

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
June 30, 2020

*“Working with our community
to create positive impact through
service with heart.”*



CITY OF WATSONVILLE, CALIFORNIA

City of Watsonville, California

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Prepared by the Finance Department

Cindy Czerwin, Administrative Services Director



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CITY OF WATSONVILLE, CALIFORNIA
Comprehensive Annual Financial Report
Fiscal Year Ending June 30, 2020

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INTRODUCTORY SECTION

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City of Watsonville

"A Community of Opportunities"

December 30, 2020

Honorable Mayor, City Council and Citizens of the City of Watsonville:

REPORT PURPOSE AND ORGANIZATION

We are pleased to present the City of Watsonville's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. The CAFR is intended to present information above, what is required by generally accepted accounting principles and State law.

The Charter of the City of Watsonville and the State of California law require that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S.GAAP). The report should also be audited by an independent firm of certified public accountants (CPA) in accordance with generally accepted government auditing standards (GAGAS). Pursuant to the requirements, we hereby issue the comprehensive annual financial report of the City of Watsonville for the fiscal year ended June 30, 2020.

The CAFR consists of management's representation concerning the finances of the City of Watsonville (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Watsonville's financial statements in conformity to U.S.GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Watsonville's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Audited Financial Statements

Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Watsonville’s financial statements for the fiscal year ending June 30, 2020. A copy of this report is included in page 15 in the Financial Section of this report.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with U.S. GAAP. The independent auditors report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Watsonville also incorporates a broader, federally mandated **Single Audit Uniform Guidance** designed to meet the special needs of federal grantor agencies. The standards governing the Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Watsonville’s separately issued Single Audit Report.

GAPP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Watsonville’s MD&A can be found immediately following the report of the independent auditors.

CITY OF WATSONVILLE PROFILE

The City of Watsonville was incorporated in 1868 and is located six miles inland from the Monterey Bay in the State of California. The government has a land area of 6.19 square miles and a population of 53,856 people based on US Census estimates as of July 1, 2019.

Watsonville became a charter City government in 1908. Policymaking and legislative authority are vested in the governing City Council, which consists of seven Council Members, one of whom serves as mayor. The mayor is appointed on sequential basis from each of the numbered City Council districts and serves for a term of one year. The council is elected on a non-partisan basis from seven electoral districts. Council members are elected to four-year terms. Elections are staggered with four

Council Members elected during one election and three Council Members elected in the following election two years later. The governing City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's City Manager, City Clerk, and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the department heads.

City Services

The City of Watsonville provides a full range of services including police and fire protection; water treatment and distribution; solid waste collection and disposal; sanitary sewer collection and treatment; airport facilities; building inspection, planning, economic development, housing rehabilitation, and general government services; library; recreation; parks; street construction and maintenance; and general administration.

The financial reporting entity of the City includes all the funds of the City of Watsonville, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The Successor Agency of the City of Watsonville Redevelopment Agency's information in this year's financial report is presented separately as part of the fiduciary statements. Additional information can be found on this entity starting on page 93 within the notes to the financial statements.

Budgetary Process and Controls

The annual budget serves as the foundation for the City of Watsonville's financial planning and control. All departments of the City of Watsonville are required to submit requests for appropriations to the government's management on or before March 31 of each fiscal year. The Finance Department uses these requests as a starting point for developing a proposed budget. The Finance Department then presents this proposed budget to the Council for review prior to May 31. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Watsonville's fiscal year. The appropriated budget is prepared by fund (i.e. General Fund, Water), department (i.e., police), and division (i.e., investigation).

Department directors may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Manager. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The general fund, impact fee fund, housing fund, and redevelopment and housing grants fund comparisons are presented on pages 40 to 43 as part of the basic financial statements for the governmental funds. For governmental funds, other than major funds, with appropriated annual budgets,

these comparisons can be found in the governmental fund subsection of this report, which starts on page 103.

FACTORS AFFECTING FINANCIAL CONDITION

Fiscal Year 2019-2020 was an interesting year indeed. What began as a normal year continuing several years of steady growth ended in the middle of a pandemic. Despite ending the year with rapidly changing and unknown economic circumstances the City of Watsonville managed to take quick and decisive action that maintained the fiscal health of the City.

Local Economy

The COVID 19 pandemic ended what had been several years of steady revenue growth for the City of Watsonville. In the final quarter of Fiscal Year 2019-2020 we, like most of the county, experienced many unexpected changes. We saw county and state shelter in place orders that forced the closure of many of our business including restaurants. Schools were closed. Our recreation programming had to be canceled and refunded to those who had pre-enrolled. Rentals of our facilities and RV park were likewise canceled and refunded. State programs were put in place to delay the collection of sales taxes from small businesses further complicating data available to analyze the picture. We saw unemployment in our City rise to a peak of 17%.

We saw some of the lowest months of revenue collections and activities on record. In April when construction activities were ordered to halt, activity and revenue in our Community Development Department dropped by 75%. May revenues for our Parks and Community Services Department were actually negative due to the refunds that needed to be processed.

Despite the confusion brought by the pandemic and due to the positive direction, we had been headed prior to the pandemic, Watsonville was able to end the fiscal year on stable footing driven by year over year tax increases and responsible spending and savings on the part of our departments.

Property tax hit another new peak. Property tax collections in FY 2019-2020 were of course driven by assessments that were set prior to the onset of the pandemic and reflected another increase in residual payments from formerly redevelopment areas as debt related to those projects is retired. Despite the pandemic, growth and building in Watsonville continues including several residential and commercial projects in various phases of planning or construction including, two hotels, and a major commercial project on Main St. However, home sales have slowed and in contrast to the rest of Santa Cruz county, prices have flattened. Therefore, while we expect continued growth in property tax in future years it is likely to be at a lower rate than we have seen recently.

Sales tax revenues declined by 1% from the prior year ending a streak of increases that had been going since FY 2010-11. Large quarterly decreases in the areas of fuel, restaurants and hotels, and general consumer goods were partially offset by increases in online sales represented by allocations from our state and county pools. Our share of that pool also increased from 21 to 23 percent as local sales dropped more in our neighboring tourist driven communities than here in Watsonville.

Community development fees dropped to their lowest point since FY 2016-2017 due to a slowdown in fourth quarter activity. The department has since seen a rebounded and activity levels have normalized. It appears that the drop in FY 2019-2020 will be short lived.

Utility user taxes are driven by consumer utility prices and demand. FY 2019-2020 saw a 6% growth over the prior year. No decline as was anticipated at the beginning of the pandemic. Perhaps sheltering in place and distance learning made many of the technologies covered by this tax indispensable as they may have been during prior recessions. Normal increases in utility rates from higher energy prices and planned capital improvements to infrastructure have a corresponding increase in this tax.

Transient Occupancy Tax saw a 15% decline, putting it at its lowest levels since 2015-16. This is due to a fourth quarter that had collections of just 10% of normal. However, as tourism is not major part of the Watsonville economy this loss is not as hard felt as in some neighboring areas. We expect FY 2020-2021 with several quarters of declines in hotel stays will see further declines.

Back in March, knowing we would be facing an economic crisis along with the public health one, City officials immediately made decisions to control spending. In some cases, not by choice as in the closure of recreation programs, but in other instances we were able to freeze hiring and reduce costs without dramatically altering services offered to our residents or affecting full time permanent staff. Some of the operational savings were redirected toward readiness and preparation for staff to function in a new COVID 19 environment. Unexpected purchases and spending included personal protection equipment, plexiglass barriers, new online and remote work technologies, and new emergency FMLA leaves provided to employees.

Overall the combination of surprising steady revenue growth and smart reactive expenditure decisions the City has grown its balances and net position.

Long-term financial planning

Fiscal Year 2019-20 spent one-third of the year living through the COVID 19 pandemic. We as a City weathered it well. However, the lasting impacts of the pandemic and its resulting recession are yet unknown. Fiscal year 2020-21 is likely

to spend its entirety in the ups and downs of the pandemic. As of the writing of this, in December, the United States has just begun its vaccine program while we are in the midst of the worst case and death counts that country has yet to experience and the county, state, and City are returning to some of the strict lock down measures that were implemented in March.

The 2008 and 2009 recession hit Watsonville particularly hard. We took a very long time to recover to prior peak revenues, seven years to be exact, until 2015. While the current pandemic induced recession is proving to be quite different than the 2008 recession it remains anyone's guess as to how Watsonville will be able to weather the long-term effects of this storm. We believe many of our residents have been able to stay afloat to do stimulus programs and extended unemployment benefits offered by the Federal Government. How our residents and businesses are able to make it through to the end is unclear as those stimulus programs are scheduled to end on December 31. Furthermore, it is yet to be seen how and if behavior patterns change permanently. Will online shopping continue at this level? Will tourism and hotel stays return to us and our neighbors? Will restaurants continue to focus on take-out models? And when will recreation activities be able to resume? All of these are unanswered questions that will determine the mix of revenues available to Watsonville and the types of services we offer to our residents.

To meet these unknown challenges, we need to continue to be flexible and thoughtful. Despite several years of steady increases Watsonville was already facing a structure shortfall with upcoming increases in retirement Unfunded Actuarial Liability costs and a known unfunded capital plan of over \$40million. The pandemic related recession is only worsening that future structural problem. The increased balances from Fiscal Year 2019-2020 need to be preserved and used carefully to smooth out those increased costs and invest in our capital liability. A rush to increase operating expenses and business as usual would be unwise in what continues to be an unknown environment.

The FY 2020-21 budget was approved using emergency reserves to balance anticipated revenue shortfalls. Thus far the revenue shortfalls do not seem as extreme as originally anticipated but that is far from certain as are the long-term effects of the recession. However, if Watsonville's leadership continues to be careful and thoughtful as they have thus shown themselves to be I am confident that we will be able to get through this tough phase and grow again. We just don't yet know when.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watsonville, California for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2019. This was the nineteenth consecutive year that the

government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easy, readable, and efficiently organized CAFR. The report satisfies both U.S. GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate. In addition, the City has received the GFOA's Award for Distinguished Budget Presentation for its biennial budget dated June 19, 2019. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including policy documentation, a financial plan and a communication device.

The preparation of this report could not have been accomplished without the efficient and dedicated service of the Finance Department staff. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. In particular Assistant Finance Director, Marissa Duran, who coordinated the audit. Patricia Rodriguez, Senior Financial Analyst, also deserves special recognition for her contribution to the report. The following remaining Finance Staff made this report possible through their dedicated service throughout the fiscal year: Marisa Bermudez, Ilda Estrada, Maribel Pierce, Christine McGrath, Diana Rivas, Laura Calata, and Mary Stepovich. The Mayor and the governing council should also be given due credit for their interest and support in managing the City of Watsonville in a responsible and progressive manner.

Respectfully submitted,



Salma
Administrative Services Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Watsonville
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Monell

Executive Director/CEO

City of Watsonville, California

Officers and Officials

For the Fiscal Year End June 30, 2020

City Council:

Mayor – Rebecca J. Garcia

Mayor Pro Tempore – Trina Coffman-Gomez

Council Member – Felipe Hernandez

Council Member – Aurelio Gonzalez

Council Member – Lowell Hurst

Council Member – Francisco Estrada

Council Member – Ari Parker

City Officials:

City Manager – Matt Huffaker

City Clerk – Beatriz Vazquez Flores

Fire Chief – Pablo Barreto

Police Chief – David Honda

Public Works Director – Steve Palmasano

Library Director – Carol Heitzig

Community Development Director – Suzi Meriam

Parks and Community Services Director – Nick Calubaquib

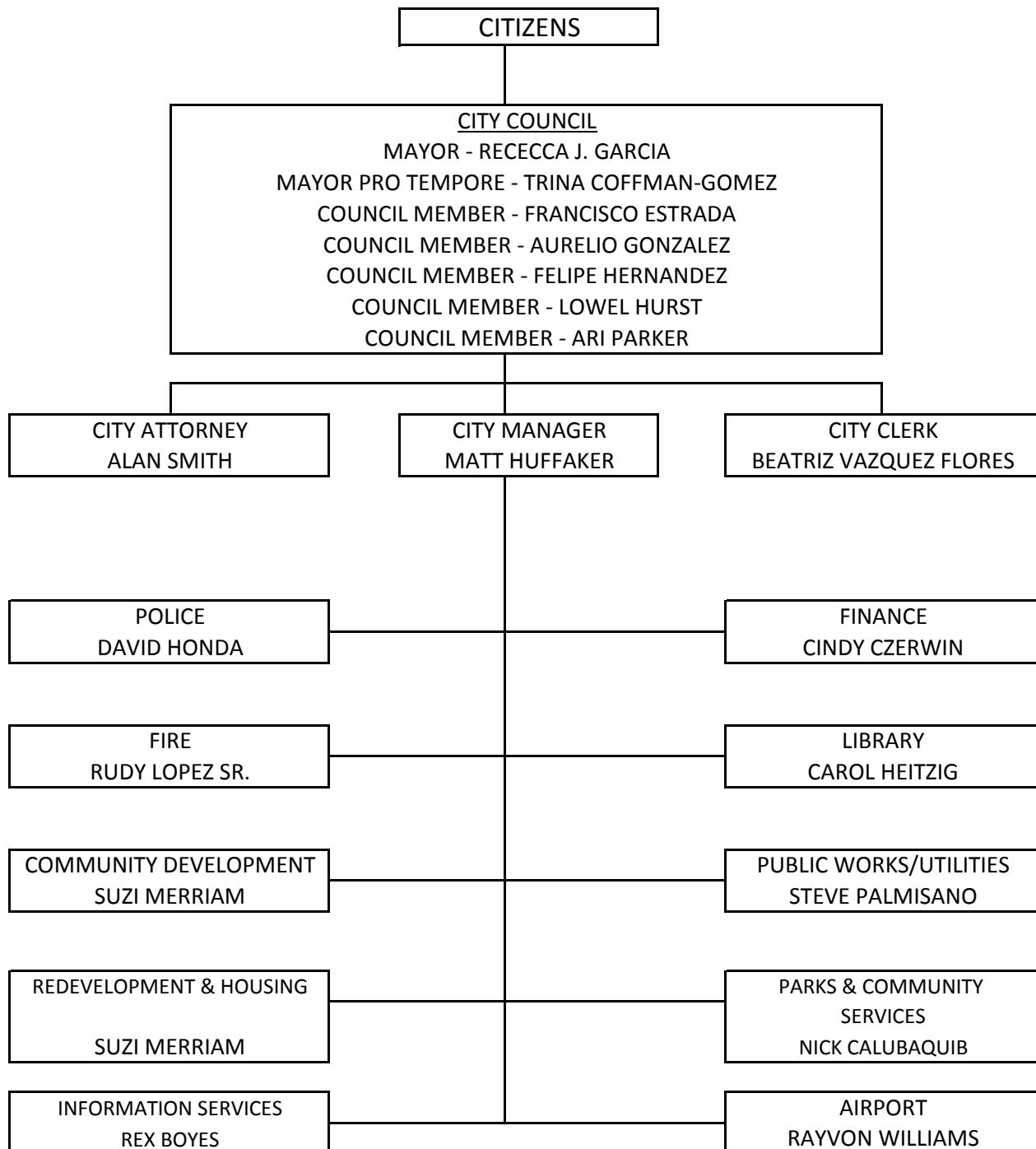
Airport Director – Rayvon Williams

WATSONVILLE

GOVERNING BODY

ORGANIZATIONAL STRUCTURE

FISCAL YEAR 2019 - 2020



Financial Section

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watsonville, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and respective budgetary comparisons 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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.

Other 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 Introductory Section, Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020 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.

Maze & Associates

Pleasant Hill, California
December 30, 2020

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CITY OF WATSONVILLE, CALIFORNIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Watsonville, we offer readers of the City of Watsonville's financial statements this narrative overview and analysis of the financial activities of the City of Watsonville for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 - 8 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Watsonville exceeded its liabilities at the close of the most recent fiscal year by \$242,116.
- The City's deferred outflow of resources-Pension totaled \$17,382 and its deferred inflow of resources-Pensions totaled \$3,291.
- The City's liabilities totaled \$113,706.
- The City's total net position increased by \$1,723. Governmental activities net position decreased by \$2,864 most of this decrease was due to an increase in long term liabilities notably pension liability. Business type activities net position increased by \$4,586. Most of this increase was from Water ending with positive operating income.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,820 an increase of \$5,432 in comparison with the prior fiscal year's balances. The non-spendable portion of the fund balance was \$114, the restricted portion was \$20,610 and the unassigned amount was \$18,096 a large portion of the unassigned fund balance was created by increases in taxes by the general fund during fiscal year 2019-20 and budgetary expenditure savings.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Watsonville's basic financial statements. The City of Watsonville's basic financial statements comprise three components: 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 Watsonville's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Watsonville's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of

Watsonville is improving or deteriorating overtime.

The *Statement of Activities* presents information showing how the City of Watsonville'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 or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City of Watsonville that are principally supported 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). The governmental activities of the City of Watsonville include general government, public safety, housing, streets, and culture and recreation. The business-type activities of the City of Watsonville include water, sewer, solid waste, airport, and fiber optic activities.

The government-wide financial statements can be found on pages 35 to 36 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Watsonville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Watsonville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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. Such information may be useful in evaluation of a government's near-term financing requirements.

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

The City of Watsonville maintains eighteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, impact fees fund, housing fund, redevelopment and housing grants fund, and general debt service fund which are all major funds. Data for the other thirteen 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 elsewhere in this report.

The City of Watsonville adopts a biennial budget (one year adopted and one year proposed) for all its governmental funds.

The basic governmental fund financial statements can be found on pages 38 to 44 of this report.

Proprietary funds. The City of Watsonville maintains two types of proprietary funds; Enterprise and Internal Service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Watsonville uses enterprise funds to account for Water, Sewer, Solid Waste, Airport and Fiber Optic operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water, sewer, solid waste, airport and fiber optic operations, all of which are considered to be major funds of the City of Watsonville.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Watsonville's various functions. The City of Watsonville uses an internal service fund to account for insurance activities of the City. The fund predominantly benefits governmental funds rather than business-type functions, and it has been included within governmental activities in the government-wide financial statements. Conversely, the internal service fund is presented in the proprietary funds financial statements.

The basic proprietary funds financial statements can be found on pages 45 to 47 of this report.

Fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties' outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Watsonville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 48 to 49.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 50 to 91 of this report.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information, combining statements and schedules referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 99 to 109 of this report.

Government-wide Financial Analysis

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Watsonville, assets exceeded liabilities by \$242,116 at the close of the most recent fiscal year.

By far the largest portion of the City of Watsonville's net position \$212,714 reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, work in progress, and infrastructure) less any related outstanding debt used to acquire those assets. The City of Watsonville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Watsonville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Watsonville's net position \$22,228 represent resources that are subject to external restrictions on how they may be used by creditors (such as through debt covenants), grantors, contributions or laws or regulations of other governments. The remaining balance of unrestricted net position \$13,109 is unrestricted and available for next year's operations at the direction of the City Council.

City of Watsonville's Net Position

June 30, 2020

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 80,610	\$ 77,941	\$ 48,407	\$ 45,170	\$ 129,017	\$ 123,111
Capital assets	113,339	114,316	99,375	95,132	212,714	209,448
Total Assets	193,949	192,257	147,782	140,302	341,731	332,559
Deferred outflows of resources	13,507	13,364	3,875	4,221	17,382	17,585
Total Deferred Resources	13,507	13,364	3,875	4,221	17,382	17,585
Long-term liabilities outstanding	67,835	63,437	29,758	28,226	97,593	91,663
Other Liabilities	11,762	12,149	4,350	3,304	16,113	15,453
Total Liabilities	79,597	75,586	34,109	31,530	113,706	107,116
Deferred inflows of resources	2,683	1,996	608	639	3,291	2,635
Total Deferred Resources	2,683	1,996	608	639	3,291	2,635
Net Position:						
Net investment in capital assets	109,660	110,033	97,119	92,296	206,779	202,329
Restricted	22,228	19,803	-	-	22,228	19,803
Unrestricted	(6,712)	(1,798)	19,821	20,058	13,109	18,260
Total Net Position	125,175	128,039	116,940	112,354	242,116	240,392

At the end of the current fiscal year, the City of Watsonville is able to report positive balances in net investment in capital assets and restricted net position for the government as a whole.

