

City of Watsonville, California

**Measure Y Fund
Financial Statements**

For the Year Ended June 30, 2023

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**CITY OF WATSONVILLE
MEASURE Y FUND
FINANCIAL STATEMENTS
For the Year ended June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City
Council of the City of Watsonville, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Measure Y Fund (the Fund) of the City of Watsonville, California (City), as of and for the year ended June 30, 2023, and the related notes to the 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 financial position of the Fund as of June 30, 2023, and the change in the financial position and budgetary comparison listed in the Table of Contents as part of the financial statements 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not present fairly the financial position of the City as of June 30, 2023, the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
December 26, 2023

**CITY OF WATSONVILLE
 MEASURE Y FUND
 (FORMERLY KNOWN AS MEASURE G)
 BALANCE SHEET
 June 30, 2023**

ASSETS

Cash and investments	\$ 2,769,007
Accounts receivable	870,209
Intergovernmental receivable	<u>13,909</u>
Total Assets	\$ <u><u>3,653,125</u></u>

LIABILITIES

Accounts and retentions payable	\$ 304,023
Accrued personnel costs	<u>57,460</u>
Total Liabilities	<u>361,483</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue	<u>13,909</u>
Total Deferred Inflows of Resources	<u>13,909</u>

FUND BALANCE

Restricted for:	
Fire services	1,406,875
Police services	1,400,763
Parks and recreation	<u>470,095</u>
Total Fund Balance	<u>3,277,733</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ <u><u>3,653,125</u></u>
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See accompanying Notes to Financial Statements.

CITY OF WATSONVILLE
MEASURE Y FUND
(FORMERLY KNOWN AS MEASURE G)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
For The Year Ended June 30, 2023

REVENUES

Sales tax - Fire	\$	1,957,390
Sales tax - Police		2,781,554
Sales tax - Parks and recreation		412,082
Interest - Fire		66,220
Interest - Police		46,600
Interest - Parks and recreation		9,810
Other revenue - police		36,734
Total Revenues		5,310,390

EXPENDITURES

Fire	1,547,624
Police	3,257,536
Park and Recreation	434,855
Total Expenditures	5,240,015

Excess (deficiency) of revenues over expenditures	70,375
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OTHER FINANCING SOURCES (USES):

Transfers out for debt services payments	(286,307)
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NET CHANGE IN FUND BALANCE	(215,932)
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FUND BALANCE

Beginning Fund Balance	3,493,665
Ending Fund Balance	\$ 3,277,733

See accompanying Notes to Financial Statements.

CITY OF WATSONVILLE
MEASURE Y FUND
(FORMERLY KNOWN AS MEASURE G)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended June 30, 2023

REVENUES	Final Budget	Actual	Variance Favorable (Unfavorable)
Sales tax - Fire	\$ 1,957,390	\$ 1,957,390	\$ -
Sales tax - Police	2,781,554	2,781,554	-
Sales tax - Parks and recreation	412,082	412,082	-
Interest - Fire	66,220	66,220	-
Interest - Police	46,600	46,600	-
Interest - Parks and recreation	9,810	9,810	-
Other revenue - Police	36,734	36,734	-
Total Revenues	5,310,390	5,310,390	-
EXPENDITURES			
Fire:			
Salaries and Wages	1,079,948	1,079,948	-
Operations	229,715	229,715	-
Capital Outlay	237,961	237,961	-
Total Fire	1,547,624	1,547,624	-
Police:			
Salaries and Wages	1,765,822	1,765,822	-
Operations	917,606	917,606	-
Capital Outlay	574,108	574,108	-
Total Police	3,257,536	3,257,536	-
Park and Recreation:			
Salaries and Wages	81,087	81,087	-
Operations	353,768	353,768	-
Total Park and Recreation	434,855	434,855	-
Total Expenditures	5,240,015	5,240,015	-
Excess (deficiency) of revenues over expenditures	70,375	70,375	
Other financing sources (uses):			
Transfers out for debt services payments - Fire	(286,307)	(286,307)	-
NET CHANGE IN FUND BALANCE	\$ (215,932)	(215,932)	\$ -
FUND BALANCE			
Beginning Fund Balance		3,493,665	
Ending Fund Balance		\$ 3,277,733	

See accompanying Notes to Financial Statements.

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**CITY OF WATSONVILLE
MEASURE Y FUND
(FORMERLY KNOWN AS MEASURE G)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

In the June 3, 2014 election, City of Watsonville (City) voters approved Measure G, establishing a temporary half-cent transaction sales and use tax. The Measure G Fund (Fund) was established to accumulate revenues transmitted by the State Board of Equalization (BOE), the agency responsible for administering and collecting the transactions and use taxes for the City, and apportion them to essential services outlined within the approved expenditure plan.

On March 3, 2020, City voters approved Measure Y to renew and continue the half-cent transaction sales and use tax. The fund was used to accumulate revenues transmitted by the State Board of Equalization and apportion them to essential services outlined within the approved expenditure plan.

The financial statements present only the activities of the Measure Y Fund, and are not intended to present the financial position and changes in financial position of the City of Watsonville, in accordance with accounting principles generally accepted in the United States of America.

B. Basis of Accounting

The Measure Y Fund of the City is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

C. Estimates

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

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2023, consist of the following:

Pooled cash and investments with the	
City of Watsonville	\$2,769,007

Please refer to the notes of the City's June 30, 2023 Annual Comprehensive Financial Report regarding cash and investments for additional detail.

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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 City Council of
the City of Watsonville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Watsonville (City) Measure Y Fund (the Fund) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2023. Our report included an emphasis of a matter paragraph disclosing the implementation of a new accounting principle.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control that we consider to be a material weakness as listed on the Schedule of Material Weakness included as part of our separately issued Memorandum on Internal Control dated December 26, 2023, which is an integral part of our audit and should be read in conjunction with this report.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is listed as finding 2023-01 in our separately issued Memorandum on Internal Control dated December 26, 2023, which is an integral part of our audit and should be read in conjunction with this report.

City’s Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in our separately issued Memorandum on Internal Control dated December 26, 2023, which is an integral part of our audit and should be read in conjunction with this report. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Pleasant Hill, California
December 26, 2023