

CITY OF SAN CARLOS

Annual Comprehensive Financial Report

San Carlos, California

FY 2021 - 2022

Fiscal Year Ended June 30, 2022

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CITY OF SAN CARLOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Prepared by
CITY OF SAN CARLOS FINANCE DIVISION

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November 28, 2022

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

It is the policy of the City of San Carlos to annually publish a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles ("GAAP") and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of San Carlos ("the City") for the fiscal year ended June 30, 2022.

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

The City's financial statements have been audited by Maze & Associates, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year that ended June 30, 2022 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, 2022 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, “The City of Good Living”, incorporated in 1925. It 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 May every year. The Council holds a public hearing on the proposed budget and adopts a final budget by the end of June, the close of the City’s fiscal

year. The appropriated budget is prepared by fund, function/program (e.g., public safety) and department (e.g., Community Development). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, but within the same fund, can be approved administratively (by the Administrative Services Director or City Manager). However, transfers of appropriations that change total fund appropriations must be approved by the City Council. Expenditures that exceed appropriations at the fund level must be approved by the City Council.

Budgets are adopted on a basis consistent with GAAP. Budget-to-actual comparisons are presented in the supplementary section of the accompanying financial statements for each individual governmental fund for which an appropriated annual budget has been adopted.

The Biennial Budget for Fiscal Year (“FY”) 2021-23 was adopted by the Council via Resolution 2021-050 on June 14, 2021. The Mid-Cycle Budget Update for FY 2022-23 was adopted by the Council via Resolution 2022-032 on March 28, 2022.

Economic Condition and Outlook

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

Economic Update

Labor Market. According to the June 2022 report from the California Employment Development Department (EDD), California’s unemployment rate improved to 4% in June as the state’s employers gained 75,000 payroll jobs. The state unemployment rate has now dropped to 4% from 8.5% in June 2021. California has now regained 2,582,900 jobs (93.6%) lost during March and April of 2020 due to the COVID-19 pandemic. Seven of California’s 11 industry sectors gained jobs.

As of June 2022, there were an estimated 448,700 jobs in the county, an increase of 31,000 jobs from August 2021. The unemployment rate in San Mateo County has decreased from 4.6% in August 2021 to 2.1% in June 2022. The San Carlos unemployment rate has decreased from 3.6% in August 2021 to 1.8% in June 2022. This compares with an unadjusted unemployment rate of 4% for California and 3.8% for the nation during the same period. As of June 2022, there were 1,040,000 jobs reported in Santa Clara County, an area to which our economic fortunes are closely linked. This represents an increase of 64,500 jobs from one year earlier. Santa Clara County’s unemployment rate has decreased from 4.8% in August 2021 to 2.2% in June 2022.

Sales Taxes. The California retail economy continues roaring. Even with instability in the stock market, the crisis in Ukraine pushing up the global price of crude oil, and the U.S. Federal Reserve Board beginning to tackle inflation with a series of rate increases, consumer spending continued at a strong pace.

According to our third party consultant, HdL Companies, San Carlos’ sales tax receipts from April through June 2022 were 2% below the second sales period in 2021, but after adjustments for delayed payments and other reporting modifications, actual sales were up

8.2%. Overall place of sale collections increased 11.8% compared to a year ago as travel activity returned to the region. The City's largest business segment, building-construction, rose 7.9% with the increased cost of building materials and continued construction projects improving receipts. In-store shopping remained steady, but reflected lower gains than in prior quarters, with the limited growth supported by sporting goods/bike stores. Restaurants experienced another solid sales period. The elevated cost of crude oil translated into higher gas prices; and with more travelers on the road, revenue from service stations skyrocketed almost 71%.

Property Taxes. In October 2022, Forbes released housing market report that indicated that even with inflation and high mortgage rates, housing prices have continued to grow. According to our third party consultant, HdL Companies, during 2021, in most communities there was not only an increase in the number of units that sold, but also large increases in the sale prices those properties reported. As we have moved into 2022 (the data that will be enrolled for the 2023-24 budget), there has been some flattening of sale price increases or at least less growth than reported in 2021, and fewer units sold year to date than were reported in 2021. In San Carlos, through the first five months of 2022, the sales prices are tracking slightly higher than that reported in 2021, but the number of sales transactions are off by 40 transactions when compared to last year.

In April 2021, San Mateo County was the first county in California where the median sales price for single-family homes exceeded \$2 million. According to data from the California Association of Realtors, the median price of a single-family home in San Mateo County increased slightly from \$2.094 million in June 2021 to \$2.155 million in June 2022. This is an increase of 3% as compared with the median sales prices of \$2.094 million from the same period a year ago. In San Carlos, the median price of a single-family home increased \$110,000 to \$2,300,000 from the same period a year ago.

The pandemic, while it delayed home and property sales in the 2020 calendar year, did not significantly impact the growth most communities experienced due to the transfer of ownership element as reflected in FY 2021-22. New construction in process continued as this sector did not see a decline. However, the shortages of building supplies did influence growth in new construction starts in the second half of the year. The year over year increase in the citywide assessment rolls was \$950.8 million, or an increase of 7.4%. Residential use values increased by 4.1% for a total of \$413.2 million and represented 43% of the growth. Commercial properties increased \$108 million or a year over year increase of 9%. Industrial uses had growth of \$211.5 million, or 19.2%, over last year's value. The largest portion of this increase is related to property sales and new development at 887 Industrial Road, 1105 Commercial Street, and 915 Old County Road.

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 June 14, 2021 via Resolution 2021-052.

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 has taken the following steps over the years:

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

In FY 2021-22, 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 us 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 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 completed or in progress as of June 30, 2022 or soon after the year-end are as follows:

Downtown Specific Plan

The City kicked off the Downtown Specific 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. This project will take a close look at what needs updating or changing in the downtown area, with the process slated to last about two years and completion targeted for spring 2024.

The Downtown Specific Plan will be a policy document that will:

- Establish a vision for the future of Downtown
- Shape the look, feel, and function of Downtown
- Define the right balance of businesses and housing
- Increase the economic vitality of Downtown businesses
- Consider building design and heights
- Enliven the existing parklets and parks, and consider locations for additional community gathering spaces
- Improve walking, bicycling, and driving Downtown, including exploring whether to keep Laurel Street closed to automobiles and traffic
- Increase connections from Downtown to surrounding neighborhoods and destinations

Community engagement for the Downtown Specific Plan will take place in four phases: Project Initiation and Analysis (summer 2022), Concept Plan Alternatives (fall 2022), Preferred Concept Plan (winter 2023), and Specific Plan Prep (spring/fall 2023). Community input will be gathered through workshops and open houses, focus group meetings, online surveys, Planning Commission study sessions, City Council study sessions, and meetings of the Downtown Advisory Committee (DTAC).

The DTAC is a Council-appointed committee of 19 community members designed to assist the City in the preparation of the Downtown Specific Plan by:

- Reviewing information
- Providing feedback on topics
- Soliciting participation by the larger community
- Representing specific interests of the community

Information and updates on the Downtown Specific Plan can be found at www.sancarlosdowntownplan.com. The project is scheduled to be completed in March 2024.

Affordable Housing

The City took steps toward its goal of providing more affordable housing to the San Carlos community on June 7, 2022, with the newly completed Walnut Studios.

The apartment building, located at 817 Walnut Street, is the first 100% affordable housing project in the City of Good Living in over a decade. Located near the heart of Downtown San Carlos, and close to public transit, shopping, schools, the San Carlos library, and other services, the site presented the perfect opportunity to create more affordable housing and ensure that residents of the project felt they were truly part of the San Carlos community.

The 100% affordable housing project was made possible by a sizeable investment of \$7.3 million from the City of San Carlos, and a generous partnership with Charities Housing, the local nonprofit organization that developed the property and will continue to manage the 23-unit building.

Truly a communitywide collaborative effort, additional funding partners for Walnut Studios included the County of San Mateo, Silicon Valley Bank, Red Stone Equity Partners, and the California Municipal Finance Authority.

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

The City's June 2022 Strategic Work Plan sets an objective to increase the number of below market rate (BMR) housing units to meet local and regional housing requirements. On June 13, 2022, the City updated the BMR Ordinance to increase the number of affordable units. The update increased the percentage of units and deepened the level of affordability required in residential ownership projects. The San Carlos City Council also extended affordability periods in perpetuity, addressed issues around unbundled parking, and made other amendments to encourage the production and preservation of BMR units.

On February 8, 2022, the City acquired the property at 1232 Cherry Street. This site will be used to create another 100% affordable housing project, with more than 30 units.

Accessory Dwelling Units (ADUs) are also being leveraged by the City to create additional housing in San Carlos. In 2021, the City approved a total of 65 new dwelling units, that included 22 single-family units and 43 accessory dwelling units. An additional 24 ADUs were approved in the first half of 2022.

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 will focus 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 City of San Carlos will work with residents, property owners, stakeholders, business owners, committees, commissions, the Chamber of Commerce, and all other interested members of the community to develop a plan in response to continued development interest in the life sciences and biotechnology sectors and

develop policies and strategies to incorporate housing as part of this new development.

The Specific Plan will:

- Create a plan for anticipated new development
- Explore the possibility of introducing housing to the area
- Plan for environmental needs, including addressing the potential presence of hazardous substances
- Address flooding from Belmont Creek

Funding has been appropriated by the City Council, and the City is currently accepting proposals for the Northeast Area Specific Plan. The project is projected to take approximately two years to complete.

Infrastructure Improvements

The City of San Carlos has allocated \$12 million to invest in five major infrastructure improvement projects that began in 2021, and are scheduled to be completed in 2026.

Major Infrastructure Projects:

- Safe Routes to School Project
- Traffic Calming
- San Carlos Avenue Sidewalk Project
- Brittan Avenue Sidewalk Improvements
- Intersection Pedestrian Improvement Project

The Safe Routes to School project began in 2021 as part of the City's Bike and Pedestrian Plan. City staff have worked with the parents and administration of each school in San Carlos to identify opportunities to improve bike and pedestrian safety in school zones. As part of this project, the City Council has budgeted approximately \$252,500 for crossing guards at 11 intersections in school areas. A final draft of recommended changes was reviewed by the San Carlos School District in May 2022 and presented to the City Council in August 2022.

The City also continues to identify and implement citywide street and intersection projects and initiatives to improve traffic flow and parking in San Carlos.

Traffic Calming Actions in Progress:

- Performing data gathering and analysis for Citywide Traffic Signal Study
- Analyzing neighborhood traffic improvements in the Greater East San Carlos Neighborhood through a series of facilitated community meetings

In addition to traffic calming, the City has prioritized pedestrian safety improvements. This includes the San Carlos Avenue Sidewalk Project, additional sidewalk improvements along Brittan Avenue, and the Intersection Pedestrian Improvement Project. Crosswalk improvements at major intersections along San Carlos Avenue and other main thoroughfares have been completed and further improvements are ongoing.

Pedestrian Safety Improvements in Progress:

- San Carlos Avenue Pedestrian Safety Improvements Phase 3 from Wellington to Beverly
- Continue collaborating on the design for the Alameda de las Pulgas Corridor Improvement project with Belmont and the school districts

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.

Increasing Access to Child Care

Outlined in the June 2022 Strategic Workplan, the City of San Carlos set a goal to increase access to child care by reducing barriers to the creation and expansion of childcare facilities.

To achieve this goal, the City drafted an ordinance adding Chapter 8.52 to the San Carlos Municipal Code, establishing a child care development impact fee for new nonresidential developments in San Carlos. This amendment to the Municipal Code was approved by the Council on June 27, 2022.

In addition, the City developed a robust child care webpage, containing resources and information for the San Carlos community, parents, and child care operators. This dedicated webpage also includes an application process infographic and informational literature with additional child care resources.

Additional actions in progress to encourage and support the creation of child care facilities in San Carlos:

- Establish a childcare facility development impact fund
- Continue to analyze the possibility of allowing commercial child care centers in the General Commercial/Industrial (GCI) Zoning District
- Research the ability of commercial daycare centers to locate in residential zoning districts

Senior Services and Programming

In February 2022, the City of San Carlos was designated as an Age-Friendly Community by the American Association of Retired Persons (AARP), an affiliate of the World Health Organization. The City was recognized for its commitment to being a welcoming community for people of all ages.

San Carlos encourages active aging by optimizing opportunities for healthy activity, social participation, and secure living, and to enhance the quality of life as people in our community age. In practical terms, as an Age-Friendly City, San Carlos adapts its services to be accessible to, and inclusive of, older community members with varying needs and capacities.

Working with the Center for Age-Friendly Excellence (CAFE), the City formed a 10-person task force to identify our aging population's biggest needs. The City is committed to following the World Health Organizations' eight domains of livability:

- Outdoor spaces and buildings
- Transportation
- Housing
- Social participation
- Respect and social inclusion
- Civic participation and employment
- Communication and information
- Community support and health services

To meet this commitment, we're actively promoting policies, programs, and services that enhance respect, understanding, and engagement of our diverse, multigenerational community.

For the past 40 years, the Adult Community Center (ACC) has been the primary hub through which the City has served its senior population, with over 100 community members visiting each day. Offering fitness classes, health checks, social programs, food assistance, and much more, the ACC continues to evolve and expand its senior programming, remaining a beloved and invaluable community asset.

Construction Updates on Large Developments

26 El Camino Real – Hyatt Place Hotel

The hotel development includes the demolition of the existing 29-room hotel and construction of a new four-story hotel. The new hotel building includes 104 guest rooms, with below-grade parking and site landscaping. On-site hotel amenities include a lobby, enclosed pool, fitness center, and limited guest food service. The project is currently under construction and is anticipated to be completed at the end of November 2022.

501 Industrial Road – New Hotel

The City has received an application for a new 191 room hotel. The project includes a six-story building with at grade parking and site landscaping improvements. This project is currently under review including preparation of an Environmental Impact Report (EIR). If approved, construction would begin late 2023.

Alexandria Center for Life Science

The City has received an application for a science and technology campus. The project involves construction of an office/research and development (R&D) campus-style development on the approximately 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 site includes the following addresses: 900, 960, 961, 967 Industrial Road; 1003, 1011 Commercial Street; and 915, 1055, and 1063 Old County Road.

The proposed campus-like development includes six life science research and development (“R&D”) buildings, one centrally located community center, two parking garages, and community-accessible open space and amenities, including enhancement of the Pulgas Creek corridor along the project’s southern boundary. Ground-floor retail amenities are proposed fronting Commercial Street and the adjacent pedestrian walkway. The targeted retail tenant would be a grab-and-go food service and/or coffee shop that would primarily serve on-site uses. The office/R&D buildings will be at grade, five to seven stories tall, and vary in height from about 81 to 113 feet. The parking garages will each include eight levels of parking, including a rooftop and a basement level and reach heights of 80 feet.

The project will be implemented in three phases. 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 project is currently under review including preparation of an Environmental Impact Report (EIR). The project will be considered by the Planning Commission and the City Council in 2023.

1030 Brittan Avenue

This project will include 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 construction is underway. Its estimated completion date is in the fall of 2024.

1091 Industrial Road

This project includes a three-story building with two levels dedicated to a parking garage below grade, and an amenity building serving food and drinks at the building’s entry. The building permit was issued in April 2021 and construction is underway. Its estimated completion date is in the summer of 2024.

888 Bransten Road

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 application is currently under review and if approved, construction could begin late 2022 with an expected completion date of 2024.

777 Industrial Road

This project includes redevelopment of the former Honda dealership to a life science R&D building. The project includes three levels of office/lab space above at-grade parking. The Planning Commission approved the development application in June 2021. Construction is underway with building permit issued in May 2022. Its estimated completion date is in the fall of 2024.

405 Industrial Road

This project includes demolition of the existing Public Storage buildings and construction of a new six-story building for life science R&D use with two levels of parking above grade and one parking level underground. The application is currently under review and if approved, construction could begin early 2023 with an expected completion date of 2024.

841 Old County Road

This project includes demolition of existing, one- and two-story commercial buildings and construction of a two new buildings, one four-story and one five-story with two levels of underground parking for life science R&D use. The application is currently under review and if approved, construction could begin late 2023 with an expected completion date of 2025.

789 Old County Road

This project includes demolition of existing buildings and construction of a two new buildings, one four-story and one six-story with at grade and underground parking for life science R&D use. The application is currently under review and if approved, construction could begin in 2024, with an expected completion date of 2026.

806 Alameda de las Pulgas

The City received an application for 87 townhouse units at 806 Alameda de las Pulgas. The proposed project lies on an 11.4 acre site. The project is currently undergoing environmental review per the California Environmental Quality Act and a Public Hearing is anticipated for early 2023. If approved, construction could begin as early in late 2023, with an expected completion date of 2025.

150-160 Vista Del Grande

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 project is currently on hold pending applicant responses to the City's comments.

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 Comprehensive Annual Financial Report (“Annual Report”) for the fiscal year ended June 30, 2021. This was the 28th consecutive 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 Carrie Tam, Senior Accountants Tammy Mak and Marco Lao, Accounting Technician Andrew Tina, Management Analyst Cheryl Hong and Administrative Assistant Madeleine Payumo, City Treasurer Inge Tiegel, and the audit staff at Maze & Associates. Credit also must be given to City Council for its unfailing support for maintaining the highest standards of professionalism in the management of the City’s finances.

Respectfully submitted,



Jeff D. Maltbie
City Manager



Rebecca Mendenhall
Administrative Services Director



MAYOR



SARA MCDOWELL

MEMBERS OF THE CITY COUNCIL



**ADAM RAK,
VICE MAYOR**



**RON COLLINS,
COUNCIL MEMBER**



**JOHN DUGAN,
COUNCIL MEMBER**



**LAURA
PARMER-LOHAN,
COUNCIL MEMBER**

CITY TREASURER

INGE TIEGEL

CITY STAFF

JEFF MALTBIE
City Manager

REBECCA MENDENHALL
Administrative Services
Director

CARRIE TAM
Financial Services Manager

CITY STAFF

AMY NEWBY
Parks & Recreation
Director

RAY IVERSON
Fire Chief

DAVE PUCCI
Deputy Fire Chief

CRYSTAL MUI
City Clerk/Director of Community
Relations

NIL BLACKBURN
Assistant City Manager

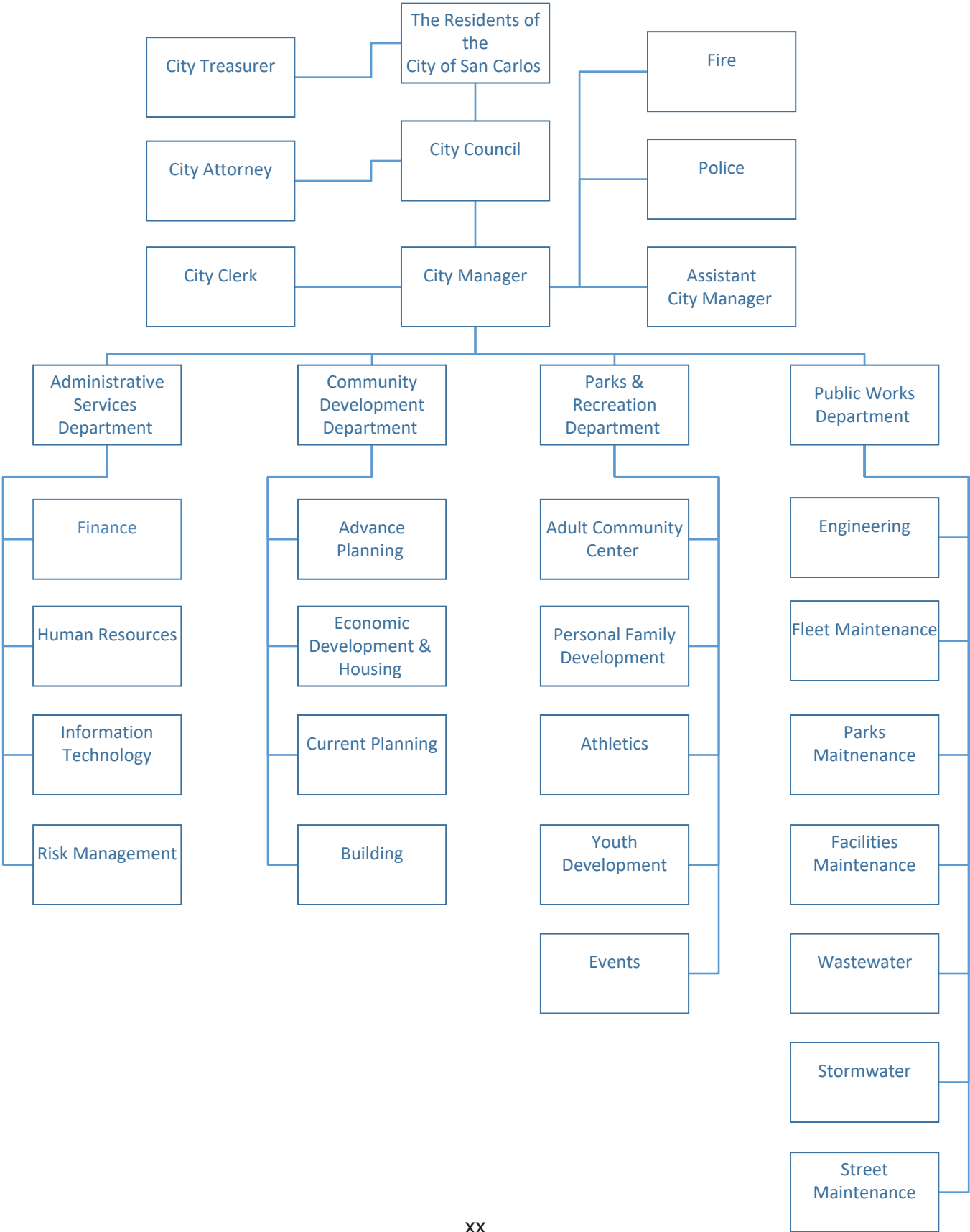
KRISTINA BELL
Police Captain

GREG RUBENS
City Attorney

AL SAVAY
Community Development Director

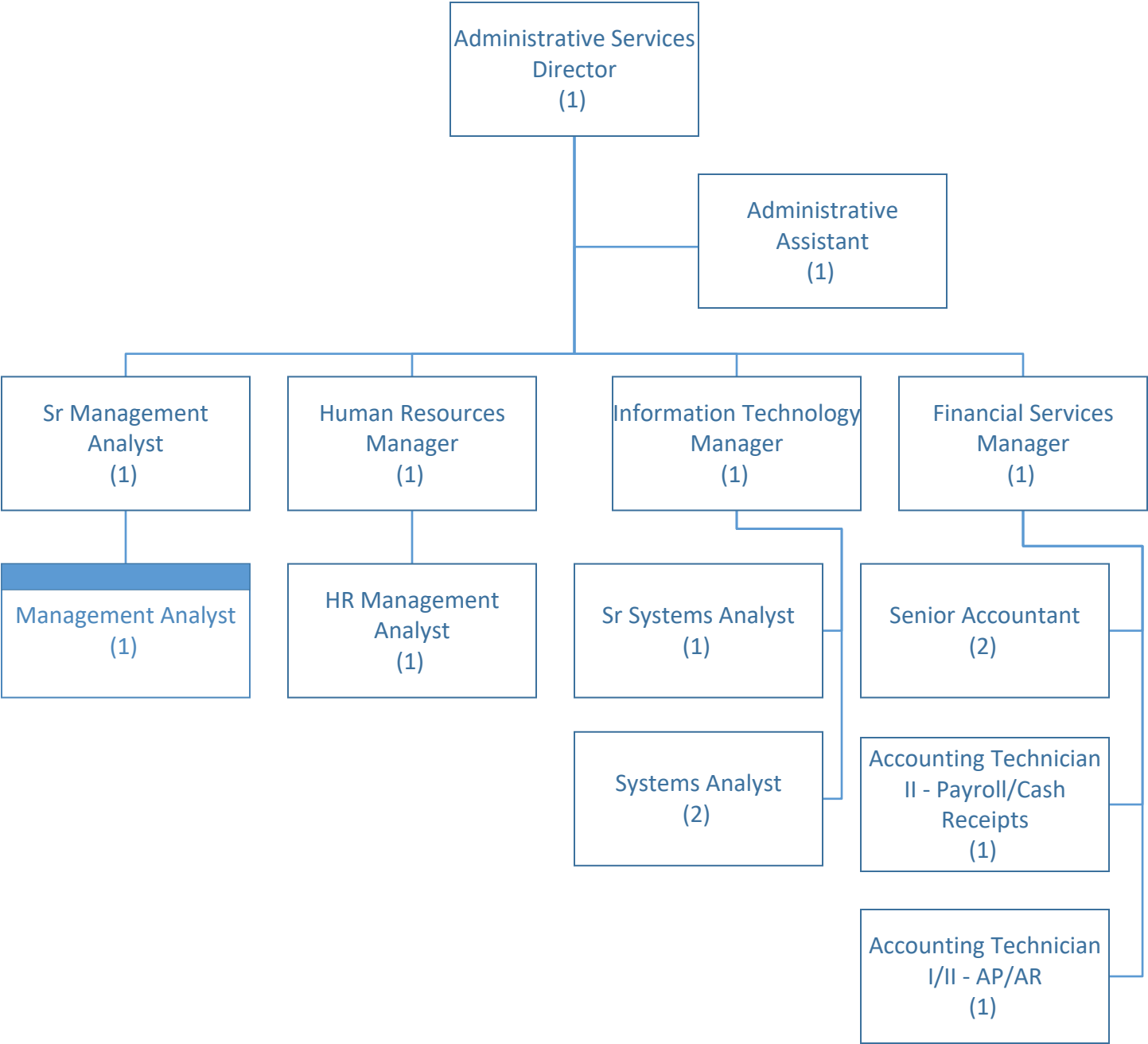
STEVEN MACHIDA
Public Works Director

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, 2021

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Carlos, California, as of and for the year ended June 30, 2022, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 requirement 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.

Responsibility of Management for the Financial Statements

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

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 opinion. 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 generally accepted auditing standards and Government Auditing Standards 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, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, 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.

Change in Accounting Principles

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 87 – *Leases*, which became effective during the year ended June 30, 2022.

As discussed in Note 10 to the financial statements, the beginning balances of leases receivable and deferred inflows of resources related to leases were restated and increased by \$28,672,034 as of July 1, 2021, as a result, and the net effect on beginning fund balance was zero.

The implementation also required the beginning balances of the Governmental Activities capital assets and non-current liabilities as of July 1, 2021 be restated by \$4,089,621 to reflect the Right-to-use leased equipment and the leases payable balances as of July 1, 2021. As a result, the net effect on beginning net positions was zero.