City of Watsonville
Summary of Changes in Net Position
For the Fiscal Year Ending June 30, 2020
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Revenues:						
Program Revenues:						
Charges for services	11,936	16,222	53,011	49,935	64,947	66,157
Operating grants and contributions	5,988	2,501	787	2,016	6,775	4,517
Capital grants and contributions	-	-	163	94	163	94
General Revenues						
Property taxes	16,243	15,669	-	-	16,243	15,669
Other taxes	26,704	26,965	-	-	26,704	26,965
Others	4,555	4,050	811	1,014	5,366	5,064
Total Revenues and Transfers	65,427	65,407	54,772	53,059	120,199	118,466
Expenses:						
General government	13,812	15,143	-	-	13,812	15,143
Public safety	35,811	31,221	-	-	35,811	31,221
Housing	2,059	2,289	-	-	2,059	2,289
Streets	6,931	8,560	-	-	6,931	8,560
Culture and recreation	9,850	9,152	-	-	9,850	9,152
Interest on debt	78	491	38	-	116	491
Water	-	-	19,369	13,996	19,369	13,996
Sewer	-	-	14,099	14,195	14,099	14,195
Solid waste	-	-	12,567	11,926	12,567	11,926
Airport	-	-	3,803	5,117	3,803	5,117
Fiber optic	-	-	59	67	59	67
Total Expenses	68,541	66,856	49,935	45,301	118,476	112,157
Increase in net position before transfers	(3,114)	(1,449)	4,838	7,758	1,723	6,309
Internal balances	251	272	(251)	(272)	-	0
Change in net position	(2,863)	(1,177)	4,586	7,486	1,723	6,309
Net position - beginning	128,039	129,216	112,354	104,867	240,392	234,083
Prior year adjustments	-	-	-	-	-	-
Net position - beginning restated	128,039	129,216	112,354	104,867	240,392	234,083
Net position ending	125,175	128,039	116,940	112,354	242,116	240,392

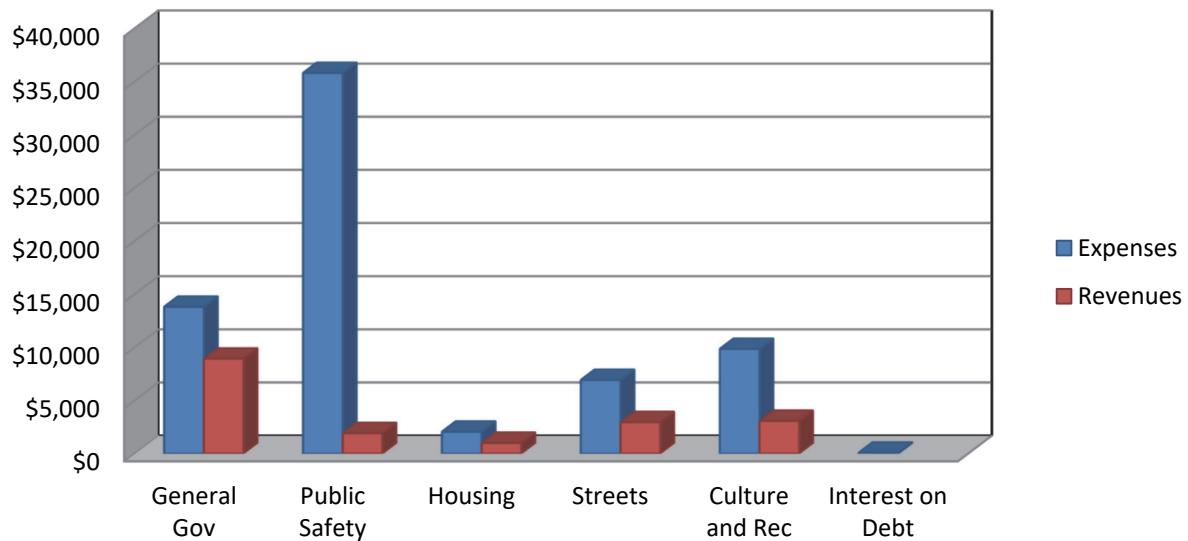
Governmental Activities. Governmental activities decreased the City of Watsonville's Net Position by a \$2,863. Key elements of this increase are as follows:

- Governmental revenues were fairly flat compared with last year. There were very minimal increases in tax categories and a decrease in charges for services offset by increases in grants and contributions.
- Governmental expenses increased by \$1,685 primarily in the area of public safety due to negotiated increases in salary and benefit costs. These increases were partially offset by savings in other areas after expenses were frozen or restricted due to the uncertainty around

the COVID 19 crisis in the final quarter of the fiscal year.

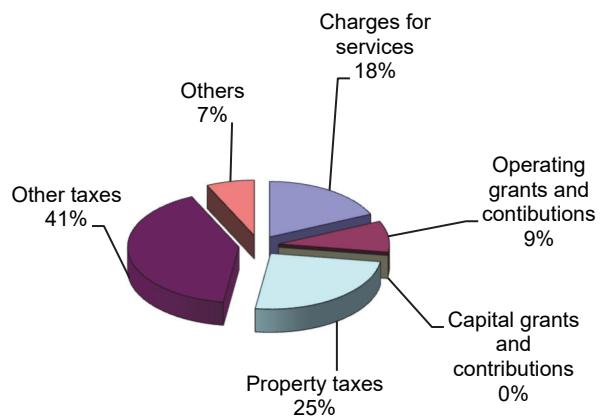
Expenses and Program Revenues

Governmental Activities



Revenues by Source

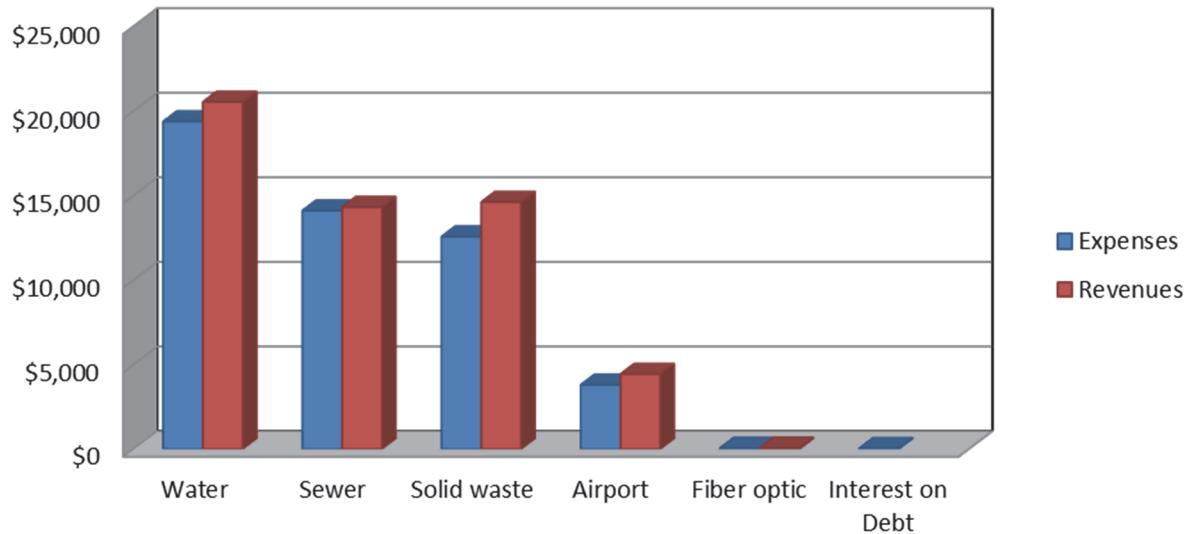
Governmental Activities



Business-type activities. Business-type activities increased the City of Watsonville's net position by \$4,586. Key elements of this increase are as follows:

Expenses and Program Revenues

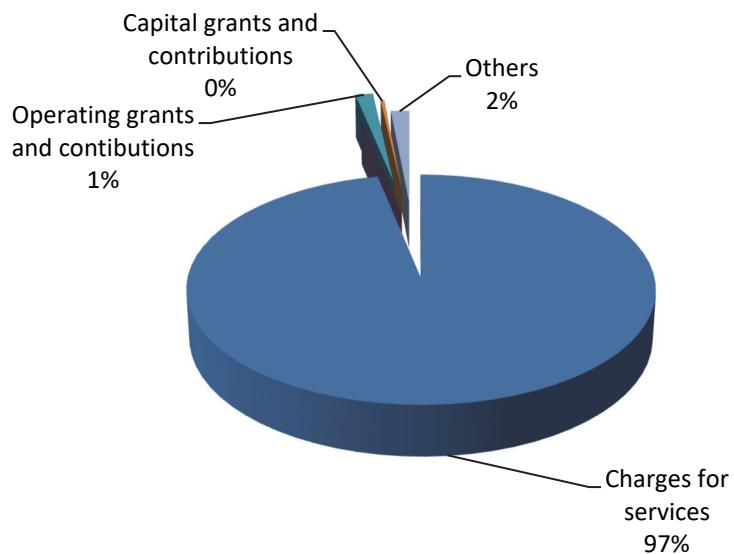
Business-type Activities



- Charges for services increased by \$3,076 and all other revenues decreased by \$1,363. The increase in charges for services was mostly from a prior year rate increase for the Water, Sewer and Solid Waste Funds.
- Water and Solid Waste had increases in operating costs as of the fiscal year end. A large portion of the increase for both funds was negotiated salary increases. The airport had a decrease in costs driven by decrease capital expenditures compared to the prior year and reduced operating expenses due to COVID 19 in the final quarter of the year.

Revenues by Source

Business-type Activities



Financial Analysis of the City of Watsonville's Funds

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

Governmental funds. The focus of the City of Watsonville'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 of Watsonville's financing requirements. In particular, restricted fund balances for specific purposes may serve as a useful measure of a government's net resources available for spending on various activities at the end of the fiscal year.

As of the end of the current fiscal year, the City of Watsonville's governmental funds reported combined ending fund balances of \$38,820, an increase of \$5,432 in comparison with the prior year. The largest portion of fund balances is restricted for specific purposes and the largest restricted portion is for impact fees in the amount of \$6,046. This balance is for projects that have been budgeted, planned or will be completed within the next five years. The remainders of fund balances are either non-spendable or unassigned at year end. The non-spendable portion of fund balances represents the amounts of funds that cannot be spent because they are either not in spendable form or legally required to remain intact. Unassigned fund balances represent amounts which are unconstrained in that they may be spent for any purpose.

The *General Fund* is the chief operating fund of the City of Watsonville. At the end of the current fiscal year, the charter reserve of the General Fund was \$2,450. As a measure of the General Fund's liquidity, it may be useful to compare both the charter reserve and total fund

balance to total fund expenditures. The City's General Fund Reserve met the Charter Reserve this fiscal year end. The required Charter Reserve fund balance would be 5.2 percent of total general fund expenditures; the total fund balance represented 35 percent of the same amount.

The fund balance of the City of Watsonville's General Fund increased by \$3,325 during the current year largely due steady increases in revenues and controlled expenditures. Departments were asked to freeze and reduce expenditures in the last quarter of the fiscal year in anticipation of significant drops in sales tax revenues that did not materialize.

The changes in Governmental Fund balance can be attributed to:

The General Fund increase in fund balance was from increases in various revenue types, such as, property tax, sales tax and utility tax revenues, decrease in operating costs from a controlled fourth quarter spending initiative.

The Impact Fees Fund had a fund balance of \$6,046 an increase of \$316 over the prior year's fund balance. This increase was due to new revenues and saving for future projects in fund balance.

The Housing Fund had a fund balance of \$4,414, an increase of \$545 over the prior year's fund balance. This increase is due to loan repayments during the fiscal year were greater than expenditures.

The Redevelopment and Housing Grants Fund has a negative fund balance of (\$46), an of \$135 from the negative beginning fund balance. This increase is the result of increasing revenues.

The government's Debt Service Fund had a fund balance of \$238, an increase of \$109 during the fiscal year. This increase is the result of solar project revenues.

Proprietary funds. The City of Watsonville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position and changes of net position for the five major enterprise funds are as follows:

Proprietary Funds Change of Net Position

Fund	FY 2020	FY 2019	Change	% Change
Water	57,863	56,388	1,475	2.62%
Sewer	43,315	43,034	281	0.65%
Solid Waste	6,219	4,041	2,178	53.90%
Airport	9,526	8,895	631	7.09%
Fiber Optic	17	(4)	21	525.00%
Totals	116,940	112,354	4,586	4.08%

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Watsonville's business-type activities.

General Fund Budgetary Highlights

There were very few budget amendments this fiscal year. Nearly all amendments were related to the acceptance of grants, including 3 large grants for urban greening, trails and sloughs, and the downtown specific plan. We also mid-year accepted responsibility of the senior center and senior programming which was added to our budget.

Tax revenues were \$1,755 over budget. This increase in tax revenue was primarily due to property tax being over budget. In Fiscal Year 2018-2019 the City received Property from the receipt of unexpected residual payments from the state we received this late in the fiscal year and therefore did not have time to include it in the fiscal year 2019-2020 budget. Miscellaneous revenues were over budget by \$865 of which was largely a one-time reimbursement from a prior year capital expenditure. General government, public safety, streets and culture and recreation expenditures were lower than expected as all divisions were asked to freeze hiring and reduce expenditures in the last quarter of the fiscal year due to anticipated revenue shortfalls from COVID 19.

Capital Asset and Debt Administration

Capital assets. The City of Watsonville's capital assets, for its governmental and business type activities as of June 30, 2020 was \$212,713 (net of depreciation). This represents a \$3,266 increase from the prior year or 1.56%.

Total City of Watsonville Capital Assets FY 2019-20

Capital Asset	FY 2020	FY 2019	Change	% Change
Land	31,239	28,118	3,121	11.10%
Building and Improvements	130,354	135,198	(4,844)	-3.58%
Machinery & Equipment	12,914	9,186	3,728	40.58%
Infrastructure	27,804	26,074	1,730	6.63%
Construction in progress	10,402	10,872	(470)	-4.32%
Totals	212,713	209,448	3,266	1.56%

Governmental Type Activities decreased by 0.86% due to depreciation outpacing additions.

Governmental Activities Capital Assets FY 2019-20

Capital Asset	FY 2020	FY 2019	Change	% Change
Land	16,468	14,472	1,996	13.79%
Building and Improvements	76,670	79,470	(2,800)	-3.52%
Machinery & Equipment	6,259	5,061	1,198	23.67%
Infrastructure	10,130	10,982	(852)	-7.76%
Construction in progress	3,812	4,332	(520)	-12.00%
Totals	113,339	114,317	(978)	-0.86%

While Business Type Activities increased by 4.46% with additions including the completion of some major sewer infrastructure projects and purchases of large heavy equipment by both the sewer and solid waste funds.

Business Type Activities Capital Assets FY 2019-20

Capital Asset	FY 2020	FY 2019	Change	% Change
Land	14,771	13,647	1,125	8.24%
Building and Improvements	53,684	55,729	(2,044)	-3.67%
Machinery & Equipment	6,655	4,125	2,530	61.33%
Infrastructure	17,675	15,092	2,583	17.12%
Construction in progress	6,590	6,540	50	0.76%
Totals	99,375	95,133	4,242	4.46%

Additional information on the City of Watsonville's capital assets can be found in Note 4 on pages 63 to 64 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Watsonville had total net debt outstanding of \$98,661. The debt for governmental activities is made up of capital lease of \$801, notes payable of \$1,178, debt payable of \$1,699, net OPEB liability of \$2,018, compensated absences of \$2,055, and net pension of \$60,966. Business type activities have \$324 in notes payable, \$1,369 in a loan, net OPEB liability of \$1,516, compensated absences of \$830, net pension of \$22,206 and landfill closure/post closure liability of \$3,698.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limit for the City of Watsonville is \$172,237 which is significantly in excess of the City of Watsonville's outstanding debt subject to this limit.

Additional information on the City of Watsonville's long-term debt can be found in Note 5 on pages 66 to 74 of this report.

Economic Factors and Next Year's Budget

- Likely growth in property tax but potential declines in sales tax and other revenues due to economic impacts of the COVID 19 pandemic and resulting recession.
- Use of General Fund reserves and fund balance across many funds to offset anticipated reduced revenues
- Less growth in charges for services than prior years in the proprietary funds due to the delay of an anticipated rate increase.
- Reduced operating expenditures also due to the City's response to the COVID 19 pandemic.
- Reduced capital expenditures and investments due to the COVID 19 pandemic.
- Continued and accelerated increases in PERS contributions.

Watsonville's future is unclear at the moment due to the unknown impact of the COVID 19 pandemic and it's resulting recession. After several years of improving position Watsonville appears poised to weather the immediate impacts of the pandemic through the reduction of some expenditures and use of reserves and fund balance. The long-term impacts of sustained unemployment, business closures, and changes to shopping and travel behavior are as yet unknown and will impact Watsonville's future. We still face ever increasing PERS contributions and have a large pent up demand for capital investments. Watsonville will have to act cautiously to balance increasing expenditure pressure with what is likely to be several years of flatter revenue growth than we have recently experienced.

All of these factors were taken into consideration during the preparation of the City of Watsonville's annual budget for the fiscal year 2020-21.

Request for Information

This financial report is designed to provide a general overview of the City of Watsonville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Director, City of Watsonville, and 250 Main Street, Watsonville, CA 95076.

BASIC FINANCIAL STATEMENTS

CITY OF WATSONVILLE, CALIFORNIA

STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities		Business-type Activities
	\$	\$	
ASSETS			
Cash and investments	47,348,451	37,469,991	84,818,442
Restricted cash	-	1,383,563	1,383,563
Receivables:			
Interest	2,202,428	-	2,202,428
Taxes	4,590,800	-	4,590,800
Accounts	1,579,660	4,644,694	6,224,354
Intergovernmental	2,814,766	121,817	2,936,583
Internal balances	(3,344,579)	3,344,579	-
Loans receivable	25,196,369	576,110	25,772,479
Inventories	12,100	866,112	878,212
Deposits	60,000	-	60,000
Land held for resale	150,000	-	150,000
Capital assets (net of depreciation, where applicable)			
Land	16,467,923	14,771,215	31,239,138
Buildings and Improvements	76,669,619	53,684,053	130,353,672
Machinery	6,259,268	6,655,163	12,914,431
Infrastructure	10,129,694	17,674,535	27,804,229
Construction in progress	3,812,138	6,590,360	10,402,498
Total Assets	193,948,637	147,782,192	341,730,829
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources - Pensions	13,506,553	3,874,964	17,381,517
Total deferred outflow of resources	13,506,553	3,874,964	17,381,517

See accompanying notes to financial statements

Continued

CITY OF WATSONVILLE, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
	\$	\$	
LIABILITIES			
Accounts payable	1,841,844	2,434,364	4,276,208
Accrued personnel costs	2,193,873	892,062	3,085,935
Insurance claims payable	4,071,611	500,000	4,571,611
Interest payable	43,436	-	43,436
Retentions payable	23,596	216,100	239,696
Unearned revenue	2,218,330	104,131	2,322,461
Deposits	486,521	18,879	505,400
Noncurrent liabilities			
Due within one year	883,165	184,784	1,067,949
Due in more than one year	67,834,912	29,758,429	97,593,341
Total Liabilities	79,597,288	34,108,749	113,706,037

DEFERRED INFLOWS OF RESOURCES

Deferred inflow of resources - Pensions	2,682,534	608,091	3,290,625
Total deferred inflow of resources	2,682,534	608,091	3,290,625

NET POSITION

Net investment in capital assets	109,659,586	97,119,487	206,779,073
Restricted for:			
Debt service	238,493	-	238,493
Impact fee	6,045,657	-	6,045,657
Housing	4,414,262	-	4,414,262
Grants, contributions & fees for specific purpose	11,529,329	-	11,529,329
Unrestricted	(6,711,959)	19,820,829	13,108,870
Total Net Position	125,175,368	116,940,316	242,115,684

