year, used only to allocate the cost of benefits between service years
Investment Rate of Return	6.3%
Demographic Assumptions	Rates of retirement, disability and other terminations are based on the CalPERS 2021 experience study using data from 1997 to 2019, except for a different basis used to project future mortality improvements
Mortality Improvements	MacLeod Watts Scale 2022 applied generationally from 2017

Changes in the Net Pension Liability

The changes in the measurement period ended June 30, 2024 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at measurement date June 30, 2023	$ 15,194,229	$ 4,447,557	$ 10,746,672
Changes in the year:			
Service cost	119,995	-	119,995
Interest on the total pension liability	943,693	-	943,693
Contribution - employer	-	888,300	(888,300)
Net investment income	-	384,905	(384,905)
Administration expenses	-	(814)	814
Differences due to plan experience	-	-	-
Change of assumptions	-	-	-
Benefit payments	(669,925)	(669,925)	-
Net changes	393,763	602,466	(208,703)
Balance at measurement date June 30, 2024	$ 15,587,992	$ 5,050,023	$ 10,537,969

NOTE 10 - NET PENSION LIABILITY, CONTINUED

B. Public Agency Retirement Services ("PARS") Longevity Recognition Plan, continued

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 the Longevity Plan, calculated using the discount rate for the Longevity 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 (5.3%) or 1 percentage point higher (7.3%) than the current rate:

	Net Pension Liability (Asset)		
	1% Decrease 5.3%	Current 6.3%	1% Increase 7.3%
Longevity Plan	$ 12,593,700	$ 10,537,969	$ 8,836,734

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2025, the City recognized pension expense of $1,266,428 for the Longevity Plan. At June 30, 2025, the City reported the following deferred inflows and outflows of resources related to the Longevity Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 893,500	$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	158,918	-
Total	$ 1,052,418	$ -

The $893,500 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, 2026. 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,	Expense (income)
2026	49,010
2027	140,468
2028	(10,988)
2029	(19,572)

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 Other Post-Employment Benefits ("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.

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 $1,175.15 per month for 2025. The cap amount for retirees from the former Police Department 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 $158 per month for calendar year 2025.

B. Employees Covered

Membership in the plan consisted of the following at the June 30, 2023 valuation date:

Active employees	100
Inactive employees, spouses or beneficiaries currently receiving benefit payments	71
Inactive employees entitled to but to yet receiving benefit payments	38
	209

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

C. Net OPEB Liability

Actuarial Methods and Assumptions: The City's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023 that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Methods & Assumptions	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Funding Method	Entry age normal cost, level dollar
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.50%
Salary Increase	3.0% per year, used only to allocate the cost of benefits between service years
Inflation Rate	2.5% per year
Healthcare Cost Trend Rates	6.5% in 2025, decreasing until ultimate rate of 3.9% in 2075
Mortality Improvement	Macleod Watts Scale 2022 applied generationally from 2017

Discount Rate: The discount rate used to measure the Total OPEB Liability was 6.5%.

Changes in Net OPEB Liability: The changes in the Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at measurement date 6/30/2022 (FY2024):	$ 5,011,890	$ 3,789,224	$ 1,222,666
Changes recognized for the measurement period:			
Service cost	132,484	-	132,484
Interest on the total OPEB liability	301,645	-	301,645
Investment income	-	407,006	(407,006)
Employer contributions	-	306,194	(306,194)
Administrative expenses	-	(1,217)	1,217
Other expenses	-	-	-
Difference between expected and actual experience	174,903	-	174,903
Changes of assumptions	(210,794)	-	(210,794)
Benefit payments	(317,009)	(317,009)	-
Net changes	81,229	394,974	(313,745)
Balance at measurement date 6/30/2023 (FY2025):	$ 5,093,119	$ 4,184,198	$ 908,921

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 (5.5%) or 1 percentage point higher (7.5%) than the current discount rate:

Net OPEB Liability(Asset)		
Discount Rate - 1% 5.5%	Discount Rate 6.5%	Discount Rate +1% 7.5%
$ 1,398,573	$ 908,921	$ 490,420

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 healthcare cost trend rate:

Net OPEB Liability(Asset)		
1% Decrease Current Trend	Healthcare Cost Trend Rates Current Trend	1% Increase Current Trend
$ 482,968	$ 908,921	$ 1,404,503

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

For the year ended June 30, 2025, the City recognized OPEB expense of $84,279. As of the fiscal year ended June 30, 2025, the City 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	$ 344,860	$ -
Net difference between projected and actual earnings on investments	35,584	-
Differences between actual and expected experience	269,990	(159,303)
Changes of assumptions	127,087	(191,743)
Total	$ 777,521	$ (351,046)

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB, continued

$344,860 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, 2026. 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
2026	$ (50,176)
2027	140,143
2028	(12,533)
2029	(10,287)
2030	18,595
Thereafter	(4,127)

The governmental activities net OPEB liability is liquidated primarily by the General Fund.

NOTE 12 - LIABILITY COVERAGE

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”). PLAN JPA self-insures up to $1,000,000 of general and automobile liability coverage per occurrence (minus the City’s $100,000 self-insured retention) and $34,000,000 in excess liability coverage per occurrence through an additional self-insurance joint powers authority (California Affiliated Risk Management Authority, “CARMA”) and through the purchase of commercial excess insurance, for a total of $35,000,000 per occurrence. Financial statements may be obtained from PLAN JPA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

B. Workers' Compensation Coverage

Workers’ Compensation is provided to the City’s employees from a self-insurance pool arranged under a Joint Powers Agreement. Cities Group acts as administrator and claim adjuster. The pool consists of six (6) members, and each member of the Cities Group pays a premium. Cities Group covers the first dollar through the limit of reinsurance of about $11.5 million. Workers’ Compensation claims in excess of $1,000,000 per claim for miscellaneous employees and for safety employees $1,500,000 are insured by Safety National Casualty Corporation under a reinsurance policy owned by the Group. Financial statements may be obtained from The Cities Group, P.O. Box 111, Burlingame, CA 94011-0111.

NOTE 12 - LIABILITY COVERAGE, CONTINUED

C. Liability for Uninsured Claims

The City's liability for uninsured claims at June 30, 2025 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, 2025 and 2024, the amount of settlements did not exceed insurance coverage. 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 years ended:

	June 30,	
	2024	2025
Beginning balance	$ 1,115,000	$ 1,142,000
Net change in liability for claims and claims paid but not reported	616,918	2,358,655
Claims paid	(589,918)	(463,655)
Balance at June 30	1,142,000	3,037,000
Current Portion	457,400	356,400
Long-term Portion	$ 684,600	$ 2,680,600

NOTE 13 - JOINT VENTURES

Joint Power Authorities

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 ("JPAs") exercise full powers and authorities within the scope of the related JPA 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 JPA 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 JPA 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.

NOTE 13 - JOINT VENTURES, CONTINUED

A. Belmont-San Carlos Fire Department, continued

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

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, 2025 was $2,096,897. It is anticipated that the outstanding pension obligations with CalPERS will be paid off on 6/30/2033.

B. Silicon Valley Clean Water ("SVCW")

The Silicon Valley Clean Water (formerly the South Bayside System Authority) JPA 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, 2025, the City contributed $3,886,459 toward the cost of operating and maintaining the facility and paid debt principal and interest of $6,263,917 that included: the State revolving fund loan, the financing agreements to finance the construction and rehabilitation of SVCW's wastewater system, and a cash-in-lieu-of-debt payment toward SVCW's CIP program. The City recorded an investment in joint venture of $6,668,905 for the fiscal year ended June 30, 2025 using the financial statements of SVCW for the period ended June 30, 2024.

The condensed unaudited financial information of the JPA as of June 30, 2024 is as follows:

Total Assets	$ 955,108,378
Total Deferred Outflows	28,305,446
Total Liability	(859,864,108)
Total Deferred Inflows	(1,499,120)
Total Net Position	$ 122,050,596
Total Operating Revenues	$ 58,323,969
Total Operating Expenses	(58,467,756)
Total Operating Income (Loss)	(143,787)
Other Income (Loss)	(6,038,656)
Net Income	$ (6,182,443)
Cumulative Agency Balances:	
Belmont	$ 45,182,632
San Carlos	6,668,905
Redwood City	42,546,779
West Bay Sanitary District	27,652,280
Total Net Position	$ 122,050,596

NOTE 13 - JOINT VENTURES, CONTINUED

B. Silicon Valley Clean Water ("SVCW"), continued

The City's investment in SVCW was adjusted to reflect a net decrease in the investment of $1,262,873. Every year, the City adjusts the investment based on the City's proportion of financial activity at SVCW.

SVCW has issued bonds and entered into other loan agreements to fund the capital projects to replace the aged wastewater treatment plan and conveyance upgrade system. Each member has entered into financing agreements and is obligated to pay its allocated share of debts. SVCW financing agreements with the City for debts issued by SVCW are summarized in the table below:

Silicon Valley Clean Water Financing Agreement	Maturity Date	Balance at June 30, 2024	Decreases	Balance at June 30, 2025	Due within 1 year	Due in more than 1 year
SVCW 2018 Wastewater Revenue Bonds	8/1/2048	$ 22,925,000	$ (525,000)	$ 22,400,000	$ 550,000	$ 21,850,000
Water Infrastructure and Innovation Act (WIFIA)	3/1/2058	36,611,146	-	36,611,146	-	36,611,146
SVCW Wastewater Revenue Bonds, Series 2021A	8/1/2045	20,655,000	(1,005,000)	19,650,000	1,000,000	18,650,000
SVCW Wastewater Revenue Bonds, Series 2021B	8/1/2032	915,000	(85,000)	830,000	90,000	740,000
SVCW Wastewater Revenue Notes, Series 2021B*	3/1/2026	11,842,550	-	11,842,550	-	11,842,550
Total		$ 92,948,696	$ (1,615,000)	$ 91,333,696	$ 1,640,000	$ 89,693,696

* SVCW will draw funds from the WIFIA loan to repay 100% of the 2021A/B Notes' principal.

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

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

The City/County Association of Governments of San Mateo County JPA 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 $115,267 for the year ended June 30, 2025. The City provided financial services to C/CAG and received $108,500 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.

NOTE 13 - JOINT VENTURES, CONTINUED

D. South Bayside Waste Management Authority ("SBWMA")

The South Bayside Waste Management Authority ('the Authority') JPA was formed 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 Assembly Bill (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.

Financial statements may be obtained by mailing a request to SBWMA, 610 Elm St. #202, San Carlos, CA 94070

E. Peninsula Traffic Congestion Relief Alliance ("Commute.org")

The Peninsula Traffic Congestion Relief Alliance 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, 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.

Financial statements may be obtained by mailing a request to the City of Millbrae, 621 Magnolia Avenue, Millbrae, CA 94030.

F. California Municipal Finance Authority ("CMFA")

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural, and community development through the financing of economic development and charitable activities throughout California. The CMFA also assists local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. Over 300 municipalities have become members of the CMFA.

On September 9, 2019, the City Council adopted Resolution 2019-071 authorizing the execution of a Joint Exercise of Powers Agreement and approving the issuance of tax-exempt bonds by the CMFA for the benefit of Charities Housing Development Corporation of Santa Clara County (the "Sponsor"), on behalf of Walnut Street, L. P., or a subsidiary or affiliate thereof (the "Borrower"), to provide for the financing of new construction of a 24-unit affordable rental housing facility for the benefit of the 817 Walnut Street project.

NOTE 13 - JOINT VENTURES, CONTINUED

G. San Mateo County Libraries

The San Mateo County Library JPA was established in 1999 to provide library services to community members. The Library JPA is comprised of the cities of Atherton, Belmont, Brisbane, East Palo Alto, Foster City, Half Moon Bay, Millbrae, North Fair Oaks, Pacifica, Portola Valley, San Carlos, Woodside, and the unincorporated areas of the county. The Library JPA is a separate independent entity with its own Governing Board, consisting of elected officials from each member entity. Its operations Committee is composed of City and County representative from each member entity.

In accordance with the Library JPA Agreement, and as approved by the JPA Governing Board, at the end of each fiscal year, funds in excess of the amount required to operate a community library are distributed and held by the Library JPA in separate trust funds. The excess dedicated library tax funds held on behalf of the City at June 30, 2025 was $3,564,342. These funds can be used by the City to cover the repairs, maintenance, and capital project costs for the library.

H. San Mateo Operational Area Emergency Services Organization (“OES”)

San Mateo County Operational Area (“OA”) JPA is comprised of all local governments within the geographic area of San Mateo County. The Emergency Services Council (“EMC”), which consists of representatives of the jurisdictions in the San Mateo County OA, is the governing and oversight body for the Emergency Services Organization Authority (“Organization”). The purpose of the organization is to operate pursuant to California’s Standard Emergency Management System (“SEMS”) and local adopted Emergency Operations Plans. The goal is to provide coordinated plans for the protection of persons and property based on the phases of emergency management.

I. Peninsula Clean Energy Authority of San Mateo County

Under the Community Choice Aggregation (“CCA”) program, San Mateo County and all 21 of its cities and towns formed Peninsula Clean Energy (“PCE”), a community-controlled, not-for-profit, joint powers agency in 2016. As a CCA, PCE offers many environmental and economic benefits to its residential and business customers. The purposes of the JPA is to reduce greenhouse gas emissions, provide electric power and other forms of energy to customers at a competitive cost, and reduce energy consumption. The Board of Directors consists of elected officials from each of the 21 cities within the County of San Mateo and the unincorporated areas of the county.

J. Service Agreements

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 an 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.

NOTE 13 – JOINT VENTURES, CONTINUED

J. Service Agreements, continued

Fire and Emergency Services Agreement with the City of Redwood City, continued

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.

In April 2018, the Cities of Redwood City and San Carlos negotiated a restated agreement, commencing on July 1, 2024 and expiring on June 30, 2027. Cost of services are be reviewed annually and brought forward for Council approval each year. The total charges for fiscal year 2025 were $10,100,931.

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's Office includes police management, patrol, investigation, traffic enforcement, community and school services, and 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.

In June 2020, the Council approved a 5-year agreement with the San Mateo County Sheriff's Office for July 2020 through June 2025. The total charges for fiscal year 2025 were $10,535,560. In June 2025, the Council approved a new 5-year agreement with the Sheriff's Office for July 2025 through June 2030.

Public Safety Communications Services Agreement with County of San Mateo

On November 13, 2012, the City Council approved an agreement with the County of San Mateo for police dispatch services, and the third amendment to the agreement was approved on May 24, 2021 for five years through June 30, 2026. The Sheriff's Office is a County department and uses only one dispatch provider. The dispatch service provider for the Sheriff's Office is a separate County department named "Public Safety Communications".

San Mateo County's Public Safety Communications Center is responsible for answering both emergency and non-emergency calls for service. The Communications Center is the primary answering point for 9-1-1 calls within the unincorporated areas of San Mateo County and the Cities of Half Moon Bay, Millbrae, East Palo Alto, Portola Valley, San Carlos, Woodside, and Broadmoor.