The implementation of GASB 87 had material effects on the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information 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 accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, 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 October 15, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 15, 2022

This section of the City's Comprehensive Annual Financial Report presents an overview and analysis of the City's financial activities for the fiscal year ending June 30, 2022. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL I LI TS

Cit ide:

- Total City assets increased by \$56.2 million to \$430.5 million, of which \$353.0 million represented governmental assets and \$77.5 million represented business-type assets.
- City deferred outflows related to pension and other post-employment benefits ("OPEB") decreased by \$0.2 million to \$13.2 million, of which \$12.1 million represented governmental deferred outflows related to pension and other post-employment benefits and \$1.1 million represented business-type deferred outflows related to pension and other post-employment benefits.
- Total City liabilities decreased by \$13.8 million to \$49.0 million, of which \$46.7 million were governmental liabilities and \$2.3 million were business-type liabilities.
- City deferred inflows related to pension and OPEB increased by \$11.1 million to \$18.6 million, of which \$17.5 million were governmental deferred inflows related to pension and other post-employment benefits and \$1.1 million were business-type deferred inflows related to pension and other post-employment benefits.
- The City implemented the provisions of Government Accounting Standards Board Statement (GASB) No.87-Leases during the year ended June 30, 2022. The deferred inflows related to leases and lease receivable were \$27.3 million and \$28 million, respectively. As a Lessee, the City recognized lease liabilities of \$4 million.
- The City's assets and deferred outflows of resources exceeded the liabilities and deferred inflows by \$348.8 million ("net position"), which increased by \$31.4 million. Of this amount, \$57.9 million represented unrestricted net position for governmental activities, which may be used to meet the government's ongoing obligations to residents and creditors. The restricted net position for business-type activities was \$42.5 million.
- Citywide revenues were \$96.3 million, of which \$74.3 million were generated by governmental activities that decreased by \$4.0 million and \$22.0 million were generated by business-type activities, which increased by \$0.9 million.
- Citywide expenses were \$64.9 million, of which \$49.6 million were incurred by governmental activities and \$15.3 million were incurred by business-type activities.

Fund Level:

- Governmental funds increased by \$19.3 million to \$123.9 million. Of this amount, \$3.1 million, or 2.5%, was unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$68.2 million, an increase of \$6.8 million from the prior year.
- Governmental Fund expenditures were \$49.6 million, a decrease of \$2.2 million from the prior year.
- Enterprise Fund net position increased by \$6.1 million to \$75.2 million. Of this amount, \$42.5 million, or 56.5%, was restricted for enterprise activities.
- Enterprise Fund operating revenues were \$22.0 million in fiscal year 2022 compared to \$21.1 million in the prior year.
- Enterprise Fund operating expenditures were \$15.3 million, an increase of \$2.3 million from \$13 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 **government wide financial statements** that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are **fund financial statements** that focus on individual parts of the City government, reporting the City's operations in *more detail* than the 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
City of San Carlos Comprehensive Annual Financial Report

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

Reporting the City as a Whole

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

These two statements report the City's net position and the changes in it. One can think of the City's net position – the difference between assets 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 government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Custodial funds include the City/County Association of Governments of San Mateo County ("C/CAG") and the Peninsula Traffic Congestion Relief Alliance ("Commute.org"). The Private Purpose Trust Fund is used to report resources held in trust for the Successor Agency of the former Redevelopment Agency ("RDA").

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 \$348.8 million at June 30, 2022.

Net Position

Table 1 below reflects the City's net position as of June 30, 2022 and June 30, 2021:

Table
City's Comparative Statement of Net Position
June 30, 2022 and 2021
(Amounts in Millions)

	Governmental Activities		Business - Type Activities		All Government		Total % Change
	2022	2021	2022	2021	2022	2021	
Current and other assets	\$ 168.6	\$ 124.5	\$ 36.1	\$ 38.3	\$ 204.7	\$ 162.8	25.7%
Capital assets	184.4	177.7	41.4	33.8	225.8	211.5	6.8%
Total Assets	353.0	302.2	77.5	72.1	430.5	374.3	15.0%
Deferred outflows related to pension	12.1	12.3	1.1	1.1	13.2	13.4	-1.5%
Total deferred outflow	12.1	12.3	1.1	1.1	13.2	13.4	-1.5%
Current and other liabilities	14.4	15.5	0.7	0.7	15.1	16.2	-6.8%
Non-Current Long-term obligations	32.3	43.9	1.6	2.7	33.9	46.6	-27.3%
Total Liabilities	46.7	59.4	2.3	3.4	49.0	62.8	-22.0%
Deferred inflows related to:							
Pension	17.5	6.8	1.1	0.7	18.6	7.5	148.0%
Lease	27.3	-	-	-	27.3	-	n/a
Total deferred inflow	44.8	6.8	1.1	0.7	45.9	7.5	512.0%
Net Position:							
Net investment in capital assets	\$ 178.2	\$ 174.9	\$ 32.7	\$ 33.8	\$ 210.9	\$ 208.7	1.1%
Restricted	37.5	29.9	42.5	35.3	80.0	65.2	22.7%
Unrestricted	57.9	43.5	-	-	57.9	43.5	33.1%
Total Net Position	\$ 273.6	\$ 248.3	\$ 75.2	\$ 69.1	\$ 348.8	\$ 317.4	9.9%

The largest portion of the net position (60.5%) reflects the City's \$210.9 million investment in capital assets less any capital-related outstanding debt. Capital assets are the aggregated value of land, infrastructure, equipment, buildings, and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources. The City's capital assets cannot be sold and used to liquidate liabilities. This portion for the net position increased by \$2.2 million, or 1.1%, over the prior year mainly because of the addition in capital assets associated with new equipment purchases and construction projects that were completed or underway. These include: the 817 Walnut Affordable Housing Project; the 1232 Cherry Housing Project; the Upgrade of the Existing Sports Field Lighting at Burton and Highlands Parks Project; the Burton Park Batting Cages Project; and the Existing Highlands Park Synthetic Turf Replacement Project.

Another portion of the City's net position is subject to external restrictions, such as debt covenants, grantor's stipulations, or enabling legislation, on how it may be used. As of June 30, 2022, the restricted assets were 23%, or \$80.1 million, of the total net position. Of this amount, \$42.5 million is restricted for business-type activities, \$23.1 million for low- and moderate-income housing, \$10.7 million for capital projects such as street rehabilitation and maintenance, and \$0.85 million for debt service. The remaining amount relates to police grants and the Park In-Lieu Fees.

The unrestricted net position of \$57.9 million represents the remaining balance of the net position. The remaining portion of the unrestricted net position may be used to meet the City's ongoing and unexpected expenses, including facility and infrastructure improvements, pension-related liabilities, property acquisition, and emergency repairs and replacement.

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

Statement of Activities and Changes in Net Position

The City's net position increased by \$31.4 million, amounting to \$348.8 million during the fiscal year ended June 30, 2022, 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, 2022 and 2021

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		All Government		% change
	2022	2021	2022	2021	2022	2021	
Program Revenues:							
Charges for Services	\$ 12.1	\$ 11.9	\$ 22.0	\$ 21.1	\$ 34.1	\$ 33.0	3.3%
Operating Grants & Contributions	6.7	4.8	-	-	6.7	4.8	39.6%
Capital Grants & Contributions	10.6	20.8	-	-	10.6	20.8	-49.0%
General Revenues:							
Property Taxes	18.6	17.3	-	-	18.6	17.3	7.5%
Other Taxes	21.0	17.9	-	-	21.0	17.9	17.3%
Other General Revenues	5.3	5.6	-	-	5.3	5.6	-5.4%
Total Revenues	\$ 74.3	\$ 78.3	\$ 22.0	\$ 21.1	\$ 96.3	\$ 99.4	-3.1%
Program Expenses:							
General Government	\$ 4.5	\$ 6.9	\$ -	\$ -	\$ 4.5	\$ 6.9	-34.8%
Community Development	6.6	4.2	-	-	6.6	4.2	57.1%
Public Safety	24.2	21.0	-	-	24.2	21.0	15.2%
Public Works	10.2	10.7	-	-	10.2	10.7	-4.7%
Parks & Recreation	4.0	2.8	-	-	4.0	2.8	42.9%
Sewer Operations	-	-	15.3	13.0	15.3	13.0	17.7%
Interest Expenses	0.1	0.1	-	-	0.1	0.1	25.0%
Total Expenses	\$ 49.6	\$ 45.7	\$ 15.3	\$ 13.0	\$ 64.9	\$ 58.7	10.6%
Inc/(Dec) in Net Position before transfers and extraordinary gain	\$ 24.7	\$ 32.6	\$ 6.7	\$ 8.1	\$ 31.4	\$ 40.7	-22.9%
Transfers	0.6	0.6	(0.6)	(0.6)	-	-	0%
Change in Net Position	\$ 25.3	\$ 33.2	\$ 6.1	\$ 7.5	\$ 31.4	\$ 40.7	-22.9%
Beginning Net Position	\$ 248.3	\$ 215.1	\$ 69.1	\$ 61.6	\$ 317.4	\$ 276.7	14.7%
Ending Net Position	\$ 273.6	\$ 248.3	\$ 75.2	\$ 69.1	\$ 348.8	\$ 317.4	9.9%

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, 2022, the City's total net position was \$348.8 million. This is an increase of \$31.4 million, or 9.9%, from the prior year. The changes in net position are explained in the following paragraphs. Total revenue of all governmentwide activities was \$96.3 million, a decrease of \$3.71 million, or 3.1%, while the total expense of all governmentwide activities increase by \$6.2 million, or 10.6%, to \$64.9 million.

Governmental Activities

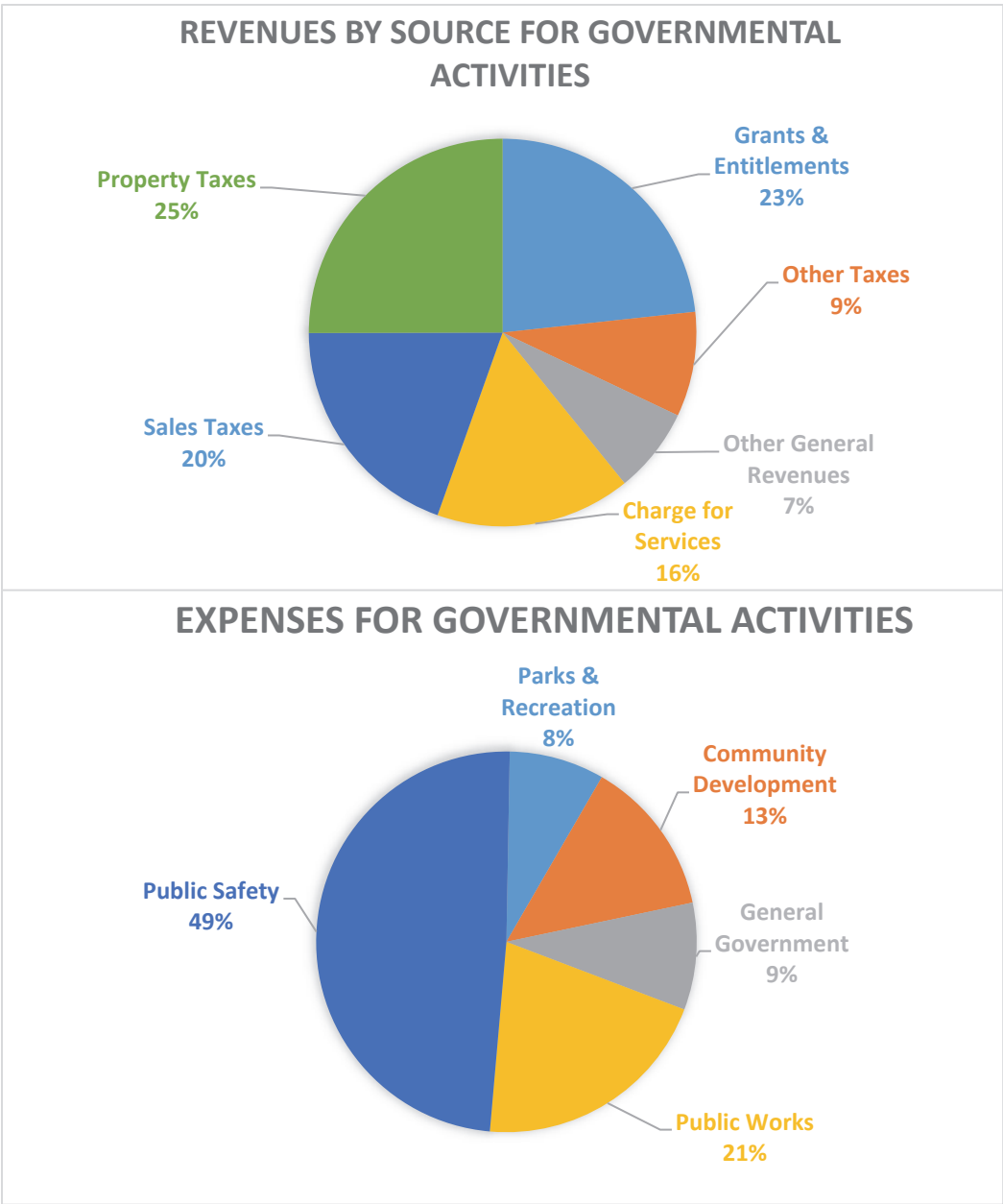
Net position in the governmental activities totaled \$273.6 million, an increase of \$25.3 million, or 10%, from the prior year.

Total revenue for the City's governmental activities before extraordinary gain and transfers decreased by \$4.0 million, or 5.3%, to \$74.3 million. Total governmental activity expenses increased by \$3.9 million, or 8.5%, to \$49.6 million. Transfers into governmental activities from the Wastewater Fund were \$0.6 million, which was the same as the previous fiscal year.

As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through City taxes was \$39.6 million, as some of the cost was paid by those who directly benefited from the programs (\$12.1 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$17.3 million), or by other general revenues (\$5.3 million).

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

- **Property Taxes** increased by \$1.3 million, or 7.5%, to \$18.6 million primarily due to the increase in the assessed value of properties from new developments, transfers of ownership, and the sale of properties offset by a decrease in tax increment revenue. After the redevelopment agencies were dissolved in 2011, tax increment revenue that would have gone to redevelopment agencies was required to be deposited into the Redevelopment Property Tax Trust Fund (RPTTF) per Health and Safety Code (HSC) 24183. These funds are administered and distributed to local taxing agencies by the County. In May 2020, the California Court of Appeals changed the calculations for distributing former Redevelopment Agency ("RDA") residual dollars, which negatively impacted the amount of RDA pass through and residual property tax revenue the City will receive. Therefore, although the City is entitled to receive an annual increase on its assessed property, the amount of pass through revenues from the former redevelopment agencies has decreased.
- **Sales Taxes** increased by \$2 million, or 16%, to \$14.5 million in comparison with the prior year as a result of continued recovery in the economy. All major sales tax categories experienced increases as the economy demonstrated strength and resiliency during the first six months of 2022.
- **Charges for Services** increased by \$0.2 million, or 1.4%, to \$12.1 million. There was an increase of \$1.1 million due the restoration of programs and classes in Parks and Recreation. The increase in restoration of programs and classes revenue was mostly offset by decreases in plan check and inspection fee revenue. Plan check and inspection fee revenues can vary from year to year due to the timing of large scale development projects.
- **Operating Grants and Contributions** increased by \$1.9 million, or 39.6%, to \$6.7 million, mainly due to higher affordable housing in-lieu fees received from large development projects compared to the prior year.
- **Capital Grants and Contributions** decreased by \$10.2 million, or 49%, to \$10.6 million, mainly due to \$16.4 million in capitalized assets for the 817 Walnut building and the City-maintained portion of the Wheeler Plaza Public Parking Garage received in the last fiscal year
- **Other General Revenues** decreased by \$0.3 million, or 5.4%, to \$5.3 million, from the prior year. The decrease is due to the decrease in investment income of \$1.5 million offset by the increase in motor vehicle in-lieu fee revenues of \$1.2 million.
- **Other Taxes** includes transient occupancy taxes ("TOT") and franchise taxes, which increased by \$1.1 million, or 22.2%, to \$6.5 million. TOT increased by \$0.9 million as travel activity returned following the removal of COVID-19 restrictions. An increase in the hotel tax rate also contributed to the increase in revenue. Franchise taxes increased by \$0.2 million, based on the scheduled rate increases.
- **Governmental Expenses** totaled \$49.6 million in the fiscal year 2022, an increase of \$3.9 million from the prior year's expenses of \$45.7 million. The increase is mainly associated with an increase in professional services expenditures to assist with the increase in the City's development projects, cost increases in our public safety agreements, increases in salaries and benefits per the negotiated employee agreements, and increases resulting from the restoration of programs, classes, and special events in Parks & Recreation.



Business-Type Activities

Business-type activities' total net position for fiscal year 2022 was \$75.2 million, an increase of \$6.1 million, or 8.8%, from the prior year as indicated in the Statement of Activities and Changes in Net Position. The change in Net Position was less in the current fiscal year when compared to the prior year primarily due to higher expenditures in operating overhead and lower investment income. This year there was a net decrease in the investment in Silicon Valley Clean Water ("SVCW") in the amount of \$0.2 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 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 generated by each member entity.

The restricted portion of the ending net position includes \$8.6 million in investment in the SVCW joint venture that is not readily available for day-to-day operational spending. As of June 30, 2022, the City's direct obligation is approximately \$84.2 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 14b to the Financial Statements.

Financial Analysis of the City's Funds

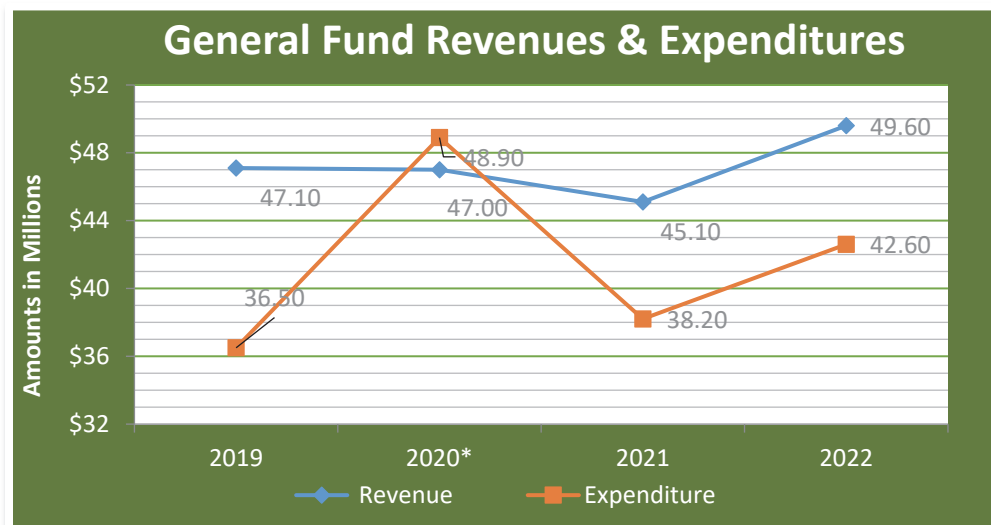
As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

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 \$44.1 million, representing an increase of \$6.4 million, or 17%, higher than the fiscal year 2021 fund balance of \$37.7 million. This increase is explained in the following paragraphs.

The General Fund's total revenues increased by \$4.5 million, or 10%, to \$49.3 million compared to the prior fiscal year amount of \$45.1 million. The General Fund expenditures totaled \$42.6 million, an increase of \$4.4 million, or 11.5%, from prior year expenditures of \$38.2 million. The increase in expenditures was primarily caused by increases in our public safety agreements, higher professional services expenses to assist with the increase in the City's development projects, increases in salaries and benefits per the negotiated employee agreements, and increases resulting from the restoration of programs, classes, and special events in Parks & Recreation.

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



*General Fund actual expenditures includes a \$7.0 million payment towards California Public Employees Retirement System ("CalPERS") Unfunded Pension Liability in fiscal year 2020.

Revenues

General Fund Actual Revenues (Amounts in Millions)				
	FY 19	FY 20	FY 21	FY 22
Total Revenues	\$ 47.1	\$ 47.0	\$ 45.1	\$ 49.6
Dollar Change	N/A	\$ (0.1)	\$ (1.9)	\$ 4.5
Percentage Change	N/A	-0.2%	-4.0%	10.0%

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

- **Property Taxes** increased by \$0.5 million, or 3.6%, primarily due to the increase in the assessed value of properties for new developments, transfers of ownership, and the sale of properties. As noted above, the increase in assessed values were offset by the decrease in the amount of tax increment revenue received.
- **Sales Taxes** increased by \$1.7 million, or 15.2%, in comparison with the prior year, mostly in the categories of building and construction, business and industry, fuel and service stations, general consumer goods, and restaurants and hotels. In the prior fiscal year, COVID-19-related restrictions were in effect, which impacted the opening of local businesses and subsequently impacted consumer spending, which led to a significant reduction in sales tax revenues received. Compared with the prior two years, sales tax receipts for fiscal year 2022 are returning to levels seen prior to the pandemic.
- **Charges for Services** increased by \$0.9 million, or 19.6%. This was mainly due to the restoration of programs and classes in Parks and Recreation. Development fees including plan check and inspection fee revenues can vary from year to year due to the timing of large scale development projects.
- **Use of Bond and Property** decreased by \$0.7 million, or 39.3%. The decrease is primarily due to poor investment performance in fiscal year 2022. Investment income is offset by unfavorable unrealized gains from the GASB 31 Fair Market Value adjustment which led to a \$4.1 million loss recognized at year-end. (see Note 2g for more information). This fair market value adjustment was offset by \$2.8 million in revenue as a result of the implementation of GASB 87 or the provision for leases and the property lease income (see Note 10 for more information.)
- **Revenues from Licenses and Permits** decreased by \$0.5 million, or 13.4%, when compared to the previous year. The prior year was particularly strong in this category due to the onset of several large projects and the 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** remained flat at \$1.1 million compared to the prior year.
- **Transient Occupancy Tax, or TOT**, increased by \$0.9 million, or 77.9%, compared to the prior year. This increase is due to a steady rise in tourism following the removal of COVID-19 travel restrictions and an increase in tax rate effective January 1, 2022, from 13% to 13.5% due to the passage of Measure QQ. This measure increased the local hotel tax on hotel guests from 10% to 12% beginning on January 1, 2019, with an annual increase of 0.5% and capped at 14%.
- **Vehicle In Lieu Revenues** increased by \$1.2 million, or 51.4%, 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 cities would be "backfilled" this revenue 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 will not be enough money to fully cover the amount owed. 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 FY 2020-21 VLF. The County is working with the State on recovery, but the soonest this year's shortfall would be repaid is fiscal year 2022-23. The revenue received is higher than the prior year due to the increase in property assessed values and lower countywide shortfall in this fiscal year.
- **Other General Revenues** increased by \$0.3 million, or 22.1%, compared to the prior year. The increase is primarily a result of rebate payment from the San Mateo County Sheriff's office in the current fiscal year. Per the agreement with San Mateo County, the City will receive a rebate for any amounts paid over the actual costs of providing services.

Expenditures

General Fund Actual Expenditures*				
(Amounts in Millions)				
	FY 19	FY 20	FY 21	FY 22
Total Expenditures	\$ 36.5	\$ 48.9	\$ 38.2	\$ 42.6
Dollar Change	N/A	\$ 12.4	\$ (10.7)	\$ 4.4
Percentage Change	N/A	34.0%	-21.9%	11.5%

*General Fund actual expenditures includes a \$7.0 million payment of California Public Employees Retirement System ("CalPERS") Unfunded Pension Liability in fiscal year 2020.

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

- **General Government Expenditures** slightly increased by \$0.2 million, or 3.7%, in fiscal year 2022 due to additional professional services fees and one-time Employee Recognition Pay.
- **Community Development Expenditures** increased by \$0.8 million, or 16.4%, largely due to a greater need for consultants and contractors to assist with economic development and planning projects.
- **Public Safety Expenditures** increased by \$0.4 million, or 2.1%, higher than the previous year. The primary reason for the change is contract increases for fire, police, and dispatch services.
- **Public Works Expenditures** increased by \$1 million, or 22.1%, mainly due to higher salaries, benefits, and professional services, including landscape maintenance costs associated with the trail maintenance at Big Canyon and Eaton Parks, stormwater direct costs, the purchase and installation of trash and composting receptacles Downtown, power washing on Laurel Street, and temporary staffing services needed to assist with vacancies.
- **Parks and Recreation Expenditures** increased by \$1.6 million, or 79.9%, mainly due to the restoration of programs, classes, and special events that were cancelled in the prior year due to the pandemic. Similarly, as a result of the pandemic, two full-time positions and most part-time positions were eliminated, contributing to lower salary and benefit costs in the last fiscal year. Those eliminated full-time and part-time positions were restored and filled this year.

Capital Improvement Fund – This fund has a fund balance of \$35.7 million at the close of fiscal year 2022, which represents an increase of \$5.3 million from the prior year. Significant changes in the Capital Improvement Fund are as follows:

- **Transfers** between the General Fund and the Capital Improvement Fund decreased by \$0.3 million to \$1.2 million.
- **Licenses and Permits and Traffic Impact Litigation Fees** remained flat at \$0.8 million for the year.
- **Other Revenue** decreased by \$0.6 million due to a one-time donation to the Adult Community Center and the Youth Center received in the prior year.
- **Property Taxes** increased by \$0.7 million due to an increase in assessed values, causing Educational Revenue Augmentation Fund ("ERAF") to increase.
- **Funding From Other Agencies** amounted to \$3.4 million in American Rescue Plan Act ("ARPT").
- **Use of Bond and Property** decreased by \$0.1 million mostly due to the decrease in investment income as described above.
- **Capital Project Expenditures** decreased by \$5.4 million due to the timing and scale of capital projects. Some capital projects were deferred to future fiscal years as a result of the COVID-19 pandemic and its impact on the ability of contractors to perform work.

Housing Capital Projects Fund – This fund is used to account for affordable housing-related financial activities. As of June 30, 2022, it has a fund balance of \$23.1 million, which is restricted for housing purposes. The fund balance increased by \$3 million compared to the prior year primarily due to Commercial Linkage Fee received from the MBC BioLab and 777 Industrial Road development projects during the year.

Other Governmental Funds – The total fund balance for the Other Governmental Funds increased to \$21.1 million compared with \$16.5 million in the previous fiscal year, an increase of \$4.6 million, or 27.9%. This was due to mainly to the transfer from General Fund for the Annual Street Resurfacing project

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 Fund Net Position.

The Wastewater Fund's total net position at the end of the fiscal year was \$75.2 million, an increase of \$6.1 million, or 8.8%. The operating revenues in the Wastewater Fund of \$22 million increased by \$0.8 million when compared to the previous fiscal year due to a 4.5% increase in the sewer rates and sewer connection fees received from the MBC BioLab and 777 Industrial Road development projects during the year.

Also, as stated previously, the City recorded an adjustment in the investment in SVCW during this fiscal year of \$0.2 million. More detail on the investment can be found in Note 14b. Included in the \$75.2million ending net position, \$11.9 million is restricted for capital projects, \$3.5 million is restricted for debt service, \$1.5 million is restricted for pension and other benefits programs, and \$25.6 million is restricted for sewer system maintenance.

Internal Service Funds – The City uses internal service funds to account for risk management, including worker's compensation, general liability, and property insurance. The Longevity Benefits Fund is used to account for OPEB for retired employees.

