

Annual Comprehensive Financial Report



*City of Carmel-by-the-Sea
California*

Fiscal Year Ended June 30, 2023

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*City of Carmel-by-the-Sea
California*

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



Prepared by the Finance Department

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**CITY OF CARMEL-BY-THE-SEA
 ANNUAL COMPREHENSIVE FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2023**

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TRANSMITTAL LETTER

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CITY OF CARMEL-BY-THE-SEA
P.O. BOX CC
CARMEL-BY-THE-SEA, CA 93921

March 29, 2024

Honorable Mayor Dave Potter
Members of the Carmel-by-the-Sea City Council, and
Citizens of Carmel-by-the-Sea

SUBJECT: Annual Comprehensive Financial Report – June 30, 2023

The Annual Comprehensive Financial Report (ACFR) for the City of Carmel-by-the-Sea for the fiscal year ended June 30, 2023 is hereby submitted.

REPORT PURPOSE AND ORGANIZATION

In accordance with State law, which requires that the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant, the City of Carmel-by-the-Sea retained an independent auditor, Chavan and Associates, LLP, to audit the City's financial statements. Chavan and Associates, LLP, has issued an unmodified opinion that the financial statements for the year ended June 30, 2023, are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements, are submitted as the Annual Comprehensive Financial Report (ACFR) for the City for the fiscal year ended June 30, 2023. The information included in the financial section of this report fulfills the above requirement.

This report consists of City management's representations regarding the finances of the City of Carmel-by-the-Sea. Management assumes full responsibility for the completeness, data accuracy, and fairness of the information presented, including all footnotes and disclosures. Management believes the data presented are accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the City.

To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls that is designed to both protect the City's assets from loss, theft or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles.

Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements. The audit is intended to provide users with reasonable assurance that the information presented is free from material misstatements. As management, we assert, that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Generally accepted accounting principles require management to provide a narrative introduction, overview, and analysis that accompanies the basic financial statements in a format known as the Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to augment the MD&A and is meant to be read in conjunction with the MD&A. The MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

CITY OF CARMEL-BY-THE-SEA PROFILE

Located 120 miles south of San Francisco on the Monterey Peninsula, the City of Carmel-by-the-Sea is a coastal village with a population of 3,033 that is renowned for its natural beauty, including a white sand beach, urban forest of over 10,000 public trees comprised of Monterey pines, live oaks, and Monterey cypress and natural parklands all within a one-square-mile, built-out community. In addition to recreational opportunities afforded by such scenery, the City is also known for its architecture and dining and shopping opportunities, which may be found in the walkable downtown area. In addition to many City sponsored events like the City Halloween Parade, Sandcastle Contest and Pumpkin Roll, other special events also occur throughout the year and cultural activities abound, including at such venues as the Sunset Center performing arts center and the Forest Theater, an outdoor amphitheater.

The median age of the City's residents is 64 years. Nearly 75% of the population age 25 or older have a bachelor's degree. The City's median household income is \$100,365. The Carmel area offers outstanding educational opportunities through the Carmel Unified School District as well as institutions of higher learning on the Monterey Peninsula including the Monterey Peninsula College, the Middlebury Institute for International Studies, California State University Monterey Bay, and the Hopkins Marine Station operated by Stanford University.

Form of Government

The City of Carmel-by-the-Sea was incorporated on October 31, 1916. As a General Law City, Carmel-by-the-Sea operates under a Council-City Manager (City Administrator) style of government and derives its power from the California Constitution and laws enacted by the State legislature.

All legislative power is held by the publicly elected, five-member City Council that consists of the Mayor and four Councilmembers. The Mayor serves a two-year term while Council members serve a four-year term, with overlapping terms with municipal elections occurring in November of each even numbered year. City Council is the policy making legislative body of the City and it adopts the annual budget, enacts ordinances, and approves major contracts, acquisitions and leases. The Council appoints the City Administrator to serve as the City's chief administrative officer.

The City Administrator is responsible for the enforcement of City laws and ordinances; ensuring that the orders of the City Council are executed; for supporting Council, which includes the preparation of agendas and the maintenance of records; and overseeing the City's day-to-day operations. This includes oversight of the departments of Community Planning and Building, Library, Community Activities, Public Safety and Public Works. The City Administrator also directs the centralized administrative functions of the City Clerk, Finance, Human Resources and Information Technology.

City Services

The City provides a variety of services to the residents, businesses and visitors to the village of Carmel-by-the-Sea. Administration provides oversight of daily City functions and financial activity. Community Planning and Building provides building safety services, code compliance and planning functions while Community Activities and Library manage new and ongoing special events and provide library services at two branch locations. Public Safety services related to ambulance, law enforcement, and crime prevention are provided by the Ambulance and Police Department, respectively, while fire services are provided through a contract with the City of Monterey. Public Works is responsible for facility and vehicle maintenance, development and management of capital projects; construction, improvement and repair of streets, sidewalks, pathways and storm drain systems and maintaining the Village forest, parks and shoreline areas.

The ACFR includes all financial activities of the City. Financial data for all funds through which services are provided by the City have been included in this report using criteria adopted by the Governmental Accounting Standards Board (GASB), which is the authoritative body establishing U.S. Generally Accepted Accounting Principles (GAAP) for local governments.

Budgetary Policy and Control

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balanced set of accounts. The minimum number of funds is maintained consistent with legal and managerial requirements. Annually appropriated budgets are legally adopted on a budgetary basis for the governmental fund types and are controlled on a fund and departmental level. These funds are used to account for most of the City's general government activities. Governmental fund types use the flow of current financial resources, measurement focus, and the modified-accrual basis of accounting and budgeting. Expenditures are recognized as encumbrances when a commitment is made. Unencumbered appropriations lapse at year-end.

The goal of the City Administrator is to present a balanced budget to the City Council for review and adoption. A balanced budget is a budget in which sources meet or exceed uses. Available funding sources shall be at least equal to recommended appropriations. As a general rule, the year-end undesignated General Fund balance should not be used to fund ongoing operations.

As set in the Carmel Municipal Code prior to the beginning of each fiscal year, the City Council shall adopt a budget for expenditures and anticipated revenues. On or before 15 February of each year, the City Administrator will present to the City Council a proposed budget schedule. The City Administrator prepares and submits to the City Council a proposed operating and capital budget for the forthcoming fiscal year. The City Council shall adopt the budget by 1 July.

The City Administrator shall have the right to approve the transfer of appropriations within a departmental budget; however, no additional positions shall be created without the authorization of the City Council. All transfers of appropriations between departments or in regards to capital items or projects shall be approved by the City Council. The City Administrator shall be charged with the responsibility of controlling the expenditures for all departments in accordance with the approved budget. A report on current year revenues, expenditures, and fund balances shall be maintained.

FACTORS AFFECTING FINANCIAL CONDITION

This brief narrative on the local economy, City financial policies and major initiatives outlined within the annual budget are intended to provide context to the MD&A and financial statements.

Local Economy

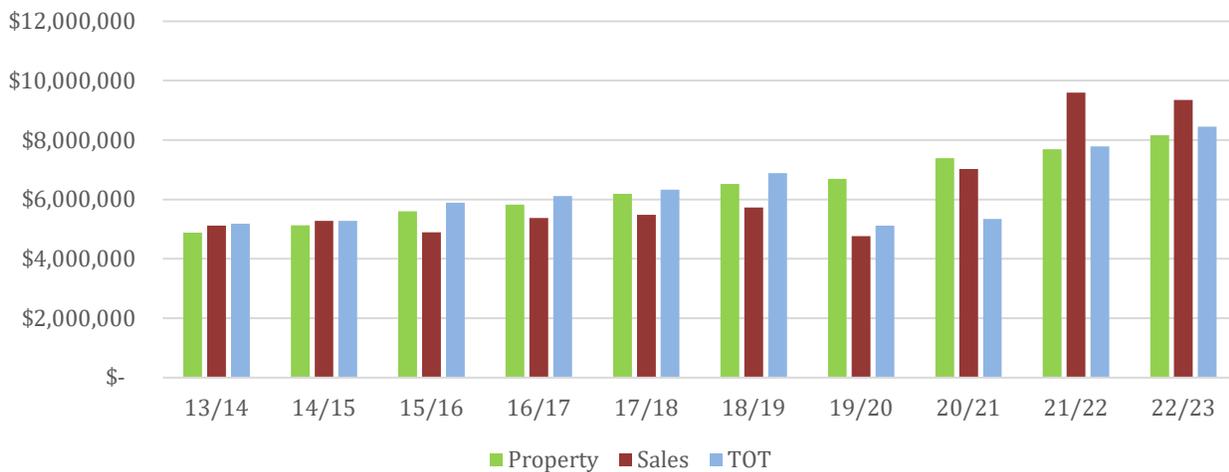
The City's three major sources of General Fund revenue include Property Tax, Sales and Use Tax, and Transient Occupancy Tax. As shown on the chart on the next page entitled "City's Major Revenues Historical Trend", property taxes have historically been a strong component to the City's financial health. Each tax represents about 1/3 of the City's total General Fund revenues. Revenue generated from sales and use taxes have become increasingly important to the City, especially after the passage of a local 1% sales tax measure by Carmel voters in 2012 and the subsequent approval of a new 1.5% sales tax for 20 years in March 2020. Transient occupancy taxes ("TOT") have also significantly contributed to the City's revenues, eclipsing nearly \$7 million in fiscal year 2018-2019, rebounding to approximately \$7.7 million in fiscal year 2021-2022 returning to pre-COVID levels, and exceeding \$8.4 million in fiscal year 2022-2023.

The City’s three major revenue sources also illustrate the unique opportunities attributed to the City of Carmel-by-the-Sea. Located within one square mile, the City is considered to be built-out, limiting the availability of new housing stock. This limited supply, coupled with a high demand for housing driven by the City’s desirability as a place to live and close proximity to the San Francisco metropolitan area, contributes to a healthy real estate market and thus the stability and strength of property tax revenues.

Many of the features that contribute to residential quality of life, such as a temperate climate, natural beauty, architecture, unique design standards and cultural, dining and shopping opportunities also attract visitors. The variety of restaurants and other dining options located within the City’s boundary as well as art galleries, jewelry and clothing retailers contribute to shopping opportunities for residents and visitors alike. Similarly, visitors have many lodging options to choose from when staying overnight within the City. The lodging establishments charge a 10% TOT for stays of 30 days or less, which is remitted to the City.

On November 6, 2012, the Carmel electorate approved a temporary 1% transaction and use tax (“sales tax”) for ten years to raise revenue for general purposes, known as Measure D. The City received its first tranche of Measure D in the spring of 2013, and, as shown in the chart below. The advent of Measure D increased the viability of sales tax as the City’s top major revenue sources, as shown in the chart “City’s Major Revenues Historical Trend” below. On March 3, 2020, the Carmel electorate voted and approved Measure C to increase the sales tax rate to 1.5%. The timing of Measure C helped minimize the effects of reduced sales tax revenue suffered during the pandemic, allowing the City to survive and recover to pre-pandemic levels by fiscal year 2020-2021. Sales tax revenue has been the largest source of revenue for the City over the last two fiscal years.

City's Major Revenues Historical Trend

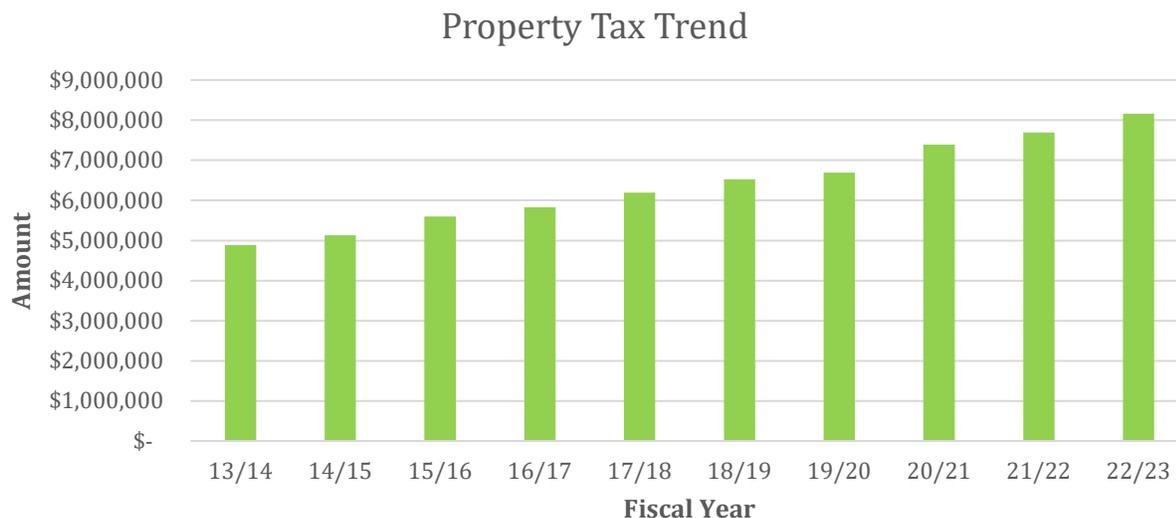


While fiscal year 2019-2020 was on track to meet revenue projections, the City’s economic forecast for two of its major revenue streams quickly began to change as news regarding the coronavirus (“COVID-19”) emerged. Travel restrictions coupled with decreased consumer spending and demand, particularly in the areas of travel and leisure, resulted in the underperformance of sales tax and TOT in fiscal year 2020-2021. TOT returned to pre-COVID levels in fiscal year 2021-2022, a tribute to Carmel’s claim as a unique travel destination. TOT reached a ten-year high of \$8.5 million due to increased travel after masking and travel restrictions eased. In addition, property taxes reached a ten-year high of \$8.2 million while sales and use tax had a decrease of revenue by 2.5% to \$9.4 million over 2021-2022. The economy has changed over the past fiscal year, hitting the general consumer goods group the hardest. Of this group, galleries and gift shops saw the greatest collective decline in sales.

Property Taxes

The desirability of Carmel-by-the-Sea as a place to reside, coupled with its limited housing stock, contribute to a strong local real estate market. Property tax revenue totaled \$4.8 million in fiscal year 2013-2014, increasing on average by 6% over the past 9 years, reaching \$8.16 million in fiscal year 2022-2023. Local Property taxes grew during the pandemic at rates of 4.1% and 6.1% in fiscal year 2021-2022 and fiscal year 2022-2023, respectively.

The State median home price is expected to rise 6.2% to \$860,300 in 2024, after dropping 1.5% to \$810,000 in 2023 from \$822,300 in 2022. In fiscal year 2022-2023, the total amount of revenue received from property taxes was \$8.2 million, a 6% increase over fiscal year 2021-2022. The City has averaged a 7% growth in property taxes over the last three fiscal years, largely due to the increase in secured property taxes.



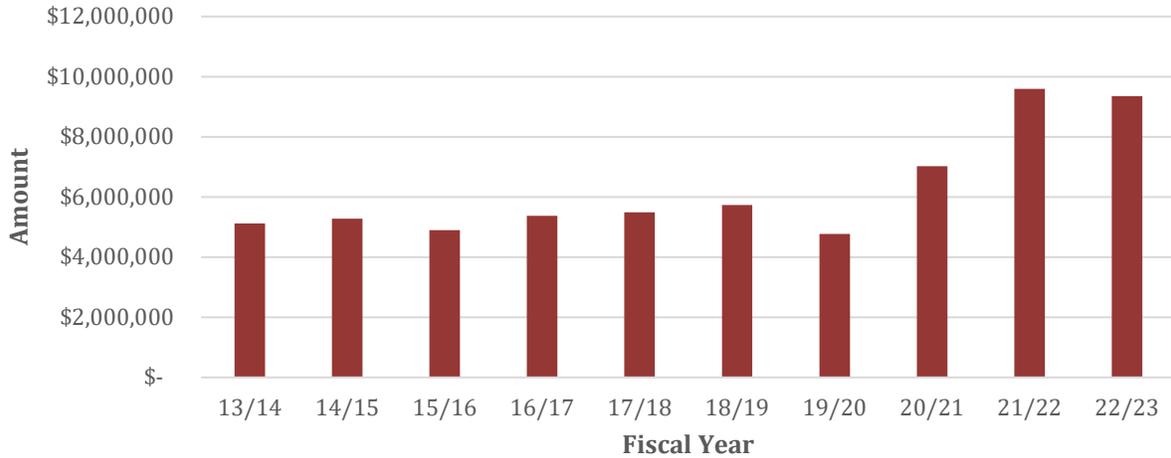
Sales and Use Taxes

The majority of the City’s sales and use taxes are attributed to businesses within the categories known as general consumer goods and restaurants. The City receives a portion (1%) of the statewide sales tax, known as Bradley-Burns tax, as well as revenue from a local sales tax. The Carmel electorate approved a local 1% sales tax measure in November 2012. Sales tax has steadily increased each year since 2013, dropping slightly in 2016 and then rising each year thereafter to reach approximately \$5.7 million in 2019. As explained in more detail within the *Transient Occupancy Tax* narrative below, the City faced a decline in the number of visitors due to COVID-19 for the last quarter of fiscal year 2019-2020, which also impacted sales tax. Sales tax in 2020 totaled approximately \$4.8 million. On March 3, 2020, the Carmel electorate voted and approved Measure C to increase the sales tax rate to 1.5%. The timing of Measure C helped minimize the effects of reduced sales tax revenue suffered during the pandemic, allowing the City to survive and recover to pre-pandemic levels by fiscal year 2020-2021. In fiscal year 2021-2022, as vaccination efforts increased and the masking restrictions were lifted, the City of Carmel-by-the-Sea experienced a peak increase in sales and use tax revenue, a reflection of the revenge consumer spending and relief from consumer goods shortages and logistic headaches brought out during COVID-19. Fiscal year 2022-2023 sales and use tax revenue finished slightly under the prior year’s high of \$9.6 million.

Consumer spending for certain goods and services remained high, particularly for online shopping and dining. General consumer goods spending slowed by the end of fiscal year 2022-2023, hitting outlets, galleries and gift shops the hardest. Sales tax in fiscal year 2022-2023 generated approximately \$9.4 million, a -2.54% decrease the prior fiscal year. Increases in national ecommerce spending behaviors plus the expansion of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders are shifting taxes

away from county tax pools. The offsetting effect is that these dollars are being directed to local agency’s coffers where the goods reside and no longer split and divide amongst the pools.

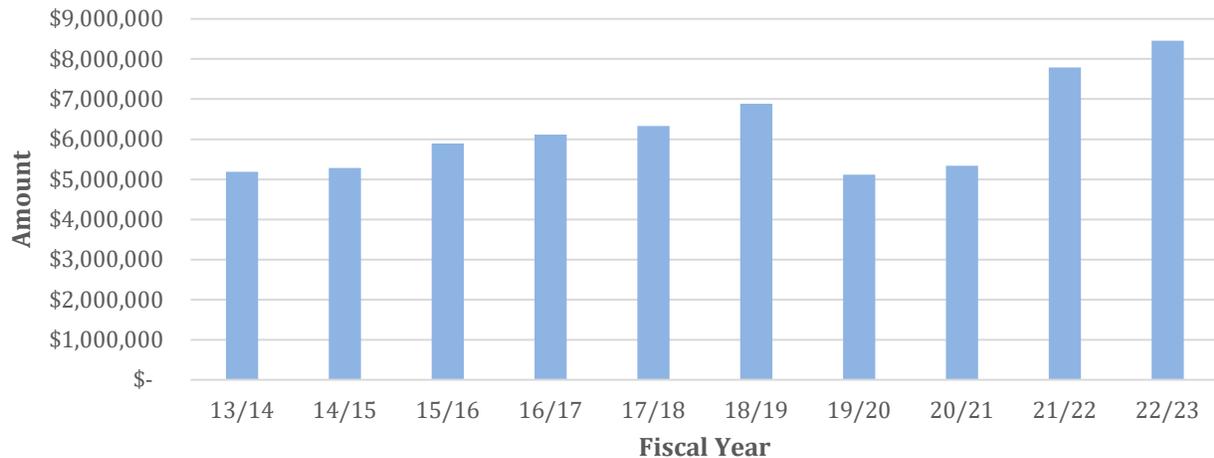
Sales & Use Tax Trends



Transient Occupancy Taxes

Transient occupancy taxes (“TOT”) contributed \$5.1 million toward citywide revenues in fiscal year 2013-2014. TOT grew, on average, by 9% over the next 3 fiscal years until reaching \$6.1 million in fiscal year 2017-2018. Revenues continued to rise and TOT totaled \$6.8 million in fiscal year 2018- 2019 with expected strong performance on the horizon. However, with global news emerging in February 2020 regarding the coronavirus, local hotels experienced an immediate decline in occupancy due to international travel restrictions. Subsequently Monterey County issued a shelter in place (“SIP”) order on March 17, 2020 followed by a statewide SIP issued by Governor Newsom on March 19, 2020. Hotels faced a near absolute shut down with little to no guests in February and March 2020 and entered the early summer, which is one of the City’s busier periods for tourism, with decreased occupancy rates. As a result, TOT generated \$5.1 million in fiscal year 2019-2020, or \$1.7 million (25%), less than the fiscal year 2019-2020. As the pandemic continued for fiscal year 2020-2021, the City of Carmel-by-the-Sea began to see an increase in TOT revenue of 4.4% to \$5.3 million as more travelers sought to escape to Carmel. Rebound in revenue came in fiscal year 2021-2022 when the TOT revenue grew to \$7.8 million, a 46% growth over prior fiscal year, surpassing pre-pandemic revenues. Carmel has proved to maintain its allure as a travel destination. TOT revenues for the Fiscal year 2022-2023 are \$8.5 million, a growth of 8.6% over last fiscal year.

TOT Tax Trends



Relevant Financial Policies

Financial and Budget Policies

The City Council adopted Council Policy C94-01: *Financial and Budget Policies* to provide direction to help ensure sound fiscal planning and the management of fiscal integrity. The Policies pertain to the capital and operating budgets, fund balance, debt management and investments.

Highlights of policy guidelines include the following:

Capital

- Total capital expenditures were budgeted at \$4.3 million at the beginning of the fiscal year. When omitting Streets projects of \$1,005,000, capital expenses were budgeted at approximately \$3.3 million, or 10% of total revenue. Actual capital expenditures totaled approximately \$1.2 million.
- 10% of the unrestricted funds designated for capital project expenditures were not set aside for unanticipated expenditures. A capital reserve policy of 20% of estimated five-year CIP expenditures was maintained. The reserve amount is calculated at \$3.4 million.
- The Five-Year Capital Improvement Program (CIP) was updated. The estimated cost to the City for its Five-Year Capital Improvement plan is \$17.1 million. All fiscal year 2022-2023 funded projects are consistent with the City's General Plan.

Operating

- The fiscal year 2022-2023 Adopted Budget did not include a revenue buffer of 5% of projected expenditures.
- The fiscal year 2022-2023 Adopted Budget projected a balanced budget. Ongoing expenses were not funded with one-time revenues. At fiscal year-end, governmental fund sources were greater than uses by \$5.2 million.

Fund Balance

- General Fund and Hostelry Fund reserves were maintained at no less than 15% and 10%, respectively, of their annual projected revenue. The General Fund Balance of \$22.3 million, significantly exceeds the statutory required reserve limit.

Major Initiatives

Continued Investment in Protecting Natural Resources and Critical Infrastructure

The fiscal year 2022-2023 Adopted Budget allocated \$5 million in funding for capital projects and vehicle and equipment purchases intended to rehabilitate City facilities; address sidewalks and street improvements; enhance public safety and protect and preserve the natural environment. The fiscal year 2022-2023 budget recognizes the importance of investing our “green” infrastructure by including \$327,000 for projects pertaining to the Mission Trail Nature Preserve Stream Drainage project, the Coastal Engineering Report, North Dunes Restoration including split rail fencing and signage. Additional capital funding included the Police Station Renovation, Drainage Design, Deferred Facilities Maintenance at City Hall, Harrison Memorial Library, and Sunset Center, ongoing implementation of accessibility improvements at various City facilities, an electric sweeper, and two residential electric vehicles for Community Planning and Building. The City also amended the fiscal year 2022-2023 budget by allocating an additional \$880,000 for the purchase of a new fire engine.