NOTE 14 - COMMITMENTS AND CONTIGENT 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 are subject to 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 of construction of the medical facility. 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 including grading and pile installation on the site. 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 would generate very little in sales tax revenue to 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 for an economically productive purpose.

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.

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. The Guaranteed Minimum Payment received in the fiscal year ended June 30, 2025 was $890,174.

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.

NOTE 14 - COMMITMENTS AND CONTIGENT LIABILITIES, CONTINUED

A. Palo Alto Medical Foundation Development Agreement, continued

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).

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

On November 13, 2018 Council approved amending 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. Ordinance 1538 was adopted by the Council on November 26, 2018. 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 was final with the remaining fee due at the time building permits were issued. PAMF was also required to make a contribution of $500,000 towards the US 101/Holly Pedestrian Bridge Project.

NOTE 14 - COMMITMENTS AND CONTIGENT LIABILITIES, CONTINUED

B. *Ordinance 1538 - Amending Development Agreement to the Palo Alto Medical Foundation, continued*

The initial contribution from PAMF to the City for the execution of the First Amendment to the Development Agreement was $2.5 million. The revenue sources contained in the Development Agreement are summarized in the following table:

	Funding Source	Summary Description	Current Status
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 $11,797,115 from years 1 through 17.
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 total of $252,700 construction user tax.
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 one 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. The funds were used to install a synthetic turf field at Lower Highlands Park Field.
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

NOTE 14 - COMMITMENTS AND CONTIGENT LIABILITIES, CONTINUED

C. Construction Commitments

Construction commitments as of June 30, 2025 consisted of the following projects:

Project Name	Contract Amount	Expenditures to date as of June 30, 2025	Remaining Commitments
Citywide Way-fiinding Program	$ 401,968	$ 123,930	$ 278,038
Fire Station Replacement	9,249,837	8,058,068	1,191,769
Pavement Rehabilitation	9,241,258	8,405,012	836,246
Repave Asphalt Walking Path at Highlands Park	665,300	381,693	283,607
San Carlos Ave Pedestrian Safety Improvements			
Phase III	2,275,751	1,898,009	377,742
Sewer Rehabilitiation	8,071,865	7,175,479	896,386
Storm Drain Improvements	2,304,251	2,189,038	115,213
Total	$ 32,210,230	$ 28,231,229	$ 3,979,001

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 Bill, 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.

The last and final Recognized Obligations Payment Schedule (“ROP”) and administrative costs budget for the period July 1, 2020 to June 30, 2035 was approved by the Department of Finance on November 18, 2019. The Successor Agency will no longer have to prepare and submit the ROPS on an annual basis. The last and final ROPS provides a permanent guarantee that all of the Successor Agency’s existing obligations will be repaid by 2035 without the annual review of the same debt items by the DOF under the current process.

NOTE 15 - SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, CONTINUED

A. Cash and Investments

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

Cash and investments	$ 1,143,342
Total Cash and Investments	$ 1,143,342

B. Long-term Debt

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

	Balance June 30, 2024	Retirements	Balance June 30, 2025	Due Within One Year
Notes Payable:				
Installment Purchase Agreement (a)	$ 2,052,726	$ (110,093)	$ 1,942,633	$ 121,320
2018 Tax Allocation Refunding Bonds (b)	8,220,496	(723,907)	7,496,589	743,938
Total	$ 10,273,222	$ (834,000)	$ 9,439,222	$ 865,258

(a) The Installment Purchase Agreement is a direct borrowing debt issue.
(b) The 2018 Tax Allocation Refunding Bonds are a direct placement debt issue.

C. Installment Purchase Agreement

On October 1, 1994, the Redevelopment 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 as the San Carlos Elms. The Redevelopment 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 Purchase Agreement are due monthly and principal payments began on May 1, 2012 and continue through June 1, 2035, bearing interest of 10.9%. As of June 30, 2025, the total principal and interest remaining on the debt is $3,044,683.

D. 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 is divided amongst the taxing entities. The 2007 Series A Tax Allocation Revenue Bonds were subsequently retired in May 2018.

NOTE 15 - SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, CONTINUED

D. Tax Allocation Refunding Bonds, continued

The 2018 Bonds are special obligations of the Successor 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 Redevelopment 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 Redevelopment 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 as of June 30, 2025 is $8,497,543 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 $1,272,640 and the debt service obligation on the bonds was $947,876.

E. Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for the debt outstanding as of June 30, 2025:

For the Year Ending June 30,	Direct Placement Tax Allocation Refunding Bonds			Direct Borrowing Installment Purchase Agreement		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 743,938	$ 203,051	$ 946,989	$ 121,320	$ 184,080	$ 305,400
2027	763,191	181,575	944,766	133,690	171,710	305,400
2028	786,641	159,490	946,131	147,325	158,075	305,400
2029	809,186	136,749	945,935	162,349	143,051	305,400
2030	830,798	113,380	944,178	178,905	126,495	305,400
2031-2035	3,562,835	206,709	3,769,544	1,199,044	318,639	1,517,683
Total	$ 7,496,589	$ 1,000,954	$ 8,497,543	$1,942,633	$1,102,050	$3,044,683

NOTE 16 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

In fiscal year 2025, the City recognized two prior period adjustments. The first was due to the implementation of GASB 101 – Compensated Absences. This resulted in a restatement of the prior year's compensated absences liability balance in order to include additional types of time off that were previously not included in the liability. Additionally, the City recognized cash held on their behalf for the City's library. Prior years did not include this cash. Please see below the results of these adjustments on fund balance and net position.

	Fund Statements		Government-Wide	
	Sewer	Nonmajor Governmental	Governmental Activities	Business-Type Activities
June 30, 2024, as previously reported	$ 89,619,424	$ 11,347,122	$ 317,666,560	$ 89,619,424
Implementation of GASB 101	(34,651)	-	(245,951)	(34,651)
Addition of cash held by fiscal agent	-	2,629,221	2,629,221	-
Recognition of prior year library revenues	-	231,113	231,113	-
June 30, 2024, as restated	$ 89,584,773	$ 14,207,456	$ 320,280,943	$ 89,584,773

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

CalPERS Cost Sharing Plan

Schedule of the Proportionate Share of the Net Pension Liability - Last Ten Fiscal Years

Miscellaneous

Measurement Date	6/30/2015	6/30/2016	6/30/2017
City's proportion of the net pension liability	0.25%	0.23%	0.23%
City's proportionate share of the net pension liability	$ 16,833,679	$ 20,234,806	$ 22,834,231
Covered payroll	$ 6,254,350	$ 6,577,443	$ 7,079,214
City's proportionate share of the net pension liability as percentage of its covered payroll	269%	308%	323%
City's fiduciary net position as a percentage of the City's proportion of the total pension liability	72.85%	68.77%	68.08%

Safety

Measurement Date	6/30/2015	6/30/2016	6/30/2017
City's proportion of the net pension liability	0.23%	0.21%	0.20%
City's proportionate share of the net pension liability	$ 15,579,631	$ 17,790,912	$ 19,520,586
Covered payroll	$ 109,603	$ 114,534	$ 119,583
City's proportionate share of the net pension liability as a percentage of its covered payroll	14215%	15533%	16324%
City's fiduciary net position as a percentage of the City's proportion of the total pension liability	69.92%	66.12%	64.49%

Notes to the 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 FY2023, the discount rate decreased from 7.15% to 6.9%

6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
0.18%	0.18%	0.12%	0.15%	0.35%	0.37%	0.31%
$ 17,011,933	$ 18,386,126	$ 12,569,004	$ 2,800,549	$ 16,367,826	$ 18,295,016	$ 14,945,493
$ 7,389,579	$ 7,885,229	$ 8,586,940	$ 8,595,270	$ 9,105,629	$ 10,363,808	$ 12,563,970
230%	233%	146%	33%	180%	177%	119%
76.94%	76.26%	84.31%	96.63%	81.39%	80.24%	84.49%

6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
0.20%	0.20%	0.19%	0.43%	0.33%	0.31%	0.30%
$ 19,398,821	$ 20,128,984	$ 20,988,636	$ 15,082,867	$ 22,401,494	$ 22,910,095	$ 21,914,000
$ 53,322	$ 103,575	$ 125,858	$ 141,154	$ 150,121	$ 57,357	$ 126,493
36381%	19434%	16676%	10685%	14922%	39943%	17324%
65.22%	65.05%	64.37%	74.51%	63.59%	63.50%	65.45%

CalPERS Cost Sharing Plan
Schedule of Pension Plan Contributions - Last 10 Fiscal Years

Miscellaneous

Fiscal Year Ended	**2016**	**2017**	**2018**	**2019**
Actuarially determined contribution	$ 1,102,597	$ 670,838	$ 6,926,132	$ 1,799,956
Contributions in relation to actuarially determined contributions	(1,102,597)	(670,838)	(6,926,132)	(1,799,956)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 6,577,443	$ 7,079,214	$ 7,389,579	$ 7,885,229
Contributions as a percentage of covered payroll	16.76%	9.48%	93.73%	22.83%

Safety

Fiscal Year Ended	**2016**	**2017**	**2018**	**2019**
Actuarially determined contribution	$ 1,169,706	$ 1,112,696	$ 1,255,290	$ 1,456,904
Contributions in relation to actuarially deemed contributions	(1,169,706)	(1,112,696)	(1,255,290)	(1,456,904)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 114,534	$ 119,583	$ 53,322	$ 103,575
Contributions as a percentage of covered payroll	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	8 years as of the Valuation Date
Asset valuation method	Market Value of Assets
Discount Rate	6.90%
Inflation	2.30%
Salary increases	Annual increase vary by category, entry age and duration of service
Retirement age	50 and up

2020	2021	2022	2023	2024	2025
$ 9,110,376	$ 3,418,397	$ 1,820,816	$ 2,107,821	$ 2,214,283	$ 2,292,902
(9,110,376)	(3,418,397)	(1,820,816)	(2,107,821)	(5,214,283)	(6,292,902)
$ -	$ -	$ -	$ -	$ (3,000,000)	$ (4,000,000)
$ 8,586,940	$ 8,595,270	$ 9,105,629	$ 10,363,808	$ 12,563,970	$ 13,077,920
106.10%	39.77%	20.00%	20.34%	41.50%	48.12%

2020	2021	2022	2023	2024	2025
$ 1,676,149	$ 1,830,722	$ 2,034,117	$ 2,207,219	$ 1,468,828	$ 1,718,140
(1,676,149)	(1,830,722)	(2,034,117)	(2,207,219)	(1,468,828)	(1,718,140)
$ -	$ -	$ -	$ -	$ -	$ -
$ 125,858	$ 141,154	$ 150,121	$ 57,357	$ 126,493	$ 150,227
1332%	1297%	1355%	3848%	1161%	1144%

City of San Carlos
Required Supplementary Information
For the year ended June 30, 2025

PARS Agent Multiple-Employer Longevity Recognition Plan
Schedule of Changes in the Net Pension Liability and Related Ratios - Last 10 Fiscal Years

Measurement Date	**6/30/2015**	**6/30/2016**	**6/30/2017**	**6/30/2018**
TOTAL PENSION LIABILITY				
Service cost	$ 239,822	$ 225,433	$ 229,629	$ 168,032
Interest	455,847	470,045	478,414	585,709
Changes in assumptions	-	802,583	(2,369,059)	-
Differences due to plan experience	-	-	1,055,691	-
Benefit payments	(261,805)	(299,652)	(333,528)	(359,186)
Net change in the total pension liability	433,864	1,198,409	(938,853)	394,555
Total pension liability - beginning	9,079,950	9,513,814	10,712,223	9,773,370
Total pension liability - ending (a)	$ 9,513,814	$ 10,712,223	$ 9,773,370	$ 10,167,925
PLAN FIDUCIARY NET POSITION				
Contributions - employer	$ 328,200	$ 350,000	$ 452,000	$ 1,520,000
Net investment income	29,190	15,848	128,999	116,751
Administrative expense	(373)	(394)	(455)	(2,367)
Benefit payments	(261,805)	(299,652)	(333,528)	(359,186)
Net change in plan fiduciary net position	95,212	65,802	247,016	1,275,198
Plan fiduciary net position - beginning	1,567,930	1,663,142	1,728,944	1,975,960
Plan fiduciary net position - ending (b)	$ 1,663,142	$ 1,728,944	$ 1,975,960	$ 3,251,158
Net pension liability - ending (a) - (b)	$ 7,850,672	$ 8,983,279	$ 7,797,410	$ 6,916,767
Plan fiduciary net position as a percentage of the total pension liability	17.48%	16.14%	20.22%	31.97%
Covered employee payroll[1]	$ 3,794,000	$ 3,848,632	$ 3,726,133	$ 3,451,329
Net pension liability as a percentage of covered payroll	206.92%	233.41%	209.26%	200.41%

Notes to the Schedule:

[1]Covered employee payroll as of June 30, 2015 only reflects 36 of 43 active.