General Fund Budgetary Highlights

The final General Fund budget differs from the original adopted budget by \$0.8 million, mostly because of amendments approved by City Council during the year. There were increases in budgeted revenues and expenditures. The changes were as follows:

- Increase in the General Government expenditure budget by \$0.3 million to fund a one-time employee COVID-19 emergency recognition pay and additional funding for the San Carlos Tenant Assistance Program.
 - Increase in the Community Development budget by \$0.1 million for an additional professional services contract.
 - Increase in Police budget by \$0.1 million for additional crossing guard locations for the San Carlos School District.
 - Increase in Parks and Recreation budget by \$0.3 million to support the Eucalyptus Avenue holiday street closure plans and the coordination and management of the San Carlos Art & Wine Faire and Hometown Days events.

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 \$2.9 million, or 6.3%. 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** were projected as actual received with slightly higher than the budget by \$0.1 million, or 0.1%. Although there was an increase in assessed values, it was offset by the change in the tax increment revenue, which negatively impacted the amount of RDA pass through and residual property tax revenue the City received.
- **Sales Taxes** were higher than budget by \$1.6 million, or 14%. The City anticipated that the COVID-19 pandemic would continue to severely disrupt spending patterns as public health orders impacted many businesses. However, as noted above, the large decreases originally projected at the start of the pandemic did not materialize, as businesses were able to modify their delivery of products and services to continue to serve their customers.
- **Vehicle License** was higher than budgeted by \$0.6 million, or 20.7%, due to the increase in property assessed values and lower countywide shortfall in this fiscal year.
- **Business Registration** exceeded budget by \$0.1 million, or 11.1%, due to scheduled annual rate increases and increased efforts in collecting delinquent business registration fees.
- **Transient Occupancy Taxes** were higher than budget by \$0.2 million, or 9.1%. The main reason was a more gradual return to historical occupancy rates following the relaxing of the COVID-19 restrictions that were in place in the prior year.
- **Use of Bond and Property Revenues** were less than budget by \$2.7 million, or 86.6%, primarily due to poor investment performance in fiscal year 2022 and the \$4.1 million GASB 31 fair market adjustment. In accordance with Generally Accepted Accounting Principles ("GAAP"), the City adjusts the carrying value of its investments to reflect their fair value at fiscal year-end.
- **Current Charges for Services** were higher than budget by \$0.8 million, or 16.1%, primarily due to the timing of large scale development that fluctuates from year to year. In addition, some recreation programming was able to resume sooner than expected as the COVID-19 public health orders relaxed.
- **License and Permit Revenues** exceeded the budget by \$1.7 million, or 90%, due 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 \$0.24 million mainly due to the proceeds from the American Rescue Plan Act ("ARPA").
- **Other Revenue** exceeded budget by \$0.2 million, or 12.6%, due to increases in cost reimbursements from the County of San Mateo Sheriff's Office and Recology.

Expenditures. Total expenditures were under budget by \$4.5 million, or 9.6%.

- **Salaries and Benefits** were under budget by \$1.5 million, or 8.1%, 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 2018 and 2020.
- **Operating Expenditures** were under budget by \$3 million, or 9.6 %, primarily in professional services due to the delays in the start and completion of certain projects and major developments.

Other Budgetary Highlights

Capital Outlay for total Governmental Funds was also under budget by \$25.8 million primarily due to delays in numerous other projects, including: the Fire Station 16 Replacement project; the Annual Street Resurfacing project; and the Traffic Calming Improvements project. The majority of these projects will roll forward to the next fiscal year.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for government and business-type activities amounts to \$217.1 million as of June 30, 2022. The investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, and streets. The total increase in capital assets for fiscal year 2022 is \$5.6 million, or 2.6%. The increase relates to the current year capital assets additions, largely the 817 Walnut affordable housing project and the restated capital assets of \$4.0 million to reflect the right-to-use leased equipment per the implementation of GASB 87. The increase is offset by the increase in depreciation and retirement of capital assets.

Capital Assets June 30, 2022 and 2021 (Amounts in Millions)								
	Governmental Activities		Business Type Activities		All Government		% Change	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>		
Land and other assets not being depreciated	\$ 75.4	\$ 78.1	\$ 0.2	\$ 0.2	\$ 75.6	\$ 78.3	-3.4%	
Facilities, infrastructure and equipment, net of depreciation	109.0	99.6	32.5	33.6	141.5	133.2	6.2%	
Total	\$ 184.4	\$ 177.7	\$ 32.7	\$ 33.8	\$ 217.1	\$ 211.5	2.6%	

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 2022, the City had total outstanding long-term obligations of \$2.3 million, a decrease of 14.8%, due to the pay down of the General Obligation ("GO") bond.

Outstanding Long-Term Obligations June 30, 2022 and 2021 (Amounts in Millions)				
	Governmental Activities			
	<u>2022</u>	<u>2021</u>	% Change	
2015 GO Refunding Bond	\$ 2.3	\$ 2.7	-14.8%	
Total	\$ 2.3	\$ 2.7	-14.8%	

As of June 30, 2022, the City's general obligation limit is \$501.8 million, 3.75% of total assessed valuation subject to taxation. With outstanding debt of \$2.3 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 2023 budget:

- *Revenue Projections.* The overall growth of the General Fund Revenue is projected to be approximately 12.2% higher than the fiscal year 2022 revised budget. The fiscal year 2023 budget reflects the continued economic recovery following the COVID-19 pandemic in sales tax, TOT, and charges for current services revenue budgets and increase in the assessed value of properties.
- *Expenditures.* The overall General Fund Expenditure is budgeted to be 10.7% higher than in the fiscal year 2022 revised budget. In fiscal year 2023, there are 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 of the five-year Capital Improvement Plan was included as part of the fiscal year 2023 budget process. Changes to existing projects and the addition of new projects totaling \$9.6 million in expenditures were approved for fiscal year 2023. The major changes and additions included: (1) increases in funding for the Annual Street Resurfacing Project; (2) increases in funding for the Annual Traffic Marking & Striping Project; (3) Burton Park Sidewalk Improvements Project; (4) Illuminated Street Name Sign Replacement Project; (5) Installation of New Sports Field Lighting at Flanagan and Stadium Fields Project; (6) Brittan Avenue Sidewalk Improvements Project; (7) 2nd Floor Library Remodel Project; (8) 447 Hillcrest Wall Replacement Project; (9) East Side Innovation District Master Streetscape Plan; (10) East Side Innovation District Pulgas Creek Watershed Study; (11) Northeast Area Specific Plan, and (12) Tree Well Replacement on Industrial Road Project.
- *Sewer Rate Adjustments.* Per the City Council's decision during the wastewater rate setting discussions in 2019, there will be a 4.5% sewer rate increase in fiscal year 2023. 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

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CITY OF SAN CARLOS

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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CITY OF SAN CARLOS

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 126,055,684	\$ 35,170,914	\$ 161,226,598
Cash and investments with fiscal agents	1,143,601	-	1,143,601
Receivables:			
Accounts	3,700,119	969,421	4,669,540
Notes and loans	6,136,652	-	6,136,652
Down payment assistance loan program	439,032	-	439,032
Prepaid items	1,143,006	-	1,143,006
Property held for resale	2,000,606	-	2,000,606
Lease receivable	28,005,357	-	28,005,357
Investment in SVCW	-	8,625,973	8,625,973
Capital assets, not being depreciated:			
Land	63,533,769	153,734	63,687,503
Rights of way	2,413,714	-	2,413,714
Construction in progress	9,462,703	-	9,462,703
Capital assets, net of depreciation	109,036,586	32,586,927	141,623,513
Total Assets	353,070,829	77,506,969	430,577,798
Deferred Outflows of Resources:			
Deferred pension related items	11,571,416	1,040,061	12,611,477
Deferred OPEB related items	591,282	88,352	679,634
Total Deferred Outflows of Resources	12,162,698	1,128,413	13,291,111
Liabilities:			
Accounts payable and accrued liabilities	4,792,985	660,192	5,453,177
Accrued benefits	8,826	-	8,826
Deposits payable	7,468,814	-	7,468,814
Unearned revenue	611,476	-	611,476
Non-Current Liabilities:			
Due within one year	1,472,600	57,455	1,530,055
Due in more than one year	6,565,145	38,304	6,603,449
Net pension liability, due in more than one year	25,194,873	1,510,988	26,705,861
Net OPEB liability, due in more than one year	621,797	92,912	714,709
Total Liabilities	46,736,516	2,359,851	49,096,367
Deferred Inflows of Resources:			
Lease related	27,308,728	-	27,308,728
Deferred pension related items	16,462,288	891,022	17,353,310
Deferred OPEB related items	1,065,764	159,251	1,225,015
Total Deferred Inflows of Resources	44,836,780	1,050,273	45,887,053
Net Position:			
Net investment in capital assets	178,194,511	32,740,661	210,935,172
Restricted for:			
Public safety	287,505	-	287,505
Parks and recreation	2,539,633	-	2,539,633
Public works	10,737,991	-	10,737,991
Housing	23,149,252	-	23,149,252
Capital projects	-	11,893,273	11,893,273
Debt Service	849,880	3,500,000	4,349,880
Pension and other benefits programs	-	1,525,760	1,525,760
Sewer system maintenance	-	25,565,564	25,565,564
Unrestricted	57,901,459	-	57,901,459
Total Net Position	\$ 273,660,231	\$ 75,225,258	\$ 348,885,489

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 4,493,858	\$ 1,469,529	\$ 170,235	\$ -
Public safety	24,199,562	693,247	161,552	-
Community development	6,581,083	6,017,022	4,310,269	5,980,236
Parks and recreation	4,040,188	1,746,721	64,880	849,057
Public works	10,159,609	2,184,256	1,973,076	3,819,342
Interest on long-term debt	153,069	-	-	-
Total Governmental Activities	49,627,369	12,110,775	6,680,012	10,648,635
Business-type Activities:				
Sewer	14,605,088	22,049,838	-	-
Total Business-type Activities	14,605,088	22,049,838	-	-
Total Primary Government	\$ 64,232,457	\$ 34,160,613	\$ 6,680,012	\$ 10,648,635

General revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Motor vehicle in-lieu

Use of money and property

Miscellaneous

Transfers

Total general revenues and transfers

Change in Net Position

Net Position, beginning of the year, as restated (Note 3c)

Net Position, end of the Year

See Notes to Financial Statements

Net Expenses Revenues and Changes In Net Position Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,854,094)	\$ -	\$ (2,854,094)
(23,344,763)	-	(23,344,763)
9,726,444	-	9,726,444
(1,379,530)	-	(1,379,530)
(2,182,935)	-	(2,182,935)
(153,069)	-	(153,069)
20,187,947	-	20,187,947
-	7,444,750	7,444,750
-	7,444,750	7,444,750
20,187,947	7,444,750	12,743,197
18,624,289	-	18,624,289
2,136,750	-	2,136,750
14,537,028	-	14,537,028
4,354,709	-	4,354,709
3,504,285	-	3,504,285
841,322	(686,201)	155,121
910,850	8,745	919,595
658,700	(658,700)	-
45,567,933	1,336,156	44,231,777
25,379,986	6,108,594	31,488,580
248,280,245	69,116,664	317,396,909
\$ 273,660,231	\$ 75,225,258	\$ 348,885,489

See Notes to Financial Statements

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FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

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

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

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

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

CITY OF SAN CARLOS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	Capital Projects Funds		
	General	Capital Improvement	Housing
Assets:			
Cash and investments	\$ 51,195,108	\$ 35,971,670	\$ 15,556,498
Cash and investments with fiscal agents	-	-	1,143,601
Receivables:			
Accounts	3,285,170	224,305	-
Notes and loans	-	-	6,136,652
Down payment assistance loan program	-	-	439,032
Lease receivable	28,005,357	-	-
Prepaid items	1,143,006	-	-
Property held for resale	-	-	2,000,606
Total Assets	\$ 83,628,641	\$ 36,195,975	\$ 25,276,389
Liabilities, Deferred Inflows, of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,905,540	\$ 524,628	\$ 172,168
Accrued benefits	8,826	-	-
Deposits payable	7,467,285	-	1,529
Unearned revenues	611,476	-	-
Total Liabilities	11,993,127	524,628	173,697
Deferred Inflows of Resources:			
Unavailable revenues	216,622	20,000	1,953,440
Lease related	27,308,728	-	-
Total Deferred Inflows of Resources	27,525,350	20,000	1,953,440
Fund Balances:			
Nonspendable:			
Prepaid items	1,143,006	-	-
Restricted for:			
Public safety	-	-	-
Parks and recreation	-	-	-
Public works	-	-	-
Debt service	-	-	-
Housing	-	-	23,149,252
Committed to:			
General government	-	-	-
Community development	-	-	-
Capital projects	-	35,651,347	-
Economic uncertainties reserve	8,305,383	-	-
Strategic property acquisition	7,191,795	-	-
Assigned to:			
Unfunded liabilities	3,000,000	-	-
Facility/infrastructure improvements	21,341,500	-	-
Unassigned	3,128,480	-	-
Total Fund Balances	44,110,164	35,651,347	23,149,252
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 83,628,641	\$ 36,195,975	\$ 25,276,389

See Notes to Financial Statements

CITY OF SAN CARLOS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	Other Governmental Funds	Total Governmental Funds
Assets:		
Cash and investments	\$ 21,038,867	\$ 123,762,143
Cash and investments with fiscal agents	-	1,143,601
Receivables:		
Accounts	190,644	3,700,119
Notes and loans	-	6,136,652
Down payment assistance loan program	-	439,032
Lease receivable	-	28,005,357
Prepaid items	-	1,143,006
Property held for resale	-	2,000,606
Total Assets	\$ 21,229,511	\$ 166,330,516
Liabilities, Deferred Inflows, of Resources, and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 134,208	\$ 4,736,544
Accrued benefits	-	8,826
Deposits payable	-	7,468,814
Unearned revenues	-	611,476
Total Liabilities	134,208	12,825,660
Deferred Inflows of Resources:		
Unavailable revenues	7,476	2,197,538
Lease related	-	27,308,728
Total Deferred Inflows of Resources	7,476	29,506,266
Fund Balances:		
Nonspendable:		
Prepaid items	-	1,143,006
Restricted for:		
Public safety	287,505	287,505
Parks and recreation	2,539,633	2,539,633
Public works	10,737,991	10,737,991
Debt service	849,880	849,880
Housing	-	23,149,252
Committed to:		
General government	2,538,919	2,538,919
Community development	385,966	385,966
Capital projects	3,747,933	39,399,280
Economic uncertainties reserve	-	8,305,383
Strategic property acquisition	-	7,191,795
Assigned to:		
Unfunded liabilities	-	3,000,000
Facility/infrastructure improvements	-	21,341,500
Unassigned	-	3,128,480
Total Fund Balances	21,087,827	123,998,590
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 21,229,511	\$ 166,330,516

See Notes to Financial Statements

CITY OF SAN CARLOS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Fund balances of governmental funds	\$	123,998,590
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		184,446,772
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Long-term debt and compensated absences that have not been included in governmental fund activity.		
Bonds payable		(2,382,612)
Compensated absences		(1,085,765)
Leases payable		(3,959,368)

Net Pension Liability and other deferred items		
Proportionate share of net pension liability		(25,194,873)
Deferred outflows related to pensions		11,571,416
Deferred inflows related to pensions		(16,462,288)

Net OPEB Liability and other deferred items		
Net OPEB liability		(621,797)
Deferred outflows related to OPEB		591,282
Deferred inflows related to OPEB		(1,065,764)

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(19,250)
---	--	----------

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		2,197,538
---	--	-----------

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. These Assets and Liabilities of the internal service funds must be added to the statement of net position.		\$1,646,350
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Net Position of Governmental Activities	\$	273,660,231
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See Notes to Financial Statements

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CITY OF SAN CARLOS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

		Capital Projects Funds	
	General	Capital Improvement	Debt
Revenues:			
Sales taxes	\$ 13,019,557	\$ -	\$ -
Property taxes	15,311,185	2,940,768	-
Transient occupancy taxes	2,136,750	-	-
Franchise taxes	2,104,958	2,249,751	-
Vehicle in-lieu	3,504,285	-	-
Business registration	1,110,893	-	-
Licenses and permits	3,563,216	859,816	-
From other agencies	254,767	3,440,212	-
Charges for services	5,473,843	-	-
Fines and forfeitures	218,320	-	-
Use of money and property	1,111,087	(99,690)	(237,529)
Other revenue	1,812,804	350,948	4,310,269
Total Revenues	49,621,665	9,741,805	4,072,740
Expenditures:			
Current:			
General government	6,015,552	-	-
Community development	6,188,841	-	1,027,970
Public safety	20,961,098	-	-
Public works	5,514,697	-	-
Parks and recreation	3,642,195	-	-
Capital outlay	-	2,631,616	21,100
Debt service:			
Principal	130,253	-	-
Interest and fiscal charges	119,742	-	-
Total Expenditures	42,572,378	2,631,616	1,049,070
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,049,287	7,110,189	3,023,670
Other Financial Sources Uses :			
Transfers in	658,700	1,200,000	-
Transfers out	(1,300,900)	(2,975,000)	-
Total Other Financial Sources Uses	642,200	1,775,000	-
Net Change in Fund Balances	6,407,087	5,335,189	3,023,670
Fund Balances, Beginning of Year	37,703,077	30,316,158	20,125,582
Fund Balances, End of Year	\$ 44,110,164	\$ 35,651,347	\$ 23,149,252

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Sales taxes	\$ 1,517,471	\$ 14,537,028
Property taxes	372,336	18,624,289
Transient occupancy taxes	-	2,136,750
Franchise taxes	-	4,354,709
Vehicle in-lieu	-	3,504,285
Business registration	-	1,110,893
Licenses and permits	72,835	4,495,867
From other agencies	2,234,419	5,929,398
Charges for services	1,342	5,475,185
Fines and forfeitures	-	218,320
Use of money and property	(130,589)	643,279
Other revenue	761,135	7,235,156
Total Revenues	4,828,949	68,265,159
Expenditures:		
Current:		
General government	284,247	6,299,799
Community development	14,144	7,230,955
Public safety	217,901	21,178,999
Public works	1,737,083	7,251,780
Parks and recreation	-	3,642,195
Capital outlay	619,825	3,272,541
Debt service:		
Principal	390,000	520,253
Interest and fiscal charges	52,725	172,467
Total Expenditures	3,315,925	49,568,989
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,513,024	18,696,170
Other Financial Sources Uses :		
Transfers in	4,325,900	6,184,600
Transfers out	(1,250,000)	(5,525,900)
Total Other Financial Sources Uses	3,075,900	658,700
Net Change in Fund Balances	4,588,924	19,354,870
Fund Balances, Beginning of Year	16,498,903	104,643,720
Fund Balances, End of Year	\$ 21,087,827	\$ 123,998,590

See Notes to Financial Statements

CITY OF SAN CARLOS

RECONCILIATION OF THE NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS IN THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances total governmental funds	\$	19,354,870
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	2,080,557
Contributions of infrastructure and improvements by developers	5,980,236
Retirements of capital assets	(1,447,614)
Depreciation expense	(3,917,510)

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

Principal repaid on bonds	390,000
Premium on debt obligations	14,523
Lease payment (as Lessee)	130,253

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

2,912,364

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

4,875

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

(151,888)

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

148,022

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

(118,702)

Change in net position of governmental activities

\$ 25,379,986

See Notes to Financial Statements

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CITY OF SAN CARLOS

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance Final Budget Positive Negative
	Original	Final		
Revenues:				
Sales taxes	\$ 11,426,200	\$ 11,426,200	\$ 13,019,557	\$ 1,593,357
Property taxes	15,242,000	15,242,000	15,311,185	69,185
Transient occupancy taxes	1,957,900	1,957,900	2,136,750	178,850
Franchise taxes	1,906,200	1,906,200	2,104,958	198,758
Vehicle in lieu	2,907,000	2,907,000	3,504,285	597,285
Business registration	996,000	996,000	1,110,893	114,893
Licenses and permits	1,878,400	1,878,400	3,563,216	1,684,816
From other agencies	10,600	10,600	254,767	244,167
Charges for current services	4,699,200	4,714,200	5,473,843	759,643
Fines and forfeitures	297,900	297,900	218,320	(79,580)
Use of money and property	3,086,300	3,086,300	1,111,087	(1,975,213)
Other revenue	1,608,400	1,618,400	1,812,804	194,404
Total Revenues	46,016,100	46,041,100	49,621,665	3,580,565
Expenditures:				
Current				
General Government:				
City Council	298,800	323,800	287,324	36,476
City Manager	2,037,000	2,037,000	1,689,862	347,138
City Clerk	480,450	480,450	332,464	147,986
Administrative Services	3,511,500	3,511,500	3,068,885	442,615
General Government	675,800	977,386	531,303	446,083
City Treasurer	21,000	21,000	10,375	10,625
City Attorney	374,700	374,700	345,334	29,366
Total General Government	7,399,250	7,725,836	6,265,547	1,460,289
Community Development:				
Administration	794,050	842,050	765,386	76,664
Economic Development	814,500	814,500	477,202	337,298
Building	2,918,050	2,388,050	1,996,611	391,439
Planning	2,060,400	2,635,400	2,607,353	28,047
Advance Planning	425,400	425,400	342,289	83,111
Total Community Development	7,012,400	7,105,400	6,188,841	916,559
Public Safety:				
Police	11,037,700	11,172,000	10,182,269	989,731
Fire	11,140,300	11,140,300	10,778,829	361,471
Total Public Safety	22,178,000	22,312,300	20,961,098	1,351,202

See Notes to Financial Statements

CITY OF SAN CARLOS

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive Negative
	Original	Final	Actual Amounts	
Public Works:				
Administration	1,736,450	1,566,450	1,209,057	357,393
Garage	99,425	99,425	63,238	36,187
Street Maintenance	410,700	485,700	483,011	2,689
Park Maintenance	2,396,800	2,556,800	2,552,247	4,553
Traffic Control	319,700	294,700	225,719	68,981
Building Maintenance	1,124,550	1,084,550	981,425	103,125
Total Public Works	6,087,625	6,087,625	5,514,697	572,928
Parks and Recreation:				
Administration	579,150	579,150	515,490	63,660
Recreation	3,015,350	3,271,300	3,126,705	144,595
Total Parks and Recreation	3,594,500	3,850,450	3,642,195	208,255
Total Expenditures	46,271,775	47,081,611	42,572,378	4,509,233
Excess (Deficiency) of Revenues Over Expenditures	(255,675)	(1,040,511)	7,049,287	8,089,798
Other Financial Sources Uses :				
Transfers in	658,700	658,700	658,700	-
Transfers (out)	(1,300,900)	(1,300,900)	(1,300,900)	-
Total Other Financial Sources Uses	642,200	642,200	642,200	-
Net Change in Fund Balance	<u>\$ (897,875)</u>	<u>\$ (1,682,711)</u>	<u>\$ 6,407,087</u>	<u>\$ 8,089,798</u>
Beginning Fund Balance			37,703,077	
Ending Fund Balance			<u>\$ 44,110,164</u>	

See Notes to Financial Statements

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MAJOR PROPRIETARY FUND

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

The concept of major funds extends to Proprietary Funds.

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

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

CITY OF SAN CARLOS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2022

	Business-Type Activities Enterprise Fund Sewer	Governmental Activities Internal Service Funds
Assets:		
Current Assets:		
Cash and investments	\$ 35,170,914	\$ 2,293,541
Receivables:		
Accounts receivable	969,421	-
Prepaid items	-	-
Total Current Assets	36,140,335	2,293,541
Noncurrent:		
Investment in SVCW	8,625,973	-
Capital assets, net:		
Land	153,734	-
Depreciable capital assets, net	32,586,927	-
Total Noncurrent Assets	41,366,634	-
Total Assets	77,506,969	2,293,541
Deferred Outflows of Resources:		
Deferred pension related items	1,040,061	-
Deferred OPEB related items	88,352	-
Total Deferred Outflows of Resources	1,128,413	-
Liabilities:		
Current:		
Accounts payable	660,192	37,191
Compensated absences	57,455	-
Claims payable	-	283,000
Total Current Liabilities	717,647	320,191
Noncurrent:		
Compensated absences	38,304	-
Claims payable	-	327,000
Net Pension Liability	1,510,988	-
Net OPEB Liability	92,912	-
Total Noncurrent Liabilities	1,642,204	327,000
Total Liabilities	2,359,851	647,191
Deferred Inflows of Resources:		
Deferred pension related items	891,022	-
Deferred OPEB related items	159,251	-
Total Deferred Inflows of Resources	1,050,273	-
Net Position:		
Net investment in capital assets	32,740,661	-
Restricted for:		
Capital projects	11,893,273	-
Debt service	3,500,000	-
Pension and other benefits programs	1,525,760	-
Sewer system maintenance	25,565,564	-
Unrestricted	-	1,646,350
Total Net Position	\$ 75,225,258	\$ 1,646,350

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities Enterprise Fund Sewer	Governmental Activities Internal Service Funds
Operating Revenues:		
Charges for services	\$ 22,049,838	\$ 680,633
Cost reimbursements	-	1,577,700
Total Operating Revenues	22,049,838	2,258,333
Operating Expenses:		
Salaries and benefits	1,176,642	-
Sewer operations	9,410,725	-
Insurance premiums	-	1,257,176
Claims expense	-	1,048,465
Depreciation expense	1,193,879	-
Miscellaneous	2,601,800	28,887
Total Operating Expenses	14,383,046	2,334,528
Operating Income (Loss)	7,666,792	(76,195)
Nonoperating Revenues Expenses :		
Investment income	(686,201)	(44,762)
Miscellaneous	8,745	2,255
Decrease in Investment in Sewer Authority	(222,042)	-
Total Nonoperating Revenues Expenses	899,498	42,507
Income (Loss) Before Transfers	6,767,294	(118,702)
Transfers (out)	(658,700)	-
Change in net position	6,108,594	(118,702)
Net position, beginning of the year	69,116,664	1,765,052
Net position, end of the year	\$ 75,225,258	\$ 1,646,350

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities Enterprise Fund Sewer	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 22,004,181	\$ -
Cash received/(paid to) interfund service provided	-	2,258,333
Cash paid to suppliers for goods and services	(11,730,977)	(1,334,365)
Cash paid to employees for services	(1,903,711)	-
Claims paid	-	(1,048,465)
Net Cash Provided Used by Operating Activities	8,369,493	124,497
Cash Flows From Non-Capital Financing Activities:		
Transfers (out)	(658,700)	-
Net Cash Provided Used by Non-Capital Financing Activities	658,700	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(104,882)	-
Net Cash Provided Used by Capital and Related Financing Activities	104,882	-
Cash Flows from Investing Activities:		
Interest received	(686,201)	(44,762)
Miscellaneous	8,745	2,255
Net Cash Provided Used by Investing Activities	677,456	42,507
Net Increase Decrease in Cash and Cash Equivalents	6,928,455	167,004
Cash and Cash Equivalents at Beginning of Year	28,242,459	2,460,545
Cash and Cash Equivalents at End of Year	\$ 35,170,914	\$ 2,293,541
Reconciliation of Operating Income to Net Cash Provided Used by Operating Activities:		
Operating income (loss)	\$ 7,666,792	\$ (76,195)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,193,879	-
Change in assets and liabilities:		
Receivables, net	(45,657)	-
Prepaid items	333,377	-
Accounts payable	(51,829)	(48,302)
Compensated absences	11,592	-
Net pension liability and deferred outflows/inflows of resources	(682,342)	-
Net OPEB liability and deferred outflows/inflows of resources	(56,319)	-
Net Cash Provided Used by Operating Activities	\$ 8,369,493	\$ 124,497
Schedule of non-cash capital and related financing activities:		
Investment in joint venture	\$ (222,042)	\$ -

See Notes to 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.