Revenue Enhancement and Stability

On November 6, 2012, the Carmel electorate approved a temporary 1% transaction and use tax (“sales and use tax”) known as Measure D. Measure D sunsets in 2023. Recognizing the importance of this revenue to the City’s financial health, the City Council began discussions regarding the renewal of Measure D well ahead of the sunset date. Council drafted a new sales tax initiative to replace the existing Measure D and increase the local sales tax by 0.50%. On March 3, 2020, Carmel voters approved Measure C, which authorizes a 1.5% tax for 20 years for general City purposes. The criticality of Measure C to both the City’s short and long-term fiscal sustainability immediately became apparent with the emergence of the coronavirus pandemic in the spring of 2020. As the new sales tax rate became effective on July 1, 2020, the additional 0.50% tax rate mitigated projected decreases in visitor-driven sales tax performance. In addition, online purchases are subject to local sales tax and this type of spending greatly increased during the pandemic.

Addressing Pension Liabilities

The California Public Employees’ Retirement System (“CalPERS”) is the largest pension fund in the country, managing investments for nearly 2 million members on behalf of the state, schools and other public agencies. The City is a participating member of CalPERS and has two primary CalPERS plans, one for miscellaneous members and one for safety members.

Annually, the City makes a payment to CalPERS that consists of (1) the annual cost for current employees (“normal cost”) and (2) the unfunded accrued liability (“UAL”). The UAL is the actuarial liability less the actuarial value of the assets. In other words, it is the difference between what CalPERS needs in order to pay for retirement benefits when people retire as compared to the amount that CalPERS currently has on hand to pay for the estimated costs of the retirement benefits. Similar to other public agencies, the City’s pension costs have risen. The UAL for the City is \$28.2 million, based on the valuation date of June 30, 2021, as measured through June 30, 2022.

The City has historically used a combination of strategies to help mitigate the costs associated with pension liability, such as the:

- Issuance of pension obligation bonds;
- Negotiation of employee contributions toward the employer’s cost of pensions; and
- Prepaying the annual UAL payment in order to save interest.

In January 2019, Council endorsed the City’s participation in a Pension Rate Stabilization Program to pre-fund pension obligations and authorized staff to issue a request for proposals for a Section 115 Trust Administrator. A Section 115 Trust is a tax-exempt investment vehicle authorized by the Internal Revenue Services to pre-fund government expenses, such as retirement plan benefits. Funds placed within the trust can remain within the trust

until such time that the City chooses to draw on its assets to pay an annual benefit obligation (i.e. make either an annual and/or additional payment to CalPERS) or seek reimbursement for a pension-related expense. Other benefits associated with the establishment of a trust include (1) greater investment flexibility and risk diversification compared to the City's general investment options and (2) City oversight of investment and control over the risk tolerance of its investment portfolio as compared to investments managed by CalPERS. On August 2, 2021, Council authorized the adoption of a Section 115 Trust known as the Public Agencies Post-Employment Benefits Trust administered by the Public Agency Retirement Services (PARS) and authorized the City's participation within this program. Subsequently, on September 7, 2021, Council authorized City staff to make an initial deposit of \$1 million into the Trust. \$1 million annual deposits are to be made over the next five years in the Section 115 Trust. The City deposited the second annual \$1 million tranche into the Section 115 Trust in fiscal year 2022-2023.

AWARDS

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carmel-by-the-Sea for its comprehensive annual financial report for the fiscal year ended June 30, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

As a result of the professionalism and dedication of the Finance Division staff, the City continues to make strides in updating and enhancing its financial policies, procedures and systems, and its financial reporting capabilities, as evidenced by the production of this annual comprehensive financial report. The preparation of this report also required the involvement of many City departments in gathering statistics, as well as the guidance and support of the City's independent auditor, and we extend our appreciation to these individuals for the assistance provided.

The annual comprehensive financial report is a document that strives to achieve transparency and full disclosure in financial reporting. As such, the preparation of this document would not be possible without the support of the City Council. We wish to acknowledge the City Council's leadership and commitment to organizational excellence, public transparency and sound fiscal management.



Chip Rerig
City Administrator



Jane Hogan
Accountant

Fiscal Year 2022-2023

City Council

Dave Potter, Mayor

Bobby Richards, Mayor Pro Tempore

Jeff Baron, Councilmember

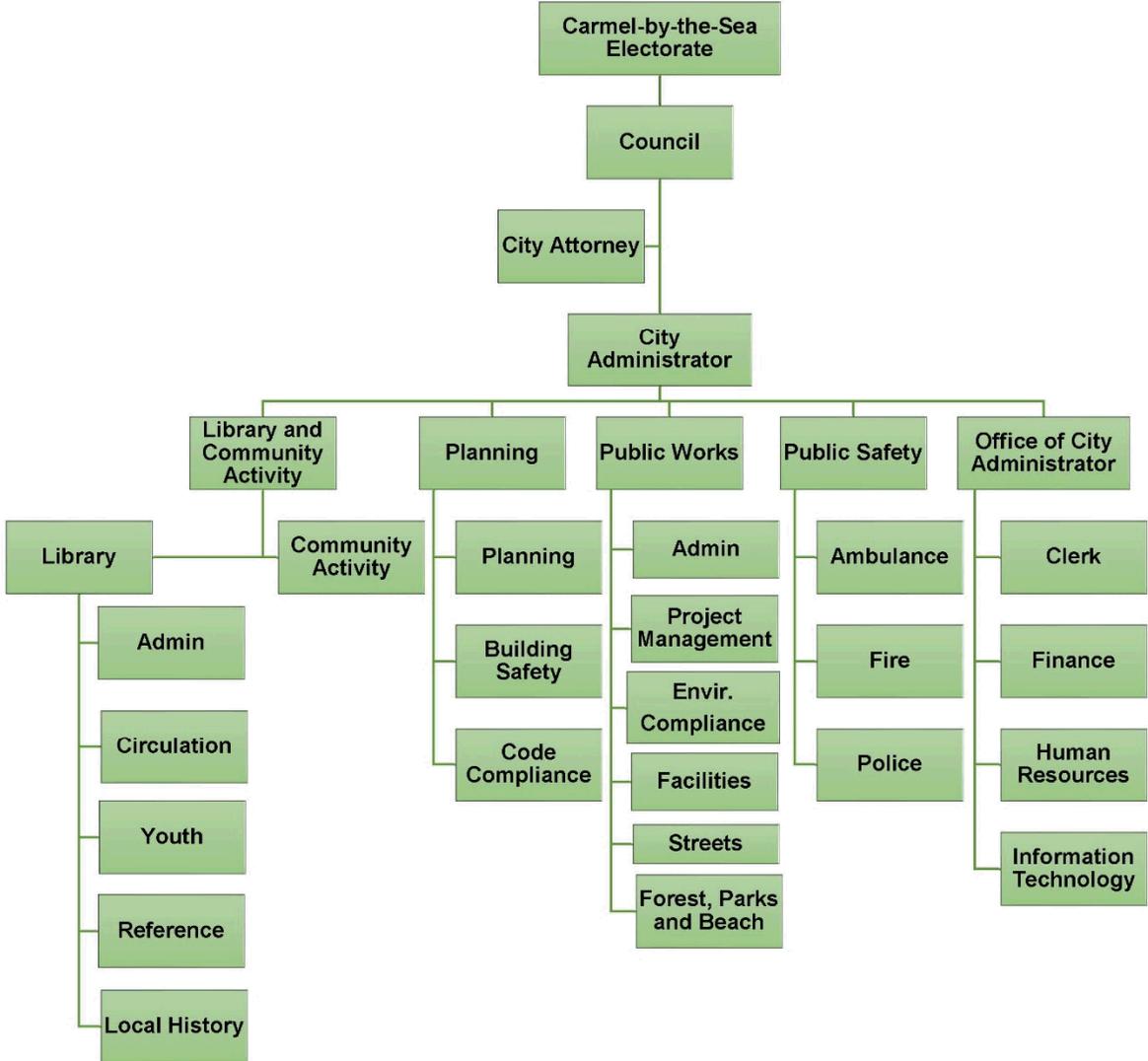
Karen Ferlito, Councilmember

Alissandra Dramov, Councilmember

City Administrator

Chip Rerig

CITY OF CARMEL-BY-THE-SEA ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Carmel-by-the-Sea
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the
City Council of the City of Carmel-By-The-Sea
Carmel-by-the-Sea, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Carmel-By-The-Sea (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Carmel-By-The-Sea, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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



the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, schedules, and other information listed in the supplementary information section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

C & A LLP

March 29, 2024
Morgan Hill, California

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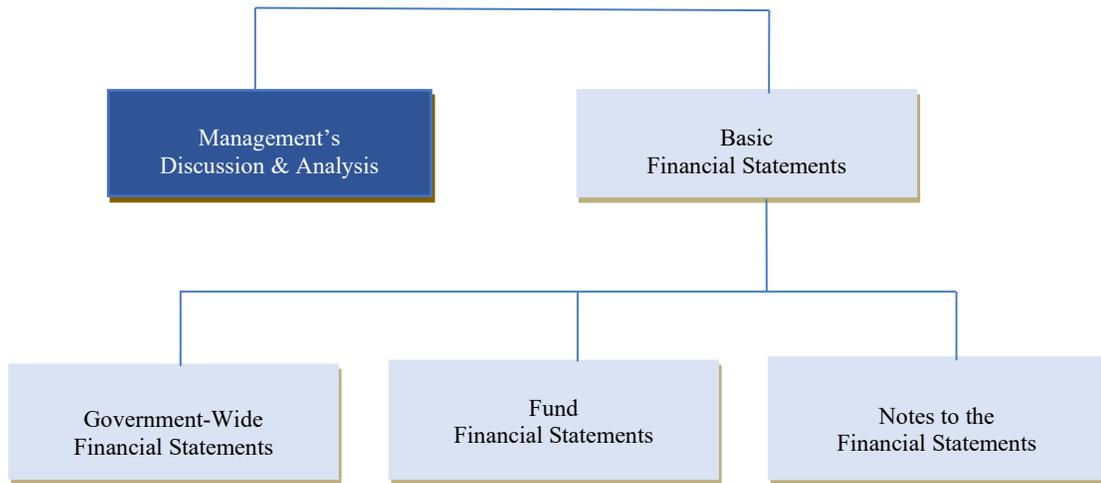
MANAGEMENT'S DISCUSSION AND ANALYSIS

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INTRODUCTION

As management of the City of Carmel-By-The-Sea, we offer readers of the City’s financial statements this narrative overview and analysis of financial activities of the City of Carmel-By-The-Sea for the fiscal year that ended on June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the other sections of the attached audited financial statements, required supplemental information and other supplemental information. The required components of the report are listed below.

Required Components of the Annual Financial Report



FISCAL YEAR 2022/23 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The assets and deferred outflows of resources of the City of Carmel-by-the-Sea exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$43.58 million (net position). Of this amount, net position included \$32.93 million classified as net investment in capital assets; \$5.54 million as restricted; and \$5.11 million as a deficit unrestricted net position (negative net position). The negative unrestricted net position is largely due to GASB 68 – Accounting and Financial Reporting for Pensions. This pronouncement requires local governments to record pension liabilities on the government-wide financial statements. The City’s pension liability in accordance with GASB 68 as of June 30, 2023 was \$28.16 million vs. \$15.96 million in the prior fiscal year.
- The City of Carmel-by-the-Sea’s total net position increased by \$11.41 million from last fiscal year mostly due to pension credits of \$4.83 million, an increase in current assets of \$7.42 million, and an increase in general revenues of \$1.54 million.

Fund Highlights

- At the close of Fiscal Year 22/23 the City of Carmel-by-the-Sea's governmental funds reported combined fund balances of \$31.61 million, an increase of \$5.57 million in comparison with the prior year. Approximately 49% or \$15.54 million was classified as unassigned fund balance and was available for spending at the government's discretion, which is up from \$10.02 million over the prior year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$20.39 million, or 91% of total general fund expenditures, prior to transfers, versus \$16.73 million and 64% in the prior year.
- The City's long-term liabilities increased by \$11.45 million primarily as the result of increases to employee benefit liabilities totaling \$12.2 million.
- The City's net capital assets decreased by 1% or \$378 thousand primarily as a result of depreciation during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Carmel-by-the-Sea's financial statements. The City of Carmel-by-the-Sea's basic financial statements are comprised of (1) Government-wide Financial Statements (2) Fund Financial Statements, and (3) notes to the financial statements. This report also contains other 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 of Carmel-by-the-Sea's finances, in a manner similar to a private-sector business. Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. Government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents financial information on all of the City of Carmel-by-the-Sea's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Carmel-by-the-Sea is improving or deteriorating.

The *Statement of Activities* presents information showing how the City of Carmel-by-the-Sea's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This is consistent with a full accrual concept, which may result in the reporting of revenues and expenses in the current fiscal year, with cash flows occurring in future fiscal periods (e.g. uncollected revenues and earned but not used vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Carmel-by-the-Sea that are principally support by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). An overview of the City's functions associated with each classification is listed below.

Governmental Activities – All of the City's basic services are considered to be governmental activities. This includes general government, public safety, public works, library, and community planning and building. These services are supported by general City revenues such as taxes, and by specific program revenues such as development and general government program fees. The City also operates three internal service funds, which are combined with the governmental funds and reported as governmental activities. See the table of contents for reference to the government-wide financial statements pages within this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds are presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the fiscal year and may change from year to year as a result of changes in the pattern of the City's activities. The City's funds are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This represents a modified accrual basis of accounting, with capital assets, long-lived assets, and long-term liabilities excluded from the financial statements. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *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 impact of the government's near-term financing 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 the comparison between *governmental funds* and *governmental activities*.

The City maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Measure C Sales Tax Fund, the Capital Projects Fund and the Harrison Memorial Library Fund. These funds are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Carmel-by-the-Sea adopts an annual budget for its governmental funds. A budgetary comparison statements have been provided to demonstrate compliance with this budget. See the table of contents for where the basic governmental fund financial statements can be found this report.

Proprietary Funds

Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the City of Carmel-by-the-Sea's various functions. The City uses internal service funds to account for the management of its retained risks associated with liability self-insurance, workers compensation and other post-employment benefits (OPEB). The City also uses an internal service fund, the Vehicle & Equipment Replacement Fund, to manage the costs of various equipment purchased, maintained and utilized to operate City services for various departments. Because these internal services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. See the table of contents for where the proprietary fund financial statements can be found this report.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Carmel-by-the-Sea's budgetary information for the General Fund and Major Special Revenue Funds, and the City's funding progress for its employee pension and OPEB benefit obligations. The page numbers for the required supplementary information can be found in the table of contents.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the *required supplementary information*. The page numbers for the combining and individual fund statements and schedules can be found in the table of contents.

An un-audited statistical section provides historical and current data on financial trends, revenue and debt capacity, demographic and economic information, and operating information. The table contents list the page numbers for where this information can be found.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position may serve as an indicator of a government’s financial position. In the case of the City of Carmel-by-the-Sea, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43.58 million at the close of the Fiscal Year. This represents an increase of \$11.41 million over the prior year.

The following table summarizes the City’s ending net position:

Table 1 - Net Position			
	Governmental Activities		Increase
	2023	2022	(Decrease)
Assets			
Current and other assets	\$ 38,077,120	\$ 30,659,871	\$ 7,417,249
Capital assets	38,065,618	38,443,660	(378,042)
Total Assets	\$ 76,142,738	\$ 69,103,531	\$ 7,039,207
Deferred Outflows of Resources	\$ 12,288,018	\$ 5,571,642	\$ 6,716,376
Liabilities			
Current and other liabilities	\$ 2,510,426	\$ 1,866,210	\$ 644,216
Noncurrent liabilities	37,795,680	26,341,876	11,453,804
Total Liabilities	\$ 40,306,106	\$ 28,208,086	\$ 12,098,020
Deferred Inflows of Resources	\$ 4,546,761	\$ 14,303,710	\$ (9,756,949)
Net Position			
Net investment in capital assets	\$ 32,930,884	\$ 33,545,605	\$ (614,721)
Restricted	5,536,383	6,773,624	(1,237,241)
Unrestricted	5,110,622	(8,155,852)	13,266,474
Total Net Position	\$ 43,577,889	\$ 32,163,377	\$ 11,414,512

A significant portion, \$32.93 million, of the City's net position reflects its investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.), less accumulated depreciation and any outstanding debt that was used to acquire or construct those assets. Capital assets represent infrastructure which provide services to citizens and are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

An additional \$5.54 million of the City of Carmel-by-the-Sea’s net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5.11 million is classified as unrestricted. This negative unrestricted balance is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. The City participates in the CalPERS Miscellaneous and Safety pension plans. GASB 68 impacted local governments by requiring them to report a proportional share of their pension plan’s net pension liabilities on financial statements. As of June 30, 2023, the City’s proportionate share of the CalPERS pension liability was \$28.16 million. See note 8 for detailed information related to the Plans, along with the required supplementary information section of this report.

At the end of the current fiscal year, the City of Carmel-by-the-Sea is able to report a positive balance for the government as a whole. The reasons for the overall financial changes are discussed in the following sections for governmental activities.

Governmental Activities

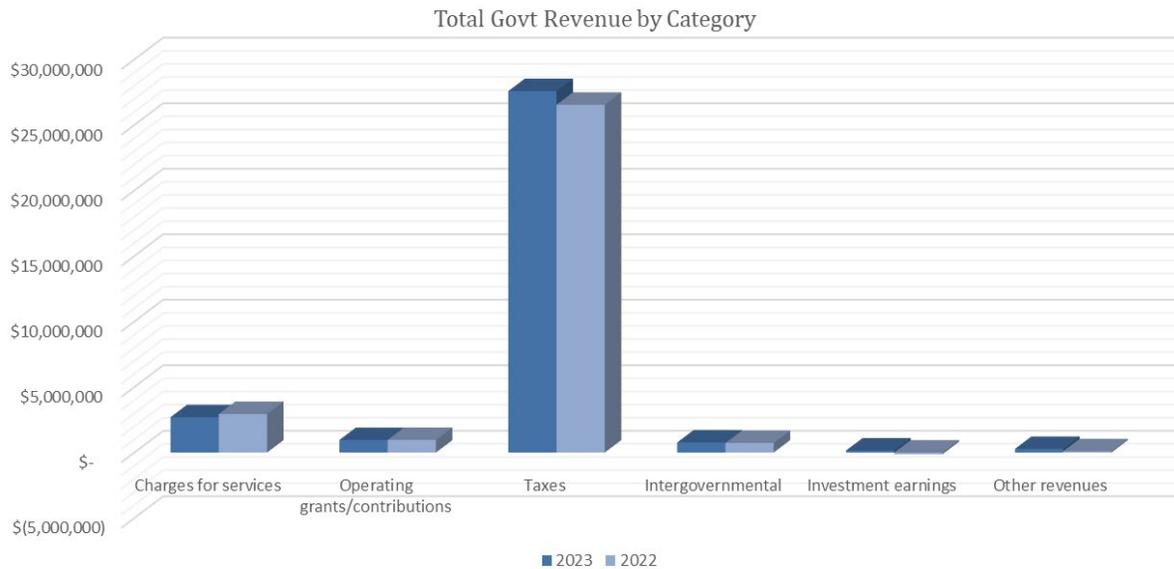
As shown in the *Statement of Changes in Net Position* schedule below, the change in net position for governmental activities increased by \$7.07 million. This increase is largely due to an increase of \$1.04 million in taxes which is a direct result of increased property values and a pension credit of \$4.83. Total revenues from governmental activities increased by \$1.54 million from the prior year. The net change in expenses from the prior year was a decrease of \$5.77 million.

With total revenues for the fiscal year at \$32.45 million and total expenses at \$21.04 million, the change in net position for current activity was \$11.41 million. An analysis of the changes in revenues and expenses is as follows:

Table 2 - Statement of Changes in Net Position			
Functions/Programs	Governmental Activities		Increase
	2023	2022	(Decrease)
Program Revenues			
Charges for services	\$ 2,699,548	\$ 2,941,755	\$ (242,207)
Operating grants and contributions	958,933	960,670	(1,737)
Total Program Revenues	3,658,481	3,902,425	(243,944)
General Revenues			
Taxes	27,588,978	26,544,389	1,044,589
Intergovernmental	771,258	734,550	36,708
Investment earnings	155,181	(126,009)	281,190
Other revenues	278,650	98,571	180,079
Total General Revenues	28,794,067	27,251,501	1,542,566
Expenses			
General government	6,290,757	6,494,737	(203,980)
Community Planning and Building	1,618,884	1,789,916	(171,032)
Public Safety	5,427,362	10,511,669	(5,084,307)
Public Works	4,572,764	4,961,215	(388,451)
Library	1,677,297	1,644,498	32,799
Community Activities	201,277	205,869	(4,592)
Economic Revitalization	1,101,644	1,034,150	67,494
Interest on fiscal charges	148,051	168,038	(19,987)
Total Expenses	21,038,036	26,810,092	(5,772,056)
Increase / (Decrease) in Net Position	11,414,512	4,343,834	7,070,678
Net Position, Beginning of Year	32,163,377	27,819,543	4,343,834
Net Position, End of Year	\$ 43,577,889	\$ 32,163,377	\$ 11,414,512

Governmental Revenues

The following chart summarizes the changes in revenues by category during the fiscal year:

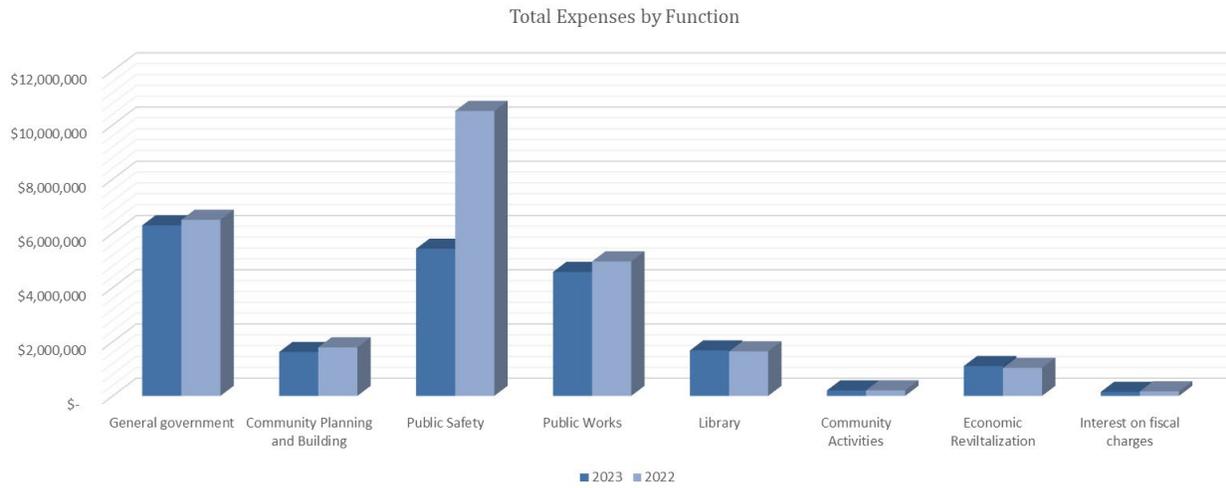


Significant changes in governmental revenues consisted of the following:

- Property tax increased by \$469,544, or approximately 6%, over the prior year due to a strong real estate market bolstered by the coronavirus pandemic, the ability of high-income households to purchase homes and the desirability of Carmel-by-the-Sea as a place to reside, coupled with its limited housing stock.
- Travel and tourism remained strong during the pandemic even with ongoing travel restrictions. Sales and use taxes decreased by \$243,355 from the prior year due to a less than expected consumer spending for online purchases and other types of goods and services, and lagging restaurant and dining sales. Transient occupancy taxes increased by \$668,099 over the prior year primarily due to an increase in the average daily room rates charged by lodging operators.

Governmental Expenses

The following chart summarizes the changes in expenses by category during the fiscal year:



Significant changes in governmental expenses include decreases to General Government, Community Planning and Building, Public Safety, and Public Works expenses of \$204,980, \$171,032, \$5.08 million, and \$388,451, respectively. The large decrease in public safety was mostly due to a \$3.39 million pension credit and depreciation expense of \$338,308.

FINANCIAL ANALYSIS OF THE CITY’S GOVERNMENTAL FUNDS

As noted earlier, the City of Carmel-by-the-Sea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. In particular, the unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City of Carmel-by-the-Sea’s Council.