6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
$ 173,493	$ 123,724	$ 127,436	$ 151,066	$ 155,598	$ 119,995
608,083	623,837	639,803	797,046	819,424	943,693
(36,873)	-	1,613,526	-	711,448	-
(2,151)	-	758,229	-	305,717	-
(413,387)	(447,071)	(523,269)	(560,537)	(598,838)	(669,925)
329,165	300,490	2,615,725	387,575	1,393,349	393,763
10,167,925	10,497,090	10,797,580	13,413,305	13,800,880	15,194,229
$ 10,497,090	$ 10,797,580	$ 13,413,305	$ 13,800,880	$ 15,194,229	$ 15,587,992
$ 459,000	$ 630,300	$ 638,000	$ 620,000	$ 668,000	$ 888,300
183,313	126,101	688,031	(480,064)	209,317	384,905
(549)	(11)	(756)	(776)	(405)	(814)
(413,387)	(447,071)	(523,269)	(560,537)	(598,838)	(669,925)
228,377	309,319	802,006	(421,377)	278,074	602,466
3,251,158	3,479,535	3,788,854	4,590,860	4,169,483	4,447,557
$ 3,479,535	$ 3,788,854	$ 4,590,860	$ 4,169,483	$ 4,447,557	$ 5,050,023
$ 7,017,555	$ 7,008,726	$ 8,822,445	$ 9,631,397	$ 10,746,672	$ 10,537,969
33.15%	35.09%	34.23%	30.21%	29.27%	32.40%
$ 3,492,842	$ 3,274,152	$ 3,118,362	$ 3,001,909	$ 3,419,268	$ 2,926,533
200.91%	214.06%	282.92%	320.84%	314.30%	360.08%

PARS Agent Multiple-Employer Longevity Recognition Plan
Schedule of Pension Plan Contributions - Last 10 Fiscal Years

Fiscal Year Ended	**2016**	**2017**	**2018**	**2019**
Actuarially determined contribution	$ 765,384	$ 834,000	$ 857,928	$ 795,117
Contributions in relation to actuarially determined contributions	(350,000)	(452,000)	(1,520,000)	(459,000)
Contribution deficiency (excess)	$ 415,384	$ 382,000	$ (662,072)	$ 336,117
Covered employee payroll	$ 3,794,000	$ 3,848,632	$ 3,726,133	$ 3,492,842
Contributions as a percentage of covered employee payroll	9.23%	11.74%	40.79%	13.14%

Notes to Schedule

	2016	2017	2018	2019
Valuation date	June 30, 2015		June 30, 2017	
Actuarial cost method	Entry-Age Normal		Entry-Age Normal	
Amortization method	Level % of Pay		Level dollar	
Amortization period	24 years	23 years	20 years	19 years
Discount Rate	6.00%		6.00%	
Inflation	2.50%		2.75%	
Annual salary increases	2.50%		3.25%	
Investment rate of return	6.00%		6.00%	
Mortality	CalPERS 2014 Experience Study		CalPERS 2014 Experience Study	
Mortality improvement	Scale BB projected to 2028		MacLeod Watts Scale 2017	

2020	2021	2022	2023	2024	2025
$ 640,965	$ 624,585	$ 619,847	$ 883,364	$ 833,153	$ 976,280
(630,300)	(638,000)	(620,000)	(668,000)	(888,300)	(893,500)
$ 10,665	$ (13,415)	$ (153)	$ 215,364	$ (55,147)	$ 82,780
$ 3,274,152	$ 3,118,362	$ 3,001,909	$ 3,419,268	$ 2,926,533	$ 3,558,584
19.25%	20.46%	20.65%	19.54%	30.35%	25.11%
June 30, 2019			June 30, 2021		June 30, 2023
Entry-Age Normal			Entry-Age Normal		Entry-Age Normal
Level dollar			Level dollar		Level dollar
30 years	30 years	29 years	28 years	27 years	26 years
6.00%			6.00%		6.30%
2.50%			2.50%		2.50%
3.00%			3.00%		3.00%
6.00%			6.00%		6.30%
CalPERS 2017 Experience Study			CalPERS 2017 Experience Study		CalPERS 2021 Experience Study
MacLeod Watts Scale 2020			MacLeod Watts Scale 2022		MacLeod Watts Scale 2022

Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Fiscal Years*

Measurement Date	**6/30/2017**	**6/30/2018**	**6/30/2019**	**6/30/2020**
Total OPEB Liability				
Service cost	$ 99,800	$ 103,043	$ 112,103	$ 95,744
Interest	372,359	378,808	377,356	316,059
Differences between expected and actual experience	-	-	(791,845)	-
Benefit payments	(350,018)	(416,540)	(430,477)	(446,408)
Changes of assumptions	-	153,245	(192,646)	-
Net change in the total OPEB liability	122,141	218,556	(925,509)	(34,605)
Total OPEB liability - beginning	5,394,624	5,516,765	5,735,321	4,809,812
Total OPEB liabilty - ending (a)	5,516,765	5,735,321	4,809,812	4,775,207
Plan Fiduciary Net Position				
Contribution - employer	470,037	1,502,744	575,870	476,115
Net investment income	127,483	117,747	162,210	103,926
Administrative expense	(656)	(904)	(578)	(1,446)
Other expenses	-	(2,011)	-	-
Benefit payments	(350,018)	(416,540)	(430,477)	(446,408)
Net change in plan fiduciary net position	246,846	1,201,036	307,025	132,187
Plan fiduciary net position - beginning	1,273,705	1,520,551	2,721,587	3,028,612
Plan fiduciary net position - ending (b)	1,520,551	2,721,587	3,028,612	3,160,799
Net OPEB liability/(asset) - ending (a) - (b)	$ 3,996,214	$ 3,013,734	$ 1,781,200	$ 1,614,408
Covered-employee payroll	$ 7,198,797	$ 7,720,689	$ 8,235,888	$ 8,951,213
Net OPEB liability as a percentage of covered-employee payroll	55.51%	39.03%	21.63%	18.04%

* Fiscal year 2018 was the 1st year of implementation.

6/30/2021	6/30/2022	6/30/2023	6/30/2024
$ 98,616	$ 103,834	$ 106,950	$ 132,484
315,162	282,490	284,001	301,645
(314,122)	-	171,464	174,903
(409,504)	(380,832)	(348,077)	(317,009)
290,478	-	36,223	(210,794)
(19,370)	5,492	250,561	81,229
4,775,207	4,755,837	4,761,329	5,011,890
4,755,837	4,761,329	5,011,890	5,093,119
432,960	400,799	390,000	306,194
858,046	(534,670)	222,899	407,006
(1,173)	(1,011)	(1,012)	(1,217)
-	-	-	-
(409,504)	(380,832)	(348,077)	(317,009)
880,329	(515,714)	263,810	394,974
3,160,799	4,041,128	3,525,414	3,789,224
4,041,128	3,525,414	3,789,224	4,184,198
$ 714,709	$ 1,235,915	$ 1,222,666	$ 908,921
$ 8,822,720	$ 9,348,265	$ 10,871,968	$ 12,131,476
8.10%	13.22%	11.25%	7.49%

Schedule of OPEB Contributions - Last 10 Fiscal Years*

Fiscal Year Ended June 30,	**2018**	**2019**	**2020**	**2021**
Actuarially determined contribution	$ 471,538	$ 373,834	$ 289,800	$ 274,899
Contributions in relation to the actuarially determined contribution	(1,502,744)	(575,870)	(476,115)	(432,960)
Contribution deficiency (excess)	$ (1,031,206)	$ (202,036)	$ (186,315)	$ (158,061)
Covered employee payroll	$ 7,198,797	$ 8,235,888	$ 8,951,213	$ 8,822,720
Contributions as a percentage of covered employee payroll	20.87%	6.99%	5.32%	4.91%

*Fiscal year 2018 was the 1st year of implementation.

Notes to Schedule

Valuation date	June 30, 2017		June 30, 2019	
Actuarial cost method	Entry-Age Normal		Entry-Age Normal	
Amortization method	Level dollar		Level dollar	
Amortization period	Closed 22 years	Closed 21 years	Closed 20 years	Closed 19 years
Asset valuation method	Market value		Market value	
Inflation	2.75%		2.50%	
Healthcare Trend Rates	7.5% to 5% in 0.5% steps		5.4% in 2021, fluctuates until ultimate rate of 4% in 2076	
Salary increases	3.25%		3.00%	
Investment rate of return	7.00%		6.25%	
Retirement age	Ages 50 to 75		Ages 50 to 75	
Mortality	CalPERS 2014 Experience Study		CalPERS 2017 Experience Study	
Mortality improvement	MacLeod Watts Scale 2017		MacLeod Watts Scale 2020	

2022		2023		2024		2025	
$	262,208	$	231,807	$	161,582	$	271,863
	(400,799)		(390,000)		(306,194)		(344,860)
$	(138,591)	$	(158,193)	$	(144,612)	$	(72,997)
$	9,348,265	$	10,871,968	$	12,131,476	$	14,987,604
	4.29%		3.59%		2.52%		2.30%

June 30, 2019 Entry-Age Normal Level dollar	June 30, 2021 Entry-Age Normal Level dollar		June 30, 2023 Entry-Age Normal Level dollar
Closed 18 years	Closed 17 years	Closed 16 years	Closed 15 years
Market value	Market value		Market value
2.50%	2.50%		2.50%
5.4% in 2021, fluctuates until ultimate rate of 4% in 2076	5.8% in 2023, fluctuates until ultimate rate of 3.9% in 2076		6.5% in 2025, fluctuates until ultimate rate of 3.9% in 2075
3.00%	3.00%		3.00%
6.25%	6.05%		6.05%
Ages 50 to 75	Ages 50 to 75		Ages 50 to 75
CalPERS 2017 Experience Study	CalPERS 2017 Experience Study		CalPERS 2021 Experience Study
MacLeod Watts Scale 2020	MacLeod Watts Scale 2022		MacLeod Watts Scale 2022

This page intentionally left blank

SUPPLEMENTARY INFORMATION

City of San Carlos
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Improvement
For the year ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Property taxes	$ 3,000,000	$ 3,000,000	$ 3,331,926	$ 331,926
Franchise taxes	2,600,000	2,600,000	2,824,746	224,746
Licenses and permits	1,195,500	1,195,500	737,621	(457,879)
From other agencies	550,000	550,000	749,336	199,336
Use of money and property	124,900	124,900	175,564	50,664
Other revenue	3,768,157	3,768,157	234,380	(3,533,777)
Total revenues	11,238,557	11,238,557	8,053,573	(3,184,984)
EXPENDITURES:				
Current:				
Capital outlay	39,248,024	41,153,339	12,470,713	28,682,626
Total expenditures	39,248,024	41,153,339	12,470,713	28,682,626
REVENUES OVER (UNDER) EXPENDITURES	(28,009,467)	(29,914,782)	(4,417,140)	25,497,642
OTHER FINANCING SOURCES (USES):				
Transfers in	3,007,470	3,007,470	3,007,478	8
Transfers out	(3,275,000)	(3,275,000)	(3,275,000)	-
Total other financing sources (uses)	(267,530)	(267,530)	(267,522)	8
Net change in fund balances	$ (28,276,997)	$ (30,182,312)	$ (4,684,662)	$ 25,497,650
FUND BALANCES:				
Beginning of year			35,094,125	
End of year			$ 30,409,463	

City of San Carlos

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Housing Capital Projects Fund

For the year ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ 263,100	$ 263,100	$ 194,381	$ (68,719)
Other revenue	7,390,800	7,390,800	554,184	(6,836,616)
Total revenues	7,653,900	7,653,900	748,565	(6,905,335)
EXPENDITURES:				
Current:				
Community development	1,149,500	1,149,500	813,901	335,599
Capital outlay	20,269,229	20,269,229	10,745	20,258,484
Total expenditures	21,418,729	21,418,729	824,646	20,594,083
REVENUES OVER (UNDER)				
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	-	-	3,259,998	3,259,998
Total other financing sources (uses)	-	-	3,259,998	-
Net change in fund balances	$ (13,764,829)	$ (13,764,829)	3,183,917	$ 16,948,746
FUND BALANCES:				
Beginning of year			14,252,340	
End of year			$ 17,436,257	

City of San Carlos

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax

For the year ended June 30, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	$ 23,700	$ 23,700	$ 4,581	$ (19,119)
From other agencies	1,911,600	1,911,600	1,771,108	(140,492)
Charges for services	3,100	3,100	11,664	8,564
Use of money and property	140,100	140,100	1,116,173	976,073
Total revenues	2,078,500	2,078,500	2,903,526	825,026
EXPENDITURES:				
Current:				
Public works	1,216,100	1,216,100	1,216,102	(2)
Capital outlay	9,460,000	9,460,000	6,077,421	3,382,579
Total expenditures	10,676,100	10,676,100	7,293,523	3,382,577
REVENUES OVER (UNDER) EXPENDITURES	(8,597,600)	(8,597,600)	(4,389,997)	4,207,603
OTHER FINANCING SOURCES (USES):				
Transfers in	7,767,900	7,767,900	7,767,900	-
Total other financing sources (uses)	7,767,900	7,767,900	7,767,900	-
Net change in fund balances	$ (829,700)	$ (829,700)	3,377,903	$ 4,207,603
FUND BALANCES:				
Beginning of year			17,686,924	
End of year			$ 21,064,827	

City of San Carlos
Nonmajor Governmental Funds
Year Ended June 30, 2025

Special Revenue Funds:

NPDES Funds: 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.

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. The revenue received is used to augment capital projects in the Gas Tax Fund.

Measure W Fund: Used to account for the City's share of one-half cent sales tax. The Measure W went into effect in July of 2019 for 30 years. The funding is used to improve transit, relieve congestion, repair potholes, maintain streets and improve pedestrian safety.

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 Services Fund: Used to accumulate the annual tax levies earmarked for payment of principal and interest on the General Obligation Bonds.

City of San Carlos
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			Capital Projects Funds	
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement	Measure A
ASSETS					
Cash and investments	$ 852,616	$ 430,588	$ 2,680,055	$ 3,265,607	$ 335,086
Cash and investments with fiscal agents	-	-	3,564,342	-	-
Receivables:					
Accounts receivable	19,495	-	-	-	-
Total assets	$ 872,111	$ 430,588	$ 6,244,397	$ 3,265,607	$ 335,086
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	1,400	-	15,402	-	-
Unearned revenue	-	-	1,801,519	-	-
Total liabilities	1,400	-	1,816,921	-	-
Fund Balances:					
Restricted for:					
General government	-	-	1,747,421	-	-
Community development	-	-	-	-	-
Public safety	-	430,588	-	-	-
Parks and recreation	-	-	-	-	-
Public works	870,711	-	-	-	335,086
Committed to:					
General government	-	-	2,680,055	-	-
Capital projects	-	-	-	3,265,607	-
Total fund balances	870,711	430,588	4,427,476	3,265,607	335,086
Total liabilities, deferred inflows of resources and fund balances	$ 872,111	$ 430,588	$ 6,244,397	$ 3,265,607	$ 335,086

Measure W	Park In-Lieu	Parking In-Lieu	Child Care Development	San Carlos Library Bonds	Total Nonmajor Governmental Funds
Capital Projects Funds				Debt Service Fund	
$ 323,621	$ 1,473,326	$ 21,158	$ 767,937	$ -	$ 10,149,994
-	-	-	-	-	3,564,342
44,073	-	360	-	-	63,928
$ 367,694	$ 1,473,326	$ 21,518	$ 767,937	$ -	$ 13,778,264
-	50,050	-	102,575	-	169,427
-	-	360	-	-	1,801,879
-	50,050	360	102,575	-	1,971,306
-	-	-	-	-	1,747,421
-	-	21,158	665,362	-	686,520
-	-	-	-	-	430,588
-	1,423,276	-	-	-	1,423,276
367,694	-	-	-	-	1,573,491
-	-	-	-	-	2,680,055
-	-	-	-	-	3,265,607
367,694	1,423,276	21,158	665,362	-	11,806,958
$ 367,694	$ 1,473,326	$ 21,518	$ 767,937	$ -	$ 13,778,264

City of San Carlos
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2025

	Special Revenue Funds			Capital Projects Funds	
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement	Measure A
REVENUES:					
Sales taxes	$ -	$ -	$ -	$ -	$ 1,118,272
Property taxes	-	-	295,503	-	-
From other agencies	504,778	194,663	-	-	-
Use of money and property	43,742	22,164	-	-	17,275
Other revenue	223,791	-	-	-	-
Total revenues	772,311	216,827	295,503	-	1,135,547
EXPENDITURES:					
Current:					
Public safety	-	150,000	-	-	-
Public works	746,603	-	60,000	-	84,706
Capital outlay	-	-	45,885	40,009	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	746,603	150,000	105,885	40,009	84,706
REVENUES OVER (UNDER) EXPENDITURES	25,708	66,827	189,618	(40,009)	1,050,841
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	460,000	-
Transfers out	-	-	(1,331,981)	-	(1,236,000)
Total other financing sources (uses)	-	-	(1,331,981)	460,000	(1,236,000)
Net change in fund balances	25,708	66,827	(1,142,363)	419,991	(185,159)
FUND BALANCES:					
Beginning of year	845,003	363,761	2,709,505	2,845,616	520,245
Restatement for fiscal agent cash addition	-	-	2,860,334	-	-
Beginning of year, as restated	845,003	363,761	5,569,839	2,845,616	520,245
End of year	$ 870,711	$ 430,588	$ 4,427,476	$ 3,265,607	$ 335,086