CITY OF SAN CARLOS

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2022

	Private Purpose Trust Fund	Custodial Funds	
	Successor Agency of the Former RDA	City County Association of Governments of San Mateo County	Peninsula Traffic Construction Relief Alliance
Assets:			
Cash and Investment	\$ 1,094,189	\$ 27,432,198	\$801,456
Receivables:			
Accounts receivable	-	2,603,152	-
Loans receivable	-	2,337,397	-
Grants receivable	-	-	797,000
Prepaid items	-	-	38,728
Total Assets	1,094,189	32,372,747	1,637,184
Liabilities:			
Accounts payable and accrued liabilities	92,899	4,276,802	252,576
Unearned revenue	-	-	433,016
Long-term liabilities			
Due in one year	772,253	-	-
Due in more than one year	11,076,244	-	-
Total Liabilities	11,941,396	4,276,802	685,592
Net Position:			
Restricted for:			
Private purpose trust (RDA)	(10,847,207)	-	-
Other governments	-	28,095,945	951,592
Total Net Position	\$ 10,847,207	\$ 28,095,945	\$ 951,592

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Private Purpose Trust Fund	Custodial Funds	
	Successor Agency of the Former RDA	City County Association of Governments of San Mateo County	Peninsula Traffic Construction Relief Alliance
Additions:			
Taxes	\$ 1,270,392	\$ -	\$ -
Members contributions	-	2,817,462	-
Intergovernmental	-	9,102,492	3,681,725
Fees and Assessments	-	2,588,009	-
Miscellaneous	-	519,806	9,621
Total Additions	1,270,392	15,027,769	3,691,346
Deductions:			
Administrative expenses	9,649	712,899	
Distribution	-	5,651,178	3,711,058
Professional services	-	7,654,719	-
Interest expense	500,027	-	-
Total Deductions	509,676	14,018,796	3,711,058
Net increase(decrease) in fiduciary net position	760,716	1,008,973	(19,712)
Net Position - Beginning of the Year	(11,607,923)	27,086,972	971,304
Net Position - End of the Year	\$ 10,847,207	\$ 28,095,945	\$ 951,592

See Notes to Financial Statements

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CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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 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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements: 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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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), and Peninsula Traffic Congestion Relief Alliance (Commute.org). Private-purpose trust funds are used to account for the assets and liabilities of the former Redevelopment Agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated. All fiduciary funds use the accrual, rather than the modified accrual, basis of accounting.

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

d. Basis of Accounting

The Government-wide, proprietary 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*.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

e. Property Taxes and Sewer Charges

Revenue is recognized in the period for which the tax and assessment is levied. The County of San Mateo ("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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Cash and Cash Equivalents

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

Prepaid Items

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

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available, 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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and the governmental fund balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 one item that qualifies for reporting in this category, which is deferred outflows relating to the net pension obligation reported in the statements of net position. These outflows are the result of contributions made after the measurement period, which are expensed in the following year, and of adjustments due to the difference in proportions and the difference between actual contributions made and the proportionate share of the risk pool's total contributions.

In addition to liabilities, the statements of net position and the governmental balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 obligation reported in the Government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments and differences in proportions. This amount is deferred and amortized straight-line over a five-year period. 2) Governmental funds report unavailable revenues from the following sources: cost reimbursements; 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 that is accrued as earned. All employees who hold full-time regular positions are entitled to 12 working days of vacation pay upon successful completion of their first year of continuous service. 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 leave. The City's liability for compensated absences is recorded in the statements of net position. The compensated absences are reported in governmental funds only if they are matured. The liability for compensated absences is determined annually. For governmental funds, the portion expected to be permanently liquidated is recorded as fund liabilities.

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

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

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the City’s pension plan with CalPERS and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the 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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 to approved commitments and formal action of the City Council.

Net Position

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

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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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).

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by 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.

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.

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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (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, 2022 are classified in the following financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 161,226,598
Cash and investments with fiscal agent	1,143,601
Subtotal	<u>162,370,199</u>
Fiduciary Funds:	
Cash and investments	<u>29,327,843</u>
Subtotal	<u>29,327,843</u>
Total cash and investments	<u><u>\$ 191,698,042</u></u>

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$ 6,650
Deposits with financial institutions	5,287,373
Investments	<u>186,404,019</u>
Total cash and Investments	<u><u>\$ 191,698,042</u></u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
			As permitted by LAIF	
State of California Local Agency Investment Fund	Upon Demand	N/A	(currently \$75 million per account)	N/A
			As permitted by County Treasurer	
San Mateo County Investment Pool	Upon Demand	N/A	(currently no limit)	N/A
U.S. Treasury Bonds, Notes and Bills	5 years	N/A	100%	N/A
U.S. Government Agency and Federal Agency	5 years	N/A	100%	N/A
Mortgage Securities or Mortgage-Backed Securities	5 years	(C)	20%	N/A
Bankers Acceptances	180 days	N/A	40%	(B)
Commercial Paper	270 days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	5 years	N/A	30%	N/A
Time Certificates of Deposit - Banks or Savings and Loans	5 years	N/A	50%	N/A
Medium Term Corporate Notes	5 years	A	30%	N/A

(A) 10% of outstanding paper of issuing corporation.

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

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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	\$ 103,870,667	\$ 103,870,667
California Local Agency Investment Fund	81,389,751	81,389,751
California Asset Management Program	1,143,601	1,143,601
Total Investments	<u>\$ 186,404,019</u>	186,404,019
Cash in bank and cash on hand		5,294,023
Total Cash and Investments		<u>\$ 191,698,042</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022 for each investment type.

Investment Type	Total
Not rated:	
California Local Agency Investment Fund	\$ 81,389,751
San Mateo County Investment Pool	103,870,667
California Asset Management Program	1,143,601
Total Investments	186,404,019
Cash in bank and cash on hand	5,294,023
Total Cash and Investments	<u>\$ 191,698,042</u>

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.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2022.

Investment Type	Exempt	Total
Investments by Fair Value:		
California Local Agency Investment Fund	\$ 81,389,751	\$ 81,389,751
San Mateo County Investment Pool	103,870,667	103,870,667
Total Investments at Fair Value	<u>\$ 185,260,418</u>	185,260,418
Investments Measured at Net Asset Value:		
California Asset Management Program		1,143,601
Total Investments		186,404,019
Cash in banks		5,294,023
Total Cash and Investments		<u>\$ 191,698,042</u>

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pools measured at fair value and exempt in the fair value hierarchy under GASB No. 72, Fair Value Measurement and Application.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

h. Local Agency Investment Fund

The City is a participant in the Local Agency Investment Fund (“LAIF”) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain State funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. On June 30, 2022, these investments have an average maturity of 311 days.

i. San Mateo County Investment Fund

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

j. California Asset Management Program

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

The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. On June 30, 2022, the fair value approximated was the City's cost.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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, 2022, the City has recorded a receivable totaling \$167,297 for loans given out to five 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 rate and loan term remain unchanged. On June 30, 2022, the City has recorded a receivable totaling \$271,735 for loans given out to four buyers, consisting of \$192,000 in principal and \$79,735 in accrued interest.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – LOANS RECEIVABLE (Continued)

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

On June 19, 2020, the City of San Carlos 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 has since been completed and 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 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 four percent annually, and is to be repaid annually from residual receipts, if any. The loan will be payable in full at the end of loan term. The initial disbursement of \$4 million was made to the developer on June 15, 2020. At June 30, 2022, the total outstanding principal and interest was \$4,333,512. The developer intends to request the remaining principal of \$3 million on December 1, 2022 at the time the project converts it other funding sources to permanent financing.

c. Predevelopment Loan Agreement (1232 Cherry Street)

On August 2, 2021, the City of San Carlos ("City") and Cherry Street Commons, L.P. ("Borrower") entered a Predevelopment Loan Agreement. 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 will consist of at least 25 dwelling units together with parking and related improvements. The City has agreed to provide a loan to Borrower with a total principal amount not to exceed \$1,000,000. The unpaid principal balance shall accrue 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, 2022, the total outstanding principal and interest was \$98,059.

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

On May 31, 1995, The City of San Carlos ("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 paid for the first 30 years of the term of this loan and commence a repay date on June 1, 2025 with no interest bearing. The note is due and payable in full on or before June 1, 2035. On June 1, 2025, the Borrower will start a monthly payment of \$833.33.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – LOANS RECEIVABLE (Continued)

e. Human Investment Project Inc. Agreement

On June 28, 1994, the City of San Carlos ("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 will consist of providing for disposition and development of a shared housing facility for low income families. The City agreed to provide a loan to 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, 2022, the total outstanding principal was \$293,962.

f. Laureola Oaks Purchase and Sale Agreement

On November 30, 1992, the City of San Carlos ("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 will bear interest which will be compounded annually with a 7% rate. The principal and interest will be due and payable in full on March 9, 2049. At June 30, 2022, the total outstanding principal and interest was \$1,311,119.

NOTE 4 – INTERFUND TRANSACTIONS

a. Transfers Between Funds

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

Transfers between funds during the fiscal year ended June 30, 2022 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount
General Fund	Sewer Enterprise Fund	\$ 658,700 (A)
Capital Improvement Fund	General Fund	1,000,000 (B)
	Non-Major Governmental Funds	200,000 (B)
Non-Major Governmental Funds	General Fund	300,900 (B)
	Capital Improvement Fund	2,975,000 (B)
	Non-Major Governmental Funds	1,050,000 (B)
		<u>\$ 6,184,600</u>
	Total Interfund Transfers	

(A) Sewer right of way

(B) To fund capital projects, equipment, and technology replacement

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS

Capital assets of Governmental Activities as of June 30, 2022 consisted of the following:

	June 30, 2021 (As restated)	Additions	Retirements	Transfers	Balance at June 30, 2022
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 62,344,554	\$ -	\$ -	\$ 1,189,215	\$ 63,533,769
Rights of way	2,413,714	-	-	-	2,413,714
Construction in progress	13,282,503	1,476,845	(189,950)	(5,106,695)	9,462,703
Total non-depreciable assets	78,040,771	1,476,845	(189,950)	(3,917,480)	75,410,186
Capital assets being depreciated:					
Buildings and improvements	61,848,227	6,001,412	(2,608,937)	3,826,363	69,067,065
Equipment	6,680,967	28,845	(186,400)	91,117	6,614,529
Right-to-use leased equipment	4,089,621	-	-	-	4,089,621
Infrastructure	78,801,479	553,691	-	-	79,355,170
Total capital assets being depreciated	151,420,294	6,583,948	(2,795,337)	3,917,480	159,126,385
Less accumulated depreciation for:					
Buildings	(20,221,358)	(2,244,382)	1,351,273	-	(21,114,467)
Equipment	(4,246,086)	(403,361)	186,400	-	(4,463,047)
Right-to-use leased equipment	-	(219,972)	-	-	(219,972)
Infrastructure	(23,242,518)	(1,049,795)	-	-	(24,292,313)
Total accumulated depreciation	(47,709,962)	(3,917,510)	1,537,673	-	(50,089,799)
Net capital assets being depreciated	103,710,332	2,666,438	(1,257,664)	3,917,480	109,036,586
Capital assets, net	\$ 181,751,103	\$ 4,143,283	\$ (1,447,614)	\$ -	\$ 184,446,772

a. Donated Capital Assets

817 Walnut Street Improvements

On June 11, 2020, the City of San Carlos ("Lessor") and Walnut Street, L.P. ("Lessee") entered into a Ground Lease Agreement ("Lease") to build a new affordable housing development. The new affordable housing development includes one 4-story residential building and associated parking on City owned property that will be leased to the developer under a long-term ground lease. This residential development contains 23 affordable housing units and 1 manager's unit. The Lease requires the City to convey the leasehold of the property (the "Improvements") to the Lessee at a maximum value of \$1 per year for 75 years, and, as additional consideration, requires the Lessee to construct or cause construction of specific improvements to the site. The Improvement is financed through a City loan and proceeds generated from the sale of limited partnership interests in the Lease and private lender construction and permanent financing. At the end of Lease term, the property will remain under the City's ownership.

The improvement project was completed in June 2022 with total costs of \$14 million. \$8 million was capitalized as donated capital assets in the fiscal year 2021. The remaining improvement costs of \$6 million were being capitalized during the fiscal year ended June 30, 2022.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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	\$ 595,767
Public Safety	201,642
Public Works	1,290,269
Community Development	828,179
Parks and Recreation	<u>1,001,653</u>
Total Governmental Activities	<u>\$ 3,917,510</u>

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

c. Business Activities

	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 153,734	\$ -	\$ -	\$ 153,734
Total non-depreciable assets	<u>153,734</u>	<u>-</u>	<u>-</u>	<u>153,734</u>
Capital assets being depreciated:				
Equipment	1,944,946	65,557	-	2,010,503
Sewer network system	43,510,000	39,325	-	43,549,325
Total capital assets being depreciated	<u>45,454,946</u>	<u>104,882</u>	<u>-</u>	<u>45,559,828</u>
Less accumulated depreciation for:				
Equipment	(1,657,990)	(119,504)	-	(1,777,494)
Sewer network system	(10,121,032)	(1,074,375)	-	(11,195,407)
Total accumulated depreciation	<u>(11,779,022)</u>	<u>(1,193,879)</u>	<u>-</u>	<u>(12,972,901)</u>
Net capital assets being depreciated	<u>33,675,924</u>	<u>(1,088,997)</u>	<u>-</u>	<u>32,586,927</u>
Capital assets, net	<u>\$ 33,829,658</u>	<u>\$ (1,088,997)</u>	<u>\$ -</u>	<u>\$ 32,740,661</u>

Depreciation expense of \$1,193,879 was charged to the Sewer Enterprise Fund as of June 30, 2022.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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 five 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, 2022 shown on 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
2/28/2017	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
5/10/2021	Low Income Housing Unit	1001 Laurel St #225, San Carlos	497,800
10/21/2021	Low & Moderate Income Housing Unit	1001 Laurel St #418, San Carlos	529,977
Total Value			<u>\$ 2,000,606</u>

NOTE 7 – LONG-TERM LIABILITIES

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

	Balance June 30, 2021 (As Restated)	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Governmental Activities					
Compensated absences	\$ 933,877	\$ 669,693	\$ (517,805)	\$ 1,085,765	\$ 651,459
Claims liability	610,000	269,685	(269,685)	610,000	283,000
Leases payable	4,089,621	-	(130,253)	3,959,368	123,141
2015 Refunding General Obligation Bonds	2,700,000	-	(390,000)	2,310,000	415,000
Bond Premiums	87,135	-	(14,523)	72,612	-
Total Governmental Activities	<u>\$ 8,420,633</u>	<u>\$ 939,378</u>	<u>\$ (1,322,266)</u>	<u>\$ 8,037,745</u>	<u>\$ 1,472,600</u>

a. 2015 Refunding General Obligation Bonds

The 2015 Refunding Bonds were issued under a resolution adopted by the City Council on February 9, 2015 to refinance the 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.

The 2015 Refunding Bonds are general obligations of the City payable solely from ad valorem property taxes levied by the City and collected by the County. The total principal and interest remaining to be paid on the bonds is \$2,310,000 and \$120,500 respectively. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$442,050 and \$372,335 respectively.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – LONG-TERM LIABILITIES (continued)

The total cash flow savings including the application of the excess tax revenues of \$1,483,637 were \$2,498,038 and the net present value of the savings resulted in an economic gain of \$777,443. The refunding resulted in a \$19 savings for the average residential homeowner, which reduced the GO Bond tax from \$47 to \$28. Estimated savings will change over time with the growth in the City's assessed value, but is estimated to average \$17 for the 11 years that a 2015 GO Bond tax rate is required. Total estimated savings to the average residential homeowner is \$182. In fiscal year 2021-22 this included the application of excess tax revenues of \$144,500 which has helped to reduce the Debt Service Fund balance. The residential homeowner paid on average approximately \$25 per residential property.

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

The 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, 2022.

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

For the Year Ending June 30	Principal	Interest	Total
2023	\$ 415,000	\$ 42,050	\$ 457,050
2024	435,000	33,550	468,550
2025	460,000	24,600	484,600
2026	485,000	15,150	500,150
2027	515,000	5,150	520,150
Total	<u>\$ 2,310,000</u>	<u>\$ 120,500</u>	<u>\$ 2,430,500</u>

b. Leases Payable

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 8/31/2049. An initial lease liability was recorded in the amount of \$2,472,634 as of July 1, 2021. As of June 30, 2022, the value of the lease liability was \$2,395,049. The City is required to make monthly payments in amounts of \$12,500 and shall be increased by 12.5% at the end of every 5-year period. The lease has an interest rate of 3%. The intangible right-to-use lease asset is amortized over the life of the lease. As of June 30, 2022, the value of the right-to-use lease asset and accumulated amortization was \$2,472,634 and \$130,139, respectively.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – LONG-TERM LIABILITIES (continued)

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, 2022, the value of the lease liability was \$1,564,319. The City is required to make monthly payments in amounts of \$8,333 and shall be increased by 12.5% at the end of every 5-year period. The lease has an interest rate of 3%. The intangible right-to-use lease asset is amortized over the life of the lease. As of June 30, 2022, the value of the right-to-use lease asset and accumulated amortization was \$1,616,987 and \$89,833, respectively.

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	16	10
Brittan Corners Shopping Center, LLC	1119 Industrial Road	9/1/2019	8/31/2039	20	17	10

(Continued below)

Lessor	Expiration Date Including Options	Interest Exp	Principal Expenditures	Monthly Payment	Lease Asset	Lease Liability
K & E Investments, LLC	12/31/2048	\$ 47,331	\$ 52,669	\$ 8,333	\$ 1,527,154	\$ 1,564,319
Brittan Corners Shopping Center, LLC	8/31/2049	72,415	77,585	12,500	2,342,495	2,395,049
		<u>\$ 119,746</u>	<u>\$ 130,254</u>	<u>\$ 20,833</u>	<u>\$ 3,869,649</u>	<u>\$ 3,959,368</u>

The transactions details for the leases are summarized below:

Leases	Balance July 01, 2021	Retirements	Balance June 30, 2022	Current Portion
K & E Investments, LLC	\$ 1,616,987	\$ (52,668)	\$ 1,564,319	\$ 49,895
Brittan Corners Shopping Center, LLC	2,472,634	(77,585)	2,395,049	73,246
Total	<u>\$ 4,089,621</u>	<u>\$ (130,253)</u>	<u>\$ 3,959,368</u>	<u>\$ 123,141</u>

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

For the Year Ended June 30	Principal	Interest	Total
2023	\$ 123,141	\$ 126,855	\$ 249,996
2024	133,497	122,751	256,248
2025	160,115	118,010	278,125
2026	168,612	112,638	281,250
2027	174,174	107,076	281,250
2028 - 2032	1,075,505	439,724	1,515,229
2033 - 2037	1,469,904	234,724	1,704,628
2038 - 2039	654,420	21,897	676,317
Totals	<u>\$ 3,959,368</u>	<u>\$ 1,283,675</u>	<u>\$ 5,243,043</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – COMPENSATED ABSENCES

The changes in compensated absences for the year ending June 30, 2022 are as follows:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One year
Governmental Activities:					
Compensated absences	\$ 933,877	\$ 669,693	\$ (517,805)	\$ 1,085,765	\$ 651,459
Total Governmental Activities	<u>\$ 933,877</u>	<u>\$ 669,693</u>	<u>\$ (517,805)</u>	<u>\$ 1,085,765</u>	<u>\$ 651,459</u>
Business-Type Activities:					
Compensated absences	\$ 84,167	\$ 60,807	\$ (49,215)	\$ 95,759	\$ 57,455
Total Business-type Activities	<u>\$ 84,167</u>	<u>\$ 60,807</u>	<u>\$ (49,215)</u>	<u>\$ 95,759</u>	<u>\$ 57,455</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 FUND BALANCES

a Fund Balance

Detailed classifications of the City's Fund Balances as of June 30, 2022 are below.

Fund Balance Classifications	Capital Project Funds			Other Governmental Funds	Total
	General Fund	Capital Improvement	Debt Sinking		
Nonspendable:					
Inventory and prepaids	\$ 1,143,006	\$ -	\$ -	\$ -	\$ 1,143,006
Total Nonspendable Fund Balances	1,143,006	-	-	-	1,143,006
Restricted for:					
Police grants	-	-	-	287,505	287,505
City parks	-	-	-	2,539,633	2,539,633
Traffic management	-	-	-	1,063,945	1,063,945
National Pollutant Discharge Elimination System	-	-	-	700,692	700,692
Street maintenance	-	-	-	8,973,354	8,973,354
Debt service	-	-	-	849,880	849,880
Housing	-	-	23,149,252	-	23,149,252
Total Restricted Fund Balances	-	-	23,149,252	14,415,009	37,564,261
Committed to:					
Library tenant activities	-	-	-	2,538,919	2,538,919
Parking lot improvements	-	-	-	385,966	385,966
Equipment replacement	-	-	-	3,747,933	3,747,933
Capital projects	-	35,651,347	-	-	35,651,347
Strategic property acquisitions	7,191,795	-	-	-	7,191,795
Economic uncertainties reserve	8,305,383	-	-	-	8,305,383
Total Committed Fund Balances	15,497,178	35,651,347	-	6,672,818	57,821,343
Assigned to:					
Unfunded liabilities	3,000,000	-	-	-	3,000,000
Facility/infrastructure improvements	21,341,500	-	-	-	21,341,500
Total Assigned Fund Balances	24,341,500	-	-	-	24,341,500
Unassigned:					
General Fund	3,128,480	-	-	-	3,128,480
Total Unassigned Fund Balances	3,128,480	-	-	-	3,128,480
Total Fund Balances	\$44,110,164	\$35,651,347	\$23,149,252	\$21,087,827	\$ 123,998,590

b Fund Balance Commitments

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

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – FUND BALANCES (Continued)

Once established, appropriations from the Economic Uncertainties fund balance commitment can only be made by formal action of the City Council. Generally, appropriations and access to these funds will be reserved for emergency situations. Examples of such emergencies include, but are not limited to: catastrophic disaster (declared by Governor); budgeted revenue taken by another government entity; or a more than 5% drop in projected revenue to the General Fund. The balance as of June 30, 2022 was \$8,305,383, or 18% of total General Fund operating expenditures.

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. Generally, appropriations and access to these funds will be reserved for funding strategic property acquisitions by the City. The balance as of June 30, 2022 was \$7,191,795.

Equipment and Vehicle Replacement Reserves: A Replacement Fund is maintained as a separate fund for budgetary purposes to fund the replacement costs of existing non- sewer-related vehicles, major equipment, and information technology items when they reach the end of their useful lives. Sewer-related items will be maintained in the Wastewater Fund. The Replacement Fund is analyzed by staff at least annually as part of the budget update process for changes in assets, useful lives, estimated replacement costs, and appropriate funding levels. This fund is to be maintained at a level sufficient to fund 100% of the assets, based on estimated replacement costs and useful lives. The balance as of June 30, 2022 was \$3,747,933.

The City also has commitments for community development projects, general government, and capital projects totaling \$38,576,232.

c. Net Investment In Capital Assets

The balances related to Net Investment in Capital Assets are comprised of the following as of June 30, 2022:

	Governmental Activities	Business-Type Activities	Total
Capital Asset, Net of Accumulated Depreciation	\$ 180,577,123	\$ 32,740,661	\$ 213,317,784
Less Capital Debt	(2,382,612)	-	(2,382,612)
Plus Unspent Bond Proceeds	-	-	-
	<u>\$ 178,194,511</u>	<u>\$ 32,740,661</u>	<u>\$ 210,935,172</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – FUND BALANCES (Continued)

d. Restatement

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 87 – Leases during the year ended June 30, 2022.

As a Lessor, the City determined that the beginning balances of both leases receivable and deferred inflows of resources related to leases should be restated and increased by \$28,672,034 as of July 1, 2021. As a result, the net effect on beginning fund balance was zero. See the Leases details in Note 10.

As a Lessee, the City determined that the beginning balances of the Governmental Activities capital assets and non-current liabilities should be restated by \$4,089,621 to reflect the Right-to-use leased equipment balances as discussed in Note 5 – Capital Assets and the leases payable as shown in Note 7- Long-term Liabilities.

See the Leases details disclosed in Note 10.

NOTE 10 – 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.

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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – LEASES (Continued)

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 two billboards located on 815 American Street and 1119 Industrial Road, San Carlos. City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. City recorded lease liabilities with an initial value of \$4,089,621.

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.

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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – LEASES (Continued)

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, 2022 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	20	-	10/31/2042
San Carlos Properties LLC	505 Skyway Road	11/1/1997	10/31/2042	45	20	-	10/31/2042
Brittan Corners LLC	1101 Industrial Road	3/1/2000	12/1/2039	40	17	10	12/1/2049
GRM FISC, LLC	555 Skyway Road	2/12/1996	2/12/2041	45	19	25	2/12/2066
San Carlos Group I, LLC	800 Brittan Avenue	9/1/2005	8/31/2050	45	28	10	8/31/2060
Clear Channel Outdoor	800 Bransten Road	11/1/2014	10/31/2039	25	17	-	10/31/2039
Clear Channel Outdoor	815 Amercian Street	1/1/2019	12/31/2038	20	16	10	12/31/2048
Outfront Media	1119 Industrial Road	9/1/2019	8/31/2039	20	17	10	8/31/2049

(Continued below)

Lessee	Interest Revenue	Lease Revenue	Monthly Revenue as of June 30, 2022	Lease Receivable Balance at June 30, 2022	Deferred Inflow of Resources at June 30, 2022
Duvall Properties	\$ 39,813	\$ 61,543	\$ 5,951	\$ 1,322,344	\$ 1,292,396
San Carlos Properties LLC	21,438	33,137	3,203	712,024	695,882
Brittan Corners LLC	57,119	102,660	10,006	1,888,378	1,847,887
GRM FISC, LLC	62,863	107,237	10,556	2,080,918	2,037,495
San Carlos Group I, LLC	214,109	240,659	21,912	7,172,198	6,979,096
Clear Channel Outdoor	137,043	245,138	20,655	4,551,794	4,412,475
Clear Channel Outdoor	142,303	269,274	25,000	4,689,234	4,577,657
Outfront Media	168,969	303,658	29,167	5,588,467	5,465,840
	<u>\$ 843,657</u>	<u>\$ 1,363,306</u>	<u>\$ 126,450</u>	<u>\$ 28,005,357</u>	<u>\$ 27,308,728</u>

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

For the Year Ended June 30	Principal	Interest	Total
2023	\$ 636,500	\$ 901,318	\$ 1,537,818
2024	701,069	879,774	1,580,843
2025	806,187	855,409	1,661,596
2026	871,292	828,081	1,699,373
2027	923,192	798,977	1,722,169
2028-2032	5,882,261	3,474,437	9,356,698
2033-2037	8,358,221	2,328,254	10,686,475
2038-2042	5,908,921	979,920	6,888,841
2043-2047	2,168,682	469,092	2,637,774
2048-2051	1,749,032	95,306	1,844,338
Totals	<u>\$ 28,005,357</u>	<u>\$ 11,610,568</u>	<u>\$ 39,615,925</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – LEASES (Continued)

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 11 – NET PENSION LIABILITY

a. California Public Employees’ Retirement System (“CalPERS”) Plan

Description of Plan

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

For the year ended June 30, 2022, the total pension expense for the Safety, Miscellaneous and PARS Longevity Plans amounted to \$1,257,129.