The following is a summary of the changes in fund balance of the major and other (nonmajor) governmental funds:

	Major Funds					Total
	General	Measure C	Capital	Harrison	Other	
	Fund	Sales Tax Fund	Projects Fund	Memorial Library Fund	Governmental Funds	
Total Revenues	\$ 25,490,159	\$ 5,868,695	\$ -	\$ 345,243	\$ 590,645	\$ 32,294,742
Total Expenditures	23,771,725	-	1,199,077	443,713	874,942	26,289,457
Revenues Over (Under) Expenditures	1,718,434	5,868,695	(1,199,077)	(98,470)	(284,297)	6,005,285
Transfers in	3,644,009	-	3,585,897	-	791,737	8,021,643
Transfers out	(633,330)	(7,356,906)	(306,567)	-	(158,000)	(8,454,803)
Net change in fund balances	4,729,113	(1,488,211)	2,080,253	(98,470)	349,440	5,572,125
Beginning of year	17,669,288	3,399,710	1,596,719	1,549,102	1,824,812	26,039,631
End of year	\$ 22,398,401	\$ 1,911,499	\$ 3,676,972	\$ 1,450,632	\$ 2,174,252	\$ 31,611,756

The fund balance of the City’s General Fund increased by \$4.73 million mostly due to transfers in from the Measure C Sales Tax fund and increased sales and transient hotel tax. The fund balance in the Measure C Sales Tax Fund decreased by \$1.49 million mostly because of transfers to the General Fund and Capital Projects Fund. The fund balance in the Capital Projects fund increased by \$2.08 million mostly from transfers made by the Measure C Sales Tax Fund to pay for future capital projects. The fund balance in the Library Fund decreased by \$98,470 mostly as revenues decrease by \$31,698 and expenses increased by \$145,154 as compared to the prior year.

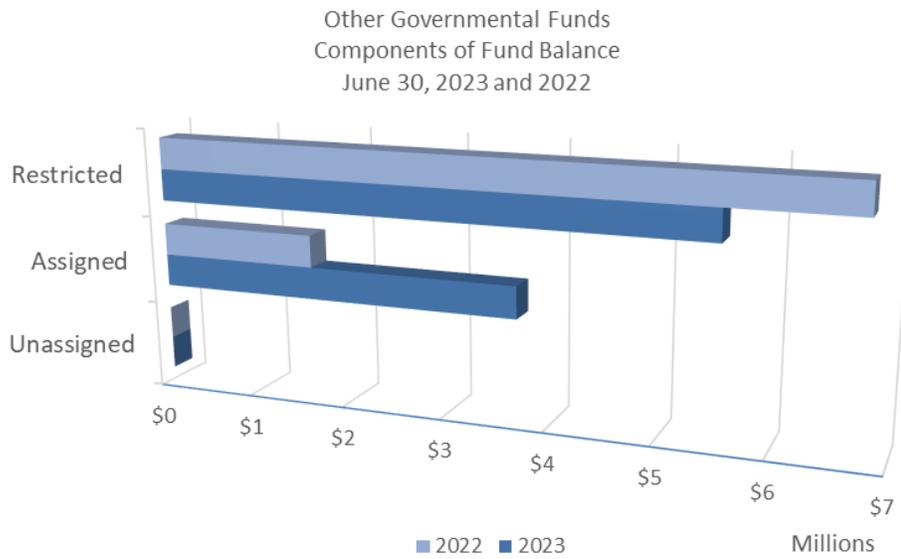
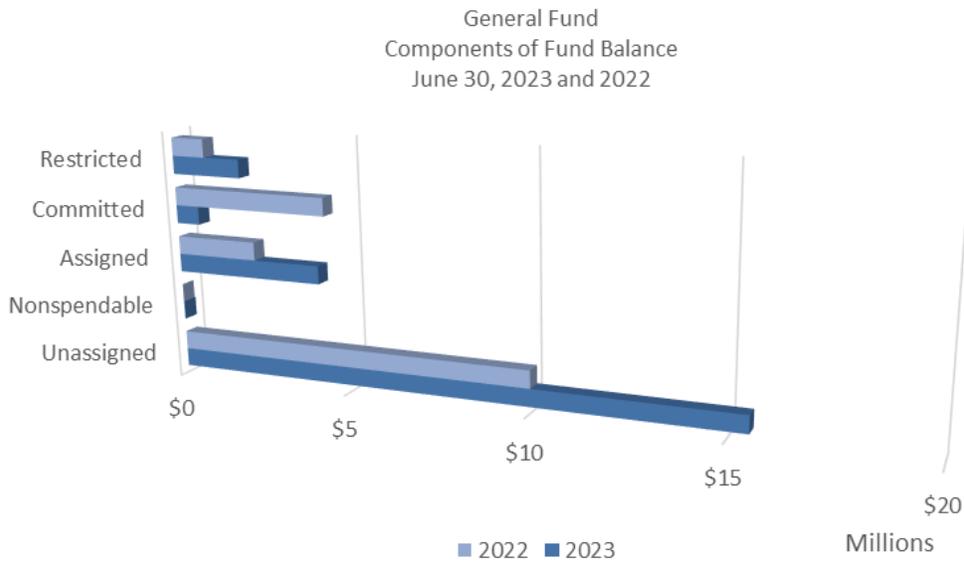
Combined Funds – Components of Fund Balance

As of June 30, 2023, the City of Carmel-by-the-Sea’s reported combined fund balances of \$31.61 million, which represents a \$5.57 million increase over the prior year. Approximately 49%, or \$15.54 million, was classified as unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance was either committed, restricted, or assigned. The committed balance of \$666,700 represents funds that are set-aside for specific purposes via resolution of the City Council. The restricted balance of \$7.52 million reflects fund that are legally required to remain intact, \$26,469 was classified as nonspendable for prepaid items, while the remainder of \$7.86 million represents funds that were assigned to a particular purpose by the City Council or management given legal authority by the Council.

General Fund – Components of Fund Balance

The general fund is the chief operating fund of the City of Carmel-by-the-Sea. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$15.54 million, and the total fund balance increased to \$22.4 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The total general fund expenditures prior to transfers were \$23.77 million. Unassigned fund balance represents approximately 65% of the total general fund expenditures, while total fund balance represents approximately 94% of total general fund expenditures.

The following charts provide an annual comparison of the fund balance components included in the general fund and the other governmental funds.



The assigned fund balance in other governmental funds was from the Capital Projects Fund which had \$3.68 million in fund balance assigned for capital projects.

FINANCIAL ANALYSIS OF CITY’S INTERNAL SERVICE FUNDS

The following is a summary of the changes in fund balance of the City’s internal service funds:

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total
Total Revenues	\$ 98,435	\$ -	\$ 824,813	\$ 923,248
Total Expenditures	55,505	-	225,248	280,753
Revenues Over (Under) Expenditures	42,930	-	599,565	642,495
Nonoperating Revenue (Expense)	4,392	10,962	8,706	24,060
Transfers in	148,160	-	285,000	433,160
Transfers out	-	-	-	-
Net change in fund balances	195,482	10,962	893,271	1,099,715
Beginning of year	64,234	1,757,748	1,580,581	3,402,563
End of year	<u>\$ 259,716</u>	<u>\$ 1,768,710</u>	<u>\$ 2,473,852</u>	<u>\$ 4,502,278</u>

CAPITAL ASSETS

The City of Carmel-by-the-Sea’s investment in capital assets includes land, buildings, systems, improvements, machinery, equipment, facilities, roads, and other similar assets and infrastructure. The following table summarizes the City’s capital assets at the end of the year:

	Governmental Activities		Increase
	2023	2022	(Decrease)
Land	\$ 5,101,641	\$ 5,101,641	\$ -
Construction in Progress	1,009,751	51,358	958,393
Buildings and improvements	14,370,979	14,895,659	(524,680)
Infrastructure	16,653,881	17,820,081	(1,166,200)
Vehicles	205,651	227,043	(21,392)
Technology/Hardware and Software	124,702	96,010	28,692
Subscription based assets	250,580	-	250,580
Machinery and equipment	348,433	251,868	96,565
Total Capital Assets, Net	<u>\$ 38,065,618</u>	<u>\$ 38,443,660</u>	<u>\$ (378,042)</u>

The City reported depreciation expense of \$2.14 million for fiscal year 2022-23 as compared to \$2.13 million for fiscal year 2021-22.

See Note 5 in the notes to financial statements section for additional information.

DEBT ADMINISTRATION (LONG-TERM LIABILITIES)

During the year, Long-Term Liabilities from governmental activities increased by \$11.45 million primarily due an increase in the net pension liability as shown below and described in the financial highlights section.

The following table summarizes the City’s debt at the end of the year:

	Governmental Activities		Increase
	2023	2022	(Decrease)
Sunset Center LRB	\$ 3,895,000	\$ 3,895,000	-
Sunset Center LRB Premium	809,107	838,004	(28,897)
Countywide Radio Project	15,033	165,051	(150,018)
Pension Obligation Bonds	-	680,000	(680,000)
Financed Purchases	156,440	-	156,440
Subscription Liabilities	259,154	-	259,154
Compensated Absences	898,688	586,299	312,389
Net Pension Liability	28,163,296	15,965,385	12,197,911
Claims Liability	575,000	575,000	-
Total OPEB Liability	3,023,962	3,637,137	(613,175)
Total Long-Term Liabilities	<u>\$ 37,795,680</u>	<u>\$ 26,341,876</u>	<u>\$ 11,453,804</u>

See Note 6 in the notes to financial statements section for additional information.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes from the City's General Fund original budget to the final budget are detailed in the *Required Supplementary Information* section along with a comparison to actual activity for the year ended. In Fiscal Year 22/23, the City originally estimated an increase of \$6.64 million in fund balance; however the City ended the year with a surplus of revenues over expenditures of \$4.73 million due to changes in transfers in for the Measure C Sales Tax Fund.

Revenues

The General Fund adopted and final revenue budgets were \$23.36 and \$23.99 million, with actual revenues recorded at \$25.49 million. This \$1.5 million difference was primarily from increased transient occupancy tax collections.

Expenditures

The General Fund adopted expenditure budget was \$26.4 million and the final budget was \$27.87 million. The actual expenditures totaled \$23.77 million, which resulted in a net difference of \$1.47 million. Most of the savings can be attributed to salary and benefit savings.

ECONOMIC OUTLOOK

Summary

The City's primary revenue sources include property taxes, sales and use taxes, and transient occupancy taxes. The desirability of Carmel-by-the-Sea as a place to reside and visit drives the overall increase to the City's revenue in fiscal year 2022-2023. Property tax revenue continues to steadily grow year over year as limited stock drives home prices higher. After experiencing a slight decline in fiscal year 2019-2020, sales taxes and transient occupancy taxes are currently outperforming budget expectations. Moreover, consumer spending is shifting from consumer goods back to services, causing a slight reduction in sales and use taxes revenue for the City over last fiscal year. Restaurants and general consumer goods (retail) are the City's leading drivers of sales and use tax revenue.

The City has recovered and surpassed pre-pandemic tourism and related spending levels. Projections for the City's three major revenues total \$24.9 million, or 81%, of the \$30.9 million in estimated total citywide revenues for fiscal year 2023-2024. The three major revenues increase over \$1 million when compared to the fiscal year 2022-2023 Adopted Budget, primarily driven by strong performance in transient occupancy taxes as well as sales and use taxes. While the approaching fiscal year reflects increased revenue receipts, the economic outlook assumes the leveling off of sales and use taxes to anticipate only a conservative 3% growth over prior year revenues as consumers shift from goods to services. Similarly, the City is cautionary in projecting growth in transient occupancy taxes (TOT). TOT daily occupancy rates are trending 4% lower than this time last fiscal year while the average daily room rate is trending 3% higher over the same period.

Planned expenditures also increase in the upcoming fiscal year. City staffing levels remained at 96.23 full-time equivalents (FTE) in fiscal year 2022-2023. The cost of staffing increases from \$13.5 million to \$15 million due to a combination of factors such as negotiated salary and benefit adjustments, personnel advancement (annual merit or salary step adjustments), rising retirement and health insurance costs and additional staff. Personnel costs steadily increase, approaching \$16 million by fiscal year 2024-2025, without any additional increase in FTE beyond the fiscal year 2023-2024 staffing levels.

However, even without an increase in staffing levels, the City faces rising personnel costs primarily attributed to pension-related expenses. In addition to its annual contributions toward retirement costs for existing employees, the City makes an annual required payment to the California Public Employees' Retirement System (CalPERS) for the City's unfunded actuarial liability ("UAL"). The UAL payment for the upcoming fiscal year is approximately \$2 million. To help address its pension obligations, the City established a Section 115 Trust with an initial investment of \$1 million in fiscal year 2021-2022 and an additional \$1 million contribution in fiscal year 2022-2023.

The City's ability to provide ongoing funding into the trust while maintaining an annual balanced budget is contingent on (1) revenues sustaining annual growth over the next several years and (2) controlling increases in Citywide expenses, particularly regarding salary and benefits and capital outlay. Inflation also affects the ability to reduce costs for staffing, services and supplies.

Outlook for Major Revenues

Property Taxes

Located within one square mile, the City's land capacity for new housing is limited, which curtails the availability of housing stock. This limited supply, coupled with a high demand for housing driven by the City's desirability as a place to live and close proximity to the San Francisco metropolitan area, contributes to a healthy real estate market and thus the stability and strength of property tax revenues.

Unlike sales tax and transient occupancy tax, the fiscal year 2022-2023 budget assumed incremental growth in property tax and continued resiliency. The State median home price averaged over \$810,000 in 2023, setting a 1.5% decrease from prior year. The California median home sales price for 2024 is expected to rise 6.2% to \$860,300. Carmel has a consistently strong property tax base. While fiscal year 2022-2023 property tax revenue outpaces projections, annual growth of 3% is conservatively realistic. Historically, the City's annual increase in property taxes over the last ten years averages 5.1%. The financial forecast assumes 3% annual growth over the next several years.

Sales and Use Taxes

Many of the features that contribute to residential quality of life, such as a temperate climate, natural beauty, architecture and unique design standards and cultural, dining and shopping opportunities also attract visitors. The variety of restaurants and other dining options located within the City, as well as art galleries, jewelry and clothing retailers contributes to shopping opportunities for residents and visitors alike.

Restaurants and general consumer goods (retail) are the City's leading drivers of sales and use tax revenue. Projections statewide for the restaurant category anticipate growth of 2.9% in 2023-2024 and 3.7% in fiscal year 2024-2025, as ever-increasing prices are pushing strong gains. General consumer goods are expected to slow with growth at -.9% in 2023-2024, followed by an increase of 1.4% in 2024-2025. Recent trends show inflation has cooled in fiscal year 2023-2024, while financing costs are expected to begin a gradual decent in the second half of 2024.

Fiscal year 2023-2024 projects an increase of 15% and 4% respectively in the local sales tax (Measure C) and the City's share of the statewide sales tax when compared to the fiscal year 2022-2023 Adopted Budget.

Transient Occupancy Taxes

Various lodging options are available to visitors and these lodging establishments charge a 10% transient occupancy tax for stays of 30 days or less. Transient occupancy taxes (TOT) are challenging to predict as they are based upon personal choices regarding travel, be it the decision on whether to travel, where to travel, and how much to spend on travel, such as the amount to pay for a hotel room. In addition to facing competition from other popular US destinations that neighbor the Monterey Peninsula to the north and south, the City also competes with other international destinations. On the other hand, given its proximity to San Francisco and location on the California central coast between San Francisco and Los Angeles the City is accessible to many visitors, including guests from California, other states and other countries. Thus, the City's TOT is sensitive to changes in consumer spending, economic conditions, and, to some extent, statewide, national and international policies.

TOT revenues recovered to pre-pandemic levels for travel spending in fiscal year 2022-2023. The City of Carmel-by-the-Sea continues to be a world travel destination and remains cautious as occupancy is trending 4% lower the first half of fiscal year 2023-2024. As the average daily room rate is on average 3% higher, receipts are 4% higher than this time last fiscal year. The City's financial forecast assumes a conservative growth of 2% for fiscal year 2023-2024.

Outlook for Major Expenditures

Salaries and Benefits

The City's largest expenditure is related to the cost of personnel. City staffing levels remained at 96.23 full-time equivalents (FTE) in fiscal year 2023-2024. Correspondingly, the cost of staffing increases from \$13.5 million to \$15.1 million due to a combination of factors such as negotiated salary and benefit adjustments,

step increases, rising retirement and health care costs and additional staff. Personnel costs steadily increase, approaching \$16 million by fiscal year 2024-2025, without any additional increase in FTE beyond fiscal year 2023-2024 staffing levels.

Pension Costs

The City provides a defined pension plan through the California Public Employees' Retirement System (CalPERS) for its full-time employees. As such, the City is responsible for contributing toward current employees' retirement packages based upon a set amount determined by CalPERS based upon a percentage of salary ("employer contribution"). The employer contribution is included within the City's overall budgeted salary and benefit costs. In addition, the City is obligated to make additional pension payments to CalPERS known as the unfunded actuarial liability ("UAL"). The UAL addresses any shortfall between funding CalPERS needs to pay for retirement benefits when people retire compared to the funding that CalPERS currently has on hand to pay for the estimated costs of these benefits. The City's UAL is estimated at \$28.2 million based on the valuation date of June 30, 2021 with a measurement date of June 30, 2022. As calculated by CalPERS, the City's UAL annual contribution payment decreased from \$2.1 million in fiscal year 2022-2023, to \$2 million in fiscal year 2023-2024, and increases to \$2.4 million in fiscal year 2024-2025. The City anticipates annual contribution costs will continue to rise over the next several years even if staffing levels remain unchanged.

To help address its pension obligations, the City established a Section 115 Trust with an initial investment of \$1 million into the trust. Current City Council wishes to provide funding of \$1 million annually into the trust and contributed its second tranche in fiscal year 2022-2023. When considering to fund the Section 115 Trust, the City considers 2025 personnel and capital outlay costs, as these minimize the amount of funding available to allocate to the trust. The City is on track to contribute another \$1 million to the Section 115 Trust in fiscal year 2023-2024.

Other Operating Costs

In order to deliver services to the community, the City procures various types of goods and services. The category of services and supplies assumes 13% annual growth in fiscal year 2023-2024, as the City adjusts for goods and services overall sensitivity to inflation. The City is optimistic that federal interest rates will ease in 2024 and inflation will slow. The City contracts for specialized professional services and costs trend upward based upon credentials, certifications and qualifications of the individuals providing the service. Moreover, the City currently contracts with another governmental agency for fire prevention and response services, subject to increases based upon salary and benefits, including pension. Overall costs across all sectors are significantly higher over prior fiscal years.

Capital Projects

After deferring capital projects, coupled with higher construction and material costs, the City capital expenditures budgeted increased to \$10.9 million in fiscal year 2023-2024. In future years, in accordance with the City's financial policies, capital outlay expenses should represent 3.5% of projected revenue, or approximately \$1.1 million annually based upon current revenue assumptions. However, the City's Five-Year Capital Improvement Plan totals \$52.9 million and identifies needs of \$10 million annually over the next five fiscal years. Similar to service and supplies, inflation and other market-based conditions drive the availability of contractors and costs to implement public works projects, subject to prevailing wage. In addition, deferring building and infrastructure maintenance drives long-term costs for repair and replacement.

Debt Service

On July 3, 2012, the City Council authorized the issuance of pension obligation bonds to refinance the City's outstanding side fund obligations to CalPERS. The final debt service payment was made when the bond matured on June 1, 2023. On September 30, 2020, the City refinanced the 2010 Refunding Lease Revenue Bond related to improvements at the Sunset Center (the Sunset Theater Project). Annual future debt service payment is \$513,000 for fiscal year 2023-2024 through bond maturity on November 1, 2032.

REQUEST FOR FINANCIAL INFORMATION

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Carmel-by-the-Sea-by-the-Sea Finance Department, P O Box CC, Carmel-by-the-Sea, CA 93921, or visit the City's web page at <http://ci.carmel.ca.us/carmel>.



BASIC FINANCIAL STATEMENTS

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City of Carmel-By-The-Sea
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 33,397,425
Receivables:	
Accounts	2,504,159
Due from other governments	1,234,375
Other assets	941,161
Total Current Assets	<u>38,077,120</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	6,111,392
Depreciable, net of accumulated depreciation	31,954,226
Total Capital Assets - Net	<u>38,065,618</u>
Total Assets	<u><u>\$ 76,142,738</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB Adjustments	\$ 343,033
Pension Adjustments	11,944,985
Total Deferred outflows of Resources	<u><u>\$ 12,288,018</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 1,184,932
Payroll related liabilities	792,510
Deposits and other liabilities	506,984
Interest payable	26,000
Claims payable - current portion	57,500
Compensated absences - current portion	206,000
Long-term debt - due within one year	480,181
Total Current Liabilities	<u>3,254,107</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	4,654,553
Claims payable	517,500
Compensated absences	692,688
Net pension liability	28,163,296
Total OPEB liability	3,023,962
Total Noncurrent Liabilities	<u>37,051,999</u>
Total Liabilities	<u><u>\$ 40,306,106</u></u>
DEFERRED INFLOWS OF RESOURCES	
OPEB Adjustments	\$ 1,859,119
Pension Adjustments	2,687,642
Total Deferred Inflows of Resources	<u><u>\$ 4,546,761</u></u>
NET POSITION	
Net investment in capital assets	\$ 32,930,884
Restricted for:	
Transportation	1,392,572
Public safety	10,817
Debt service	26,805
Library	1,450,632
Public parking	738,592
Measure D	1,911,499
Asset seizure	5,466
Total Restricted	<u>5,536,383</u>
Unrestricted	<u>5,110,622</u>
Total Net Position	<u><u>\$ 43,577,889</u></u>

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Total	
Primary Government:					
Governmental Activities:					
General government	\$ 6,290,757	\$ 177,654	\$ 642,833	\$ 820,487	\$ (5,470,270)
Community Planning and Building	1,618,884	1,268,455	-	1,268,455	(350,429)
Public Safety	5,427,362	973,358	-	973,358	(4,454,004)
Public Works	4,572,764	73,206	-	73,206	(4,499,558)
Library	1,677,297	8,485	316,100	324,585	(1,352,712)
Community Activities	201,277	56,919	-	56,919	(144,358)
Economic Revitalization	1,101,644	141,471	-	141,471	(960,173)
Interest and fiscal charges	148,051	-	-	-	(148,051)
Total Governmental Activities	\$ 21,038,036	\$ 2,699,548	\$ 958,933	\$ 3,658,481	(17,379,555)

General Revenues:

Taxes:

Property taxes	8,164,266
Sales and use taxes	9,353,372
Transient occupancy taxes	8,455,742
Franchise taxes	880,958
Business license tax	734,640
Total taxes	27,588,978
Intergovernmental revenues not restricted to specific programs	771,258
Investment earnings	155,181
Other revenues	278,650
Total General Revenues	28,794,067
Change in Net Position	11,414,512
Net Position - Beginning of Year	32,163,377
Net Position - End of Year	\$ 43,577,889

The accompanying notes are an integral part of these financial statements.

MAJOR GOVERNMENTAL FUNDS

Fund Title	Fund Description
General Fund	This fund is used to account for all of the general operations and other financial transactions of the City, which are not accounted for by another fund.
Measure C Sales Tax	This fund is used to account for the transaction and use tax increase to be used to maintain essential services, including fire, ambulance and police response times; fund capital needs, including streets, beach, parks, forest and trails; increase code compliance; maintain libraries, Sunset Center and other public facilities; address CalPERS pension liabilities and other debt; and provide other general City services.
Capital Projects	This fund accounts for resources utilized, committed, assigned or restricted for capital projects.
Harrison Memorial Library	This fund is used to account for activities associated with the Harrison Memorial Library.

City of Carmel-By-The-Sea
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds					
	General Fund	Measure C Sales Tax Fund	Capital Projects Fund	Harrison Memorial Library Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 22,021,794	\$ 780,423	\$ 3,978,295	\$ 1,474,144	\$ 2,084,270	\$ 30,338,926
Receivables:						
Accounts	2,494,971	-	-	-	-	2,494,971
Due from other governments	-	1,131,076	-	-	103,299	1,234,375
Due from other funds	13,317	-	-	-	-	13,317
Other assets	26,469	-	-	-	-	26,469
Total assets	\$ 24,556,551	\$ 1,911,499	\$ 3,978,295	\$ 1,474,144	\$ 2,187,569	\$ 34,108,058
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 858,656	\$ -	\$ 301,323	\$ 23,512	\$ -	\$ 1,183,491
Accrued liabilities	792,510	-	-	-	-	792,510
Deposits	506,984	-	-	-	-	506,984
Due to other funds	-	-	-	-	13,317	13,317
Total liabilities	2,158,150	-	301,323	23,512	13,317	2,496,302
Fund Balances:						
Nonspendable						
Prepaid items	26,469	-	-	-	-	26,469
Restricted:						
Transportation	-	-	-	-	1,392,572	1,392,572
Public safety	-	-	-	-	10,817	10,817
Debt service	-	-	-	-	26,805	26,805
Library	-	-	-	1,450,632	-	1,450,632
Asset seizure	-	-	-	-	5,466	5,466
Public parking	-	-	-	-	738,592	738,592
Pensions	1,983,781	-	-	-	-	1,983,781
Measure C	-	1,911,499	-	-	-	1,911,499
Committed:						
Holstery tax	666,700	-	-	-	-	666,700
Assigned:						
Operational reserves	4,180,736	-	-	-	-	4,180,736
Capital projects	-	-	3,676,972	-	-	3,676,972
Unassigned	15,540,715	-	-	-	-	15,540,715
Total fund balances	22,398,401	1,911,499	3,676,972	1,450,632	2,174,252	31,611,756
Total liabilities and fund balances	\$ 24,556,551	\$ 1,911,499	\$ 3,978,295	\$ 1,474,144	\$ 2,187,569	\$ 34,108,058

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2023

Total Fund Balances - Total Governmental Funds \$ 31,611,756

Amounts reported for governmental activities in the statement of net position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Capital assets	64,851,723
Less: accumulated depreciation	(28,038,885)
Total Capital Assets	<u>36,812,838</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (26,000)

Internal service funds are used by management to charge the costs of stores, vehicle maintenance and various insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 4,502,279

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position. 7,741,256

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt	(4,978,294)
Compensated absences	(898,688)
Net pension obligation	(28,163,296)
Total OPEB liability	<u>(3,023,962)</u>
Total Long-Term Obligations	<u>(37,064,240)</u>

Net Position of Governmental Activities \$ 43,577,889

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds					Total Governmental Funds
	General Fund	Measure C Sales Tax Fund	Capital Projects Fund	Harrison Memorial Library Fund	Other Governmental Funds	
REVENUES						
Taxes:						
Property taxes	\$ 8,164,266	\$ -	\$ -	\$ -	\$ -	\$ 8,164,266
Sales and use taxes	3,484,677	5,868,695	-	-	-	9,353,372
Transient occupancy taxes	8,455,742	-	-	-	-	8,455,742
Franchise taxes	880,958	-	-	-	-	880,958
Business license tax	734,640	-	-	-	-	734,640
Intergovernmental revenues	832,011	-	-	-	582,080	1,414,091
License and permits	957,429	-	-	-	-	957,429
Contributions	-	-	-	316,100	-	316,100
Fines and forfeitures	108,144	-	-	-	-	108,144
Charges for services	1,411,796	-	-	8,485	-	1,420,281
Interest	110,604	-	-	20,658	8,565	139,827
Rents and concessions	148,896	-	-	-	-	148,896
Other revenues	200,996	-	-	-	-	200,996
Total Revenues	25,490,159	5,868,695	-	345,243	590,645	32,294,742
EXPENDITURES						
Current:						
General government	6,806,933	-	-	-	-	6,806,933
Community Planning and Building	1,939,088	-	-	-	-	1,939,088
Public Safety	8,866,616	-	-	-	-	8,866,616
Public Works	3,880,769	-	-	-	-	3,880,769
Library	913,183	-	-	443,713	-	1,356,896
Community Activities	216,366	-	-	-	-	216,366
Economic Revitalization	1,130,510	-	-	-	-	1,130,510
Capital outlay	-	-	1,199,077	-	-	1,199,077
Debt service						
Principal	18,260	-	-	-	696,753	715,013
Interest and fiscal charges	-	-	-	-	178,189	178,189
Total Expenditures	23,771,725	-	1,199,077	443,713	874,942	26,289,457
Excess (Deficiency) of						
Revenues over Expenditures	1,718,434	5,868,695	(1,199,077)	(98,470)	(284,297)	6,005,285
OTHER FINANCING SOURCES (USES)						
Transfers in	3,644,009	-	3,585,897	-	791,737	8,021,643
Transfers out	(633,330)	(7,356,906)	(306,567)	-	(158,000)	(8,454,803)
Total Other Financing Sources (Uses)	3,010,679	(7,356,906)	3,279,330	-	633,737	(433,160)
Net Change in Fund Balances	4,729,113	(1,488,211)	2,080,253	(98,470)	349,440	5,572,125
Fund Balances Beginning	17,669,288	3,399,710	1,596,719	1,549,102	1,824,812	26,039,631
Fund Balances Ending	\$ 22,398,401	\$ 1,911,499	\$ 3,676,972	\$ 1,450,632	\$ 2,174,252	\$ 31,611,756

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Government-Wide
Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 5,572,125
Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	
Capital outlay	1,199,076
Depreciation expense	(1,911,502)
Internal service funds are used by management to charge the costs of stores, vehicle maintenance, and various insurance costs to individual funds.	
Net revenue (excess expenses) reported with governmental activities	1,099,715
Certain revenues were not recorded or recorded as unearned revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Government-Wide Statement of Activities under the full accrual basis.	133,265
Long-term compensated absences and claims payables were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources and were not reported as expenditures in governmental funds.	
Compensated absences	(312,389)
In governmental funds, actual contributions to benefit plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year benefit expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	4,826,100
Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of net position.	715,013
Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the fund statements as follows:	
Other postemployment benefits	62,489
Amortization of prepaid pension obligation	28,897
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from and accreted interest from prior year.	1,723
	<hr/>
Change in Net Position of Governmental Activities	\$ 11,414,512
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The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Statement of Net Position
Proprietary Funds
June 30, 2023

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ 3,058,499
Accounts receivable	9,188
Other assets	914,692
Total current assets	<u>3,982,379</u>
Noncurrent Assets:	
Capital assets - net	1,252,780
Total assets	<u><u>\$ 5,235,159</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,441
Financed purchases - current	30,000
Claims payable - current	57,500
Total current liabilities	<u>88,941</u>
Non-current liabilities:	
Financed purchases	126,440
Claims payable	517,500
Total non-current liabilities	<u>643,940</u>
Total liabilities	<u><u>\$ 732,881</u></u>
NET POSITION	
Net Investment in capital assets	\$ 1,096,340
Unrestricted	3,405,938
Total net position	<u><u>\$ 4,502,278</u></u>

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 98,435
Other	824,813
Total operating revenues	<u>923,248</u>
OPERATING EXPENSES	
Claims	55,505
Depreciation	225,248
Total operating expenses	<u>280,753</u>
Operating income (loss)	642,495
NONOPERATING REVENUES(EXPENSES)	
Gain (loss) on disposal of capital assets	9,188
Interest expense	(482)
Investment earnings	15,354
Total nonoperating revenues(expenses)	<u>24,060</u>
Income (loss) before operating transfers	666,555
Transfers in	433,160
Transfers out	-
Total Other Financing Sources (Uses)	<u>433,160</u>
Change in net position	1,099,715
Total net position - beginning	<u>3,402,563</u>
Total net position - ending	<u><u>\$ 4,502,278</u></u>

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Receipts from interfund services provided	\$ 923,248
Payments for claims	<u>(54,064)</u>
Net cash provided (used) by operating activities	<u>869,184</u>
Cash flows from noncapital financing activities:	
Interfund transactions	<u>433,160</u>
Net cash provided (used) by noncapital financing activities	<u>433,160</u>
Cash flows from capital financing activities:	
Purchases of property and equipment	<u>(1,178,718)</u>
Net cash provided (used) by capital financing activities	<u>(1,178,718)</u>
Cash flows from investing activities:	
Investment income received	<u>15,354</u>
Net cash provided (used) by investing activities	<u>15,354</u>
Net increase (decrease) in cash and cash equivalents	138,980
Cash and cash equivalents - beginning	<u>2,763,561</u>
Cash and cash equivalents - ending	<u><u>\$ 2,902,541</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 642,495
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	225,248
Change in operating assets and liabilities:	
Other assets	-
Accounts payable	<u>1,441</u>
Net cash provided (used) by operating activities	<u><u>\$ 869,184</u></u>

The accompanying notes are an integral part of these financial statements.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Carmel-by-the-Sea, California, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of Carmel-by-the-Sea, California was incorporated on October 31, 1916, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: general government, community planning and building, public safety (fire, police and ambulance), public works, library, economic revitalization and other community activities.

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance. All property taxes are paid to Monterey County (County) as part of the revenue neutrality payment obligation. The financial statements do not reflect the amounts received on behalf of the City and retained by the County.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by US GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Carmel-by-the-Sea, Finance Department, Post Office Box CC, Carmel-by-the-Sea, CA 93921.

The City's reporting entity includes the following blended component units:

- Carmel Public Improvement Authority
- Harrison Memorial Library

The above component units are included in the City's basic financial statements using the blended method since the component unit's governing body is substantively the same as the governing body of the City and there is a financial benefit and a burden relationship between the City and the component units. There are no component units of the City that meet the criteria for discrete presentation.

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The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present summaries of governmental and business-type activities for the City. Fiduciary activities of the City are not included in these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City did not report any business-type activities for the year.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources (including capital assets, as well as infrastructure assets, and long-term liabilities), are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. In conformity with the City's indirect cost allocation plan, certain indirect costs are included in the program expense reported for individual functions and activities. Certain types of

City of Carmel-by-the-Sea
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transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in-regards-to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. Interfund services provided and used are not eliminated in the process of consolidation. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Internal Service Fund charges

Governmental Fund Financial Statements

Governmental fund financial statements include a *Balance Sheet* and a *Statement of Revenues, Expenditures and Changes in Fund Balances* for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets. The *Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales taxes, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, licenses and permits and parking meter revenues are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

City of Carmel-by-the-Sea
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The following funds are major funds:

General Fund

The General Fund is used to account for all of the general operations and other financial transactions of the City, which are not accounted for by another fund.

The Measure C Sales Tax Fund

The Measure C Sales Tax Fund used to account for the transaction and use tax increase to be used to maintain essential services, including fire, ambulance and police response times; fund capital needs, including streets, beach, parks, forest and trails; increase code compliance; maintain libraries, Sunset Center and other public facilities; address CalPERS pension liabilities and other debt; and provide other general City services.

Capital Projects Fund

This fund accounts for resources utilized, committed, assigned or restricted for capital projects.

Harrison Memorial Library Fund

This fund accounts for the contributions, revenues and resources used to operate the Harrison Memorial Library.

Additionally, the City reports the following nonmajor fund types of governmental funds:

Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to specific purposes other than debt service or capital projects.

Debt Service Funds

Debt service funds account for the accumulation of resources for, and payment on, long-term obligation debt principal and interest.

Proprietary Funds

In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the “economic resources measurement focus”. This means all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the internal service funds financial statements.

The City’s internal service funds are proprietary funds. Internal service funds account for charges to City departments for services provided, on a cost reimbursement basis. The City has the following internal service funds:

City of Carmel-by-the-Sea
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Worker's Compensation Fund

This fund accounts for workers compensation insurance provided to departments on a cost reimbursement basis.

OPEB Reserve Fund

This fund accounts for other postemployment benefits provided to departments on a cost reimbursement basis.

Vehicle & Equipment Replacement Fund

This fund is to set aside financial resources for future purchases of replacement equipment essential to the operations of the City.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas: Interest Rate Risk, Overall Credit Risk, Custodial Credit Risk, Concentrations of Credit Risk, and Foreign Currency Risk. Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

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D. Interfund Receivables and Payables

Items classified as interfund receivables/payables are referred to as “advances to/advances from other funds” or as “due to/from other funds”. Due to/from other funds include short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund. Advances to/advances from other funds represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation.

E. Receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City’s experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

The County of Monterey is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

F. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement that are reported at acquisition value rather than fair value. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds’ infrastructure assets were not capitalized, since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. No

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depreciation is recorded in the year of acquisition or in the year of disposition. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Intangible right-to-use assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised, then the lease asset is amortized over the useful life of the underlying asset. Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying asset.

Depreciation and amortization is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	20-50 Years
Improvements other than buildings	35 Years
Vehicles, machinery and equipment	5-20 Years
Infrastructure	20-50 Years
Technology/Hardware and Software	5-20 Years

G. Deferred Outflows/Deferred Inflows of Resources

Deferred outflows of resources are a consumption of net assets by the City that is applicable to a future reporting period; for example, prepaid items and deferred charges.

Deferred inflows of resources are an acquisition of net assets by the City that is applicable to a future reporting period; for example, unavailable revenue and advance collections.

H. Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as an incurred liability for governmental fund types. The City has not allocated the interest on long-term debt to departments.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statements when payment is made.

I. Claims Payable

The City records a liability for claims, judgments, and litigation when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

J. Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for up to 40 hours of unused annual leave. However, this is contingent upon the employee using at least 40 hours during the previous

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year and, the employee having a minimum balance of 80 annual leave hours after the payment. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

K. Long-Term Liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed in year incurred.

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 reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Subscription Based Information Technology Arrangements (SBITAs)

The City recognizes subscription liabilities with an initial, individual value of \$10,000 or more annually and \$50,000 or more over the subscription contract. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate in the arrangement. The City's estimated incremental borrowing rate is based on its most recent public debt issuance.

M. Benefit Plans

Pension Expense

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 (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit (OPEB) Expense

For purposes of measuring the total OPEB liability, 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 Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

N. Fund Balances

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

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Nonspendable

Nonspendable fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council, the City's highest level of decision-making authority, for specific purposes pursuant to constraints imposed by formal action taken such as resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting periods; however the amount can be determined subsequently.

Assigned

Assigned fund balance includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the City Council and the City Manager.

Unassigned

The Unassigned Fund Balance category represents fund balance which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet and in the combining nonmajor fund balance sheets.

Flow Assumption / Spending Order Policy

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

O. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that are attributed to the acquisition, construction, or improvement of the assets. In addition, deferred

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outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position

Restricted Net Position

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

Interfund Transactions

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except for interfund services provided and used and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

P. Property Taxes

County tax assessments include secured and unsecured property taxes and special assessments. "Unsecured" refers to taxes on personal property. These tax assessments are secured by liens on the property being taxed.

Secured property taxes are levied on or before the first day of July of each year. They become a lien on real property on January 1 proceeding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and is delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 each year and are delinquent, if unpaid, on August 31.

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The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan”, as described by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

Q. Budgetary Information

In accordance with applicable sections of the California Government Code and the Carmel-by-the-Sea Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds, Capital Projects Funds and the Debt Service Fund.

Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Administrator. The City Administrator prepares an estimate of revenues and prepares recommendations for the next year’s budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Administrator is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Administrator is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year.

Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2023, based on calculations by City management, proceeds of taxes did not exceed appropriations.

R. Encumbrances

Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. All appropriations, except open project appropriations, and unexpended grant appropriations and encumbrances, lapse at year end. Valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

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S. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unavailable revenue.

T. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. Implemented New Accounting Pronouncements

GASB Statement No. 96, Subscription-based Information Technology Arrangements

During the fiscal year, the City implemented GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 is an accounting pronouncement issued by the Governmental Accounting Standards Board (GASB) that provides guidance on how the costs and investments for subscription-based information technology arrangements (SBITAs) are accounted for and disclosed by governmental entities. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. As a result, the City recorded intangible right of use subscription assets of \$277,414 million and corresponding subscription liabilities of \$277,414. The details of the related assets and liabilities can be found in Note 6.

V. Upcoming New Accounting Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2023, cash and investments were reported in the financial statements as follows:

Cash and investments	\$ 33,397,425
Total cash and investments	<u>\$ 33,397,425</u>

The following summarized cash and investments by type:

Cash on hand	\$ 1,545
Demand Deposits	21,456,939
Investments	9,955,160
Restricted cash with fiscal agent	<u>1,983,781</u>
Total cash and investments	<u>\$ 33,397,425</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

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A. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution. The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The bank balances before reconciling items totaled \$21,805,069 at June 30, 2023 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$21,555,069 which was collateralized by securities held by pledging financial institutions.

B. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

C. Investment Policies

City Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of bond indentures of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Issues	5 years	None	None
U.S. Government Agency Securities	5 years	50%	50%
California State and Local Bonds, Notes, & Warrants	None	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	15%	10%
Medium Term Corporate Notes	5 years	30%	30%
Negotiable Certificates of Deposit	5 years	30%	30%
Repurchase Agreements	92 days	None	None
Passbook Savings/Money Market	None	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Federal Instrumentalities	None	None	None

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Authorized Investments - Debt Agreements

Investments held by bond fiscal agents (trustees) are governed by the provisions of the underlying indenture agreements rather than the general provisions of the City’s investment policy or California Government Code. The indenture agreements identify the following permitted investments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Issues	None	None	None
U.S. Government Agency Securities	None	None	None
Banker's Acceptance	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Funds	None	None	None
Investment Agreements	None	None	None
Local Agency Bonds	None	None	None
Medium Term Notes	None	None	None
Negotiable Certificate of Deposits	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

D. External Investment Pool

The City's investments with LAIF at June 30, 2023, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

D. Risk Disclosures

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 term of an investment’s maturity, the greater the sensitivity to changes in market interest rates. It is the City’s practice to manage its exposure to interest rate risk is by

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purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for City’s operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, Standards and Poor. As of June 30, 2023, the City’s investments were in compliance with the ratings required by the City’s investment policy, indenture agreements and Government Code.

Concentrations of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2023, the City had no investments in any one issuer (other than external investment pools which are exempt) that represented 5% or more of the total City investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2023, the City’s investments had the following maturities and ratings:

Investment Type	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months	Total	Rating	Input Levels
LAIF (state pool)	\$ 5,336,853	\$ -	\$ -	\$ -	\$ -	\$ 5,336,853	not rated	n/a
Money market funds	1,231,761	-	-	-	-	1,231,761	AAA	1
Bonds	1,986,969	-	-	-	-	1,986,969	AAA	1
Certificate of deposits	231,040	233,990	243,212	449,751	241,584	1,399,577	not rated	1
Total Investments	\$ 8,786,623	\$ 233,990	\$ 243,212	\$ 449,751	\$ 241,584	\$ 9,955,160		

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NOTE 3 - ACCOUNTS RECEIVABLE

The following summarizes accounts receivable as of June 30, 2023:

Ambulance	\$ 450,201
Holstery Tax	1,276,942
Measure C	1,131,076
Garbage Franchise Tax	114,261
Sales and Use Tax	667,897
Other Accruals	98,157
Total Accounts Receivable	<u>\$ 3,738,534</u>

NOTE 4 - INTERFUND TRANSACTIONS

A. Inter-fund Receivables and Payables

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years. As of June 30, 2023, the General Fund was owed \$13,317 from COPS Grant Fund.

Transfers In/Out

With Council approval, resources may be transferred from one fund to another. Transfers may be made to pay for capital projects or capital outlays, lease or debt service payments, operating expenses, and to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following summarizes transfers between funds during the fiscal year ended June 30, 2023:

Fund	Transfer in	Transfer out
General Fund	3,644,009	633,330
Measure C Sales Tax Fund	-	7,356,906
Capital Projects Fund	3,585,897	306,567
Internal Service Funds	433,160	-
Nonmajor Funds	791,737	158,000
Total Transfers	<u>\$ 8,454,803</u>	<u>\$ 8,454,803</u>

Funds were transferred from the Measure C Sales Tax Fund to the general fund for operating activities as identified in Measure C and to the Capital Projects Fund for capital improvements. Internal service funds transfers were cost reimbursements not considered to be charges. Transfers to and from nonmajor funds were for debt service and operations.

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NOTE 5 - CAPITAL ASSETS

Capital assets for governmental activities consisted of the following as of June 30, 2023:

	Balance July 01, 2022	Additions	Transfers/ Deletions	Balance June 30, 2023
Governmental Activities				
Non-depreciable:				
Land	\$ 5,101,641	\$ -	\$ -	\$ 5,101,641
Construction in Progress	51,358	958,393	-	1,009,751
Total Non-Depreciable	5,152,999	958,393	-	6,111,392
Depreciable/Amortizable:				
Buildings and improvements	26,886,573	140,573	-	27,027,146
Infrastructure	27,225,850	63,913	-	27,289,763
Vehicles	3,043,693	56,902	(60,655)	3,039,940
Technology/Hardware and Software	687,282	76,552	-	763,834
Subscription based assets	-	277,414	-	277,414
Machinery and equipment	2,940,305	184,961	-	3,125,266
Total Depreciable/Amortizable	60,783,703	800,315	(60,655)	61,523,363
Less Accumulated Dep/Amort for:				
Buildings and improvements	(11,990,914)	(665,253)	-	(12,656,167)
Infrastructure	(9,405,769)	(1,230,113)	-	(10,635,882)
Vehicles	(2,816,650)	(78,294)	60,655	(2,834,289)
Technology/Hardware and Software	(591,272)	(47,860)	-	(639,132)
Subscription based assets	-	(26,834)	-	(26,834)
Machinery and equipment	(2,688,437)	(88,396)	-	(2,776,833)
Total Accumulated Dep/Amort	(27,493,042)	(2,136,750)	60,655	(29,569,137)
Total Depreciable Capital Assets - Net	33,290,661	(1,336,435)	-	31,954,226
Total Governmental Capital Assets	\$ 38,443,660	\$ (378,042)	\$ -	\$ 38,065,618
Internal Service Funds (Included with Governmental Activities)				
Buildings and improvements	\$ 714,511	\$ 40,355	-	\$ 754,866
Technology/Hardware and Software	660,844	-	-	660,844
Vehicle, Machinery and Equipment	1,125,459	241,863	-	1,367,322
Accumulated Depreciation	(1,305,004)	(225,248)	-	(1,530,252)
Total Internal Service Funds - Net	\$ 1,195,810	\$ 56,970	\$ -	\$ 1,252,780

Depreciation expense was allocated to the following governmental activities:

General Government	\$ 44,597
Community Planning and Building	6,947
Public Safety	181,197
Public Works	1,317,993
Library	549,005
Community Activities	37,011
Total depreciation expense	<u>\$ 2,136,750</u>

City of Carmel-by-the-Sea
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NOTE 6 - NONCURRENT LIABILITIES

The City's noncurrent liabilities consisted of the following as of June 30, 2023:

Noncurrent Liabilities	Beginning			Ending		Due
	Balance	Additions	Deletions	Balance		Within One Year
Sunset Center LRB	\$ 3,895,000	\$ -	\$ -	\$ 3,895,000	\$	355,000
Sunset Center LRB Premium	838,004	-	28,897	809,107		28,897
Countywide Radio Project (Direct)	165,051	-	150,018	15,033		15,033
Pension Obligation Bonds	680,000	-	680,000	-		-
Financed Purchases	-	184,962	28,522	156,440		30,000
Subscription Liabilities	-	277,414	18,260	259,154		51,251
Compensated Absences	586,299	482,217	169,828	898,688		206,000
Net Pension Liability	15,965,385	17,280,265	5,082,354	28,163,296		-
Claims Liability	575,000	70,167	70,167	575,000		57,500
Total OPEB Liability	3,637,137	1,287,946	1,901,121	3,023,962		-
Total Noncurrent Liabilities	\$ 26,341,876	\$ 19,582,971	\$ 8,129,167	\$ 37,795,680	\$	743,681

2020 Refunding Lease Revenue Bonds - Sunset Center

On September 23, 2020, the City issued \$3,895,000 in 2020 Refunding Lease Revenue Bonds at a \$866,901 premium with interest at 4%. The issuance costs were \$183,992. The bonds were issued to refund the Sunset Center COPs and the aggregate difference in debt service between the refunding debt and the refunded debt was \$1,042,418. The net savings on the defeasance totaled \$128,099.

The annual debt service requirements were as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	355,000	155,800	\$ 510,800
2025	375,000	141,600	516,600
2026	380,000	126,600	506,600
2027	405,000	111,400	516,400
2028	425,000	95,200	520,200
2029-2033	1,955,000	208,800	2,163,800
Total	\$ 3,895,000	\$ 839,400	\$ 4,734,400

Countywide Radio Project

In 2009, the City entered into a participation agreement with Monterey County to provide funding related to the "Next Generation Radio Project," a Federal Communications Commission mandated alteration of public safety and local government radio systems. Estimated payments will change should individual local jurisdictions elect out of the project. During the fiscal year, the \$133,265 of the liability was forgiven.