See accompanying notes to financial statements

Concluded

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CITY OF WATSONVILLE, CALIFORNIA
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs Primary Government:	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	\$	\$	\$	\$	\$	\$	\$
Governmental activities:							
General government	13,811,792	8,649,245	283,117	-	(4,879,430)	-	(4,879,430)
Public safety	35,811,260	874,244	1,055,976	-	(33,881,040)	-	(33,881,040)
Housing	2,059,378	781,838	231,207	-	(1,046,333)	-	(1,046,333)
Streets	6,930,559	798,918	2,164,651	-	(3,966,990)	-	(3,966,990)
Culture and recreation	9,850,117	832,126	2,253,200	-	(6,764,791)	-	(6,764,791)
Interest on long term debt	77,969	-	-	-	(77,969)	38,009	(115,978)
Total government activities	68,541,075	11,936,371	5,988,151	-	(50,616,553)	38,009	(50,654,562)
Business-type activities:							
Water	19,378,355	20,483,669	-	54,876	-	1,160,190	1,160,190
Sewer	14,099,357	14,152,828	49,334	108,538	-	211,343	211,343
Solid Waste	12,566,758	14,587,248	22,477	-	-	2,042,967	2,042,967
Airport	3,802,681	3,713,677	724,412	-	-	635,408	635,408
Fiber Optic	58,597	73,645	-	-	-	15,048	15,048
Total business-type activities	49,905,748	53,011,067	796,223	163,414	-	4,064,956	4,064,956
Total primary government	118,446,823	64,947,438	6,784,374	163,414	(50,616,553)	4,026,947	(46,589,606)
General revenues:							
Property taxes				16,243,253	-	16,243,253	
Sales taxes				19,074,886	-	19,074,886	
Utility users taxes				4,264,876	-	4,264,876	
Franchise taxes				457,883	-	457,883	
Other taxes				2,906,389	-	2,906,389	
Intergovernmental revenues not restricted to specific program				1,138,755	-	1,138,755	
Unrestricted investment earnings				3,416,137	810,668	4,226,805	
Transfers				251,239	(251,239)	-	
Total general revenues and transfers				47,753,418	559,429	48,312,847	
Change in net position				(2,863,135)	4,586,376	1,723,241	
Net position - beginning				128,038,503	112,353,940	240,392,443	
Net position - ending				125,175,368	116,940,316	242,115,684	

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2020

	SPECIAL REVENUE FUNDS						TOTAL GOVERNMENTAL FUNDS	
	REDEVELOPMENT AND HOUSING GRANTS			DEBT SERVICE	OTHER GOVERNMENTAL FUNDS			
	GENERAL	IMPACT FEES	HOUSING					
ASSETS:	\$	\$	\$	\$	\$	\$	\$	
Cash and investments	19,800,341	5,934,251	4,278,085	2,297,691	270,116	10,657,037	43,237,521	
Receivables:								
Interest	242,762	-	751,898	1,068,760	-	139,008	2,202,428	
Taxes	3,461,110	-	-	-	-	1,129,690	4,590,800	
Accounts	735,324	-	-	-	2,330	402,733	1,140,387	
Intergovernmental	1,988,724	-	-	305,666	-	520,376	2,814,766	
Due from other funds	654,692	-	-	-	-	-	654,692	
Advances receivable	101,674	182,830	-	-	-	349,462	633,966	
Loans receivable	2,292,458	-	9,849,087	12,335,365	-	719,459	25,196,369	
Inventories	12,100	-	-	-	-	-	12,100	
Land held for resale	-	-	150,000	-	-	-	150,000	
Total Assets	<u>29,289,185</u>	<u>6,117,081</u>	<u>15,029,070</u>	<u>16,007,482</u>	<u>272,446</u>	<u>13,917,765</u>	<u>80,633,029</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:								
Liabilities:								
Accounts payable	1,064,275	67,589	4,155	156,539	33,953.00	456,196	1,782,707	
Accrued personnel costs	2,026,060	-	9,504	10,365	-	147,944	2,193,873	
Retention payable	14,559	3,835.00	-	5,202	-	-	23,596	
Due to other funds	-	-	-	195,068	-	459,624	654,692	
Advances payable	3,978,545	-	-	-	-	-	3,978,545	
Unearned revenue	-	-	242,215	1,976,115	-	-	2,218,330	
Deposits	409,520	-	471	-	-	76,530	486,521	
Total Liabilities	<u>7,492,959</u>	<u>71,424</u>	<u>256,345</u>	<u>2,343,289</u>	<u>33,953</u>	<u>1,140,294</u>	<u>11,338,264</u>	
Deferred Inflows of Resources								
Unavailable revenue	<u>5,204,105</u>	<u>-</u>	<u>10,358,463</u>	<u>13,709,791</u>	<u>-</u>	<u>1,202,544</u>	<u>30,474,903</u>	
Total Deferred Inflows of Resources	<u>5,204,105</u>	<u>-</u>	<u>10,358,463</u>	<u>13,709,791</u>	<u>-</u>	<u>1,202,544</u>	<u>30,474,903</u>	
Fund Balances:								
Nonspendable:								
Inventories	12,100	-	-	-	-	-	12,100	
Advance receivable	101,674	-	-	-	-	-	101,674	
Restricted for:								
Debt service	-	-	-	-	238,493	-	238,493	
Streets - Impact fees	-	6,045,657	-	-	-	-	6,045,657	
Housing	-	-	4,414,262	-	-	-	4,414,262	
Public safety - Narcotics assets seizure	-	-	-	-	-	171,798	171,798	
Housing - Business development	-	-	-	-	-	96,424	96,424	
Housing - Economic development	-	-	-	-	-	23,724	23,724	
Cultural and recreation - Library	-	-	-	-	-	1,026,412	1,026,412	
Cultural and recreation - Parks development	-	-	-	-	-	2,033,803	2,033,803	
General government - Retirement tax	-	-	-	-	-	336,226	336,226	
Public safety - Measure G	-	-	-	-	-	2,812,330	2,812,330	
Public safety - Abandoned vehicle	-	-	-	-	-	33,492	33,492	
Housing - Inclusionary housing	-	-	-	-	-	1,664,049	1,664,049	
Streets - SB1 Gas tax	-	-	-	-	-	1,713,544	1,713,544	
Streets - Measure D	-	-	-	-	-	2,093,206	2,093,206	
Unassigned	<u>16,478,347</u>	<u>-</u>	<u>-</u>	<u>(45,598)</u>	<u>-</u>	<u>(430,081)</u>	<u>16,002,668</u>	
Total Fund Balances	<u>16,592,121</u>	<u>6,045,657</u>	<u>4,414,262</u>	<u>(45,598)</u>	<u>238,493</u>	<u>11,574,927</u>	<u>38,819,862</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>29,289,185</u>	<u>6,117,081</u>	<u>15,029,070</u>	<u>16,007,482</u>	<u>272,446</u>	<u>13,917,765</u>	<u>80,633,029</u>	

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA**GOVERNMENTAL FUNDS****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS****TO THE STATEMENTS OF NET POSITION**

JUNE 30, 2020

Amounts Reported For Governmental Activities To The Statement
Of Net Position Are Different Because:

	\$
Fund Balances Of Governmental Funds. (Page 34)	38,819,862
Capital Assets (Gross) Used In Governmental Activities Are Not Financial Resources And, Therefore, Are Not Reported In The Funds.	209,938,939
Accumulated Depreciation Has Not Been Included In The Funds Financial Statements.	(96,600,297)
Internal Service Fund Is Used By Management To Charge The Costs Of Insurances To Individual Funds. The Assets And Liabilities Of The Internal Service Fund Are Included In Governmental Activities In The Statement Of Net Position.	479,455
Loans, Intergovernmental And Assessment Receivables Recorded As Unavailable Revenue In The Governmental Funds Was Recorded As Revenue On The Statement Of Activities.	30,474,903
Interest Payable Is Not Due And Payable In The Current Period And Therefore Not Reported In Governmental Funds.	(43,436)
Long-term Liability Is Not Due And Payable In The Current Period And Therefore Not Reported In Governmental Funds.	(68,718,077)
Deferred Outflows And Inflows Of Resources Relating To Pensions: In Governmental Funds, Deferred Outflows And Inflows Of Resources Relating To Pensions Are Not Reported Because They Are Applicable To Future Periods. In The Statement Of Net Position, Deferred Outflows And Inflows Of Resources Relating To Pensions Are Reported.	
Deferred Outflows Of Resources Relating To Pensions	13,506,553
Deferred Inflows Of Resources Relating To Pensions	(2,682,534)
Total Net Position - Governmental Activities	<u><u>125,175,368</u></u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS				DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT AND HOUSING GRANTS			
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	30,265,864	-	-	-	-	11,763,106	42,028,970
Licenses, permits, and fees	4,326,047	436,069	-	-	-	553,142	5,315,258
Intergovernmental	3,696,130	-	-	1,068,188	-	4,403,196	9,167,514
Charges for services	3,518,050	-	-	-	-	16,189	3,534,239
Fines	671,565	-	-	-	-	-	671,565
Interest	2,863,834	149,848	41,024	15,699	-	209,406	3,279,811
Special assessment	-	-	-	-	46,961	-	46,961
Miscellaneous	1,722,526	-	751,349	671,818	59,510	621,058	3,826,261
Total revenues	47,064,016	585,917	792,373	1,755,705	106,471	17,566,097	67,870,579
EXPENDITURES:							
Current:							
General government	11,115,028	-	-	-	-	215,088	11,330,116
Public safety	26,074,152	-	-	-	-	4,468,238	30,542,390
Housing	-	-	345,942	1,351,535	-	361,901	2,059,378
Streets	4,771,141	265,244	-	-	-	3,874,399	8,910,784
Culture and recreation	5,177,931	-	-	-	-	3,898,132	9,076,063
Debt service:							
Principal	-	-	-	-	797,318	-	797,318
Interest and fiscal charges	-	-	-	-	82,125	-	82,125
Total expenditures	47,138,252	265,244	345,942	1,351,535	879,443	12,817,758	62,798,174
Excess (deficiency) of revenues over (under) expenditures	(74,236)	320,673	446,431	404,170	(772,972)	4,748,339	5,072,405
OTHER FINANCING SOURCES (USES)							
Issuance of debt	144,201	-	-	-	-	-	144,201
Transfers in	3,636,287	-	98,513	-	882,619	132,988	4,750,407
Transfers out	(381,094)	(5,000)	-	(268,702)	-	(3,880,330)	(4,535,126)
Total other financing sources (uses)	3,399,394	(5,000)	98,513	(268,702)	882,619	(3,747,342)	359,482
Net change in fund balances	3,325,158	315,673	544,944	135,468	109,647	1,000,997	5,431,887
Fund balances, July 1	13,266,963	5,729,984	3,869,318	(181,066)	128,846	10,573,930	33,387,975
Fund balances, June 30	16,592,121	6,045,657	4,414,262	(45,598)	238,493	11,574,927	38,819,862

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA**GOVERNMENTAL FUNDS****RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	\$
Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because:	
Net Change In Fund Balance - Total Governmental Funds (Page 38)	5,431,887
Capital Assets Transactions	
Governmental Funds Report Capital Outlay As Expenditures	
However the cost of those assets is capitalized in the Statement of Activities and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	4,675,811
Depreciation Expense is deducted from the fund balance	(5,653,281)
Long-Term Debt Proceeds and Payments	
Debt and lease proceeds provide current Financial Resources To Governmental Funds but increases long-term liabilities in the Statement of Net Positions.	
The Repayment Of the Principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Proceeds from issuance of long term debt and leases	(144,201)
Repayment of Principal	797,318
Accrual of Non-Current Items	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Non-current portion of Compensated Absences	(269,957)
Net pension liabilities and pension-related deferred outflows/inflows of resources	(5,180,957)
Net opeb liability	(115,991)
Unavailable revenue	(1,796,284)
Internal Service Funds Are Used By Management To Charge The Costs Of Insurance To Individual Funds.	(611,637)
Interest Expense Reported In The Statement Of Activities Does Not Require The Use Of Current Financial Resources And, Therefore Is Not Reported As An Expenditure In Governmental Funds.	4,157
Change In Net Position Of Governmental Funds. (Page 35)	<u>(2,863,135)</u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	
REVENUES:				
Taxes	28,510,384	28,510,384	\$30,265,864	1,755,480
Licenses, permits, and fees	4,394,582	4,394,582	4,326,047	(68,535)
Intergovernmental	4,481,239	4,481,239	3,696,130	(785,109)
Charges for services	3,633,388	3,633,388	3,518,050	(115,338)
Fines	781,000	781,000	671,565	(109,435)
Interest	2,622,895	2,622,895	2,863,834	240,939
Miscellaneous	857,551	857,551	1,722,526	864,975
Total revenues	45,281,039	45,281,039	47,064,016	1,782,977
EXPENDITURES:				
Current:				
General government	11,800,588	11,900,151	11,115,028	785,123
Public safety	26,086,260	27,162,742	26,074,152	1,088,590
Streets	3,606,268	6,176,976	4,771,141	1,405,835
Culture and recreation	4,957,649	6,511,738	5,177,931	1,333,807
Total expenditures	46,450,765	51,751,607	47,138,252	4,613,355
Excess (deficiency) of revenues over (under) expenditures	(1,169,726)	(6,470,568)	(74,236)	6,396,332
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	-	144,201	144,201
Transfers in	116,596	4,580,910	3,636,287	(944,623)
Transfers out	(135,039)	(398,731)	(381,094)	-
Total other financing sources (uses)	(18,443)	4,182,179	3,399,394	(800,422)
Net change in fund balance	(1,188,169)	(2,288,389)	3,325,158	5,595,910
Fund balance, July 1	13,266,963	13,266,963	13,266,963	-
Fund balance, June 30	12,078,794	10,978,574	16,592,121	5,595,910

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA

IMPACT FEES FUND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Licenses, permits, and fees	228,000	228,000	436,069	208,069
Interest	79,600	79,600	149,848	70,248
Total revenues	307,600	307,600	585,917	278,317
EXPENDITURES:				
Current:				
Streets	1,507,449	1,507,449	265,244	1,242,205
Total expenditures	1,507,449	1,507,449	265,244	1,242,205
Excess (deficiency) of revenues over (under) expenditures	(1,199,849)	(1,199,849)	320,673	1,520,522
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	(5,000)	(5,000)	(5,000)	-
Net change in fund balance	(1,204,849)	(1,204,849)	315,673	1,520,522
Fund balance, July 1	5,729,984	5,729,984	5,729,984	-
Fund balance, June 30	4,525,135	4,525,135	6,045,657	1,520,522

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Interest	15,000	15,000	41,024	26,024
Miscellaneous	<u>250,000</u>	<u>250,000</u>	<u>751,349</u>	<u>501,349</u>
Total revenues	<u>265,000</u>	<u>265,000</u>	<u>792,373</u>	<u>527,373</u>
EXPENDITURES:				
Current:				
Housing	<u>551,988</u>	<u>532,111</u>	<u>345,942</u>	<u>186,169</u>
Total expenditures	<u>551,988</u>	<u>532,111</u>	<u>345,942</u>	<u>186,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(286,988)</u>	<u>(267,111)</u>	<u>446,431</u>	<u>713,542</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>95,039</u>	<u>95,039</u>	<u>98,513</u>	<u>3,474</u>
Total other financing sources (uses)	<u>95,039</u>	<u>95,039</u>	<u>98,513</u>	<u>3,474</u>
Net change in fund balance	<u>(191,949)</u>	<u>(172,072)</u>	<u>544,944</u>	<u>717,016</u>
Fund balance, July 1	<u>3,869,318</u>	<u>3,869,318</u>	<u>3,869,318</u>	<u>-</u>
Fund balance, June 30	<u>3,677,369</u>	<u>3,697,246</u>	<u>4,414,262</u>	<u>717,016</u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
REDEVELOPMENT AND HOUSING GRANTS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	1,834,684	1,834,684	1,740,006	(94,678)
Interest	<u>15,699</u>	<u>15,699</u>	<u>15,699</u>	<u>-</u>
Total revenues	<u>1,850,383</u>	<u>1,850,383</u>	<u>\$1,755,705</u>	<u>(94,678)</u>
EXPENDITURES:				
Housing	2,410,929	2,410,929	1,351,535	1,059,394
Total expenditures	<u>2,410,929</u>	<u>2,410,929</u>	<u>1,351,535</u>	<u>1,059,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(560,546)</u>	<u>(560,546)</u>	<u>404,170</u>	<u>(1,154,072)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(268,702)	(268,702)	(268,702)	<u>-</u>
Total other financing sources (uses)	<u>(268,702)</u>	<u>(268,702)</u>	<u>(268,702)</u>	<u>-</u>
Net change in fund balance	<u>(829,248)</u>	<u>(829,248)</u>	<u>135,468</u>	<u>(1,154,072)</u>
Fund balance, July 1	<u>(181,066)</u>	<u>(181,066)</u>	<u>(181,066)</u>	<u>-</u>
Fund balance, June 30	<u>(1,010,314)</u>	<u>(1,010,314)</u>	<u>(45,598)</u>	<u>(1,154,072)</u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC	TOTALS	
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Current Assets:							
Cash and investments	20,922,426	6,945,784	8,828,497	565,192	208,092	37,469,991	4,110,930
Cash and investments with fiscal agent	-	-	-	-	-	-	-
Restricted cash	-	1,383,563	-	-	-	1,383,563	-
Receivables:							
Accounts	1,359,704	2,611,876	618,507	54,607	-	4,644,694	439,273
Intergovernmental	-	-	9,665	112,152	-	121,817	-
Loans receivable	-	576,110	-	-	-	576,110	-
Deposits	-	-	-	-	-	-	60,000
Inventories	810,964	-	1,209	53,939	-	866,112	-
Total Current Assets	23,093,094	11,517,333	9,457,878	785,890	208,092	45,062,287	4,610,203
Noncurrent Assets							
Advances receivable	3,222,642	621,501	185,900	21,465	-	4,051,508	-
Loan receivable	-	-	-	-	-	-	-
Capital assets:							
Land and improvements	259,333	8,375,598	1,769,401	4,366,883	-	14,771,215	-
Buildings	48,497,149	30,682,037	1,844,609	9,160,742	-	90,184,537	-
Machinery and equipment	6,704,067	6,200,532	11,410,276	311,276	-	24,626,151	-
Vehicles	-	-	-	91,700	-	91,700	-
Infrastructure	13,476,134	42,823,293	-	7,966,694	706,929	64,973,050	-
Construction in progress	1,283,805	5,306,555	-	-	-	6,590,360	-
Accumulated depreciation	(31,036,651)	(49,810,733)	(9,606,087)	(11,263,885)	(144,331)	(101,861,687)	-
Total Capital Assets (Net of accumulated depreciation)	39,183,837	43,577,282	5,418,199	10,633,410	562,598	99,375,326	-
Total Noncurrent Assets	42,406,479	44,198,783	5,604,099	10,654,875	562,598	103,426,834	-
Total Assets	65,499,573	55,716,116	15,061,977	11,440,765	770,690	148,489,121	4,610,203
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflow of resources - pension	1,062,888	1,737,101	828,189	246,786	-	3,874,964	-
Total deferred outflow of resources	1,062,888	1,737,101	828,189	246,786	-	3,874,964	-
LIABILITIES							
Current Liabilities:							
Accounts payable	1,306,341	883,440	174,183	70,400	-	2,434,364	59,137
Accrued personnel costs	218,921	392,924	218,309	61,908	-	892,062	-
Insurance claims payable	250,000	-	-	250,000	-	500,000	4,071,611
Interest payable	-	-	-	-	-	-	-
Retention payable	2,783	213,317	-	-	-	216,100	-
Customer deposits	18,879	-	-	-	-	18,879	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	25,116	32,559	46,456	104,131	-
Current maturities of long term debt:							
Compensated absences	11,428	23,130	12,571	2,662	-	49,791	-
Liability for landfill closure	-	-	-	-	-	-	-
Revenue bonds	-	-	-	-	-	-	-
Note payable	14,511	29,760	1,458	23,037	-	68,766	-
Loan payable	-	66,227	-	-	-	66,227	-
Total Current Liabilities	1,822,863	1,608,798	431,637	440,566	46,456	4,350,320	4,130,748
Noncurrent Liabilities:							
Advance payable	-	-	-	-	706,929	706,929	-
Compensated absences	179,043	362,362	196,942	41,708	-	780,055	-
Net OPEB liability	395,427	553,540	461,290	105,439	-	1,515,696	-
Liability for landfill closure	-	-	3,698,421	-	-	3,698,421	-
Net pension liability	6,091,025	9,954,693	4,746,052	1,414,239	-	22,206,009	-
Note payable	44,603	83,207	6,802	120,943	-	255,555	-
Loan payable	-	1,302,693	-	-	-	1,302,693	-
Total Noncurrent Liabilities	6,710,098	12,256,495	9,109,507	1,682,329	706,929	30,465,358	-
Total Liabilities	8,532,961	13,865,293	9,541,144	2,122,895	753,385	34,815,678	4,130,748
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow of resources - pension	166,797	272,600	129,966	38,728	-	608,091	-
Total deferred inflow of resources	166,797	272,600	129,966	38,728	-	608,091	-
Net Position							
Net investment in capital assets	39,124,723	42,095,395	5,409,939	10,489,430	-	97,119,487	-
Unrestricted	18,737,980	1,219,929	809,117	(963,502)	17,305	19,820,829	479,455
Total Net Position	57,862,703	43,315,324	6,219,056	9,525,928	17,305	116,940,316	479,455