Capital Projects Funds				Debt Service Fund	
Measure W	Park In-Lieu	Parking In-Lieu	Child Care Development	San Carlos Library Bonds	Total Nonmajor Governmental Funds
$ 497,978	$ -	$ -	$ -	$ -	$ 1,616,250
-	-	-	-	498,381	793,884
-	-	-	-	-	699,441
16,559	75,821	1,828	39,689	15,983	233,061
-	241,963	-	-	-	465,754
514,537	317,784	1,828	39,689	514,364	3,808,390
-	-	-	-	-	150,000
-	-	-	-	-	891,309
-	556,584	39,432	464,829	-	1,146,739
-	-	-	-	1,460,000	1,460,000
-	-	-	-	44,900	44,900
-	556,584	39,432	464,829	1,504,900	3,692,948
514,537	(238,800)	(37,604)	(425,140)	(990,536)	115,442
-	-	-	-	283,266	743,266
(406,900)	-	(73,663)	-	(210,662)	(3,259,206)
(406,900)	-	(73,663)	-	72,604	(2,515,940)
107,637	(238,800)	(111,267)	(425,140)	(917,932)	(2,400,498)
260,057	1,662,076	132,425	1,090,502	917,932	11,347,122
-	-	-	-	-	2,860,334
260,057	1,662,076	132,425	1,090,502	917,932	14,207,456
$ 367,694	$ 1,423,276	$ 21,158	$ 665,362	$ -	$ 11,806,958

City of San Carlos
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
NPDES
For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
From other agencies	$ 523,000	$ 504,778	$ (18,222)
Use of money and property	13,400	43,742	30,342
Other revenue	183,300	223,791	40,491
Total revenues	719,700	772,311	52,611
EXPENDITURES:			
Current:			
Public works	787,100	746,603	40,497
Total expenditures	787,100	746,603	40,497
REVENUES OVER (UNDER) EXPENDITURES	(67,400)	25,708	93,108
Net change in fund balances	$ (67,400)	25,708	$ 93,108
FUND BALANCES:			
Beginning of year		845,003	
End of year		$ 870,711	

City of San Carlos

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Police Grants

For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
From other agencies	$ 180,000	$ 194,663	$ 14,663
Use of money and property	7,100	22,164	15,064
Total revenues	187,100	216,827	29,727
EXPENDITURES:			
Current:			
Public safety	168,800	150,000	18,800
Total expenditures	168,800	150,000	18,800
REVENUES OVER (UNDER) EXPENDITURES	18,300	66,827	48,527
Net change in fund balances	$ 18,300	66,827	$ 48,527
FUND BALANCES:			
Beginning of year		363,761	
End of year		$ 430,588	

City of San Carlos

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

San Carlos Library Tenant

For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	$ 1,377,300	$ 295,503	$ (1,081,797)
Total revenues	1,377,300	295,503	(1,081,797)
EXPENDITURES:			
Current:			
Public works	1,222,859	60,000	1,162,859
Capital outlay	800,000	45,885	754,115
Total expenditures	2,022,859	105,885	1,916,974
REVENUES OVER (UNDER) EXPENDITURES	(645,559)	189,618	835,177
OTHER FINANCING SOURCES (USES):			
Transfers out	(1,331,981)	(1,331,981)	-
Total other financing sources (uses)	(1,331,981)	(1,331,981)	-
Net change in fund balances	$ (1,977,540)	(1,142,363)	$ 835,177
FUND BALANCES:			
Beginning of year		2,709,505	
Restatement		2,860,334	
Beginning of year, as restated		5,569,839	
End of year		$ 4,427,476	

City of San Carlos
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Equipment Replacement
For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES:			
Current:			
Capital outlay	$ 538,600	$ 40,009	$ 498,591
Total expenditures	538,600	40,009	498,591
OTHER FINANCING SOURCES (USES):			
Transfers in	460,000	460,000	-
Total other financing sources (uses)	460,000	460,000	-
Net change in fund balances	$ (78,600)	419,991	$ 498,591
FUND BALANCES:			
Beginning of year		2,845,616	
End of year		$ 3,265,607	

City of San Carlos
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure A
For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Sales taxes	$ 1,246,100	$ 1,118,272	$ (127,828)
Use of money and property	10,900	17,275	6,375
Total revenues	1,257,000	1,135,547	(121,453)
EXPENDITURES:			
Current:			
Public works	95,900	84,706	11,194
Total expenditures	95,900	84,706	11,194
REVENUES OVER (UNDER) EXPENDITURES	1,161,100	1,050,841	(110,259)
OTHER FINANCING SOURCES (USES):			
Transfers out	(1,236,000)	(1,236,000)	-
Total other financing sources (uses)	(1,236,000)	(1,236,000)	-
Net change in fund balances	$ (74,900)	(185,159)	$ (110,259)
FUND BALANCES:			
Beginning of year		520,245	
End of year		$ 335,086	

City of San Carlos
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure W
For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Sales taxes	$ 406,900	$ 497,978	$ 91,078
Use of money and property	600	16,559	15,959
Total revenues	407,500	514,537	107,037
OTHER FINANCING SOURCES (USES):			
Transfers out	(406,900)	(406,900)	-
Total other financing sources (uses)	(406,900)	(406,900)	-
Net change in fund balances	$ 600	107,637	$ 107,037
FUND BALANCES:			
Beginning of year		260,057	
End of year		$ 367,694	

City of San Carlos
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Park In-Lieu
For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Use of money and property	$ 22,800	$ 75,821	$ 53,021
Other revenue	1,221,100	241,963	(979,137)
Total revenues	1,243,900	317,784	(926,116)
EXPENDITURES:			
Current:			
Capital outlay	2,572,604	556,584	2,016,020
Total expenditures	2,572,604	556,584	2,016,020
EXPENDITURES	(1,328,704)	(238,800)	1,089,904
Net change in fund balances	$ (1,328,704)	(238,800)	$ 1,089,904
FUND BALANCES:			
Beginning of year		1,662,076	
End of year		$ 1,423,276	

City of San Carlos

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Parking In-Lieu

For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Use of money and property	$ -	$ 1,828	$ 1,828
Total revenues	-	1,828	1,828
EXPENDITURES:			
Current:			
Capital outlay	51,496	39,432	12,064
Total expenditures	51,496	39,432	12,064
EXPENDITURES	(51,496)	(37,604)	13,892
OTHER FINANCING SOURCES (USES):			
Transfers out	(73,655)	(73,663)	(8)
Total other financing sources (uses)	(73,655)	(73,663)	(8)
Net change in fund balances	$ (125,151)	(111,267)	$ 13,884
FUND BALANCES:			
Beginning of year		132,425	
End of year		$ 21,158	

City of San Carlos

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Child Care Development

For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses and permits	$ 4,000,000	$ -	$ (4,000,000)
Use of money and property	78,400	39,689	(38,711)
Total revenues	4,078,400	39,689	(4,038,711)
EXPENDITURES:			
Current:			
Capital outlay	1,500,000	464,829	1,035,171
Total expenditures	1,500,000	464,829	1,035,171
REVENUES OVER (UNDER) EXPENDITURES	2,578,400	(425,140)	(3,003,540)
Net change in fund balances	$ 2,578,400	(425,140)	$ (3,003,540)
FUND BALANCES:			
Beginning of year		1,090,502	
End of year		$ 665,362	

City of San Carlos
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
San Carlos Library Bonds
For the year ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	$ 412,000	$ 498,381	$ 86,381
Total revenues	412,000	514,364	102,364
EXPENDITURES:			
Current:			
Debt service:			
Principal	1,460,000	1,460,000	-
Interest and fiscal charges	44,900	44,900	-
Total expenditures	1,504,900	1,504,900	-
REVENUES OVER (UNDER) EXPENDITURES	(1,092,900)	(990,536)	102,364
OTHER FINANCING SOURCES (USES):			
Transfers in	283,266	283,266	-
Transfers out	-	(210,662)	(210,662)
Total other financing sources (uses)	283,266	72,604	(210,662)
Net change in fund balances	$ (809,634)	(917,932)	$ (108,298)
FUND BALANCES:			
Beginning of year		917,932	
End of year		$ -	

This page intentionally left blank

City of San Carlos
Internal Service Funds
Year Ended June 30, 2025

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:

Worker's 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 Statement of Net Position
Internal Service Funds
June 30, 2025

	Workers' Compensation	Liability Insurance	Longevity Benefits	Totals
ASSETS				
Current Assets:				
Cash and investments	$ 341,329	$ 1,973,152	$ 223,771	$ 2,538,252
Receivables:				
Accounts receivable	-	4,730	-	4,730
Total current assets	341,329	1,977,882	223,771	2,542,982
Total assets	341,329	1,977,882	223,771	2,542,982
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,253	37,659	-	38,912
Claims payable - current	92,000	264,400	-	356,400
Total current liabilities	93,253	302,059	-	395,312
Noncurrent liabilities:				
Claims payable	-	2,680,600	-	2,680,600
Total noncurrent liabilities	-	2,680,600	-	2,680,600
Total liabilities	93,253	2,982,659	-	3,075,912
NET POSITION				
Unrestricted	248,076	(1,004,777)	223,771	(532,930)
Total net position	$ 248,076	$ (1,004,777)	$ 223,771	$ (532,930)

City of San Carlos

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the year ended June 30, 2025

	Workers' Compensation	Liability Insurance	Longevity Benefits	Totals
OPERATING REVENUES:				
Charges for services	$ -	$ -	$ 1,154,300	$ 1,154,300
Cost reimbursements	283,700	1,636,200	-	1,919,900
Total operating revenues	283,700	1,636,200	1,154,300	3,074,200
OPERATING EXPENSES:				
Insurance premiums	316,545	1,606,349	-	1,922,894
Claims expense	13,000	2,174,529	1,132,500	3,320,029
Miscellaneous	36,479	17,077	-	53,556
Total operating expenses	366,024	3,797,955	1,132,500	5,296,479
Operating income (loss)	(82,324)	(2,161,755)	21,800	(2,222,279)
NONOPERATING REVENUES (EXPENSES):				
Investment income	17,563	100,660	12,446	130,669
Miscellaneous	-	4,730	-	4,730
Total nonoperating revenues (expenses)	17,563	105,390	12,446	135,399
Income before contributions and transfers	(64,761)	(2,056,365)	34,246	(2,086,880)
Change in net position	(64,761)	(2,056,365)	34,246	(2,086,880)
NET POSITION:				
Beginning of year	312,837	1,051,588	189,525	1,553,950
End of year	$ 248,076	$ (1,004,777)	$ 223,771	$ (532,930)

City of San Carlos
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2025

	Workers' Compensation	Liability Insurance	Longevity Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from/(paid to) interfund services	$ 283,700	$ 1,636,200	$ 1,154,300	$ 3,074,200
Cash paid to suppliers for goods and services	(347,540)	233,884	-	(113,656)
Claims paid	(13,000)	(2,174,529)	(1,132,500)	(3,320,029)
Net cash provided by (used in) operating activities	(76,840)	(304,445)	21,800	(359,485)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	17,563	100,660	12,446	130,669
Net cash provided by (used in) investing activities	17,563	100,660	12,446	130,669
Net cash flows	(59,277)	(203,785)	34,246	(228,816)
CASH AND INVESTMENTS - Beginning of year	400,606	2,176,937	189,525	2,767,068
CASH AND INVESTMENTS - End of year	$ 341,329	$ 1,973,152	$ 223,771	$ 2,538,252
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	$ (82,324)	$ (2,161,755)	$ 21,800	$ (2,222,279)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in assets and liabilities				
Accounts payable	(7,516)	(24,690)	-	(32,206)
Claims payable	13,000	1,882,000	-	1,895,000
Net cash provided by (used in) operating activities	$ (76,840)	$ (304,445)	$ 21,800	$ (359,485)

City of San Carlos
Custodial Funds
Year Ended June 30, 2025

Custodial Funds are used to account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

City/County Association of Governments of San Mateo County: Used to account for activities relating to C/CAG. The City acts as a fiscal agent for this entity.

Peninsula Traffic Congestion Relief Alliance: Used to account for activities relating to PTCRA, also known as Commute.org. The City acts as a fiscal agent for this entity.

City of San Carlos
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025

	City/County Association of Governments of San Mateo County	Totals
ASSETS		
Cash and investments	$ 32,089,788	$ 32,089,788
Receivables:		
Accounts receivable	5,977,946	5,977,946
Notes and loans	2,741,801	2,741,801
Total assets	40,809,535	40,809,535
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	8,602,565	8,602,565
Unearned revenue	755,840	755,840
Total liabilities	9,358,405	9,358,405
NET POSITION		
Restricted for:		
Other governments	31,451,130	31,451,130
Total net position	$ 31,451,130	$ 31,451,130

City of San Carlos

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

For the year ended June 30, 2025

	City/County Association of Governments of San Mateo County	Peninsula Traffic Congestion Relief Alliance	Totals
ADDITIONS:			
Members contributions	$ 2,706,782	$ -	$ 2,706,782
Intergovernmental	14,404,292	-	14,404,292
Fees and assessments	2,683,460	-	2,683,460
Miscellaneous	1,820,568	-	1,820,568
Total additions	21,615,102	-	21,615,102
DEDUCTIONS:			
Administrative expenses	803,837	-	803,837
Distribution	11,294,396	-	11,294,396
Professional services	9,582,616	-	9,582,616
Interest expense	107,584	-	107,584
Transfer of operations	-	1,285,610	1,285,610
Total deductions	21,788,433	1,285,610	23,074,043
Change in net position	(173,331)	(1,285,610)	(1,458,941)
NET POSITION:			
Beginning of year	31,624,461	1,285,610	32,910,071
End of year	$ 31,451,130	$ -	$ 31,451,130