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by Plan:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
CalPERS Plans:			
Safety	\$ 4,611,012	\$ 15,082,867	\$ 10,499,291
Miscellaneous	6,035,444	2,800,549	6,553,648
PARS Longevity Plan	1,965,021	8,822,445	300,371
Total	<u>\$ 12,611,477</u>	<u>\$ 26,705,861</u>	<u>\$ 17,353,310</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (Continued)

Benefits Provided

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

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

The provisions and benefits of each plan in effect at June 30, 2022 are summarized as follows:

<i>City Miscellaneous Plans</i>				
	<i>Tier 1</i>	<i>Tier 2</i>	<i>Tier 3</i>	<i>PEPRA</i>
Hire date	Prior to March 16, 2009	Prior to April 23, 2012	On or after April 23, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
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%	7.0%
Required employer contribution rates	14.33%	12.51%	10.65%	7.65%
<i>City Safety Plans</i>				
	<i>Tier 1</i>	<i>PEPRA</i>		
Hire date	On or after October 23, 2011	On or after January 1, 2013		
Benefit formula	2% @ 50	2.7% @ 57		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
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%	13%		
Required employer contribution rates	18.19%	13.04%		

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (“UAL”). The dollar amounts are billed on an annual basis. In the current fiscal year, the City’s required contributions for the UAL in the Miscellaneous and Safety Plans were \$879,409 and \$2,006,810 respectively.

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Miscellaneous Plans and Safety Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the year ended June 30, 2022, the contributions recognized as part of pension expense for each plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	\$ 2,034,117	\$ 1,820,816	\$ 3,854,933

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

As of June 30, 2022, the City reported net pension liabilities for its proportionate share of the net pension liability of each Miscellaneous and Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	\$ 15,082,867
Miscellaneous	2,800,549
Total Net Pension Liability	<u>\$ 17,883,416</u>

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (Continued)

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans were measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2020 and 2021 was as follows:

Proportion - June 30, 2021	0.33067%
Proportion - June 30, 2020	<u>0.30842%</u>
Change Increase/(Decrease)	<u>0.02225%</u>

For the year ended June 30, 2022, the City recognized a pension credit of \$228,394 for the CalPERS Plan. At June 30, 2022, 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	\$ 2,034,117	\$ -	\$ 1,820,816	\$ -	\$ 3,854,933	\$ -
Differences between actual and expected experience	2,576,895	-	314,051	-	2,890,946	-
Changes in assumptions					-	-
Net differences between projected and actual earnings on plan investments	-	(8,977,205)	-	(2,444,731)	-	(11,421,936)
Difference in actual contributions and proportion contributions	-	(557,896)	2,886,058	(1,284,790)	2,886,058	(1,842,686)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(964,190)	1,014,519	(2,824,127)	1,014,519	(3,788,317)
Total	\$ 4,611,012	\$ (10,499,291)	\$ 6,035,444	\$ (6,553,648)	\$ 10,646,456	\$ (17,052,939)

In the table above, the \$3,854,933 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2021 but before the end of the City's reporting period ended June 30, 2022, will be recognized as a reduction of the net pension liabilities in the subsequent fiscal year 2023 rather than in the current fiscal year 2022. 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
2023	\$ (1,607,547)	\$ (558,345)	\$ (2,165,892)
2024	(1,767,036)	(516,645)	(2,283,681)
2025	(2,077,413)	(588,431)	(2,665,844)
2026	(2,470,400)	(675,602)	(3,146,002)
Total	\$ (7,922,396)	\$ (2,339,020)	\$ (10,261,416)

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (Continued)

Actuarial Assumptions

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	(1)
Investment Rate of Return	7.15% (2)
Mortality Rate Table	Derived using CalPERS' membership data for all Funds (3) Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on
Post Retirement Benefit Increase	Purchasing Power applies

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, 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.

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (Continued)

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

The table below reflects the expected real rates of return by asset class.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Public Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%
Total	100%		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in the Global Debt Securities; Liquidity is included in short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

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

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

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Safety	\$ 23,047,994	\$ 15,082,867	\$ 8,540,499
Miscellaneous	13,783,207	2,800,549	(6,278,658)

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (Continued)

Pension Plan Fiduciary Net Position

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

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

Plan Description and Benefits

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

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

Employees hired by the City before January 1, 2009 receive a monthly payment equal to the Internal Revenue Code (IRC) Section 125 Plan benefit for active Miscellaneous employees and the former fire service employees with single coverage (\$989.48 per month for 2022) 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 measurement date, June 30, 2021, the number of participants is as follows: 25 active and 48 retirees.

Contributions

During the year ended June 30, 2022, the contributions totaled \$620,000.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (Continued)

Net Pension Liability

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

Actuarial Assumptions and Discount Rate

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Discount Rate	6.0% as of June 30, 2021 and June 30, 2020
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	6.0% as of June 30, 2021 and June 30, 2020 net of plan investment expenses
Demographic Assumptions	Rates of retirement, disability and other terminations are based on the CalPERS 2017 experience study using data from 1997 to 2015, except for a different basis used to project future mortality improvements
Mortality Improvements	The representative mortality rates were those published by MacLeod Watts Scale 2022 applied generationally from 2015

Changes in the Net Pension Liability

The changes in the June 30, 2021 measurement date are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2020	\$ 10,797,580	\$ 3,788,854	\$ 7,008,726
Changes in the year:			
Service cost	127,436	-	127,436
Interest on the total pension liability	639,803	-	639,803
Contribution - employer	-	638,000	(638,000)
Net investment income	-	230,750	(230,750)
Administrative expenses	-	(756)	756
Differences due to plan experience	758,229	-	758,229
Investment Experience	-	457,281	(457,281)
Change of assumptions	1,613,526	-	1,613,526
Benefit payments	(523,269)	(523,269)	-
Net changes	2,615,725	802,006	1,813,719
Balance at June 30, 2021	\$ 13,413,305	\$ 4,590,860	\$ 8,822,445

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (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 each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
	5.00%	6.00%	7.00%
Net Pension Liability	\$ 10,702,993	\$ 8,822,445	\$ 7,276,545

Pension Plan Fiduciary Net Position

Detailed information about each pension plans' 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, 2022, the City recognized pension expense of \$1,485,521 for the PARS Longevity Recognition Plan. At June 30, 2022, the City reported the following related to this Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 620,000	\$ -
Differences between actual and expected experience	429,991	-
Changes in assumptions	915,030	-
Net differences between projected and actual earnings on plan investments	-	(300,371)
Total	<u>\$ 1,965,021</u>	<u>\$ (300,371)</u>

The \$620,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – NET PENSION LIABILITY (Continued)

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

Year Ended June 30	Deferred Outflows/(inflows) of Resources
2023	\$ 962,846
2024	247,085
2025	(73,824)
2026	(91,457)
Total	<u>1,044,650</u>

NOTE 12 – 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 \$989.48 per month for 2022. 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 \$149 per month for 2022.

As of June 30, 2022, 71 retired employees participated in the retiree healthcare benefits. Additionally, 82 current employees have met the criteria for the retiree healthcare benefits and are eligible to participate in the program if they retire from the City of San Carlos in future years.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

b. Employees Covered

Membership in the plan consisted of the following at June 30, 2022:

Active employees	82
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	71
Inactive employees entitled to but not yet receiving benefit payments	37
Total	<u>190</u>

c. Net OPEB Liability

Actuarial Methods and Assumptions: The City's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Funding Method	Entry age normal cost, level percent of pay
Assets Valuation Method	Market value of assets
Long Term Return on Assets	6.05% as of June 30, 2021 and 6.75% as of June 30, 2020
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	5.4% in 2021, fluctuates until ultimate rate of 4.0% in 2076
Mortality Improvement	Macleod Watts Scale 2022 applied generationally from 2015

Discount Rate: The discount rate used to measure the Total OPEB Liability was 6.05%.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2021:	\$ 4,775,207	\$ 3,160,799	\$ 1,614,408
Changes Recognized for the Measurement Period:			
Service Cost	98,616	-	98,616
Interest on the total OPEB liability	315,162	-	315,162
Expected investment income	-	214,106	(214,106)
Employer Contributions	-	432,960	(432,960)
Administrative expenses	-	(1,173)	1,173
Other expenses	-	-	-
Difference between expected and actual experience	(314,122)	-	(314,122)
Changes of assumptions	290,478	-	290,478
Investment experience	-	643,940	(643,940)
Benefit payments	(409,504)	(409,504)	-
Net Changes during Fiscal Year 2022	<u>(19,370)</u>	<u>880,329</u>	<u>(899,699)</u>
Balance at Fiscal Year Ending 6/30/2022:	<u>\$ 4,755,837</u>	<u>\$ 4,041,128</u>	<u>\$ 714,709</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 OT ER POST-EMPLOYMENT BENEFITS Continued

d Sensitivity of t e Net OPEB Liability

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

Net OPEB Liability Asset		
Discount Rate -1%	Discount Rate	Discount Rate +1%
5.05%	6.05%	7.05%
\$ 1,211,469	\$ 714,709	\$ 292,575

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

Net OPEB Liability Asset		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
Current Trend	Current Trend	Current Trend
\$ 300,492	\$ 714,709	\$ 1,194,023

e OPEB E penses and Deferred Outflows Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB credit of \$32,420. As of fiscal year ended June 30, 2022, 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	\$ 400,799	\$ -
Net difference between projected and actual earnings on investments	-	(438,960)
Differences between actual and expected experience	-	(683,712)
Changes of assumptions	278,835	(102,343)
Total	<u>\$ 679,634</u>	<u>\$ (1,225,015)</u>

\$400,799 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, 2023. 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
2023	\$ (226,433)
2024	(254,997)
2025	(266,169)
2026	(194,162)
2027	(3,845)
Thereafter	(574)
Total	<u>\$ (946,180)</u>

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – RISK MANAGEMENT

a. Liability Coverage

The City participates in the Pooled Liability Assurance Network Joint Powers Authority (“PLAN JPA”), which consists of 28 member cities in the San Francisco bay area. Members of the PLAN JPA collectively share the risk of self-insured losses and purchase a broad range of risk management services including, but not limited to, program administration, accounting and finance, claims administration, risk control, loss prevention, actuarial services, training and education, and legal services to support the shared risk programs. PLAN JPA provides General Liability, Auto Liability, and Errors and Omissions coverage in excess of the City’s retained limit, or self-insured retention (“SIR”). 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 \$29,000,000 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 \$30,000,000 per occurrence.

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

b. Workers' Compensation Coverage

The City participates in the Cities Group, created by a joint powers agreement to provide workers’ compensation coverage of up to \$100,000 per occurrence in excess of \$1,500,000 for safety officers and \$1,000,000 for miscellaneous employees. The Cities Group acts as administrator, claim adjuster, and provider of other risk management services as required by State law. Each member of the Cities Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Cities Group.

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – RISK MANAGEMENT (Continued)

c. Liability for Uninsured Claims

The City's liability for uninsured claims at June 30, 2022 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, 2022 and 2021, 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,	
	2022	2021
Beginning balance	\$ 610,000	\$ 611,700
Net change in liability for claims and claims paid but not reported	(269,685)	222,158
Claims paid	269,685	(223,858)
Balance at June 30	610,000	610,000
Current Portion	283,000	283,000
Long-term Portion	\$ 327,000	\$ 327,000

NOTE 14 – 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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – JOINT VENTURES (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, 2022 was \$1,888,379. 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, 2022, the City contributed \$4,000,524 toward the cost of operating and maintaining the facility and paid debt principal and interest of \$3,248,995 that included the State revolving fund loan and the financing agreements to finance the construction and rehabilitation of SVCW's wastewater system. For the fiscal year 2022, the City is obligated to pay debt principal and interest payments totaling \$3,268,999.

The condensed audited financial information of the JPA as of June 30, 2021 is as follows:

Total Assets	\$ 736,133,356
Total Deferred Outflows	28,637,273
Total Liability	(636,863,272)
Total Deferred Inflows	(1,624,556)
Total Net Position	<u>\$ 126,282,801</u>
Total Operating Revenues	\$ 54,106,188
Total Operating Expenses	(39,092,171)
Total Operating Income (Loss)	15,014,017
Other Income (Loss)	(11,843,201)
Net Income	<u>\$ 3,170,816</u>
Cumulative Agency Balances:	
Belmont	\$ 44,904,754
San Carlos	8,625,973
Redwood City	43,232,444
West Bay Sanitation District	29,519,630
Total Net Position	<u>\$ 126,282,801</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – JOINT VENTURES (Continued)

As of June 30, 2022, the City's direct obligation is \$84,231,146, which is related to the 2018, and 2021 Series A&B revenue bonds and 2019 WIFIA loan and revenue bonds.

The City entered into financing agreements with SVCW for repayment of the City's allocated share of the 2018, 2021A&B bonds and 2019 WIFIA in the amount of \$84,231,146. The financing agreements are secured by a pledge of the City's Sewer Enterprises Fund Net Revenue as defined under the financing agreements. For fiscal year 2022, gross Sewer Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$21,372,380. The operating and maintenance costs, including operating expenses, transfers out for overhead and administrative costs (but excluding interest and depreciation or amortization) amounted to \$10,884,729. Net revenues available for debt services amounted to \$10,487,651, which represented coverage of 3.54 times over the total of debt services of \$2,963,137.

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

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

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

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

On October 12, 2020, the City Council adopted Resolution 2020-074 approving the first amendment to financing agreement with SVCW, implementing a reduced interest rate on an existing WIFIA Loan from the Environment Protection Agency ("EPA"). SVCW and the EPA terminated the original WIFIA Loan Agreement and executed a new WIFIA Loan Agreement to reset the interest rate from 2.4% to 1.41% on the WIFIA Loan to reduce the interest rate payable. The reset of interest rate resulted a \$6 million net present value to the City.

2020 Financing Agreement

The 2020 Financing Agreement with SVCW is for the repayment of its allocated share of the 2021 Bonds Series A in the amount of \$23,700,000 and the 2021 Bonds Series B in the amount of \$1,140,000.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – JOINT VENTURES (Continued)

The 2021A Bonds were being issued to refund the outstanding SVCW 2014 and 2015 Bonds, and paid costs of issuing the 2021A Bonds. The 2021B Bonds were being issued to prepay the 2011 Authority SRF Loan and costs of issuing the 2021B Bond. Under the JPA, the City is obligated to pay its allocated share of debt service on the 2021 Bonds.

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

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

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 \$101,562 for the year ended June 30, 2022. The City provided financial services to C/CAG and received \$97,000 for the services during the fiscal year.

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

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. Starting on January 1, 2018, the City began providing financial services to Commute.org and received \$81,400 for the services during the fiscal year.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – JOINT VENTURES (Continued)

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

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.

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 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 revenue to the City at June 30, 2022 was \$1,930,100. These funds can be used by the City to cover the repairs and maintenance costs for the library.

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

San Mateo County Operational Area (“OA”) JPA was formed in 35 years ago. The OA 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 properly based on the phases of emergency management.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – JOINT VENTURES (Continued)

i. Peninsula Clean Energy Authority of San Mateo County

Under the Community Choice Aggregation (“CCA”) program, San Mateo County of 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.

Service Agreements

a. 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.

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

In April 2018, the Cities of Redwood City and San Carlos negotiated a restated agreement for another five years, commencing on July 1, 2018 and expiring on June 30, 2023. Cost of services will be reviewed annually and brought forward for Council approval each year. The total charges for fiscal year 2022 were \$8,435,386.

b. 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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 – JOINT VENTURES (Continued)

In June 2020, the Council approved a new 5-year agreement with the San Mateo County Sheriff's Office for July 2020 through June 2025. The total charges for fiscal year 2022 were \$7,646,360.

c. 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. The City Council approved a five-year agreement through June 30, 2025 on June 22, 2020 for police services with the San Mateo County Sheriff's Office. 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 15 – COMMITMENTS AND CONTINGENT LIABILITIES

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

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

a. Palo Alto Medical Foundation Development Agreement

On October 8, 2007, after an extensive 3 1/2 year process, the City Council approved a proposal by the Palo Alto Medical Foundation ("PAMF") to develop a regional Medical Clinic, Medical Office Building, and Hospital on an 18 acre site at 301 Industrial Road in San Carlos that formerly housed the Varian - CPI Eimac plant. In 2011, Sutter Health, PAMF's parent organization approved funding for the first phase 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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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. Guaranteed Minimum Payments continued the following year with a payment of \$826,615 in April 2022. The next guaranteed payment will be \$847,280 in April 2023.

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

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

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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 is final with the remaining fee due at the time building permits are issued. PAMF is also required to make a contribution of \$500,000 towards the US 101/Holly Pedestrian Bridge Project.

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

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 \$9,191,199 from years 1 through 14. City will receive the year 15 payment of \$847,280 in April 2023 as scheduled
D	Guaranteed minimum construction-related use tax revenue	\$722,000 for the principal construction period	With the start of construction in May 2012, construction period revenue (use tax assigned to the project by the contractors) began to flow to the City's sales tax account. At completion of Phase I construction, the City had received 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

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

c. Construction Commitments

Construction commitments as of June 30, 2022 consisted of the following projects:

Project Name	Contract Amount	Expenditures to date as of June 30, 2022	Remaining Commitments
Sewer Rehabilitation	\$ 3,456,049	\$ 3,451,201	\$ 4,848
On-call Sewer Replacement	440,900	103,578	337,322
Sports Field Lighting at Burton and Highlands Parks	1,769,888	-	1,769,888
Engineering Design Services for the Pavement Rehabilitation	511,648	-	511,648
Wayfinding and Gateway Signage	395,000	-	395,000
Total	<u>\$ 6,573,485</u>	<u>\$ 3,554,779</u>	<u>\$ 3,018,706</u>

NOTE 16 – 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.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY Continued

Additional Information for the Successor Agency of the Former Redevelopment Agency

a Cash and Investments

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

Cash and investments	\$ 1,094,189
Total Cash and Investments	<u>\$ 1,094,189</u>

b Long-term Debt

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

	Balance June 30, 2021	Retirements	Balance June 30, 2022	Due Within One Year
Notes Payable:				
Installment Purchase Agreement (a)	\$ 2,325,560	\$ (82,270)	\$ 2,243,290	\$ 90,660
2018 Tax Allocation Refunding Bonds (b)	10,268,192	(662,985)	9,605,207	681,593
Total	<u>\$ 12,593,752</u>	<u>\$ (745,255)</u>	<u>\$ 11,848,497</u>	<u>\$ 772,253</u>

(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 will continue through June 1, 2035, bearing interest of 10.9%. As of June 30, 2022, the total principal and interest remaining on the debt is \$3,960,883.

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued)

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

The 2018 Bonds are special obligations of the 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 pledge of future tax revenue ends upon repayment of the total 2018 bonds in the amount of \$14.8 million.

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 is \$11,338,470 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 \$1,270,392 and the debt service obligation on the bonds was \$946,181.

e. Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for the debt outstanding as of June 30, 2022:

For the Year Ending June 30	Direct Placement Tax Allocation Refunding Bonds			Direct Borrowing Installment Purchase Agreement		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 681,593	\$ 264,036	\$ 945,629	\$ 90,660	\$ 214,740	\$ 305,400
2024	703,118	244,304	947,422	99,905	205,495	305,400
2025	723,907	223,969	947,876	110,093	195,307	305,400
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
2028-2032	4,156,114	563,767	4,719,881	902,982	624,018	1,527,000
2033-2035	1,833,346	52,561	1,885,907	784,640	122,243	906,883
Total	<u>\$ 9,605,207</u>	<u>\$ 1,733,263</u>	<u>\$ 11,338,470</u>	<u>\$ 2,243,290</u>	<u>\$ 1,717,593</u>	<u>\$ 3,960,883</u>

CITY OF SAN CARLOS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 SUBSEQUENT EVENTS

The State and Local Coronavirus Fiscal Recovery Funds legislation, part of the American Rescue Plan Act ("ARPA"), was signed into law by President Biden on March 11, 2021. The bill included \$350 billion in funds allocated to recovering from the pandemic and restoring the economy. This includes \$195.3B to states and the District of Columbia, \$65.1B to counties, \$45.6B to metropolitan cities, etc., and \$19.5B to non-entitlement units of government. The U.S. Department of the Treasury will oversee and administer these payments to the State of California for non-entitlement cities (population less than 50,000), which includes the City of San Carlos. The City received \$3,610,447 from the State of California on July 13, 2021, which represents 50% of the City's total ARPA allocation. The second installment was received in July 2022. All funds must be obligated by December 2024. ARPA funds can be used to support public health responses, replace public sector revenue loss, improve water and sewer infrastructure, address negative economic impacts, support premium pay for essential workers, and improve broadband infrastructure.

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the CalPERS board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions will be reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

CALPERS COST SHARING PLAN SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

Measurement Dates:	Miscellaneous							
	6/30/14	6/30/15	6/30/16	6/30/17	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.25%	0.23%	0.23%	0.18%	0.18%	0.12%	0.05%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,765,793	\$ 16,833,679	\$ 20,234,806	\$ 22,834,231	\$ 17,011,933	\$ 18,386,126	\$ 12,569,004	\$ 2,800,549
Plan's Covered Payroll	4,034,029	6,254,350	6,577,443	7,079,214	7,389,579	7,885,229	8,586,940	8,595,270
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	341%	269%	308%	323%	230%	233%	146%	33%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.29%	72.85%	68.77%	68.08%	76.94%	76.26%	84.31%	96.63%

Measurement Dates:	Safety							
	6/30/14	6/30/15	6/30/16	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.23%	0.21%	0.20%	0.20%	0.20%	0.19%	0.28%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,974,817	\$ 15,579,631	\$ 17,790,912	\$ 19,520,586	\$ 19,398,821	\$ 20,128,984	\$ 20,988,636	\$ 15,082,867
Plan's Covered Payroll	104,376	109,603	114,534	119,583	53,322	103,575	125,858	141,154
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	13389%	14215%	15533%	16324%	36381%	19434%	16676%	10685%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	73.42%	69.92%	66.12%	64.49%	65.22%	65.05%	64.37%	74.51%

Notes to Schedule:

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

Changes in assumptions: In 2022, there were no changes in the discount rate

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

REQUIRED SUPPLEMENTARY INFORMATION

CALPERS COST SHARING PLAN SCHEDULE OF PLAN CONTRIBUTIONS AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

Fiscal year ended	Miscellaneous							
	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 1,261,404	\$ 1,102,597	\$ 670,838	\$ 6,926,132	\$ 1,799,956	\$ 9,110,376	\$ 3,418,397	\$ 1,820,816
Contributions in relation to the actuarially determined contributions	(1,261,404)	(1,102,597)	(670,838)	(6,926,132)	(1,799,956)	(9,110,376)	(3,418,397)	(1,820,816)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,254,350	\$ 6,577,443	\$ 7,079,214	\$ 7,389,579	\$ 7,885,229	\$ 8,586,940	\$ 8,595,270	\$ 9,105,629
Contributions as a percentage of covered payroll	20.17%	16.76%	9.48%	93.73%	22.83%	106.10%	39.77%	20.00%

Fiscal year ended	Safety							
	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 1,034,659	\$ 1,169,706	\$ 1,112,696	\$ 1,255,290	\$ 1,456,904	\$ 1,676,149	\$ 1,830,722	\$ 2,034,117
Contributions in relation to the actuarially determined contributions	(1,034,659)	(1,169,706)	(1,112,696)	(1,255,290)	(1,456,904)	(1,676,149)	(1,830,722)	(2,034,117)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 109,603	\$ 114,534	\$ 119,583	\$ 53,322	\$ 103,575	\$ 125,858	\$ 141,154	\$ 150,121
Contributions as a percentage of covered payroll	944%	1021%	930%	2354%	1407%	1332%	1297%	1355%

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	7.15%
Inflation	2.50%
Salary increases	Annual increase vary by category, entry age and duration of service
Retirement age	50 and up

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Total Pension Liability								
Service Cost	Not available	\$ 239,822	\$ 225,433	\$ 229,629	\$ 168,032	\$ 173,493	\$ 123,724	\$ 127,436
Interest	Not available	455,847	470,045	478,414	585,709	608,083	623,837	639,803
Changes of assumptions	Not available	-	802,583	(2,369,059)	-	(36,873)	-	1,613,526
Differences due to plan experience	Not available	-	-	1,055,691	-	(2,151)	-	758,229
Benefit payments	Not available	(261,805)	(299,652)	(333,528)	(359,186)	(413,387)	(447,071)	(523,269)
Net change in total pension liability	Not available	433,864	1,198,409	(938,853)	394,555	329,165	300,490	2,615,725
Total pension liability - beginning	Not available	9,079,950	9,513,814	10,712,223	9,773,370	10,167,925	10,497,090	10,797,580
Total pension liability - ending (a)	<u>\$ 9,079,950</u>	<u>\$ 9,513,814</u>	<u>\$ 10,712,223</u>	<u>\$ 9,773,370</u>	<u>\$ 10,167,925</u>	<u>\$ 10,497,090</u>	<u>\$ 10,797,580</u>	<u>\$ 13,413,305</u>
Plan fiduciary net position								
Contributions - employer	311,000	328,200	350,000	452,000	1,520,000	459,000	630,300	638,000
Net investment income	141,262	29,190	15,848	128,999	116,751	183,313	126,101	688,031
Administrative expenses	-	(373)	(394)	(455)	(2,367)	(549)	(11)	(756)
Benefit payments	(208,839)	(261,805)	(299,652)	(333,528)	(359,186)	(413,387)	(447,071)	(523,269)
Net change in plan fiduciary net position	243,423	95,212	65,802	247,016	1,275,198	228,377	309,319	802,006
Plan fiduciary net position - beginning	1,324,507	1,567,930	1,663,142	1,728,944	1,975,960	3,251,158	3,479,535	3,788,854
Plan fiduciary net position - ending (b)	<u>1,567,930</u>	<u>1,663,142</u>	<u>1,728,944</u>	<u>1,975,960</u>	<u>3,251,158</u>	<u>3,479,535</u>	<u>3,788,854</u>	<u>4,590,860</u>
Net pension liability - ending (a)-(b)	<u>\$ 7,512,020</u>	<u>\$ 7,850,672</u>	<u>\$ 8,983,279</u>	<u>\$ 7,797,410</u>	<u>\$ 6,916,767</u>	<u>\$ 7,017,555</u>	<u>\$ 7,008,726</u>	<u>\$ 8,822,445</u>
 Plan fiduciary net position as a percentage of the total pension liability	17.27%	17.48%	16.14%	20.22%	31.97%	33.15%	35.09%	34.23%
Covered employee payroll ¹	\$ 4,751,000	\$ 3,794,000	\$ 3,848,632	\$ 3,726,133	\$ 3,451,329	\$ 3,492,842	\$ 3,274,152	\$ 3,118,362
 Net pension liability as percentage of covered employee payroll	158.11%	206.92%	233.41%	209.26%	200.41%	200.91%	214.06%	282.92%