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC	TOTALS	
	\$	\$	\$	\$	\$	\$	\$
OPERATING REVENUES:							
Charges for services	20,483,669	\$14,152,828	14,587,248	3,713,677	73,645	53,011,067	12,271,120
Total Operating Revenues	20,483,669	14,152,828	14,587,248	3,713,677	73,645	53,011,067	12,271,120
OPERATING EXPENSES:							
Costs of sales and services	17,776,770	12,652,581	11,957,432	3,449,196	23,251	45,859,230	12,973,778
Depreciation	1,601,585	1,446,776	609,326	353,485	35,346	4,046,518	-
Total Operating Expenses	19,378,355	14,099,357	12,566,758	3,802,681	58,597	49,905,748	12,973,778
Operating Income (Loss)	1,105,314	53,471	2,020,490	(89,004)	15,048	3,105,319	(702,658)
NONOPERATING REVENUES (EXPENSES)							
Grant revenues	-	49,334	22,477	724,412	-	796,223	-
Interest revenues	357,867	266,165	179,514	1,013	6,109	810,668	55,063
Interest expenses	(16,361)	(21,648)	-	-	-	(38,009)	-
Total Nonoperating Revenues (expenses)	341,506	293,851	201,991	725,425	6,109	1,568,882	55,063
Income Before Contributions and Transfers							
Capital contributions - Connection fees	1,446,820	347,322	2,222,481	636,421	21,157	4,674,201	(647,595)
Transfers in	54,876	108,538	-	-	-	163,414	-
Transfers out	-	-	-	-	-	-	35,958
(27,119)	(174,364)	(44,711)	(5,045)	-	-	(251,239)	-
Changes in Net Position	1,474,577	281,496	2,177,770	631,376	21,157	4,586,376	(611,637)
Total Net Position- Beginning	56,388,126	43,033,828	4,041,286	8,894,552	(3,852)	112,353,940	1,091,092
Total Net Position - Ending	57,862,703	43,315,324	6,219,056	9,525,928	17,305	116,940,316	479,455

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC	TOTALS	
	\$	\$	\$	\$	\$	\$	
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	19,891,794	14,018,051	14,336,413	4,275,812	121,529	52,643,599	-
Receipts from interfund services provided	-	-	-	-	-	-	12,226,398
Payments to suppliers	(7,443,617)	(3,917,655)	(8,557,166)	(3,244,995)	(28,101)	(23,191,534)	(11,965,465)
Payments to employees	(5,992,216)	(7,397,744)	(3,966,698)	-	-	(17,356,658)	-
Receipt for interfund services used	390,517	215,748	38,888	-	-	645,153	-
Net cash provided (used) by operating activities	<u>6,846,478</u>	<u>2,918,400</u>	<u>1,851,437</u>	<u>1,030,817</u>	<u>93,428</u>	<u>12,740,560</u>	<u>260,933</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES							
Grant revenue	-	49,334	22,477	724,412	-	796,223	-
Transfers from (to) other funds	(27,119)	(174,364)	(44,711)	(5,045)	-	(251,239)	35,958
Net cash provided (used) by noncapital financing activities	<u>(27,119)</u>	<u>(125,030)</u>	<u>(22,234)</u>	<u>719,367</u>	<u>-</u>	<u>544,984</u>	<u>35,958</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(1,170,208)	(7,041,485)	(1,408,407)	(1,175,689)	-	(10,795,789)	-
Connection fees	54,876	108,538	-	-	-	163,414	-
Proceeds from issuance of notes payable	11,941	135,676	3,680	-	-	151,297	-
Principal paid on long term debt	(7,256)	(78,637)	(850)	(10,616)	-	(97,359)	-
Interest paid on long term debt	(16,361)	(21,648)	-	-	-	(38,009)	-
Net cash provided (used) by capital and related financing activities	<u>(1,127,008)</u>	<u>(6,897,556)</u>	<u>(1,405,577)</u>	<u>(1,186,305)</u>	<u>-</u>	<u>(10,616,446)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received	357,867	266,165	179,514	1,013	6,109	810,668	55,063
Net cash provided (used) by investment activities	<u>357,867</u>	<u>266,165</u>	<u>179,514</u>	<u>1,013</u>	<u>6,109</u>	<u>810,668</u>	<u>55,063</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>6,050,218</u>	<u>(3,838,021)</u>	<u>603,140</u>	<u>564,892</u>	<u>99,537</u>	<u>3,479,766</u>	<u>351,954</u>
CASH AND CASH EQUIVALENTS, JULY 1	<u>14,872,208</u>	<u>12,167,368</u>	<u>8,225,357</u>	<u>300</u>	<u>108,555</u>	<u>35,373,788</u>	<u>3,758,976</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>20,922,426</u>	<u>8,329,347</u>	<u>8,828,497</u>	<u>565,192</u>	<u>208,092</u>	<u>38,853,554</u>	<u>4,110,930</u>
Reconciliation of Statement of Net Position:							
Cash and investments	20,922,426	6,945,784	8,828,497	565,192	208,092	37,469,991	4,110,930
Restricted cash	-	1,383,563	-	-	-	1,383,563	-
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	<u>20,922,426</u>	<u>8,329,347</u>	<u>8,828,497</u>	<u>565,192</u>	<u>208,092</u>	<u>38,853,554</u>	<u>4,110,930</u>
Operating Income (loss)	<u>1,105,314</u>	<u>53,471</u>	<u>2,020,490</u>	<u>(89,004)</u>	<u>15,048</u>	<u>3,105,319</u>	<u>(702,658)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	1,601,585	1,446,776	609,326	353,485	35,346	4,046,518	-
(Increase) decrease in receivables	(601,012)	(278,331)	(253,940)	(19,177)	44,047	(1,108,413)	(44,722)
(Increase) decrease in inventories	(88,832)	-	765	22,768	-	(65,299)	-
(Increase) decrease in loans receivable	-	82,260	-	-	-	82,260	-
(Increase) decrease in due from other governments	9,137	128,941	(7,257)	558,054	-	688,875	-
(Increase) decrease in advances receivable	390,517	215,748	38,888	-	-	-	-
(Increase) decrease in deferred outflows	(89,228)	121,205	268,992	45,389	-	346,358	-
Increase (decrease) in pension liability	1,255,493	725,707	(702,925)	(36,803)	-	1,241,472	-
Increase (decrease) in accounts payable	2,979,915	255,295	(182,014)	(69,837)	(4,850)	2,978,509	34,290
Increase (decrease) in claims payable	250,000	-	-	250,000	-	500,000	974,023
Increase (decrease) in accrued personnel costs	34,070	184,335	21,675	29,979	-	270,059	-
Increase (decrease) in retentions payable	2,783	28,347	-	(37,695)	-	(6,565)	-
Increase (decrease) in liability for landfill closure	-	-	37,401	-	-	37,401	-
Increase (decrease) in unearned revenue	-	(67,647)	10,362	23,258	3,837	(30,190)	-
Increase (decrease) in customer deposits	(44,787)	-	-	-	-	(44,787)	-
Increase (decrease) in net opeb liabilities	22,024	30,822	25,692	5,873	-	84,411	-
Increase (decrease) in deferred inflows	19,499	(8,529)	(36,018)	(5,473)	-	(30,521)	-
Total adjustments	<u>5,741,164</u>	<u>2,864,929</u>	<u>(169,053)</u>	<u>1,119,821</u>	<u>78,380</u>	<u>8,990,088</u>	<u>963,591</u>
Net cash provided (used) by operating activities	<u>6,846,478</u>	<u>2,918,400</u>	<u>1,851,437</u>	<u>1,030,817</u>	<u>93,428</u>	<u>12,740,560</u>	<u>260,933</u>
NONCASH TRANSACTIONS							
Retirement of capital assets	<u>\$(2,399,886)</u>	<u>-</u>	<u>-</u>	<u>(\$105,910)</u>	<u>-</u>	<u>(\$2,505,796)</u>	<u>-</u>
Landfill post closure liability amortization	-	-	\$145,493	-	-	145,493	-
Landfill usage amortization	-	-	59,920	-	-	59,920	-

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
 SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2020

ASSETS	\$
Cash and Investments	2,339,785
Cash and Investments with Fiscal Agent	1,692,460
Notes receivable	268,825
Total Assets	4,301,070
 DEFERRED OUTFLOW OF RECOURSES	
Deferred Loss on Refunding	191,117
Total Deferred Outflow of Resources	191,117
 LIABILITIES	
Current Liabilities:	
Accounts Payable	4,276
Salaries Payable	919
Interest Payable	176,422
Notes Payable	900,000
Refunding Bonds Payable	1,265,000
Total Current Liabilities	2,346,617
Noncurrent liabilities:	
Net OPEB Liability	64,461
Notes Payable	1,382,431
Refunding Bonds Payable	9,419,469
Total Non Current liabilities	10,866,361
Total Liabilities	13,212,978
 Net Position	
Unrestricted	(8,720,791)
Total Net Position	(8,720,791)

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

ADDITIONS:	\$
Intergovernmental	1,634,303
Interest	8,339
Amortization	86,394
Total Additions	<u>1,729,036</u>
DEDUCTIONS:	
Administration	225,798
Interest	478,769
Total Deductions	<u>704,567</u>
Change in Net Position	1,024,469
Net Position, July 1	<u>(9,745,260)</u>
Net Position, June 30	<u>(8,720,791)</u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting entity

The City of Watsonville, California was incorporated in 1868 as a charter city and operates under the Council-Manager form of government. The City provides the following services: public safety (police, fire and building inspections), highway and streets, water, sewer and solid waste services, airport, public improvements, planning and zoning, housing and general administration.

B. Government-wide and fund financial statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government except for the Fiduciary fund type – Private Purpose Trust Fund. For the most part, the effect of interfund activity has been removed from 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among programs revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Impact Fees Fund is assessed at the time of development and is used to mitigate certain increased costs incurred by the government as development occurs. These funds are then used to increase the capacity of roads, build fire stations, public safety equipment, or other governmental facilities. The receipt and disbursement of these fees are recorded in this fund.

The Housing Fund is used for low and moderate-income housing projects. The fund is funded by old 20% Redevelopment Agency's housing loans monthly payments and with loan payoffs.

The Redevelopment and Housing Grants Fund provides assistance to low and moderate-income individuals via grants. These grants offer a number of housing programs to help low to moderate income Watsonville residents improve their housing condition.

The General Debt Service Fund receives funds for the payment of governmental debt of the government.

The government reports the following major proprietary funds:

The Water Fund records the receipts of revenues for water services and records the associated expenses or capital investment. The water service provides water to Watsonville and the surrounding communities, which has a service population of approximately 50,000.

The Sewer Fund records the activity of the government's wastewater treatment plant and collection system. The fund also provides waste treatment services to other local sanitary districts, namely Freedom, Salsipuedes, and Pajaro Utility Districts. Thus, the wastewater plant services some 55,000 residents.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The Solid Waste Fund records the activities of refuse collection, recycling, and landfill operations. The landfill is located near the County landfill and is used only by the citizens of the City of Watsonville.

The Airport Fund represents the activities at the airport and the receipts of Federal Aviation Agency (FAA) grants. The fund is to be supported by the fees the airport collects from fuel sales and facility use fees. The FAA provides substantial grant income for general airport improvements.

The Fiber Optic Fund records the activities of the City's new fiber optic system installed. The fund receives payments for use of the system.

Additionally, the government reports the following fund types:

The Internal Service Fund is used to account for financing of insurance services (workers compensation, general liability and health benefits) provided to other government funds and departments on a cost reimbursement basis.

The Private Purpose Trust Fund is used to account for the transactions of the Successor Agency of the City of Watsonville Redevelopment Agency.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, sewer, and solid waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various foundations concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. The principal operating revenues of the government's enterprise funds and of the government's internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts for revenues and expenses or expenditures.

D. Assets, liabilities, and net position or fund balance

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in the following types of investments:

- Securities of the US Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan institutions like institutions such as credit unions
- Local Agency Investment Fund (State Pool)
- Repurchase agreements (repos) for a term of one year or less
- Passbook Savings Account Demand Deposits
- Debt of the City of Watsonville
- Negotiable Certificates of Deposits
- Bankers' Acceptances

Investments for the government are reported at fair value. The State Treasurers Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The government has funds held by trustees or fiscal agents pledged to the payment or security of certain bonds and certificates of participation. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agent may make.

Cash and cash equivalents

The cash flow statements require presentation of "cash and cash equivalents". For the purposes of the statement of cash flows, the government considers all proprietary funds pooled cash and investments and cash and investments with fiscal agent as "cash and cash equivalents".

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes are levied and collected by the County of Santa Cruz and paid upon collection to the various taxing entities including the City. Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. Unsecured taxes are due on July 1 and become delinquent on August 31. The City recognizes property tax revenues when they become measurable and available for the payment of claims in the current period.

3. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Land held for resale

Land held for resale is carried at the lower of cost or estimated realizable value.

5. Capital assets

Capital assets, which include property, plant and equipment, and infrastructure, (e.g., bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), and construction in progress are recorded in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement are valued at their estimated acquisition value on the date donated.

The costs for normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Property, plant, and equipment of the primary government, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20 to 50 years
Buildings	20 to 50 years
Improvements	20 to 50 years
Machinery and Equipment	3 to 10 years

6. Compensated absences

It is the government's policy to allow most employee groups to accumulate sick leave to a maximum of 1,000 hours. Sick leave accumulated above this maximum is paid to employees at 50% of such excess in December. The balance of such unused sick leave is lost and the sick leave accrual is reduced to 1,000 hours at January 1 of each year. Earned vacation time is accumulated up to two times the employee's annual accrual rate and unused vacation is paid at the employee's hourly rate upon termination.

The maximum accumulation, for fire-fighters on shift duty, of unused sick leave is 62.5 days (1,500 hours). Sick leave accumulation in any calendar year in excess of 1,500 hours shall be paid at the rate of 50% of such excess. The balance of such unused sick leave is lost and the sick leave accrual is reduced to 1,500 hours at January 1 of each year.

The City accrues for compensated absences in the government-wide and proprietary fund financial statements for which they are liable to make payment directly. The General fund, Inclusionary Housing fund, and all four of the five Enterprise funds incurred costs associated with compensated absences during the last fiscal year.

7. Interfund transactions

A description of the basic two types of the City's interfund transactions during the fiscal year and the related accounting policies are set forth as follows:

1. Transactions related directly to services rendered, or facilities provided, are recorded as revenues in the fund providing the service or facility and expenditures (or expenses) in the fund receiving them.
2. Transactions to allocate resources from one fund to another, not contingent on the occurrence of specific expenditures in the receiving fund, are recorded appropriately as transfers in and transfers out in the respective funds.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the 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 financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The City has one item which qualifies for reporting; see Note IV.E. for a detailed listing of the deferred outflows. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The City has one item which qualifies for reporting in this category; refer to Note IV. E. for a detailed listing of the pension related deferred inflows of resources the City has recognized.

10. Fund balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City's governing board (ordinance). Committed amounts cannot be used for any purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purpose with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent maybe stipulated by the government board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purpose in accordance with the nature of their type or the fund's primary purpose. An assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the City.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of commitments made, which include future funding sources for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balance are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

11. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is *net investment in capital assets* consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before March 31 of each fiscal year, all departments of the City of Watsonville are required to submit requests for appropriations to the government's management so that a budget may be prepared. Before May 31 the proposed budget is presented to the government's council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, department, and division. The government department heads may make transfers of appropriations within a department. Transfers of appropriations between funds require the approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The council made several supplemental budget appropriations during the fiscal year. The general fund budget was increased by \$4,584,399 during the fiscal year. The largest increase was in the grant fund in the amount of 4,193,601, that was mostly used for the Urban Green Slough and Ohlone Trail projects. The city also increased the Redevelopment and Housing Fund for a CDBG COVID 19 grant in the amount of \$543,984 and Impact Fee Fund was increased by \$436,466. The enterprise funds saw an increase of \$1,723,328, which included funding for the Airport Freedom Trunk Sewer Project. Lastly, there were appropriations in the amount of \$467,410 in the Internal Service Fund for settlement of a legal matter.

Encumbrance accounting is employed in governmental funds. The commitments will be re-appropriated and honored during the subsequent fiscal year. Encumbrances were as follow at fiscal year-end: General Fund – \$3,712,072, Impact Fee Fund - \$148,161, Housing Fund - \$63,397, Redevelopment and Housing Grants Fund - \$99,065 and Other Governmental Funds - \$1,304,877.

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2020, expenditures exceeded appropriations in the following funds: Parks Development Special Revenue Fund (\$19,189), Retirement Tax Special Revenue Fund (\$3,026), and the Parking Garage Special Revenue Fund (\$28,116). These funds had excess fund balance to cover these costs, with the exception of the Parking Garage Special Revenue Fund.

C. Deficit fund equity

These special revenue funds had the following deficit fund balances: Redevelopment and Housing Grants Special Revenue Fund of (\$45,598) and the Parking Garage Special Revenue Fund of (\$430,081). The special revenue funds will make these deficits up with future special revenue funds.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

III. Detailed notes on all funds

A. Cash and investments

Cash and investments (including monies held by trustees and fiscal agents) as of June 30, 2020 were as follows:

Cash:	
Demand Deposits	\$4,755,962
Outstanding Checks	(875,350)
Deposits in Transit	975,055
Net Demand Deposits	<u>4,855,667</u>
Petty Cash	<u>12,436</u>
Cash Subtotal	<u><u>\$4,868,103</u></u>
Investments:	
Guaranteed Investment Contracts	1,692,456
California Asset Management Program	26,741,124
Local Agency Investment Fund	<u>56,932,567</u>
Investment Subtotal	<u><u>85,366,147</u></u>
Total Cash and Investments	<u><u>\$90,234,250</u></u>

The cash and investments by governmental funds business type activities and private purpose trust fund was as follows:

Governmental Funds:	
General	\$19,800,341
Impact Fees	5,934,251
Housing Fund	4,278,085
Development & Housing Grants	2,297,691
Debt Service	270,116
Other Non-major Funds	<u>10,657,037</u>
Total Government Activities:	<u><u>43,237,521</u></u>
Business-type Activities:	
Water	20,922,426
Sewer	8,329,347
Solid Waste	8,828,497
Airport	565,192
Fiber Optic	<u>208,092</u>
Total Business-type Activities	<u><u>38,853,554</u></u>
Internal Service Fund	<u>4,110,930</u>
Private Purpose Trust Fund	<u>4,032,245</u>
Total Government Cash and Investments	<u><u>\$90,234,250</u></u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

The City of Watsonville has the following fair value hierarchy as of June 30, 2020:

	<u>Total</u>	<u>Exempt</u>
Investments measured at amortized cost:		
Guaranteed Investments Contracts	\$1,692,456	\$1,692,456
Local Agency Investment Fund	56,932,567	56,932,567
California Asset Management Program	<u>26,741,124</u>	<u>26,741,124</u>
Total Investments	<u>\$85,366,147</u>	<u>\$85,366,147</u>

POOLED DEPOSITS/CREDIT RISK:

The California Government Code requires California banks and savings and loan associations to secure a government's deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of a government's deposits. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total deposit.

The government may waive collateral requirements for deposits, which are fully insured up to \$250,000 by federal depository insurance.

At June 30, 2020, the government carrying amount of deposits and cash on hand was \$4,868,103 and bank balances were \$4,755,962. Bank balances in excess of the FDIC insurance limitations are fully collateralized by the Bank by pledging identified U.S. Government securities.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Investments Authorized by the California Government Code and the City's Investment Policy

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Passbook Savings Account Demand Deposit	N/A	None	None
Medium-Term Notes	5 years	30%	None
Debt of City of Watsonville	N/A	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

Investments Authorized by Debt Agreements

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Guaranteed Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Investment Type	Remaining Maturity (in Months)		
	12 Months or Less	More Than 60 Months	Total
Local Agency Investment Fund	\$56,932,567		\$56,932,567
California Asset Management Program	26,741,124		26,741,124
Guaranteed Investment Contracts		\$1,692,456	1,692,456
Total	<u>\$83,673,691</u>	<u>\$1,692,456</u>	<u>\$85,366,147</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Disclosures Relating to Credit Risk

Investment Type	Ratings as of Fiscal Year End		
	AA	Not Rated	Total
Local Agency Investment Fund		\$56,932,567	\$56,932,567
California Asset Management Program		26,741,124	26,741,124
Guaranteed Investment Contracts	\$1,692,456		1,692,456
Total	\$1,692,456	\$83,673,691	\$85,366,147

- (1) The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the government that as of June 30, 2020 the amortized cost value of the pool was \$101,110,343,833 and the estimated fair value of the pool was \$101,607,078,218. The reported value of the government's portion of LAIF is the same value as the fair value of LAIF shares. LAIF's (and the government's) exposure to risk (credit, market or legal) is not currently available. The State's Local Agency Investment Fund (LAIF) operates in accordance with appropriate state laws and regulations.
- (2) The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. At June 30, 2020, fair value was approximate to the City's cost. At June 30, 2020 these investments had an average maturity of 53 days.