This page intentionally left blank

STATISTICAL SECTION

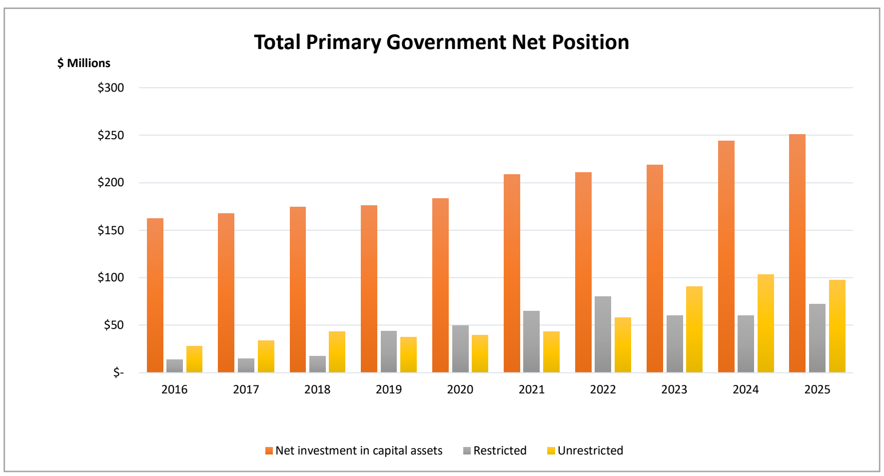
This page intentionally left blank

CITY OF SAN CARLOS, CALIFORNIA

Net Position by Component

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets	$ 140,578,718	$ 139,749,356	$ 143,590,862	$ 144,862,733	$ 151,378,234	$ 174,874,347	$ 178,194,511	$ 187,070,728	$ 209,355,476	$ 214,481,945
Restricted	13,634,148	14,913,451	17,552,239	21,956,488	20,162,108	29,895,196	37,564,261	41,151,273	40,517,835	45,839,705
Unrestricted	14,261,604	19,429,741	26,566,944	37,335,673	39,591,734	43,510,702	57,901,459	61,443,931	67,793,249	66,790,912
Total governmental activities net position	$ 168,474,470	$ 174,092,548	$ 187,710,045	$ 204,154,894	$ 211,132,076	$ 248,280,245	$ 273,660,231	$ 289,665,932	$ 317,666,560	$ 327,112,562
Business-type activities										
Net investment in capital assets	$ 21,838,351	$ 27,740,303	$ 31,170,136	$ 31,475,466	$ 32,069,977	$ 33,829,658	$ 32,740,661	$ 31,849,273	$ 34,679,308	$ 36,467,557
Restricted				$ 21,920,835	$ 29,481,877	$ 35,287,006	$ 42,484,597	$ 19,149,996	$ 19,745,878	$ 26,584,905
Unrestricted	13,613,839	14,360,124	17,040,516	-	-	-	-	29,474,042	35,194,238	31,072,048
Total business-type activities net position	$ 35,452,190	$ 42,100,427	$ 48,210,652	$ 53,396,301	$ 61,551,854	$ 69,116,664	$ 75,225,258	$ 80,473,311	$ 89,619,424	$ 94,124,510
Primary government										
Net investment in capital assets	$ 162,417,069	$ 167,489,659	$ 174,760,998	$ 176,338,199	$ 183,448,211	$ 208,704,005	$ 210,935,172	$ 218,920,001	$ 244,034,784	$ 250,949,502
Restricted	13,634,148	14,913,451	17,552,239	43,877,323	49,643,985	65,182,202	80,048,858	60,301,269	60,263,713	72,424,610
Unrestricted	27,875,443	33,789,865	43,607,460	37,335,673	39,591,734	43,510,702	57,901,459	90,917,973	102,987,487	97,862,960
Total primary government net position	$ 203,926,660	$ 216,192,975	$ 235,920,697	$ 257,551,195	$ 272,683,930	$ 317,396,909	$ 348,885,489	$ 370,139,243	$ 407,285,984	$ 421,237,072



CITY OF SAN CARLOS, CALIFORNIA

Changes in Net Position

Last Ten Fiscal Years

	2016	2017	2018	2019
Expenses				
Governmental Activities:				
General Government	$ 6,017,538	$ 6,329,346	$ 10,536,582	$ 6,380,239
Public Safety	17,430,558	18,375,585	19,030,927	20,312,716
Public Works	8,266,278	7,978,435	9,153,462	9,228,138
Community Development	4,096,699	4,700,675	3,916,838	4,573,922
Parks and Recreation	2,367,444	3,858,835	3,127,329	3,887,509
Interest on Long Term Debt	268,810	81,837	73,925	65,287
Total Governmental Activities Expenses	38,447,327	41,324,713	45,839,063	44,447,811
Business-Type Activities:				
Sewer	14,067,910	9,663,209	10,604,504	12,864,967
Total Business-Type Activities Expenses	14,067,910	9,663,209	10,604,504	12,864,967
Total Primary Government Expenses	$ 52,515,237	$ 50,987,922	$ 56,443,567	$ 57,312,778
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	$ 1,258,805	$ 1,297,282	$ 1,323,703	$ 1,373,465
Public Safety	518,876	618,102	522,690	671,586
Public Works	2,222,932	1,502,215	3,419,090	1,944,495
Community Development	4,359,416	3,618,051	4,075,435	3,479,906
Parks and Recreation	1,499,342	1,630,102	1,576,562	1,555,971
Operating Grants and Contributions	1,717,004	2,093,580	4,864,283	4,625,477
Capital Grants and Contributions	4,295,854	2,416,816	973,726	1,495,483
Total Government Activities Program Revenues	15,872,229	13,176,148	16,755,489	15,146,383
Business-Type Activities:				
Charges for Services:				
Sewer	16,798,299	16,793,613	17,487,381	18,294,560
Total Business-Type Activities Program Revenue	16,798,299	16,793,613	17,487,381	18,294,560
Total Primary Government Program Revenues	$ 32,670,528	$ 29,969,761	$ 34,242,870	$ 33,440,943
Net (Expense)/Revenue				
Governmental Activities	$ (22,575,098)	$ (28,148,565)	$ (29,083,574)	$ (29,301,428)
Business-Type Activities	2,730,389	7,130,404	6,882,877	5,429,593
Total Primary Government Net Expense	$ (19,844,709)	$ (21,018,161)	$ (22,200,697)	$ (23,871,835)

CITY OF SAN CARLOS, CALIFORNIA

Changes in Net Position, Continued

Last Ten Fiscal Years

	2016	2017	2018	2019
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	$ 12,117,407	$ 12,867,544	$ 13,777,611	$ 16,025,098
Sales Taxes	10,708,021	11,574,662	12,716,614	12,931,123
Motor Vehicle In-Lieu	2,744,676	2,933,877	3,202,810	3,563,988
Transient Occupancy Tax	1,578,740	1,570,815	1,655,658	3,123,042
Nonregulatory Franchise and Business	3,552,639	3,792,976	3,962,800	4,121,311
Use of money and property	3,147,860	2,271,719	2,782,096	4,507,003
Loss on sale of capital assets	-	(2,686,318)	-	-
Other	1,284,689	867,468	1,307,380	877,612
Transfers	562,600	573,900	457,400	597,100
Special item	-	-	6,000,000	-
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-
Total Government Activities	35,696,632	33,766,643	45,862,369	45,746,277
Business-Type Activities:				
Use of money and property	109,244	91,733	199,087	353,156
Miscellaneous Revenues	-	-	-	-
Transfers	(562,600)	(573,900)	(457,400)	(597,100)
Total Business-Type Activities	(453,356)	(482,167)	(258,313)	(243,944)
Total Primary Government	$ 35,243,276	$ 33,284,476	$ 45,604,056	$ 45,502,333
Change in Net Position				
Governmental Activities	$ 13,121,534	$ 5,618,078	$ 16,778,795	$ 16,444,849
Business-Type Activities	2,277,033	6,648,237	6,624,564	5,185,649
Total Primary Government	$ 15,398,567	$ 12,266,315	$ 23,403,359	$ 21,630,498

2020	2021	2022	2023	2024	2025
$ 14,340,628	$ 6,858,609	$ 4,493,858	$ 10,446,877	$ 11,813,891	$ 14,406,978
21,394,936	21,027,010	24,199,562	17,769,354	25,152,834	27,394,130
12,497,686	10,685,934	10,159,609	12,614,810	13,370,534	19,368,760
6,972,347	4,246,931	6,581,083	11,251,181	8,944,176	9,007,205
3,028,761	2,792,235	4,040,188	6,038,409	6,289,256	6,343,368
55,762	44,819	153,069	151,336	138,845	150,743
58,290,120	45,655,538	49,627,369	58,271,967	65,709,536	76,671,184
11,835,352	12,997,274	14,605,088	16,854,061	15,490,221	19,764,696
11,835,352	12,997,274	14,605,088	16,854,061	15,490,221	19,764,696
$ 70,125,472	$ 58,652,812	$ 64,232,457	$ 75,126,028	$ 81,199,757	$ 96,435,880
$ 1,325,656	$ 1,421,092	$ 1,469,529	$ 1,752,358	$ 1,673,312	$ 2,095,381
600,031	541,764	693,247	616,154	780,273	611,628
1,769,924	2,486,563	2,184,256	1,796,250	2,339,750	1,550,463
3,747,032	6,862,012	6,017,022	8,616,137	7,026,446	6,686,303
1,248,126	626,332	1,746,721	2,271,107	2,540,873	2,973,639
6,190,174	4,761,192	6,680,012	5,143,377	14,080,420	5,347,117
3,793,984	20,833,501	10,648,635	799,268	703,084	879,653
18,674,927	37,532,456	29,439,422	20,994,651	29,144,158	20,144,184
19,955,871	21,188,241	22,049,838	21,998,455	22,750,509	22,334,324
19,955,871	21,188,241	22,049,838	21,998,455	22,750,509	22,334,324
$ 38,630,798	$ 58,720,697	$ 51,489,260	$ 42,993,106	$ 51,894,667	$ 42,478,508
$ (39,615,193)	$ (8,123,082)	$ (20,187,947)	$ (37,277,316)	$ (36,565,378)	$ (56,527,000)
8,120,519	8,190,967	7,444,750	5,144,394	7,260,288	2,569,628
$ (31,494,674)	$ 67,885	$ (12,743,197)	$ (32,132,922)	$ (29,305,090)	$ (53,957,372)

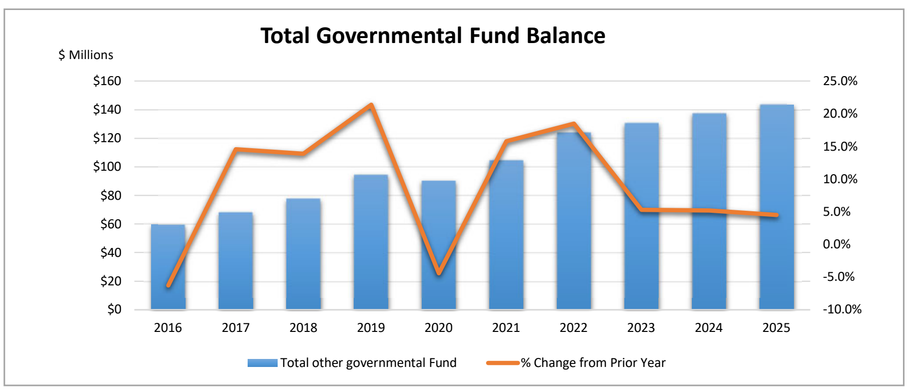
2020	2021	2022	2023	2024	2025
$ 16,865,800	$ 17,311,790	$ 18,624,289	$ 20,850,666	$ 22,281,079	$ 22,985,809
12,638,700	12,533,764	14,537,028	14,550,326	14,117,775	13,848,303
3,602,983	2,314,833	3,504,285	5,776,971	3,659,037	4,632,029
2,461,423	1,200,905	2,136,750	2,744,571	3,422,950	3,787,802
4,180,156	4,112,616	4,354,709	4,764,139	5,058,846	5,257,449
5,331,720	2,348,979	841,322	5,878,004	13,153,260	10,410,584
-	-	-	-	-	-
902,593	814,964	910,850	854,310	2,160,659	1,695,743
609,000	633,400	658,700	685,000	712,400	740,900
-	-	-	-	-	-
-	-	-	-	-	-
46,592,375	41,271,251	45,567,933	56,103,987	64,566,006	63,358,619
644,034	5,685	(686,201)	784,041	2,595,334	2,712,009
-	1,558	8,745	4,618	2,891	-
(609,000)	(633,400)	(658,700)	(685,000)	(712,400)	(740,900)
35,034	(626,157)	(1,336,156)	103,659	1,885,825	1,971,109
$ 46,627,409	$ 40,645,094	$ 44,231,777	$ 56,207,646	$ 66,451,831	$ 65,329,728
$ 6,977,182	$ 33,148,169	$ 25,379,986	$ 18,826,671	$ 28,000,628	$ 6,831,619
8,155,553	7,564,810	6,108,594	5,248,053	9,146,113	4,540,737
$ 15,132,735	$ 40,712,979	$ 31,488,580	$ 24,074,724	$ 37,146,741	$ 11,372,356

CITY OF SAN CARLOS, CALIFORNIA

Fund Balances - Governmental Funds

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	$ 348,263	$ 380,712	$ 607,633	$ 398,241	$ 203,543	$ 309,293	$ 1,143,006	$ 1,835,629	$ 2,231,946	$ 2,536,503
Restricted	-	-								
Committed	11,291,795	12,131,795	15,924,352	15,810,239	16,509,727	14,509,727	15,497,178	7,191,795	10,191,795	22,038,611
Assigned	14,000,000	16,841,500	9,841,500	19,341,500	16,841,500	19,341,500	24,341,500	42,566,107	43,831,582	35,741,500
Unassigned	3,971,159	2,698,673	3,177,129	2,888,220	2,890,529	3,542,557	3,128,480	2,878,734	2,729,716	2,493,307
Total General Fund	$ 29,611,217	$ 32,052,680	$ 29,550,614	$ 38,438,200	$ 36,445,299	$ 37,703,077	$ 44,110,164	$ 54,472,265	$ 58,985,039	$ 62,809,921
Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	13,634,148	14,913,451	17,552,239	21,956,488	20,162,108	29,895,196	37,564,261	41,151,273	40,517,835	45,839,705
Committed	16,433,787	21,406,130	30,751,795	34,128,375	33,745,063	37,045,447	42,324,165	34,966,490	37,862,676	34,877,800
Assigned	-	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	
Total other governmental Fund	$ 30,067,935	$ 36,319,581	$ 48,304,034	$ 56,084,863	$ 53,907,171	$ 66,940,643	$ 79,888,426	$ 76,117,763	$ 78,380,511	$ 80,717,505
Total Governmental Fund Balance	$ 59,679,152	$ 68,372,261	$ 77,854,648	$ 94,523,063	$ 90,352,470	$ 104,643,720	$ 123,998,590	$ 130,590,028	$ 137,365,550	$ 143,527,426
% Change from Prior Year	-6.3%	14.6%	13.9%	21.4%	-4.4%	15.8%	18.5%	5.3%	5.2%	4.5%