Notes to Schedule:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

PARS AGENT MULTIPLE-EMPLOYER LONGEVITY RECOGNITION PLAN SCHEDULE OF PLAN CONTRIBUTIONS AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

Fiscal year ended	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	Not available	\$ 765,384	\$ 834,000	\$ 857,928	\$ 795,117	\$ 640,965	\$ 624,585	\$ 619,847
Contributions in relation to the actuarially determined contributions	Not available	(350,000)	(452,000)	(1,520,000)	(459,000)	(630,300)	(638,000)	(620,000)
Contribution deficiency (excess)	Not available	\$ 415,384	\$ 382,000	\$ (662,072)	\$ 336,117	\$ 10,665	\$ (13,415)	\$ (153)
Covered employee payroll	Not available	\$ 3,794,000	\$ 3,848,632	\$ 3,726,133	\$ 3,492,842	\$ 3,274,152	\$ 3,118,362	\$ 3,001,909
Contributions as a percentage of covered employee payroll	Not available	9.23%	11.74%	40.79%	13.14%	19.25%	20.46%	20.65%

Notes to Schedule

Valuation Date:	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level dollar
Amortization Period	Closed 30 years
Asset Valuation Method	Market value
Discount Rate	6.00%
Inflation	2.50%
Annual Salary Increases	3.00%
Investment Rate of Return	6.0% net of investment expenses.
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeoad Watts Scale 2022 applied generationally from 2015

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

REQUIRED SUPPLEMENTARY INFORMATION

**OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Date	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Total OPEB Liability					
Service Cost	\$ 99,800	\$ 103,043	\$ 112,103	\$ 95,744	\$ 98,616
Interest	372,359	378,808	377,356	316,059	315,162
Differences between expected and actual experience	-	-	(791,845)	-	(314,122)
Benefit payments	(350,018)	(416,540)	(430,477)	(446,408)	(409,504)
Changes of assumptions	-	153,245	(192,646)	-	290,478
Net change in total OPEB liability	<u>122,141</u>	<u>218,556</u>	<u>(925,509)</u>	<u>(34,605)</u>	<u>(19,370)</u>
Total OPEB liability - beginning	<u>5,394,624</u>	<u>5,516,765</u>	<u>5,735,321</u>	<u>4,809,812</u>	<u>4,775,207</u>
Total OPEB liability - ending (a)	<u>\$ 5,516,765</u>	<u>\$ 5,735,321</u>	<u>\$ 4,809,812</u>	<u>\$ 4,775,207</u>	<u>\$ 4,755,837</u>
OPEB fiduciary net position					
Contributions - employer	\$ 470,037	\$ 1,502,744	\$ 575,870	\$ 476,115	\$ 432,960
Net investment income	127,483	117,747	162,210	103,926	858,046
Administrative expense	(656)	(904)	(578)	(1,446)	(1,173)
Other expenses	-	(2,011)	-	-	-
Benefit payments	(350,018)	(416,540)	(430,477)	(446,408)	(409,504)
Net change in plan fiduciary net position	<u>246,846</u>	<u>1,201,036</u>	<u>307,025</u>	<u>132,187</u>	<u>880,329</u>
Plan fiduciary net position - beginning	<u>1,273,705</u>	<u>1,520,551</u>	<u>2,721,587</u>	<u>3,028,612</u>	<u>3,160,799</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,520,551</u>	<u>\$ 2,721,587</u>	<u>\$ 3,028,612</u>	<u>\$ 3,160,799</u>	<u>\$ 4,041,128</u>
 Net OPEB liability - ending (a)-(b)	 <u>\$ 3,996,214</u>	 <u>\$ 3,013,734</u>	 <u>\$ 1,781,200</u>	 <u>\$ 1,614,408</u>	 <u>\$ 714,709</u>
 Covered employee payroll	 \$ 7,198,797	 \$ 7,720,689	 \$ 8,235,888	 \$ 8,951,213	 \$ 8,822,720
 Total OPEB liability as a percentage of covered payroll	 55.51%	 39.03%	 21.63%	 18.04%	 8.10%

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

REQUIRED SUPPLEMENTARY INFORMATION

**OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	2018	2019	2020	2021	2022
Actuarially Determined Contribution (ADC)	\$ 471,538	\$ 373,834	\$ 289,800	\$ 274,899	\$ 262,208
Less: Contributions in Relation to the ADC	<u>1,502,744</u>	<u>575,870</u>	<u>476,115</u>	<u>432,960</u>	<u>400,799</u>
Contribution deficiency (excess)	<u>\$ (1,031,206)</u>	<u>\$ (202,036)</u>	<u>\$ (186,315)</u>	<u>\$ (158,061)</u>	<u>\$ (138,591)</u>
Covered employee payroll	<u>\$ 7,198,797</u>	<u>\$ 8,235,888</u>	<u>\$ 8,951,213</u>	<u>\$ 8,822,720</u>	<u>\$ 9,348,265</u>
Contributions as a percentage of Covered employee payroll	20.87%	6.99%	5.32%	4.91%	4.29%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar
Amortization Period	Closed 18 years
Asset Valuation Method	Market value
Inflation	2.50%
Healthcare Trend Rates	5.4% in 2021, fluctuates until ultimate rate of 4% in 2076
Salary Increases	3.00%
Investment Rate of Return	6.25%
Retirement Age	Ages 50 to 75
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeod Watts Scale 2020

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SUPPLEMENTARY INFORMATION

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amounts			Variance with Final Budget Positive Negative
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 800,000	\$ 800,000	\$ 2,940,768	\$ 2,140,768
Franchise taxes	2,300,000	2,300,000	2,249,751	(50,249)
Licenses and permits	415,500	415,500	859,816	444,316
From other agencies	274,000	274,000	3,440,212	3,166,212
Use of money and property	64,900	64,900	(99,690)	(164,590)
Other revenue	385,000	385,000	350,948	(34,052)
Total Revenues	4,239,400	4,239,400	9,741,805	5,502,405
Expenditures:				
Capital outlay	27,603,345	28,440,494	2,631,616	25,808,878
Total Expenditures	27,603,345	28,440,494	2,631,616	25,808,878
Excess (Deficiency) of Revenues Over Expenditures	(23,363,945)	(24,201,094)	7,110,189	31,311,283
Other Financial Sources Uses :				
Transfers in	1,200,000	1,200,000	1,200,000	-
Transfers (out)	(1,125,000)	(2,975,000)	(2,975,000)	-
Total Other Financial Sources Uses	75,000	1,775,000	1,775,000	-
Net Change in Fund Balance	<u>\$ (23,288,945)</u>	<u>\$ (25,976,094)</u>	5,335,189	<u>\$ 31,311,283</u>
Beginning Fund Balance			30,316,158	
Ending Fund Balance			<u>\$ 35,651,347</u>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
HOUSING CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amounts			Variance with Final Budget Positive Negative
	Original	Final	Actual	
Revenues:				
Use of money and property	\$ 231,100	\$ 231,100	\$ (237,529)	\$ (468,629)
Other revenue	361,800	361,800	4,310,269	3,948,469
Total Revenues	592,900	592,900	4,072,740	3,479,840
Expenditures:				
Community development	5,382,790	5,404,066	1,027,970	4,376,096
Capital outlay	3,173,176	3,713,176	21,100	3,692,076
Total Expenditures	8,555,966	9,117,242	1,049,070	8,068,172
Excess (Deficiency) of Revenues Over Expenditures	(7,963,066)	(8,524,342)	3,023,670	11,548,012
Net Change in Fund Balance	<u>\$ (7,963,066)</u>	<u>\$ (8,524,342)</u>	3,023,670	<u>\$ 11,548,012</u>
Beginning Fund Balance, as restated			20,125,582	
Ending Fund Balance			<u>\$ 23,149,252</u>	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

- **Supplemental Law Enforcement Services Funds (SLESF):** Under the SLESF program, cities and counties receive State funds to augment public safety expenditures.

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 effective in July of 2019 for 30 years. The funding is used to improve transit, relieve congestion, repair potholes, maintain streets and improve pedestrian safety.

GAS TAX FUNDS: 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.

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

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

DEBT SERVICE FUND

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

CITY OF SAN CARLOS

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Special Revenue Funds			Capital Projects Fund
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
Assets:				
Cash and investments	\$ 709,389	\$ 287,505	\$ 2,562,252	\$ 3,803,073
Receivables:				
Accounts receivable	-	-	7,476	-
Total Assets	\$ 709,389	\$ 287,505	\$ 2,569,728	\$ 3,803,073
Liabilities:				
Accounts payable and accrued liabilities	\$ 8,697	\$ -	\$ 23,333	\$ 55,140
Total Liabilities	8,697	-	23,333	55,140
Deferred Inflows of Resources:				
Unavailable revenue	-	-	7,476	-
Total Deferred Inflows of Resources	-	-	7,476	-
Fund balances:				
Restricted for:				
Public safety	-	287,505	-	-
Parks and recreation	-	-	-	-
Public works	700,692	-	-	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	2,538,919	-
Community development	-	-	-	-
Capital projects	-	-	-	3,747,933
Total Fund Balances	700,692	287,505	2,538,919	3,747,933
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 709,389	\$ 287,505	\$ 2,569,728	\$ 3,803,073

CITY OF SAN CARLOS

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Capital Projects Funds			
	Measure A	Measure	Gas Tax	Par Fee
Assets:				
Cash and investments	\$ 736,596	\$285,007	\$ 8,878,891	\$ 2,539,633
Receivables:				
Accounts receivable	-	42,342	140,826	-
Total Assets	\$ 736,596	\$ 327,349	\$ 9,019,717	\$ 2,539,633
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 46,363	\$ -
Total Liabilities	-	-	46,363	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund balances:				
Restricted for:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	2,539,633
Public works	736,596	\$327,349	8,973,354	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	-	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Total Fund Balances	736,596	327,349	8,973,354	2,539,633
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 736,596	\$ 327,349	\$ 9,019,717	\$ 2,539,633

CITY OF SAN CARLOS

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Par in In-Lieu	San Carlos Library Bonds	
Assets:			
Cash and investments	\$ 385,966	\$ 850,555	\$21,038,867
Receivables:			
Accounts receivable	-	-	190,644
Total Assets	\$ 385,966	\$ 850,555	\$ 21,229,511
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$675	\$ 134,208
Total Liabilities	-	675	134,208
Deferred Inflows of Resources:			
Unavailable revenue	-	-	7,476
Total Deferred Inflows of Resources	-	-	7,476
Fund balances:			
Restricted for:			
Public safety	-	-	287,505
Parks and recreation	-	-	2,539,633
Public works	-	-	10,737,991
Debt service	-	849,880	849,880
Committed to:			
General government	-	-	2,538,919
Community development	385,966	-	385,966
Capital projects	-	-	3,747,933
Total Fund Balances	385,966	849,880	21,087,827
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 385,966	\$ 850,555	\$ 21,229,511

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CITY OF SAN CARLOS

COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds			Capital Projects Funds
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
Revenues:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
From other agencies	523,128	161,285	-	-
Charges for current services	-	-	-	-
Use of money and property	(13,846)	(5,616)	155,246	-
Other revenue	183,628	-	(144,011)	-
Total Revenues	692,910	155,669	11,235	-
Expenditures:				
Current:				
General government	-	-	284,247	-
Community development	-	-	-	-
Public safety	-	217,901	-	-
Public works	662,167	-	-	-
Capital outlay	-	-	-	67,834
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	662,167	217,901	284,247	67,834
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30,743	(62,232)	(273,012)	(67,834)
Other Financing Sources Uses :				
Transfers in	-	-	-	300,900
Transfers (out)	-	-	-	-
Total Other Financing Sources Uses	-	-	-	300,900
Net Change in Fund Balances	30,743	(62,232)	(273,012)	233,066
Fund Balances, Beginning of Year	669,949	349,737	2,811,931	3,514,867
Fund Balances, End of Year	\$ 700,692	\$ 287,505	\$ 2,538,919	\$ 3,747,933

CITY OF SAN CARLOS

COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Capital Projects Funds			
	Measure A	Measure	Gas Tax	Par Fee
Revenues:				
Sales taxes	\$ 1,050,507	\$466,964	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	68,042	-
From other agencies	-	-	1,550,006	-
Charges for current services	-	-	1,342	-
Use of money and property	(18,348)	(1,578)	(173,134)	(49,546)
Other revenue	-	-	-	721,518
Total Revenues	1,032,159	465,386	1,446,256	671,972
Expenditures:				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Public safety	-	-	-	-
Public works	90,816	-	984,100	-
Capital outlay	-	-	342,009	209,982
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	90,816	-	1,326,109	209,982
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	941,343	465,386	120,147	461,990
Other Financial Sources Uses :				
Transfers in	-	-	4,025,000	-
Transfers (out)	(750,000)	(300,000)	-	(200,000)
Total Other Financial Sources Uses	750,000	300,000	4,025,000	200,000
Net Change in Fund Balances	191,343	165,386	4,145,147	261,990
Fund Balances, Beginning of Year	545,253	\$161,963	4,828,207	2,277,643
Fund Balances, End of Year	\$ 736,596	\$ 327,349	\$ 8,973,354	\$ 2,539,633

CITY OF SAN CARLOS

COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Parish In-Lieu	San Carlos Library Bonds	
Revenues:			
Sales taxes	\$ -	\$ -	\$ 1,517,471
Property taxes	-	372,336	372,336
Licenses and permits	4,793	-	72,835
From other agencies	-	-	2,234,419
Charges for current services	-	-	1,342
Use of money and property	(7,174)	(16,593)	(130,589)
Other revenue	-	-	761,135
Total Revenues	2,381	355,743	4,828,949
Expenditures:			
Current:			
General government	-	-	284,247
Community development	14,144	-	14,144
Public safety	-	-	217,901
Public works	-	-	1,737,083
Capital outlay	-	-	619,825
Debt service:			
Principal	-	390,000	390,000
Interest and fiscal charges	-	52,725	52,725
Total Expenditures	14,144	442,725	3,315,925
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,525)	(86,982)	1,513,024
Other Financial Sources Uses :			
Transfers in	-	-	4,325,900
Transfers (out)	-	-	(1,250,000)
Total Other Financial Sources Uses	-	-	3,075,900
Net Change in Fund Balances	(16,525)	(86,982)	4,588,924
Fund Balances, Beginning of Year	402,491	936,862	16,498,903
Fund Balances, End of Year	\$ 385,966	\$ 849,880	\$ 21,087,827

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
 NPDES
 FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amount		Variance with Final Budget Positive Negative
	Final	Actual	
Revenues:			
From other agencies	\$ 524,500	\$ 523,128	\$ (1,372)
Use of money and property	7,500	(13,846)	(21,346)
Other revenue	168,200	183,628	15,428
Total Revenues	700,200	692,910	7,290
Expenditures:			
Public works	662,200	662,167	33
Total Expenditures	662,200	662,167	33
Net Change in Fund Balance	\$ 38,000	30,743	\$ (7,257)
Beginning Fund Balance		669,949	
Ending Fund Balance		\$ 700,692	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
 POLICE GRANTS
 FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amount		Variance with Final Budget Positive Negative
	Final	Actual	
Revenues:			
From other agencies	\$ 163,200	\$ 161,285	\$ (1,915)
Use of money and property	4,900	(5,616)	(10,516)
Total Revenues	168,100	155,669	12,431
Expenditures:			
Public safety	250,000	217,901	32,099
Total Expenditures	250,000	217,901	32,099
Net Change in Fund Balance	<u>\$ (81,900)</u>	(62,232)	<u>\$ 19,668</u>
Beginning Fund Balance		349,737	
Ending Fund Balance		<u>\$ 287,505</u>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
 SAN CARLOS LIBRARY TENANT
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget Amount</u>		<u>Variance with Final Budget Positive Negative</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Use of money and property	\$ 226,800	\$ 155,246	\$ (71,554)
Other revenues	44,600	(144,011)	(188,611)
Total Revenues	271,400	11,235	260,165
Expenditures:			
General government	1,524,585	284,247	1,240,338
Total Expenditures	1,524,585	284,247	1,240,338
Net Change in Fund Balance	<u>\$ (1,253,185)</u>	(273,012)	<u>\$ 980,173</u>
Beginning Fund Balance		<u>2,811,931</u>	
Ending Fund Balance		<u>\$ 2,538,919</u>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
EQUIPMENT REPLACEMENT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget Amount</u>		<u>Variance with Final Budget Positive Negative</u>
	<u>Final</u>	<u>Actual</u>	
Expenditures:			
Capital outlay	\$ 1,800,000	\$ 67,834	\$ 1,732,166
Total Expenditures	1,800,000	67,834	1,732,166
Excess (Deficiency) of Revenues Over Expenditures	(1,800,000)	(67,834)	1,732,166
Other Financial Sources Uses :			
Transfers in	300,900	300,900	-
Net Change in Fund Balance	<u>\$ (1,499,100)</u>	233,066	<u>\$ 1,732,166</u>
Beginning Fund Balance		<u>3,514,867</u>	
Ending Fund Balance		<u>\$ 3,747,933</u>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
MEASURE A
FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amount		Variance with Final Budget Positive Negative
	Final	Actual	
Revenues:			
Sales taxes	\$ 859,000	\$ 1,050,507	\$ 191,507
Use of money and property	10,600	(18,348)	(28,948)
Total Revenues	869,600	1,032,159	162,559
Expenditures:			
Public works	91,000	90,816	184
Total Expenditures	91,000	90,816	184
Excess (Deficiency) of Revenues Over Expenditures	778,600	941,343	162,743
Other Financing Sources Uses :			
Transfers (out)	(750,000)	(750,000)	-
Net Change in Fund Balance	<u>\$ 28,600</u>	191,343	<u>\$ 162,743</u>
Beginning Fund Balance		<u>545,253</u>	
Ending Fund Balance		<u>\$ 736,596</u>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
 MEASURE
 FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amount		Variance with Final Budget Positive Negative
	Final	Actual	
Revenues:			
Sales taxes	\$363,650	\$466,964	\$ 103,314
Use of money and property	-	(1,578)	(1,578)
Total Revenues	363,650	465,386	101,736
Expenditures:			
Public works	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	363,650	465,386	101,736
Other Financing Sources Uses :			
Transfers (out)	(300,000)	(300,000)	-
Net Change in Fund Balance	\$ 63,650	165,386	\$ 101,736
Beginning Fund Balance		\$161,963	
Ending Fund Balance		\$ 327,349	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
GAS TA
FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amount		Variance with Final Budget Positive Negative
	Final	Actual	
Revenues:			
Licenses and permits	\$ 21,700	\$ 68,042	\$ 46,342
Charges for current services	6,300	1,342	(4,958)
From other agencies	2,061,400	1,550,006	(511,394)
Use of money and property	24,600	(173,134)	(197,734)
Total Revenues	2,114,000	1,446,256	667,744
Expenditures:			
Public works	984,100	984,100	-
Capital outlay	5,355,000	342,009	5,012,991
Total Expenditures	6,339,100	1,326,109	5,012,991
Excess (Deficiency) of Revenues Over Expenditures	(4,225,100)	120,147	4,345,247
Other Financial Sources Uses :			
Transfers in	4,025,000	4,025,000	-
Net Change in Fund Balance	<u>\$ (200,100)</u>	<u>4,145,147</u>	<u>\$ 4,345,247</u>
Beginning Fund Balance		<u>4,828,207</u>	
Ending Fund Balance		<u>\$ 8,973,354</u>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
 PAR FEE
 FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amount		Variance Final Budget Positive Negative
	Final	Actual	
Revenues:			
From other agencies	\$ 178,000	\$ -	\$ (178,000)
Use of money and property	43,200	(49,546)	(92,746)
Other revenue	241,100	721,518	480,418
Total Revenues	462,300	671,972	209,672
Expenditures:			
Capital outlay	826,124	209,982	616,142
Total Expenditures	826,124	209,982	616,142
Excess (Deficiency) of Revenues Over Expenditures	(363,824)	461,990	825,814
Other Financing Sources Uses :			
Transfers (out)	(200,000)	(200,000)	-
Net Change in Fund Balance	<u>\$ (563,824)</u>	261,990	<u>\$ 825,814</u>
Beginning Fund Balance		2,277,643	
Ending Fund Balance		<u>\$ 2,539,633</u>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
 PARING IN-LIEU
 FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amount		Variance with Final Budget Positive Negative
	Final	Actual	
Revenues:			
Licenses and permits	\$ 3,100	\$ 4,793	\$ 1,693
Use of money and property	3,800	(7,174)	(10,974)
Other revenue	-	-	-
Total Revenues	6,900	2,381	9,281
Expenditures:			
Community development	64,738	14,144	50,594
Total Expenditures	64,738	14,144	50,594
Net Change in Fund Balance	<u>\$ (57,838)</u>	(16,525)	<u>\$ 41,313</u>
Beginning Fund Balance		402,491	
Ending Fund Balance		<u>\$ 385,966</u>	

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE
 SAN CARLOS LIBRARY BONDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amount		Variance with Final Budget Positive Negative
	Final	Actual	
Revenues:			
Property taxes	\$ 323,400	\$ 372,336	\$ 48,936
Use of money and property	14,500	(16,593)	(31,093)
Total Revenues	337,900	355,743	17,843
Expenditures:			
Principal	390,000	390,000	-
Interest and fiscal charges	52,800	52,725	75
Total Expenditures	442,800	442,725	75
Net Change in Fund Balance	<u>\$ (104,900)</u>	(86,982)	<u>\$ 17,918</u>
Beginning Fund Balance		<u>936,862</u>	
Ending Fund Balance		<u>\$ 849,880</u>	

INTERNAL SERVICE FUNDS

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

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

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

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

CITY OF SAN CARLOS

COMBINING STATEMENTS OF NET POSITION

INTERNAL SERVICE FUNDS

JUNE 30, 2022

	Governmental Activities - Internal Service Funds			
	Employees Compensation	Liability Insurance	Longevity Benefits	Total
Assets:				
Current:				
Cash and investments	\$ 377,757	\$ 1,630,531	\$ 285,253	\$ 2,293,541
Total Assets	\$ 377,757	\$ 1,630,531	\$ 285,253	\$ 2,293,541
Liabilities:				
Accounts payable	\$ -	\$ 37,191	\$ -	\$ 37,191
Claims payable:				
Due within one year	83,000	200,000	-	283,000
Due in more than one year	-	327,000	-	327,000
Total Liabilities	83,000	564,191	-	647,191
Net Position:				
Unrestricted	294,757	1,066,340	285,253	1,646,350
Total Net Position	\$ 294,757	\$ 1,066,340	\$ 285,253	\$ 1,646,350

CITY OF SAN CARLOS

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities - Internal Service Funds			
	Employees Compensation	Liability Insurance	Longevity Benefits	Total
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ 680,633	\$ 680,633
Cost reimbursements	180,300	1,397,400	-	1,577,700
Total Operating Revenues	180,300	1,397,400	680,633	2,258,333
Operating Expenses:				
Insurance premiums	178,930	1,078,246	-	1,257,176
Claims expense	-	163,465	885,000	1,048,465
Miscellaneous	18,961	9,926	-	28,887
Total Operating Expenses	197,891	1,251,637	885,000	2,334,528
Operating Income	(17,591)	145,763	(204,367)	(76,195)
Nonoperating Revenues:				
Investment income	(7,374)	(31,789)	(5,599)	(44,762)
Miscellaneous	-	2,255	-	2,255
Total Nonoperating Revenues	7,374	29,534	5,599	42,507
Changes in Net Position	(24,965)	116,229	(209,966)	(118,702)
Net Position:				
Beginning of Year	\$319,722	\$950,111	\$495,219	\$1,765,052
End of Fiscal Year	\$ 294,757	\$ 1,066,340	\$ 285,253	\$ 1,646,350

CITY OF SAN CARLOS

**COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
Cash Flows from Operating Activities:				
Receipts from other funds	\$ 180,300	\$ 1,397,400	\$ 680,633	\$ 2,258,333
Payments to suppliers	(198,791)	(1,135,574)	-	(1,334,365)
Claims paid	-	(163,465)	(885,000)	(1,048,465)
Net Cash Provided (Used) by Operating Activities	(18,491)	98,361	(204,367)	(124,497)
Cash Flows from Investing Activities:				
Interest	(7,374)	(31,789)	(5,599)	(44,762)
Miscellaneous	-	2,255	-	2,255
Net Cash Provided (Used) by Investing Activities	(7,374)	(29,534)	(5,599)	(42,507)
Net Increase (Decrease) in Cash and Cash Equivalents	(25,865)	68,827	(209,966)	(167,004)
Cash and Cash Equivalents at Beginning of Year	403,622	1,561,704	495,219	2,460,545
Cash and Cash Equivalents at End of Year	\$ 377,757	\$ 1,630,531	\$ 285,253	\$ 2,293,541
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (17,591)	\$ 145,763	\$ (204,367)	\$ (76,195)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Accounts payable	(900)	(47,402)	-	(48,302)
Net Cash Provided (Used) by Operating Activities	\$ (18,491)	\$ 98,361	\$ (204,367)	\$ (124,497)

STATISTICAL SECTION

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

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time:

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

Revenue Capacity

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

1. Assessed Valuation, Tax Rates and Levies
2. Direct and Overlapping Property Tax Rates
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

