

BUDGET MEETING

BUDGET AND PERSONNEL COMMITTEE

THURSDAY, DECEMBER 2, 2021

10:00 AM

AGENDA
BUDGET AND PERSONNEL COMMITTEE

Budget Meeting - Thursday, December 2, 2021
10:00 AM

THIS MEETING WILL BE HELD VIRTUALLY AND IS COMPLIANT WITH ASSEMBLY BILL ("AB") 361, SIGNED INTO LAW ON SEPTEMBER 16, 2021, WHICH AMENDS GOVERNMENT CODE SECTION 54953 TO PROVIDE AUTHORITY FOR PUBLIC AGENCIES TO HOLD VIRTUAL MEETINGS DURING A PROCLAIMED STATE OF EMERGENCY AND REMAIN IN COMPLIANCE WITH THE BROWN ACT (GOV. CODE §§ 54950 ET SEQ.).
TO PARTICIPATE IN THE ZOOM MEETING LIVE:
https://us02web.zoom.us/j/4614728829
Meeting ID: 461 472 8829
To participate telephonically by calling the number below:
(669) 900-6833
Meeting ID: 461 472 8829#
If prompted to enter a participant ID, press #

How to submit written Public Comments:
If any member of the public would like to provide written comments at the meeting, please do as set forth below.
Written: All comments received before 8:00 am the day of the meeting will be posted on the City's website as "Correspondence" under the relevant agenda item and provided to the City Council members at the meeting. Please email your comments to: connie@sandcityca.org.
Read Aloud During the Meeting: Email your comments to connie@sandcityca.org when the Mayor opens the public comment period for the relevant agenda item; please indicate the agenda item and title in your email subject line. If you want your comment read aloud, prominently write "Read Aloud at Meeting" at the top of the email and your comments will be read into the record (not to exceed three minutes at staff's cadence).
DURING EACH MEETING, members of the public may participate by calling and speaking live during the designated time(s), subject to time limits that may be imposed pursuant to the Brown Act at the number provided above.

1. CALL TO ORDER

2. ROLL CALL

3. COMMUNICATIONS

Members of the Public may address the Budget/Personnel Committee on matters not appearing on the Budget/Personnel Committee Agenda at this time for up to three minutes. In order that the Budget/Personnel Committee Secretary may later identity the speaker in the minutes of the meeting, it is helpful if the speakers state their names. Public comments regarding items on the scheduled agenda will be heard at the time the item is being considered by the Budget/Personnel Committee.

4. ORDER OF BUSINESS

4a. Approval of Sand City Budget/Personnel Committee Meeting Minutes, November 9, 2021
11.09.21 Budget.Personnel Committee Meeting Minutes.pdf

4b. Review of the Fiscal Year 2020/2021 Draft Audit
Financial Report.cover letter.pdf
Financial Statements Year Ended June 30, 2021.pdf

4c. Consideration of Police Fleet Maintenance
Staff Report. Vehicle Inventory and Sustainability Plan.pdf

4d. Consideration of Bicycle Patrol Funding
Staff Report. Bicycle Patrol.pdf

5. CLOSED SESSION

5a. Budget/Personnel Committee to adjourn to Closed Session regarding:
1) Closed session pursuant to Cal. Gov Code § 54957.6 (Conference with Labor Negotiator):
Agency designated representatives: City Attorney, Vibeke Norgaard
Unrepresented employee: City Clerk

2) Closed session pursuant to Cal. Gov Code § 54957.6 (Conference with Labor Negotiator):
Agency designated representatives: City Attorney Vibeke Norgaard
Unrepresented employee: Public Works Foreman

3) Closed session pursuant to Cal. Gov Code § 54957.6 (Conference with Labor Negotiator):
Agency designated representatives: City Attorney Vibeke Norgaard
Unrepresented employee: Finance Specialist

4) Closed Session pursuant to Cal. Gov. Code § 54957.6
Position: City Manager

6. ADJOURNMENT

The current agenda is available in PDF format on our website at:
www.sandcity.org

If you have a request for a disability-related modification or accommodation, including auxiliary aids or services, which will allow you to participate in a Sand City public meeting, please call the City Clerk at (831) 394-3054 extension 220, or give your written request to the City Clerk at 1 Pendergrass Way, Sand City, CA 93955 at least 48 hours prior to the scheduled meeting to allow the City Clerk time to arrange for the requested modification or accommodation.

AGENDA ITEM
4a.

Approval of Sand City Budget/Personnel Committee Meeting Minutes, November 9, 2021

MINUTES
BUDGET AND PERSONNEL COMMITTEE

Budget Meeting - Tuesday, November 9, 2021
2:00 PM
As allowed per Assembly Bill (AB361), this meeting was conducted in person and by teleconference

AGENDA ITEM 1, CALL TO ORDER

The Budget/Personnel meeting was called to order at 2:01 p.m. by Committee Chair Carbone.

AGENDA ITEM 2, ROLL CALL

Members Present: Committee Member Mary Ann Carbone
Committee Member Kim Cruz

Staff Present: City Manager, Aaron Blair
City Clerk/Committee Secretary Connie Horca
City Attorney, Vibeke Norgaard

AGENDA ITEM 3, COMMUNICATIONS

2:02 p.m. Committee Member Carbone opened the floor for public comment.

There were no comments from the Public in person, via writing or through telecommunications.

2:02 p.m. Committee Member Carbone closed the floor for public comment.

AGENDA ITEM 4, ORDER OF BUSINESS

4a. Approval of February 22, 2021 Budget/Personnel Meeting Minutes

4b. Approval of May 17, 2021 Budget/Personnel Committee Meeting Minutes

Motion to approve the February 22 and May 17, 2022 Budget/Personnel Committee Meeting Minutes was made by Committee Member Cruz, seconded by Chair Carbone. There was consensus of the Committee to approve the minutes by a roll call vote.

AGENDA ITEM 5, CLOSED SESSION

2:04 P.M. Floor opened to Public Comment and seeing none, was closed to Public Comment.

2:05 P.M.

5a. Budget/Personnel Committee to adjourn to Closed Session regarding:

1) Public employment pursuant to Cal. Gov. Code section 54957. Position: City Manager

AGENDA ITEM 6, ADJOURNMENT

There was consensus of the Budget/Personnel Committee to adjourn the meeting at 2:35 P.M. to the next regularly scheduled Budget/Personnel Committee meeting to be announced.

_____
Connie Horca, City Clerk

AGENDA ITEM
4b.

Review of the Fiscal Year 2020/2021 Draft Audit

DATE

The Honorable Mayor and City Council
City of Sand City
Sand City, California

We are pleased to present this report related to our audit of the basic financial statements and compliance of the City of Sand City (the City) for the year ended June 30, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City of Sand City's financial and compliance reporting process. Also included is a summary of recently issued accounting standards that may affect future financial reporting by the City of Sand City.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance)* require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are, significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities with regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States have been described to you in our arrangement letter dated April 15, 2021. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in this letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated April 15, 2021 regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies
Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The policies adopted by the City for the current fiscal year are as follows:

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Necessary changes were made to the notes to the financial statements.

Recently Issued Accounting Standards

In June 2017, GASB issued Statement No. 87, *Leases.* The requirements of this Statement are effective for fiscal years beginning after June 15. 2021. At this time the City is not certain of the effect of the adoption of Statement No. 87 will have on the financial statements.

In January 2020, GASB issued Statement No. 92 *Omnibus 2020.* The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. At this time the City is not certain of the effect of the adoption of Statement No. 87 will have on the financial statements.

In May 2020, GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements.* The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. At this time the City is not certain of the effect of the adoption of Statement No. 87 will have on the financial statements.

In June 2020, GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. At this time the City is not certain of the effect of the adoption of Statement No. 87 will have on the financial statements.

Significant or Unusual Transactions
We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The significant accounting estimates reflected in the City of Sand City's June 30, 2021 financial statements include the cost and liability/(asset) of other post- employment benefits and the pension.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments proposed by us and recorded by the City of Sand City are shown on the attached "Adjusting Journal Entries".

There were no uncorrected misstatements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

When significant deficiencies and material weaknesses are identified during our audit of the financial statements, we are required to communicate them to you in writing. For the year ended June 30, 2021 a letter was not required.

Certain Written Communications between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated DATE.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City of Sand City.