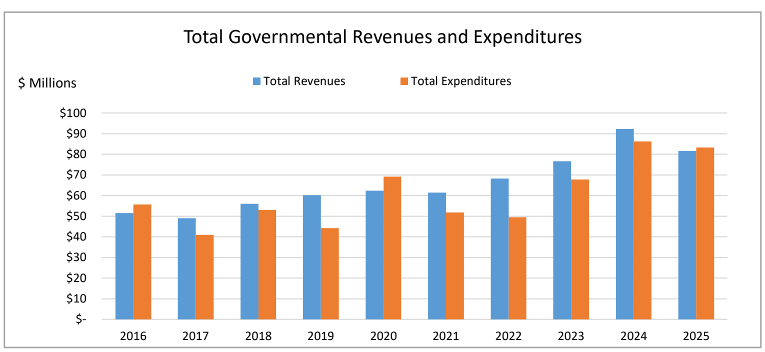
CITY OF SAN CARLOS, CALIFORNIA

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	$ 30,701,483	$ 32,739,874	$ 35,315,493	$ 39,764,562	$ 39,749,062	$ 37,473,908	$ 43,157,061	$ 48,686,673	$ 48,539,687	$ 50,806,894
Licenses, permits and fees	4,534,737	3,511,276	5,671,196	3,759,871	3,574,107	6,211,124	5,606,760	5,066,703	7,674,060	6,486,877
Fines and forfeitures	234,697	255,632	202,126	283,864	266,630	159,652	218,320	201,583	159,740	135,981
Use of money and property	3,143,760	2,195,096	2,680,870	4,393,214	5,206,157	2,277,391	643,279	6,039,524	13,085,907	10,346,652
From other agencies	4,360,957	2,753,794	1,602,792	1,974,384	3,090,322	4,241,884	5,929,398	4,486,383	8,055,276	3,312,040
Charges for services	4,253,198	3,952,620	4,231,562	4,130,312	3,855,545	4,576,734	5,475,185	8,736,888	6,262,911	7,073,882
Other	4,236,064	3,613,927	6,373,700	5,920,652	6,592,001	6,511,943	7,235,156	3,367,670	8,558,988	3,467,294
Total Revenues	51,464,896	49,022,219	56,077,739	60,226,859	62,333,824	61,452,636	68,265,159	76,585,424	92,336,569	81,629,620
Expenditures										
Current:										
General government	4,988,340	4,840,215	12,350,097	5,695,234	16,144,942	6,091,767	6,299,799	8,697,351	10,650,554	11,974,182
Public safety	17,340,123	17,827,665	18,568,952	19,567,510	20,351,411	20,681,262	21,178,999	22,807,499	24,094,045	25,692,927
Public works	4,612,132	8,930,843	11,417,750	9,223,438	6,166,679	6,123,584	7,251,780	8,421,707	9,470,558	9,778,907
Community development	4,134,764	4,250,662	4,668,424	4,400,138	8,099,919	5,989,739	7,230,955	8,456,924	7,601,927	8,090,261
Parks and recreation	2,775,229	2,816,465	2,919,349	2,997,533	2,945,962	2,024,703	3,642,195	4,473,637	5,050,902	5,289,300
Capital outlay	12,271,896	1,887,675	2,771,420	1,898,256	15,148,607	10,454,826	3,272,541	14,293,348	28,680,063	20,756,162
Debt service:										
Principal repayment	9,210,000	250,000	265,000	290,000	320,000	365,000	520,253	538,141	568,497	1,634,871
Interest and fiscal charges	300,908	99,485	91,760	83,435	74,285	63,905	172,467	169,409	156,901	162,910
Total Expenditures	55,633,392	40,903,010	53,052,752	44,155,544	69,251,805	51,794,786	49,568,989	67,858,016	86,273,447	83,379,520
Excess (deficiency) of revenues over (under) expenditures	(4,168,496)	8,119,209	3,024,987	16,071,315	(6,917,981)	9,657,850	18,696,170	8,727,408	6,063,122	(1,749,900)
Other Financing Sources (Uses)										
Transfers in	4,815,399	5,846,109	9,469,241	3,832,100	4,759,300	8,507,150	6,184,600	10,293,000	14,242,400	12,585,106
Transfers (out)	(4,252,799)	(5,272,209)	(9,011,841)	(3,235,000)	(4,150,300)	(7,873,750)	(5,525,900)	(9,608,000)	(13,530,000)	(11,844,206)
Proceeds from sale of property	(380,523)	-	-	-	-	-	-	-	-	3,259,998
Proceeds from leases	-	-	-	-	-	-	-	-	-	1,050,544
Capital contribution	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	182,077	573,900	457,400	597,100	609,000	633,400	658,700	685,000	712,400	5,051,442
Special item	-	-	6,000,000	-	2,138,388	-	-	-	-	-
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-	-	-	-	-	-	-
Net Change in fund balances	$ (3,986,419)	$ 8,693,109	$ 9,482,387	$ 16,668,415	$ (4,170,593)	$ 10,291,250	$ 19,354,870	$ 9,412,408	$ 6,775,522	$ 3,301,542
Debt service as a percentage of noncapital expenditures	20.7%	1.0%	0.8%	1.0%	0.9%	1.1%	1.5%	1.3%	1.2%	2.3%

- Debt service as a percentage of non-capital expenditures is presented in the bottom portio the J-4. Non-capital expenditures are defined in GASB's Implementation Guide to GASBS (Q. 25) as total governmental fund expenditures less the amount reported as capital ou and less any expenditures for capitalized assets reported in the functional expendi categories. The debt service ratio has been presented on the face of a district's J-9 statist table for years prior to GASBS 44 implementation.

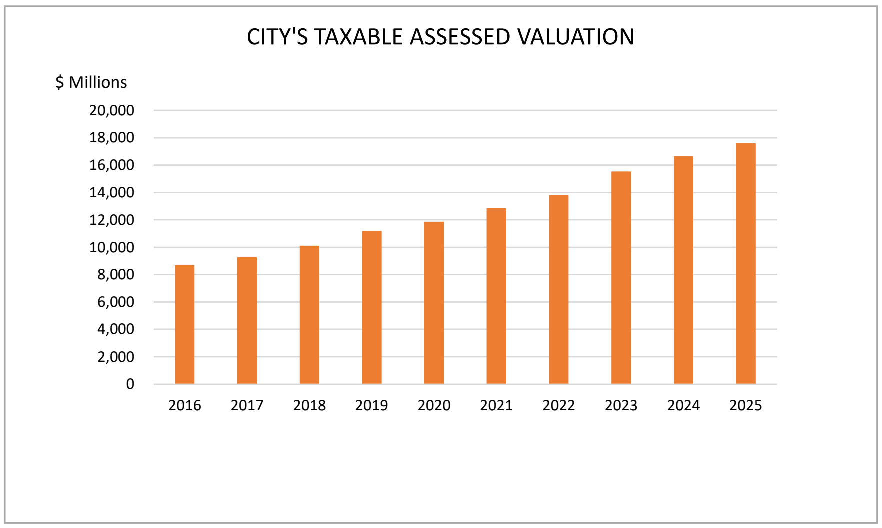


CITY OF SAN CARLOS, CALIFORNIA

Assessed Valuation, Tax Rates and Tax Levies

LAST TEN FISCAL YEARS

	Real Property								
Fiscal Year	**Residential Property**	**Commercial Property**	**Industrial Property**	**Others**	**Total Real Property**	**Unsecured Property**	**Total Assessed**	**% Change from Prior Year**	**Total Direct Tax Rate**
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	8,895,551,269	381,768,262	9,277,319,531	8.94%	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
2020	9,274,656,525	1,134,157,010	908,575,428	84,410,613	11,401,799,576	465,645,550	11,867,445,126	6.00%	0.11317
2021	10,058,881,929	1,207,502,590	1,101,271,014	97,747,547	12,465,403,080	388,462,296	12,853,865,376	8.31%	0.11219
2022	10,631,737,121	1,336,437,032	1,279,668,947	133,084,452	13,380,927,552	423,846,897	13,804,774,449	7.40%	0.11207
2023	11,567,728,737	1,464,899,784	1,908,269,890	93,708,394	15,034,606,805	508,848,926	15,543,455,731	12.59%	0.11221
2024	12,223,099,549	1,636,516,297	2,110,699,507	101,592,516	16,071,907,869	584,712,269	16,656,620,138	7.16%	0.11273
2025	12,806,139,453	1,762,797,376	2,294,159,141	137,741,675	17,000,837,645	593,127,569	17,593,965,214	5.63%	0.11288



Source:

San Mateo County Assessor 2014/15 - 2023/24 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.

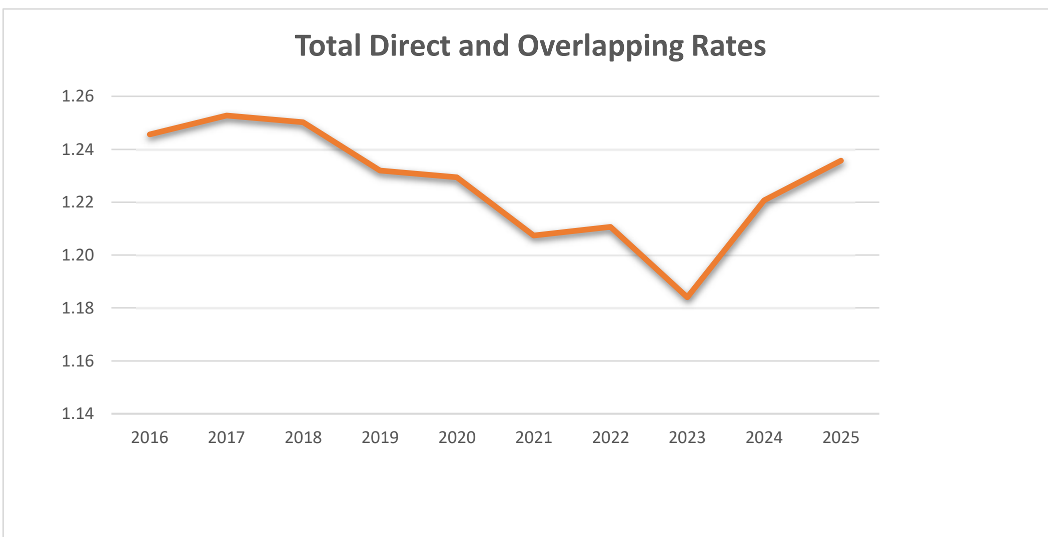
CITY OF SAN CARLOS, CALIFORNIA

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Rate per $100 of Taxable Value)

Fiscal Year	Basic Levy	[1]City's Share of 1% Levy Per Prop 13	City Debt Rate	San Mateo Junior College	San Carlos Elementary	Sequoia Union High	Belmont Redwood City Redwood Shore Elementary	Mid-Peninsula Regional Open Space	San Mateo Community College	Total Direct Overlapping Tax Rate	Total Direct Rate*
2016	1.0000	0.10803	0.0042	0.0250	0.0725	0.0434	0.1005	0.0008	-	1.2456	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
2020	1.0000	0.10798	0.0032	0.0231	0.0604	0.0340	0.1071	0.0016	0.0035	1.2294	0.11317
2021	1.0000	0.10800	0.0023	0.0176	0.0559	0.0315	0.0949	0.0015	0.0037	1.2074	0.11219
2022	1.0000	0.10798	0.0023	0.0227	0.0542	0.0290	0.1010	0.0015	-	1.2107	0.11207
2023	1.0000	0.10811	0.0023	0.0193	0.0487	0.0286	0.0838	0.0013	-	1.1840	0.11221
2024	1.0000	0.10811	0.0023	0.0190	0.0455	0.0391	0.1136	0.0012	-	1.2207	0.11273
2025	1.0000	0.10819	0.0022	0.0178	0.0696	0.0388	0.1060	0.0013	-	1.2357	0.11288



Source:
San Mateo County Assessor 2014/15 - 2023/24 Tax Rate Table

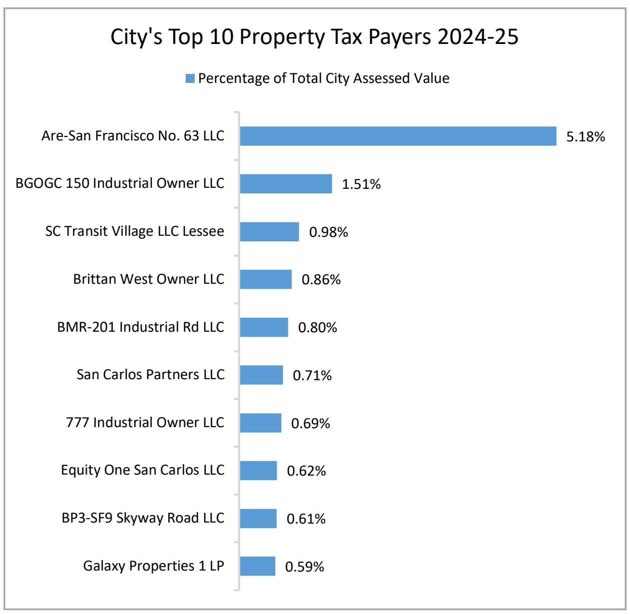
[1]City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.
The ERAF portion of the City's Levy has been subtracted where known.
*Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information

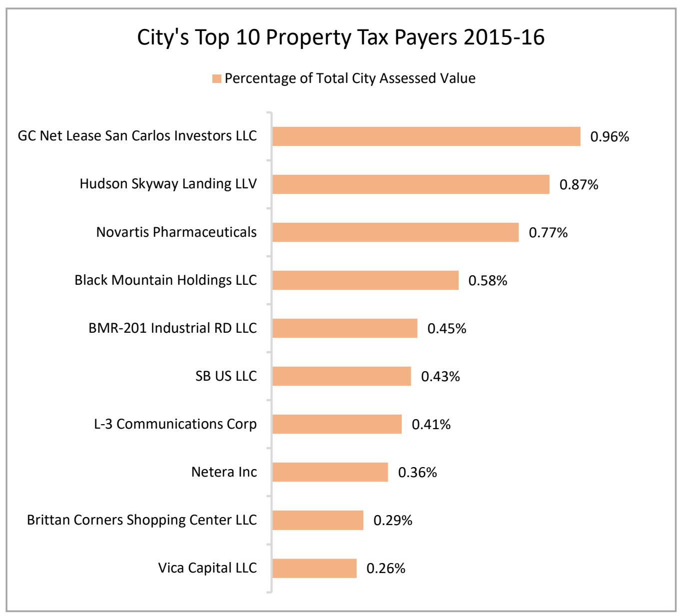
CITY OF SAN CARLOS, CALIFORNIA

Principal Property Tax Payers

Current Fiscal Year and Ten Years Prior

	2024-2025				2015-2016		
Taxpayer	Assessed Value	Rank	Percentage of Total City Assessed Value	Taxpayer	Assessed Value	Rank	Percentage of Total City Assessed Value
Are-San Francisco No. 63 LLC	880,494,067	1	5.18%	GC Net Lease San Carlos Investors LLC	83,463,942	1	0.96%
BGOGC 150 Industrial Owner LLC	257,476,000	2	1.51%	Hudson Skyway Landing LLV	75,135,794	2	0.87%
SC Transit Village LLC Lessee	166,145,625	3	0.98%	Novartis Pharmaceuticals	66,833,574	3	0.77%
Brittan West Owner LLC	145,762,548	4	0.86%	Black Mountain Holdings LLC	50,553,576	4	0.58%
BMR-201 Industrial Rd LLC	135,710,123	5	0.80%	BMR-201 Industrial RD LLC	39,447,033	5	0.45%
San Carlos Partners LLC	121,105,218	6	0.71%	SB US LLC	37,707,313	6	0.43%
777 Industrial Owner LLC	116,632,143	7	0.69%	L-3 Communications Corp	35,210,635	7	0.41%
Equity One San Carlos LLC	104,879,143	8	0.62%	Netera Inc	31,511,816	8	0.36%
BP3-SF9 Skyway Road LLC	104,040,000	9	0.61%	Brittan Corners Shopping Center LLC	24,835,355	9	0.29%
Galaxy Properties 1 LP	100,107,900	10	0.59%	Vica Capital LLC	22,992,261	10	0.26%
Total Top 10 Taxpayers' Totals	$ 2,132,352,767		12.54%		$ 467,691,299		5.39%
City's Total Assessed Valuation	$ 17,000,837,645		100%		$ 8,677,344,782		100%