The government has funds held by trustees or fiscal agents pledged to the payment or security of certain bonds and certificates of participation. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agent may make.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

B. Capital assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

Governmental activities:

	Balance at 6/30/2019	Additions	Deletions	Balance at 6/30/2020
Capital Assets not being depreciated:				
Land and Improvements	14,471,725	1,996,198	-	16,467,923
Construction in Progress	4,331,571	-	(519,433)	3,812,138
Total Capital Assets not being depreciated	<u>18,803,296</u>	<u>1,996,198</u>	<u>(519,433)</u>	<u>20,280,061</u>
Capital Assets being depreciated:				
Buildings and Improvements	135,341,092	990,217	-	136,331,309
Machinery And Equipment	15,700,855	2,208,829	(335,174)	17,574,510
Infrastructure	35,753,059	-	-	35,753,059
Total Capital Assets being depreciated	<u>186,795,006</u>	<u>3,199,046</u>	<u>(335,174)</u>	<u>189,658,878</u>
Less accumulated depreciation for:				
Buildings and Improvements	(55,871,370)	(3,790,320)	-	(59,661,690)
Machinery and Equipment	(10,639,717)	(1,010,699)	335,174	(11,315,242)
Infrastructure	(24,771,103)	(852,262)	-	(25,623,365)
Total accumulated depreciation	<u>(91,282,190)</u>	<u>(5,653,281)</u>	<u>335,174</u>	<u>(96,600,297)</u>
Total Capital Assets being depreciated, net	<u>95,512,816</u>	<u>(2,454,235)</u>	<u>-</u>	<u>93,058,581</u>
Governmental activity Capital Assets, net	<u>114,316,112</u>	<u>(458,037)</u>	<u>(519,433)</u>	<u>113,338,642</u>

Business-type activities:

	Balance at 6/30/2019	Additions	Deletions	Balance at 6/30/2020
Capital Assets, not being depreciated:				
Land and improvement	13,646,636	1,124,579	-	14,771,215
Construction in progress	6,540,056	2,556,100	(2,505,796)	6,590,360
Total Capital Assets not being depreciated	<u>20,186,692</u>	<u>3,680,679</u>	<u>(2,505,796)</u>	<u>21,361,575</u>
Capital Assets, being depreciated:				
Buildings and Improvements	90,096,746	87,791	-	90,184,537
Machinery and Equipment	21,893,336	3,429,286	(604,771)	24,717,851
Infrastructure	61,375,021	3,598,029	-	64,973,050
Total Capital Assets being depreciated	<u>173,365,103</u>	<u>7,115,106</u>	<u>(604,771)</u>	<u>179,875,438</u>
Less accumulated depreciation for:				
Buildings and Improvements	(34,368,225)	(2,132,259)	-	(36,500,484)
Machinery Equipment	(17,768,437)	(899,022)	604,771	(18,062,688)
Infrastructure	(46,283,278)	(1,015,237)	-	(47,298,515)
Total accumulated depreciation	<u>(98,419,940)</u>	<u>(4,046,518)</u>	<u>604,771</u>	<u>(101,861,687)</u>
Total Capital Assets being depreciated	<u>74,945,163</u>	<u>3,068,588</u>	<u>-</u>	<u>78,013,751</u>
Business-type activities Capital Assets, net	<u>95,131,855</u>	<u>6,749,267</u>	<u>(2,505,796)</u>	<u>99,375,326</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Depreciation expenses were charged to functions/programs of the primary government as follows:

Governmental activities:	\$
General government	193,814
Public safety	2,325,001
Highway and streets	2,360,412
Culture and recreation	<u>774,054</u>
Total depreciation expense - governmental activities	<u>5,653,281</u>
Business-Type activities:	
Water	1,601,585
Sewer	1,446,776
Solid waste	609,326
Airport	353,485
Fiber optic	<u>35,346</u>
Total depreciation expense - business-type activities	<u>4,046,518</u>

C. Interfund receivables, payables, and transfers

The composition of interfund activities as of June 30, 2020, is as follows:

Due from/to other funds

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Due from/to other funds balances at June 30, 2020 were as follows:

Governmental Funds:	<u>Due from other funds</u>	<u>Due to other funds</u>
	\$	\$
General	654,692	-
Redevelopment & Housing Fund	-	195,068
Nonmajor Funds	-	459,624
Total Governmental Funds	<u>654,692</u>	<u>654,692</u>

The General fund covered the current cash shortfall for other special revenue funds.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Advances receivable/payable

Long-term interfund balances arise in the normal course of business and are not expected to be repaid during the next fiscal year. Advances receivable/payable funds balances at June 30, 2020 were as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
Governmental Funds:		
General	\$ 101,674	\$ 3,978,545
Impact Fees	182,830	-
Nonmajor Funds	<u>349,462</u>	-
Total Governmental Funds	<u>633,966</u>	<u>3,978,545</u>
Enterprise Funds:		
Water	3,222,642	-
Sewer	621,501	-
Solid Waste	185,900	-
Airport	21,465	-
Fiber Optic	<u>-</u>	<u>706,929</u>
Total Enterprise Funds	<u>4,051,508</u>	<u>706,929</u>
Total Government	<u>4,685,474</u>	<u>4,685,474</u>

With Council approval, resources may be transferred from one City fund to another. The government made various interfund transfers as follows:

	<u>Transfers In</u>					
	<u>General Fund</u>	<u>Housing Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Internal Service Fund</u>	<u>Transfers Out</u>
<u>Transfers Out</u>	\$	\$	\$	\$	\$	\$
General Fund	-	98,513	204,836	53,453	24,292	381,094
Impact Fee Fund	5,000	-	-	-	-	5,000
Redevelopment & Housing Fund	115,019	-	153,683	-	-	268,702
Nonmajor Funds	3,516,268	-	304,707	59,355	-	3,880,330
Water Fund	-	-	22,074	5,045	-	27,119
Sewer Fund	-	-	163,606	5,045	5,713	174,364
Solid Waste Fund	-	-	33,713	5,045	5,953	44,711
Airport Fund	-	-	-	5,045	-	5,045
Total Transfers In	<u>3,636,287</u>	<u>98,513</u>	<u>882,619</u>	<u>132,988</u>	<u>35,958</u>	<u>4,786,365</u>

The government approved various interfund transfers within its budget for various recommencements such as the transfer from the Retirement Fund to the General Fund for recommencements of General Fund employee's retirement costs, the transfer from the CDBG Fund to the General Fund for the recommencements of qualified recreations staff costs and recommencements of debt payments to the Debt Service Fund. The General Fund also transferred 20% of its reimbursement from the Successor Agency to the Successor Agency Housing Fund as required by state law.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

D. Leases

Operating lease

The government has entered into a non-cancellable operating lease for 911 and public safety dispatching services with Santa Cruz Consolidated Emergency Communications Center. Total cost for the lease was \$50,384 for the fiscal year ended June 30, 2020. The future minimum lease payments as of June 30, 2020 are as follows:

Fiscal Year Ending	
June 30	Amount
	\$
2021	50,406
2022	50,331
2023	50,155
2024	50,755
2025	50,363
2026	50,778
2027	50,193
2028	50,410
2029	50,546
2030	50,556
2031	50,435
2032	50,126
2033	50,611
2034	<u>50,964</u>
Total	<u>706,629</u>

E. Long-term debt

The government's long-term debt obligations are repaid by the following funds: Revenue Bonds from the Solid Waste Enterprise Fund; Capital Leases; the Airport Enterprise Fund; and the City's Debt Service Fund.

Limited obligation bonds

Limited obligation bonds consist of bonds issued for improvements in special assessment districts and are secured by liens against the assessed property. The government has agreed to establish certain reserve funds and to act as agent for property owners with respect to payment of debt service. In the event of delinquency, however, the government is not obligated to retire bonds from available funds or to bring legal action against property holders. These bonds were paid off in this fiscal year ending June 30, 2020.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Debt payable (Direct Borrowing) – Governmental Activities

On April 13, 2012, the government entered into a commercial term loan with Santa Cruz County Bank to finance the cost of installing solar panels through the City of Watsonville. The total amount for which the government is obligated under the loan was \$3,014,285. Installation of the solar panels was completed in the 2012/13 fiscal year.

Interest rate for the loan is 5.29% with principal payments ranging from \$206,431 to \$282,376 through fiscal year 2027.

The annual requirements to amortize the loan outstanding as of June 30, 2020 is as follows:

Fiscal Year	Solar Lease from Santa Cruz County		
	Principal	Interest	Debt Service
	\$	\$	\$
2021	206,431	87,197	293,628
2022	217,495	76,133	293,628
2023	229,153	64,475	293,628
2024	241,436	52,192	293,628
2025	254,377	39,251	293,628
2026	268,011	25,617	293,628
2027	282,376	11,252	293,628
Total	<u>1,699,279</u>	<u>356,117</u>	<u>2,055,396</u>

Notes payable:

Section 108 Loan Payable (Direct Borrowing)

The government entered into contract with the Secretary of U.S. Department of Housing and Urban Development. The contract is for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. #5308. The promissory note, in the amount of \$2,530,000, is for the Downtown Parking Garage Project. The note is to be repaid with future Community Development Block Grant funds over a period of twenty years at an interest rate of 1.26%.

The annual requirements to amortize the Section 108 note outstanding as of June 30, 2020 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2021	140,000	18,047	158,047
2022	147,000	14,934	161,934
2023	155,000	11,308	166,308
2024	163,000	2,902	165,902
2025	170,000	2,423	172,423
Total	<u>775,000</u>	<u>49,614</u>	<u>824,614</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

PG&E Notes (Direct Borrowing)

The City entered into several agreements with Pacific Gas & Electric Company (PG&E) to retrofit City lighting with qualified energy saving lights throughout the City. The notes are to be repaid with future energy savings over various periods at interest rates of 0%.

The annual requirements to repay the PG&E note outstanding as of June 30, 2020 are as follows:

Street Lights:

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ 15,149
Total	<u>15,149</u>

City Buildings Lights:

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ 10,565
2022	<u>8,795</u>
Total	<u>19,360</u>

Waste Water System Lights:

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ 10,555
2022	10,555
2023	7,036
Total	<u>\$28,146</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

PG&E 2019 Notes (Direct Borrowing)

The City entered into several agreements with Pacific Gas & Electric Company (PG&E) to retrofit City lighting with qualified energy saving lights throughout the City. The notes are to be repaid with future energy savings over various periods at interest rates of 0%.

The terms and maximum payments required on the 2019 notes are as follows:

Old City Hall - \$47,181 5 year loan, maximum annual payment of \$11,323,
Civic Center - \$60,070, 4 year loan, maximum annual payment of \$18,021,
Marinovich - \$33,071, 5 year loan, maximum annual payment of \$9,229,
Youth Center - \$27,876, 7 year loan, maximum annual payment of \$4,993,
Ramsay Park - \$29,807, 5 year loan, maximum annual payment of \$7,015,
Fire Station 1 - \$36,215, 3 year loan, maximum annual payment of \$16,096,
Beach St Parking - \$35,429, 6 year loan, maximum annual payment of \$7,330,
Police Station - \$85,545, 6 year loan, maximum annual payment of \$19,010,
Senior Center - \$20,657, 9 year loan, maximum annual payment of \$2,882

The annual requirements to repay the PG&E 2019 governmental notes outstanding as of June 30, 2020 are as follows:

Fiscal Year	Principal
	\$
2021	95,897
2022	93,214
2023	78,298
2024	49,374
2025	11,292
2026	3,709
2027	2,882
2028	243
Total	<u>334,909</u>

The original loan amounts, terms and maximum annual payments required on the 2019 notes are as follows:

Corralitos - \$23,326, 5 year loan, maximum annual payment of \$5,281,
MSC - \$34,323, 7 year loan, maximum annual payment of \$5,492,
Vista Well - \$8,722, 3 year loan, maximum annual payment of \$3,738.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Business Type Activities

The annual requirements to repay the PG&E 2019 Water fund notes outstanding as of June 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2021	14,511
2022	13,888
2023	10,773
2024	10,333
2025	5,489
2026	4,120
Total	<u><u>59,114</u></u>

For the Waste Water Fund as follows:

Waste Water

Treatment Plant - \$86,422, 6 year loan, maximum annual payment of \$19,205,

The annual requirements to repay the PG&E 2019 Waste Water fund note outstanding as of June 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2021	19,205
2022	19,205
2023	19,205
2024	19,205
2025	8,001
Total	<u><u>84,821</u></u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

For the Airport Fund as follows:

Airport - \$153,579, 8 year loan, maximum annual payment of \$23,037

The annual requirements to repay the PG&E 2019 Airport fund note outstanding as of June 30, 2020 are as follows:

Fiscal Year	Principal
	\$
2021	23,037
2022	23,037
2023	23,037
2024	23,037
2025	23,037
2026	23,037
2027	5,758
Total	143,980

For the Solid Waste Fund as follows:

Landfill - \$9,110, 7 year loan, maximum annual payment of \$1,458.

The annual requirements to repay the PG&E 2019 Solid Waste fund note outstanding as of June 30, 2020 are as follows:

Fiscal Year	Principal
	\$
2021	1,458
2022	1,458
2023	1,458
2024	1,458
2025	1,458
2026	970
Total	8,260

State of California Energy Commission (Direct Borrowing)

The City entered into an agreement with State of California Energy Commission to retrofit the City's owned street lights with qualified energy saving lights. The note is to be repaid with future energy savings over a period of eight years at an interest rate of 3%.

The annual requirements to amortize the State of California Energy Commission note outstanding as of June 30, 2020 is shown below:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2021	33,905	45	33,950
Total	33,905	45	33,950

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

State Water Resources Control Board Loan (Direct Borrowing)

On December 18, 2015 the city entered into an agreement with California State Water Resource Board for a Clean Water State Revolving Fund loan to finance the Manana Lanes Sewer project. The amount of the loan is \$1,486,310. Interest rate for the 20 year loan is 1.6% with principal payments ranging from \$66,227 to \$86,741.

The City's outstanding debt under the California State Water Resources Control Board are secured by a pledge of revenues from the Sewer Enterprise Fund. Events of default include non-payment of interest or principal when due. The City shall have 10 days to clear any default. A penalty of highest legal rate of interest from date of default will be added for each charge, fees, taxes, assessments tools or other charges or imposed by the Recipient of non-payment. There have been no events of default since the loan was issued.

The annual requirements to amortize the loan outstanding as of June 30, 2020 is as follows:

Fiscal Year	Principal	Interest	Debt Service
2021	66,227	21,903	88,130
2022	67,287	20,843	88,130
2023	68,364	19,767	88,131
2024	69,457	18,673	88,130
2025	70,569	17,561	88,130
2026	71,698	16,432	88,130
2027	72,845	15,285	88,130
2028	74,011	14,120	88,131
2029	75,195	12,935	88,130
2030	76,398	11,732	88,130
2031	77,620	10,510	88,130
2032	78,862	9,268	88,130
2033	80,124	8,006	88,130
2034	81,406	6,724	88,130
2035	82,708	5,422	88,130
2036	84,032	4,098	88,130
2037	85,376	2,754	88,130
2038	86,741	1,388	88,129
Total	<u>1,368,920</u>	<u>217,421</u>	<u>1,586,341</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Municipal landfill closure and post-closure liability and requirements

The government operates a landfill solely for the disposal of Watsonville resident's solid waste. The landfill is regulated by the California Integrated Waste Management Board, which requires that the government set aside certain funds for the landfill's eventual closure. As of June 30, 1998, the government's Solid Waste Division had completed the closure of the old landfill cell and recognized \$403,773 of expenditures to complete the closure. The government is now operating a new cell, which was expected to provide landfill capacity for 23 years with an estimated post-closure cost of \$1,591,230.

The government recognizes a portion of the closure and post closure care costs in each operating period. The amount recognized each year to date for the new landfill is based on the landfill capacity used as of the balance sheet date. As of June 30, 2020, the new landfill cell had used 95.5% of its projected space. The estimated closure and post-closure costs were \$1,941,718 and \$1,618,099. The estimated remaining closure and post closure costs are \$1,544,960 and \$3,698,481, which will be recognized as the remaining capacity is used (estimated to be 0.6 years). To date, the fund has \$299,510 for post closure costs for the closed phase I and II cells and has set aside closure costs of \$1,853,951 and post-closure costs of \$1,544,960 for the open phase III cell for a total of \$3,698,421. The estimated costs of closure and post closure care are subject to changes such as the effects of inflation, revision of laws and other variables.

NET OPEB LIABILITY

Starting July 1, 2015, the City ceased to pay cash subsidies for retirees. The retirees pay the full amount of their CSAC IEA premiums. The medical/drug implicit subsidy was the only source of liability related for OPEB. Since there is no cash subsidy, as of June 30, 2020, the net OPEB liability was calculated to be immaterial for GASB#75 presentation purposes. However, the net OPEB liabilities of \$3,598,100 is still reflected as part of the long-term liabilities in the City's Statement of Net Position.

Capital Lease (Direct Borrowing) – Governmental Activities

On March 12, 2018 the city entered into an Equipment Lease Purchase agreement with Community First National Bank for the purchase of a Rosenbauer EXT Aerial Tiller Fire Truck. The amount of the Lease was \$1,291,081. Interest rate for the 5 year lease is 3.544% with principal lease payments ranging from \$249,076 to \$276,507.

If the Lessee should default under any of the provisions hereof, the lessor may charge interest on all amounts due at 10% per annum or the maximum amount permitted by law, whichever is less. There have been no events of default since the lease was issued.

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The annual requirement to amortize the lease outstanding as of June 30, 2020 is as follows:

Fiscal Year	Principal	Interest	Debt Service	Purchase Option
	\$	\$	\$	\$
2021	257,904	28,403	286,307	554,422
2022	267,043	19,263	286,306	282,308
2023	276,507	9,799	286,306	-
Total	801,454	57,465	858,919	836,730

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2020, is as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental activities:					
General Obligation Debt:					
Debt payable	\$ 1,895,208	\$ -	\$ (195,929)	\$ 1,699,279	\$ 206,431
Capital Lease	1,050,530	-	(249,076)	801,454	257,904
Notes payable	1,337,435	144,201	(303,313)	1,178,323	295,516
Subtotal	4,283,173	144,201	(748,318)	3,679,056	759,851
Bonds Payable:					
Special Assessment Debt without					
Government Commitment	49,000	-	(49,000)	-	-
Other Liabilities:					
Compensated absences	1,785,278	1,307,994	(1,038,037)	2,055,235	123,314
Net OPEB liability	1,901,953	115,991	-	2,017,944	-
Net Pension liability	56,328,400	4,637,442	-	60,965,842	-
Total Governmental activities	64,347,804	6,205,628	(1,835,355)	68,718,077	883,165
Business-type activities:					
	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
\$	\$	\$	\$	\$	\$
State Water Resources Control Board Loan	1,306,462	128,940	(66,482)	1,368,920	66,227
Notes Payable	332,841	22,357	(30,877)	324,321	68,766
Compensated Absences	723,529	709,081	(602,764)	829,846	49,791
Net OPEB Liabilities	1,431,285	84,411	-	1,515,696	-
Net Pension Liabilities	20,964,537	1,241,472	-	22,206,009	-
Landfill Closure / Post-Closure	3,661,020	97,321	(59,920)	3,698,421	-
Total Business-type activities	28,419,674	2,283,582	(760,043)	29,943,213	184,784
Long-Term Liabilities					

General Fund, Library Fund Sewer Fund, Water Fund, Airport Fund and Solid Waste Fund all were required to pay their portion of costs related to other Net OPEB Liabilities and Pension Liabilities.

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IV. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government also provides health insurance coverage to employees. There have been no significant reductions in insurance coverage for any risk of loss in the past fiscal year, and settled claims have not exceeded the commercial coverage in any of the past three fiscal years. The government has established a risk management fund to account for and finance its uninsured risks of loss.

The government's risk management programs provide coverage for up to a maximum of \$150,000 for each Workers' Compensation claim; \$500,000 for each General Liability claim. The government purchases commercial insurance for claims in excess of coverage provided by the self-insurance programs. There have been no significant changes in insurance coverage as compared to last fiscal year.