Sincerely,

Hayashi Wayland

City of Sand City
Year End: June 30, 2021
Adjusting Journal Entries
Date: 7/1/2020 To 6/30/2021
Account No: AJE-01 To AJE-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg	Net Income (Loss)
		Net Income (Loss) Before Adjustments				973,552.00	
AJE-01	6/30/2021	DEFERRED REVENUE	10-2050-00 GF01	41,878.00			
AJE-01	6/30/2021	AB 1484 DISTRIB	10-4006-00 GF01		41,878.00		
		To reverse ROPS payments deferred in error.					
				41,878.00	41,878.00	41,878.00	1,015,430.00
AJE-02	6/30/2021	Grants Receivable	10-1105-00 GF01	43,964.00			
AJE-02	6/30/2021	DEFERRED REVENUE	10-2050-00 GF01		116,594.00		
AJE-02	6/30/2021	CDBG CALBRESE	10-4681-12 GF01F	50,603.00			
AJE-02	6/30/2021	SUSTAIN GRANT	10-4757-11 GF01E	22,027.00			
		To adjust grants receivable, deferred revenue and revenue to actual.					
				116,594.00	116,594.00	(72,630.00)	942,800.00
				158,472.00	**158,472.00**	**(30,752.00)**	**942,800.00**

CITY OF SAND CITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2021

AND INDEPENDENT AUDITORS' REPORT

CITY OF SAND CITY

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CITY OF SAND CITY

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CITY OF SAND CITY

JUNE 30, 2021

Members of the City Council

Name	Office	Term Expires
Mary Ann Carbone	Mayor	December, 2022
Jerry Blackwelder	Vice Mayor	December, 2022
Elizabeth Sofer	Council Member	December, 2022
Gregory Hawthorne	Council Member	December, 2024
Kim Cruz	Council Member	December, 2024

City Staff

Name	Office
Aaron Blair	City Manager
Brian Ferrante	Chief of Police
Vibeke Norgaard	City Attorney

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Sand City
Sand City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***City of Sand City***, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ***City of Sand City*** as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, the Budgetary Comparison Schedule on page 45, the Schedule of Proportionate Share of the Net Pension Liability on page 47, the Schedule of Contributions – Pension on page 48, the Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios on page 49, and the Schedule of Contributions – OPEB on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

Salinas, California
DATE

CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The discussion and analysis of the City of Sand City's financial performance provides an overview and analysis of the City's financial activities for the year ended June 30, 2021. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Sand City exceeded its liabilities at the close of the year ended June 30, 2021 by $29 million. However, $11 million is a net investment in capital assets, and $10 million is a noncurrent receivable due from the Successor Agency.
- The City of Sand City's total net position increased by $1.2 million.
- The assets and liabilities include $542,222 that is due to TAMC in regard to a development project.
- At the close of the year ended June 30, 2021, the City of Sand City's governmental funds reported combined ending fund balances of $21 million, $10 million of which is a noncurrent receivable. The net change in fund balances was an increase of $1.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serve as an introduction to the City's financial statements. The City's financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base, and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.) to assess the overall health or financial condition of the City.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

The government-wide financial statements include all the governmental activities of the City. The governmental activities of the City include public safety, streets, parks, planning, community development and general administration. The City does not operate any business-type activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into two categories, governmental funds and fiduciary funds:

Governmental Funds – The focus of governmental funds is narrower than that of government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the government. It is in these funds that the City accounts for the former assets and liabilities of the Redevelopment Agency that were transferred to a Successor Agency. Fiduciary funds are not included in the government-wide statements because the resources of those funds are not available to support the City's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The City maintains four individual governmental funds. Information is presented separately in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds is presented as other governmental funds.

The fund financial statements can be found on pages 13 to 18 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 44 of this report.

GOVERNMENT–WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's net position increased by $1.2 million in fiscal year 2020–2021 from fiscal year 2019–2020. The City's net investment in assets of $11 million is used to provide services to citizens; consequently, these assets are not available for future spending. Another $10 million is a noncurrent receivable leaving approximately $8 million available for operations.

Summary of Net Position (Rounded to the nearest $1,000)
For the Year Ended June 30

	2021	2020	Change
Current and other assets	$ 23,792,000	$ 22,010,000	$ 1,782,000
Capital assets	10,883,000	11,209,000	(326,000)
Total assets	34,675,000	33,219,000	1,456,000
Deferred outflows of resources	1,619,000	1,617,000	2,000
Current and other liabilities	1,022,000	1,003,000	19,000
Long-term liabilities	5,641,000	5,196,000	445,000
Total liabilities	6,663,000	6,199,000	464,000
Deferred inflows of resources	863,000	1,119,000	(256,000)
Net Investment in capital assets	10,789,000	11,088,000	(299,000)
Restricted for:			
Streets/roads	88,000	102,000	(14,000)
Beach access repair	44,000	96,000	(52,000)
Unrestricted	17,847,000	16,233,000	1,614,000
Total net position	$ 28,768,000	$ 27,519,000	$ 1,249,000

Current assets increased due to an increase in cash of $505,000, investments of $1,132,000 and receivables from other governments of $252,000.

Capital assets and net investment in capital assets decreased due to depreciation of $488,056 offset by net capital additions of $161,611.

Long-term liabilities increased due to an increase in the pension liability of $392,000 and compensated absences of $149,000.

The increase in deferred inflows of resources is due to a change in the deferred OPEB adjustments.

The increase in unrestricted is due to the revenues over expenses of $1,200,000 and the decrease of net investment in capital assets.

The decrease in restricted for Beach access repair is due to amounts spent during the year.

GOVERNMENT–WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Rounded to the nearest $1,000)
For the Year Ended June 30

	2021	2020	Change
Revenues:			
Program revenues:			
Charges for services	$ 1,700,000	$ 1,902,000	$ (202,000)
Operating grants and contributions	292,000	235,000	57,000
Capital grants and contributions	134,000	–	134,000
General revenues:			
Property taxes	386,000	272,000	114,000
Sales and transaction taxes	5,755,000	4,880,000	875,000
Other taxes	290,000	288,000	2,000
Investment earnings	14,000	206,000	(192,000)
Total revenues	8,571,000	7,783,000	788,000
Expenses:			
General government	1,575,000	1,886,000	(311,000)
Public safety	3,839,000	3,920,000	(81,000)
Public works	1,382,000	1,396,000	(14,000)
Planning	306,000	514,000	(208,000)
Building	113,000	–	113,000
Community development	96,000	122,000	(26,000)
Parks	5,000	42,000	(37,000)
Interest on long-term debt	6,000	11,000	(5,000)
Total expenses	7,322,000	7,891,000	(569,000)
Change in net position	1,249,000	(108,000)	1,357,000
Net position, beginning of year	27,519,000	27,627,000	(108,000)
Net position, end of year	$ 28,768,000	$ 27,519,000	$ 1,249,000

The decrease in charges for services is due to a decrease in planning, building, and engineering fees for projects in Sand City.

The increase in property and sales tax revenues is due to recovery from COVID-19, including deferred payments of said taxes and businesses reopening.

The decrease in general government expenses is due to not replacing the Director of Administrative Services, and hiring the City Attorney as a full-time employee, instead of a contract consultant.

The decrease in public safety is due to a hiring freeze, not replacing employees on leave.

The net decrease in planning/building is due to a decrease in plan check and building expenses for projects in Sand City. The building department was added in FY 20-21 to separate it from the planning department.

The decrease in community development is due to a lack of City sponsored events due to COVID-19.

GOVERNMENT–WIDE FINANCIAL ANALYSIS (Continued)

The decrease in parks is due to a decrease in the expenses for the Calbrese Park ADA project.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2021, the City's net investment in capital assets amounted to $11 million (net of accumulated depreciation), a net decrease of $326,000 over the prior year due to depreciation offset by the purchase of a street sweeper and construction in progress. Capital assets included land, land improvements, infrastructure, buildings, equipment, vehicles, furniture and fixtures, and construction in progress.

Debt Administration – At June 30, 2021, the City had $5 million in long-term debt. The net change to debt during the year was an increase of $455,000 due to an increase of the pension obligation.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the City's governmental funds reported a total fund balance of $21 million. This fund balance includes a noncurrent receivable of $10 million. The General Fund has an unassigned fund balance of $9.6 million.

During the current fiscal year, the fund balance of the City's General Fund increased by $1.8 million.

FUND BUDGETARY HIGHLIGHTS

General Fund – The original budgeted revenues were increased by $32,420 due to a better recovery from COVID-19 in sales tax. The actual revenues were over budget by $185,000 due to the same reason.

The original budgeted expenditures were decreased by $751,000 due to a City-wide hiring freeze and continued cutting of expenses because of the uncertainty of the pandemic. The actual expenditures were under budget by $576,000 due to the same reason.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The Budget for fiscal year 20-21 anticipated an increase in revenues over the previous year budget. Some of the factors for the anticipated increase in revenue was due to expectations of additional sales/use tax, transaction tax, and an expected increase in fees under the planning department due to the South of Tioga project.

There were expected increases in expenditures for fiscal year 20-21 over the fiscal year 19-20. Those increases were primarily due to the increase in the attorney's budget for legal services, the planning department due to the South of Tioga project, and the police department. There was a projected overall slight increase to the salaries and Pers retirement cost in each department.

In fiscal year 20-21, we added the City Attorney as a full-time City employee which raised our employee total to 21 Full-time employees within the following departments: Administration, City Attorney, Finance, Clerk, Planning, Public Safety, and Public Works. The City utilized Consultants and Contract Labor in several areas for assistance in lieu of permanent additions to the payroll such as building, engineering, and information technology.

The City took several important steps in fiscal year 20-21 to modernize and digitize our building department. Although it may only have a minor impact on expenses, these steps allowed staff to improve efficiency which will have a lasting impact. Going forward, we will continue to look for opportunities to improve not only our organizations infrastructure, but our overall infrastructure for the City.

The South of Tioga project took several key steps forward in fiscal year 20-21 but was also slowed by internal ownership changes. The project, which includes a hotel and a residential component that includes 356 units, continued into the fiscal year 21-22 with several key items including demolition. Although the project ultimately will be a positive revenue generator for the City, revenue impacts will not be seen until the fiscal year 22-23 at the earliest.