Source:

San Mateo County Assessor 2023/24 Combined Tax Rolls and the SBE Non Unitary Tax Roll

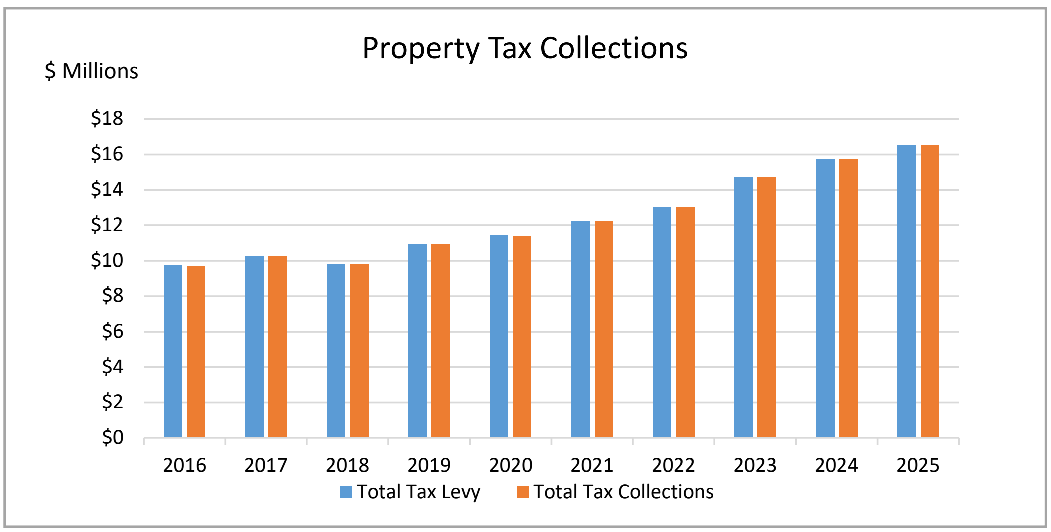
Top Property Tax Payers Based on Net Values

CITY OF SAN CARLOS, CALIFORNIA

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
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%
2020	11,428,769	11,413,296	99.86%	-	11,413,296	99.86%
2021	12,254,878	12,245,969	99.93%	-	12,245,969	99.93%
2022	13,029,897	12,992,668	99.71%	-	12,992,668	99.71%
2023	14,695,947	14,712,607	100.11%	-	14,712,607	100.11%
2024	15,730,685	15,711,611	99.88%	-	15,711,611	99.88%
2025	16,513,888	16,499,328	99.91%	-	16,499,328	99.91%



Source

San Mateo County Assessor 2015/16 - 2024/25 Combined Tax Rolls

2024-25 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.

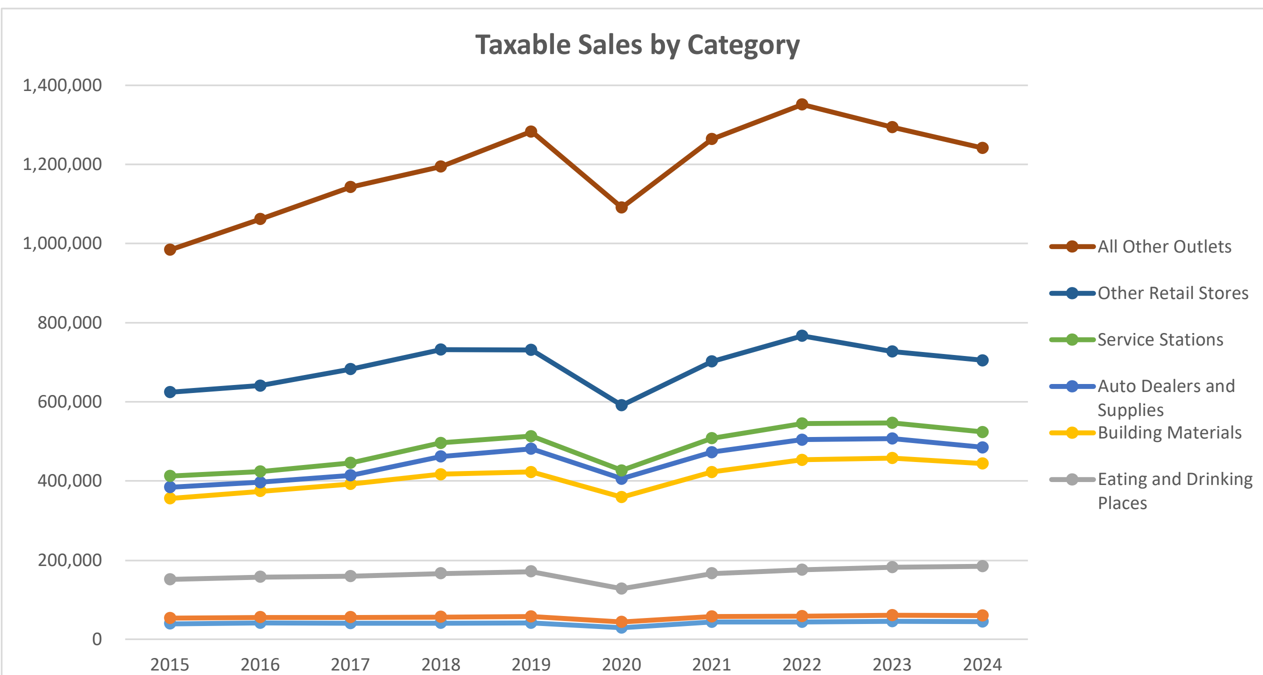
CITY OF SAN CARLOS, CALIFORNIA

Taxable Sales by Category

Last Ten Calendar Years

(in thousand of dollars)

Calendar Year	Apparel Stores	Food Stores	Eating and Drinking Places	Building Materials	Auto Dealers and Supplies	Service Stations	Other Retail Stores	All Other Outlets	Total
2015	39,734	14,234	97,633	204,361	28,425	28,635	211,316	360,231	984,570
2016	41,589	14,411	101,801	216,796	22,208	27,227	216,757	420,826	1,061,615
2017	40,818	15,220	103,949	232,152	22,084	31,269	237,269	459,643	1,142,405
2018	41,328	15,382	110,051	250,050	45,220	34,051	235,914	462,522	1,194,517
2019	42,033	15,749	113,877	250,847	58,949	31,594	218,286	551,640	1,282,976
2020	29,560	14,842	83,389	231,779	45,896	21,052	165,132	499,293	1,090,943
2021	43,989	13,863	108,809	255,925	50,018	35,525	193,909	562,033	1,264,071
2022	44,422	14,517	117,005	277,345	51,096	40,737	221,772	584,276	1,351,169
2023	45,583	15,218	121,888	275,418	49,123	39,721	180,093	566,613	1,293,658
2024	45,242	15,390	123,903	259,573	40,601	38,968	180,991	536,554	1,241,220



Source:
State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office, The HdL Companies

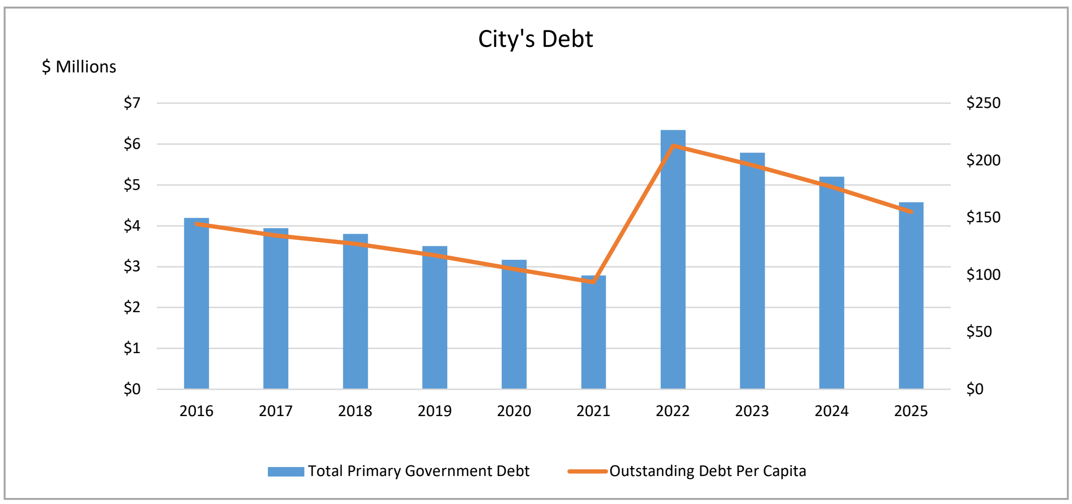
CITY OF SAN CARLOS, CALIFORNIA

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Governmental Activities

Fiscal Year	General Obligation Bonds Public Library	ABAG Lease Agreement	2015 Refunding General Obligation Bonds	Lease Obligations	Total Primary Government Debt	% of Personal Income (a)	Outstanding Debt Per Capita
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	0.14%	117
2020	-	-	3,166,658	-	3,166,658	0.12%	105
2021	-	-	2,787,135	-	2,787,135	0.10%	93
2022	-	-	2,382,612	3,959,368	6,341,980	0.20%	213
2023	-	-	1,953,089	3,836,227	5,789,316	0.17%	196
2024	-	-	1,503,566	3,702,729	5,206,295	0.14%	177
2025	-	-	-	4,578,402	4,578,402	(a)	155



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.

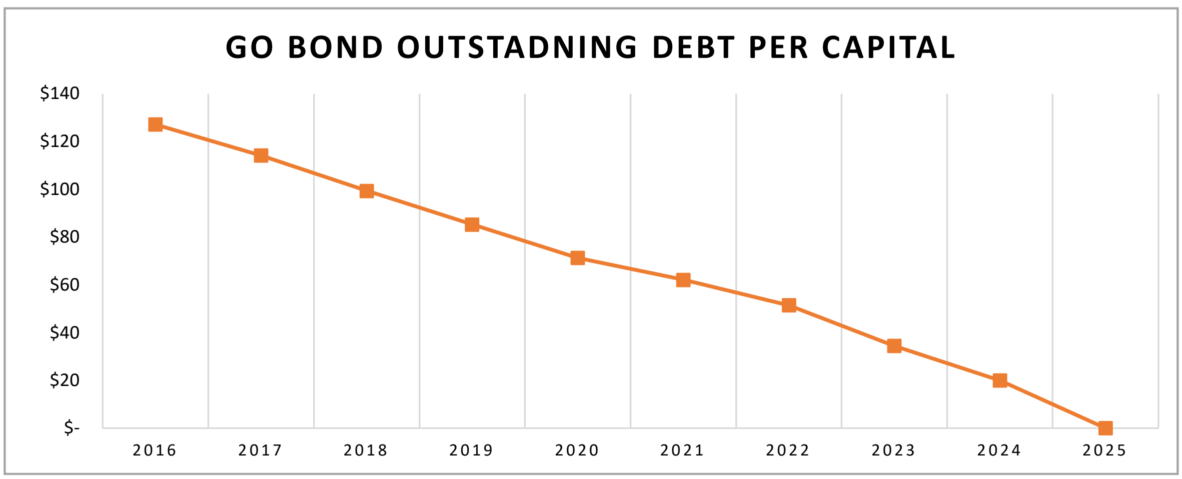
(a) See Schedule (Demographic Statistics) for personal income and population data. Data for 2024 is not available.

CITY OF SAN CARLOS, CALIFORNIA

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

	General Bonded Debt Outstanding					
Fiscal Year	**2005 General Obligation Debt (1)**	**2015 Refunding General Obligation Bond ***	**Less: Amounts Available in Debt Service Fund (2)**	**Total (5)**	**Percentrage of Assessed Value (3)**	**Per Capita (4)**
2016	-	4,349,750	661,476	3,688,274	0.04%	127.15
2017	-	4,085,227	739,933	3,345,294	0.04%	114.13
2018	-	3,805,704	837,295	2,968,409	0.03%	99.29
2019	-	3,501,181	956,071	2,545,110	0.02%	85.22
2020	-	3,166,658	1,020,951	2,145,707	0.02%	71.18
2021		2,787,135	936,862	1,850,273	0.01%	62.06
2022		2,382,612	849,879	1,532,733	0.01%	51.37
2023		1,953,089	851,383	1,101,706	0.01%	34.40
2024		1,503,566	917,932	585,634	0.003%	19.91
2025		-	-	-	n/a	0.00



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
5. Bond was paid off in June 2025

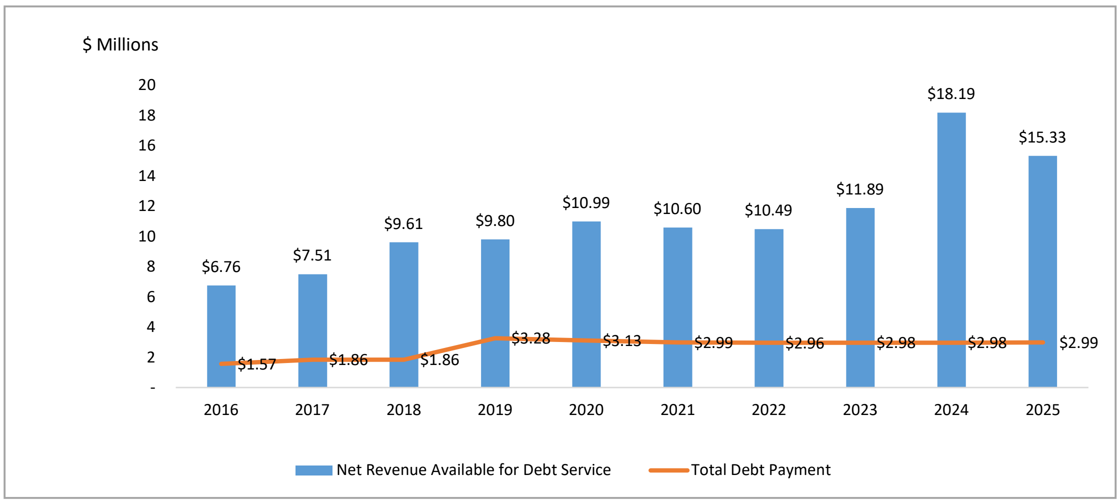
*Updated to include bond premium

CITY OF SAN CARLOS, CALIFORNIA

Pledged Revenue Coverage

Last Ten Fiscal Years

San Carlos Sewer Fund - SVCW 2008, 2009, 2014, 2015, 2018, 2020 Financing Agreements									
		Financing Agreement							
Fiscal Year	Net Revenue Available for Debt Service	2008	2009	2014	2015	2018	2020	Total Debt Payment	Coverage
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
2020	10,988,237	-	473,934	645,811	584,198	1,424,138	-	3,128,081	3.51
2021	10,596,556	-	-	646,146	924,750	1,423,138	-	2,994,034	3.54
2022	10,487,651	-	-	-	-	1,420,220	1,542,917	2,963,137	3.54
2023	11,894,221	-	-	-	-	1,422,750	1,559,760	2,982,510	3.99
2024	18,194,951					1,422,351	1,559,760	2,982,111	6.10
2025	15,332,756					1,421,343	1,564,164	2,985,507	5.14