All funds of the government participate in the self-insurance programs. The employee health insurance program is funded by contributions of a flat rate per employee to the self-insurance fund. Other self-insurance programs are funded by budgeted appropriations. Funding is estimated to provide amounts needed to pay prior and current fiscal year claims and to establish reserves for catastrophic losses.

Liabilities in the self-insurance Internal services fund at June 30, 2020 totaled \$4,571,611 as follows: Health Benefits \$88,104; General Liability \$1,382,395; and Workers' Compensation \$3,101,112.

The basis for estimating incurred but not reported claims is based on the statute of limitation on accepting claims as follows:

Health Benefits are estimated at 2 times the current fiscal year's average monthly cost, General Liability is estimated at 6 months of current fiscal year's average monthly claim cost, and Workers' Compensation is estimated by using the last two weeks of current fiscal year's average monthly claim cost.

	2018-19	2019-20
Claims incurred but not reported:		
Beginning	721,123	666,224
Incurred claims	7,833,977	2,550,210
Claims paid	<u>(7,888,876)</u>	<u>(989,829)</u>
Ending	<u>666,224</u>	<u>2,226,605</u>
Claims payable		
Beginning	3,105,394	2,431,364
Incurred claims	1,956,003	2,745,084
Claims paid	<u>(2,630,033)</u>	<u>(2,831,442)</u>
Ending	<u>2,431,364</u>	<u>2,345,006</u>
Total claims	<u><u>3,097,588</u></u>	<u><u>4,571,611</u></u>

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B. Public entity risk pool

In November 1994, the government became a member of the Public Agency Risk Sharing Authority of California (PARSAC), formerly known as California Municipal Insurance Authority (CMIA). PARSAC, a consortium of 36 California cities, which was established in May 1986 to pool resources, share risks, purchase excess insurance, and to share costs for professional risk management and claims administration. The Authority's governing board consists of one appointed official and an alternate from participating cities.

General liability

The City is self-insured for general liability claims up to \$500,000 (effective November 11, 1994) for each occurrence. Coverage for individual losses in excess of \$500,000, up to \$10,000,000 is provided through the Public Risk Sharing Authority of California (PARSAC). Under this program, members share in losses between the members' individual self-insured retention and \$1,000,000 under a risk sharing pool program; and from \$1,000,000 to \$40,000,000, coverage is provided by another risk pool, CSAC-EIA.

Estimates for all liabilities have been accrued in the Self-Insurance Internal Service Fund, which included an estimate for incurred but not reported claims. At June 30, 2020, total estimated claims payable for General Liability were \$1,382,395.

C. Commitments and Contingencies

Litigation

Various claims and lawsuits are pending against the government. In the opinion of government management, the potential claims loss will not be significant to the government's financial statements.

Grant audits

The government receives grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in a request for reimbursement by the grantor for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowance, if any, will not be significant.

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Contingency

Proposition 218, which was approved by the voters in November 1996, regulates the government's ability to impose, increase and extend taxes, assessments and fees. Any new, increased or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the government's ability to finance the services for which the taxes, assessments and fees were imposed may be significantly impaired. Certain language in the initiative is unclear as to the scope and impact of the proposition. Future court rulings or state legislation may clarify these issues. At this time it is uncertain as to the effect that Proposition 218 will have on the government's ability to maintain or increase the revenue it receives from taxes, assessments and fees, or its effect on interfund payments in lieu of taxes and transfers of surplus funds from enterprise funds to the general fund. Also unclear is the extent to which a 1995 California Supreme Court ruling (the *Guardino* case) upholding the voter approval requirements of a previously enacted state initiative (Proposition 62) is applicable to prior periods. However, because the City of Watsonville is a Charter City, management believes that the *Guardino* ruling does not apply to its general law application in the cited case.

D. Post-employment health care benefits

Retiree benefits - COBRA benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government provides health care benefits to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a 2% administration fee is paid in full by the insured on or before the tenth day of the month for the actual month covered. This program is offered for a duration between 18 and 36 months, after the termination date, depending on circumstances related to eligibility to Medicare, death or divorce. During the last fiscal year two former employees participated in the program.

E. Defined benefit pension plans

1. CALPERS miscellaneous employees plan

A. General Information about the Miscellaneous Pension Plan

Plan Description

All qualified permanent and probationary miscellaneous employees are eligible to participate in the City's Miscellaneous Employee Pension Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employees. Benefit provisions under the Plan is 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. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous		
	Prior to July 1, 2011	On or after July 1, 2011	On or after January 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of eligible compensation	1.43% to 2.5%	1.09% to 2.42%	1% to 2.5%
Required employee contribution rates	7%	7%	5.50%
Required employer contribution rates	7.473%	7.473%	11.204%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above as a dollar amount for contributions toward the unfunded actuarial liability (UAL). The dollar amounts are billed on a monthly basis or the City can elect a lump sum payment option. The City's required contribution for the unfunded liability in the Miscellaneous plan for the year ended June 30, 2020 was \$2,565,325, which were made under the lump sum payment option.

Employees Covered

The following employees were covered by the benefit terms for the Miscellaneous Plan as of the most recent actuarial valuation date of June 30, 2018 and measurement date as of June 30, 2019:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	295
Inactive employees entitled to but not yet receiving benefits	300
Active employees	305
Total	900

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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 Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

The City's net pension liability for the plan is measured as the total pension liability less the pension plan's fiduciary net pension. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below:

Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Varies by Entry Age & Service
Projected Salary Increase	3.3%-14.2 (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

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The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contributions rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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The table below reflects the long-term expected real rate of return by asset class.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
 (b) An expected inflation of 2.0% used for this period.

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan as follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018	<u>\$146,365,189</u>	<u>\$108,190,702</u>	<u>\$38,174,487</u>
Changes in the year:			
Service cost	2,918,120	-	2,918,120
Interest on the total pension liability	10,452,164	-	10,452,164
Changes of benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between actual and expected experience	1,523,815	-	1,523,815
Plan to plan resource movement	-	(3,911)	3,911
Contribution - employer	-	3,756,237	(3,756,237)
Contribution - employee	-	1,520,671	(1,520,671)
Net investment income	-	7,097,297	(7,097,297)
Benefit payments, including refunds of employee contributions	(6,327,905)	(6,327,905)	-
Administrative expense	-	(77,207)	77,207
Other Miscellaneous Income/Expense	-	250	(250)
Net changes	<u>8,566,194</u>	<u>5,965,432</u>	<u>2,600,762</u>
Balance at June 30, 2019	<u>\$154,931,383</u>	<u>\$114,156,134</u>	<u>\$40,775,249</u>

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower or 1-percent point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$23,268,001
1% Decrease	7.15%
Net Pension Liability	\$40,775,249
1% Increase	8.15%
Net Pension Liability	\$61,968,584

Pension Plan Fiduciary Net Pension – Detailed information about the pension plan's fiduciary net position is available in the separate issued CalPERS financial report.

C. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$7,774,740. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,648,909	\$ -
Differences between actual and expected experience	1,111,973	(520,194)
Changes in assumptions	1,354,427	(283,662)
Net differences between projected and actual earnings on plan investments	- <hr/>	(312,735) <hr/>
Total	<u>\$ 7,115,309</u>	<u>\$ (1,116,591)</u>

The amount of \$4,648,909 was reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Annual
June 30	Amortization
2021	\$ 1,824,541
2022	(723,083)
2023	131,687
2024	116,664
Total	<u>\$ 1,349,809</u>

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Subsequent Event - CalPERS Pension Contribution Rates - The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the City's contribution rates for the fiscal year ended June 30, 2021 are expected to increase over the fiscal year 2020 contribution rates.

2. CALPERS Safety (Police & Fire) Employees Plan

A. General Information about the Pension Plan

Plan Descriptions

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

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Safety		
	Prior to July 1, 2011	After July 1, 2011	After July 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	55	57
Monthly benefits, as a % of eligible compensation	3.0%	2.0%-2.7%	2.0%-2.7%
Required employee contribution rates	9.0%	9.0%	12.0%
Required employer contribution rates	21.927%	18.928%	13.034%

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Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above as a dollar amount for contributions toward the unfunded actuarial liability (UAL). The dollar amounts are billed on a monthly basis or the City can elect a lump sum payment option. The City's required contribution for the unfunded liability in the Safety plan for the year ended June 30, 2020 was \$2,986,950, which were made under the lump sum payment option.

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 Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the fiscal 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. Contributions to the pension plan from the City were \$4,699,442 for the fiscal year ended June 30, 2020.

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

For purposes of measuring the net pension liability and deferred outflow/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

<u>Safety Plans</u>	
Proportion - June 30, 2018	0.66669%
Proportion - June 30, 2019	0.67916%
Change - Increase (Decrease)	<u>0.01247%</u>

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For the year ended June 30, 2020, the City recognized pension expense of \$8,311,877 together with \$7,774,740 for the miscellaneous plan, the total pension expense for the city is \$16,086,617. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,699,442	
Differences between actual and expected experience	2,768,116	
Changes in assumptions	1,737,763	(\$339,123)
Net differences between projected and actual earnings on plan investments	-	(583,237)
Differences between actual contributions and proportional contributions	-	(1,202,938)
Adjustment due to differences in proportion	1,060,887	(48,736)
Total	\$10,266,208	(\$2,174,034)

The amount of \$4,699,442 was reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

	Year Ended	Annual
	June 30	Amortization
2021	\$3,000,992	
2022	(140,005)	
2023	418,265	
2024	113,480	
Total	\$3,392,732	

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

Fiscal Year Ended	Safety Plan		Miscellaneous Plan		Total
	Annual	Amortization	Annual	Amortization	Annual
June 30					
2021	\$3,000,992		\$1,824,541		\$4,825,533
2022	(140,005)		(723,083)		(863,088)
2023	418,265		131,687		549,952
2024	113,480		116,664		230,144
Total	\$3,392,732		\$1,349,809		\$4,742,541

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Actuarial Assumptions

For the measurement period ended June 30, 2019, the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, includes inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuarial Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability for the plan was 7.15%. The projection used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

The table below reflects the expected real rate of return by asset class.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u><u>100.0%</u></u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, 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 (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

Safety	
1% Decrease	6.15%
Net Pension Liability	\$63,769,115
Current Discount Rate	7.15%
Net Pension Liability	\$42,396,602
1% Increase	8.15%
Net Pension Liability	\$24,874,489

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

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Subsequent Event - CalPERS Pension Contribution Rates - The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the City's contribution rates for the fiscal year ended June 30, 2021 are expected to increase over the fiscal year 2020 contribution rates.

C. Successor Agency Private-Purpose Trust Fund for Assets of former Redevelopment Agency of the City of Watsonville.

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local governments. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City.

Resolution Number 4-12.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2020:

	Balance June 30, 2019	Retirements	Balance June 30, 2020	Due Within One Year
Refunding tax allocation bonds	\$ 10,700,000	\$ (1,225,000)	\$ 9,475,000	\$ 1,265,000
Bond Premium	<u>1,295,859</u>	<u>(86,390)</u>	<u>1,209,469</u>	<u></u>
Total Bonds	11,995,859	(1,311,390)	10,684,469	1,265,000
Notes Payable	2,725,854	(443,423)	2,282,431	900,000
Net OPEB Liability	<u>64,461</u>	<u>-</u>	<u>64,461</u>	<u></u>
Total	<u>14,786,174</u>	<u>(1,754,813)</u>	<u>13,031,361</u>	<u>2,165,000</u>

Tax allocation refunding bonds

In June of 2004 the former Redevelopment Agency of the City of Watsonville issued tax allocation bonds in three series as follows:

1. Series A - \$19,000,000
2. Series B-1 - \$2,310,000
3. Series B-2 - \$4,635,000

In April of 2016 the Successor Agency issued \$11,790,000 2016 Tax Allocation Refunding Bonds, Series A and \$2,420,000 2016 Tax Allocation Refunding Bonds, Taxable Series B for a current refunding of the \$14,190,000 2004 Tax Allocation Bonds Series A and B-1 and \$2,720,000 Tax Allocation Taxable Series B-2 Bonds. The Series A refunding bonds had \$2,965,772 of additional funding and Series B had \$410,577 of additional funding. The refunding was done to reduce future debt service payments. The transaction resulted in an economic gain of \$3,269,616 and a reduction of \$3,856,103 in future debt service payments and accounting loss of \$191,117 which is shown as a deferred outflow of resources to be amortized over the life of the bonds.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The annual requirements to amortize the loan outstanding as of June 30, 2020 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2021	1,265,000	426,450	1,691,450
2022	1,325,000	363,200	1,688,200
2023	1,390,000	296,950	1,686,950
2024	1,465,000	227,450	1,692,450
2025	945,000	154,200	1,099,200
2026	295,000	106,950	401,950
2027	305,000	92,200	397,200
2028	325,000	76,950	401,950
2029	330,000	69,638	399,638
2030	340,000	61,800	401,800
2031	350,000	48,200	398,200
2032	370,000	34,200	404,200
2033	380,000	23,100	403,100
2034	390,000	11,700	401,700
Total	9,475,000	1,992,988	11,467,988

Net OPEB Liability

As of the transfer of the former Agency assets to the Successor Agency, the Net OPEB liability was \$64,461. This amount will be reduced by an allocation of future costs incurred by the City from former staff members of the former Agency.

Notes Payable

The City and former Agency had several notes payable from the former Agency to the City for various costs and fees associated with the construction of the Civic Plaza as follows:

Parking Garage Loan for Construction Costs	\$2,282,431
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The State of California deemed these notes as non-enforceable obligation, and the city could not be paid back until a finding of completion was received from the State's Department of Finance, which the City received on February 21, 2014 and the Successor Agency's oversight board made a finding that the notes were for legitimate redevelopment purpose. The Oversight Board also made the finding for all the above notes. The notes are allowed to add interest based on the State of California Local Agency Investment Fund's (LAIF) monthly interest rate. Interest has been projected for the debt service at the most recent rate available.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Debt Payable Recap:

Parking Garage Loan

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2021	900,000	3,772	903,772
2022	900,000	1,366	901,366
2023	482,431	876	483,307
Total	<u>2,282,431</u>	<u>6,014</u>	<u>2,288,445</u>

Required Supplementary Information

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CITY OF WATSONVILLE, CALIFORNIA
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
 LAST SIX FISCAL YEARS
 JUNE 30, 2020

The following table provides required supplementary information regarding the City's Miscellaneous Pension Plan:

	2015	2016	2017	2018	2019	2020
TOTAL PENSION LIABILITY	\$	\$	\$	\$	\$	\$
Service Cost	2,348,593	2,251,567	2,250,229	2,616,009	2,696,646	2,918,120
Interest	8,369,558	8,741,399	9,093,428	9,502,933	9,872,907	10,452,164
Differences between expected and actual experience	-	(1,088,430)	(1,307,204)	(160,738)	(622,350)	1,523,815
Changes in assumptions	-	(2,194,095)	-	8,126,558	(617,380)	-
Changes in benefits	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,554,651)	(4,874,482)	(5,292,339)	(5,612,765)	(5,877,340)	(6,327,905)
Net change in total pension liability	6,163,500	2,835,959	4,744,114	14,471,997	5,452,483	8,566,194
Total pension liability - beginning	<u>112,697,136</u>	<u>118,860,636</u>	<u>121,696,595</u>	<u>126,440,709</u>	<u>140,912,706</u>	<u>146,365,189</u>
Total pension liability - ending (a)	<u>118,860,636</u>	<u>121,696,595</u>	<u>126,440,709</u>	<u>140,912,706</u>	<u>146,365,189</u>	<u>154,931,383</u>
PLAN FIDUCIARY NET POSITION						
Contributions - employer	1,750,491	1,881,144	2,288,840	2,856,260	3,443,447	3,756,237
Contributions - employee	1,087,253	1,064,147	1,145,223	1,265,745	1,301,275	1,520,671
Net investment income (1)	14,090,974	2,081,010	501,726	10,269,390	8,537,327	7,097,297
Administrative expense	-	(105,873)	(57,299)	(136,723)	(457,364)	(76,957)
Benefit payments, including refunds of employee contributions	(4,554,651)	(4,874,482)	(5,292,339)	(5,612,765)	(5,877,340)	(6,327,905)
Net Plan to Plan Resource Movement	-	-	-	(2,203)	(250)	(3,911)
Other Miscellaneous Income/(Expense)	-	-	-	-	-	-
Net change in plan fiduciary net position	12,374,067	45,946	(1,413,849)	8,639,704	6,947,095	5,965,432
Plan fiduciary net position - beginning	81,597,739	93,971,806	94,017,752	92,603,903	101,243,607	108,190,702
Plan fiduciary net position - ending (b)	<u>93,971,806</u>	<u>94,017,752</u>	<u>92,603,903</u>	<u>101,243,607</u>	<u>108,190,702</u>	<u>114,156,134</u>
Net pension liability - ending (a)-(b)	<u>24,888,830</u>	<u>27,678,843</u>	<u>33,836,806</u>	<u>39,669,099</u>	<u>38,174,487</u>	<u>40,775,249</u>
Plan fiduciary net position as a percentage of the total pension liability	79.06%	77.26%	73.24%	71.85%	73.92%	73.68%
Covered payroll	\$17,390,545	\$17,452,658	\$17,680,742	\$18,366,981	\$18,917,990	\$20,531,347
Net pension liability as percentage of covered-employee payroll	143.12%	158.59%	191.38%	215.98%	201.79%	198.60%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka. Golden Handshakes).

Changes in assumptions: None.

(1) Net of administrative expenses.

* Fiscal year 2015 was the 1st year of implementation. Years will be added until 10 years of data is reached.

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
LAST SIX FISCAL YEARS*
JUNE 30, 2020

The following table provides required supplementary information regarding the City's Miscellaneous Pension Plan.

	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 1,769,613	\$ 2,299,823	\$ 2,288,840	\$ 2,856,260	\$ 3,756,236	\$ 4,648,909
Contributions in relation to the actuarially determined contributions	(1,769,613)	(2,299,823)	(2,288,840)	(2,856,260)	(3,756,236)	(4,648,909)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	17,452,658	17,680,742	18,366,981	18,917,990	19,029,329	20,531,347
Contributions as a percentage of covered payroll	10.14%	13.01%	12.46%	15.10%	19.74%	22.64%

Notes to Schedule

Valuation date: 6/30/18

Methods and assumptions used to determine contribution rates:

Discount Rate
7.15% @ 6/30/2018
7.15% @ 6/30/2017
7.65% @ 6/30/2016
7.65% @ 6/30/2015
7.50% @ 6/30/2014

Inflation 2.50%

Salary increases Varies by Entry Age and Service

Investment rate of return 7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.

Mortality Rate Table (1) Derived using CalPERS' Membership Data for all Funds

Post Retirement Benefit Increase Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2017 experience study report.

* Fiscal year 2015 was the 1st year of implementation. Years will be added until 10 years of data is reached.

CITY OF WATSONVILLE, CALIFORNIA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 LAST SIX FISCAL YEARS*
 JUNE 30, 2020

The following table provides required supplementary information regarding the City's Safety Pension Plan.

	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability	0.358953%	0.379737%	0.387650%	0.388914%	0.666691%	0.679156%
Proportionate share of the net pension liability	\$ 22,335,737	\$ 26,064,837	\$ 33,543,690	\$ 38,569,604	\$ 39,118,450	\$ 42,396,602
Covered payroll	\$ 10,541,326	\$ 9,190,095	\$ 9,792,080	\$ 11,557,360	\$ 11,496,504	\$ 11,783,799
Proportionate share of the net pension liability as percentage of covered payroll	211.89%	283.62%	342.56%	333.72%	340.26%	359.79%
Plan's total pension liability	\$ 30,829,966,631	\$ 31,771,217,402	\$ 18,961,274,094	\$ 21,144,800,930	\$ 22,053,702,155	\$ 23,442,265,225
Plan fiduciary net position	\$ 24,607,502,515	\$ 24,907,305,871	\$ 13,782,056,004	\$ 15,169,595,595	\$ 16,186,149,467	\$ 17,199,726,799
Plan fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	72.69%	71.74%	73.39%	73.37%

* Fiscal year 2015 was the 1st year of implementation. Years will be added until 10 years of data is reached.

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
LAST SIX FISCAL YEARS*
JUNE 30, 2020

The following table provides required supplementary information regarding the City's Safety Pension Plan.