Two other projects that have been projected to positively impact the City revenues, Collections at Monterey Bay (King Ventures) and the Monterey Bay Shores Eco-Resort, are currently not projected to impact the fiscal year 21-22 or 22-23 budgets. However, the City is confident that at some point these two wonderful projects will come to fruition, but at this point, no projected revenues or expenses related to the two projects has been included in the 3-year projections.

Looking forward to fiscal year 22-23 and 23-24, the budget will be developed in an acutely uncertain moment in the world. The years ahead are very difficult to plan due to the continued impacts of COVID and inflation. With that in mind, the budgets will communicate what we think is the most fiscally responsible approach to funding operations and capital investments to best serve the Sand City community.

Staff will ensure that a balanced and fiscally responsible budget for fiscal year 22-23 and 23-24 that takes into account all information available in ever-changing times. Staff will anticipate revenues and expenditures are such that we will have a positive operating reserve. This reserve will be available for operating contingencies, capital improvements, or service changes.

ECONOMIC FACTORS AND NEXT YEARS BUDGET (Continued)

We will continue to monitor revenues and expenditures, and any additional modifications that may need to be made based on new available information. Future proposed budgets and capital improvements will do the following:

- Remain fiscally responsible
- Maintain a safe and healthy community
- Enhance economic vitality
- Deliver exceptional City services
- Invest in well-planned infrastructure and growth

In light of the economic reality imposed by COVID-19 over the past two years, staff will continue to look for opportunities to reduce expenses without impacting the level of service provided. We will continue to look for opportunities to increase revenues including a future voter dependent increase in the sales tax, the successful development of the South of Tioga project, short-term rental ordinance, retail cannabis ordinance, and the continued investment into the West End and various infill projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sand City, 1 Pendergrass Way, Sand City, California 93955.

BASIC FINANCIAL STATEMENTS

CITY OF SAND CITY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Cash and cash equivalents	$ 2,047,625
Investments	9,574,548
Receivables	66,623
Receivables from other governments	1,177,654
Loans due from Successor Agency	9,730,824
Net OPEB asset	1,194,563
Capital assets, net:	
Non-depreciable	2,359,157
Depreciable	8,523,662
Total assets	34,674,656
DEFERRED OUTFLOWS OF RESOURCES	
PERS contributions	829,461
Deferred pension adjustments	631,014
OPEB contributions	86,077
Deferred OPEB adjustments	72,420
Total deferred outflows of resources	1,618,972
LIABILITIES	
Accounts payable	213,152
Due to other governments	542,222
Accrued liabilities	30,133
Developer deposit	25,000
Noncurrent liabilities:	
Due within one year	211,181
Due in more than one year	5,640,589
Total liabilities	6,662,277
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	168,119
Deferred OPEB adjustments	695,089
Total deferred inflows of resources	863,208
NET POSITION	
Net investment in capital assets	10,789,419
Restricted for:	
Streets and roads	87,635
Beach access repair	44,139
Unrestricted	17,846,950
Total net position	$ 28,768,143

See Notes to the Basic Financial Statements.

CITY OF SAND CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Governmental activities:					
General government	$ 1,574,669	$ 1,507,116	$ 62,500	$ –	$ (5,053)
Public safety	3,838,694	32,313	159,716	–	(3,646,665)
Public works	1,382,183	11,533	63,465	43,964	(1,263,221)
Planning	305,469	101,588	–	–	(203,881)
Building	112,954	47,102	–	–	(65,852)
Community development	96,153	–	6,000	–	(90,153)
Parks	5,238	–	–	90,000	84,762
Interest on long-term debt	6,492	–	–	–	(6,492)
Total governmental activities	$ 7,321,852	$ 1,699,652	$ 291,681	$ 133,964	$ (5,196,555)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					386,485
Sales tax					3,159,647
Transaction tax					2,595,765
Utility user's tax					148,887
Franchise taxes					96,989
Gas taxes					13,800
Road maintenance and rehabilitation					7,137
Measure X					22,910
Investment earnings					13,968
Total general revenues					6,445,588
CHANGE IN NET POSITION					1,249,033
NET POSITION, BEGINNING OF YEAR					27,519,110
NET POSITION, END OF YEAR					$ 28,768,143

See Notes to the Basic Financial Statements.

CITY OF SAND CITY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	$ 1,955,948	$ 91,677	$ 2,047,625
Investments	9,574,548	–	9,574,548
Receivables	66,623	–	66,623
Receivables from other governments	1,175,115	2,539	1,177,654
Loans due from Successor Agency	9,730,824	–	9,730,824
Total assets	22,503,058	94,216	22,597,274
LIABILITIES			
Accounts payable	206,571	6,581	213,152
Due to other governments	542,222	–	542,222
Accrued liabilities	30,133	–	30,133
Developer deposit	25,000	–	25,000
Total liabilities	803,926	6,581	810,507
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	116,594	–	116,594
Deferred interest on Successor Agency loans	774,766	–	774,766
Total deferred inflows of resources	891,360	–	891,360
FUND BALANCES			
Non-spendable –			
Noncurrent receivable	9,730,824	–	9,730,824
Restricted:			
Streets and roads	–	87,635	87,635
Beach access repair	44,139	–	44,139
Committed:			
Tioga beach	120,000	–	120,000
OPEB Funding	142,566	–	142,566
Contracts	1,255,713	–	1,255,713
Unassigned	9,514,530	–	9,514,530
Total fund balances	20,807,772	87,635	20,895,407
Total liabilities, deferred inflows of Resources and fund balances	$ 22,503,058	$ 94,216	$ 22,597,274

See Notes to the Basic Financial Statements.

CITY OF SAND CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	$ 20,895,407
Amounts reported in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,882,819
Amounts paid to the trust for other post-employment benefits in excess of the required contributions, the net OPEB asset, are not financial resources and therefore are not reported in the funds.	1,194,563
Other assets are not available to pay for the current period expenditures and therefore are deferred in the funds.	891,360
Deferred outflows and inflows of resources associated with net pension and OPEB are not financial resources and therefore are not reported in the funds:	
Deferred outflows	1,618,972
Deferred inflows	(863,208)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,851,770)
NET POSITION	$ 28,768,143

See Notes to the Basic Financial Statements.

CITY OF SAND CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General	Other Governmental Funds	Total
REVENUES:			
Property taxes	$ 386,485	$ –	$ 386,485
Sales tax	3,159,647	–	3,159,647
Transaction tax	2,595,765	–	2,595,765
Utility user's tax	148,887	–	148,887
Franchise taxes	96,989	–	96,989
Business licenses	503,617	–	503,617
Licenses and permits	59,019	–	59,019
Fines, forfeits and penalties	5,505	908	6,413
Charges for current services	184,209	–	184,209
Developer reimbursements	42,584	–	42,584
Revenue from other agencies	292,324	43,847	336,171
Investment earnings	13,968	–	13,968
Rental income	867,109		867,109
Other revenue	53,428	–	53,428
Total revenues	8,409,536	44,755	8,454,291
EXPENDITURES:			
Current:			
General government	1,485,331	–	1,485,331
Public safety	3,490,624	–	3,490,624
Public works	926,095	44,782	970,877
Planning	298,974	–	298,974
Building	112,954	–	112,954
Community development	96,153	–	96,153
Parks	4,423	–	4,423
Debt service:			
Principal	28,028	–	28,028
Interest and other charges	6,492	–	6,492
Capital outlay	161,611	–	161,611
Total expenditures	6,610,685	44,782	6,655,467
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,798,851	(27)	1,798,824
OTHER FINANCING SOURCES (USES):			
Transfers in	14,350	–	14,350
Transfers out	–	(14,350)	(14,350)
Total other financing sources (uses)	14,350	(14,350)	–
NET CHANGE IN FUND BALANCES	1,813,201	(14,377)	1,798,824
FUND BALANCES, BEGINNING OF YEAR	18,994,571	102,012	19,096,583
FUND BALANCES, END OF YEAR	$ 20,807,772	$ 87,635	$ 20,895,407

See Notes to the Basic Financial Statements.

CITY OF SAND CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCES	$	1,798,824
Amounts reported in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay		161,611
Current year depreciation		(488,056)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		116,594
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net assets. In the current period, the amount is:		
Principal payments on long-term debt		28,028
Some 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:		
Compensated absences		(149,276)
Current year OPEB cost difference		134,331
Current year pension cost difference		(353,023)
CHANGE IN NET POSITION	$	1,249,033

See Notes to the Basic Financial Statements.

CITY OF SAND CITY
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

ASSETS	
Cash and cash equivalents	$ 956,879
Investments	1,283,728
Capital assets, net-	
Non-depreciable	1,100,000
Total assets	3,340,607
LIABILITIES	
Developer fees received in advance	1,455,000
Noncurrent liabilities:	
Due within one year	525,000
Due in more than one year	13,190,824
Total liabilities	15,170,824
DEFERRED INFLOWS OF RESOURCES	
Deferred ROPS revenue	585,324
NET POSITION	
Enforceable obligations	(12,415,541)
Total net position (deficit)	$ (12,415,541)

See Notes to the Basic Financial Statements.

