



SPECIAL BUDGET MEETING

BUDGET AND PERSONNEL COMMITTEE

WEDNESDAY, FEBRUARY 12, 2025

9:30 AM

**AGENDA
BUDGET AND PERSONNEL COMMITTEE**

Special Budget Meeting - Wednesday, February 12, 2025
9:30 AM

**THIS MEETING WILL BE HELD VIRTUALLY AND IN PERSON, IS COMPLIANT WITH ASSEMBLY BILL (“AB”) 2449, SIGNED INTO LAW ON SEPTEMBER 13, 2022, WHICH AMENDS GOVERNMENT CODE SECTION 54953 TO PROVIDE AUTHORITY FOR PUBLIC AGENCIES TO CONTINUE TO HOLD VIRTUAL MEETINGS AND REMAIN IN COMPLIANCE WITH THE BROWN ACT (GOV. CODE §§ 54950 ET SEQ.).
TO PARTICIPATE IN THE ZOOM COUNCIL MEETING LIVE:**

<https://us02web.zoom.us/j/87813515631>

Meeting ID: 878 1351 5631

To participate telephonically by calling the number below:

(669) 900-6833

Meeting ID: 878 1351 5631#

If prompted to enter a participant ID, press #

**TO PARTICIPATE IN PERSON:
City Hall Council Chambers
1 Pendergrass Way
Sand City, CA**

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 identify 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. Approve the Sand City Budget and Personnel Committee Meeting Minutes for

May 29, 2024

[Draft Minutes](#)

- 4B. Review of Audited Financial Reports for Fiscal Year Ending June 30, 2024, and Recommend Approval to the City Council

[Staff Report](#)

[Draft Audit Report](#)

5. 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.**

**Approve the Sand City Budget and
Personnel Committee Meeting Minutes
for May 29, 2024**

MINUTES
BUDGET AND PERSONNEL COMMITTEE

Special Budget Meeting - Wednesday, May 29, 2024
2:00 PM

1. CALL TO ORDER

Mayor Carbone called the meeting to order at 2:02 PM.

2. ROLL CALL

Present: Mayor Carbone
Councilmember Sofer

Staff: City Manager Vibeke Norgaard
Finance Manager Jennifer Pope
HR/Risk Manager Audrey Cray
City Clerk Kerry Lindstrom

3. COMMUNICATIONS

No public comment received.

4. ORDER OF BUSINESS

- 4A. Approve the Budget and Personnel Committee Special Meeting Minutes for March 27, 2024

No public comment received.

Upon motion by Councilmember Sofer and seconded by Mayor Carbone, the Budget and Personnel Committee voted 2-0 to approve the Budget and Personnel Committee Special Meeting minutes for March 27, 2024.

- 4B. Consideration of the Fiscal Year 2024-2025 Proposed Budget and Recommendation of Approval to City Council

No public comment received.

Staff gave a presentation of the proposed budget for FY 2024-2025. The City Manager discussed a new budget book that staff have been working on that will be presented to the City Council at the June 4, 2024, Council Meeting. Council Member Sofer and Mayor Carbone asked multiple questions including questions about capital improvement projects, grant funding, Unfunded Accrued Liability (UAL), and rental revenue.

Upon motion by Council Member Sofer and seconded by Mayor Carbone, the Budget and Personnel Committee voted 2-0 to recommend approval of the Proposed Budget for Fiscal Year 2024-2025 to the City Council.

Councilmember Sofer and Mayor Carbone thanked Staff for their work on the FY 2024-2025 budget.

5. ADJOURNMENT

The Committee adjourned the meeting at approximately 2:35 PM.

Kerry Lindstrom, City Clerk

**AGENDA ITEM
4B.**

**Review of Audited Financial Reports for
Fiscal Year Ending June 30, 2024, and
Recommend Approval to the City Council**



City of Sand City

STAFF REPORT

TO: Budget and Personnel Committee
FROM: Vibeke Norgaard, City Manager & Jennifer Pope, Finance Manager
Presentation: Joseph Judson and Rich Gonzales of CliftonLarsonAllen, LLP
SUBJECT: Review of FY 2023-2024 Audited Financial Reports
DATE: February 12, 2025

BACKGROUND/DISCUSSION:

The certified public accounting firm, CliftonLarsonAllen, LLP was approved by the City Council to perform an audit of the financial statements for the period ending June 30, 2024, for the City of Sand City and Successor Agency.

The auditors have completed their audit and will give a presentation of the audited financial report for the Budget and Personnel Committee at the February 12, 2025, meeting. A few financial highlights include the following:

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the year ended June 30, 2024, with total net position of \$35.8 million. However, \$11.6 million is a net investment in capital assets, and \$9.7 million is a non-current receivable due from the Successor Agency.
- The City's total net position increased by \$2.7 million.
- At the close of the year, the City's governmental funds reported combined ending fund balance of \$25.7 million, \$9.7 million of which is a non-current receivable. The net change in fund balances was an increase of \$1.4 million.

Additional information will be shared during the auditor's presentation including highlights of the City's assets and liabilities and overall financial position. They will also provide information on how the City's current position compares to the financial position in past years. The auditors will be available for questions after their presentation.

FISCAL IMPACT:

There is no fiscal impact associated with approving and recommending approval of the audited financial statements and the auditor's report to City Council.

RECOMMENDATION:

Staff recommends that the Budget and Personnel Committee review the audited financial statements and Auditor's Report for fiscal year ending June 30, 2024, and recommend approval to Council.

CEQA:

This action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) guidelines section 15378.

ATTACHMENTS:

1. Draft Audit Report

CITY OF SAND CITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024

DRAFT REPORT FOR
DISCUSSION PURPOSES
ONLY

**CITY OF SAND CITY
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CITY OF SAND CITY

JUNE 30, 2024

Members of the City Council

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mary Ann Carbone	Mayor	December 2024
Jerry Blackwelder	Vice Mayor	December 2026
Marilee Diaz	Council Member	December 2024
Gregory Hawthorne	Council Member	December 2024
Elizabeth Sofer	Council Member	December 2026

City Staff

<u>Name</u>	<u>Office</u>
Vibeke Norgaard	City Manager
David Honda	Chief of Police

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2024, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sand City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Sand City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sand City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of proportionate share of the net pension liability, the schedule of contributions pension, the schedule of changes in the net OPEB liability/(asset) and related ratios, and the schedule of contributions – OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the members of city council and staff schedule but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2024 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.

CliftonLarsonAllen LLP

Roseville, California
December 21, 2024

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

The discussion and analysis of the City of Sand City's (the City) financial performance provides an overview and analysis of the City's financial activities for the year ended June 30, 2024. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded - liabilities and deferred inflows of resources at the close of the year ended June 30, 2024, with total net position of \$35.8 million. However, \$11.6 million is a net investment in capital assets, and \$9.7 million is a noncurrent receivable due from the Successor Agency.
- The City's total net position increased by \$2.7 million.
- At the close of the year ending June 30, 2024 the City's governmental funds reported combined ending fund balances of \$25.7 million, \$9.7 million of which is a noncurrent receivable. The net change in fund balances was an increase of \$1.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serve as an introduction to 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 the 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., road, drainage improvements, storm and sewer lines, etc.) to assess the overall health or financial condition of the City.