	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 2,648,853	\$ 2,921,288	\$ 3,364,471	\$ 3,606,866	\$ 3,940,104	\$ 4,649,154
Contributions in relation to the actuarially determined contributions	(2,648,853)	(2,921,288)	(3,364,471)	(3,606,866)	(4,006,904)	(4,699,442)
Contribution deficiency (excess)	-	-	-	-	(66,800)	(50,288)
 Covered payroll	 9,190,095	 9,792,080	 11,557,360	 11,496,504	 11,783,799	 12,765,651
Contributions as a percentage of covered payroll	28.82%	29.83%	29.11%	31.37%	34.00%	36.81%

Notes to Schedule

Valuation date: 6/30/18

Methods and assumptions used to determine contribution rates:

Discount Rate	7.15% @ 6/30/2018 7.15% @ 6/30/2017 7.65% @ 6/30/2016 7.65% @ 6/30/2015 7.50% @ 6/30/2014
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15% Net of Pension Plan Investment and
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality

* Fiscal year 2015 was the 1st year of implementation. Years will be added until 10 years of data is reached.

City of Watsonville, California

Nonmajor Governmental Funds

Special Revenue Funds

Gas Tax

The City of Watsonville receives various revenues from taxes imposed on the sale of gasoline. These funds are to be used for maintaining and improving Watsonville's roads and transportation system.

Narcotics Assets Seizure

Federal and State law authorize the seizure of assets used in the sale of illegal drugs. The proceeds from these seizures are to be used to further Police enforcement. These monies are accounted for in this fund.

Business Development

This fund collects a business license surcharge and downtown property tax assessment which is then remitted to the Chamber of Commerce and Economic Development for their respective purposes.

Economic Development

Funds held for economic development. The fund receives interest income and loan payoffs that are used to support economic development.

Library

The Library Fund receives sales tax, grants, donations and state subventions for the advancement of the Library in Watsonville. This fund receives such revenues and records their expenditures.

Parks Development

This fund's revenues are grants, park development impact fees and 1972 Landscape and Lighting Assessment fees. These funds are used to acquire, improve and maintain the government's parks.

Retirement Tax

The City of Watsonville participates in the California Public Employees Retirement System. The government's contribution for General Fund employees is funded by a voter approved property tax override. The tax is collected in this fund and then used to pay for appropriate retirement expenses.

(Continued)

City of Watsonville, California Nonmajor Governmental Funds Special Revenue Funds

Parking Garage

This fund is used to record operating costs used to maintain the government's parking garage downtown.

Measure G

This fund was established in 2014, the Citizens of Watsonville approved an additional sales tax of .5% for seven years to increase funding for public safety.

Abandoned Vehicle

The government has assigned a Watsonville Police Department Service Specialist to aggressively enforce all State laws and City of Watsonville Ordinances pertaining to the abatement of all abandoned, wrecked, dismantled, inoperative vehicles or parts from any and all private or public properties. This fund collects State and County funds used to pay for these services.

Inclusionary Housing

The government levies an impact fee on all market rate housing development, which either requires a specified number of below market housing units be created or the payment of a fee. This fund collects those fees and uses them to create low-income housing.

SB 1 Gas Tax

This fund was established in 2017, which increased the gas tax by \$0.12 per gallon, increased the diesel fuel tax by \$0.20 per gallon, increased the sales tax on diesel fuels by an additional 4 percentage points, created an annual transportation improvement fee, and created an annual zero-emission vehicles fee.

Measure D

This fund was established in 2017, Measure D is a comprehensive and inclusive package of transportation improvements passed in November 2016 by over 2/3 of Santa Cruz County voters. This ½-cent sales tax guarantees every city and the county a steady, direct source of local funding for local streets and road maintenance, bicycle and pedestrian projects (especially near schools), safety projects, and transit and paratransit service, as well as numerous essential transportation projects and programs throughout the county.

(Concluded)

CITY OF WATSONVILLE, CALIFORNIA
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2020

	Special Revenue Funds						
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
ASSETS:							
Cash and Investments	709,407	248,328	98,551	23,723	462,126	2,012,199	163,026
Receivables:							
Interest	-	-	-	40,570	-	-	-
Taxes	-	-	-	-	-	-	173,200
Accounts	3,903	-	1,189	-	333,029	9,871	-
Intergovernmental	340,762	-	-	-	-	-	-
Advances receivable	-	-	-	-	231,257	50,089	-
Loans receivable	-	-	-	55,422	-	-	-
Total Assets	<u>1,054,072</u>	<u>248,328</u>	<u>99,740</u>	<u>119,715</u>	<u>1,026,412</u>	<u>2,072,159</u>	<u>336,226</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accounts payable	161,445	-	-	-	-	34,248	-
Accrued personnel costs	14,651	-	-	-	-	4,108	-
Deposits	-	76,530	-	-	-	-	-
Total Liabilities	<u>176,096</u>	<u>76,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,356</u>	<u>-</u>
Deferred Inflows of Resources							
Unavailable revenue	340,762	-	3,316	95,991	-	-	-
Total Deferred Inflows of Resources	<u>340,762</u>	<u>-</u>	<u>3,316</u>	<u>95,991</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>516,858</u>	<u>76,530</u>	<u>3,316</u>	<u>95,991</u>	<u>-</u>	<u>38,356</u>	<u>-</u>
Fund Balances:							
Restricted for:							
Assets seizure	-	171,798	-	-	-	-	-
Business development	-	-	96,424	-	-	-	-
Economic development	-	-	-	23,724	-	-	-
Library	-	-	-	-	1,026,412	-	-
Parks development	-	-	-	-	-	2,033,803	-
Retirement tax	-	-	-	-	-	-	336,226
Measure G	-	-	-	-	-	-	-
Inclusionary housing	-	-	-	-	-	-	-
SB1 Gas tax	537,214	-	-	-	-	-	-
Measure D	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	<u>537,214</u>	<u>171,798</u>	<u>96,424</u>	<u>23,724</u>	<u>1,026,412</u>	<u>2,033,803</u>	<u>336,226</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>1,054,072</u>	<u>248,328</u>	<u>99,740</u>	<u>119,715</u>	<u>1,026,412</u>	<u>2,072,159</u>	<u>336,226</u>

Continued

CITY OF WATSONVILLE, CALIFORNIA
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2020

	Special Revenue Funds						
	PARKING GARAGE	MEASURE G	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	TOTAL
	\$	\$	\$	\$	\$	\$	\$
ASSETS:							
Cash and investments	541	2,364,166	18,863	1,626,303	1,036,098	1,893,706	10,657,037
Receivables:							
Interest	-	-	-	98,438	-	-	139,008
Taxes	-	754,114	-	-	140,232	62,144	1,129,690
Accounts	40,112	-	14,629	-	-	-	402,733
Intergovernmental	-	-	-	-	-	179,614	520,376
Advances receivable	-	-	-	68,116	-	-	349,462
Loans receivable	-	-	-	664,037	-	-	719,459
Total Assets	40,653	3,118,280	33,492	2,456,894	1,176,330	2,135,464	13,917,765
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accounts payable	11,110	194,448	-	13,488	-	41,457	456,196
Accrued personnel costs	-	111,502	-	16,882	-	801	147,944
Deposits	-	-	-	-	-	-	76,530
Due to other funds	459,624	-	-	-	-	-	459,624
Total Liabilities	470,734	305,950	-	30,370	-	42,258	1,140,294
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	762,475	-	-	1,202,544
Total Deferred Inflows of Resources	-	-	-	762,475	-	-	1,202,544
Total Liabilities and Deferred Inflows of Resources	470,734	305,950	-	792,845	-	42,258	2,342,838
Fund Balances:							
Restricted for:							
Assets seizure	-	-	-	-	-	-	171,798
Business development	-	-	-	-	-	-	96,424
Economic development	-	-	-	-	-	-	23,724
Library	-	-	-	-	-	-	1,026,412
Parks development	-	-	-	-	-	-	2,033,803
Retirement tax	-	-	-	-	-	-	336,226
Measure G	-	2,812,330	-	-	-	-	2,812,330
Abandoned vehicle	-	-	33,492	-	-	-	33,492
Inclusionary housing	-	-	-	1,664,049	-	-	1,664,049
SB1 Gas Tax	-	-	-	-	1,176,330	-	1,713,544
Measure D	-	-	-	-	-	2,093,206	2,093,206
Unassigned	(430,081)	-	-	-	-	-	(430,081)
Total Fund Balances	(430,081)	2,812,330	33,492	1,664,049	1,176,330	2,093,206	11,574,927
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	40,653	3,118,280	33,492	2,456,894	1,176,330	2,135,464	13,917,765

Concluded

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Special Revenue Funds							
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	-	-	-	3,360,455	-	3,531,089
Licenses, permits and fees	-	-	89,967	-	16,284	228,106	-
Intergovernmental	3,175,863	-	-	-	56,504	-	-
Charges for services	-	-	-	-	-	-	-
Interest	-	4,357	2,195	-	20,533	39,775	-
Miscellaneous	373,984	50,755	5,400	2,393	11,191	4,000	-
Total revenues	<u>3,549,847</u>	<u>55,112</u>	<u>97,562</u>	<u>2,393</u>	<u>3,464,967</u>	<u>271,881</u>	<u>3,531,089</u>
EXPENDITURES:							
Current:							
General government	-	-	15,000	-	-	-	3,026
Public safety	-	3,509	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Streets	3,030,354	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,581,353	316,779	-
Total expenditures	<u>3,030,354</u>	<u>3,509</u>	<u>15,000</u>	<u>-</u>	<u>3,581,353</u>	<u>316,779</u>	<u>3,026</u>
Excess (deficiency) of revenues over (under) expenditures	<u>519,493</u>	<u>51,603</u>	<u>82,562</u>	<u>2,393</u>	<u>(116,386)</u>	<u>(44,898)</u>	<u>3,528,063</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(24,900)	-	(82,932)	-	(3,449,200)
Total other financing sources (uses)	-	-	(24,900)	-	(82,932)	-	(3,449,200)
Net change in fund balances	<u>519,493</u>	<u>51,603</u>	<u>57,662</u>	<u>2,393</u>	<u>(199,318)</u>	<u>(44,898)</u>	<u>78,863</u>
Fund balances, July 1	<u>17,721</u>	<u>120,195</u>	<u>38,762</u>	<u>21,331</u>	<u>1,225,730</u>	<u>2,078,701</u>	<u>257,363</u>
Fund balances, June 30	<u>537,214</u>	<u>171,798</u>	<u>96,424</u>	<u>23,724</u>	<u>1,026,412</u>	<u>2,033,803</u>	<u>336,226</u>

Continued

CITY OF WATSONVILLE, CALIFORNIA
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Special Revenue Funds						
	PARKING GARAGE	MEASURE G	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	TOTALS
REVENUES:	\$	\$	\$	\$	\$	\$	\$
Taxes	-	4,019,998	-	-	-	851,564	11,763,106
Licenses, permits and fees	143,521	8,970	66,294	-	-	-	553,142
Intergovernmental	-	-	-	-	918,317	252,512	4,403,196
Charges for services	-	-	-	16,189	-	-	16,189
Interest	-	46,723	-	35,834	25,593	34,396	209,406
Miscellaneous	107	-	-	173,228	-	-	621,058
Total revenues	143,628	4,075,691	66,294	225,251	943,910	1,138,472	17,566,097
EXPENDITURES:							
Current:							
General government	197,062	-	-	-	-	-	215,088
Public safety	-	4,381,817	82,912	-	-	-	4,468,238
Housing	-	-	-	361,901	-	-	361,901
Streets	-	-	-	-	264,659	579,386	3,874,399
Culture and recreation	-	-	-	-	-	-	3,898,132
Total expenditures	197,062	4,381,817	82,912	361,901	264,659	579,386	12,817,758
Excess (deficiency) of revenues over (under) expenditures	(53,434)	(306,126)	(16,618)	(136,650)	679,251	559,086	4,748,339
Transfers in	92,988	-	40,000	-	-	-	132,988
Transfers out	(18,400)	(286,307)	-	(18,591)	-	-	(3,880,330)
Total other financing sources (uses)	74,588	(286,307)	40,000	(18,591)	-	-	(3,747,342)
Net change in fund balances	21,154	(592,433)	23,382	(155,241)	679,251	559,086	1,000,997
Fund balances, July 1	(451,235)	3,404,763	10,110	1,819,290	497,079	1,534,120	10,573,930
Fund balances, June 30	(430,081)	2,812,330	33,492	1,664,049	1,176,330	2,093,206	11,574,927

Concluded

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	GAS TAX				NARCOTICS ASSETS SEIZURE			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	10,210,782	10,210,782	3,175,863	(7,034,919)	-	-	-	-
Interest	6,000	6,000	-	(6,000)	1,500	1,500	4,357	2,857
Miscellaneous	-	-	373,984	373,984	10,000	10,000	50,755	40,755
Total revenues	10,216,782	10,216,782	3,549,847	(6,666,935)	11,500	11,500	55,112	43,612
EXPENDITURES:								
Public safety	-	-	-	-	115,000	115,000	3,509	111,491
Streets	8,790,492	9,418,680	3,030,354	6,388,326	-	-	-	-
Total expenditures	8,790,492	9,418,680	3,030,354	6,388,326	115,000	115,000	3,509	111,491
Net change in fund balances	1,426,290	798,102	519,493	13,055,261	(103,500)	(103,500)	51,603	155,103
Fund balances, July 1	17,721	17,721	17,721	-	120,195	120,195	120,195	-
Fund balances, June 30	1,444,011	815,823	537,214	13,055,261	16,695	16,695	171,798	155,103

CITY OF WATSONVILLE, CALIFORNIA

NONMAJOR SPECIAL REVENUE FUNDS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	BUSINESS DEVELOPMENT				ECONOMIC DEVELOPMENT			
				Variance With Final Budget - Positive (Negative)				Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Original	Final	Actual	Budgeted Amounts	Original	Final
REVENUES:								
Licenses, permits and fees	85,000	85,000	89,967	4,967	-	-	-	-
Interest	1,425	1,425	2,195	770	-	-	-	-
Miscellaneous	6,000	6,000	5,400	(600)	-	-	2,393	2,393
Total revenues	92,425	92,425	97,562	5,137	-	-	2,393	2,393
EXPENDITURES:								
Current:								
General government	73,000	73,000	15,000	58,000	-	-	-	-
Total expenditures	73,000	73,000	15,000	58,000	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	19,425	19,425	82,562	63,137	-	-	2,393	2,393
OTHER FINANCING SOURCES (USES):								
Transfers out	(24,900)	(24,900)	(24,900)	-	-	-	-	-
Total other financing sources (uses)	(24,900)	(24,900)	(24,900)	-	-	-	-	-
Net change in fund balances	(5,475)	(5,475)	57,662	63,137	-	-	2,393	2,393
Fund balances, July 1	38,762	38,762	38,762	-	-	-	21,331	21,331
Fund balances, June 30	33,287	33,287	96,424	63,137	-	-	23,724	23,724

CITY OF WATSONVILLE, CALIFORNIA
 NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	LIBRARY				PARKS DEVELOPMENT				Variance With Final Budget - Positive (Negative)	
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)		
	Original	Final			Original	Final				
REVENUES:										
Taxes	3,790,000	3,790,000	3,360,455	(429,545)	-	-	-	-	-	
Licenses, permits and fees	45,000	45,000	16,284	(28,716)	191,985	191,985	228,106	36,121		
Intergovernmental	52,000	52,000	56,504	4,504	-	-	-	-		
Interest	15,000	15,000	20,533	5,533	5,500	5,500	39,775	34,275		
Miscellaneous	9,000	9,000	11,191	2,191	-	-	4,000	4,000		
Total revenues	3,911,000	3,911,000	3,464,967	(446,033)	197,485	197,485	271,881	74,396		
EXPENDITURES:										
Current:										
Culture and recreation	3,643,196	3,643,196	3,581,353	61,843	297,590	297,590	316,779	(19,189)		
Total expenditures	3,643,196	3,643,196	3,581,353	61,843	297,590	297,590	316,779	(19,189)		
Excess (deficiency) of revenues over (under) expenditures	267,804	267,804	(116,386)	(384,190)	(100,105)	(100,105)	(44,898)	55,207		
OTHER FINANCING SOURCES (USES):										
Transfers out	(82,932)	(82,932)	(82,932)	-	-	-	-	-		
Total other financing sources (uses)	(82,932)	(82,932)	(82,932)	-	-	-	-	-		
Net change in fund balances	184,872	184,872	(199,318)	(384,190)	(100,105)	(100,105)	(44,898)	55,207		
Fund balances, July 1	1,225,730	1,225,730	1,225,730	-	2,078,701	2,078,701	2,078,701	-		
Fund balances, June 30	1,410,602	1,410,602	1,026,412	(384,190)	1,978,596	1,978,596	2,033,803	55,207		

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	RETIREMENT TAX				PARKING GARAGE				Variance With Final Budget - Positive (Negative)	
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)		
	Original	Final			Original	Final				
REVENUES:										
Taxes	3,724,200	3,724,200	3,531,089	(193,111)	-	-	-	-	-	
Licenses, permits, and fees	-	-	-	-	162,000	162,000	143,521	(18,479)		
Miscellaneous	-	-	-	-	-	-	107	107		
Total revenues	3,724,200	3,724,200	3,531,089	(193,111)	162,000	162,000	143,628	(18,372)		
EXPENDITURES:										
Current:										
General government	-	-	3,026	(3,026)	168,946	168,946	197,062	(28,116)		
Total expenditures	-	-	3,026	(3,026)	168,946	168,946	197,062	(28,116)		
Excess (deficiency) of revenues over (under) expenditures	3,724,200	3,724,200	3,528,063	(196,137)	(6,946)	(6,946)	(53,434)	(46,488)		
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	-	-	92,988	92,988	92,988	-		
Transfers out	(3,849,200)	(3,849,200)	(3,449,200)	400,000	(9,005)	(9,005)	(18,400)	(9,395)		
Total other financing sources (uses)	(3,849,200)	(3,849,200)	(3,449,200)	400,000	83,983	83,983	74,588	(9,395)		
Net change in fund balances	(125,000)	(125,000)	78,863	203,863	77,037	77,037	21,154	(55,883)		
Fund balances, July 1	257,363	257,363	257,363	-	(451,235)	(451,235)	(451,235)	-		
Fund balances, June 30	132,363	132,363	336,226	203,863	(374,198)	(374,198)	(430,081)	(55,883)		

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	MEASURE G				ABANDONED VEHICLE			
	Budgeted Amounts		Variance With Final Budget -		Budgeted Amounts		Variance With Final Budget -	
	Original	Final	Actual	Positive (Negative)	Original	Final	Actual	Positive (Negative)
REVENUES:								
Taxes	3,952,000	3,952,000	\$4,019,998	67,998	-	-	-	-
Licenses, permits and fees	600	600	8,970	8,370	60,000	60,000	66,294	6,294
Interest	10,000	10,000	46,723	36,723	-	-	-	-
Total revenues	3,962,600	3,962,600	4,075,691	113,091	60,000	60,000	66,294	6,294
EXPENDITURES:								
Current:								
Public safety	5,333,775	5,333,775	4,381,817	951,958	82,912	82,912	82,912	-
Total expenditures	5,333,775	5,333,775	4,381,817	951,958	82,912	82,912	82,912	-
Excess (deficiency) of revenues over (under) expenditures	(1,371,175)	(1,371,175)	(306,126)	1,065,049	(22,912)	(22,912)	(16,618)	6,294
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	40,000	40,000	40,000	-
Transfers out	(286,307)	(286,307)	(286,307)	-	-	-	-	-
Total other financing sources (uses)	(286,307)	(286,307)	(286,307)	-	40,000	40,000	40,000	-
Net change in fund balances	(1,657,482)	(1,657,482)	(592,433)	1,065,049	17,088	17,088	23,382	6,294
Fund balances, July 1	3,404,763	3,404,763	3,404,763	-	10,110	10,110	10,110	-
Fund balances, June 30	1,747,281	1,747,281	2,812,330	1,065,049	27,198	27,198	33,492	6,294