CITY OF SAND CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

ADDITIONS:	
Property taxes	$ 1,125,031
Interest income	848
Total additions	1,125,879
DEDUCTIONS:	
Administrative expenses	97,439
Legal expenses	24,000
Contract services	26,279
Interest expense	140,779
Seaside settlement	364,522
Total deductions	653,019
NET INCREASE	472,860
NET POSITION, (DEFICIT) BEGINNING OF THE YEAR	(12,888,401)
NET POSITION, (DEFICIT) END OF THE YEAR	$ (12,415,541)

See Notes to the Basic Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sand City (the City), California have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity – The City is a Charter City operating under a Mayor-Council-City Manager form of government. As required by GAAP, these financial statements present the City (the primary government) and its component units. The City's financial statements include one fiduciary component unit-

Successor Agency Trust Fund
Assembly Bill 1X 26 ("the Bill") provided for the dissolution of all redevelopment agencies in the State of California. As allowed under the Bill, The City elected to serve as the Successor Agency to hold the assets until they are distributed to other units of state and local government. The Successor Agency Trust Fund meets the definition of a fiduciary component unit and is reported as a private-purpose trust fund. Separate financial statements are not available for the Successor Agency Trust Fund.

Basis of Presentation and Accounting – The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting – The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Ad valorem, franchise and sales tax revenues are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with the prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports the following major governmental fund –

> *General Fund*, accounts for the City's primary services (Public Safety, Public Works, Parks, etc.) and is the primary operating unit of the City.

Additionally, the City reports the following fund type –

> *Fiduciary Funds* include the Successor Agency. This fund was established as a result of the dissolution of the Redevelopment Agency and is used to account for assets held by the City in a trustee capacity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments are level one.

Cash, Cash Equivalents and Investments – The City follows the practice of pooling cash and investments of all funds. Investments of the pooled cash consist of deposits with the Local Agency Investment Fund and are accounted for at fair market value. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average daily balance of cash of each fund. The City considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Receivables and Deferred Inflows of Resources – Receivables are amounts due representing revenues earned or accrued in the current period. Receivables which have not been remitted within 60 days subsequent to year end are offset by deferred inflows of resources, and accordingly have not been recorded as revenue in the governmental fund. When the revenue becomes available, the revenue is recognized in the governmental fund.

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2021, the allowance was estimated to be zero.

Capital Assets – Property, facilities, equipment and infrastructure purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at acquisition value at the time received. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 for equipment; $25,000 for facilities and improvements; $150,000 for infrastructure and all land; and an estimated useful life in excess of one year.

Property, facilities, equipment and infrastructure is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Improvements	5–20 Years
Equipment	5–10 Years
Vehicles	8 Years
Furniture and Fixtures	10 Years
Infrastructure	20–50 Years

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences – Unused paid time off (PTO), which includes vacation, sick, and comp time, may be accumulated up to 800 hours and is paid at the time of termination from City employment. Hours accumulated over the 800 hours are paid out as compensation at the end of each calendar year. PTO is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Interfund Activity – During the course of operations, transactions occur between individual funds that result in amounts owed between funds, which are classified as "due to/from other funds." Eliminations have been made on the government-wide statements for amounts due to/from within the governmental funds.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Net Position – The Statement of Net Position presents the City's assets and deferred outflows of resources, and liabilities, and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted* results when constraints placed on net positions use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Fund Balances – Fund balance classifications are based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund.

The City reports the following classifications:

- *Non-spendable* – Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as long-term receivables or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.

- *Restricted* – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- *Committed* – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking some type of action (passage of a resolution). Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the City Council. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions or enabling legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Assigned* – Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by (a) the City Administrator or (b) the City Council. The City Council has the authority to remove or change the assignment of the funds with a simple majority vote.

- *Unassigned* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

Property Tax Levy, Collection and Maximum Rates – State of California (State) Constitution Article 13 provides for a maximum general property tax rate statewide of $1 per $100 of assessed value. Assessed value is calculated at 100% of market value as defined by the above referenced Article 13. The State Legislature has determined the method of distribution of receipts from $1 tax levy among counties, cities, schools and other districts. Counties, cities and school districts may levy such additional tax rates as necessary to provide for voter approved debt service.

The County of Monterey assesses properties, bills for and collects property taxes, as follows:

	Secured	Unsecured
Valuation dates	January 1	January 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1	July 1
	50% on February 1	
Delinquent as of	December 10 (for November)	August 31
	April 10 (for February)	

The term "Unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property tax revenues are recorded in governmental funds as receivables and deferred revenues at the time the tax levy is billed. Current year revenues are those collected within the current period or soon enough thereafter to pay current liabilities, generally within sixty days of year-end. No allowance is provided for delinquent taxes as the lien is considered an enforceable legal obligation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – Subsequent events have been evaluated through DATE, which is the date the financial statements were available to be issued.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effects of New Pronouncements - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Necessary changes were made to the notes to the financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

Custodial Credit Risk-Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision which requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021, $1,899,402 of the City's bank balances of $2,149,402 was exposed to custodial credit risk as uninsured, but it's collateralized by the pledging bank's trust department not in the City's name.

Investments – The City's investments consist of the State Treasurer's Local Agency Investment Fund and certificates of deposit held with a local financial institution. All investments are recorded at fair value. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by the public agencies. The investment of state pooled funds is governed by State law, by policies adopted by the Pooled Money Investment Board (PMIB) and by accepted norms for prudent fiduciary management of investments. PMIB funds may be invested in a wide range of interest-bearing securities, such as Treasury notes, prime commercial paper, certain California municipal and agency obligations, highly rated corporate bonds, obligations of such agencies as Fannie Mae, and negotiable certificates of deposit. Also allowed are time deposits in California banks, savings and loans, and credit unions that have not less than a "satisfactory" CRA rating. The value of each participating dollar equals the fair value divided by the amortized cost. The City's fair value of the position in the pool is the same as the value of the pool shares. Investments at June 30, 2021 consisted of the following:

Local Agency Investment Fund	$ 8,321,054
Certificates of Deposit	1,253,494
Total	$ 9,574,548

As of June 30, 2021, all of the City's investments had a maturity of less than one year.

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statues.

NOTE 3. RECEIVABLES

Receivables at June 30, 2021 for the City's individual major funds and nonmajor fund in the aggregate, are as follows:

	General	Other Governmental Funds	Total
Receivables:			
Accounts	$ 60,072	$ –	$ 60,072
Interest	6,551	–	6,551
Total	$ 66,623	$ –	$ 66,623
Other Governments:			
Sales tax	$ 562,271	$ –	$ 562,271
Transaction tax	479,583	–	479,583
Gas tax	–	2,539	2,539
Grants	133,261	–	133,261
Total	$ 1,175,115	$ 2,539	$ 1,177,654

NOTE 4. LOANS DUE FROM SUCCESSOR AGENCY

The Redevelopment Agency (the Agency) received loans from the City to pay its share of administrative expenses, to make payments on non-tax incremental borrowings, and to reimburse the City for payments made on Certificates of Participation. Upon dissolution of the Agency, these loans became the obligation of the Successor Agency. In addition, the City elected to be the Housing Successor Agency of the former Agency and in doing so, they will receive the funds borrowed by the Agency's Debt Service Fund from the Housing Fund to make the SERAF payments. Balances as of June 30, 2021 are as follows:

Operating Expenses	$ 3,626,058
Costco/Seaside Agreements	4,650,000
COP Reimbursement	1,454,766
Total	$ 9,730,824

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance 6/30/20	Additions and Transfers	Deletions and Transfers	Balance 6/30/21
Capital assets not being depreciated:				
Land	$ 1,837,194	$ –	$ –	$ 1,837,194
Construction in progress	399,033	122,930	–	521,963
Total capital assets not being depreciated	2,236,227	122,930	–	2,359,157
Capital assets being depreciated:				
Infrastructure	5,209,014	–	–	5,209,014
Land improvements	441,563	–	–	441,563
Equipment	2,594,596	–	–	2,594,596
Vehicles	567,289	38,681	–	605,970
Buildings	8,538,775	–	–	8,538,775
Furniture and fixtures	114,514	–	–	114,514
Total capital assets being depreciated	17,465,751	38,681	–	17,504,432
Less accumulated depreciation for:				
Infrastructure	2,756,633	139,059	–	2,895,692
Land improvements	417,483	18,270	–	435,753
Equipment	2,344,031	86,683	–	2,430,714
Vehicles	513,373	33,395	–	546,768
Buildings	2,346,680	210,649	–	2,557,329
Furniture and fixtures	114,514	–	–	114,514
Total accumulated depreciation	8,492,714	488,056	–	8,980,770
Total capital assets being depreciated – net	8,973,037	(449,375)	–	8,523,662
Capital assets – net	$ 11,209,264	$ (326,445)	$ –	$ 10,882,819

Depreciation expense for the year ending June 30, 2021 was charged to functions/programs of the primary government as follows:

General government	$ 31,577
Public safety	68,739
Public works	386,925
Parks	815
Total depreciation expense	$ 488,056

NOTE 6. LONG–TERM LIABILITIES

Capital Lease – The City has the following noncancelable capital lease agreement with a financial institution to finance the acquisition of a capital asset. The lease meets the criteria of a capital lease since it transfers benefits and risks of ownership to the lessee at the end of the lease term and therefore has been recorded at the present value of future minimum lease payments at the date of the inception of the lease as follows:

Police Radios – The assets under the lease total $148,033 with accumulated depreciation of $74,017 at June 30, 2021. Principal and interest payments at $34,520 with interest at 5.22% are to be made annually beginning August 15, 2019 and continue until August 15, 2023.

Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2022	$ 29,527	$ 4,993	$ 34,520
2023	31,105	3,415	34,520
2024	32,768	1,752	34,520
Total	$ 93,400	$ 10,160	$ 103,560

General long-term liability balances and transactions for the fiscal year ended June 30, 2021 are as follows:

	Balance 6/30/20	Additions	Reductions	Balance 6/30/21	Due Within One Year
Capital Lease-					
Police radios	$ 121,428	$ –	$ 28,028	$ 93,400	$ 29,527
Subtotal capital leases	121,428	–	28,028	93,400	29,527
Other liabilities:					
Compensated absences	529,232	149,276	–	678,508	181,654
Net pension liability	4,687,474	1,145,490	753,102	5,079,862	–
Total	5,338,134	$1,294,766	$ 781,130	$5,851,770	$ 211,181

In prior years, the General Fund has been used to liquidate compensated absences.

NOTE 7. INTERFUND ACTIVITY

Transfers between funds during the year were as follows:

	Transfers In	Transfers Out
General fund	$ 14,350	$ –
Special revenue fund	–	14,350
Total	$ 14,350	$ 14,350

Transfers were made for expenditures covered by Gas Tax and Traffic Safety monies.

NOTE 8. PENSION PLAN

General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @55, 3% @ 60	2 @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2% - 2.7%	1.0% - 2.5%
Required employee contribution rates	7% and 8%	6.75%
Required employer contribution rates	11.031% and 15.445%	7.732%

NOTE 8. PENSION PLAN (Continued)

	Safety	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 50, 3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9%	13%
Required employer contribution rates	19.214% and 21.746%	13.044%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both 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 costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions	$ 360,507	$ 392,595

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

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 2,648,872
Safety	2,430,990
Total Net Pension Liability	$ 5,079,862

NOTE 8. PENSION PLAN (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 is measured as of June 30, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2021 and 2020 was as follows:

	Miscellaneous	Safety
Proportion – June 30, 2020	0.02470%	0.002104%
Proportion – JUNE 30, 2021	0.02435%	0.002234%
Change - Increase (Decrease)	(0.00035%)	0.000130%

For the year ended June 30, 2021, the City recognized pension expense of $1,182,484. Pension expense is allocated to the functions based on full time equivalents. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 325,015	$ –
Change of Assumptions	–	26,991
Difference between Projected and Actual Investment Earnings	131,525	–
Change in Employer's Proportion	95,945	58,191
Differences between Employer's Contributions and Proportionate Share of Contributions	78,529	82,937
Pension Contributions Made Subsequent to Measurement Date	829,461	–
Total	$ 1,460,475	$ 168,119

The $753,102 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, 2021. 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	
2022	$ 116,929
2023	$ 166,879
2024	$ 114,873
2025	$ 64,214

NOTE 8. PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous/Safety
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality	Derived using CalPERS' membership data for all funds. The mortality rate includes 15 years of projected on-going mortality improvements using 90% scale MP 2016 published by the Society of Actuaries.
Post Retirement Benefit Increase	Contract Cola up to 2.5% Until Purchasing Power Protection Allowance Floor On Purchasing Power applies. 2.5% thereafter.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study can be found on the CalPERS website.

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

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.

NOTE 8. PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	(0)%	(.92)%
Total	100%		

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	$ 4,127,353	$ 4,017,849
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 2,648,872	$ 2,430,990
1% Increase	8.15%	8.15%
Net Pension Liability	$ 1,427,250	$ 1,128,822

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, through the California Public Employee's Retirement System (CalPERS) 457 Deferred Compensation Program. All employees of the City are eligible for the plan. Participation in the plan is optional. The funds of the plan are invested by the City, through CalPERS, as directed by and on behalf of the employees in various investment options.

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – The City contracts with the Public Employees Retirement System (PERS) under the PERS Care Health Plan to provide benefits of the Meyer-Geddes State Employees' Medical and Hospital Care Act per Government Code Section 22850. The Plan provides employees and option members (City Council members and City Attorney) who retire directly from the City under CalPERS continuation of medical insurance benefits for them, one dependent and surviving spouse. The Plan can be amended by action of the City Council on passing a resolution. The City pays premiums up to the PEMHCA Other Northern California PERS Care single party non-Medicare and Medicare eligible premiums at 100% for retirees and 50% for dependents and surviving spouses. For the fiscal year 2020, the non-Medicare premium was $861 and the Medicare eligible was $385. Retirees pay blended medical premiums rather than expected medical costs by age and gender and active premiums subsidize non-Medicare eligible retiree medical costs as implied subsidies.

Employees Covered – As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Active employees	22
Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving benefits	11
Total	42

Contributions – The obligations of the Plan members and the City are established by action of the City Council pursuant to the passing of a resolution. The annual contribution is based on the actuarially determined contribution, which is paid to the California Employer's Retiree Benefit Trust Program (CERBT). Cash subsidy and implied subsidy benefit payments and PEMCHA administrative fees are currently paid with City assets on a pay-as-you-go basis and are not reimbursed by CERBT. For the fiscal year ended June 30, 2021, the City's pay-as-you-go payments were $70,571 and the estimated implied subsidy was $11,000 resulting in total payments of $81,571.

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Net OPEB Liability/(Asset) – The City's net OPEB liability/(Asset) was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability/(Asset) was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	3.00% annually
Investment Rate of Return	6.75%
Mortality	CalPERS 1997-2015 Experience Study
Retirement	CalPERS 1997-2015 Experience Study
Healthcare Trend Rate	7.25% decreasing to 4.00%

The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	59%	4.82%
Fixed Income	25%	1.47%
TIPS	5%	1.29%
REITs	8%	3.76%
Commodities	3%	0.84%
	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Net OPEB Liability/ (Asset) – The changes in the net OPEB liability/(Asset) for the Plan are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2019	$ 2,215,801	$ 3,493,930	$ (1,278,129)
Changes recognized for measurement period:			
Service cost	180,004	–	180,004
Interest	158,964	–	158,964
Changes of assumptions	(52,022)		(52,022)
Contributions - employer	–	81,784	(81,784)
Net investment income	–	123,517	(123,517)
Benefit payments (outside trust)	(81,571)	(81,571)	–
Administrative expense	–	(1,921)	1,921
Net Changes	$ 205,375	$ 121,809	$ 83,566
Balance at June 30, 2020	$ 2,421,176	$ 3,615,739	$ (1,194,563)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate – The following presents the net OPEB liability/(Asset) of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability/ (Asset)	$(911,373)	$(1,194,563)	$(1,434,046)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rates – The following presents the net OPEB liability/(Asset) of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability/ (Asset)	$(1,372,965)	$(1,194,563)	$(1,037,515)

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position – CERBT issues a publicly available financial report that may be obtained from California Employer's Retiree Benefit Trust Program at the CalPERS website.

Recognition of Deferred Outflows and Deferred Inflows of Resources – Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (6.3 years at June 30, 2021)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the fiscal year ended June 30, 2021, the City recognized OPEB expense/(income) of $(43,253). As of fiscal year ended June 30, 2021, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
OPEB contributions subsequent to measurement date	$ 86,077	$ –
Changes of assumptions	–	109,001
Net difference between projected and actual earnings on OPEB plan investments	72,420	–
Difference between expected and actual experience	–	586,088
Total	$ 158,497	$ 695,089

The $86,077 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) Of Resources
2022	$(155,360)
2023	$(140,362)
2024	$(133,495)
2025	$(137,275)
2026	$(53,697)
Thereafter	$(2,480)

NOTE 11. JOINTLY GOVERNED ORGANIZATIONS

The City participates on the Boards of Community Human Services, a joint powers agency, Monterey Regional Waste Management District, the Monterey Peninsula Water Management District, Monterey Regional Water Pollution Control Agency, Monterey Peninsula Regional Water Authority, Monterey One Water, Association of Monterey Bay Area Governments, Transportation Agency for Monterey County, Seaside Groundwater Basin Watermaster, Seaside/Sand City Chamber of Commerce, the Monterey Peninsula Chamber of Commerce, League of California Cities, Monterey County Convention and Visitor's Bureau, Monterey County Business Council, Monterey County Mayor's Association, and Monterey Bay Area Self Insurance Authority. The Boards of these entities are comprised of representatives from local municipalities, districts, and unincorporated areas. The City made various disbursements to the organizations in the amount of $500,158 for the fiscal year ended June 30, 2021.

NOTE 12. RISK FINANCING

The City is exposed to various risks of loss related to torts, thefts, damage to, or destruction of assets; errors and omissions; injuries to workers; and natural disasters. These risks are covered by a combination of commercial insurance purchased from independent third parties and participation in the Monterey Bay Area Self Insurance Authority (MBASIA), which is a public entity risk pool. There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years.

MBASIA was formed under a joint powers agreement (JPA) pursuant to California Government Code Section 6500 et seq. effective July 1, 1982. MBASIA is administered by a Board of Directors consisting of thirteen members appointed by the cities participating. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by member cities beyond their representation on the Board. Each member city pays a premium commensurate with the amount of predicted losses and shares surpluses and deficits proportionate to their participation in the JPA.

NOTE 13. OPERATING LEASES

On October 30, 2009, the City and California-American Water Company (CAW) entered into an Amended and Restated Lease Agreement whereby CAW leases and operates the desalination facility plant. CAW will hold the leased property for a term of thirty (30) years. At June 30, 2021, leased property carried at cost is as follows:

Building	$ 8,065,207
Equipment	1,835,430
	9,900,637
Less: Accumulated depreciation	4,150,672
Net property under operating lease	$ 5,749,965

The depreciation expense relating to the facility was $201,630 for the year ended June 30, 2021.

NOTE 13. OPERATING LEASES (Continued)

On May 15, 2007, the City and T-Mobile entered into a Site Lease Agreement for certain premises of the property located at 1 Pendergrass Way, Sand City, California. The term of the lease started on the first day of December 2007 and continued for 60 months, expiring on November 30, 2012 with the right to renew the lease for up to 5 additional 60-month periods. The current renewal period is until November 30, 2022. On January 25, 2013, the City was notified that T-Mobile entered into an agreement with an affiliate of Crown Castle International Corp. to control and operate the site.

The minimum future rentals under these leases as of June 30, 2021 are as follows:

June 30	CAW	Crown Castle	Total
2022	$ 850,000	$ 16,571	$ 866,571
2023	–	–	–
2024	7,000	–	7,000
2025	7,000	–	7,000
2026	7,000	–	7,000
Thereafter	84,000	–	84,000
Total	$ 955,000	$ 16,571	$ 971,571

Rental revenue recognized for the year ended June 30, 2021 was $867,109.

NOTE 14. COMMITMENTS AND CONTINGENCIES

In the fiscal year ending June 30, 2021, the City has various service and project contracts totaling $1,403,385, of which $1,255,713 on contract commitments still remained as of June 30, 2021.

NOTE 15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Sand City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides 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 October 18, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number SC-11-104. Accordingly, the City established the Successor Agency Trust fund, a private-purpose trust fund, which is a fiduciary type fund.

Subject to the control of an established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution. 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.

NOTE 15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

Following are disclosures specific to the Successor Agency Trust Funds:

NOTE A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk-Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision which requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021, $715,020 of the Fiduciary Fund's bank balances of $965,000 was exposed to custodial credit risk as uninsured, but it's collateralized by the pledging bank's trust department not in the City's name. All cash held by the Fiduciary Fund must be used to repay enforceable obligations.

Investments – The Fiduciary Fund investments consist of money market funds and certificates of deposit held with various financial institutions. All investments are recorded at fair value. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by the public agencies. Investments at June 30, 2021 consisted of the following:

Money Market Funds	$ 224,503
Certificates of Deposit	1,059,225
Total	$ 1,283,728

As of June 30, 2021, all of the Fiduciary Fund's investments had a maturity of less than one year.

NOTE 15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

NOTE B. CAPITAL ASSETS

	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
Capital assets not being depreciated –				
Land	$ 1,100,000	$ –	$ –	$ 1,100,000
Total capital asset not being depreciated	1,100,000	–	–	1,100,000
Capital assets being depreciated:				
Land improvements	182,631	–	–	182,631
Sculpture	40,218	–	–	40,218
Total capital assets being depreciated	222,849	–	–	222,849
Less accumulated depreciation for:				
Land improvements	182,631	–	–	182,631
Sculpture	40,218	–	–	40,218
Total accumulated depreciation	222,849	–	–	222,849
Total capital assets being depreciated—net	–	–	–	–
Capital assets—net	$ 1,100,000	$ –	$ –	$ 1,100,000

NOTE C. DEVELOPER FEES RECEIVED IN ADVANCE

The former Redevelopment Agency entered into a Disposition and Development Agreement (DDA) with a developer that required the developer to pay certain negotiation fees. In the event that the DDA is terminated by either party, the DDA requires a portion of the fees in the amount of $1,455,000 be refunded to the developer. The fees subject to refund will not be earned until the property connected with the DDA is conveyed to the developer, at which time the fees will be recognized as revenue.

NOTE D. LONG–TERM DEBT

Taxable Tax Allocation Bonds, 2008 Series B – Taxable Tax Allocation Bonds, 2008 Series B in the amount of $2,135,000 were issued January 30, 2008 at a discount of $50,916, to help finance redevelopment activities within and for the benefit of the Sand City Redevelopment Project. The Bonds consist of Term Bonds as follows: $465,000 at a 4.75% interest rate, due November 1, 2013, $720,000 at a 5.50% interest rate, due November 1, 2018 and $950,000 at a 5.75% interest rate, due November 1, 2023. Interest on the Bonds is payable semi-annually on each May 1 and November 1, commencing May 1, 2008. All Bonds are subject to mandatory redemption, in part by lot, from sinking account payments scheduled to begin November 1, 2010 and ending November 1, 2023 at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption. The Bonds are payable solely from tax increment revenue, which has been pledged for repayment of the Bonds.

2017 Subordinate Tax Allocation Refunding Bonds – 2017 Subordinate Tax Allocation Refunding Bonds in the amount of $4,690,000 were issued August 10, 2017 to advance refund the Tax Allocation Bonds, 2008 Series A bonds. The Bonds consist of coupon bonds with a price of $115,000 at an interest rate of 2.850%. Interest on the Bonds is payable semi-annually on each May 1st and November 1st, commencing November 1, 2017. The Bonds are subject to mandatory sinking fund redemption in part by lot on November 1, 2017, and on each November 1st thereafter, to and including November 1, 2027. The Bonds are not subject to optional redemption prior to maturity. The Bonds are payable solely from tax increment revenue, which has been pledged for repayment of the Bonds.

NOTE 15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

NOTE D. LONG–TERM DEBT

Loans from the City – The former Redevelopment Agency received loans from the City to pay its share of administrative expenses and make payments on non-tax increment borrowings. The City accrued interest at a rate of 7% on these advances. There is no formal repayment schedule in place at this time. In the year ending June 30, 2013, interest on these loans was recalculated based on the average Local Agency Investment Fund rate of return for the period in which the loans existed as required by Assembly Bill 1484, in the amount of $3,626,058 for Operating Expenditures and $4,650,000 for Costco/Seaside.

Reimbursements Payable – The City issued Certificates of Participation (Certificates) to refinance certain real property legally owned by the former Redevelopment Agency. Under a Reimbursement Agreement with the City, the former Redevelopment Agency agreed to reimburse the City for all the Base Rental Payments made by the City to the Trustee of Certificates. The Reimbursements were to be made from available monies of the former Redevelopment Agency; therefore, no formal repayment schedule is in place at this time.

Long-term debt balances and transactions for the fiscal year ended June 30, 2021 are as follows:

	Balance 6/30/20	Additions	Reductions	Balance 6/30/21	Due Within One Year
Bonds, loans and reimbursements:					
2008 Series B	$ 780,000	$ –	$ 180,000	$ 600,000	$ 190,000
2017 Subordinate Tax Allocation Refunding Bonds	3,710,000	–	325,000	3,385,000	335,000
Subtotal	4,490,000	–	505,000	3,985,000	525,000
Loans from the City:					
Operating Expenditures	3,626,058	–	–	3,626,058	–
Costco/Seaside	4,650,000	–	–	4,650,000	–
Subtotal	8,276,058	–	–	8,276,058	–
Reimbursement due to City	1,454,766	–	–	1,454,766	–
Total bonds, loans and reimbursement	$ 14,220,824	$ –	$ 505,000	$ 13,715,824	$ 525,000

Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Series B Bonds		2017 Refunding Bonds	
	Principal	Interest	Principal	Interest
2022	$ 190,000	$ 29,037	$ 335,000	$ 91,699
2023	200,000	23,862	345,000	82,009
2024	210,000	–	495,000	70,039
2025	–	–	680,000	53,295
2026	–	–	695,000	33,701
2027-2028	–	–	835,000	15,177
	$ 600,000	$ 52,899	$ 3,385,000	$ 345,920

NOTE 15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

NOTE E. DEFERRED ROPS REVENUE

The deferred ROPS revenue represents Real Property Tax Transfer Funds (RPTTF) received in advance for future obligation payments. The revenue will be recognized in the period in which the obligation payments are made. At June 30, 2021, this amount was $585,324.

NOTE 16. AUTHORITATIVE PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. At this time the City is not certain of the effect the adoption of Statement No. 87 will have on the accompanying financial statements.

In January 2020, GASB issued Statement No. 92 *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. At this time the City is not certain of the effect of the adoption of Statement No. 92 will have on the accompanying financial statements.

In May 2020, GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset–an intangible asset–and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The City has no plan for early implementation of this Statement. At this time the City is not certain of the effect the adoption of Statement No. 96 will have on the accompanying financial statements.

NOTE 16. AUTHORITATIVE PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED (Continued)

In June 2020, GASB issued Statement No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans– an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The City has no plan for early implementation of this Statement. At this time the City is not certain of the effect the adoption of Statement No. 97 will have on the accompanying financial statements.

REQUIRED

SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES:				
Property taxes	$ 253,000	$ 341,650	$ 386,485	$ 44,835
Sales tax	2,498,750	2,961,000	3,159,647	198,647
Transaction tax	2,240,000	2,403,000	2,595,765	192,765
Utility user's tax	150,000	150,000	148,887	(1,113)
Franchise taxes	95,400	92,800	96,989	4,189
Business licenses	501,000	506,000	503,617	(2,383)
Licenses and permits	73,570	59,820	59,019	(801)
Fines, forfeits and penalties	3,100	5,600	5,505	(95)
Charges for current services	459,800	232,450	184,209	(48,241)
Developer reimbursements	125,000	50,000	42,584	(7,416)
Revenue from other agencies	642,100	403,700	292,324	(111,376)
Investment earnings	178,100	59,670	13,968	(45,702)
Rental income	867,200	867,200	867,109	(91)
Other revenue	104,700	91,250	53,428	(37,822)
Total revenues	8,191,720	8,224,140	8,409,536	185,396
EXPENDITURES:				
Current:				
General government	1,582,430	1,525,805	1,485,331	40,474
Public safety	3,687,200	3,576,100	3,490,624	85,476
Public works	1,140,170	1,053,675	926,095	127,580
Planning	399,500	330,650	298,974	31,676
Building	426,050	134,650	112,954	21,696
Community development	112,500	100,700	96,153	4,547
Parks	9,000	6,000	4,423	1,577
Debt Service:				
Principal	28,050	28,050	28,028	22
Interest and other charges	6,500	6,500	6,492	8
Capital outlay	547,000	425,000	161,611	263,389
Total expenditures	7,938,400	7,187,130	6,610,685	576,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	253,320	1,037,010	1,798,851	761,841
OTHER FINANCING SOURCES (USES):				
Transfer in	–	–	14,350	14,350
Total other financing sources (uses)	–	–	14,350	14,350
NET CHANGE IN FUND BALANCE	$ 253,320	$ 1,037,010	$ 1,813,201	$ 776,191

See Accompanying Notes to Required Supplementary Information.

NOTE 1. BUDGETARY DATA

The City legally adopts an annual budget for the General Fund. The City adopts the budget before June 30 for each ensuing fiscal year.

Budgets submitted to the Council include both proposed appropriations and the means of financing them. A mid-year budget review is performed and the budget is amended by passage of a resolution. Additional appropriations or interfund transfers not included in the amended budget resolution must be approved by the City Council.

All budgets have been prepared on a basis consistent with generally accepted accounting principles, which is the same basis of accounting as used to reflect actual revenues and expenditures.

Appropriations lapse at each fiscal year end and then are re-budgeted for the coming fiscal year. Encumbrance accounting is not used.

CITY OF SAND CITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2021

Measurement Period	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as percentage of covered payroll	Plan's fiduciary net position	Plan fiduciary net position as a percentage of the total pension liability
2014						
Miscellaneous Plan	0.03280%	$ 2,041,105	$ 979,700	208.34%	$ 10,639,461,174	81.15%
Safety Plan	0.02186%	$ 1,360,244	$ 1,018,285	133.58%	$ 13,968,041,341	78.83%
2015						
Miscellaneous Plan	0.07699%	$ 2,112,302	$ 957,621	220.58%	$ 10,896,036,068	79.89%
Safety Plan	0.03227%	$ 1,329,846	$ 1,095,485	121.39%	$ 14,011,269,803	77.27%
2016						
Miscellaneous Plan	0.07245%	$ 2,516,961	$ 973,812	258.46%	$ 10,923,476,287	75.87%
Safety Plan	0.04925%	$ 1,744,395	$ 1,179,383	147.91%	$ 13,782,056,004	72.69%
2017						
Miscellaneous Plan	0.07161%	$ 2,823,013	$ 964,572	292.67%	$ 12,074,499,781	75.39%
Safety Plan	0.03447%	$ 2,059,738	$ 1,306,040	157.71%	$ 15,169,595,595	71.74%
2018						
Miscellaneous Plan	0.06325%	$ 2,383,530	$ 968,615	246.08%	$ 13,122,440,092	77.69%
Safety Plan	0.03322%	$ 1,949,412	$ 1,346,212	144.81%	$ 13,782,056,004	72.69%
2019						
Miscellaneous Plan	0.02470%	$ 2,531,795	$ 980,084	258.32%	$ 13,979,687,268	77.73%
Safety Plan	0.02104%	$ 2,155,679	$ 1,517,774	142.03%	$ 17,199,726799	73.37%
2020						
Miscellaneous Plan	0.02435%	$ 2,648,872	$ 981,708	269.82%	$ 14,702,361,183	77.71%
Safety Plan	0.02234%	$ 2,430,990	$ 1,523,485	159.57%	$ 18,120,140,152	73.12%

Notes to Schedule:

Benefit Changes:
In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions:
In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

In 2016, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2017, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2018, demographic assumptions and the inflation rate were changed in accordance to the CalPERS Experience Study and review of Actuarial Assumptions December 2017.

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

CITY OF SAND CITY
SCHEDULE OF CONTRIBUTIONS – PENSIONS
Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2021

Fiscal Year	Contractually required contribution (actuarily determined)	Contributions in relation to the actuarially determined contributions	Contribution deficiency (excess)	Covered payroll	Contributions as percentage of covered payroll
2015					
Miscellaneous Plan	$ 232,159	$ 232,159	$ –	$ 957,621	24.24%
Safety Plan	$ 214,913	$ 214,913	$ –	$ 1,095,485	19.62%
2016					
Miscellaneous Plan	$ 272,359	$ 272,359	$ –	$ 973,812	27.97%
Safety Plan	$ 213,436	$ 213,436	$ –	$ 1,179,383	18.10%
2017					
Miscellaneous Plan	$ 284,073	$ 284,073	$ –	$ 964,572	29.45%
Safety Plan	$ 274,606	$ 274,606	$ –	$ 1,306,040	21.03%
2018					
Miscellaneous Plan	$ 602,399	$ 602,399	$ –	$ 968,615	62.19%
Safety Plan	$ 404,055	$ 404,055	$ –	$ 1,346,212	30.01%
2019					
Miscellaneous Plan	$ 322,974	$ 322,974	$ –	$ 980,084	32.95%
Safety Plan	$ 367,990	$ 367,990	$ –	$ 1,517,774	24.25%
2020					
Miscellaneous Plan	$ 360,507	$ 360,507	$ –	$ 981,707	36.72%
Safety Plan	$ 392,595	$ 392,595	$ –	$ 1,523,485	25.77%
2021					
Miscellaneous Plan	$ 380,620	$ 380,620	$ –	$ 997,179	38.17%
Safety Plan	$ 448,851	$ 448,851	$ –	$ 1,521,503	29.50%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year are as follows:

FYE 2014-2015 - June 30, 2012 actuarial valuation report
FYE 2015-2016 - June 30, 2013 actuarial valuation report
FYE 2016-2017 - June 30, 2014 actuarial valuation report
FYE 2017-2018 - June 30, 2015 actuarial valuation report
FYE 2018-2019 - June 30, 2016 actuarial valuation report
FYE 2019-2020 - June 30, 2017 actuarial valuation report
FYE 2020-2021 - June 30, 2018 actuarial valuation report

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level percentage of pay, direct rate smoothing
Remaining Amortization Periods	Differs by employer rate plan but not more than 30 years.
Asset Valuation Method	Market value of assets
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Discount Rate	7.25% (net of administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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

CITY OF SAND CITY
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
For the Measurement Periods Ended June 30

Measurement Period	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 180,004	$ 248,439	$ 241,203	$ 234,000
Interest on the total OPEB liability	158,964	202,924	178,950	157,000
Actual and expected experience difference	–	(858,688)	–	–
Changes in assumptions	(52,022)	(95,578)	–	–
Benefit payments	(81,571)	(78,257)	(66,192)	(83,000)
Net change in total OPEB liability	205,375	(581,160)	353,961	308,000
Total OPEB liability – beginning	2,215,801	2,796,961	2,443,000	2,135,000
Total OPEB liability – ending (a)	2,421,176	2,215,801	2,796,961	2,443,000
Plan Fiduciary Net Position				
Contribution - employer	81,784	78,451	316,453	2,733,000
Net investment income	123,517	203,252	224,625	173,000
Benefit payments	(81,571)	(78,257)	(66,192)	(83,000)
Administrative expense	(1,951)	(900)	(5,502)	(1,000)
Net Change in plan fiduciary net position	121,779	202,546	469,384	2,822,000
Plan fiduciary net position – beginning	3,493,930	3,291,384	2,822,000	–
Plan fiduciary net position – ending (b)	$ 3,615,709	$ 3,493,930	$ 3,291,384	$ 2,822,000
Net OPEB liability/(asset) – ending (a)-(b)	$ (1,194,533)	$ (1,278,129)	$ (494,423)	$ (379,000)
Plan fiduciary net position as percentage of the total OPEB liability	149.34%	157.68%	117.68%	115.51%
Covered-employee payroll	$ 2,505,193	$ 2,497,858	$ 2,314,827	$ 2,270,612
Net OPEB liability/(asset) as a percentage of covered-employee payroll	47.68%	51.17%	21.36%	16.69%

Notes to Schedule:
Fiscal year 2017 was the 1st year of implementation; therefore, only four years are shown.
Future years' information will be displayed up to 10 years as information becomes available.

CITY OF SAND CITY
SCHEDULE OF CONTRIBUTIONS – OPEB
Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2021

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	$ 78,752	$ 239,000	$ 232,000	$ 225,000
Contributions in relation to the ADC	(86,077)	(81,784)	(78,451)	(83,000)
Contribution deficiency (excess)	$ (7,325)	$ 157,216	$ 153,549	$ 142,000
Covered-employee payroll	$ 2,405,581	$ 2,505,193	$ 2,497,858	$ 2,314,827
Contributions as a percentage of covered-employee payroll	3.58%	3.26%	3.14%	3.59%

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021 were from the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal, Level % of pay
Amortization Method	Level % of pay
Amortization Period	13-year fixed period for 2020/2021
Asset Valuation Method	Market Value of Assets
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076. Medicare – 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076.
Mortality	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019

Fiscal year 2018 was the 1st year of implementation; therefore, only four years are shown. Future years' information will be displayed up to 10 years as information becomes available.

REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

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

The Honorable Mayor and City Council
City of Sand City
Sand City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***City of Sand City***, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the ***City of Sand City's*** basic financial statements, and have issued our report thereon dated DATE_____.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Salinas, CA

DATE

AGENDA ITEM
4c.

Consideration of Police Fleet Maintenance

MEMORANDUM

TO: BUDGET AND PERSONNEL COMMITTEE
FROM: BRIAN FERRANTE, CHIEF OF POLICE
SUBJECT: VEHICLE PURCHASES
DATE: NOVEMBER 24, 2021
CC:

Vehicle Inventory and Sustainability Plan

Currently the Sand City Police Department operates a small fleet of vehicles to carry out its public safety mission. This fleet consists of seven vehicles in both marked and unmarked configuration. The vehicles are allocated in the following fashion;

- Five marked Ford Explorer (Interceptor) patrol vehicles
- One unmarked Ford Explorer (Interceptor) administrative vehicle
- One unmarked Ford Crown Victoria (Spare)

Four of the five marked Interceptors are 2014 models purchased in 2014 and 2015. One is a 2017 model. The 2014 models range in mileage from 71,000 to 77,000 miles. The 2017 model has approximately 22,000 miles.

The 2003 Crown Victoria has an odometer reading of 98,000 miles but has an estimated 120,000 miles due to the gauge assembly being replaced early in the vehicle's life.

Historically, police agencies will typically replace patrol vehicles as they approach the 100,000 mile range. The lifespan of a patrol vehicle is typically between 5-7 years. Patrol vehicles develop excessive wear due to harsh operating conditions and environments to include excessive idling, hard acceleration and deceleration, constant braking and cornering. The interiors will wear excessively due to constant ingress and egress, wear of equipment on interior surfaces, and exposure to elements throughout the seasons. Additionally, the environment in Sand City is especially corrosive due to the constant exposure to salt and sand.

Currently all of the above vehicles are serviceable. However, the Crown Victoria has significant visible wear and rust, leaks water into the interior, and should be replaced as soon as possible. The 2016 Interceptor (Chief's car) is in excellent condition with the exception of the high mileage. The 2014 models are all showing signs of wear in varying degrees. Although their mileage is not overly problematic, the environment in which they operate creates excessive wear which will necessitate their replacement prior to the 100,000 mile range.

The five year CIP charted a course for replacement of these vehicles. The plan for replacement is as follows;

- **Year One ($45,000-$50,000) 2012/2020**
    - Purchase a new unmarked administrative vehicle (Chief's car) due to high mileage on the existing vehicle. The existing vehicle would become Cmd. Graziano's administrative vehicle. Because he is not expected to put many miles on this car we can expect to receive another 3 years of usable life out of it. The cost of the new vehicle is estimated to be roughly $35,000 with an upfit cost of between $5,000 -$10,000 for a total cost of roughly $45,000. The chief would use the spare Crown Victoria as a commute vehicle to reduce the mileage on the new vehicle. The new vehicle lifespan is estimated to be 7 years.
- **Year Two ($120,000) 2020/2021**
    - Purchase two new marked patrol vehicles to replace two of the highest mileage, highest wear 2014 vehicles. The vehicles are developing suspension issues such as worn axles and hubs, worn transmissions, electrical problems, etc. These issues are largely related to the exterior environment, but are also design flaws that have surfaces over the years. Cost for each of the vehicles is roughly $35,000-$40,000 with an additional $15,000-$20,000 upfit cost. Chief would take the best of the two decommissioned vehicles, remove the exterior markings and lights, and use this as a commute vehicle for the following year. The Crown Victoria would be decommissioned.
- **Year Three ($120,000)**
    - Purchase two new marked patrol vehicles to replace the last two 2014 models. They will have developed wear issues similar to the previous 2014 models. Cost for each of the new vehicles is estimated to be

roughly $35,000-$40,000 each with an upfit cost of an additional $15,000-$20,000 per vehicle.

- **Year Four ($50,000)**
    - Purchase one new unmarked administrative vehicle to replace the high mileage 2016 vehicle driven by Cmd. Graziano. This vehicle will be estimated to have approximately 130,000 miles. The new vehicle is estimated to cost $35,000-$40,000 with an additional upfit cost of approximately $10,000. This old vehicle will be evaluated for usefulness and either be decommissioned or retained as a spare vehicle much like the current crown Victoria.

Currently, used 2014 Ford Interceptor Utility police vehicle with 80,000-100,000 miles can be purchased online for approximately $10,000. A search of various websites listed these vehicles in a range from $6,000-$13,000. It is likely that the City could mitigate the cost of new vehicles through the sale of the decommissioned vehicles. It is also possible that the City could sell a used fully outfitted patrol vehicle to another agency for greater than $10,000. However, this option has not been explored to date. The Crown Victoria has limited resale value.

The vehicle purchase plan associated with the 5 year CIP was never implemented. Budget uncertainty associated with COVID-19 necessitated a conservative approach to spending. As such, no vehicles were purchased in FY 19/20 or FY20/21. For FY21/22 the Department has been allocated $65,000 for the purchase and upfit of one vehicle instead of the recommended two. Therefore, wherein the 5 year CIP recommended the purchase of 5 new vehicles by the end of FY21/22, we have actually only been budgeted for one vehicle.

The potential decrease in revenue associated to COVID-19 never fully materialized. Although other city's faced significant revenue shortages due to their economic make-up, Sand City's retail environment stayed robust. According to former City Manager Aaron Blair, the City is expected to experience over $1,000,000 in revenue surplus for the current fiscal year.

Given the City's better than predicted financial position, I would recommend returning to the initial FY21/22 recommendation of purchasing 2 vehicles rather than only one. Staff would present a mid-year budget amendment to cover the cost of the purchase.

AGENDA ITEM
4d.

Consideration of Bicycle Patrol Funding

MEMORANDUM

TO: BUDGET AND PERSONNEL COMMITTEE
FROM: CHIEF BRIAN FERRANTE
SUBJECT: BICYCLE PATROL
DATE: NOVEMBER 29, 2021

BACKGROUND

The City Council has expressed interest in establishing a bicycle patrol for the purpose of creating greater community engagement and increased visibility throughout the city. Staff has explored this option and is in the process of establishing policies and procedures for its implementation.

In order to fully implement the program, the Department will need to acquire a bicycle that meets the necessary requirements for the assignment, personal equipment for the rider, and training for personnel. The Department does not currently have funding budgeted to implement or maintain the program.

The Department would purchase a mountain bike style e-bike and outfit it with basic emergency lighting equipment and storage bags. The e-bike provides the rider greater ability to cover ground without exhausting the rider in the event they have to taken enforcement action. E-bikes are becoming the standard in policing.

The rider will be required to wear a modified uniform to allow freedom of movement while utilizing the police bicycle. This uniform typically consists of long or short athletic pants, nylon duty gear instead of the standard leather gear, helmet, gloves, athletic shoes and polo style shirt.

The training necessary to certify the rider typically consists of attending and passing a 40 hour bicycle course. These courses are rarely offered in Monterey County. Available courses may or may not include tuition depending on the agency offering the course. The rider will likely have to stay at a hotel and incur Per Diem costs for meals during the training.

The following is a rough break down of the cost associated with implementation of the bicycle program;

E-Bike	$5,000
E-Bike emergency equipment/storage	$500
Uniform (Each)	$500
Hotel	$1,000
Per Diem	$450
Tuition	$500
Total	$8,000

RECOMMENDATION

Implementation of the bicycle program will require budgeting of roughly $8,000 to purchase and outfit the bicycle and train one rider. Training and outfitting each additional rider will cost an additional $2,000. Staff recommends either a mid-year budget amendment or future line item to the FY22/23 budget for project implementation.

AGENDA ITEM
5a.

Budget/Personnel Committee to adjourn to Closed Session regarding: 1) Closed session pursuant to Cal. Gov Code § 54957.6 (Conference with Labor Negotiator):Agency designated representatives: City Attorney, Vibeke NorgaardUnrepresented employee: City Clerk 2) Closed session pursuant to Cal. Gov Code § 54957.6 (Conference with Labor Negotiator):Agency designated representatives: City Attorney Vibeke NorgaardUnrepresented employee: Public Works Foreman 3) Closed session

pursuant to Cal. Gov Code § 54957.6 (Conference with Labor Negotiator):Agency designated representatives: City Attorney Vibeke NorgaardUnrepresented employee: Finance Specialist 4) Closed Session pursuant to Cal. Gov. Code § 54957.6 Position: City Manager