Debt Capacity

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

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

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

Operating Information

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

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

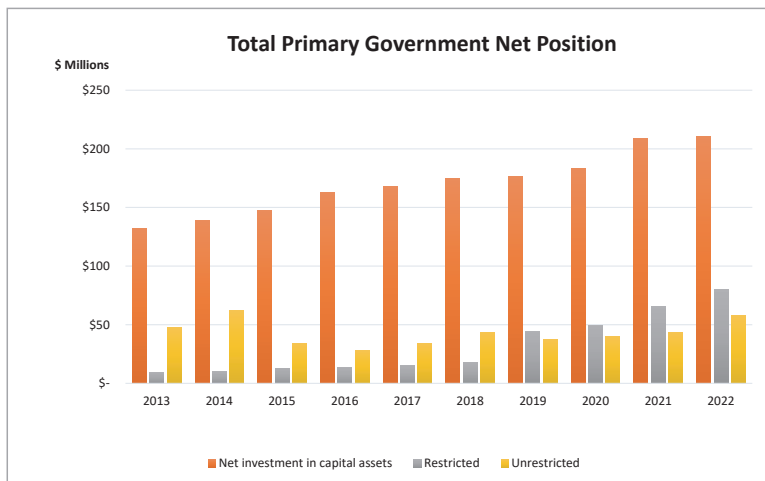
Sources

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

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CITY OF SAN CARLOS, CALIFORNIA
Net Position by Component
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 119,171,599	\$ 124,467,083	\$ 132,736,463	\$ 140,578,718	\$ 139,749,356	\$ 143,590,862	\$ 144,862,733	\$ 151,378,234	\$ 174,874,347	\$ 178,194,511
Restricted	8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	21,956,488	20,162,108	29,895,196	37,564,261
Unrestricted	39,942,056	42,689,655	14,374,721	14,261,604	19,429,741	26,566,944	37,335,673	39,591,734	43,510,702	57,901,459
Total governmental activities net position	\$ 167,984,890	\$ 177,016,634	\$ 160,015,799	\$ 168,474,470	\$ 174,092,548	\$ 187,710,045	\$ 204,154,894	\$ 211,132,076	\$ 248,280,245	\$ 273,660,231
Business-type activities										
Net investment in capital assets	\$ 13,337,359	\$ 14,840,080	\$ 14,855,225	\$ 21,838,351	\$ 27,740,303	\$ 31,170,136	\$ 31,475,466	\$ 32,069,977	\$ 33,829,658	\$ 32,740,661
Restricted							\$ 21,920,835	\$ 29,481,877	\$ 35,287,006	\$ 42,484,597
Unrestricted	7,556,596	19,028,996	19,212,357	13,613,839	14,360,124	17,040,516	-	-	-	-
Total business-type activities net position	\$ 20,893,955	\$ 33,869,076	\$ 34,067,582	\$ 35,452,190	\$ 42,100,427	\$ 48,210,652	\$ 53,396,301	\$ 61,551,854	\$ 69,116,664	\$ 75,225,258
Primary government										
Net investment in capital assets	\$ 132,508,958	\$ 139,307,163	\$ 147,591,688	\$ 162,417,069	\$ 167,489,659	\$ 174,760,998	\$ 176,338,199	\$ 183,448,211	\$ 208,704,005	\$ 210,935,172
Restricted	8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	43,877,323	49,643,985	65,182,202	80,048,858
Unrestricted	47,498,652	61,718,651	33,587,078	27,875,443	33,789,865	43,607,460	37,335,673	39,591,734	43,510,702	57,901,459
Total primary government net position	\$ 188,878,845	\$ 210,885,710	\$ 194,083,381	\$ 203,926,660	\$ 216,192,975	\$ 235,920,697	\$ 257,551,195	\$ 272,683,930	\$ 317,396,909	\$ 348,885,489



CITY OF SAN CARLOS, CALIFORNIA

Changes in Net Position

Last Ten Fiscal Years

	2013	2014	2015	2016	2017
Expenses					
Governmental Activities:					
General Government	\$ 6,475,824	\$ 5,321,121	\$ 5,189,609	\$ 6,017,538	\$ 6,329,346
Public Safety	14,574,275	15,592,529	16,069,651	17,430,558	18,375,585
Public Works	2,687,707	8,255,888	9,167,760	8,266,278	7,978,435
Community Development	2,766,720	2,991,374	3,272,803	4,096,699	4,700,675
Parks and Recreation	4,117,692	3,043,648	3,203,949	2,367,444	3,858,835
Interest on Long Term Debt	264,260	276,859	334,808	268,810	81,837
Total Governmental Activities Expenses	30,886,478	35,481,419	37,238,580	38,447,327	41,324,713
Business-Type Activities:					
Sewer	7,874,008	8,320,370	11,882,000	14,067,910	9,663,209
Total Business-Type Activities Expenses	7,874,008	8,320,370	11,882,000	14,067,910	9,663,209
Total Primary Government Expenses	\$ 38,760,486	\$ 43,801,789	\$ 49,120,580	\$ 52,515,237	\$ 50,987,922
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 1,074,928	\$ 1,071,289	\$ 1,749,186	\$ 1,258,805	\$ 1,297,282
Public Safety	505,948	527,366	560,303	518,876	618,102
Public Works	597,220	1,201,650	769,083	2,222,932	1,502,215
Community Development	2,017,110	2,625,860	3,227,818	4,359,416	3,618,051
Parks and Recreation	2,122,207	2,206,374	1,710,865	1,499,342	1,630,102
Operating Grants and Contributions	1,591,002	1,942,020	1,718,123	1,717,004	2,093,580
Capital Grants and Contributions	1,070,551	4,907,492	4,882,958	4,295,854	2,416,816
Total Government Activities Program Revenues	8,978,966	14,482,051	14,618,336	15,872,229	13,176,148
Business-Type Activities:					
Charges for Services:					
Sewer	10,222,616	12,685,252	15,335,342	16,798,299	16,793,613
Total Business-Type Activities Program Revenue	10,222,616	12,685,252	15,335,342	16,798,299	16,793,613
Total Primary Government Program Revenues	\$ 19,201,582	\$ 27,167,303	\$ 29,953,678	\$ 32,670,528	\$ 29,969,761
Net (Expense)/Revenue					
Governmental Activities	\$(21,907,512)	\$(20,999,368)	\$(22,620,244)	\$(22,575,098)	\$(28,148,565)
Business-Type Activities	2,348,608	4,364,882	3,453,342	2,730,389	7,130,404
Total Primary Government Net Expense	\$(19,558,904)	\$(16,634,486)	\$(19,166,902)	\$(19,844,709)	\$(21,018,161)

2018	2019	2020	2021	2022
\$ 10,536,582	\$ 6,380,239	\$ 14,340,628	\$ 6,858,609	\$ 4,493,858
19,030,927	20,312,716	21,394,936	21,027,010	24,199,562
9,153,462	9,228,138	12,497,686	10,685,934	10,159,609
3,916,838	4,573,922	6,972,347	4,246,931	6,581,083
3,127,329	3,887,509	3,028,761	2,792,235	4,040,188
73,925	65,287	55,762	44,819	153,069
45,839,063	44,447,811	58,290,120	45,655,538	49,627,369

10,604,504	12,864,967	11,835,352	12,997,274	14,605,088
10,604,504	12,864,967	11,835,352	12,997,274	14,605,088

\$ 56,443,567	\$ 57,312,778	\$ 70,125,472	\$ 58,652,812	\$ 64,232,457
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\$ 1,323,703	\$ 1,373,465	\$ 1,325,656	\$ 1,421,092	\$ 1,469,529
522,690	671,586	600,031	541,764	693,247
3,419,090	1,944,495	1,769,924	2,486,563	2,184,256
4,075,435	3,479,906	3,747,032	6,862,012	6,017,022
1,576,562	1,555,971	1,248,126	626,332	1,746,721
4,864,283	4,625,477	6,190,174	4,761,192	6,680,012
973,726	1,495,483	3,793,984	20,833,501	10,648,635
16,755,489	15,146,383	18,674,927	37,532,456	29,439,422

17,487,381	18,294,560	19,955,871	21,188,241	22,049,838
17,487,381	18,294,560	19,955,871	21,188,241	22,049,838

\$ 34,242,870	\$ 33,440,943	\$ 38,630,798	\$ 58,720,697	\$ 51,489,260
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\$(29,083,574)	\$(29,301,428)	\$(39,615,193)	\$ (8,123,082)	\$(20,187,947)
6,882,877	5,429,593	8,120,519	8,190,967	7,444,750
\$(22,200,697)	\$(23,871,835)	\$(31,494,674)	\$ 67,885	\$(12,743,197)

CITY OF SAN CARLOS, CALIFORNIA

Changes in Net Position

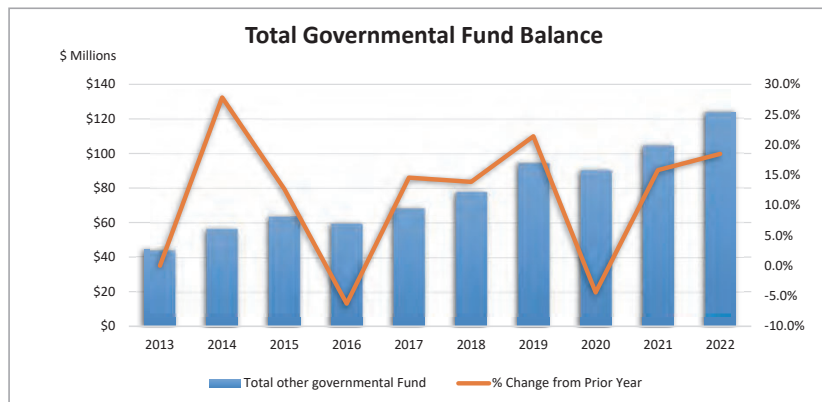
Last Ten Fiscal Years

	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	\$ 11,231,717	\$ 12,907,307	\$ 11,295,391	\$ 12,117,407	\$ 12,867,544
Sales Taxes	6,427,400	7,287,136	9,882,460	10,708,021	11,574,662
Motor Vehicle In-Lieu	2,155,983	2,438,078	2,515,600	2,744,676	2,933,877
Transient Occupancy Tax	1,120,864	1,270,072	1,396,732	1,578,740	1,570,815
Nonregulatory Franchise and Business	3,240,864	3,351,838	3,437,742	3,552,639	3,792,976
Use of money and property	1,552,992	1,918,054	2,330,545	3,147,860	2,271,719
Loss on sale of capital assets	-	-	-	-	(2,686,318)
Other	2,429,847	686,427	708,552	1,284,689	867,468
Transfers	510,000	172,200	591,000	562,600	573,900
Special item	-	-	-	-	-
Extraordinary gain/(loss) on dissolution of RDA	-	-	2,172,017	-	-
Total Government Activities	28,669,667	30,031,112	34,330,039	35,696,632	33,766,643
Business-Type Activities:					
Use of money and property	45,509	91,110	77,276	109,244	91,733
Miscellaneous Revenues	-	32,358	26,973	-	-
Transfers	(510,000)	(172,200)	(591,000)	(562,600)	(573,900)
Total Business-Type Activities	(464,491)	(48,732)	(486,751)	(453,356)	(482,167)
Total Primary Government	\$ 28,205,176	\$ 29,982,380	\$ 33,843,288	\$ 35,243,276	\$ 33,284,476
Change in Net Position					
Governmental Activities	\$ 6,762,155	\$ 9,031,744	\$ 11,709,795	\$ 13,121,534	\$ 5,618,078
Business-Type Activities	1,884,117	4,316,150	2,966,591	2,277,033	6,648,237
Total Primary Government	\$ 8,646,272	\$ 13,347,894	\$ 14,676,386	\$ 15,398,567	\$ 12,266,315

2018	2019	2020	2021	2022
\$ 13,777,611	\$ 16,025,098	\$ 16,865,800	\$ 17,311,790	\$ 18,624,289
12,716,614	12,931,123	12,638,700	12,533,764	14,537,028
3,202,810	3,563,988	3,602,983	2,314,833	3,504,285
1,655,658	3,123,042	2,461,423	1,200,905	2,136,750
3,962,800	4,121,311	4,180,156	4,112,616	4,354,709
2,782,096	4,507,003	5,331,720	2,348,979	841,322
-	-	-	-	-
1,307,380	877,612	902,593	814,964	910,850
457,400	597,100	609,000	633,400	658,700
6,000,000	-	-	-	-
-	-	-	-	-
45,862,369	45,746,277	46,592,375	41,271,251	45,567,933
199,087	353,156	644,034	5,685	(686,201)
-	-	-	1,558	8,745
(457,400)	(597,100)	(609,000)	(633,400)	(658,700)
(258,313)	(243,944)	35,034	(626,157)	(1,336,156)
\$ 45,604,056	\$ 45,502,333	\$ 46,627,409	\$ 40,645,094	\$ 44,231,777
\$ 16,778,795	\$ 16,444,849	\$ 6,977,182	\$ 33,148,169	\$ 25,379,986
6,624,564	5,185,649	8,155,553	7,564,810	6,108,594
\$ 23,403,359	\$ 21,630,498	\$ 15,132,735	\$ 40,712,979	\$ 31,488,580

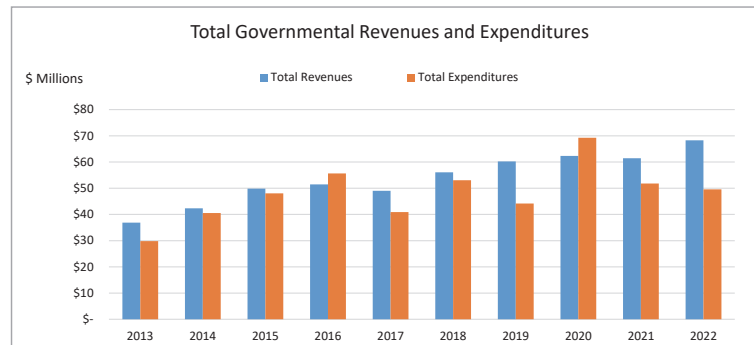
CITY OF SAN CARLOS, CALIFORNIA
Fund Balances - Governmental Funds
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 1,062,700	\$ 15,130,823	\$ 14,422,062	\$ 348,263	\$ 380,712	\$ 607,633	\$ 398,241	\$ 203,543	\$ 309,293	\$ 1,143,006
Restricted	42,000	-	-	-	-	-	-	-	-	-
Committed	7,151,565	3,200,000	3,300,000	11,291,795	12,131,795	15,924,352	15,810,239	16,509,727	14,509,727	15,497,178
Assigned	9,700,000	12,901,565	13,683,365	14,000,000	16,841,500	9,841,500	19,341,500	16,841,500	19,341,500	24,341,500
Unassigned	3,052,124	3,040,483	3,386,603	3,971,159	2,698,673	3,177,129	2,888,220	2,890,529	3,542,557	3,128,480
Total General Fund	\$ 21,008,389	\$ 34,272,871	\$ 34,792,030	\$ 29,611,217	\$ 32,052,680	\$ 29,550,614	\$ 38,438,200	\$ 36,445,299	\$ 37,703,077	\$ 44,110,164
Other Governmental Funds										
Nonspendable	2,538,601	-	-	-	-	-	-	-	-	-
Restricted	6,290,634	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	21,956,488	20,162,108	29,895,196	37,564,261
Committed	14,369,247	12,377,737	15,968,926	16,433,787	21,406,130	30,751,795	34,128,375	33,745,063	37,045,447	42,324,165
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total other governmental Fund	\$ 23,198,482	\$ 22,237,633	\$ 28,873,541	\$ 30,067,935	\$ 36,319,581	\$ 48,304,034	\$ 56,084,863	\$ 53,907,171	\$ 66,940,643	\$ 79,888,426
Total Governmental Fund Balance	\$ 44,206,871	\$ 56,510,504	\$ 63,665,571	\$ 59,679,152	\$ 68,372,261	\$ 77,854,648	\$ 94,523,063	\$ 90,352,470	\$ 104,643,720	\$ 123,998,590
% Change from Prior Year	#DIV/0!	27.8%	12.7%	-6.3%	14.6%	13.9%	21.4%	-4.4%	15.8%	18.5%



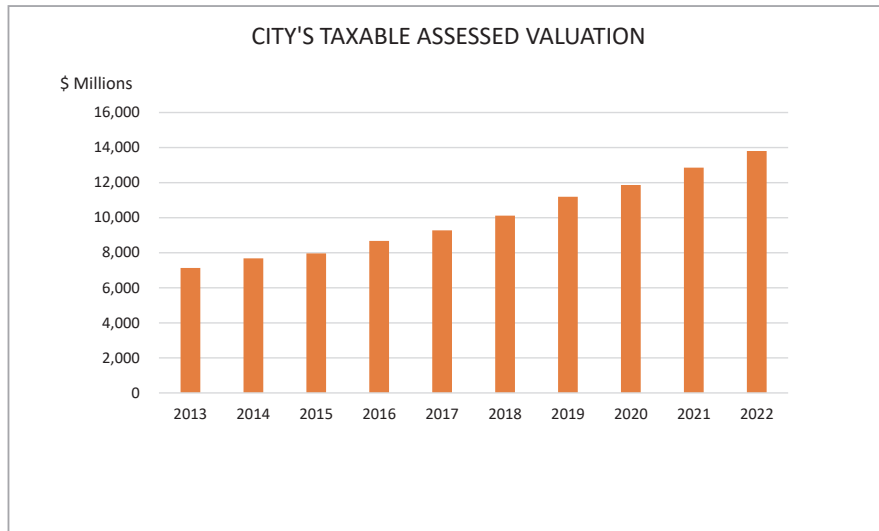
CITY OF SAN CARLOS, CALIFORNIA
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	\$ 24,176,828	\$ 27,254,431	\$ 28,527,925	\$ 30,701,483	\$ 32,739,874	\$ 35,315,493	\$ 39,764,562	\$ 39,749,062	\$ 37,473,908	\$ 43,157,061
Licenses, permits and fees	2,024,279	2,271,457	2,465,157	4,534,737	3,511,276	5,671,196	3,759,871	3,574,107	6,211,124	5,606,760
Fines and forfeitures	234,218	219,944	265,288	234,697	255,632	202,126	283,864	266,630	159,652	218,320
Use of money and property	1,805,466	2,176,508	6,124,308	3,143,760	2,195,096	2,680,870	4,393,214	5,206,157	2,277,391	643,279
From other agencies	1,824,567	4,119,086	4,218,621	4,360,957	2,753,794	1,602,792	1,974,384	3,090,322	4,241,884	5,929,398
Charges for services	2,912,353	3,389,107	3,785,239	4,253,198	3,952,620	4,231,562	4,130,312	3,855,545	4,576,734	5,475,185
Other	3,878,322	2,886,134	4,439,450	4,236,064	3,613,927	6,373,700	5,920,652	6,592,001	6,511,943	7,235,156
Total Revenues	36,856,033	42,316,667	49,825,988	51,464,896	49,022,219	56,077,739	60,226,859	62,333,824	61,452,636	68,265,159
Expenditures										
Current:										
General government	4,165,249	4,715,318	4,824,314	4,988,340	4,840,215	12,350,097	5,695,234	16,144,942	6,091,767	6,299,799
Public safety	14,410,769	15,360,993	15,993,240	17,340,123	17,827,665	18,568,952	19,567,510	20,351,411	20,681,262	21,178,999
Public works	1,641,955	6,779,012	4,121,793	4,612,132	8,930,843	11,417,750	9,223,438	6,166,679	6,123,584	7,251,780
Community development	2,666,132	2,870,822	3,104,920	4,134,764	4,250,662	4,668,424	4,400,138	8,099,919	5,989,739	7,230,955
Parks and recreation	3,597,600	2,574,917	2,590,068	2,775,229	2,816,465	2,919,349	2,997,533	2,945,962	2,024,703	3,642,195
Capital outlay	2,841,083	7,691,263	10,596,619	12,271,896	1,887,675	2,771,420	1,898,256	15,148,607	10,454,826	3,272,541
Debt service:										
Principal repayment	265,000	285,000	6,405,000	9,210,000	250,000	265,000	290,000	320,000	365,000	520,253
Interest and fiscal charges	268,300	258,604	400,240	300,908	99,485	91,760	83,435	74,285	63,905	172,467
Total Expenditures	29,856,088	40,535,929	48,036,194	55,633,392	40,903,010	53,052,752	44,155,544	69,251,805	51,794,786	49,568,989
Excess (deficiency) of revenues over (under) expenditures	6,999,945	1,780,738	1,789,794	(4,168,496)	8,119,209	3,024,987	16,071,315	(6,917,981)	9,657,850	18,696,170
Other Financing Sources (Uses)										
Transfers in	4,303,415	1,645,165	6,441,141	4,815,399	5,846,109	9,469,241	3,832,100	4,759,300	8,507,150	6,184,600
Transfers (out)	(3,793,415)	(1,472,965)	(5,850,141)	(4,252,799)	(5,272,209)	(9,011,841)	(3,235,000)	(4,150,300)	(7,873,750)	(5,525,900)
Loss on sale of property	-	-	-	(380,523)	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	-
Proceeds of Debt	-	8,800,000	4,774,273	-	-	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-	-	-	-	-	-
Capital contribution	-	1,550,695	-	-	-	-	-	-	-	-
Total other financing sources (uses)	510,000	10,522,895	5,365,273	182,077	573,900	457,400	597,100	609,000	633,400	658,700
Special item	-	-	-	-	-	6,000,000	-	2,138,388	-	-
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-	-	-	-	-	-	-
Net Change in fund balances	\$ 7,509,945	\$ 12,303,633	\$ 7,155,067	\$ (3,986,419)	\$ 8,693,109	\$ 9,482,387	\$ 16,668,415	\$ (4,170,593)	\$ 10,291,250	\$ 19,354,870
Debt service as a percentage of noncapital expenditures	1.9%	1.7%	16.3%	20.7%	1.0%	0.8%	1.0%	0.9%	1.1%	1.5%



CITY OF SAN CARLOS, CALIFORNIA
Assessed Valuation, Tax Rates and Tax Levies
LAST TEN FISCAL YEARS

Real Property								% Change from Prior Year	Total Direct Tax Rate
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Others	Total Real Property	Unsecured Property	Total Assessed		
2013	5,717,858,710	516,269,311	559,907,761	69,214,632	6,863,250,414	269,345,842	7,132,596,256	2.90%	0.19504
2014	6,120,011,894	541,914,403	556,804,162	59,050,682	7,277,781,141	401,155,969	7,678,937,110	7.66%	0.11685
2015	6,489,784,870	561,595,333	563,659,154	50,870,561	7,665,909,918	299,060,205	7,964,970,123	3.72%	0.11840
2016	6,979,211,977	665,733,132	598,644,941	63,226,293	8,306,816,343	370,528,439	8,677,344,782	8.94%	0.11424
2017	7,420,946,280	770,190,805	636,526,534	67,885,633	8,895,549,252	381,768,262	9,277,317,514	6.91%	0.11379
2018	7,974,893,577	932,202,492	719,752,790	93,148,004	9,719,996,863	399,049,241	10,119,046,104	9.07%	0.11346
2019	8,556,401,938	1,038,848,823	920,844,274	89,053,163	10,605,148,198	590,331,671	11,195,479,869	10.64%	0.11460
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



Source:

San Mateo County Assessor 2012/13 - 2021/22 Combined Tax Rolls

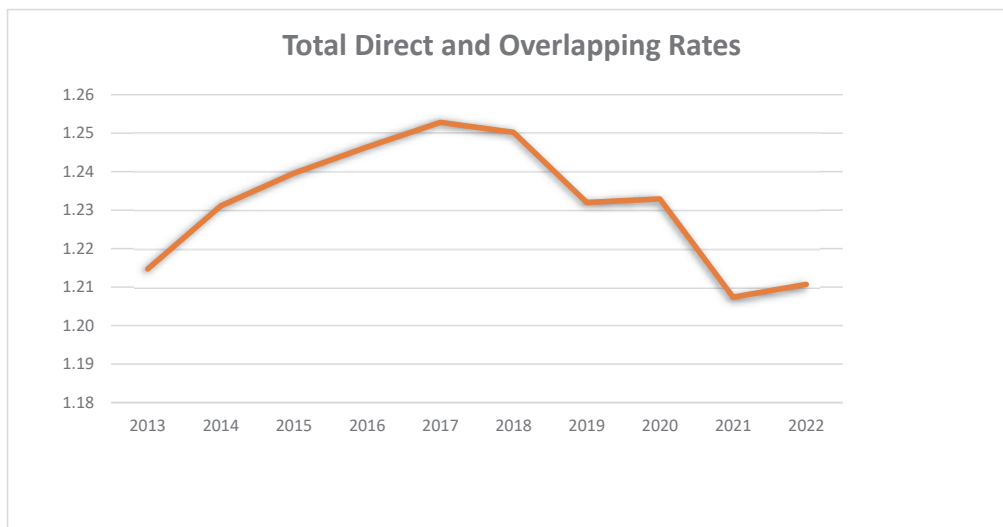
In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase 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 Shore Elementary	Mid-Peninsula Regional Open Space	San Mateo Community College	Total Direct Overlapping Tax Rate	Total Direct Rate*
2013	1.0000	0.10803	0.0088	0.0194	0.0528	0.0356	0.0981	-	-	1.2147	0.19504
2014	1.0000	0.10755	0.0084	0.0194	0.0775	0.0313	0.0945	-	-	1.2311	0.11685
2015	1.0000	0.10803	0.0082	0.0190	0.0768	0.0433	0.0923	-	-	1.2396	0.11840
2016	1.0000	0.10803	0.0042	0.0250	0.0725	0.0434	0.1005	0.0008	-	1.2464	0.11424
2017	1.0000	0.10802	0.0040	0.0247	0.0646	0.0391	0.1198	0.0006	-	1.2528	0.11379
2018	1.0000	0.10800	0.0038	0.0235	0.0643	0.0383	0.1194	0.0009	-	1.2502	0.11346
2019	1.0000	0.10800	0.0037	0.0175	0.0600	0.0365	0.1125	0.0018	-	1.2320	0.11460
2020	1.0000	0.10798	0.0032	0.0231	0.0604	0.0340	0.1071	0.0016	0.0035	1.2329	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	0.0000	1.2107	0.11207



Source:
San Mateo County Assessor 2012/13- 2021/22 Tax Rate Table

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

The ERAF portion of the City's Levy has been subtracted where known.

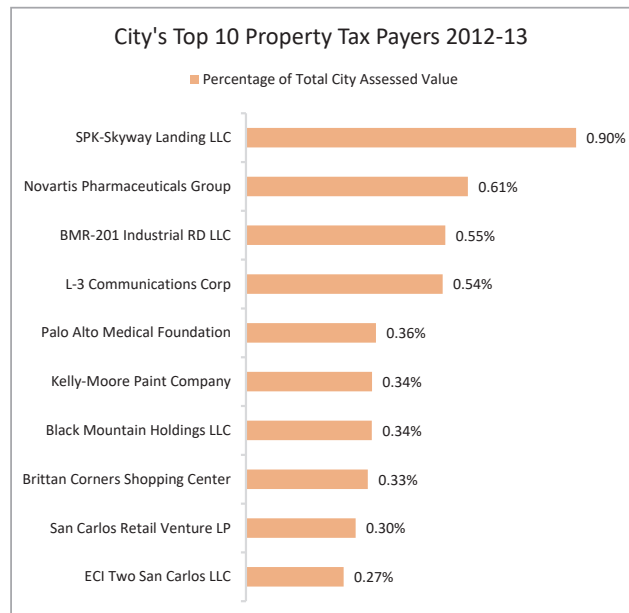
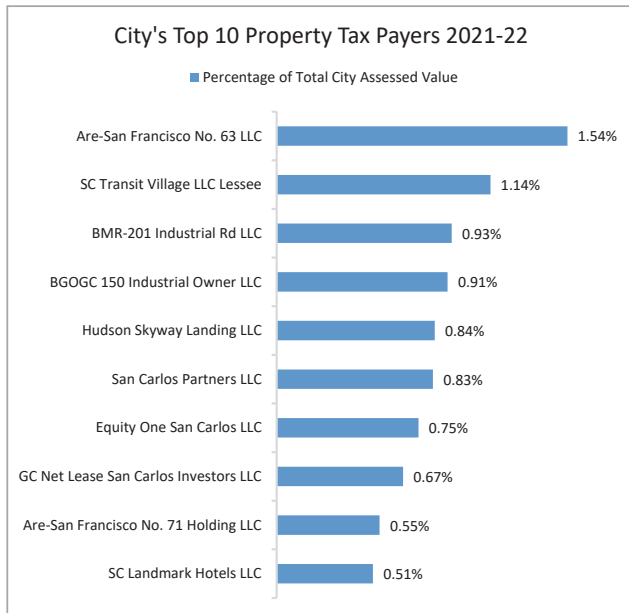
*Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information

CITY OF SAN CARLOS, CALIFORNIA

Principal Property Tax Payers

Current Fiscal Year and Ten Years Prior

2021-2022				2012-2013			
Taxpayer	Assessed Value	Rank	Percentage of Total City Assessed	Taxpayer	Assessed Value	Rank	Percentage of Total City Assessed
			Value				Value
Are-San Francisco No. 63 LLC	213,258,439	1	1.54%	SPK-Skyway Landing LLC	\$ 64,400,000	1	0.90%
SC Transit Village LLC Lessee	156,781,494	2	1.14%	Novartis Pharmaceuticals Group	43,273,713	2	0.61%
BMR-201 Industrial Rd LLC	128,338,824	3	0.93%	BMR-201 Industrial RD LLC	38,877,875	3	0.55%
BGOGC 150 Industrial Owner LLC	125,284,640	4	0.91%	L-3 Communications Corp	38,361,491	4	0.54%
Hudson Skyway Landing LLC	115,945,600	5	0.84%	Palo Alto Medical Foundation	25,359,710	5	0.36%
San Carlos Partners LLC	114,559,306	6	0.83%	Kelly-Moore Paint Company	24,593,738	6	0.34%
Equity One San Carlos LLC	104,003,601	7	0.75%	Black Mountain Holdings LLC	24,544,268	7	0.34%
GC Net Lease San Carlos Investors LLC	92,672,034	8	0.67%	Brittan Corners Shopping Center	23,763,556	8	0.33%
Are-San Francisco No. 71 Holding LLC	75,437,519	9	0.55%	San Carlos Retail Venture LP	21,390,017	9	0.30%
SC Landmark Hotels LLC	70,605,000	10	0.51%	ECI Two San Carlos LLC	19,039,960	10	0.27%
Total Top 10 Taxpayers' Totals	\$ 1,196,886,457		8.67%		\$ 323,604,328		4.54%
City's Total Assessed Valuation	\$ 13,804,774,449		100%		\$ 7,132,596,256		100%



Source:

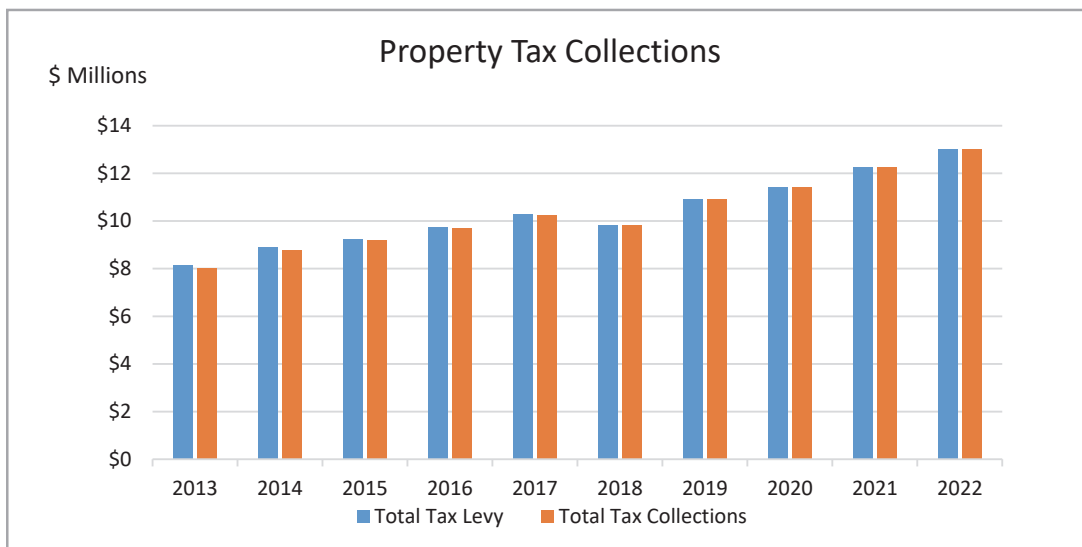
San Mateo County Assessor 2021/22 Combined Tax Rolls and the SBE Non Unitary Tax Roll
Top Property Tax Payers Based on Net Values

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
2013	8,138,448	8,027,011	98.63%	-	8,027,011	98.63%
2014	8,879,658	8,757,878	98.63%	-	8,757,878	98.63%
2015	9,229,066	9,208,905	99.78%	-	9,208,905	99.78%
2016	9,744,532	9,693,047	99.47%	-	9,693,047	99.47%
2017	10,273,217	10,231,703	99.60%	-	10,231,703	99.60%
2018	9,804,156	9,807,155	100.00%	-	9,807,155	100.00%
2019	10,934,085	10,913,557	99.81%	-	10,913,557	99.81%
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%



Source

San Mateo County Assessor 2012/13 - 2021/22 Combined Tax Rolls
2020-21 County of San Mateo Estimated Property Tax Revenue

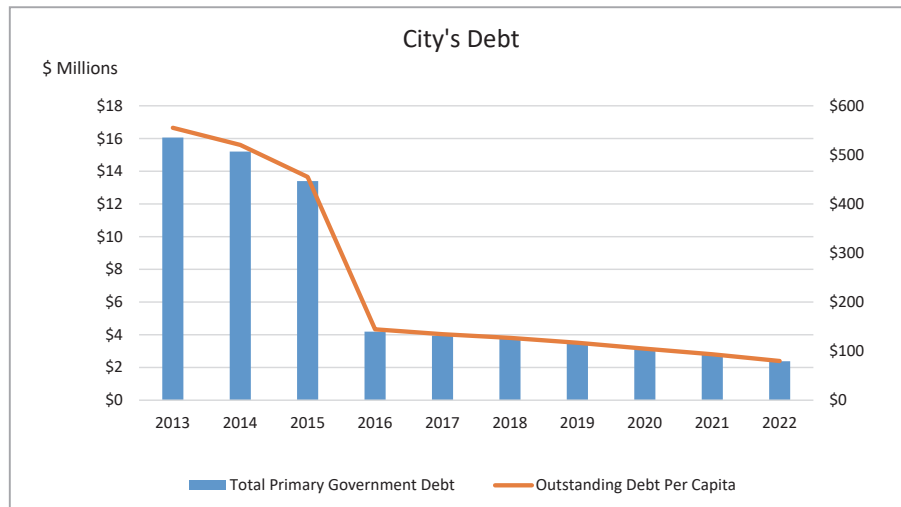
1. In 1995 the County entered a "Teeter Plan" agreement with the City which allows the City to keep 100% of the secured taxes, and the County to keep all interest and delinquency charges collected.
2. Beginning fiscal year 2013, the amounts presented include only the City's general secured and unsecured property taxes collections. The tax collection is subjected to adjustment for all increases, decreases and refunds processed throughout the fiscal year.

CITY OF SAN CARLOS, CALIFORNIA

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

<u>Governmental Activities</u>			<u>Business Type Activities**</u>			Total Primary Government Debt	% of Personal Income (a)	Outstanding Debt Per Capita
Fiscal Year	General Obligation Bonds Public Library	ABAG Lease Agreement	2015 Refunding General Obligation Bonds	2008 Financing Agreement	2009 Financing Agreement			
2013	6,690,000	-	-	1,355,000	8,015,000	16,060,000	0.91%	555
2014	6,405,000	8,800,000	-	-	-	15,205,000	0.89%	520
2015	-	8,800,000	4,600,000	-	-	13,400,000	0.73%	455
2016	-	-	4,190,000	-	-	4,190,000	0.21%	144
2017	-	-	3,940,000	-	-	3,940,000	0.19%	134
2018	-	-	3,805,704	-	-	3,805,704	0.16%	127
2019	-	-	3,501,181	-	-	3,501,181	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	-	-	2,382,612	(a)	80



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 2022 is not available.

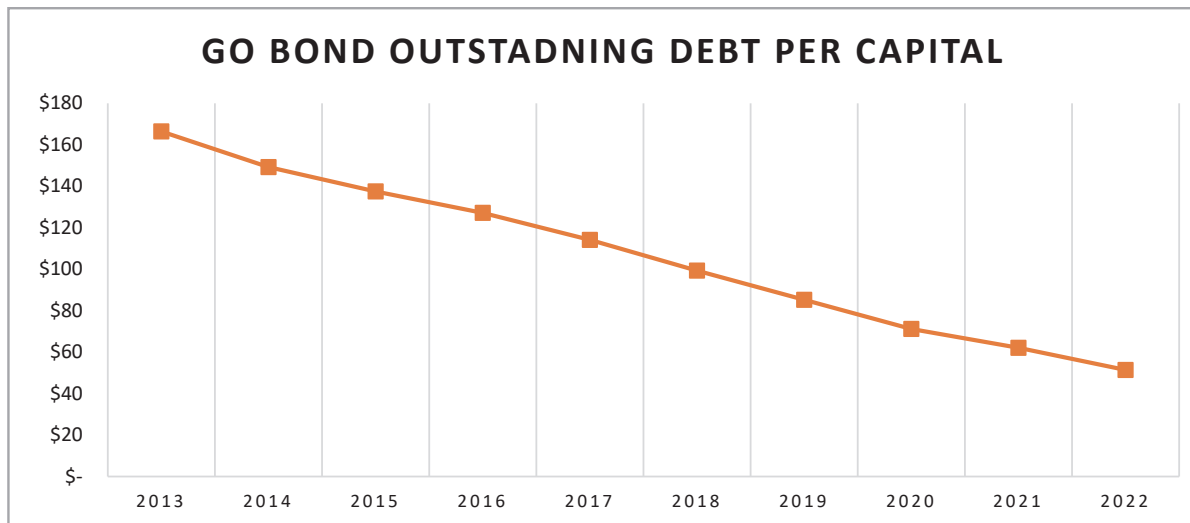
* Adjustments made in FY2013 relating to the City's investment in the Silicon Valley Water Joint Venture.

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	Percentage of Assessed Value (3)	Per Capita (4)
2013	6,690,000	-	1,874,887	4,815,113	0.07%	166.43
2014	6,405,000	-	2,044,334	4,360,666	0.06%	149.24
2015	-	4,774,273	725,393	4,048,880	0.05%	137.49
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



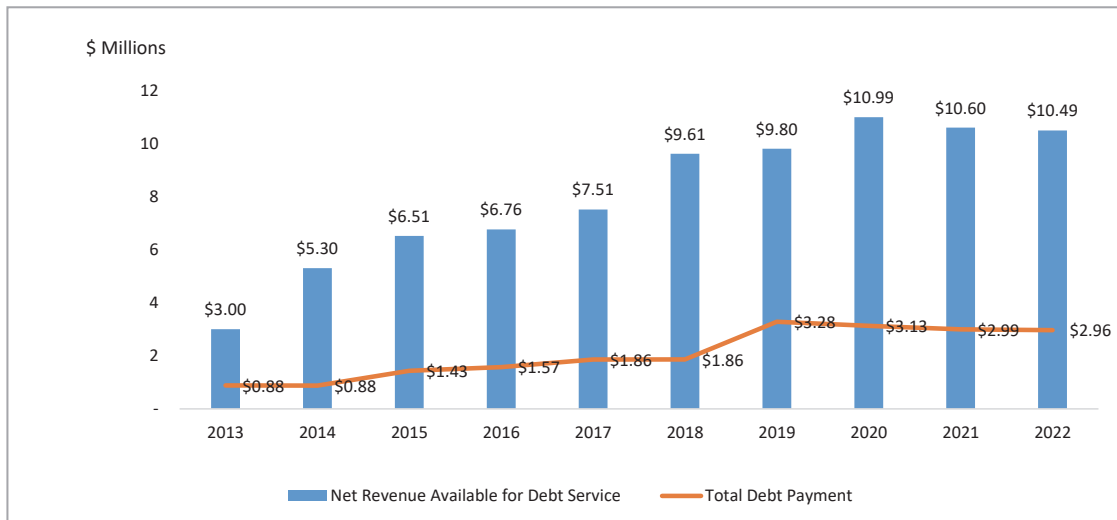
1. This is the general bonded debt of governmental activities, net of original issuance discounts and premiums
 2. This is the amount restricted for debt service principal payments
 3. Assessed value has been used because the actual value of taxable property is not readily available in the State of California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

CITY OF SAN CARLOS, CALIFORNIA
Pledged Revenue Coverage
 Last Ten Fiscal Years

San Carlos Sewer Fund - S C 2008, 2009, 2014, 2015, 2018, 2020 Financial Statements

Financial Statement

Fiscal Year	Net Revenue Available for Debt Service	2008	2009	2014	2015	2018	2020	Total Debt Payment	Coverage
2013	3,000,783	118,208	765,278	-	-	-	-	883,486	3.40
2014	5,300,680	116,008	759,246	-	-	-	-	875,254	6.06
2015	6,514,209	118,707	757,204	558,039	-	-	-	1,433,950	4.54
2016	6,758,316	110,850	754,175	646,163	60,448	-	-	1,571,636	4.30
2017	7,509,125	-	750,113	645,494	463,400	-	-	1,859,007	4.04
2018	9,611,211	-	749,907	645,410	465,550	-	-	1,860,867	5.16
2019	9,802,430	-	743,691	645,745	471,000	1,419,459	-	3,279,895	2.99
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



Source

City of San Carlos Annual Financial Statements

CITY OF SAN CARLOS, CALIFORNIA
Direct And Overlapping Debt
June 30, 2022

2021-22 Assessed Valuation \$13,729,826,333
Redevelopment Successor Agency Incremental Valuation \$1,805,484,454

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2022	Percentage Applicable (1)	City's Share of Debt 6/30/2022
San Mateo Community College District	\$ 733,897,184	5.155%	\$ 37,832,400
Sequoia Union High School District	475,140,000	11.847%	56,289,836
Belmont-Redwood Shores School District	63,777,230	4.572%	2,915,895
Belmont-Redwood Shores School Facilities Improvement District	40,110,864	7.021%	2,816,184
Redwood Shores School Facilities Improvement District	18,565,000	1.125%	208,856
Redwood City School District	177,986,248	2.801%	4,985,395
San Carlos School District	105,867,118	96.475%	102,135,302
City of San Carlos *	2,310,000	100.000%	2,310,000
Midpeninsula Regional Park District	84,575,000	3.847%	3,253,600
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,702,228,644		\$ 212,747,468

OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Mateo County General Fund Obligations	\$ 612,605,687	5.155%	\$ 31,579,823
San Mateo County Board of Education Certificates of Participation	6,490,000	5.155%	334,560
Midpeninsula Regional Park District General Fund Obligations	99,705,600	3.847%	3,835,674
San Mateo County Mosquito & Vector Control District General Fund Obligations	3,825,000	5.155%	197,179
TOTAL OVERLAPPING GENERAL FUND DEBT	\$ 718,801,287		\$ 35,947,236

OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY) \$ 9,605,207 100.000% \$ 9,605,207

TOTAL DIRECT DEBT 2,310,000
TOTAL OVERLAPPING DEBT 255,989,911

COMBINED TOTAL DEBT \$ 258,299,911 (2)

RATIOS TO 2021-22 ASSESSED VALUATION:

Direct Debt (\$2,310,000) 0.02%
Total Direct and Overlapping Tax and Assessment Debt 1.55%
Combined Total Debt 1.88%

RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION (\$1,805,484,454):

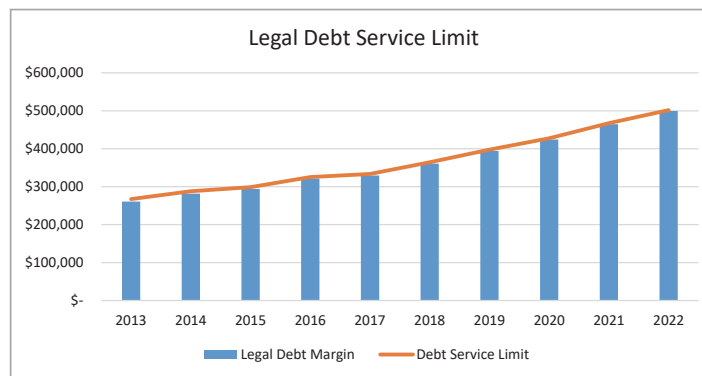
Total Overlapping Tax Increment Debt 0.53%

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)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Secured property assessed value, net of exempt real property	\$7,132,596	\$7,678,937	\$7,964,970	\$8,677,644	\$8,895,382	\$9,719,830	\$10,604,982	\$11,401,615	\$12,465,321	\$13,380,845
Legal Debt Limit										
Debit service limit (3.75% of property assessed value) (a)	267,472	287,960	298,686	325,412	333,577	364,494	397,687	427,561	467,450	501,782
Less: General Obligation Bond	6,690	6,405	4,600	4,190	3,940	3,675	3,385	3,065	2,700	2,310
Legal debt margin	\$ 260,782	\$ 281,555	\$ 294,086	\$ 321,222	\$ 329,637	\$ 360,819	\$ 394,302	\$ 424,496	\$ 464,750	\$ 499,472
Total net debt applicable to the limit as a percentage of debt limit	2.57%	2.27%	1.56%	1.30%	1.20%	1.02%	0.86%	0.72%	0.58%	0.46%



Source
 County of San Mateo, Assessed Valuation Reports

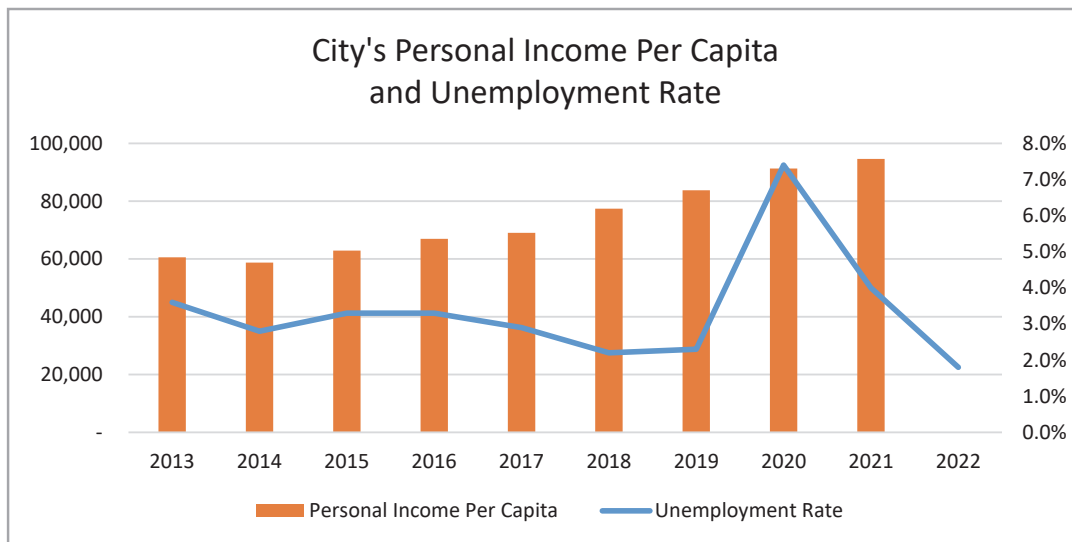
1. California Government Code Section 43605 sets the debt limit at 15%. The code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing 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
2013	28,931	1,769,882	60,573	3.6%	735,678	3.93%
2014	29,219	1,717,440	58,740	2.8%	745,193	3.92%
2015	29,449	1,824,271	62,888	3.3%	753,123	3.91%
2016	29,008	1,963,141	66,976	3.3%	766,041	3.79%
2017	29,311	2,063,967	69,035	2.9%	770,763	3.80%
2018	29,897	2,311,883	77,413	2.2%	774,155	3.86%
2019	29,864	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	(a)	(b)	1.8%	744,662	4.01%



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 Ten Years Ago

Employer	2022				2013		
	Number of Employees	Rank	Percent of Total City Employment		Number of Employees	Rank	Percent of Total City Employment
NATERA INC	934	1	5.40%	L-3 ELECTRON DEVICES	389	1	2.46%
PACIFIC GAS & ELECTRIC CO	323	2	1.87%	PACIFIC GAS & ELECTRIC CO	350	2	2.22%
THE HOME DEPOT #0628	291	3	1.68%	KELLY MOORE PAINT CO	267	3	1.69%
CHECK POINT SOFTWARE TECH INC	225	4	1.30%	NATERA INC	205	4	1.30%
DELTA STAR INC	214	5	1.24%	DELTA STAR INC	188	5	1.19%
CHEMOCENTRYX, INC	182	6	1.05%	WELLS FARGO INSURANCE SERVICES	185	6	1.17%
JOBV AERO INC	170	7	0.98%	NOVARTIS PHARMACEUTICALS	172	7	1.09%
ALLAKOS INC	163	8	0.94%	CHECK POINT SOFTWARE	170	8	1.08%
ATRECA INC.	140	9	0.81%	THE HOME DEPOT #0628	165	9	1.04%
THOUGH STREAM	132	10	0.76%	GEORGE P JOHNSON COMPANY	150	10	0.95%
Top 10 Employers	2774		16.03%		2241		14.18%
Total Employment of the City's Labor Force	17,300				15,800		

Source

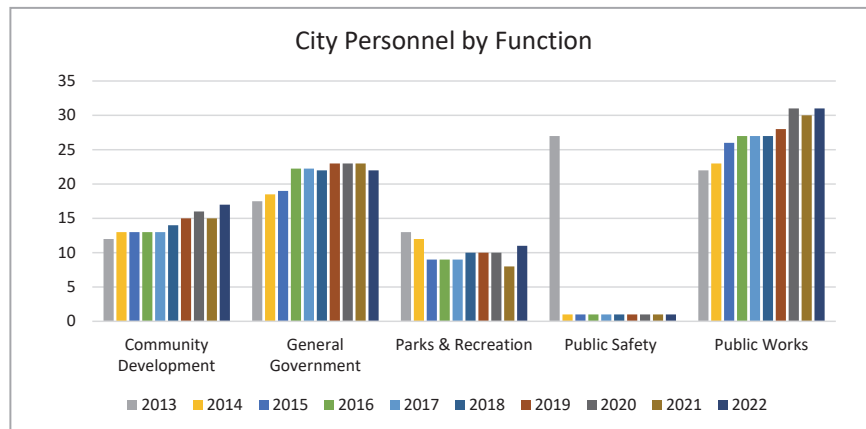
Data from City of San Carlos business license database

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Community Development	12	13	13	13	13	14	15	16	15	17
General Government	18	19	19	22	22	22	23	23	23	22
Parks & Recreation	13	12	9	9	9	10	10	10	8	11
Public Safety	27	1	1	1	1	1	1	1	1	1
Public Works	22	23	26	27	27	27	28	31	30	31
Total Full Time Equivalent Personnel	92	68	68	72	72	74	77	81	77	82



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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function/Program										
Public safety:										
Fire										
Fire calls for service	1,896	1,961	2,209	2,365	2,232	2,415	2,312	2,405	2,497	3,292
Primary fire inspections conducted	465	356	638	700	450	659	984	737	734	465
Police:										
Communication Center calls answered										
Police calls for Service	13,490	12,831	13,446	17,985	12,474	13,094	13,013	13,575	13,621	12,027
Law violations:										
Part I and Part II crimes	1,780	1,988	1,868	1,544	1,387	1,469	1,572	1,427	1,490	1,387
Physical arrests (adult and juvenile)	657	683	732	713	803	790	878	611	667	661
Traffic violations	3,666	3,224	3,260	2,599	1,843	2,347	5,389	3,765	3,487	3,771
Parking violations	4,558	3,609	6,613	4,794	8,014	4,706	11,020	5,734	3,947	4,194
Street										
Pavement Condition Index	64	60	60	60	63	63	61	60	57	56
Sewer										
Sewer service connections	11,355	11,107	11,000	11,017	11,017	11,033	11,010	11,010	11,061	10,905
Average daily flow (millions of gallons)	1.66	1.66	1.81	1.80	2.69	1.66	2.21	1.67	1.53	1.69
Maximum Allocated Treatment Capacity, Average Dry Weather Flow (Millions of Gallons)	4.47	4.47	4.39	5.18	4.90	4.39	4.39	4.39	4.39	4.39
Maximum Allocated Treatment Capacity, Peak Wet Weather Flow (Millions of Gallons)	14.30	14.30	15.96	25.00	14.30	14.30	14.3	14.3	14.3	15.9
Culture and recreation:										
Community Services:										
Adult Registrations	2,481	2,750	2,825	2,949	4,120	5,789	5,688	1,679	1,910	2,717
Tot/Youth Registrations	7,646	7,042	7,524	6,433	5,595	4,426	4,919	2,982	3,058	4,607
Facility Rentals	189	133	114	79	129	106	104	144	-	96
Picnic Rentals	166	173	196	235	236	223	284	141	83	335
Organized Play Participants	7,184	6,761	7,222	7,900	7,985	7,856	7,922	5,925	4,618	8,003
Organized Play Hours Permitted	17,212	17,046	17,856	18,440	18,560	18,470	18,505	12,400	10,500	19,202

Source:
Various city department records

CITY OF SAN CARLOS, CALIFORNIA
Capital Asset Statistics By Function/Program
Last Ten Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	1,888	1,888	1,916	1,942	1,942	1,942	1,942	1,942	1,942	1,861
Intersections with Traffic Signals	20	21	21	21	21	22	22	22	22	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	356	356	356	386	386	605	605	605
Number of Business Permits issued	91	91	91	91	91	13	68	122	120	189
Wastewater										
Total Sewer Main Length (Miles)	104	104	105	105	105	105	105	105	105	105
Sewer Pump Stations	6	6	6	6	6	6	6	6	6	5
Manholes	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,677	2,677
Storm water										
Catch basins/inlets	1,324	1,324	1,324	1,326	1,326	1,326	1,326	1,326	1,326	1,472
Stormwater Pump Stations	3	3	3	3	3	3	3	3	3	3
Manholes	579	579	579	579	579	579	579	579	579	579
General government:										
City Hall	1	1	1	1	1	1	1	1	1	1
City Museum	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Parks (and associated buildings)	13	13	13	13	13	13	13	13	13	13
Community centers	2	2	2	2	2	2	2	2	2	2

Source

Various city department records

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