Source

City of San Carlos Annual Financial Statements

CITY OF SAN CARLOS, CALIFORNIA

Direct And Overlapping Debt

June 30, 2025

2024-25 Assessed Valuation	$17,435,984,617
Redevelopment Successor Agency Incremental Valuation	$2,389,603,439

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2025	Percentage Applicable (1)	City's Share of Debt 6/30/2025
San Mateo Community College District	$ 655,171,697	5.355%	$ 35,084,444
Sequoia Union High School District	449,512,000	12.504%	56,206,980
Belmont-Redwood Shores School District	124,104,335	5.533%	6,866,693
Belmond-Redwood Shores School Facilities Improvement District	38,785,685	8.755%	3,395,687
Redwood Shores School Facilities Improvement District	14,630,000	1.157%	169,269
Redwood City School District	241,985,000	2.682%	6,490,038
San Carlos School District	140,271,219	96.757%	135,722,223
City of San Carlos	**1,000,000**	100%	**1,000,000**
Midpeninsula Regional Open Space District	114,920,000	4.040%	4,642,768
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	$ 1,780,379,936		$ 249,578,104
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Mateo County General Fund Obligations	$ 530,970,772	5.355%	$ 28,433,485
San Mateo County Board of Education Certificates of Participation	5,330,000	5.355%	285,422
Belmont-Redwood Shores School District General Fund Obligations	4,494,140	5.533%	248,661
Midpeninsula Regional Park District General Fund Obligations	74,065,600	4.040%	2,992,250
San Mateo County Mosquito & Vector Control District General Fund Obligations	3,185,295	5.355%	170,573
TOTAL OVERLAPPING GENERAL FUND DEBT	$ 618,045,807		$ 32,130,391
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)	$ 7,496,589	100%	$ 7,496,589
CiTY OF SAN CARLOS (LEASE OBLIGATIONS)	**$ 4,578,402**	100%	**$ 4,578,402**
TOTAL DIRECT DEBT			**5,578,402**
TOTAL OVERLAPPING DEBT			283,626,681
COMBINED TOTAL DEBT			**$ 289,205,083**

RATIOS TO 2024-25 ASSESSED VALUATION:	
Direct Debt (5,731,227)	**5,578,402**
Total Direct and Overlapping Tax and Assessment Debt	1.43%
Combined Total Debt	1.66%
RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION ($2,389,603,439):	
Total Overlapping Tax Increment Debt	0.31%

Source
California Municipal Statistics, Inc.

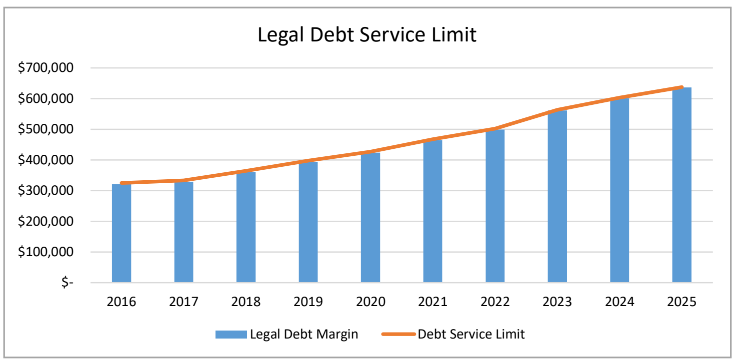
1. The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable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

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

CITY OF SAN CARLOS, CALIFORNIA
Computation of Legal Bonded Debt Margin
Last Ten Fiscal Years

Fiscal year (in Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Secured property assessed value, net of exempt real property	$ 8,677,644	$ 8,895,382	$ 9,719,830	$ 10,604,982	$ 11,401,615	$ 12,465,321	$ 13,380,845	$ 15,034,525	$ 16,071,826	$ 17,000,750
Legal Debt Limit										
Debit service limit (3.75% of property assessed value) (a)	325,412	333,577	364,494	397,687	427,561	467,450	501,782	563,795	602,693	637,528
Less: General Obligation Bond	4,600	4,190	3,940	3,675	3,385	3,065	2,700	2,310	1,895	1,460.00
Legal debt margin	$ 320,812	$ 329,387	$ 360,554	$ 394,012	$ 424,176	$ 464,385	$ 499,082	$ 561,485	$ 600,798	$ 636,068
Total net debt applicable to the limit as a percentage of debt limit	1.43%	1.27%	1.09%	0.93%	0.80%	0.66%	0.54%	0.41%	0.32%	0.23%



Source
County of San Mateo, Assessed Valuation Reports

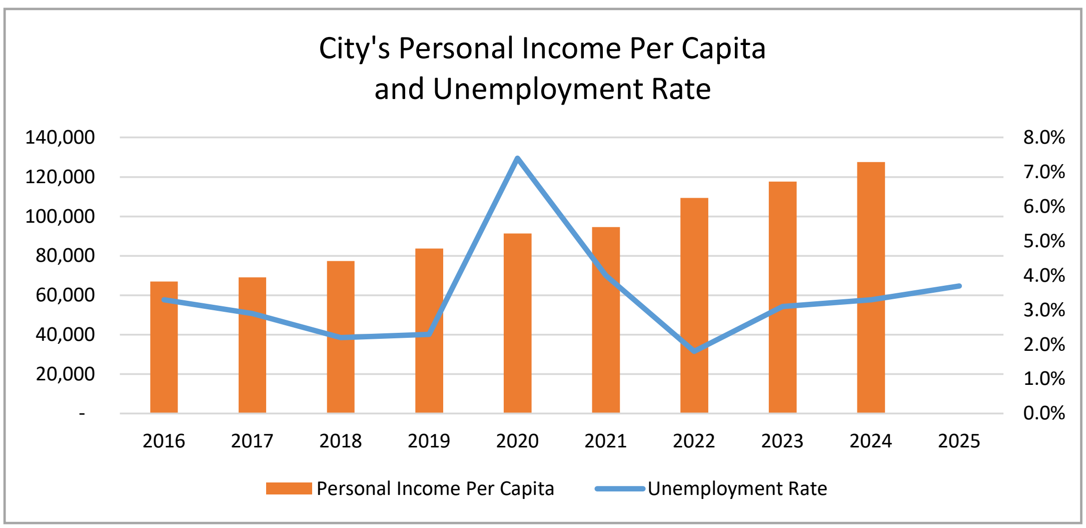
1. California Government Code Section 43605 sets the debt limit at 15%. The code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing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

CITY OF SAN CARLOS, CALIFORNIA

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
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	2,525,541	83,779	2.3%	774,351	3.86%
2020	30,145	2,721,759	91,291	7.4%	773,244	3.90%
2021	29,814	2,822,721	94,604	4.0%	765,245	3.90%
2022	29,837	3,224,656	109,325	1.8%	744,662	4.01%
2023	29,496	3,464,204	117,749	3.1%	737,644	4.00%
2024	29,420	3,766,009	127510	3.3%	747,777	3.93%
2025	29,535	(a)	(b)	3.7%	748,337	3.95%



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

CITY OF SAN CARLOS, CALIFORNIA

Principal Employers

Current Year and Seven Years Ago

	2025				2018		
Employer	Number of Employees	Rank	Percent of Total City Employment		Number of Employees	Rank	Percent of Total City Employment
NATERA INC	927	1	7.22%	NATERA INC	405	1	3.43%
PACIFIC GAS & ELECTRIC CO	474	2	3.69%	L-3 COMMUNICATIONS CORP	389	2	3.30%
VAXCYTE, INC.	340	3	2.65%	PACIFIC GAS & ELECTRIC CO	331	3	2.81%
DELTA STAR INC	300	4	2.33%	RECOLOGY SAN MATEO COUNTY	240	4	2.03%
RECOLOGY SAN MATEO COUNTY	240	5	1.87%	NOVARTIS PHARMACEUTICALS	231	5	1.96%
THE HOME DEPOT #0628	232	6	1.81%	THE HOME DEPOT #0628	216	6	1.83%
CARGO THERAPEUTICS INC.	169	7	1.32%	CHECK POINT SOFTWARE TECH INC	208	7	1.76%
NOAH MEDICAL CORPORATION	166	8	1.29%	AURIS HEALTH, INC	175	8	1.48%
BIOMEA FUSION, INC.	120	9	0.93%	GEORGE P JOHNSON COMPANY	150	9	1.27%
CELLINK CORPORATION	118	10	0.92%	MARKLOGIC CORPORATION	138	10	1.17%
Top 10 Employers	3086		24.02%		2483		21.04%
Total Employment of the City's Labor Force	12,848				11,800		

Source

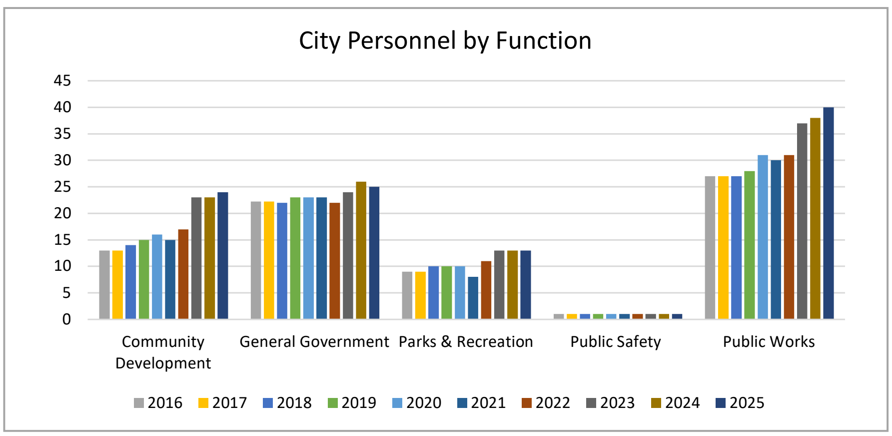
Data from City of San Carlos business license database

CITY OF SAN CARLOS, CALIFORNIA

Full Time Equivalent City Personnel By Function

Last Ten Fiscal Years

	Adopted Budget Authorized Personnel For Fiscal Year Ended June 30									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Community Development	13	13	14	15	16	15	17	23	23	24
General Government	22	22	22	23	23	23	22	24	26	25
Parks & Recreation	9	9	10	10	10	8	11	13	13	13
Public Safety	1	1	1	1	1	1	1	1	1	1
Public Works	27	27	27	28	31	30	31	37	38	40
Total Full Time Equivalent Personnel	**72**	**72**	**74**	**77**	**81**	**77**	**82**	**98**	**101**	**103**



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.

CITY OF SAN CARLOS, CALIFORNIA

Operating Indicators by Function/Program

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Public safety:										
Fire										
Fire calls for service	2,365	2,232	2,415	2,312	2,405	2,497	3,292	3,537	3,184	3,020
Primary fire inspections conducted	700	450	659	984	737	734	465	533	565	665
Police:										
Communication Center calls answered										
Police calls for Service	17,985	12,474	13,094	13,013	13,575	13,621	12,027	12,312	16,565	11706
Law violations:										
Group A and Group B Offenses	1,544	1,387	1,469	1,572	1,427	1,490	1,387	1,301	1,307	1354
Physical arrests (adult and juvenile)	713	803	790	878	611	667	661	647	548	456
Traffic violations	2,599	1,843	2,347	5,389	3,765	3,487	3,771	4,296	2,992	3440
Parking violations	4,794	8,014	4,706	11,020	5,734	3,947	4,194	5,601	3,164	3000
Street										
Pavement Condition Index	60	63	63	61	60	57	56	57	57	57
Sewer										
Sewer service connections	11,017	11,017	11,033	11,010	11,010	11,061	10,905	10,946	10,966	11232
Average daily flow (millions of gallons)	1.80	2.69	1.66	2.21	1.67	1.53	1.69	1.69	2.56	2.02
Maximum Allocated Treatment Capacity, Average Dry Weather Flow (Millions of Gallons)	5.18	4.90	4.39	4.39	4.39	4.39	4.39	4.39	4.39	4.39
Maximum Allocated Treatment Capacity, Peak Wet Weather Flow (Millions of Gallons)	25.00	14.30	14.30	14.3	14.3	14.3	15.9	15.9	15.96	15.96
Culture and recreation:										
Community Services:										
Adult Registrations	2,949	4,120	5,789	5,688	1,679	1,910	2,717	2,251	2,474	4107
Tot/Youth Registrations	6,433	5,595	4,426	4,919	2,982	3,058	4,607	6,476	6,912	7788
Facility Rentals	79	129	106	104	144	-	96	144	51	48
Picnic Rentals	235	236	223	284	141	83	335	518	584	596
Organized Play Participants	7,900	7,985	7,856	7,922	5,925	4,618	8,003	8,120	8,220	8651
Organized Play Hours Permitted	18,440	18,560	18,470	18,505	12,400	10,500	19,202	19,320	19,440	19644

Source:
Various city department records

CITY OF SAN CARLOS, CALIFORNIA

Capital Asset Statistics By Function/Program

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Public safety:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Police stations	1	1	1	1	1	1	1	1	1	1
Streets										
Total Length (Miles)	87	87	87	87	87	87	87	87	87	87
Street lights	1,942	1,942	1,942	1,942	1,942	1,942	1,861	1,879	1,879	1,879
Intersections with Traffic Signals	21	21	22	22	22	22	24	24	24	24
Parking Lots										
Number of City Parking Lots	4	4	4	4	4	4	4	4	4	4
Number of Public Parking Spaces	356	356	386	386	605	605	605	605	605	605
Number of Business Permits issued	91	91	13	68	122	120	189	205	151	134
Wastewater										
Total Sewer Main Length (Miles)	105	105	105	105	105	105	105	105	105	105
Sewer Pump Stations	6	6	6	6	6	6	5	5	5	5
Manholes	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,949	2,949	3,153
Storm water										
Catch basins/inlets	1,326	1,326	1,326	1,326	1,326	1,326	1,472	1,754	1,754	1,754
Stormwater Pump Stations	3	3	3	3	3	3	3	3	5	5
Manholes	579	579	579	579	579	579	579	579	579	579
Levees (Feet)	-	-	-	-	-	-	-	550	550	550
General government:										
City Hall	1	1	1	1	1	1	1	1	1	1
City Museum	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Parks (and associated buildings)	13	13	13	13	13	13	13	13	13	13
Community centers	2	2	2	2	2	2	2	2	2	2

Source

Various city department records

BADAWI & ASSOCIATES
Certified Public Accountants

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Badawi & Associates

Badawi & Associates, CPAs
Emeryville, California
November 5, 2025