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 13 and 14 of this report.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 other governmental funds is presented as other governmental funds.

The fund financial statements can be found on pages 15 to 20 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 21 through 54 of this report.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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 \$2.7 million in FY 2023-2024 from FY 2022-2023. The City has a net investment in assets of \$11.6 million that is not available for future spending and another \$9.7 million is a noncurrent receivable due from the Successor Agency. Approximately \$13.1 million is available for operations and to provide services to citizens.

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

	2024	2023	Change
Assets:			
Current and Other Assets	\$ 30,480,000	\$ 28,175,000	\$ 2,305,000
Capital Assets	11,585,000	10,429,000	1,156,000
Total Assets	42,065,000	38,604,000	3,461,000
Deferred Outflows of Resources	3,516,000	3,754,000	(238,000)
Liabilities:			
Current and Other Liabilities	1,333,000	972,000	361,000
Long-Term Liabilities	7,112,000	6,520,000	592,000
Total Liabilities	8,445,000	7,492,000	953,000
Deferred Inflows of Resources	1,381,000	1,838,000	(457,000)
Net Position:			
Net Investment in Capital Assets	11,585,000	10,349,000	1,236,000
Restricted for:			
Streets and Road	244,000	167,000	77,000
OPEB Funding	1,087,000	1,197,000	(110,000)
Unrestricted	22,839,000	21,315,000	1,524,000
Total Net Position	\$ 35,755,000	\$ 33,028,000	\$ 2,727,000

Current assets increased due in large part to an increase in cash from Sales and Transaction Use Tax, charges for services, and investment earnings.

Capital assets and net investment in capital assets increased due to depreciation of \$420,000 offset by net capital additions of \$1.4 million.

Long-term liabilities increased due to an increase in the pension liability of \$624,000.

The increase of \$1.5 million in unrestricted is due to the excess of revenues over expenses of \$2.7 million.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

GOVERNMENT WIDE FINANCIAL ANALYSIS (CONTINUED)

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

	2024	2023	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,683,000	\$ 1,034,000	\$ 649,000
Operating Grants and Contributions	393,000	303,000	90,000
Capital Grants and Contributions	219,000	52,000	167,000
General Revenues:			
Property Taxes	409,000	304,000	105,000
Sales and Transaction Taxes	8,411,000	7,118,000	1,293,000
Other Taxes	507,000	424,000	83,000
Investment Earnings (Loss)	692,000	255,000	437,000
Miscellaneous	189,000	41,000	148,000
Gain (Loss) on Disposal of Assets	-	-	-
Total Revenues	<u>12,503,000</u>	<u>9,531,000</u>	<u>2,972,000</u>
Expenses:			
General Government	2,706,000	1,807,000	899,000
Public Safety	4,806,000	3,803,000	1,003,000
Public Works	1,196,000	1,159,000	37,000
Planning	740,000	570,000	170,000
Building	41,000	40,000	1,000
Community Development	269,000	188,000	81,000
Parks	16,000	12,000	4,000
Interest on Long-Term Debt	2,000	3,000	(1,000)
Total Expenses	<u>9,776,000</u>	<u>7,582,000</u>	<u>2,194,000</u>
Change in Net Position	2,727,000	1,949,000	778,000
Net Position - Beginning of Year	<u>33,028,000</u>	<u>31,079,000</u>	<u>1,949,000</u>
Net Position - End of Year	<u>\$ 35,755,000</u>	<u>\$ 33,028,000</u>	<u>\$ 2,727,000</u>

The growth in Sales and Transaction Use Taxes in FY 2023-2024 is attributable to two main factors: (1) inflationary impacts increasing the cost of goods and materials; (2) revenue generated by Measure L passed by voters in November 2022 which took effect in April 2023.

The increase in charges for services is in part due to a large number of reimbursement agreements for which costs for contracted services for projects such as South of Tioga and MST SURF! are reimbursed to the City. There was also an increase in Business License Taxes.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

GOVERNMENT WIDE FINANCIAL ANALYSIS (CONTINUED)

The increase in investment earnings is due to higher interest rates in FY 2023-2024 and investing City funds into accounts with a higher interest rate. Additionally, interest earned on the LAIF account increased from 2.17% in FY 2022-2023 to 3.93% in FY 2023-2024.

The City's expenses in FY 2023-2024 increased due to the completion of the Calabrese Park and the West Bay Ave projects that had been moving forward over the past few fiscal years finally entering the construction stage, as well as the increases in costs associated with construction and labor. Contracted services for planning, engineering, and legal services also increased due to the City actively pursuing multiple new and continuing projects. There was also an increase in reimbursable expenses for the South of Tioga and MST SURF! projects.

The increase in public safety expense is due in part to installation of equipment for the new police patrol vehicles, a much-needed remodel and upgrade to the police department lobby, the Lenslock program, and the implementation of the Flock safety cameras system, as well as an increase in salaries and benefits to police officers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the City's net investment in capital assets amounted to \$11.6 million (net of accumulated depreciation), a net increase of \$1.2 million over the prior year due to the completion of the Calabrese Park project, the West Bay Avenue Platform project, and City Hall Improvements including construction to make space for a new cubicle, PD lobby, and HR/Risk Manager workspace. Capital assets included land, land improvements, infrastructure, buildings, equipment, right-to-use leased equipment, vehicles, furniture and fixtures, and construction in progress.

Debt Administration

At June 30, 2024, the City had \$7.1 million in long-term liabilities. The net change to long-term liabilities was an increase of \$593,000.

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 \$25.7 million. This fund balance includes a non-spendable receivable of \$9.7 million. The General Fund has an unassigned fund balance of \$15.7 million.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1.4 million.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

FUND BUDGETARY HIGHLIGHTS

General Fund

The City amended its budget once during the fiscal year to reflect changes in projections of revenue and expenditures. Actual general fund revenues were less than those originally budgeted by \$870,000 and actual expenditures from the general fund were also under budget by \$1 million.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The City's revenue budget projections for FY 2024-2025 show a general fund trend towards a budget surplus.

The City is projecting an increase in revenues from business license tax, in part due to the implementation of online business license administration and tax auditing with HdL Companies. Business license administration took effect in February 2024 and auditing services will begin in 2025. Also, the City has been actively seeking grants from various county, state, and federal agencies which has and will result in increased revenue in FY 2024-2025. On July 1, 2024 the City implemented an updated Fee Schedule that had not been updated for many years. The updated fee schedule will increase the amount of covered costs for services.

The City's expenses in FY 2024-2025 are expected to increase compared to FY 2023-2024 as the City moves forward with several new capital improvement projects as well as working to complete the Catalina and Contra Costa stormwater projects. In addition, long overdue systems and infrastructure updates such as implementing new accounting software, development of a new City website, improved IT systems and servers, and desire from Council to move towards stronger code enforcement will result in an increase in the City's expenses. Other projected increases in expenses are due to the planning and implementation of new capital improvement projects that have been long contemplated but not initiated in prior fiscal years such as a multi-use bike trail on the TAMC right of way and a coastal access trail as well as certain planning department activities that are overdue and in need of being implemented in FY 2024-2025, such as the update of the City's General Plan and completion of the Housing Element, and implementation of systems such as iWorQ for planning purposes.

The City has continued to utilize consultants and contracted labor in several areas for assistance, in lieu of permanent employee additions to the payroll, such as building, planning, engineering, legal, and information technology.

The South of Tioga project has continued to take several key steps forward in FY 2024-2025. Project site demolition was fully completed in Q2 of FY 2022-2023, with grading completed and public improvements being accepted by the City in Q3 of FY 2023-2024. A groundbreaking ceremony took place in January 2024. The construction of the hotel has moved forward at a rapid pace and a certificate of occupancy is expected to be issued in FY 2025-2026. The City has processed building permits for the hotel component of the project. The project, which includes a 216-room hotel and a residential component that includes 356 units will ultimately be a positive revenue generator for the City through increased Transient Occupancy Tax revenue, though the revenue impacts will not be seen until or after FY 2025-2026. A Community Facilities District (CDF) has been created which will generate revenue for the city to offset an increase in expenses generated by the project.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

ECONOMIC FACTORS AND NEXT YEARS BUDGET (Continued)

Two other projects that are projected to positively impact City revenues, *Collections at Monterey Bay* (King Ventures) and the *Monterey Bay Shores Eco-Resort*, are not projected to impact general revenue in FY 2024-2025. However, the City is confident that at some point these two projects will come to fruition.

The City's FY 2024-2025 budget will be impacted by the City's purchase of a property (501 Ortiz) adjacent to its art park, which it intends to develop in the future. For the time being, the City has entered into two lease agreements which will generate additional revenue for the City.

The years ahead are difficult to plan due to changes in the administration, natural disasters, and the impacts from wars in Ukraine and the middle east. With that in mind, the City's 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 FY 2024-2025 and 2025- 2026 will take into account all information available in ever-changing times. Staff 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.

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 improvement projects 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

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 the continued successful development of the South of Tioga project, a retail cannabis ordinance, and the continued investment into the West End and various 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

DRAFT REPORT FOR
DISCUSSION PURPOSES
ONLY

**CITY OF SAND CITY
STATEMENT OF NET POSITION
JUNE 30, 2024**

ASSETS

Cash and Cash Equivalents	\$ 4,762,943
Investments	12,635,973
Receivables	552,489
Lease Receivable	149,587
Receivables from Other Governments	1,775,837
Loans Due from Successor Agency	9,730,824
Net OPEB Asset	872,222
Capital and Right-to-Use Assets, Net:	
Nondepreciable	2,683,844
Depreciable and Amortizable	8,901,341
Total Assets	<u>42,065,060</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Adjustments	2,974,066
Deferred OPEB Adjustments	542,917
Total Deferred Outflows of Resources	<u>3,516,983</u>

LIABILITIES

Accounts Payable	745,966
Due to Other Governments	542,222
Accrued Liabilities	19,786
Developer Deposit	25,000
Noncurrent Liabilities:	
Due Within One Year	124,626
Due in More Than One Year	6,988,219
Total Liabilities	<u>8,445,819</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Lease Revenue	817,072
Deferred Pension Adjustments	235,858
Deferred OPEB Adjustments	328,314
Total Deferred Inflows of Resources	<u>1,381,244</u>

NET POSITION

Net Investment in Capital Assets	11,585,185
Restricted for:	
Streets and Roads	244,363
OPEB Funding	1,086,825
Unrestricted	<u>22,838,607</u>
Total Net Position	<u><u>\$ 35,754,980</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SAND CITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Program Revenues				Net Revenue (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General Government	\$ 2,706,370	\$ 1,606,436	\$ 1,552	\$ 219,402	\$ (878,980)
Public Safety	4,806,453	15,812	208,392	-	(4,582,249)
Public Works	1,195,568	19,180	24,280	-	(1,152,108)
Planning	740,407	4,544	158,862	-	(577,001)
Building	40,690	36,619	-	-	(4,071)
Community Development	268,674	-	-	-	(268,674)
Parks	16,326	-	-	-	(16,326)
Interest on Long-Term Debt	1,752	-	-	-	(1,752)
Total Governmental Activities	<u>\$ 9,776,240</u>	<u>\$ 1,682,591</u>	<u>\$ 393,086</u>	<u>\$ 219,402</u>	(7,481,161)
GENERAL REVENUES					
Taxes:					
Property Taxes, Levied for General Purposes					408,777
Sales Tax					3,702,059
Transaction tax					4,708,705
Transient Occupancy Tax					119,356
Utility User's tax					238,218
Franchise Taxes					149,286
Miscellaneous					188,629
Investment Earnings (Loss)					692,404
Total General Revenues					<u>10,207,434</u>
CHANGES IN NET POSITION					
					2,726,273
Net Position - Beginning of Year					<u>33,028,707</u>
NET POSITION - END OF YEAR					<u>\$ 35,754,980</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SAND CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General	Other Governmental Funds	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,520,035	\$ 242,908	\$ 4,762,943
Investments	12,635,973	-	12,635,973
Receivables	552,489	-	552,489
Lease Receivable	149,587	-	149,587
Receivables from Other Governments	1,775,837	-	1,775,837
Loans Due from Successor Agency	9,730,824	-	9,730,824
	<u>29,364,745</u>	<u>242,908</u>	<u>29,607,653</u>
Total Assets	<u>\$ 29,364,745</u>	<u>\$ 242,908</u>	<u>\$ 29,607,653</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 745,966	\$ -	\$ 745,966
Due to Other Governments	542,222	-	542,222
Accrued Liabilities	19,786	-	19,786
Developer Deposit	25,000	-	25,000
Total Liabilities	<u>1,332,974</u>	<u>-</u>	<u>1,332,974</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	968,069	-	968,069
Deferred Interest on Successor Agency Loans	774,766	-	774,766
Deferred Lease Revenue	817,072	-	817,072
Total Deferred Inflows of Resources	<u>2,559,907</u>	<u>-</u>	<u>2,559,907</u>
FUND BALANCES			
Nonspendable	9,730,825	-	9,730,825
Restricted:			
Streets and Roads	-	242,908	242,908
Unassigned	15,741,039	-	15,741,039
Total Fund Balances	<u>25,471,864</u>	<u>242,908</u>	<u>25,714,772</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 29,364,745</u>	<u>\$ 242,908</u>	<u>\$ 29,607,653</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SAND CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balances - Governmental Funds	\$ 25,714,772
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Amounts reported in the statement of net position are different because:

Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,585,185
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Amounts paid to the trust for other postemployment benefits in excess of the required contributions, the net OPEB asset, are not financial resources and, therefore, are not reported in the funds.	872,222
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Other assets are not available to pay for the current period expenditures and, therefore, are deferred in the funds.	1,742,835
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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	3,516,983
Deferred Inflows	(564,172)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,112,845)</u>
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Net Position of Governmental Activities as Reported on the Statement of Net Position	<u><u>\$ 35,754,980</u></u>
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**CITY OF SAND CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024**

	General	Other Governmental Funds	Total
REVENUES			
Property Taxes	\$ 408,777	\$ -	\$ 408,777
Sales Tax	3,329,496	-	3,329,496
Transaction tax	4,273,530	-	4,273,530
Transient Occupancy Tax	117,851	-	117,851
Utility User's tax	238,218	-	238,218
Franchise Taxes	149,286	-	149,286
Business Licenses	842,863	-	842,863
Licenses and Permits	26,614	-	26,614
Fines, Forfeits, and Penalties	4,962	1,580	6,542
Charges for Current Services	156,659	-	156,659
Developer Reimbursements	373,221	50,427	423,648
Revenue from Other Agencies	588,208	24,280	612,488
Investment Earnings (Loss)	692,404	-	692,404
Rental Income	74,109	-	74,109
Other Revenue	188,629	-	188,629
Total Revenues	<u>11,464,827</u>	<u>76,287</u>	<u>11,541,114</u>
EXPENDITURES			
Current:			
General Government	2,651,521	-	2,651,521
Public Safety	4,225,694	-	4,225,694
Public Works	966,798	-	966,798
Planning	740,407	-	740,407
Building	40,690	-	40,690
Community Development	268,673	-	268,673
Parks	12,756	-	12,756
Debt Service:			
Principal	32,808	-	32,808
Interest and Other Charges	1,752	-	1,752
Capital Outlay	1,237,997	-	1,237,997
Total Expenditures	<u>10,179,096</u>	<u>-</u>	<u>10,179,096</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,285,731</u>	<u>76,287</u>	<u>1,362,018</u>
NET CHANGE IN FUND BALANCES	1,285,731	76,287	1,362,018
Fund Balances - Beginning of Year	<u>24,186,133</u>	<u>166,621</u>	<u>24,352,754</u>
FUND BALANCES - END OF YEAR	<u>\$ 25,471,864</u>	<u>\$ 242,908</u>	<u>\$ 25,714,772</u>

See accompanying Notes to 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
YEAR ENDED JUNE 30, 2024

RECONCILIATION OF THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Governmental Funds \$ 1,362,018

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/amortization expense.

In the current period these amounts are:

Capital Outlay	1,447,004
Current Year Depreciation and Amortization	(420,232)
Noncapitalized Capital Outlay Expenditures Reclassified to Various Governmental Activities	129,467

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	961,399
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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	32,808
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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	(1,726)
Current Year OPEB Cost Difference	(109,754)
Current Year Pension Cost Difference	(674,711)

Change in Net Position of Governmental Activities as Reported on the Statement of Activities	\$ 2,726,273
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CITY OF SAND CITY
STATEMENT OF FIDUCIARY NET POSITION (DEFICIT)
JUNE 30, 2024

ASSETS

Cash and Cash Equivalents	\$ 1,470,534
Investments	1,126,161
Capital Assets, Net, Nondepreciable	<u>1,100,000</u>
Total Assets	3,696,695

LIABILITIES

Accounts Payable	15,292
Developer Fees Received in Advance	1,455,000
Noncurrent Liabilities:	
Due Within One Year	680,000
Due in More Than One Year	<u>11,260,824</u>
Total Liabilities	13,411,116

DEFERRED INFLOWS OF RESOURCES

Deferred ROPS Revenue	<u>575,959</u>
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NET POSITION (DEFICIT)

Enforceable Obligations	<u>(10,290,380)</u>
Total Net Position (Deficit)	<u><u>\$ (10,290,380)</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF SAND CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (DEFICIT)
YEAR ENDED JUNE 30, 2024

ADDITIONS

Property Taxes	\$ 1,336,431
Interest Income	<u>87,299</u>
Total Additions	<u>1,423,730</u>

DEDUCTIONS

Administrative Expenses	4,099
Legal Expenses	67,460
Contract Services	28,084
Interest Expense	72,052
Seaside Settlement	<u>364,522</u>
Total Deductions	<u>536,217</u>

NET INCREASE

887,513

Net Position (Deficit) - Beginning of Year

(11,177,893)

NET POSITION (DEFICIT) - END OF YEAR

\$ (10,290,380)

CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 City's more significant accounting policies are described below.

A. Reporting Entity

The reporting entity of the City consists of all City departments. 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.

B. 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.

CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (Continued)

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.

C. 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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.

D. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. 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; and Level 3 inputs are significant unobservable inputs. For the fiscal year ended June 30, 2024, the application of valuation techniques applies to the City's financial statements has been consistent.

E. 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.

F. 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Deferred Inflows of Resources (Continued)

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, 2024, the allowance was estimated to be zero.

G. 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 to 20 Years
Equipment	5 to 10 Years
Vehicles	8 Years
Furniture and Fixtures	10 Years
Infrastructure	20 to 50 Years

H. 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.

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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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.

J. 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.

K. 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. 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.

L. 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

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, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

N. Net Position

The statement of net position presents the City's assets and deferred outflows of resources, 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 net position.** Results when constraints placed on net positions use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position.** 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.

O. 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balances (Continued)

The City reports the following classifications:

- **Nonspendable fund balance.** These amounts 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 fund balance.** These amounts 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 fund balance.** This represents 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.
- **Assigned fund balance.** Amounts intended 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 fund balance.** 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.

P. Leases

Lessee

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$10,000 or more.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Leases (Continued)

Lessee (Continued)

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

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long term debt on the statement of net position.

Lessor

The City is a lessor for noncancellable leases of the desalination facility and cell tower site premises. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Leases (Continued)

Lessor (Continued)

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

- Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.
- The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Q. 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Property Tax Levy, Collection, and Maximum Rates (Continued)

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 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

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 60 days of year-end. No allowance is provided for delinquent taxes as the lien is considered an enforceable legal obligation.

R. 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 CASH AND INVESTMENTS

A. Custodial Credit Risk – Deposits with Financial Institutions

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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2024, \$2,637,868 of the City's bank balances of \$2,887,868 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.

B. Custodial Credit Risk – Investments

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.

Investments at June 30, 2024 consisted of the following:

Local Agency Investment Fund	\$ 11,198,665
Certificates of Deposit	1,437,308
Total	<u>\$ 12,635,973</u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Custodial Credit Risk – Investments (Continued)

As of June 30, 2024, all of the City's investments had a maturity of less than one year.

The fair value of the City's position in the State LAIF pool is the same as the value of the pool shares. The State LAIF pool credit quality is unrated. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

The State Treasurer's Office audits the fund annually.

The fair value measurement for the Certificates of Deposit are Level 1.

C. 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 statutes.

D. Credit Risk

This is the risk of loss due to the failure of the security issues or backer. The City's policies to mitigate credit risk include:

- Limiting investment to the safest type of securities. As noted above, the California Government Code limits the investment vehicles available to local agencies. The credit risk of these securities is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below presents the rating for each investment type as provided by Standard & Poor's except as noted.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business.

The following table identifies the Standard & Poor's credit quality rating for those investments requiring this disclosure as of June 30, 2024:

- Rating A – Negotiable Certificates of Deposit - \$1,437,308
- Not Rated – State Local Agency Investment Fund - \$11,198,665

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3 RECEIVABLES

Amounts other than leases receivable are aggregated into a single accounts receivable line. At June 30, 2024 for the City's individual major funds and nonmajor fund in the aggregate are as follows:

	General	Other Governmental Funds	Total
Receivables:			
Accounts	\$ 425,668	\$ -	\$ 425,668
Interest	126,821	-	126,821
Total	<u>\$ 552,489</u>	<u>\$ -</u>	<u>\$ 552,489</u>
Other Governments:			
Sales Tax	\$ 708,189	\$ -	\$ 708,189
Transaction Tax	798,921	-	798,921
Successor Agency	150,856	-	150,856
Grants	117,871	-	117,871
Total	<u>\$ 1,775,837</u>	<u>\$ -</u>	<u>\$ 1,775,837</u>

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 in the principal amount of \$3,626,058 for the Operating Expenditure Loan and \$4,650,000 for the Seaside Loan. Upon dissolution of the Agency, these loans became the obligation of the Successor Agency. Balances as of June 30, 2024, are as follows:

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

CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 CAPITAL AND RIGHT-TO-USE ASSETS

Capital and right-to-use asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,837,194	\$ -	\$ -	1,837,194
Construction In Progress	604,773	1,380,215	1,138,338	846,650
Total Capital Assets Not Being Depreciated	2,441,967	1,380,215	1,138,338	2,683,844
Capital and Right-to-Use Assets Being Depreciated/Amortized:				
Infrastructure	5,209,014	-	-	5,209,014
Land Improvements	441,563	-	(1,225,867)	1,667,430
Equipment	2,451,563	-	16,215	2,435,348
Right-to-Use Leased Equipment	93,621	-	-	93,621
Vehicles	940,342	66,789	-	1,007,131
Buildings	8,538,775	-	-	8,538,775
Furniture and Fixtures	114,514	-	(36,199)	150,713
Total Capital and Right-to-Use Assets Being Depreciated/ Amortized	17,789,392	66,789	(1,245,851)	19,102,032
Less: Accumulated Depreciation/ Amortization:				
Infrastructure	3,151,150	127,729	37,489	3,241,390
Land Improvements	441,562	15,756	-	457,318
Equipment	2,431,633	-	(21,274)	2,452,907
Right-to-Use Leased Equipment	62,414	31,207	-	93,621
Vehicles	622,513	31,097	-	653,610
Buildings	2,978,627	210,249	-	3,188,876
Furniture and Fixtures	114,514	4,194	5,739	112,969
Total Accumulated Depreciation/Amortization	9,802,413	420,232	21,954	10,200,691
Total Capital and Right-to-Use Assets Being Depreciated and Amortized, Net	7,986,979	(353,443)	(1,267,805)	8,901,341
Capital and Right-to-Use Assets, Net	\$ 10,428,946	\$ 1,026,772	\$ (129,467)	\$ 11,585,185

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 CAPITAL AND RIGHT-TO-USE ASSETS (CONTINUED)

Depreciation and amortization expense for the year ending June 30, 2024 was charged to functions/programs of the primary government as follows:

General Government	\$ 44,701
Public Safety	23,925
Public Works	348,036
Parks	3,570
Total Depreciation Expense	<u>\$ 420,232</u>

NOTE 6 LEASES

Leases Receivable

The City, acting as lessor, leases the desalination facility to California-American Water Company (CAW) and site premises to control and operate a cell tower on City owned land to Crown Castle International Corp under long-term, noncancelable lease agreements. The leases expire at various dates through June 15, 2038. During the year ended June 30, 2024, the City recognized \$20,413 and \$5,025 in lease revenue and interest revenue, respectively, pursuant to these contracts. As of June 30, 2024, the City's receivable for lease payments was \$149,587. Also, the City has a deferred inflow of resources associated with these leases that will be recognized over the lease terms. As of June 30, 2024, the balance of deferred inflow of resources was \$817,072.

The future minimum lease payments to be received as of June 30, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 28,218	\$ 6,178	\$ 34,396
2026	24,101	3,295	27,396
2027	25,018	2,378	27,396
2028	12,208	1,590	13,798
2029 and Thereafter	60,042	8,001	68,043
Total	<u>\$ 149,587</u>	<u>\$ 21,442</u>	<u>\$ 171,029</u>

NOTE 7 LONG-TERM LIABILITIES

General long-term liability balances and transactions for the fiscal year ended June 30, 2024 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease Payable	\$ 32,808	\$ -	\$ 32,808	\$ -	\$ -
Compensated Absences	518,537	109,187	107,461	520,263	124,626
Net Pension Liability	5,968,692	623,890	-	6,592,582	-
Total	<u>\$ 6,520,037</u>	<u>\$ 733,077</u>	<u>\$ 140,269</u>	<u>\$ 7,112,845</u>	<u>\$ 124,626</u>

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

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 PENSION PLAN

General Information about the Pension Plans

A. Plan Descriptions

All qualified permanent and probationary employees are eligible to participant in the City's separate Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing, multiemployer 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.

B. Benefits

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

The Plan's provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2.0% @ 55 3.0% @ 60	2.0% @ 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	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rates	7.0% and 8.0%	6.75%
Required Employer Contribution Rates	10.880% and 15.250%	7.590%

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

B. Benefits (Continued)

	Safety	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2.0% @ 50 3.0% @ 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% - 2.7%
Required Employee Contribution Rates	9.0%	13.0%
Required Employer Contribution Rates	19.250% and 21.790%	13.130%

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law required 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, 2024, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions	\$ 526,101	\$ 291,584

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

As of June 30, 2024, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Miscellaneous	Safety
Proportionate Share of Net Pension Liability	\$ 3,077,588	\$ 3,514,994

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

D. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (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, 2023, 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, 2022, rolled forward to June 30, 2023 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, 2024 and 2023, was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2023	0.02562 %	0.02605 %
Proportion - June 30, 2024	0.02467	0.02817
Change - Increase (Decrease)	(0.00095)	0.00212

For the year ended June 30, 2024, the City recognized pension expense of \$1,492,396. Pension expense is allocated to the functions based on full-time equivalents. At June 30, 2024 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 415,286	\$ 46,482
Changes of assumptions	390,948	-
Difference Between Projected and Actual Investment Earnings	979,315	-
Change in Employer's Proportion	363,618	-
Differences Between Employer's Contributions and Proportionate Share of Contributions	7,214	189,376
Pension Contributions Made Subsequent to Measurement Date	817,685	-
Total	<u>\$ 2,974,066</u>	<u>\$ 235,858</u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

D. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The \$817,685 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 663,011
2026	444,817
2027	784,969
2028	27,726
Total	<u>\$ 1,920,523</u>

E. Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous and Safety</u>
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 80% scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.5% thereafter.

All other actuarial assumptions used in the June 30, 2023 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.9% 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 6.9% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9% 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.

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
Global Equity - Cap-Weighted	30 %	4.45 %
Global Equity Non-Cap-Weighted	12	3.84
Private Equity	13	7.28
Treasury	5	0.27
Mortgage-Backed Securities	5	0.50
Investment Grade Corporates	10	1.56
High Yield	5	2.27
Emerging Market Debt	5	2.48
Private Debt	5	3.57
Real Assets	15	3.21
Leverage	(5)	(0.59)
Total	100 %	

(a) An expected inflation of 2.30% used for this period.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

G. 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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90 %	5.90 %
Net Pension Liability	\$ 4,777,603	\$ 5,637,108
Current Discount Rate	6.90 %	6.90 %
Net Pension Liability	\$ 3,077,588	\$ 3,514,994
1% Increase	7.90 %	7.90 %
Net Pension Liability	\$ 1,678,329	\$ 1,780,014

H. 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 IRC 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 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

A. Plan Description (Continued)

The City participates in the California Employer's Retiree Benefit Trust (CERBT) Fund, which is administered by CalPERS. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code (IRC) Section 115 and established to prefund retiree healthcare benefits. CERBT, an agent multiemployer trust, issues a publicly available financial report including GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, disclosure information in aggregate with other CERBT participating employers. That report can be obtained from the CalPERS website at www.calpers.ca.gov. The plan provides health benefits to all retired employees.

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 2024, the non-Medicare premium was \$995 and the Medicare eligible was \$382. 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.

B. Employees Covered

As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Active Employees	19
Inactive Employees or Beneficiaries Current Receiving Benefits	16
Inactive Employees Entitled to But Not Yet Receiving Benefits	12
Total	<u>47</u>

C. 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, 2024 pay-as-you-go payments were \$175,064 and the estimated implied subsidy was \$13,842 resulting in total payments of \$188,906.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

D. Net OPEB Liability/(Asset)

The City's net OPEB liability/(asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2023 based on the following actuarial methods and assumptions:

Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75% Annually
Investment Rate of Return	6.50%
Mortality	CalPERS 2000-2019 Experience Study
Retirement	CalPERS 2000-2019 Experience Study
Healthcare Trend Rate	8.50% Decreasing to 3.45%

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	49 %	4.56 %
Fixed Income	23	1.56
TIPS	5	(0.08)
Commodities	3	1.22
REITs	20	4.06
Total	100 %	

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. 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.

F. 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)
Balances - June 30, 2022	\$ 2,809,274	\$ 3,990,561	\$ (1,181,287)
Changes Recognized for Measurement Period:			
Service Cost	219,176	-	219,176
Interest	192,493	-	192,493
Changes of Benefit Terms	52,030	-	52,030
Difference Between Expected and Actual Experience	206,216	-	206,216
Changes of Assumptions	28,387	-	28,387
Contributions - Employer	-	134,472	(134,472)
Net Investment Income	-	256,381	(256,381)
Benefit Payments (Outside Trust)	(134,016)	(134,016)	-
Administrative Expense	-	(1,616)	1,616
Net Changes	<u>564,286</u>	<u>255,221</u>	<u>309,065</u>
Balances - June 30, 2023	<u>\$ 3,373,560</u>	<u>\$ 4,245,782</u>	<u>\$ (872,222)</u>

G. 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 1-percentage-point lower or 1-percentage-point higher than the current rate, for the measurement period ended June 30, 2023:

	1% Decrease	Current Discount Rate (6.5%)	1% Increase
Net OPEB Liability/(Asset)	\$ (460,404)	\$ (872,222)	\$ (1,215,068)

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

H. 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 1-percentage-point lower or 1-percentage-point higher than the current rate, for the measurement period ended June 30, 2023:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability/(Asset)	\$ (1,053,182)	\$ (872,222)	\$ (703,184)

I. 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.

J. 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 (EARS�) (6.2 years at June 30, 2021)

K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2024, the City recognized OPEB expense/(income) of \$126,339. As of the fiscal year ended June 30, 2024, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Made Subsequent to Measurement Date	\$ 16,585	\$ -
Changes of Assumptions	74,736	57,648
Net Difference Between Projected and Actual Earnings	281,558	-
Difference Between Expected and Actual Experience	170,038	270,666
Total	<u>\$ 542,917</u>	<u>\$ 328,314</u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

**K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
(Continued)**

The \$16,585 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ (83,408)
2026	170
2027	201,486
2028	50,957
2029	28,813
Total	<u>\$ 198,018</u>

NOTE 11 JOINTLY GOVERNED ORGANIZATIONS

The City participates on the Boards of Community Human Services, Monterey Regional Waste Management District, the Monterey Peninsula Water Management District, Monterey One Water, Association of Monterey Bay Area Governments, Transportation Agency for Monterey County, Seaside Groundwater Basin Watermaster, 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, Monterey Bay Area Self Insurance Authority, National League of Cities, Local Agency Formation Commission of Monterey County, and Monterey Bay Air Resources District. 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 \$ 711,766 for the fiscal year ended June 30, 2024.

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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 12 RISK FINANCING (CONTINUED)

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 13 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 COMMITMENTS AND CONTINGENCIES

In the fiscal year ending June 30, 2024, the City has various service and project contracts totaling \$2,501,914, of which \$1,427,008 on contract commitments still remained as of June 30, 2024.

NOTE 14 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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 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. On November 16, 2022, the Successor Agency filed a petition for writ of mandate against the California Department of Finance for the repayment of a loan to the City that the Successor Agency believes is an enforceable obligation, but which has been denied by the California Department of Finance.

The writ hearing in this matter was heard on November 1, 2024, before the Sacramento Superior Court. On November 26, 2024, the Court issued its final ruling in the matter. The Court's ruling denies the Successor Agency's petition seeking a writ of mandate and declaratory relief.

On December 3, 2024, the Successor Agency Board voted to authorize the filing of an appeal of the denying of the Successor Agency's writ/complaint. Accordingly, on December 19, 2024, the City filed a notice of appeal for this matter.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT
AGENCY (CONTINUED)**

Following are disclosures specific to the Successor Agency Trust Funds:

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, 2024, \$1,473,649 of the Fiduciary Fund's bank balances of \$2,599,647 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.

Custodial Credit Risk – 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, 2024 consisted of the following:

Money Market Funds	\$ -
Certificates of Deposit	1,125,998
Total	<u>\$ 1,125,998</u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT
AGENCY (CONTINUED)**

A. Deposits and Investments (Continued)

Custodial Credit Risk – Investments (Continued)

As of June 30, 2024, all of the Fiduciary Fund's investments had a maturity of less than one year.

The fair value measurement for the Certificates of Deposit are Level 1. The Money Market Funds are not subject to fair value hierarchy.

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 statutes.

Credit Risk

This is the risk of loss due to the failure of the security issues or backer. The City's policies to mitigate credit risk include:

- Limiting investment to the safest type of securities. As noted above, the California Government Code limits the investment vehicles available to local agencies. The credit risk of these securities is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below presents the rating for each investment.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business.

The following table identifies the Standard & Poor's credit quality rating for those investments requiring this disclosure as of June 30, 2024:

- Rating A – Negotiable Certificates of Deposit - \$1,125,998

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

B. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 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

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.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

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 2.85%. Interest on the Bonds is payable semi-annually on each May 1 and November 1, 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 1 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.

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. The Successor Agency has prepared a repayment schedule in accordance with Health and Safety Code Section 34191.4, which was submitted to both the Oversight Board for the County of Monterey and the California Department of Finance. 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, on the principal amount of \$1,934,012 for the Operating Expenditure Loan and \$3,932,931 for the Seaside Loan.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

D. Long-Term Debt (Continued)

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, 2024 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds, Loans, and Reimbursements:					
2008 Series B	\$ 210,000	\$ -	\$ 210,000	\$ -	\$ -
2017 Subordinate Tax Allocation Refunding Bonds	2,705,000	-	495,000	2,210,000	680,000
Subtotal	2,915,000	-	705,000	2,210,000	680,000
Loans from the City:					
Operating Expenditures	3,626,058	1,518	-	3,627,576	-
Seaside	4,650,000	-	-	4,650,000	-
Subtotal	8,276,058	1,518	-	8,277,576	-
Reimbursement due to City	1,454,766	-	1,518	1,453,248	-
Total Bonds, Loans, and Reimbursements	<u>\$ 12,645,824</u>	<u>\$ 1,518</u>	<u>\$ 706,518</u>	<u>\$ 11,940,824</u>	<u>\$ 680,000</u>

Annual debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Series B Bonds</u>		<u>2017 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ -	\$ -	\$ 680,000	\$ 53,295
2026	-	-	695,000	33,701
2027	-	-	720,000	13,538
2028	-	-	115,000	1,639
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,210,000</u>	<u>\$ 102,173</u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

**NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT
AGENCY (CONTINUED)**

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, 2024, this amount was \$575,959.

DRAFT REPORT FOR
DISCUSSION PURPOSES
ONLY

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT REPORT FOR
DISCUSSION PURPOSES
ONLY

CITY OF SAND CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL
YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Property Taxes	\$ 135,000	\$ 153,176	\$ 408,777	\$ 255,601
Sales Tax	3,529,000	3,529,000	3,329,496	(199,504)
Transaction Tax	4,446,000	4,446,000	4,273,530	(172,470)
Transient Occupancy Tax	126,000	126,000	117,851	(8,149)
Franchise/Users Taxes	288,400	305,400	387,504	82,104
Business Licenses	693,500	708,500	842,863	134,363
Licenses and Permits	30,800	48,100	26,614	(21,486)
Fines, Forfeits, and Penalties	19,200	25,243	4,962	(20,281)
Charges for Current Services	55,300	57,040	156,659	99,619
Developer Reimbursements	-	-	373,221	373,221
Revenue from Other Agencies	597,600	2,475,855	588,208	(1,887,647)
Investment Earnings (Loss)	219,600	336,300	692,404	356,104
Rental Income	19,000	19,000	74,109	55,109
Other Revenue	101,500	105,586	188,629	83,043
Total Revenues	10,260,900	12,335,200	11,464,827	(870,373)
EXPENDITURES				
Current:				
General Government	1,603,200	1,947,363	2,651,521	(704,158)
Public Safety	4,103,800	4,189,298	4,225,694	(36,396)
Public Works	1,582,400	3,823,620	966,798	2,856,822
Planning	246,800	460,500	740,407	(279,907)
Building	115,500	125,419	40,690	84,729
Community Development	334,800	355,800	268,673	87,127
Parks	12,500	14,500	12,756	1,744
Debt Service:				
Principal	-	-	32,808	(32,808)
Interest and Other Charges	-	-	1,752	(1,752)
Capital Outlay	252,800	286,400	1,237,997	(951,597)
Total Expenditures	8,251,800	11,202,900	10,179,096	1,023,804
NET CHANGE IN FUND BALANCE	\$ 2,009,100	\$ 1,132,300	\$ 1,285,731	\$ 153,431

See accompanying Note to Required Supplementary Information.

**CITY OF SAND CITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

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 –
MISCELLANEOUS PLAN
LAST TEN YEARS**

Measurement Period:	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the Net Pension Liability	0.02467%	0.02562%	0.02470%	0.02435%	0.02470%	0.06325%	0.07161%	0.07225%	0.07699%	0.03280%
Proportionate Share of the Net Pension Liability	\$ 3,077,588	\$ 2,959,247	\$ 1,335,879	\$ 2,648,872	\$ 2,531,795	\$ 2,383,530	\$ 2,823,013	\$ 2,516,961	\$ 2,112,302	\$ 2,041,105
Covered Payroll	\$ 1,065,856	\$ 1,162,410	\$ 997,179	\$ 981,708	\$ 980,084	\$ 968,615	\$ 964,572	\$ 973,812	\$ 957,621	\$ 979,700
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	288.74%	254.58%	133.97%	269.82%	258.32%	246.08%	292.67%	258.46%	220.58%	208.34%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	74.14%	78.19%	90.49%	77.71%	77.73%	77.69%	75.39%	75.87%	79.89%	81.15%

Notes to Schedule:

Changes of Assumptions:

The discount rate to measure net pension liability was 7.5% as of June 30, 2014, 7.65% as of June 30, 2015 and 2016, 7.15% as of June 30, 2017 through 2021, and reduced to 6.90% as June 30, 2022.

The inflation rate to measure the net pension liability was 2.75% as of June 30, 2014, 2015, 2016, and 2017, 2.50% as of June 30, 2018, 2019, 2020, and 2021, and was reduced to 2.30% as of June 30, 2022.

**CITY OF SAND CITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
SAFETY PLAN
LAST TEN YEARS**

Measurement Period:	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the Net Pension Liability	0.02817%	0.02605%	0.01879%	0.02234%	0.02104%	0.03322%	0.03447%	0.04925%	0.03227%	0.02186%
Proportionate Share of the Net Pension Liability	\$ 3,514,994	\$ 3,009,445	\$ 1,016,446	\$ 2,430,990	\$ 2,155,679	\$ 1,949,412	\$ 2,059,738	\$ 1,744,395	\$ 1,329,846	\$ 1,360,244
Covered Payroll	\$ 1,217,072	\$ 1,182,129	\$ 1,521,503	\$ 1,523,485	\$ 1,517,774	\$ 1,346,212	\$ 1,306,040	\$ 1,179,383	\$ 1,095,485	\$ 1,018,285
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	288.81%	254.58%	66.81%	159.57%	142.03%	144.81%	157.71%	147.91%	121.39%	133.58%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	75.94%	75.53%	86.61%	73.12%	73.37%	72.69%	71.74%	72.69%	77.27%	78.83%

Notes to Schedule:

Changes of Assumptions:

The discount rate to measure net pension liability was 7.5% as of June 30, 2014, 7.65% as of June 30, 2015 and 2016, 7.15% as of June 30, 2017 through 2021, and reduced to 6.90% as June 30, 2022.

The inflation rate to measure the net pension liability was 2.75% as of June 30, 2014, 2015, 2016, and 2017, 2.50% as of June 30, 2018, 2019, 2020, and 2021, and was reduced to 2.30% as of June 30, 2022.

**CITY OF SAND CITY
SCHEDULE OF CONTRIBUTIONS –
MISCELLANEOUS PLAN
LAST TEN YEARS***

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 526,101	\$ 411,443	\$ 409,249	\$ 380,620	\$ 360,507	\$ 322,974	\$ 602,399	\$ 284,073	\$ 272,359	\$ 232,159
Contributions in Relation to the Actuarially Determined Contributions	526,101	411,443	409,249	380,620	360,507	322,974	602,399	284,073	272,359	232,159
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,173,082	\$ 1,065,856	\$ 1,162,410	\$ 997,179	\$ 981,708	\$ 980,084	\$ 968,615	\$ 964,572	\$ 973,812	\$ 957,621
Contributions as a Percentage of Covered Payroll	44.85%	38.60%	35.21%	38.17%	36.72%	32.95%	62.19%	29.45%	27.97%	24.24%

**CITY OF SAND CITY
SCHEDULE OF CONTRIBUTIONS –
SAFETY PLAN
LAST TEN YEARS**

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 291,584	\$ 469,335	\$ 435,826	\$ 448,851	\$ 392,595	\$ 367,990	\$ 404,055	\$ 274,606	\$ 213,436	\$ 214,913
Contributions in Relation to the Actuarially Determined Contributions	291,584	469,335	435,826	448,851	392,595	367,990	404,055	274,606	213,436	214,913
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,216,490	\$ 1,217,072	\$ 1,182,129	\$ 1,521,503	\$ 1,523,485	\$ 1,517,774	\$ 1,346,212	\$ 1,306,040	\$ 1,179,383	\$ 1,095,485
Contributions as a Percentage of Covered Payroll	23.97%	38.56%	32.01%	29.50%	25.77%	24.25%	30.01%	21.03%	18.10%	19.62%

CITY OF SAND CITY
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
LAST TEN YEARS*

Measurement Period:	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:							
Service Cost	\$ 219,176	\$ 204,315	\$ 181,403	\$ 180,004	\$ 248,439	\$ 241,203	\$ 234,000
Interest on the Total OPEB Liability	192,493	176,460	172,776	158,964	202,924	178,950	157,000
Actual and Expected Experience Difference	206,216	-	(183,940)	-	(858,688)	-	-
Changes in Assumptions	28,387	76,993	-	(52,022)	(95,578)	-	-
Changes in Benefit Terms	52,030	-	(37,249)	-	-	-	-
Benefit Payments	(134,016)	(116,802)	(85,858)	(81,571)	(78,257)	(66,192)	(83,000)
Net Change in Total OPEB Liability	564,286	340,966	47,132	205,375	(581,160)	353,961	308,000
Total OPEB Liability - Beginning	2,809,274	2,468,308	2,421,176	2,215,801	2,796,961	2,443,000	2,135,000
Total OPEB Liability - Ending (a)	3,373,560	2,809,274	2,468,308	2,421,176	2,215,801	2,796,961	2,443,000
Plan Fiduciary Net Position:							
Contributions - Employer	134,472	117,116	86,077	81,784	78,451	316,453	2,733,000
Net Investment Income	256,381	(617,162)	994,521	123,517	203,252	224,625	173,000
Benefit Payments	(134,016)	(116,802)	(85,858)	(81,571)	(78,257)	(66,192)	(83,000)
Administrative Expense	(1,616)	(1,482)	(1,588)	(1,951)	(900)	(5,502)	(1,000)
Net Change in Plan Fiduciary Net Position	255,221	(618,330)	993,152	121,779	202,546	469,384	2,822,000
Plan Fiduciary Net Position - Beginning	3,990,561	4,608,891	3,615,739	3,493,930	3,291,384	2,822,000	-
Plan Fiduciary Net Position - Ending (b)	4,245,782	3,990,561	4,608,891	3,615,709	3,493,930	3,291,384	2,822,000
Net OPEB Liability/(Asset) - Ending (a)-(b)	\$ (872,222)	\$ (1,181,287)	\$ (2,140,583)	\$ (1,194,533)	\$ (1,278,129)	\$ (494,423)	\$ (379,000)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	125.85%	142.05%	186.72%	149.34%	157.68%	117.68%	115.51%
Covered-Employee Payroll	\$ 2,639,436	\$ 2,282,066	\$ 2,405,581	\$ 2,505,193	\$ 2,497,858	\$ 2,314,827	\$ 2,270,612
Net OPEB Liability/(Asset) as a Percentage of Covered-Employee Payroll	33.05%	51.76%	88.98%	47.68%	51.17%	21.36%	16.69%

Notes to Schedule:

*This schedule is intended to show information for 10 years. Fiscal year 2017 was the first year of implementation; therefore, only seven years are shown. Additional years' information will be displayed as it becomes available.

**CITY OF SAND CITY
SCHEDULE OF CONTRIBUTIONS –
OPEB
LAST TEN YEARS***

	Fiscal Year						
	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 15,842	\$ 29,669	\$ 79,024	\$ 78,752	\$ 239,000	\$ 232,000	\$ 225,000
Contributions in Relation to the Actuarially Determined Contributions	(16,585)	(134,472)	(117,116)	(86,077)	(81,784)	(78,451)	(83,000)
Contribution Deficiency (Excess)	<u>\$ (743)</u>	<u>\$ (104,803)</u>	<u>\$ (38,092)</u>	<u>\$ (7,325)</u>	<u>\$ 157,216</u>	<u>\$ 153,549</u>	<u>\$ 142,000</u>
Covered Payroll	\$ 2,943,728	\$ 2,639,436	\$ 2,282,066	\$ 2,405,581	\$ 2,505,193	\$ 2,497,858	\$ 2,314,827
Contributions as a Percentage of Covered Payroll	0.56%	5.09%	5.13%	3.58%	3.26%	3.14%	3.59%

* This schedule is intended to show information for 10 years. Fiscal year 2018 was the first year of implementation; therefore, only seven years are shown. Additional years' information will be displayed as it becomes available.

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

DRAFT REPORT FOR
DISCUSSION PURPOSES
ONLY

**INDEPENDENT AUDITORS' 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***

Honorable Mayor and City Council Members
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, 2024, and the related notes to the financial statements, which collectively comprise City of Sand City's basic financial statements, and have issued our report thereon dated December 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sand City's internal control over financial reporting (internal control) as basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sand City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Honorable Mayor and City Council Members
City of Sand City

We identified certain deficiencies in internal control, described in the accompanying schedule of audit findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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*.

City of Sand City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Sand City's response to the findings identified in our audit and described in the accompanying schedule of audit findings and responses. City of Sand City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

CliftonLarsonAllen LLP

Roseville, California
December 21, 2024

**CITY OF SAND CITY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

FINDING 2024-001 – Revenue Recognition

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The City incorrectly recognized revenue for funds received after the City's period of availability.

Criteria or specific requirement: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available if they are collected within 60 days of year-end.

Effect: An audit adjustment of \$961,399, decreasing revenues and increasing unavailable revenues was recorded in the General Fund.

Cause: The City received tax disbursements for FY23/24 on September 4, 2024, that were accrued back to FY 23/24, but were not reflected as unavailable revenue.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the City implement a review of significant revenues received in the months subsequent to year-end to determine proper timing for the recognition of revenues.

Views of responsible officials and planned corrective actions: The City will review Note 1 (C) of the audit report and consider a change in language to recognizes revenue that is collected within 90 days of the end of the fiscal year.

**CITY OF SAND CITY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2024**

FINDING 2024-002 – Successor Agency Bank Reconciliation

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The City did not perform a timely reconciliation of the Successor Agency bank accounts prior to the submission of the trial balance for the audit.

Criteria or specific requirement: Cash reconciliations that reconcile from the bank balance to the general ledger balance should be performed in a timely manner for all accounts to ensure that the recording of transactions is accurate and proper.

Effect: Adjustments were required to be made to cash, long-term debt, revenues, and expenses during the course of the audit.

Cause: The City was backlogged on bank reconciliations due to the retirement of two key finance employees and being short staffed for the first half of FY23/24.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the City complete reconciliations of all bank accounts, including the Successor Agency, in a timely manner as part of its year-end closing process.

Views of responsible officials and planned corrective actions: The City finance department is now fully staffed and preparing the bank reconciliations monthly.