CITY OF WATSONVILLE, CALIFORNIA
 NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	INCLUSIONARY HOUSING				SB 1 - GAS TAX				Variance With Final Budget - Positive (Negative)	
	Budgeted Amounts		Actual	\$	Budgeted Amounts		Actual	\$		
	Original	Final			Original	Final				
REVENUES:										
Taxes	-	-	-	-	817,840	817,840	-	-	(817,840)	
Licenses, permits and fees	22,000	22,000	-	(22,000)	-	-	-	-	-	
Intergovernmental	-	-	-	-	-	-	-	-	918,317	
Charges for services	60,000	60,000	16,189	(43,811)	-	-	-	-	918,317	
Interest	10,000	10,000	35,834	25,834	2,160	2,160	25,593	23,433	-	
Miscellaneous	5,000	5,000	173,228	168,228	-	-	-	-	-	
Total revenues	97,000	97,000	225,251	128,251	820,000	820,000	943,910	123,910	-	
EXPENDITURES:										
Current:										
Housing	885,205	1,685,205	361,901	1,323,304	-	-	-	-	-	
Streets	-	-	-	-	1,491,747	1,491,747	264,659	1,227,088	-	
Total expenditures	885,205	1,685,205	361,901	1,323,304	1,491,747	1,491,747	264,659	1,227,088	-	
Excess (deficiency) of revenues over (under) expenditures	(788,205)	(1,588,205)	(136,650)	1,451,555	(671,747)	(671,747)	679,251	(1,103,178)	-	
OTHER FINANCING SOURCES (USES):										
Transfers out	(50,000)	(50,000)	(18,591)	31,409	-	-	-	-	-	
Total other financing sources (uses)	(50,000)	(50,000)	(18,591)	31,409	-	-	-	-	-	
Net change in fund balance	(838,205)	(1,638,205)	(155,241)	1,482,964	(671,747)	(671,747)	679,251	(1,103,178)	-	
Fund balance, July 1	1,819,290	1,819,290	1,819,290	-	497,079	497,079	497,079	-	-	
Fund balance, June 30	981,085	181,085	1,664,049	1,482,964	(174,668)	(174,668)	1,176,330	(1,103,178)	-	

CITY OF WATSONVILLE, CALIFORNIA

NONMAJOR SPECIAL REVENUE FUNDS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	MEASURE D			
				Variance With Final Budget -
	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	\$	\$
REVENUES:				
Taxes	879,820	879,820	851,564	(28,256)
Intergovernmental	330,000	330,000	252,512	(77,488)
Interest	5,000	5,000	34,396	29,396
Total revenues	1,214,820	1,214,820	1,138,472	(76,348)
EXPENDITURES:				
Current:				
Streets	2,263,695	2,263,695	579,386	1,684,309
Total expenditures	2,263,695	2,263,695	579,386	1,684,309
Excess (deficiency) of revenues over (under) expenditures	(1,048,875)	(1,048,875)	559,086	1,607,961
Net change in fund balance	(1,048,875)	(1,048,875)	559,086	1,607,961
Fund balance, July 1	1,534,120	1,534,120	1,534,120	-
Fund balance, June 30	485,245	485,245	2,093,206	1,607,961

CITY OF WATSONVILLE, CALIFORNIA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	58,914	58,914	59,510	596
Special assessment	52,185	52,185	46,961	(5,224)
Total revenues	111,099	111,099	106,471	(4,628)
EXPENDITURES:				
Debt service:				
Principal	806,130	806,130	797,318	8,812
Interest and fiscal charges	161,284	161,284	82,125	79,159
Total expenditures	967,414	967,414	879,443	87,971
Excess (deficiency) of revenues over (under) expenditures	(856,315)	(856,315)	(772,972)	83,343
OTHER FINANCING SOURCES (USES):				
Transfers in	856,316	856,316	882,619	26,303
Total other financing sources (uses)	856,316	856,316	882,619	26,303
Net change in fund balance	1	1	109,647	109,646
Fund balance, July 1	128,846	128,846	128,846	-
Fund balance, June 30	128,847	128,847	238,493	109,646

STATISTICAL SECTION

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

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These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	116
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	121
These schedules 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	125
These schedules offer the demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	128
These schedules 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.	

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

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CITY OF WATSONVILLE, CALIFORNIA

**Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities										
Net investment in capital assets	112,462	128,634	121,354	118,302	114,148	110,806	111,256	108,892	110,033	109,660
Restricted	46,586	39,086	41,689	42,945	44,188	16,754	16,496	19,849	19,803	8,803
Unrestricted	(18,060)	(7,011)	(4,812)	(2,634)	(39,888)	(7,184)	(3,294)	475	(1,797)	6,712
Total governmental activities net position	<u>140,988</u>	<u>160,709</u>	<u>158,231</u>	<u>158,613</u>	<u>118,448</u>	<u>120,376</u>	<u>124,458</u>	<u>129,216</u>	<u>128,039</u>	<u>125,175</u>
Business-type activities										
Net investment in capital assets	101,914	99,867	100,375	99,277	98,484	94,655	96,034	95,782	92,296	97,119
Restricted	2,834	-	-	-	-	-	-	-	-	-
Unrestricted	4,612	8,671	6,562	10,865	(2,581)	2,587	5,524	9,085	20,058	19,821
Total business-type activities net position	<u>109,360</u>	<u>108,538</u>	<u>106,937</u>	<u>110,142</u>	<u>95,903</u>	<u>97,242</u>	<u>101,558</u>	<u>104,867</u>	<u>112,354</u>	<u>116,940</u>
Primary government										
Net investment in capital assets	214,376	228,501	221,729	217,579	212,632	205,461	207,290	204,674	202,329	206,779
Restricted	49,420	39,086	41,689	42,945	44,188	16,754	16,496	19,849	19,803	22,228
Unrestricted	(13,448)	1,660	1,750	8,231	(42,469)	(4,597)	2,230	9,560	18,261	13,109
Total primary government net position	<u>250,348</u>	<u>269,247</u>	<u>265,168</u>	<u>268,755</u>	<u>214,351</u>	<u>217,618</u>	<u>226,016</u>	<u>234,083</u>	<u>240,393</u>	<u>242,116</u>

CITY OF WATSONVILLE, CALIFORNIA

Changes In Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses:										
Governmental activities:										
General government	8,010	7,729	7,140	11,773	5,494	7,151	8,257	7,032	15,143	13,812
Public safety	22,258	18,888	21,249	23,020	25,716	27,751	27,382	30,972	31,221	35,811
Housing	6,118	3,091	1,543	820	1,298	1,389	2,318	1,158	2,289	2,059
Highways and streets	7,775	8,926	7,110	6,708	4,697	3,043	6,348	5,974	8,561	6,931
Culture and recreation	7,498	7,510	7,511	7,334	7,916	8,613	7,817	8,591	9,152	9,850
Interest on long term debt	3,089	1,153	346	189	132	112	146	158	491	78
Total governmental activities	<u>54,748</u>	<u>47,297</u>	<u>44,899</u>	<u>49,844</u>	<u>45,253</u>	<u>48,059</u>	<u>52,268</u>	<u>53,885</u>	<u>66,857</u>	<u>68,541</u>
Business-type activities:										
Water	11,187	11,213	11,249	11,001	11,583	15,537	13,851	12,038	13,996	19,378
Sewer	9,342	9,842	9,863	9,298	10,741	10,731	10,272	13,175	14,195	14,099
Solid Waste	8,165	8,583	8,557	8,699	10,136	9,181	10,976	12,758	11,925	12,567
Airport	2,520	2,539	3,347	2,888	2,580	2,225	2,684	3,382	5,118	3,803
Fiber Optic	-	-	-	-	-	8	41	46	68	59
Total business-type activities	<u>31,214</u>	<u>32,177</u>	<u>33,016</u>	<u>31,886</u>	<u>35,040</u>	<u>37,682</u>	<u>37,824</u>	<u>41,399</u>	<u>45,302</u>	<u>49,906</u>
Total primary government	<u>85,962</u>	<u>79,474</u>	<u>77,915</u>	<u>81,730</u>	<u>80,293</u>	<u>85,741</u>	<u>90,092</u>	<u>95,284</u>	<u>112,159</u>	<u>118,447</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	4,177	3,095	3,489	9,249	5,488	5,524	8,426	8,285	12,233	8,649
Public safety	1,556	1,703	1,623	1,549	1,396	1,853	1,780	1,875	822	874
Housing	3,612	903	97	1,619	391	-	675	289	866	782
Highways and streets	3,586	16	1,579	2,501	1,585	1,858	2,284	2,663	1,057	799
Culture and recreation	697	1,165	739	827	1,330	833	952	1,189	1,244	832
Operating grants and contributions	3,443	6,906	4,926	2,657	2,393	3,590	3,310	2,772	2,501	5,988
Capital grants and contributions	2,546	962	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>19,617</u>	<u>14,750</u>	<u>12,453</u>	<u>18,402</u>	<u>12,583</u>	<u>13,658</u>	<u>17,427</u>	<u>17,073</u>	<u>18,723</u>	<u>17,924</u>
Business-type activities:										
Charges for services:										
Water	8,513	10,119	9,964	12,363	12,075	12,756	14,617	15,243	17,358	20,484
Sewer	10,140	8,782	9,128	10,864	10,046	14,307	12,069	12,475	13,444	14,153
Solid Waste	8,521	8,712	8,952	9,580	10,471	10,746	11,225	12,549	13,493	14,587
Airport	1,973	2,229	2,254	1,844	1,956	2,159	1,937	2,576	5,595	3,713
Fiber Optic	-	-	-	-	-	23	44	43	45	74
Operating grants and contributions	1,828	990	784	603	901	759	1,373	1,430	2,016	796
Capital grants and contributions	128	172	994	1,156	590	659	1,104	311	94	163
Total business-type activities program revenues	<u>31,103</u>	<u>31,004</u>	<u>32,076</u>	<u>36,410</u>	<u>36,039</u>	<u>41,409</u>	<u>42,369</u>	<u>44,627</u>	<u>52,045</u>	<u>53,970</u>

Continued

CITY OF WATSONVILLE, CALIFORNIA

Changes In Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net (expense) / revenue										
Governmental activities	(35,132)	(32,547)	(32,448)	(31,442)	(32,670)	(34,401)	(34,840)	(37,564)	(48,134)	(50,655)
Business-type activities	(111)	(1,174)	(939)	4,525	999	3,727	4,544	3,227	6,744	4,065
Total primary government net expense	<u>(35,243)</u>	<u>(33,721)</u>	<u>(33,387)</u>	<u>(26,917)</u>	<u>(31,671)</u>	<u>(30,674)</u>	<u>(30,296)</u>	<u>(34,337)</u>	<u>(41,390)</u>	<u>(46,590)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	17,380	13,825	12,383	12,090	11,868	12,846	13,300	13,436	15,669	16,243
Sales taxes	10,101	9,774	9,276	11,436	13,988	16,693	16,083	18,393	19,369	19,075
Utility users taxes	2,938	2,934	3,068	3,029	3,437	3,183	3,679	4,019	4,011	4,265
Franchise taxes	606	365	417	365	404	456	471	436	460	458
Other taxes	1,075	708	1,069	1,120	1,295	1,457	1,792	2,060	3,125	2,906
Intergovernmental revenue not restricted	1,803	1,255	1,235	1,686	1,475	1,120	1,009	1,048	1,021	1,139
Transfers	-	-	171	211	226	232	308	270	272	251
Unrestricted investment earnings	873	2,190	2,173	1,890	1,916	2,098	2,218	2,660	3,030	3,416
Total governmental activities	<u>34,776</u>	<u>31,051</u>	<u>29,792</u>	<u>31,827</u>	<u>34,609</u>	<u>38,085</u>	<u>38,860</u>	<u>42,322</u>	<u>46,957</u>	<u>47,753</u>
Business-type activities:										
Transfers	-	-	(171)	(211)	(226)	(231)	(308)	(270)	(272)	(251)
Unrestricted investment earnings	1,116	724	291	263	269	201	206	352	1,014	811
Total business-type activities	<u>1,116</u>	<u>724</u>	<u>120</u>	<u>52</u>	<u>43</u>	<u>-30</u>	<u>(102)</u>	<u>82</u>	<u>742</u>	<u>560</u>
Total primary government	<u>35,892</u>	<u>31,775</u>	<u>29,912</u>	<u>31,879</u>	<u>34,652</u>	<u>38,055</u>	<u>38,758</u>	<u>42,404</u>	<u>47,699</u>	<u>48,313</u>
Change in net position before extraordinary item										
Governmental activities	(356)	(1,496)	(2,656)	385	1,939	3,683	4,020	4,758	(1,177)	(2,863)
Business-type activities	1,005	(450)	(819)	4,577	1,043	3,696	4,442	3,309	7,486	4,586
Total primary government	<u>649</u>	<u>(1,946)</u>	<u>(3,475)</u>	<u>4,962</u>	<u>2,982</u>	<u>7,379</u>	<u>8,462</u>	<u>8,067</u>	<u>6,309</u>	<u>1,723</u>
Extraordinary items										
Governmental activities	-	21,010	-	-	-	-	-	-	-	-
Total primary government	<u>-</u>	<u>21,010</u>	<u>-</u>							
Change in net position										
Governmental activities	(356)	19,514	(2,656)	385	1,939	3,683	4,020	4,758	(1,177)	(2,863)
Business-type activities	1,005	(450)	(819)	4,577	1,043	3,696	4,442	3,309	7,486	4,586
Total primary government	<u>649</u>	<u>19,064</u>	<u>(3,475)</u>	<u>4,962</u>	<u>2,982</u>	<u>7,379</u>	<u>8,462</u>	<u>8,067</u>	<u>6,309</u>	<u>1,723</u>

Concluded

CITY OF WATSONVILLE, CALIFORNIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General fund										
Nonspendable	69	44	65	56	35	3,365	2,965	2,588	123	114
Restricted	-	-	-	-	-	-	-	-	-	-
Unassigned	1,530	4,305	4,428	1,881	4,595	4,228	6,057	10,342	13,144	16,478
Total general fund	<u><u>1,599</u></u>	<u><u>4,349</u></u>	<u><u>4,493</u></u>	<u><u>1,937</u></u>	<u><u>4,630</u></u>	<u><u>7,593</u></u>	<u><u>9,022</u></u>	<u><u>12,930</u></u>	<u><u>13,267</u></u>	<u><u>16,592</u></u>
All other governmental funds										
Restricted, reported in										
Special revenue funds	10,483	12,158	12,069	12,021	14,566	18,216	17,880	20,926	20,607	22,465
Debt service funds	3,064	932	87	79	72	125	131	123	129	238
Unassigned	(4,110)	(1,967)	(1,021)	(910)	(1,069)	(770)	(740)	(728)	(615)	(475)
Total all other governmental funds	<u><u>13,547</u></u>	<u><u>11,123</u></u>	<u><u>11,135</u></u>	<u><u>11,190</u></u>	<u><u>13,569</u></u>	<u><u>17,571</u></u>	<u><u>17,271</u></u>	<u><u>20,321</u></u>	<u><u>20,121</u></u>	<u><u>22,228</u></u>

CITY OF WATSONVILLE, CALIFORNIA

Net Change in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Taxes	33,903	28,860	27,448	29,725	32,466	35,754	36,198	39,392	43,655	42,029
Licenses, permits, and fees	3,506	3,272	2,757	4,855	5,248	5,795	5,885	6,642	5,971	5,315
Intergovernmental	4,461	7,670	4,530	3,032	2,458	3,336	3,410	3,455	3,417	9,167
Charges for services	5,243	4,773	4,704	2,447	2,458	2,945	2,770	3,224	3,072	3,534
Fines	757	804	588	622	552	690	737	723	708	672
Interest	1,127	2,344	2,309	2,084	2,076	2,168	2,435	2,869	3,405	3,280
Special assessment	112	172	229	92	91	77	60	58	50	47
Miscellaneous	449	956	475	825	1,995	2,810	1,871	2,491	3,007	3,826
Total revenues	<u>49,558</u>	<u>48,851</u>	<u>43,040</u>	<u>43,682</u>	<u>47,344</u>	<u>53,575</u>	<u>53,366</u>	<u>58,854</u>	<u>63,285</u>	<u>67,870</u>
Expenditures										
Current:										
General government	6,021	5,594	6,407	10,447	5,574	6,989	7,556	7,978	13,062	11,330
Public safety	20,250	18,473	20,353	20,406	22,707	24,860	24,271	26,744	30,459	30,543
Housing	5,919	3,191	1,566	820	1,298	1,389	2,318	1,158	2,289	2,059
Streets	6,844	8,598	6,509	5,972	4,252	1,672	5,772	5,385	8,759	8,911
Culture and recreation	5,745	6,152	6,051	6,505	7,172	7,090	7,079	7,837	9,406	9,076
Capital outlay	1,877	3,929	1,134	1,581	817	3,286	4,833	2,404		
Debt service:										
Principal	8,549	2,139	1,381	439	495	429	478	463	730	797
Interest and fiscal charges	3,086	1,267	299	195	159	183	173	161	220	82
Total expenditures	<u>58,291</u>	<u>49,343</u>	<u>43,700</u>	<u>46,365</u>	<u>42,474</u>	<u>45,898</u>	<u>52,480</u>	<u>52,130</u>	<u>64,925</u>	<u>62,798</u>
Excess (deficiency) of revenues over (under) expenditures	(8,733)	(492)	(660)	(2,683)	4,870	7,677	886	6,724	(1,640)	5,072
Other financing sources (uses)										
Bond/note proceeds	-	3,014	695	191	-	-	-	-	1,541	144
Transfers in	18,321	5,883	4,388	3,238	3,340	3,692	3,562	4,464	5,457	4,750
Transfers out	<u>(18,321)</u>	<u>(5,883)</u>	<u>(4,217)</u>	<u>(3,309)</u>	<u>(3,150)</u>	<u>(3,496)</u>	<u>(3,290)</u>	<u>(4,230)</u>	<u>(5,222)</u>	<u>(4,535)</u>
Total other financing sources (uses)	-	3,014	866	120	190	196	272	234	1,776	359
Net change in fund balances before extraordinary items	(8,733)	2,522	206	(2,563)	5,060	7,873	1,158	6,958	136	5,431
Extraordinary items	-	-228	-	-	-	-	-	-	-	-
Net change in fund balances	<u>(8,733)</u>	<u>2,294</u>	<u>206</u>	<u>(2,563)</u>	<u>5,060</u>	<u>7,873</u>	<u>1,158</u>	<u>6,958</u>	<u>136</u>	<u>5,431</u>
Debt service as a percentage of noncapital expenditures	10.5%	26.0%	8.1%	4.1%	1.4%	1.6%	1.5%	1.4%	1.5%	1.4%

** Capital Outlay reconciliation amount was used for the percentage calculation. It reduced noncapital expenditures.

CITY OF WATSONVILLE, CALIFORNIA

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Utility User Tax	Other Tax	Total
	\$	\$	\$	\$	\$	\$
2011	13,825	9,774	9,276	12,383	3,068	48,326
2012	12,383	9,276	417	3,068	1,069	26,213
2013	12,090	11,436	365	3,029	1,120	28,040
2014	12,090	11,436	365	3,029	1,120	28,040
2015	11,868	13,988	404	3,437	1,295	30,992
2016	12,846	16,693	455	3,183	1,457	34,634
2017	13,300	16,083	471	3,679	1,793	35,326
2018	13,436	18,393	436	4,019	3,108	39,392
2019	15,669	19,369	460	4,011	3,125	42,634
2020	16,243	19,075	458	4,265	2,906	42,947

Source: City of Watsonville Finance Department

CITY OF WATSONVILLE, CALIFORNIA

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less: Tax Exempt Property	Taxable Assessed Value	Total Tax Rate (1)	Direct Tax	Estimated Actual Taxable Value	Assessed Value as a % of Actual Taxable Value
	\$	\$	\$	\$	\$	\$	\$	%	\$	\$	%
2011	2,060,427	570,451	109,662	330,169	220,499	162,368	3,128,840	1.14	3,128,840		1.00
2012	2,072,140	566,131	104,236	332,645	211,702	169,521	3,117,333	1.15	3,117,333		1.00
2013	2,025,747	565,486	102,758	336,060	217,213	177,934	3,069,330	1.15	3,069,330		1.00
2014	2,091,245	544,645	103,080	329,813	212,372	171,985	3,109,170	1.18	3,109,170		1.00
2015	2,316,558	548,165	106,401	350,110	231,586	185,687	3,367,133	1.18	3,367,133		1.00
2016	2,456,187	563,026	115,344	361,791	235,517	200,675	3,531,190	1.18	3,531,190		1.00
2017	2,606,044	626,252	135,130	394,814	229,211	229,936	3,761,515	1.16	3,761,515		1.00
2018	2,757,691	609,505	168,676	435,526	259,425	252,874	3,977,950	1.17	3,977,950		1.00
2019	2,727,533	583,841	442,945	421,714	262,350	222,957	4,215,426	1.16	4,215,426		1.00
2020	2,858,513	618,090	470,547	459,879	277,705	246,737	4,437,997	1.09	4,437,997		1.00

Notes: Source: HDL, Coren & Cone
Source: 2005-06 and Prior, