

City of Watsonville, California

**Measure Y Fund
Financial Statements**

For the Year Ended June 30, 2025

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**CITY OF WATSONVILLE
MEASURE Y FUND
FINANCIAL STATEMENTS
For the Year ended June 30, 2025**

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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, 2025, and the related notes to the financial statements, which collectively comprise the Fund'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 financial position of the Fund as of June 30, 2025, and the change in the financial position and budgetary comparison listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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, 2025, 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.

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 December 30, 2025, 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 30, 2025

**CITY OF WATSONVILLE
MEASURE Y FUND
(FORMERLY KNOWN AS MEASURE G)
BALANCE SHEET
June 30, 2025**

ASSETS

Cash and investments	\$ 2,088,142
Taxes receivable	873,799
Total Assets	\$ 2,961,941

LIABILITIES

Accounts and retentions payable	\$ 356,522
Accrued personnel costs	79,588
Total Liabilities	436,110

FUND BALANCE

Restricted for:	
Fire services	1,410,800
Police services	687,140
Parks and recreation	427,891
Total Fund Balance	2,525,831

TOTAL LIABILITIES AND FUND BALANCE	\$ 2,961,941
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See accompanying Notes to Basic 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, 2025

REVENUES

Sales tax - Fire	\$	1,973,618
Sales tax - Police		2,804,615
Sales tax - Parks and Recreation		415,498
Interest - Fire		51,445
Interest - Police		36,202
Interest - Parks and Recreation		7,622
Other revenue - Police		2,430
Intergovernmental		3,934
		3,934
Total Revenues		5,295,364

EXPENDITURES

Fire		2,238,318
Police		2,767,966
Parks and Recreation		587,615
		587,615
Total Expenditures		5,593,899

NET CHANGE IN FUND BALANCE **(298,535)**

FUND BALANCE

Beginning Fund Balance		2,824,366
		2,824,366
Ending Fund Balance	\$	2,525,831

See accompanying Notes to Basic 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, 2025

	Final		Variance
	Budget	Actual	Favorable
REVENUES	<u> </u>	<u> </u>	(Unfavorable)
Sales tax - Fire	\$ 2,096,840	\$ 1,973,618	\$ (123,222)
Sales tax - Police	2,979,720	2,804,615	(175,105)
Sales tax - Parks and recreation	441,440	415,498	(25,942)
Interest - Fire	5,000	51,445	46,445
Interest - Police	15,000	36,202	21,202
Interest - Parks and recreation	1,000	7,622	6,622
Other revenue - Police	100	2,430	2,330
	-	3,934	3,934
Total Revenues	<u>5,539,100</u>	<u>5,295,364</u>	<u>(243,736)</u>
EXPENDITURES			
Fire:			
Salaries and Wages	1,342,652	1,358,145	(15,493)
Operations	634,060	567,389	66,671
Capital Outlay	1,495,643	312,784	1,182,859
Total Fire	<u>3,472,355</u>	<u>2,238,318</u>	<u>1,234,037</u>
Police:			
Salaries and Wages	2,090,922	1,645,184	445,738
Operations	735,989	744,891	(8,902)
Capital Outlay	382,942	377,891	5,051
Total Police	<u>3,209,853</u>	<u>2,767,966</u>	<u>441,887</u>
Parks and Recreation:			
Salaries and Wages	121,583	109,997	11,586
Operations	798,324	477,618	320,706
Total Parks and Recreation	<u>919,907</u>	<u>587,615</u>	<u>332,292</u>
Total Expenditures	<u>7,602,115</u>	<u>5,593,899</u>	<u>2,008,216</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,063,015)</u>	<u>(298,535)</u>	<u>\$ (1,764,480)</u>
FUND BALANCE			
Beginning Fund Balance		<u>2,824,366</u>	
Ending Fund Balance		<u>\$ 2,525,831</u>	

See accompanying Notes to Basic Financial Statements.

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**CITY OF WATSONVILLE
MEASURE Y FUND
(FORMERLY KNOWN AS MEASURE G)
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2025**

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 BOE 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, 2025, consist of the following:

Pooled cash and investments with the	
City of Watsonville	\$2,088,142

Please refer to the notes of the City's June 30, 2025 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 basic financial statements of the City of Watsonville (City) Measure Y Fund (the Fund) as of and for the year ended June 30, 2025, and have issued our report thereon December 30, 2025.

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 opinion 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 Fund'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 December 30, 2025, 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 Fund’s financial statements are free from material misstatement, we performed tests of the City’s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We have also issued a separate Memorandum on Internal Control dated December 30, 2025, 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 December 30, 2025, 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 30, 2025