The annual debt service requirements were as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 15,033	\$ 1,519	\$ 16,552

City of Carmel-by-the-Sea
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Pension Obligation Bond

On November 29, 2012, the City issued \$6,280,000 in 2012 Taxable Pension Obligation Bonds, the purpose of which was to fund certain PERS side fund obligations. The bonds bear an interest rate of 0.55% to 3.1% and mature on June 1, 2023. The bond matured during the year.

Financed Purchases

The City entered into a finance purchase agreement to buy Motorola radios for \$203,021, including interest, at 3.13%, and principal. The payments commenced on July 1, 2022 and end on July 1, 2028. The annual debt service requirements were as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 24,106	\$ 4,897	\$ 29,003
2025	24,861	4,142	29,003
2026	25,639	3,364	29,003
2027	26,442	2,561	29,003
2028	27,269	1,734	29,003
2029-2033	28,123	880	29,003
Total	<u>\$ 156,440</u>	<u>\$ 17,578</u>	<u>\$ 174,018</u>

Subscription Based Information Technology Agreements

During the year, the City implemented GASB 96, Subscription Based Information Technology Arrangements (SBITAs). The following summarizes the City's terms and conditions for its SBITAs as of June 30, 2023:

<u>Terms</u>	<u>Spring Brook</u>	<u>AXON BWP</u>
Start	7/1/2022	1/1/2023
End	7/1/2027	6/30/2032
Annual Rate	2.52%	3.54%
Principal Paid	\$ 18,260	\$ -
Interest Paid	\$ -	\$ -
Lease Amortization	\$ 17,881	\$ 17,909

The following summarizes the City's right of use assets and subscription liabilities:

<u>Subscription Right of Use Assets</u>	<u>Spring Brook</u>	<u>AXON BWP</u>	<u>Total</u>
Beginning	\$ -	\$ -	\$ -
Additions	107,281	170,133	277,414
Deletions	-	-	-
Ending	107,281	170,133	277,414
Accumulated Amortization	(17,880)	(8,954)	(26,834)
Subscription ROA, Net	<u>\$ 89,401</u>	<u>\$ 161,179</u>	<u>\$ 250,580</u>

<u>Subscription Liabilities</u>	<u>Spring Brook</u>	<u>AXON BWP</u>	<u>Total</u>
Beginning	\$ -	\$ -	\$ -
Additions	107,281	170,133	277,414
Principal Paid	(18,260)	-	(18,260)
Ending	89,021	170,133	259,154
Due Within One Year	16,930	16,786	33,716
Due in More Than One Year	<u>\$ 72,091</u>	<u>\$ 153,347</u>	<u>\$ 225,438</u>

City of Carmel-by-the-Sea
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The annual subscription payments as follows:

For the Year Ending June 30,	Principal	Interest	Total
2024	\$ 51,251	\$ 7,521	\$ 58,772
2025	32,344	6,628	38,972
2026	33,312	5,660	38,972
2027	34,311	4,662	38,972
2028	35,340	3,633	38,972
2029-2033	72,596	6,603	79,199
Total Debt Service	\$ 259,154	\$ 34,707	\$ 293,862

Compensated Absences

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences.

Net Pension Liability

In accordance with GASB Statement No. 68, the City has recorded its net pension liability of CalPERS benefits for retirees. Pension benefits and associated liabilities are paid from the General Fund. See Note 8 for further discussion on the net pension liability.

Claims Liability

The City has recorded a liability for potential claims in excess of amounts covered by the insurance pool. See Note 7 for further discussion on the City’s risk management activities.

Total OPEB Liability

The total OPEB liability is the cumulative differences between annual OPEB cost and an employer’s contributions to a plan. OPEB liabilities are paid from the General Fund. See Note 9 for further discussion on OPEB.

NOTE 7 - RISK MANAGEMENT

The City of Carmel-by-the-Sea (City) is a member of PRISM (Public Risk Innovation, Solutions, and Management) which is a shared risk pool. PRISM covers claims for the City for both Workers Compensation and General Liability. The City’s Liability SIR is pre-funded through PRISM for 8 quarters of payments made on behalf of City. Currently, the SIR fund for the City with PRISM is maintained at \$8,183. If the pre-funded SIR balance drops below this amount, the City is billed by PRISM to replenish the fund to the \$8,183 level. The City does not make claim payments, they are all issued by the city’s third-party administrator from a PRISM account.

The City has three layers of Liability coverage through PRISM and under the first layer, the Primary General Liability layer, there is an SIR (Self Insured Retention) of \$10,000 per claim. Thereafter, the next layer of coverage kicks in (General Liability 1 program) which carries an SIR of \$100,000 which is satisfied by exhausting the coverage limit of \$100,000 under the Primary Liability program. The maximum limit of coverage under the primary General Liability 1 program is \$25 million. The third layer is \$25 million limit in the PRISM Optional Excess Liability program. The City’s total Liability insurance limit is \$50 million.

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For Workers Compensation, the City is a member of both the PRISM Primary Workers Compensation program and then, the PRISM Excess Workers Compensation program. The Primary Workers compensation program provides dollar 1 coverage to the City for Workers Compensation claims. In other words, City has no deductible or SIR. This layer of Workers Compensation coverage carries a maximum limit of \$125,000 per occurrence. Thereafter, PRISM's excess coverage steps in and the SIR (Self Insured Retention) is \$125,000 which again, is satisfied by exhausting the limits of coverage under the Primary Workers Compensation program. The upper limit of coverage under the Excess Workers Compensation program is "statutory". What this means is that regardless of the total cost of the claim, it is covered under the PRISM Excess Workers Compensation program. There is absolutely no monetary exposure to the City under these two Workers Compensation programs except for the premium costs to purchase this coverage. The City has had no settlements which exceeded insurance coverage in the last three fiscal years and no significant changes or reductions in insurance coverage during the current year.

The following summarizes the change in the estimated workers compensation claims liability over the last two fiscal years:

	Year Ended June 30, 2023	Year Ended June 30, 2022
Beginning of year	\$ 575,000	\$ 575,000
Increase (decrease) in current year claims	70,167	34,226
Changes in estimates	(14,662)	(33,628)
Claims paid	(55,505)	(598)
Ending balance	575,000	575,000
Current portion	(57,500)	(57,500)
Non-current portion	<u>\$ 517,500</u>	<u>\$ 517,500</u>

NOTE 8 - RETIREMENT PLANS

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Employee Pension Plan (the Plan) which is a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The plan includes different tiers for each class of employee under Miscellaneous and Safety provisions. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost-of-living adjustments for the Plans are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire date	< 4/15/2012	>= 4/15/2012	>= 1/1/2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compens	2.0% to 2.5%	2.00%	2.00%
Required employee contribution rates	7.00%	7.00%	6.75%
Required employer contribution rates	10.87%	8.63%	7.47%
Contractual employee contribution rates	10.00%	10.00%	9.75%
Contractual employer contribution rates	7.87%	5.63%	4.47%

	Safety		
	Tier 1	Tier 2	PEPRA
Hire date	< 4/15/2012	>= 4/15/2012	>= 1/1/2013
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	50	50	57
Monthly benefits as a % of eligible compens	2.00%	2.00%	2.00%
Required employee contribution rates	9.00%	9.00%	13.00%
Required employer contribution rates	23.75%	18.17%	12.78%
Contractual employee contribution rates	12.00%	12.00%	16.00%
Contractual employer contribution rates	20.75%	15.17%	9.78%

Employees Covered

At June 30, 2023, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety	Total
Active	55	18	73
Transferred	25	20	45
Separated	36	14	50
Retired	118	58	176
Total	234	110	344

City of Carmel-by-the-Sea
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Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are 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, 2023, the following contributions were made:

	Employer Contributions
Miscellaneous	\$ 2,282,970
Safety	383,308
Total Employer Contributions	\$ 2,666,278

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

As of June 30, 2023, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 14,060,259
Safety	14,103,037
Total	\$ 28,163,296

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2022, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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 the Plans as of June 30, 2022 and 2023 was as follows:

	Miscellaneous	Safety	Combined Plans
Proportion - June 30, 2022	0.39543%	0.24098%	0.29520%
Proportion - June 30, 2023	0.30048%	0.20524%	0.24382%
Change - Increase/(Decrease)	<u>-0.09494%</u>	<u>-0.03574%</u>	<u>-0.05138%</u>

For the year ended June 30, 2023, the City recognized pension credit of \$2,159,823.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2023

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,440,767	\$ -
Differences between Expected and Actual Experience	282,358	189,111
Differences between Projected and Actual Investment Earnings	2,575,466	-
Differences between Employer's Contributions and Proportionate Share of Contributions	184,598	326,536
Change in Employer's Proportion	66,300	589,526
Pension Contributions Made Subsequent to Measurement Date	2,282,970	-
Total	\$ 6,832,459	\$ 1,105,174

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,422,013	\$ -
Differences between Expected and Actual Experience	583,673	153,148
Differences between Projected and Actual Investment Earnings	2,227,067	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	1,418,750
Change in Employer's Proportion	496,465	10,571
Pension Contributions Made Subsequent to Measurement Date	383,308	-
Total	\$ 5,112,526	\$ 1,582,469

	Plan Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 2,862,780	\$ -
Differences between Expected and Actual Experience	866,031	342,259
Differences between Projected and Actual Investment Earnings	4,802,533	-
Differences between Employer's Contributions and Proportionate Share of Contributions	184,598	1,745,287
Change in Employer's Proportion	562,765	600,097
Pension Contributions Made Subsequent to Measurement Date	2,666,278	-
Total	\$ 11,944,985	\$ 2,687,643

The City reported \$2,666,278 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 20234

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2023

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous	Safety	Total
June 30:			
2024	\$ 737,291	\$ 896,771	\$ 1,634,062
2025	701,828	579,232	1,281,059
2026	429,954	312,208	742,161
2027	1,575,243	1,358,539	2,933,782
2028	-	-	-
Thereafter	-	-	-
Total	\$ 3,444,316	\$ 3,146,750	\$ 6,591,064

Actuarial Assumptions

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate

The discount rate used to measure the total pension liability was 6.9%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan 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 employer rate 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 stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2021 based on June 30, 2020 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 6.9% investment return

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2023

assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 6.9%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 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 the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.3% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Study.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2023

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

The following presents the City's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, 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>	<u>Total</u>
1% Decrease	5.90%	5.90%	6.90%
Net Pension Liability	\$ 20,586,937	\$ 19,834,018	\$ 40,420,955
Current	6.90%	6.90%	7.90%
Net Pension Liability	\$ 14,060,259	\$ 14,103,037	\$ 28,163,296
1% Increase	7.90%	7.90%	0.00%
Net Pension Liability	\$ 8,690,423	\$ 9,419,254	\$ 18,109,677

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 - OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description and Benefits

The City of Carmel-by-the-Sea Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides access to lifetime healthcare benefits to eligible retirees and their dependents. The City provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA). For eligible retirees, the City contributes not less than 5% of the active contribution times years in PEMHCA (max \$100/month increase). For purposes of its contract with PEMHCA, the City uses a statutory schedule to determine its monthly contribution on behalf of each active employee. The statutory amount was \$133.00 for 2018 and is indexed by the Medical CPI each year thereafter.

The City offers the same medical plans to its retirees and surviving spouses as to its active employees, with the exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of service (age 52 for Miscellaneous PEPRA employees). The City contribution towards retiree health benefits is determined under the "equal contribution method" under PEMHCA, whereby the contribution is 100% of the City's statutory minimum contribution for active employees. No stand-alone financial are issued for this plan as it is not a trusted plan.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2023

Employees Covered by Benefit Terms

At June 30, 2023, the benefit terms covered the following employees:

Active employees	72
Inactive employees	47
Total employees	<u>119</u>

Contributions

The City makes contributions based on a pay-as-you go basis as approved by the authority of the City's Board. Total benefit payments included in the measurement period were \$135,560. The actuarially determined contribution for the measurement period was \$219,759. The City's contributions and benefit payments were 2% of covered payroll during the measurement period June 30, 2023. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2023
Measurement Date:	June 30, 2023
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	3.86%
	<i>Increased from 3.54%</i>
Inflation	2.40%
Payroll Increases	2.80%
Trend Rate	4.00%
Municipal Bond Rate	3.54%
Mortality	2021 CalPERS Mortality for Safety Employees 2021 CalPERS Retiree Mortality for All Employees 2021 CalPERS Mortality for Miscellaneous and Schools Employees

Discount Rate

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2023 (measurement date) and was determined by an actuarial valuation as of June 30, 2023 (valuation date) for the fiscal year ended June 30, 2023 (reporting date).

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2023

Changes in the Total OPEB Liability

The following summarizes the changes in the Total OPEB liability during the year:

Fiscal Year Ended June 30, 2022	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$ 3,637,137	\$ -	\$ 3,637,137
Service cost	197,644	-	197,644
Interest in Total OPEB Liability	133,373	-	133,373
Actual and exp experience	205,046	-	205,046
Changes in assumptions	(1,013,678)	-	(1,013,678)
Benefit payments	(135,560)	-	(135,560)
Net changes	(613,175)	-	(613,175)
Balance at June 30, 2022	\$ 3,023,962	\$ -	\$ 3,023,962

Covered Employee Payroll	\$ 7,614,614
Total OPEB Liability as a % of Covered Employee Payroll	39.71%
Service Cost as a % of Covered Employee Payroll	2.60%
Net OPEB Liability as a % of Covered Employee Payroll	39.71%

The City's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 202,916	\$ 475,555
Change in assumptions	140,117	1,383,564
Totals	\$ 343,033	\$ 1,859,119

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2024	\$ (276,903)
2025	(286,758)
2026	(286,758)
2027	(312,324)
2028	(227,733)
Thereafter	(125,610)
Total	\$ (1,516,086)

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2023

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2023:

Service cost	\$ 197,644
Interest in TOL	133,373
Difference between actual and expected experience	(79,291)
Change in assumptions	(178,654)
OPEB Expense	<u><u>\$ 73,072</u></u>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2023:

Total OPEB liability ending	\$ 3,023,962
Total OPEB liability beginning	<u>(3,637,137)</u>
Change in total OPEB liability	(613,175)
Changes in deferred outflows	(93,558)
Changes in deferred inflows	644,245
Employer contributions and implicit subsidy	135,560
OPEB Expense	<u><u>\$ 73,072</u></u>

Sensitivity to Changes in the Discount Rate

The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	<u>Municipal Bond Rate</u>		
	<u>1% Decrease</u>	<u>3.86%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,431,942	\$ 3,023,962	\$ 2,688,579

Sensitivity to Changes in the Healthcare Cost Trend Rates

The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	<u>Trend Rate</u>		
	<u>1% Decrease</u>	<u>4.00%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,660,783	\$ 3,023,962	\$ 3,473,239

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The City may be involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that any cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Federal and State Grant Programs

The City participates in Federal, State and County grant programs. These programs are audited by the City's independent accountants, if required, in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. For Federal programs, the City did not reach the level of qualifying expenditures during the current fiscal year that would require a single audit. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



**REQUIRED SUPPLEMENTARY
INFORMATION**

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City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 8,326,600	\$ 8,326,600	\$ 8,164,266	\$ (162,334)
Sales and use taxes	3,204,100	3,204,100	3,484,677	280,577
Transient occupancy taxes	6,667,000	7,000,000	8,455,742	1,455,742
Franchise fees	808,600	808,600	880,958	72,358
Business license tax	540,800	540,800	734,640	193,840
Intergovernmental revenues	1,387,800	1,538,195	832,011	(706,184)
License and permits	959,700	959,700	957,429	(2,271)
Fines and forfeitures	57,100	57,100	108,144	51,044
Charges for services	1,166,400	1,166,400	1,411,796	245,396
Interest	27,500	27,500	110,604	83,104
Rents and concessions	142,000	142,000	148,896	6,896
Other revenues	73,100	223,416	200,996	(22,420)
Total Revenues	23,360,700	23,994,411	25,490,159	1,495,748
EXPENDITURES				
Current:				
General government	7,927,603	8,133,669	6,806,933	1,326,736
Community Planning and Building	2,188,030	2,208,029	1,939,088	268,941
Public Safety	9,552,916	10,213,370	8,866,616	1,346,754
Public Works	4,232,324	4,789,312	3,880,769	908,543
Library	1,127,591	1,129,621	913,183	216,438
Community Activities	238,271	238,271	216,366	21,905
Economic Revitalization	1,130,510	1,130,510	1,130,510	-
Capital outlay	-	28,791	-	28,791
Debt service				
Principal	-	-	18,260	(18,260)
Total Expenditures	26,397,245	27,871,573	23,771,725	4,099,848
Excess (Deficiency) of Revenues over Expenditures	(3,036,545)	(3,877,162)	1,718,434	5,595,596
OTHER FINANCING SOURCES (USES)				
Transfers in	10,311,009	3,644,009	3,644,009	-
Transfers out	(633,330)	(1,513,330)	(633,330)	880,000
Total Other Financing Sources (Uses)	9,677,679	2,130,679	3,010,679	880,000
Net Change in Fund Balance	6,641,134	(1,746,483)	4,729,113	6,475,596
Fund Balance Beginning	17,669,288	17,669,288	17,669,288	-
Fund Balance Ending	\$ 24,310,422	\$ 15,922,805	\$ 22,398,401	\$ 6,475,596

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Measure C Sales Tax Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Sales and use taxes	\$ 5,721,000	\$ 5,721,000	\$ 5,868,695	\$ 147,695
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,356,906)	(7,356,906)	(7,356,906)	-
Net Change in Fund Balance	(1,635,906)	(1,635,906)	(1,488,211)	147,695
Fund Balance Beginning	3,399,710	3,399,710	3,399,710	-
Fund Balance Ending	<u>\$ 1,763,804</u>	<u>\$ 1,763,804</u>	<u>\$ 1,911,499</u>	<u>\$ 147,695</u>

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Harrison Memorial Library Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Contributions	\$ 400,500	\$ 400,500	\$ 316,100	\$ (84,400)
Charges for services	24,900	24,900	8,485	(16,415)
Interest	2,000	2,000	20,658	18,658
Total Revenues	427,400	427,400	345,243	(82,157)
EXPENDITURES				
Current:				
Library	438,525	438,525	443,713	(5,188)
Total Expenditures	438,525	438,525	443,713	(5,188)
Excess (Deficiency) of Revenues over Expenditures	(11,125)	(11,125)	(98,470)	(87,345)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(11,125)	(11,125)	(98,470)	(87,345)
Fund Balance Beginning	1,549,102	1,549,102	1,549,102	-
Fund Balance Ending	\$ 1,537,977	\$ 1,537,977	\$ 1,450,632	\$ (87,345)

City of Carmel-by-the-Sea
Schedule of Pension Contributions
June 30, 2023

Miscellaneous and Safety Plan									
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contributions	\$ 725,205	\$ 1,124,776	\$ 1,279,565	\$ 1,317,381	\$ 1,566,319	\$ 1,864,910	\$ 2,183,606	\$ 2,378,458	\$ 2,666,278
Contributions in Relation to									
Contractually Required Contributions	725,205	1,124,776	1,279,565	1,317,381	1,566,319	1,864,910	2,183,606	2,378,458	2,666,278
Contribution Deficiency (Excess)	\$ -								
Covered Payroll	\$ 4,894,966	\$ 5,193,071	\$ 5,725,559	\$ 5,897,326	\$ 6,074,246	\$ 6,591,573	\$ 6,772,841	\$ 6,244,060	\$ 7,251,994
Contributions as a % of Covered Payroll	14.82%	21.66%	22.35%	22.34%	25.79%	28.29%	32.24%	38.09%	36.77%

Notes to Schedule:

Valuation Date: June 30, 2021
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period no more than 29 years
Inflation Assumed at 2.30%
Investment Rate of Returns set at 6.9%
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.
The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.9% in FY2023.
The CalPERS mortality assumptions was adjusted in fiscal year 2023.

City of Carmel-by-the-Sea
Schedule of Proportionate Share of Net Pension Liability
June 30, 2023

Miscellaneous and Safety Plan									
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022	2023
Proportion of Net Pension Liability (Safety and Misc)	0.18745%	0.19035%	0.19840%	0.20075%	0.20672%	0.21144%	0.22373%	0.29520%	0.24382%
Proportion of Net Pension Liability (Misc Plan Only)	0.47195%	0.47624%	0.49419%	0.50503%	0.52858%	0.54105%	0.28377%	0.39543%	0.30048%
Proportionate Share of Net Pension Liability	\$ 11,664,146	\$ 13,065,617	\$ 17,167,636	\$ 19,908,483	\$ 19,920,568	\$ 21,666,416	\$ 24,342,598	\$ 15,965,385	\$ 28,163,296
Covered Payroll	\$ 4,748,117	\$ 6,261,394	\$ 5,693,737	\$ 5,365,096	\$ 5,446,378	\$ 5,919,593	\$ 6,340,399	\$ 6,335,440	\$ 6,134,639
Proportionate Share of NPL as a % of Covered Payroll	245.66%	208.67%	301.52%	371.07%	365.76%	366.01%	383.93%	252.00%	459.09%
Plan's Fiduciary Net Position as a % of the TPL	80.11%	77.73%	74.70%	73.44%	74.18%	72.78%	71.13%	81.45%	68.49%

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.80% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

**City of Carmel-by-the-Sea
Retiree Health Care Plan
Schedule of Total OPEB Liability
June 30, 2023**

Fiscal Year Ended	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	\$ 199,013	\$ 193,586	\$ 295,059	\$ 348,597	\$ 261,219	\$ 197,644
Interest	134,202	146,765	143,565	105,930	90,758	133,373
Differences between expected and actual experience	(2,625)	(2,524)	59,118	(823,299)	-	205,046
Changes of assumptions	(137,699)	192,779	256,216	21,493	(716,539)	(1,013,678)
Benefit payments	(145,196)	(159,107)	(135,193)	(152,834)	(138,891)	(135,560)
Net change in Total OPEB Liability	47,695	371,499	618,765	(500,113)	(503,453)	(613,175)
Total OPEB Liability - beginning	3,602,744	3,650,439	4,021,938	4,640,703	4,140,590	3,637,137
Total OPEB Liability - ending	\$ 3,650,439	\$ 4,021,938	\$ 4,640,703	\$ 4,140,590	\$ 3,637,137	\$ 3,023,962
Plan fiduciary net position						
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net/total OPEB liability (asset)	\$ 3,650,439	4,021,938	4,640,703	4,140,590	3,637,137	3,023,962
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 6,021,711	\$ 6,207,949	\$ 6,378,668	\$ 6,544,081	\$ 6,734,318	\$ 7,410,817
NOL as a percentage of covered employee payroll	60.62%	64.79%	72.75%	63.27%	54.01%	40.80%
TOL as a percentage of covered employee payroll	60.62%	64.79%	72.75%	63.27%	54.01%	40.80%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

The discount rate increased from 2.2% to 3.86%, the inflation rate increased from 2.25% to 2.75%, the payroll rate decreased from 3% to 2.75%, and the trend rate changed from 8% to 4% from 2019 to 2023.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

No assets have been accumulated in a trust for the City's OPEB plan.



SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

Fund Title	Fund Description
Gast Tax	This fund is used to account for revenues collected in accordance with the Streets and Highway Code.
Transportation Safety	This fund accounts for the expenditures related to resources provided for transportation safety as required by Measure X.
COPS Grant	This fund accounts for the expenditures related to the COP's grant for public safety.
Parking in Lieu	This fund is used to account for activities associate with parking in-lieu fees.
Asset Seizure	This fund accounts for the expenditures related to asset seizures.
Debt Service	This fund is used to account for activities related to the repayment of the Certificate of Participation, Pension Obligation Bond, and capital lease obligations.

City of Carmel-By-The-Sea

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds			
	Gas Tax Fund	Transportation Safety Fund	COPS Grant Fund	Parking In-Lieu Fund
ASSETS				
Cash and investments	\$ 516,876	\$ 789,064	\$ 7,467	\$ 738,592
Receivables:				
Due from other governments	19,470	67,162	16,667	-
Total assets	\$ 536,346	\$ 856,226	\$ 24,134	\$ 738,592
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 13,317	\$ -
Total liabilities	-	-	13,317	-
Fund Balances:				
Restricted:				
Transportation	536,345	856,227	-	-
Public safety	-	-	10,817	-
Debt service	-	-	-	-
Asset seizure	-	-	-	-
Public parking	-	-	-	738,592
Total fund balances	536,346	856,226	10,817	738,592
Total liabilities and fund balances	\$ 536,346	\$ 856,226	\$ 24,134	\$ 738,592

Cont'd

City of Carmel-By-The-Sea

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue		Total Nonmajor Governmental Funds
	Funds	Debt Service	
	Asset Seizure Fund	Debt Service Fund	
ASSETS			
Cash and investments	\$ 5,466	\$ 26,805	\$ 2,084,270
Receivables:			
Due from other governments	-	-	103,299
Total assets	\$ 5,466	\$ 26,805	\$ 2,187,569
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 13,317
Total liabilities	-	-	13,317
Fund Balances:			
Restricted:			
Transportation	-	-	1,392,572
Public safety	-	-	10,817
Debt service	-	26,805	26,805
Asset seizure	5,466	-	5,466
Public parking	-	-	738,592
Total fund balances	5,466	26,805	2,174,252
Total liabilities and fund balances	\$ 5,466	\$ 26,805	\$ 2,187,569

Concluded

City of Carmel-By-The-Sea
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds			
	Gas Tax Fund	Transportation Safety Fund	COPS Grant Fund	Parking In-Lieu Fund
REVENUES				
Intergovernmental revenues	\$ 157,804	\$ 259,005	\$ 165,271	\$ -
Interest	296	3,462	196	4,577
Total Revenues	158,100	262,467	165,467	4,577
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	158,100	262,467	165,467	4,577
OTHER FINANCING SOURCES (USES)				
Transfers in	306,567	-	-	-
Transfers out	-	-	(158,000)	-
Total Other Financing Sources (Uses)	306,567	-	(158,000)	-
Net Change in Fund Balances	464,667	262,467	7,467	4,577
Fund Balances Beginning	71,679	593,759	3,350	734,015
Fund Balances Ending	\$ 536,346	\$ 856,226	\$ 10,817	\$ 738,592

Cont'd

City of Carmel-By-The-Sea
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue		Total Nonmajor Governmental Funds
	Funds	Debt Service	
	Asset Seizure Fund	Debt Service Fund	
REVENUES			
Intergovernmental revenues	\$ -	\$ -	\$ 582,080
Interest	34	-	8,565
Total Revenues	34	-	590,645
EXPENDITURES			
Debt service			
Principal	-	696,753	696,753
Interest and fiscal charges	-	178,189	178,189
Total Expenditures	-	874,942	874,942
Excess (Deficiency) of Revenues over Expenditures	34	(874,942)	(284,297)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	485,170	791,737
Transfers out	-	-	(158,000)
Total Other Financing Sources (Uses)	-	485,170	633,737
Net Change in Fund Balances	34	(389,772)	349,440
Fund Balances Beginning	5,432	416,577	1,824,812
Fund Balances Ending	\$ 5,466	\$ 26,805	\$ 2,174,252

Concluded

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Gas Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 209,200	\$ 209,200	\$ 157,804	\$ (51,396)
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	296	296
Total Revenues	209,200	209,200	158,100	(51,100)
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	209,200	209,200	158,100	(51,100)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	306,567	306,567
Transfers out	(209,200)	(209,200)	-	209,200
Total Other Financing Sources (Uses)	(209,200)	(209,200)	306,567	515,767
Net Change in Fund Balances	-	-	464,667	464,667
Fund Balances Beginning	71,679	71,679	71,679	-
Fund Balances Ending	\$ 71,679	\$ 71,679	\$ 536,346	\$ 464,667

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Transportation Safety Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental revenues	\$ 202,100	\$ 202,100	\$ 259,005	\$ 56,905
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	3,462	3,462
Total Revenues	202,100	202,100	262,467	60,367
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	202,100	202,100	262,467	60,367
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(202,100)	(202,100)	-	202,100
Total Other Financing Sources (Uses)	(202,100)	(202,100)	-	202,100
Net Change in Fund Balances	-	-	262,467	262,467
Fund Balances Beginning	593,759	593,759	593,759	-
Fund Balances Ending	\$ 593,759	\$ 593,759	\$ 856,226	\$ 262,467

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	COPS Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 158,000	\$ 158,000	\$ 165,271	\$ 7,271
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	196	196
Total Revenues	158,000	158,000	165,467	7,467
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	158,000	158,000	165,467	7,467
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(158,000)	(158,000)	(158,000)	-
Total Other Financing Sources (Uses)	(158,000)	(158,000)	(158,000)	-
Net Change in Fund Balances	-	-	7,467	7,467
Fund Balances Beginning	3,350	3,350	3,350	-
Fund Balances Ending	\$ 3,350	\$ 3,350	\$ 10,817	\$ 7,467

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Parking In-Lieu Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	4,577	4,577
Total Revenues	-	-	4,577	4,577
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	4,577	4,577
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	4,577	4,577
Fund Balances Beginning	734,015	734,015	734,015	-
Fund Balances Ending	\$ 734,015	\$ 734,015	\$ 738,592	\$ 4,577

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Asset Seizure Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	34	34
Total Revenues	-	-	34	34
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	34	34
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	34	34
Fund Balances Beginning	5,432	5,432	5,432	-
Fund Balances Ending	\$ 5,432	\$ 5,432	\$ 5,466	\$ 34

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Debt Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal	696,423	696,423	696,753	(330)
Interest and fiscal charges	181,880	181,880	178,189	3,691
Total Expenditures	878,303	878,303	874,942	3,361
Excess (Deficiency) of Revenues over Expenditures	(878,303)	(878,303)	(874,942)	3,361
OTHER FINANCING SOURCES (USES)				
Transfers in	485,170	485,170	485,170	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	485,170	485,170	485,170	-
Net Change in Fund Balances	(393,133)	(393,133)	(389,772)	3,361
Fund Balances Beginning	416,577	416,577	416,577	-
Fund Balances Ending	\$ 23,444	\$ 23,444	\$ 26,805	\$ 3,361

Concluded

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Capital Projects Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 285,500	\$ 285,500	\$ -	\$ (285,500)
Total Revenues	285,500	285,500	-	(285,500)
EXPENDITURES				
Capital outlay	4,344,000	3,922,678	1,199,077	2,723,601
Total Expenditures	4,344,000	3,922,678	1,199,077	2,723,601
Excess (Deficiency) of Revenues over Expenditures	(4,058,500)	(3,637,178)	(1,199,077)	2,438,101
OTHER FINANCING SOURCES (USES)				
Transfers in	3,997,197	3,997,197	3,585,897	(411,300)
Transfers out	-	-	(306,567)	(306,567)
Total Other Financing Sources (Uses)	3,997,197	3,997,197	3,279,330	(717,867)
Net Change in Fund Balance	(61,303)	360,019	2,080,253	1,720,234
Fund Balance Beginning	1,596,719	1,596,719	1,596,719	-
Fund Balance Ending	\$ 1,535,416	\$ 1,956,738	\$ 3,676,972	\$ 1,720,234

INTERNAL SERVICE FUNDS

Fund Title	Fund Description
Worker's Compensation	This fund accounts for workers compensation insurance provided to departments on a cost reimbursement basis.
OPEB Reserve Fund	This fund accounts for other postemployment benefits provided to departments on a cost reimbursement basis.
Vehicle & Equipment Replacement	This fund is to set aside financial resources for future purchases of replacement equipment essential to the operations of the City.

City of Carmel-By-The-Sea
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 836,157	\$ 1,768,710	\$ 453,632	\$ 3,058,499
Accounts receivable	-	-	9,188	9,188
Other assets	-	-	914,692	914,692
Total current assets	<u>836,157</u>	<u>1,768,710</u>	<u>1,377,512</u>	<u>3,982,379</u>
Noncurrent assets:				
Capital assets - net	-	-	1,252,780	1,252,780
Total assets	<u><u>\$ 836,157</u></u>	<u><u>\$ 1,768,710</u></u>	<u><u>\$ 2,630,292</u></u>	<u><u>\$ 5,235,159</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,441	\$ -	\$ -	\$ 1,441
Financed purchases - current	-	-	30,000	30,000
Claims payable - current	57,500	-	-	57,500
Total current liabilities	<u>58,941</u>	<u>-</u>	<u>30,000</u>	<u>88,941</u>
Noncurrent liabilities:				
Financed purchases	-	-	126,440	126,440
Claims payable	517,500	-	-	517,500
Total noncurrent liabilities	<u>517,500</u>	<u>-</u>	<u>126,440</u>	<u>643,940</u>
Total liabilities	<u><u>\$ 576,441</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 156,440</u></u>	<u><u>\$ 732,881</u></u>
NET POSITION				
Net investment in capital assets	\$ -	\$ -	\$ 1,096,340	\$ 1,096,340
Unrestricted	259,716	1,768,710	1,377,512	3,405,938
Total net position	<u><u>\$ 259,716</u></u>	<u><u>\$ 1,768,710</u></u>	<u><u>\$ 2,473,852</u></u>	<u><u>\$ 4,502,278</u></u>

City of Carmel-By-The-Sea
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2023

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 98,435	\$ -	\$ -	\$ 98,435
Other	-	-	824,813	824,813
Total operating revenues	98,435	-	824,813	923,248
OPERATING EXPENSES				
Claims	55,505	-	-	55,505
Depreciation	-	-	225,248	225,248
Total operating expenses	55,505	-	225,248	280,753
Operating income (loss)	42,930	-	599,565	642,495
NONOPERATING REVENUES(EXPENSES)				
Gain (loss) on disposal of capital assets	-	-	9,188	9,188
Interest expense	-	-	(482)	(482)
Investment income	4,392	10,962	-	15,354
Total nonoperating revenues(expenses)	4,392	10,962	8,706	24,060
Income (loss) before operating transfers	47,322	10,962	608,271	666,555
Transfers in	148,160	-	285,000	433,160
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	148,160	-	285,000	433,160
Change in net position	195,482	10,962	893,271	1,099,715
Total net position - beginning	64,234	1,757,748	1,580,581	3,402,563
Total net position - ending	\$ 259,716	\$ 1,768,710	\$ 2,473,852	\$ 4,502,278

City of Carmel-By-The-Sea
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
Cash flows from operating activities:				
Receipts from interfund services provided	\$ 98,435	\$ -	\$ 824,813	\$ 923,248
Payments for claims	(54,064)	-	-	(54,064)
Net cash provided (used) by operating activities	<u>44,371</u>	<u>-</u>	<u>824,813</u>	<u>869,184</u>
Cash flows from noncapital financing activities:				
Interfund transactions	148,160	-	285,000	433,160
Net cash provided (used) by noncapital financing activities	<u>148,160</u>	<u>-</u>	<u>285,000</u>	<u>433,160</u>
Cash flows from capital financing activities:				
Proceeds from debt	-	-	184,962	184,962
Principal payments on debt	-	-	(28,522)	(28,522)
Interest payments on debt	-	-	(482)	(482)
Purchases of property and equipment	-	-	(1,178,718)	(1,178,718)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(1,022,760)</u>	<u>(1,022,760)</u>
Cash flows from investing activities:				
Investment income received	4,392	10,962	-	15,354
Net cash provided (used) by investing activities	<u>4,392</u>	<u>10,962</u>	<u>-</u>	<u>15,354</u>
Net increase (decrease) in cash and cash equivalents	196,923	10,962	87,053	294,938
Cash and cash equivalents - beginning	639,234	1,757,748	366,579	2,763,561
Cash and cash equivalents - ending	<u>\$ 836,157</u>	<u>\$ 1,768,710</u>	<u>\$ 453,632</u>	<u>\$ 3,058,499</u>
Reconciliation of operating income to net cash provided (used)				
by operating activities:				
Operating income (loss)	\$ 42,930	\$ -	\$ 599,565	\$ 642,495
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	225,248	225,248
Change in operating assets and liabilities:				
Accounts payable	1,441	-	-	1,441
Net cash provided (used) by operating activities	<u>\$ 44,371</u>	<u>\$ -</u>	<u>\$ 824,813</u>	<u>\$ 869,184</u>



STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

This part of the City of Carmel-by-the-Sea's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends

These tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity

These tables contain information to help the reader assess the city's most significant local revenue source, the property tax.

Debt Capacity

These tables present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

Operating Information

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

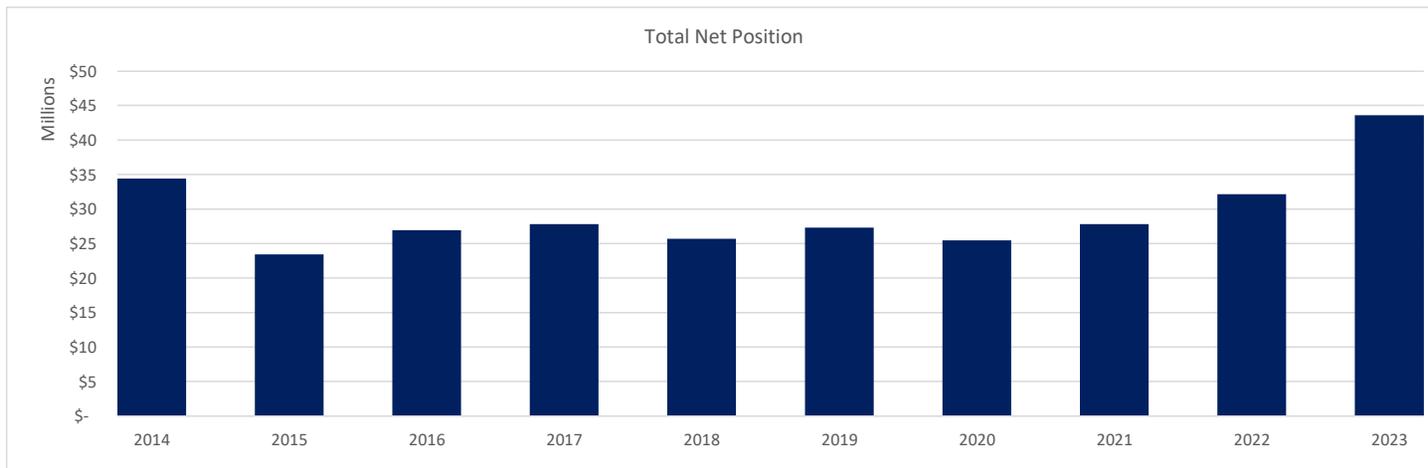
Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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City of Carmel-by-the-Sea
Net Position By Component
Last Ten Fiscal Years

TABLE 1

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Net investment in capital assets	\$ 25,522,348	\$ 32,547,268	\$ 36,006,046	\$ 36,931,575	\$ 35,216,550	\$ 37,132,103	\$ 36,611,510	\$ 34,846,110	\$ 33,545,605	\$ 32,930,884
Restricted	2,616,731	3,862,473	3,584,687	5,027,082	2,628,238	2,817,741	3,310,294	4,748,736	6,773,624	5,536,383
Unrestricted	6,266,725	(12,992,711)	(12,666,545)	(14,167,354)	(12,141,385)	(12,645,571)	(14,479,015)	(11,775,303)	(8,155,852)	5,110,622
Total governmental activities net position	\$ 34,405,804	\$ 23,417,030	\$ 26,924,188	\$ 27,791,303	\$ 25,703,403	\$ 27,304,273	\$ 25,442,789	\$ 27,819,543	\$ 32,163,377	\$ 43,577,889



Notes:

1) In 2015, net position decreased mostly due to the implementation of GASB 68 for pension benefit liabilities and related amounts.

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Changes in Net Position
Last Ten Fiscal Years

TABLE 2

	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government	\$ 4,067,934	\$ 3,724,546	\$ 5,162,323	\$ 4,981,304	\$ 4,896,809
Community planning and building	-	-	-	1,146,860	1,206,295
Public safety	4,299,954	6,685,310	6,445,695	7,281,137	7,771,104
Public works	2,227,067	2,003,332	1,454,895	2,605,036	2,950,423
Library	-	-	-	1,144,883	1,303,989
Community activities	-	-	-	446,445	153,224
Economic revitalization	363,342	326,956	306,505	1,110,857	1,125,261
Building maintenance	2,924,447	1,832,618	1,542,170	-	-
Forest, parks and beach	484,119	581,319	558,592	-	-
Culture and recreation	2,453,842	2,605,877	2,082,591	-	-
Interest and fiscal charges on long-term debt	346,674	365,043	336,551	322,181	319,974
Depreciation (Unallocated)	-	-	1,528,260	1,747,960	1,786,021
Total governmental activities expenses	17,167,379	18,125,001	19,417,582	20,786,663	21,513,100
Program Revenues					
Governmental activities:					
Charges for services:					
General government	15,644	66,190	34,040	38,795	318,414
Community planning and building	-	-	-	-	1,167,308
Public safety	184,338	918,644	684,612	373,716	692,187
Public works	467,392	525,310	534,224	751,844	58,931
Library	-	-	-	-	14,794
Community activities	-	-	-	-	79,067
Economic revitalization	-	-	-	-	97,142
Forest, parks and beach	165,406	-	-	-	-
Culture and recreation	91,804	18,953	20,326	31,817	-
Operating grants and contributions	1,282,214	1,444,296	668,239	675,765	681,240
Capital grants and contributions	-	331,719	327,029	166,726	-
Total governmental activities program revenues	2,206,798	3,305,112	2,268,470	2,038,663	3,109,083
Net (expense)/revenue:					
Governmental activities	(14,960,581)	(14,819,889)	(17,149,112)	(18,748,000)	(18,404,017)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	4,881,534	5,127,974	5,598,743	5,825,889	6,192,126
Sales and use taxes	5,115,880	5,280,418	4,897,325	5,373,800	5,486,449
Transient occupancy taxes	5,185,880	5,593,689	5,890,538	6,112,347	6,329,074
Franchise taxes	994,468	430,430	587,514	672,554	637,136
Business license tax	549,190	606,128	626,625	649,525	544,392
Unrestricted grants and contributions	-	382,145	413,334	436,073	462,989
Unrestricted investment earnings	76,880	163,648	160,172	182,366	101,743
Gain (loss) on sale of assets	-	-	-	-	(2,439,255)
Miscellaneous or other revenues	184,660	249,537	1,963,750	362,561	212,820
Total governmental activities	16,988,492	17,833,969	20,138,001	19,615,115	17,527,474
Change in Net Position	\$ 2,027,911	\$ 3,014,080	\$ 2,988,889	\$ 867,115	\$ (876,543)

Note: In 2012 and 2018, the City changed the classification of its program expenses and revenues based on operations at the time.

Cont'd

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Changes in Net Position
Last Ten Fiscal Years

TABLE 2

	2019	2020	2021	2022	2023
Expenses					
Governmental activities:					
General government	\$ 5,906,304	\$ 5,356,174	\$ 5,423,821	\$ 6,494,737	\$ 6,290,757
Community planning and building	1,191,826	1,214,005	1,280,518	1,789,916	1,618,884
Public safety	8,390,616	9,166,804	8,968,364	10,511,669	5,427,362
Public works	4,162,376	4,410,995	4,162,030	4,961,215	4,572,764
Library	1,894,410	2,011,886	1,539,410	1,644,498	1,677,297
Community activities	283,512	256,698	119,562	205,869	201,277
Economic revitalization	1,144,022	1,081,813	819,202	1,034,150	1,101,644
Building maintenance	-	-	-	-	-
Forest, parks and beach	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Interest and fiscal charges on long-term debt	283,606	268,721	387,525	168,038	148,051
Depreciation (Unallocated)	-	-	-	-	-
Total governmental activities expenses	23,256,672	23,767,096	22,700,432	26,810,092	21,038,036
Program Revenues					
Governmental activities:					
Charges for services:					
General government	256,645	211,067	165,541	478,709	177,654
Community planning and building	1,454,523	1,112,512	1,142,277	1,332,086	1,268,455
Public safety	790,428	808,559	796,471	911,902	973,358
Public works	44,636	42,395	156,838	53,251	73,206
Library	10,097	11,793	5,544	2,239	8,485
Community activities	146,443	85,060	33,140	43,922	56,919
Economic revitalization	102,366	91,528	111,093	119,646	141,471
Forest, parks and beach	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Operating grants and contributions	865,370	695,186	813,139	960,670	958,933
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	3,670,508	3,058,100	3,224,043	3,902,425	3,658,481
Net (expense)/revenue:					
Governmental activities	(19,586,164)	(20,708,996)	(19,476,389)	(22,907,667)	(17,379,555)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	6,524,331	6,690,948	7,389,657	7,694,722	8,164,266
Sales and use taxes	5,732,885	4,766,762	7,028,041	9,596,727	9,353,372
Transient occupancy taxes	6,882,015	5,115,271	5,339,285	7,787,643	8,455,742
Franchise taxes	636,397	632,833	756,358	851,738	880,958
Business license tax	594,941	592,466	524,220	613,559	734,640
Unrestricted grants and contributions	-	672,399	704,337	734,550	771,258
Unrestricted investment earnings	205,791	207,153	47,554	(126,009)	155,181
Gain (loss) on sale of assets	(160,794)	-	-	-	-
Miscellaneous or other revenues	12,928	169,680	63,691	98,571	278,650
Total governmental activities	20,428,494	18,847,512	21,853,143	27,251,501	28,794,067
Change in Net Position	\$ 842,330	\$ (1,861,484)	\$ 2,376,754	\$ 4,343,834	\$ 11,414,512

Note: In 2012 and 2018, the City changed the classification of its program expenses and revenues based on operations at the time.

Concluded

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 3

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942,628	\$ 1,983,781
Nonspendable	73,038	-	-	-	-	-	-	-	-	26,469
Committed	2,888,306	4,561,070	2,166,165	2,173,138	2,806,045	2,808,138	2,684,665	2,421,958	4,410,254	666,700
Assigned	-	1,747,589	3,308,636	2,448,461	1,922,008	1,926,008	1,025,194	1,025,194	2,298,939	4,180,736
Unassigned	4,172,077	1,541,150	1,738,067	4,693,897	3,278,341	4,515,984	5,048,288	9,167,717	10,017,467	15,540,715
Total Fund Balance	7,133,421	7,849,809	7,212,868	9,315,496	8,006,394	9,250,130	8,758,147	12,614,869	17,669,288	22,398,401
Other Governmental Funds										
Nonspendable	\$ 46,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,543,658	3,903,533	3,624,383	5,065,310	2,628,238	2,817,741	3,310,294	4,748,736	6,773,624	5,536,383
Committed	-	1,783,310	-	-	-	-	-	-	-	-
Assigned	1,477,680	90,158	1,146,832	-	1,627,098	362,034	571,657	539,863	1,596,719	3,676,972
Unassigned	(479,166)	(684,400)	(706,427)	(1,264,197)	(483)	-	-	-	-	-
Total Fund Balance	3,588,919	5,092,601	4,064,788	3,801,113	4,254,853	3,179,775	3,881,951	5,288,599	8,370,343	9,213,355
Total Fund Balance	\$ 10,722,340	\$ 12,942,410	\$ 11,277,656	\$ 13,116,609	\$ 12,261,247	\$ 12,429,905	\$ 12,640,098	\$ 17,903,468	\$ 26,039,631	\$ 31,611,756

Source: City of Carmel-by-the-Sea Finance Department

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City of Carmel-by-the-Sea
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 4

	2014	2015	2016	2017	2018
Revenues					
Taxes	\$ 12,727,944	\$ 17,420,784	\$ 18,014,079	\$ 19,041,911	\$ 19,652,166
Intergovernmental revenues	3,864,416	874,152	294,952	365,304	454,997
License and permits	1,114,927	720,257	788,578	850,547	1,087,953
Contributions	313,895	686,025	314,600	323,495	318,398
Fines and forfeitures	138,713	119,152	111,930	87,154	91,813
Charges for services	508,563	905,526	712,321	440,439	1,070,999
Interest	-	-	-	-	58,055
Rents and concessions	314,248	163,648	163,875	182,367	100,899
Other revenues	193,336	249,537	389,136	1,979,561	211,153
Total revenues	15,929,815	19,176,042	21,139,081	20,789,471	23,270,778
Expenditures					
General government	4,305,440	3,593,094	5,045,332	5,681,103	4,696,923
Community Planning and Building	-	-	-	-	1,128,977
Public Safety	4,245,184	6,398,876	6,264,950	7,033,862	7,024,092
Public Works	1,609,402	1,284,030	1,301,160	2,554,752	2,769,129
Library	-	-	-	-	1,217,687
Community Activities	-	-	-	-	141,378
Economic Revitalization	363,342	315,780	306,505	351,425	1,095,636
Building maintenance	2,798,314	1,637,602	1,525,038	1,138,983	-
Forest, parks and beach	468,247	544,902	547,211	108,764	-
Culture and recreation	1,963,003	1,999,728	2,054,872	1,448,129	-
Capital Outlay	1,993,305	2,396,667	4,439,279	1,877,053	1,833,014
Debt Service					
Principal	927,774	1,046,128	898,379	914,105	934,860
Interest and fiscal charges	357,840	360,610	337,915	323,649	302,202
Total expenditures	19,031,851	19,577,417	22,720,641	21,431,825	21,143,898
Excess of revenues over (under) expenditures	144,191	1,561,664	(1,931,170)	1,838,953	1,902,535
Other financing sources (uses)					
Asset dispositions	19,248	-	-	-	-
Long-term debt issued	-	-	-	-	-
Retirement of PERS side fund	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-	-
Interagency transfers in (out)	-	-	-	-	31,000
Transfers in	9,724,198	4,927,935	6,483,069	3,405,710	13,924,490
Transfers out	(9,724,198)	(4,927,935)	(6,483,069)	(3,405,710)	(16,713,387)
Total other financing sources (uses)	19,248	-	-	-	(2,757,897)
Net change in fund balances	\$ 163,439	\$ 1,561,664	\$ (1,931,170)	\$ 1,838,953	\$ (855,362)
Total Expenditures	\$ 19,031,851	\$ 19,577,417	\$ 22,720,641	\$ 21,431,825	\$ 21,143,898
Capitalized Portion of Capital Outlay	1,993,170	2,396,667	4,311,179	1,870,844	1,900,132
Total Non-Capitalized Expenditures	\$ 14,090,687	\$ 17,038,681	\$ 17,180,750	\$ 18,409,462	\$ 19,560,981
Debt Service: Principal & Interest	\$ 1,285,614	\$ 1,406,738	\$ 1,236,294	\$ 1,237,754	\$ 1,237,062
Debt service as a percentage of noncapital expenditures	9.1%	8.3%	7.2%	6.7%	6.3%

Note: In 2012 and 2018, the City changed the classification of its program expenditures and revenues based on operations at the time.

Source: City of Carmel-by-the-Sea Finance Department

Cont'd

City of Carmel-by-the-Sea
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 4

	2019	2020	2021	2022	2023
Revenues					
Taxes	\$ 20,370,569	\$ 17,798,280	\$ 21,037,561	\$ 26,544,389	\$ 27,588,978
Intergovernmental revenues	1,088,044	1,126,260	1,212,506	1,323,845	1,414,091
License and permits	1,192,242	928,752	889,822	1,276,260	957,429
Contributions	314,450	241,324	304,972	371,377	316,100
Fines and forfeitures	121,470	72,152	48,947	55,506	108,144
Charges for services	1,261,169	1,193,992	1,204,113	1,448,681	1,420,281
Interest	167,544	178,244	40,033	(115,882)	139,827
Rents and concessions	185,156	130,792	138,138	132,551	148,896
Other revenues	158,029	206,908	193,575	127,327	200,996
Total revenues	23,046,433	24,858,673	25,069,667	31,164,054	32,294,742
Expenditures					
General government	5,517,516	5,008,054	5,083,467	5,990,601	6,806,933
Community Planning and Building	1,116,689	1,094,736	1,172,337	1,550,702	1,939,088
Public Safety	7,617,310	7,774,916	7,833,156	8,236,353	8,866,616
Public Works	2,902,461	2,847,091	2,635,206	3,184,957	3,880,769
Library	1,258,390	1,344,340	917,694	929,258	1,356,896
Community Activities	179,426	209,554	82,366	136,788	216,366
Economic Revitalization	1,103,993	1,076,542	808,540	1,033,307	1,130,510
Building maintenance	-	-	-	-	-
Forest, parks and beach	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital Outlay	3,778,271	869,596	98,907	149,872	1,199,077
Debt Service					
Principal	950,770	971,460	640,000	660,000	715,013
Interest and fiscal charges	286,606	272,721	406,525	199,212	178,189
Total expenditures	24,711,432	21,469,010	19,678,198	22,071,050	26,289,457
Excess of revenues over (under) expenditures	147,241	3,389,663	5,391,469	9,093,004	6,005,285
Other financing sources (uses)					
Asset dispositions	-	-	-	-	-
Long-term debt issued	-	-	4,761,901	-	-
Retirement of PERS side fund	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	(4,890,000)	-	-
Interagency transfers in (out)	-	-	-	-	-
Transfers in	4,581,594	3,188,456	3,210,000	5,217,994	8,021,643
Transfers out	(4,681,594)	(3,385,956)	(3,210,000)	(6,174,835)	(8,454,803)
Total other financing sources (uses)	(100,000)	(197,500)	(128,099)	(956,841)	(433,160)
Net change in fund balances	\$ 47,241	\$ 3,192,163	\$ 5,263,370	\$ 8,136,163	\$ 5,572,125
Total Expenditures	\$ 24,711,432	\$ 21,469,010	\$ 19,678,198	\$ 22,071,050	\$ 26,289,457
Capitalized Portion of Capital Outlay	3,533,858	918,075	133,875	151,238	1,199,077
Total Non-Capitalized Expenditures	\$ 19,243,766	\$ 21,177,574	\$ 19,544,323	\$ 21,919,812	\$ 25,090,380
Debt Service: Principal & Interest	\$ 1,237,376	\$ 1,244,181	\$ 1,046,525	\$ 859,212	\$ 893,202
Debt service as a percentage of noncapital expenditures	6.4%	5.9%	5.4%	3.9%	3.6%

Note: In 2012 and 2018, the City changed the classification of its program expenditures and revenues based on operations at the time.

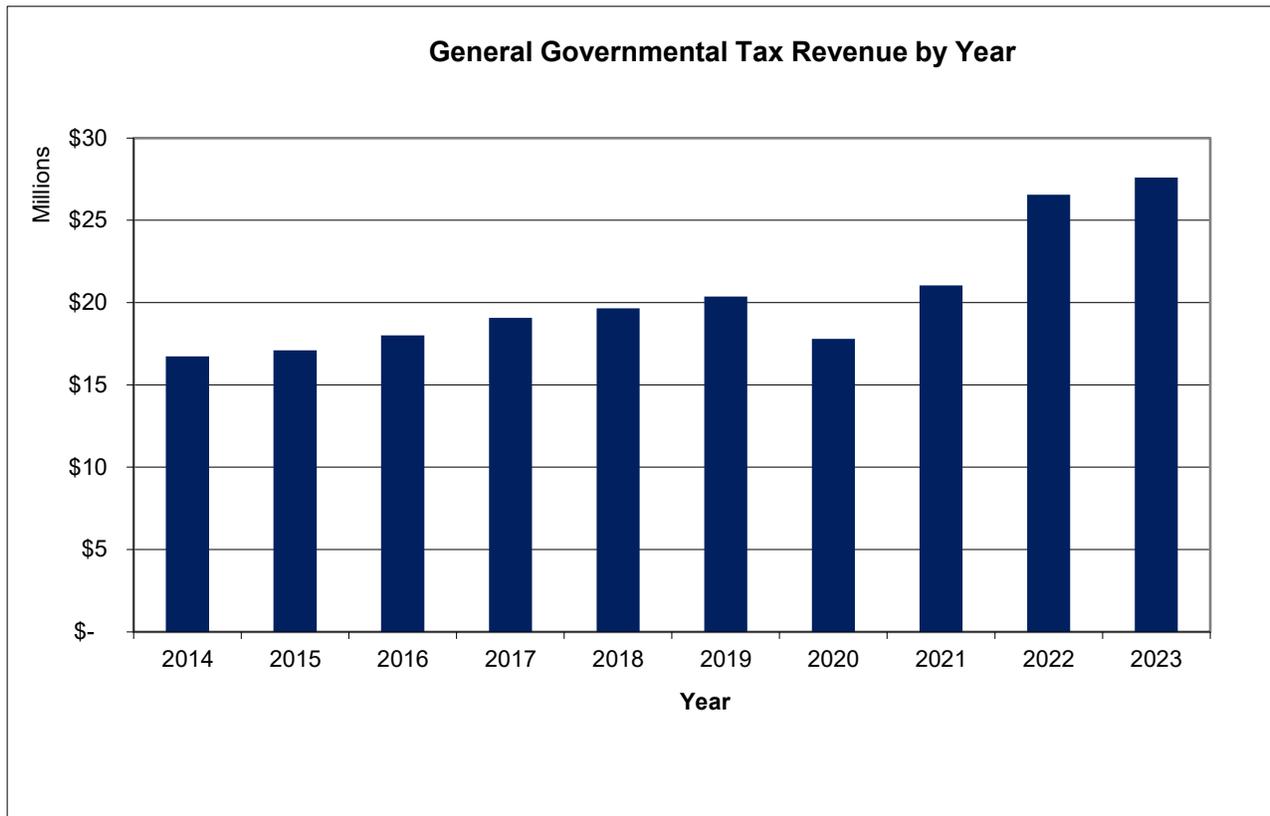
Source: City of Carmel-by-the-Sea Finance Department

Concluded

City of Carmel-by-the-Sea
General Governmental Tax Revenues by Source
Last Ten Fiscal Years

TABLE 5

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Business License	Other Tax	Total
2014	\$ 4,881,534	\$ 5,115,880	\$ 994,468	\$ 5,185,880	\$ 549,190	\$ -	\$ 16,726,952
2015	\$ 5,127,974	\$ 5,280,418	\$ 430,430	\$ 5,280,418	\$ 606,128	\$ 382,145	\$ 17,107,513
2016	\$ 5,598,743	\$ 4,897,325	\$ 587,514	\$ 5,890,538	\$ 626,625	\$ 413,334	\$ 18,014,079
2017	\$ 5,825,889	\$ 5,373,800	\$ 672,554	\$ 6,112,347	\$ 649,525	\$ 436,073	\$ 19,070,188
2018	\$ 6,192,126	\$ 5,486,449	\$ 637,136	\$ 6,329,074	\$ 544,392	\$ 462,989	\$ 19,652,166
2019	\$ 6,524,331	\$ 5,732,885	\$ 636,397	\$ 6,882,015	\$ 594,941	\$ -	\$ 20,370,569
2020	\$ 6,690,948	\$ 4,766,762	\$ 632,833	\$ 5,115,271	\$ 592,466	\$ -	\$ 17,798,280
2021	\$ 7,389,657	\$ 7,028,041	\$ 756,358	\$ 5,339,285	\$ 524,220	\$ -	\$ 21,037,561
2022	\$ 7,694,722	\$ 9,596,727	\$ 851,738	\$ 7,787,643	\$ 613,559	\$ -	\$ 26,544,389
2023	\$ 8,164,266	\$ 9,353,372	\$ 880,958	\$ 8,455,742	\$ 734,640	\$ -	\$ 27,588,978

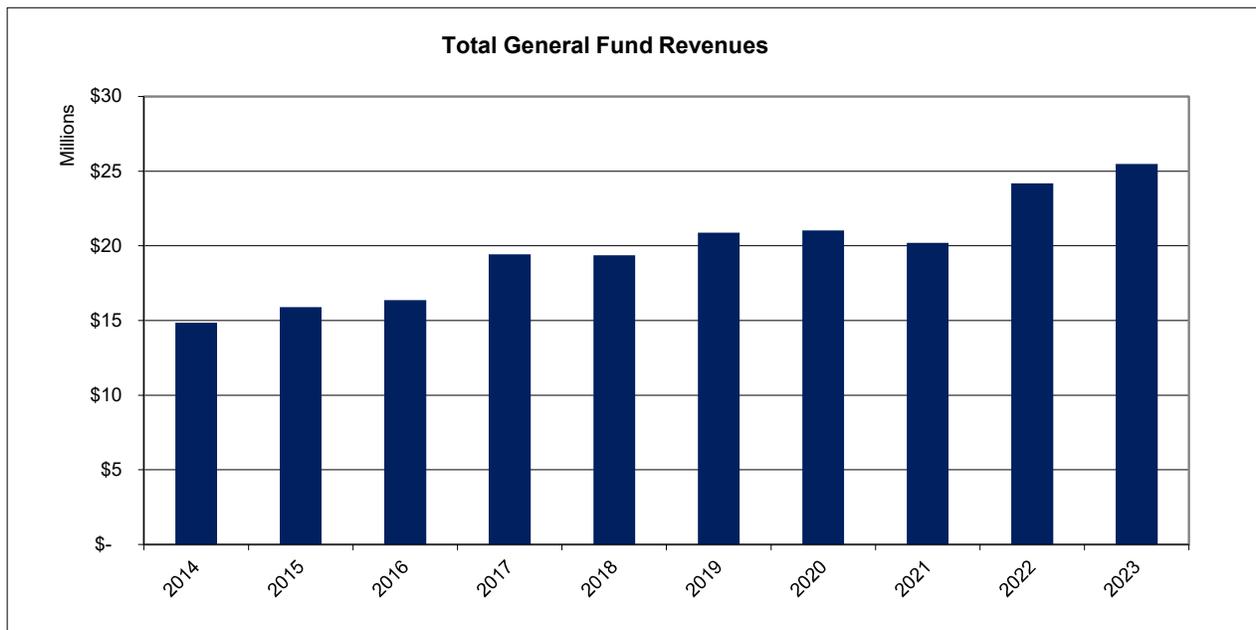


Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
General Fund Revenues by Source
Last Ten Fiscal Years

TABLE 6

Fiscal Year Ended June 30	Taxes	Inter-Governmental	Licenses and Permits	Contributions	Fines and Forfeitures	Charges for Services	Interest, Rents and Concessions	Other Revenues	Total
2014	\$ 12,727,944	\$ 481,310	\$ 997,334	\$ -	\$ 30,489	\$ 106,065	\$ 313,076	\$ 193,336	\$ 14,849,554
2015	\$ 14,702,528	\$ -	\$ 504,419	\$ -	\$ 9,246	\$ 256,097	\$ 161,620	\$ 249,537	\$ 15,883,447
2016	\$ 15,124,699	\$ 74,014	\$ 553,602	\$ -	\$ 7,245	\$ 57,818	\$ 159,632	\$ 389,136	\$ 16,366,146
2017	\$ 16,296,757	\$ 136,367	\$ 762,257	\$ -	\$ 8,422	\$ 66,957	\$ 170,631	\$ 1,979,561	\$ 19,420,952
2018	\$ 16,753,721	\$ 42,846	\$ 1,087,953	\$ -	\$ 91,813	\$ 1,056,205	\$ 123,382	\$ 211,133	\$ 19,367,053
2019	\$ 17,290,655	\$ 583,573	\$ 1,192,242	\$ -	\$ 121,470	\$ 1,251,072	\$ 309,418	\$ 132,776	\$ 20,881,206
2020	\$ 17,798,280	\$ 610,960	\$ 928,752	\$ -	\$ 72,152	\$ 1,177,695	\$ 273,176	\$ 165,131	\$ 21,026,146
2021	\$ 17,030,457	\$ 693,873	\$ 889,822	\$ -	\$ 48,947	\$ 1,198,569	\$ 164,929	\$ 171,329	\$ 20,197,926
2022	\$ 20,573,925	\$ 678,437	\$ 1,276,260	\$ -	\$ 55,506	\$ 1,446,442	\$ 18,014	\$ 127,327	\$ 24,175,911
2023	\$ 21,720,283	\$ 832,011	\$ 957,429	\$ -	\$ 108,144	\$ 1,411,796	\$ 259,500	\$ 200,990	\$ 25,490,153

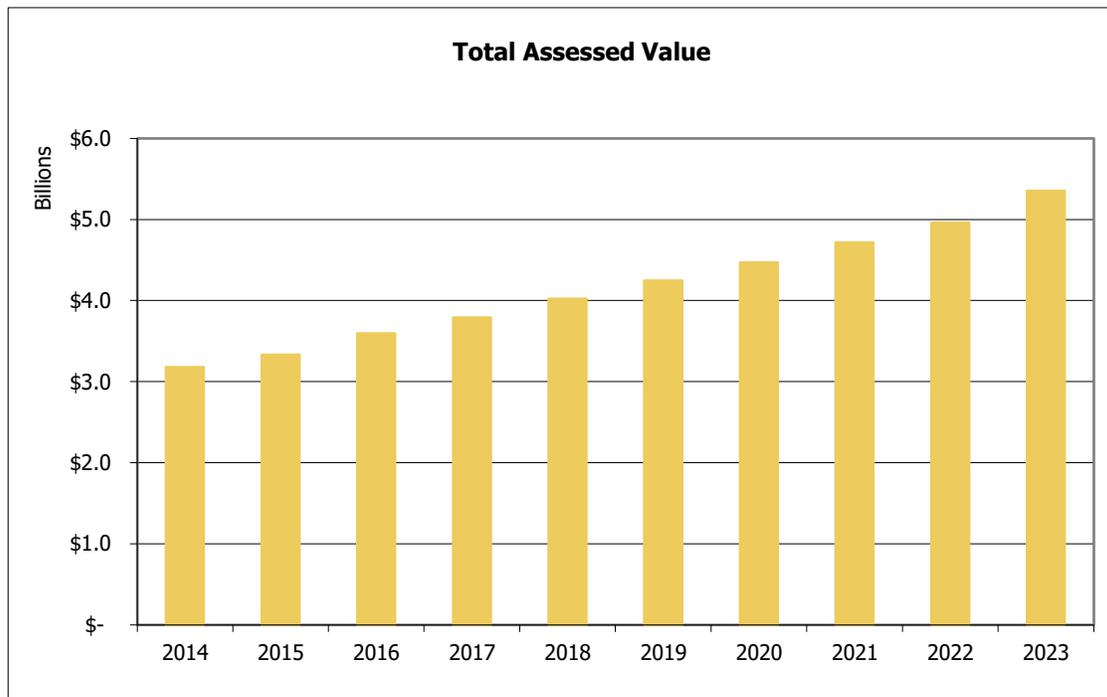


Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Net Assessed Value of Taxable Property
Last Ten Fiscal Years

TABLE 7

Fiscal Year Ended June 30	Secured	Unsecured	Total Assessed Value	Total Direct Tax Rate
2014	\$ 3,153,416,179	\$ 27,307,767	\$ 3,180,723,946	1.00%
2015	\$ 3,309,856,089	\$ 26,813,656	\$ 3,336,669,745	1.00%
2016	\$ 3,569,065,524	\$ 26,719,717	\$ 3,595,785,241	1.00%
2017	\$ 3,766,258,441	\$ 26,280,598	\$ 3,792,539,039	1.00%
2018	\$ 3,999,182,757	\$ 25,708,168	\$ 4,024,890,925	1.00%
2019	\$ 4,220,683,852	\$ 26,668,954	\$ 4,247,352,806	1.00%
2020	\$ 4,446,041,301	\$ 28,251,679	\$ 4,474,292,980	1.00%
2021	\$ 4,686,463,940	\$ 31,785,264	\$ 4,718,249,204	1.00%
2022	\$ 4,933,554,941	\$ 31,058,835	\$ 4,964,613,776	1.00%
2023	\$ 5,322,503,952	\$ 33,821,025	\$ 5,356,324,977	1.00%



Notes:

Total Direct Tax Rate is from Table 8. Rates are based on a \$100 of taxable value.

Exempt values are not included in Total.

With the passage of a constitutional amendment (Proposition 13) and subsequently enacted State legislation, property is assessed according to a base year rather than on a percentage of market value. Accordingly, a reliable estimate of actual value of taxable property within the City is not possible.

Source: County of Monterey Assessors Office

City of Carmel-by-the-Sea
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of Taxable Value)

TABLE 8

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Direct Rates:	(1)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates:	(2)										
Carmel Unified		0.014	0.014	0.014	0.014	0.014	0.016	0.015	0.010	0.015	0.007
Monterey Peninsula Community College		0.022	0.022	0.022	0.022	0.022	0.021	0.021	0.027	0.032	0.030
Total Direct and Overlapping Rate		1.036	1.036	1.036	1.036	1.036	1.037	1.036	1.037	1.047	1.037
City Share of 1% Levy per Prop. 13	(3)	0.913	0.904	0.918	0.925	0.929	0.919	0.906	0.918	0.929	0.929

Notes:

1 The passage of a constitutional amendment (Proposition 13) in June 1978 limits the property tax rate to a base of \$1.00 per \$100.00. The \$1.00 rate is levied by the County and apportioned to local agencies according to a formula prescribed by the California legislature.

2 Overlapping rates are those of entities that apply to property owners within the City of Pacific Grove. Not all overlapping rates apply to all property owners (e.g., the rates for school districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the school district).

3 This is the percentage of \$1 countywide tax levy

Source: County of Monterey Assessors Office

Source: County of Monterey CAFR

City of Carmel-by-the-Sea
Principal Property Tax Owners
Current Year and Nine Years Ago

TABLE 9

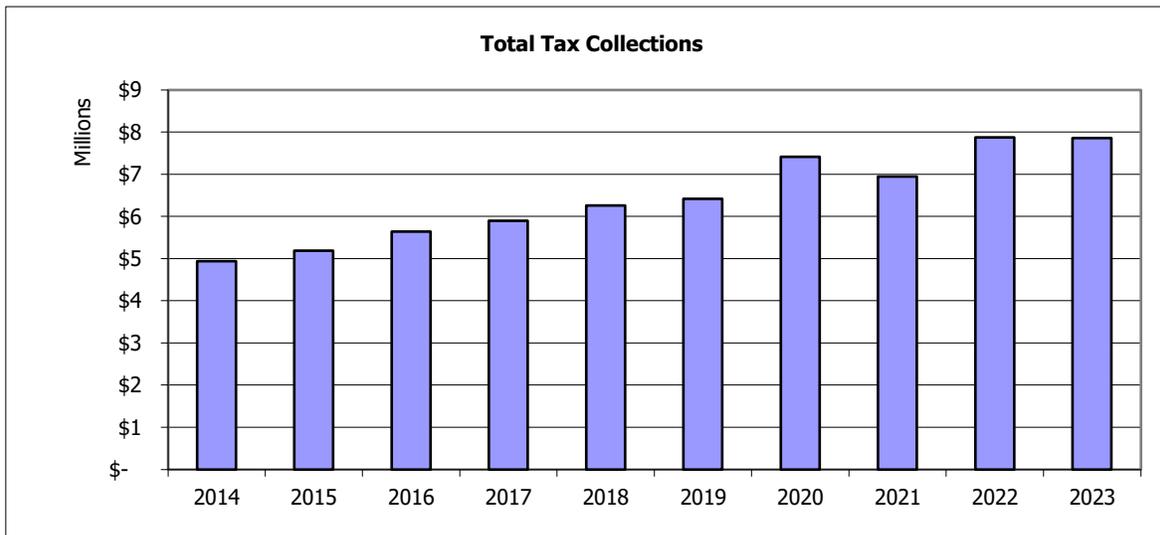
Tax Owner	2023			2014		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
OWRF CARMEL LLC	\$ 61,429,413	1	1.15%	Unavailable		na
ESPERANZA CARMEL COMMERCIAL LLC	\$ 58,174,496	2	1.09%	Unavailable		na
HINES JEFFREY C	\$ 39,250,952	3	0.73%	Unavailable		na
PAUL ANDREW M	\$ 30,890,293	4	0.58%	Unavailable		na
GUNNER RICHARD V & MARGARET S GUNNER TRS	\$ 22,557,958	5	0.42%	Unavailable		na
LA PLAYA CARMEL HOTEL LLC	\$ 18,405,598	6	0.34%	Unavailable		na
ESPERANZA CARMEL LLC	\$ 23,070,043	7	0.43%	Unavailable		na
HOSEIT MANAGEMENT LLC ET AL	\$ 14,672,226	8	0.27%	Unavailable		na
PORTER ALAN R	\$ 14,812,705	9	0.28%	Unavailable		na
LEVETT FAMILY PROPERTIES LLC	\$ 13,546,469	10	0.25%	Unavailable		na
Totals	\$ 296,810,153		5.54%	na		na
Total assessed value	\$ 5,356,324,977			na		

Source: County of Monterey Assessors Office
na= not available

City of Carmel-by-the-Sea
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections ¹	Percent of Levy Collected	Supplemental Tax Collections	Delinquent Tax Collections	Total Collections
2014	\$ 4,881,534	\$ 4,769,259	97.7%	\$ 95,355	\$ 73,000	\$ 4,937,614
2015	\$ 5,127,974	\$ 4,994,647	97.4%	\$ 117,309	\$ 74,547	\$ 5,186,503
2016	\$ 5,598,743	\$ 5,453,176	97.4%	\$ 106,567	\$ 80,397	\$ 5,640,140
2017	\$ 5,825,889	\$ 5,691,894	97.7%	\$ 124,505	\$ 76,128	\$ 5,892,528
2018	\$ 6,192,126	\$ 6,049,707	97.7%	\$ 131,185	\$ 80,213	\$ 6,261,105
2019	\$ 6,524,331	\$ 6,242,449	95.7%	\$ 107,412	\$ 64,523	\$ 6,414,384
2020	\$ 6,690,948	\$ 7,219,695	107.9%	\$ 118,629	\$ 71,261	\$ 7,409,584
2021	\$ 7,389,657	\$ 6,712,274	90.8%	\$ 144,856	\$ 85,217	\$ 6,942,347
2022	\$ 7,694,722	\$ 7,612,601	98.9%	\$ 174,951	\$ 83,468	\$ 7,871,020
2023	\$ 8,164,266	\$ 7,603,636	93.1%	\$ 198,307	\$ 53,537	\$ 7,855,480



Source: County of Monterey Auditor-Controller's Office
 City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea

Ratios of Outstanding Debt By Type

Last Ten Fiscal Years

Table 11

Fiscal Year Ending June 30	Pension Obligation Bonds	Lease Revenue Bonds	Governmental Activities				Fire Capital Loan	Total Outstanding Debt	Median Household Income	Percentage of Household Income	Population	Debt per Capita
			NGEN Public Safety Joint Agree	Financed Purchases	SBITAs							
2014	\$ 3,585,000	\$ 6,725,000	\$ 303,366	\$ -	\$ -	\$ 137,387	\$ 10,750,753	\$ 62,460	0.58%	3,867	2,780	
2015	\$ 5,005,000	\$ 6,435,000	\$ 264,625	\$ -	\$ -	\$ -	\$ 11,704,625	\$ 74,758	0.64%	3,886	3,012	
2016	\$ 4,420,000	\$ 6,140,000	\$ 246,246	\$ -	\$ -	\$ -	\$ 10,806,246	\$ 81,607	0.76%	3,903	2,769	
2017	\$ 3,825,000	\$ 5,840,000	\$ 227,141	\$ -	\$ -	\$ -	\$ 9,892,141	\$ 87,532	0.88%	3,897	2,538	
2018	\$ 3,220,000	\$ 5,530,000	\$ 207,281	\$ -	\$ -	\$ -	\$ 8,957,281	\$ 87,532	0.98%	3,897	2,299	
2019	\$ 2,605,000	\$ 5,215,000	\$ 186,511	\$ -	\$ -	\$ -	\$ 8,006,511	\$ 87,532	1.09%	3,987	2,008	
2020	\$ 1,980,000	\$ 4,890,000	\$ 157,741	\$ -	\$ -	\$ -	\$ 7,027,741	\$ 98,638	1.40%	3,949	1,780	
2021	\$ 1,340,000	\$ 4,761,901	\$ 165,051	\$ -	\$ -	\$ -	\$ 6,266,952	\$ 98,188	1.82%	4,023	1,558	
2022	\$ 680,000	\$ 4,733,004	\$ 165,051	\$ -	\$ -	\$ -	\$ 5,578,055	\$ 101,696	1.82%	3,041	1,834	
2023	\$ -	\$ 4,704,107	\$ 15,033	\$ 156,440	\$ 159,154	\$ -	\$ 5,034,734	\$ 100,365	1.82%	3,033	1,660	

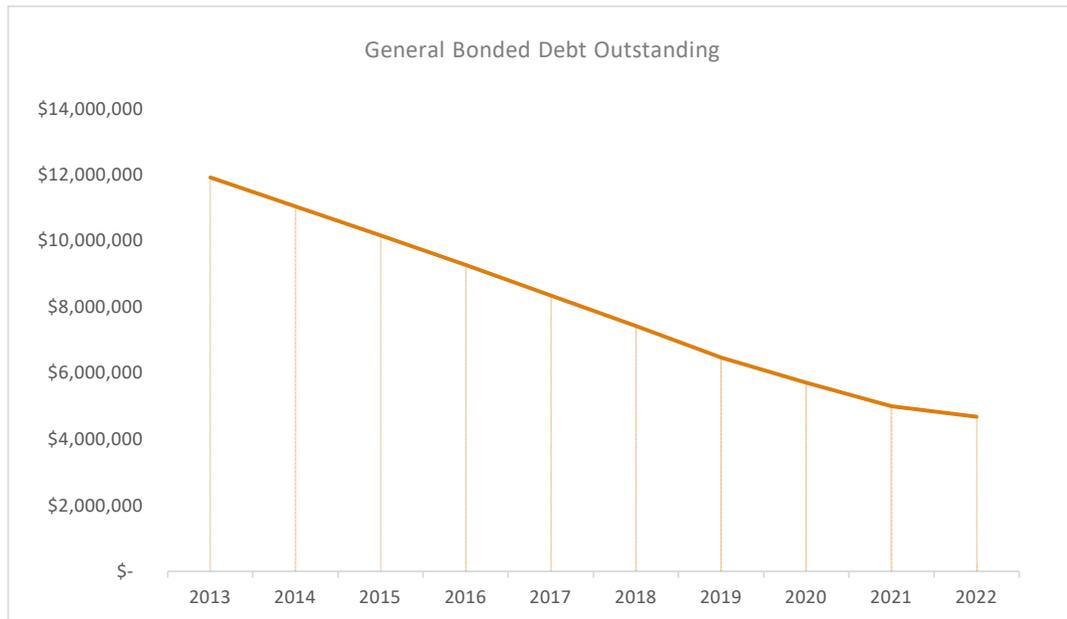
Source: City of Carmel-by-the-Sea Finance Department

Demographics from Table 16

City of Carmel-by-the-Sea
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	General Obligation Bonds	Lease Revenue Bonds	Less: Amount Available in Debt Service Fund	Net Obligation Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value	Population
2013	\$ 5,585,000	\$ 6,725,000	\$ 400,014	\$ 11,909,986	0.37%	\$ 3,080	\$ 3,180,723,946	3,867
2014	\$ 5,005,000	\$ 6,435,000	\$ 400,015	\$ 11,039,985	0.33%	\$ 2,841	\$ 3,336,669,745	3,886
2015	\$ 4,420,000	\$ 6,140,000	\$ 400,381	\$ 10,159,619	0.28%	\$ 2,603	\$ 3,595,785,241	3,903
2016	\$ 3,825,000	\$ 5,840,000	\$ 400,582	\$ 9,264,418	0.24%	\$ 2,377	\$ 3,792,539,039	3,897
2017	\$ 3,220,000	\$ 5,530,000	\$ 405,742	\$ 8,344,258	0.21%	\$ 2,141	\$ 4,024,890,925	3,897
2018	\$ 2,605,000	\$ 5,215,000	\$ 402,335	\$ 7,417,665	0.17%	\$ 1,860	\$ 4,247,352,806	3,987
2019	\$ 1,980,000	\$ 4,890,000	\$ 400,381	\$ 6,469,619	0.14%	\$ 1,638	\$ 4,474,292,980	3,949
2020	\$ 1,340,000	\$ 4,761,901	\$ 393,132	\$ 5,708,769	0.12%	\$ 1,419	\$ 4,718,249,204	4,023
2021	\$ 680,000	\$ 4,733,004	\$ 416,577	\$ 4,996,427	0.10%	\$ 1,643	\$ 4,964,613,776	3,041
2022	\$ -	\$ 4,704,107	\$ 26,805	\$ 4,677,302	0.09%	\$ 1,542	\$ 5,356,324,977	3,033



Source: California Department of Finance
City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Computation of Direct and Overlapping Debt
June 30, 2022

TABLE 13

2022-2023 Assessed Value

\$ 5,356,324,977

	Total Debt Outstanding	Percentage Applicable to City ⁽¹⁾	Amount Applicable to City
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Monterey Peninsula Community College District	\$ 118,657,396	11.620%	\$ 13,787,989
Carmel Unified School District	15,683,445	24.013%	3,766,066
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 134,340,841</u>		<u>\$ 17,554,055</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Monterey County General Fund Obligations	119,773,645	6.436%	7,708,632
Monterey County Judgment Obligations	4,534,000	6.436%	291,808
Monterey County Water Resources Agency Gen Fund Debt	18,755,000	6.436%	1,207,072
City of Carmel-by-the-Sea General Fund Obligations	5,134,734	100.000%	5,134,734
City of Carmel-by-the-Sea Pension Obligation Bonds	-	100.000%	-
Total Gross Direct and Overlapping General Fund Debt			<u>14,342,246</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 14,342,246</u>
TOTAL DIRECT DEBT			\$ 5,134,734
TOTAL GROSS OVERLAPPING DEBT			\$ 26,761,567
TOTAL NET OVERLAPPING DEBT			\$ 26,761,567
GROSS COMBINED TOTAL DEBT ²			\$ 31,896,301
NET COMBINED TOTAL DEBT			\$ 31,896,301

Notes:

- (1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2021-22 Assessed Valuation:

Direct Debt

Total Direct and Overlapping Tax and Assessment Debt	0.33%
Total Direct Debt	0.10%
Gross Combined Total Debt	0.60%
Net Combined Total Debt	0.60%

Source: MuniServices, LLC

City of Carmel-by-the-Sea
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE 14

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 119,277,148	\$ 125,125,115	\$ 134,841,947	\$ 142,220,214	\$ 150,933,410	\$ 159,275,730	\$ 167,785,987	\$ 176,934,345	\$ 186,173,017	200,862,187
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 119,277,148</u>	<u>\$ 125,125,115</u>	<u>\$ 134,841,947</u>	<u>\$ 142,220,214</u>	<u>\$ 150,933,410</u>	<u>\$ 159,275,730</u>	<u>\$ 167,785,987</u>	<u>\$ 176,934,345</u>	<u>\$ 186,173,017</u>	<u>\$ 200,862,187</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:
California Government Code, Section 43605, sets the debt limit at 15% of the total assessed valuation of all real personal property within the city, when assessed values were at 25% of full market value. This has changed to 100% of full market value, with the rate adjusting to 1/4 of 15%.

Source: City of Carmel by the Sea Finance Department

Legal Debt Margin Calculation:	
Total assessed value	\$ 5,356,324,977
Debt limit (3.75% of total assessed value)	200,862,187
Debt applicable to limit:	
General obligation bonds	-
Less: Amount available in debt service fund for repayment of bonds	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 200,862,187</u>

City of Carmel-by-the-Sea
Pledged-Revenue Coverage
Last Ten Fiscal Years

TABLE 15

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sunset Center Certificates of Participation										
General City Revenues	\$ 19,195,290	\$ 21,139,081	\$ 22,406,471	\$ 21,653,778	\$ 23,167,967	\$ 24,061,114	\$ 21,424,311	\$ 26,120,715	\$ 27,251,501	\$ 28,794,067
Less: operating expenses	(15,512,429)	(16,332,293)	(17,552,771)	(18,716,522)	(19,407,105)	(20,069,662)	(20,883,375)	(18,148,230)	(22,576,272)	(20,889,985)
Net available revenue	3,682,861	4,806,788	4,853,700	2,937,256	3,760,862	3,991,452	540,936	7,972,485	4,675,229	7,904,082
Debt service:										
Principal	285,000	290,000	295,000	300,000	310,000	315,000	325,000	-	-	-
Interest	219,763	213,963	208,063	202,063	198,188	190,375	173,320	106,957	155,798	155,800
Total	504,763	503,963	503,063	502,063	508,188	505,375	498,320	106,957	155,798	155,800
Coverage	7.30	9.54	9.65	5.85	7.40	7.90	1.09	74.54	30.01	50.73
Pension Obligation Bonds										
General City Revenues	\$ 19,195,290	\$ 21,139,081	\$ 22,406,471	\$ 21,653,778	\$ 23,167,967	\$ 24,061,114	\$ 21,424,311	\$ 26,120,715	\$ 27,251,501	\$ 28,794,067
Less: operating expenses	(15,512,429)	(16,332,293)	(17,552,771)	(18,716,522)	(19,407,105)	(20,069,662)	(20,883,375)	(18,148,230)	(22,576,272)	(20,889,985)
Net available revenue	3,682,861	4,806,788	4,853,700	2,937,256	3,760,862	3,991,452	540,936	7,972,485	4,675,229	7,904,082
Debt service:										
Principal	580,000	580,000	585,000	595,000	605,000	615,000	625,000	640,000	660,000	680,000
Interest	122,593	118,243	112,443	105,131	96,206	85,120	71,892	57,666	40,414	21,080
Total	702,593	698,243	697,443	700,131	701,206	700,120	696,892	697,666	700,414	701,080
Coverage	5.24	6.88	6.96	4.20	5.36	4.91	0.78	11.43	6.67	11.27
Combined coverage	3.05	4.00	4.04	2.44	3.11	2.85	3.31	3.31	5.46	9.22

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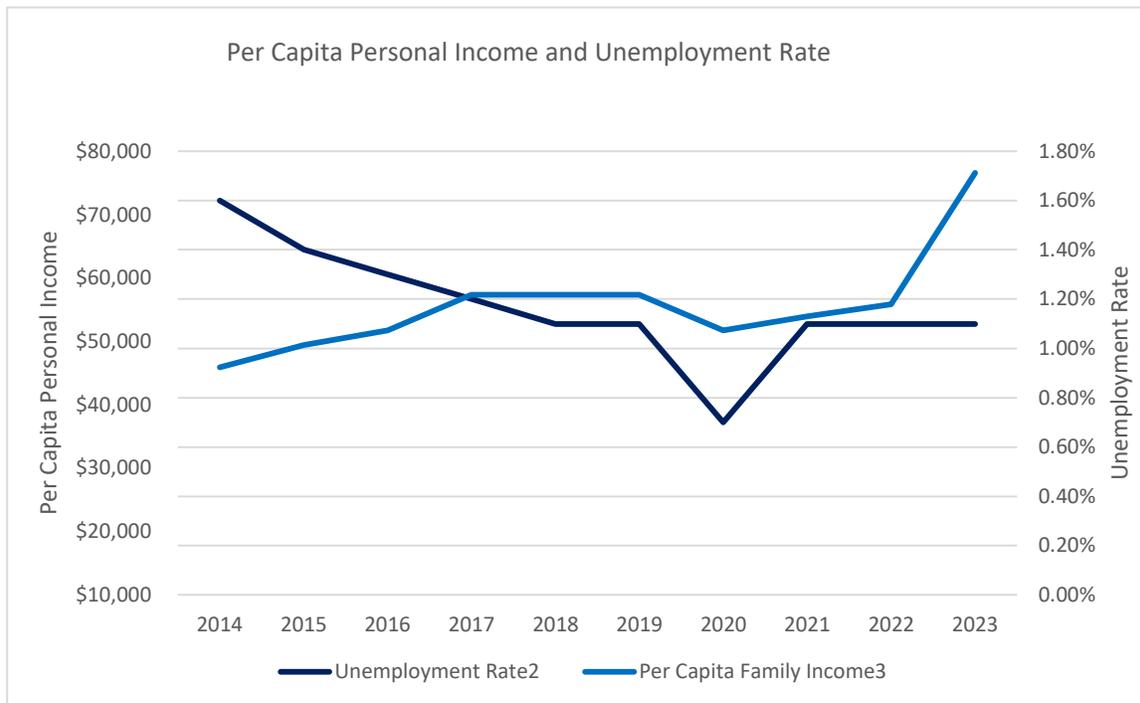
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE 16

Fiscal Year Ended June 30	Population ¹	Unemployment Rate ²	Median Household Income	Per Capita Family Income ³	Median Age	% of Population 25+ with High School Diploma	% of Population 25+ with Bachelor's Degree
2014	3,867	1.60%	\$ 62,460	\$ 45,928	55.1	95.70%	57.60%
2015	3,886	1.40%	\$ 74,758	\$ 49,425	54.3	97.30%	58.60%
2016	3,903	1.30%	\$ 81,607	\$ 51,778	53.1	97.30%	63.70%
2017	3,897	1.20%	\$ 87,532	\$ 57,307	55.8	96.90%	64.70%
2018	3,897	1.10%	\$ 87,532	\$ 57,307	55.8	96.90%	64.70%
2019	3,987	1.10%	\$ 87,532	\$ 57,307	55.8	96.90%	64.80%
2020	3,949	0.70%	\$ 81,607	\$ 51,778	61.3	97.30%	63.70%
2021	4,023	1.10%	\$ 98,188	\$ 53,961	59.6	82.72%	55.03%
2022	3,041	1.10%	\$ 101,696	\$ 55,889	65.0	95.80%	74.70%
2023	3,033	1.10%	\$ 100,365	\$ 76,590	63.6	95.80%	74.70%



Notes:

- A For calendar year ending during the fiscal year.
- B Total Personal Income is presented in thousands.

Source: ¹ California Department of Finance
² California Employment Development Department
³ U.S. Department of Commerce, Bureau of Economic Analysis

City of Carmel-by-the-Sea
Principal Employers
Current Year and Nine Years Ago ⁽¹⁾

TABLE 17

	Fiscal Year Ended June 30					
	2023			2014		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Employer:						
La Bicyclette	109	1	6.65%	Unavailable	1	n/a
Casanova	90	2	5.49%	Unavailable	2	n/a
Cypress Inn	81	3	4.94%	Unavailable	3	n/a
City of Carmel	80	4	4.88%	Unavailable	4	n/a
Vesuvio	76	5	4.63%	Unavailable	5	n/a
La Playa Hotel	73	6	4.45%	Unavailable	6	n/a
Little Napoli	68	7	4.15%	Unavailable	7	n/a
Il Fornaio	66	8	4.02%	Unavailable	8	n/a
Grasings	57	9	3.48%	Unavailable	9	n/a
Dametra	50	10	3.05%	Unavailable	10	n/a
Alvarado Street Brewery & Bist	50	10	3.05%			
Totals	<u>691</u>		<u>48.78%</u>	<u>-</u>		<u>-</u>
Total employment	<u>1,640</u>			<u>na</u>		

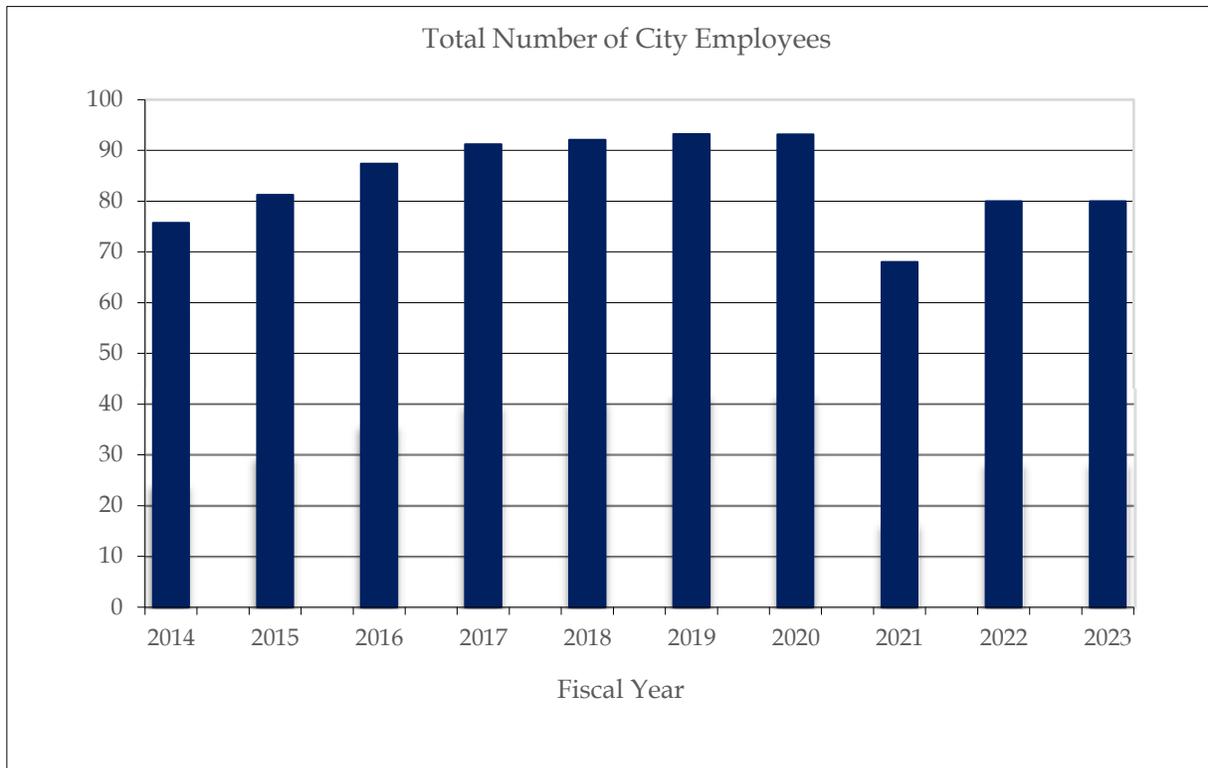
Notes: This is the second year that the City is including a statistical section. Due to the small size of the City, employee counts for prior years were not available through a database or third party. Prior year information will be included as the City reports this information in forthcoming years.

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Number of City Employees by Department
Last Ten Fiscal Years

TABLE 18

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Departments:										
General Government	10.72	18.20	17.60	18.60	16.20	15.70	15.66	15.00	15.00	15.00
Public Safety	28.02	28.80	30.70	30.70	31.70	32.00	32.00	25.00	24.00	24.00
Public Works	13.90	14.00	18.00	21.00	21.00	21.00	21.00	15.00	18.00	20.00
Community Activities	1.43	1.70	1.70	1.50	1.40	1.50	1.50	0.50	1.00	0.50
Library	11.65	11.60	12.40	12.40	12.80	14.00	13.98	5.50	11.00	10.50
Community Plng. and Bldg.	10.02	6.97	7.00	7.00	9.00	9.00	9.00	7.00	11.00	10.00
Totals	75.74	81.27	87.40	91.20	92.10	93.20	93.14	68.00	80.00	80.00



Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Operating Indicators By Function
Last Ten Fiscal Years

TABLE 19

Function:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Calls for service	10,023	14,813	14,360	13,701	12,674	13,252	11,385	8,778	8,959	9,709
Fire										
Calls for service	759	851	925	856	843	1,006	803	754	794	951
Inspections	725	822	636	346	504	112	184	107	88	135
Public Works										
Potholes patched				18	52	25	20	25	50	35
Tree permits Issued					166	90	177	216	183	305
Calls for service				300	250	500	750	433	1,455	6,935
Road asphalt used					48	34	28	32	44	28
Trees planted	60			32	82	82	59	57	139	254
Library										
Circulation of library materials	153,227	140,848	114,137	106,976	99,802	104,456	104,456	84,810	55,414	127,777
Reference questions	37,010	24,318	20,233	19,252	16,276	15,789	15,789	13,579	9,062	14,199
Community Activities										
Special Event permits	39	45	30	81	75	42	35	5	31	55
Community Development										
Building Permits	340	500	422	416	580	590	677	446	411	458
Architectural Approvals	273	466	524	468	440	452	402	280	171	163
Administration										
Business Licenses (All businesses)	1280	1350	1472	1615	1836	2187	2276	1,984	1,884	1,834
Public Records Requests (Calendar Yr)	143	147	127	160	184	187	199	248	101	215

Source: City of Carmel-by-the-Sea Departments

City of Carmel-by-the-Sea
Capital Asset Statistics By Function
Last Ten Fiscal Years

TABLE 20

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function:										
General Government										
Number of buildings	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Parking meters	11	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of paved streets	27	27	27	27	27	27	27	27	27	27
Parking lots	3	3	3	3	3	3	3	3	3	3
Fleet Vehicles (City-wide)	43	43	43	43	43	45	41	42	44	44
Recreation										
Parks	10	10	10	10	10	10	10	10	10	10
Playgrounds	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Library										
Library facilities	2	2	2	2	2	2	2	2	2	2

Source: City of Carmel-by-the-Sea Departments

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**OTHER INDEPENDENT
AUDITOR'S REPORTS**

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

To the Honorable Mayor and Members of the
City Council of the City of Carmel-By-The-Sea
Carmel-by-the-Sea, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Carmel-By-The-Sea (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2024.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not



express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

March 29, 2024
Morgan Hill, California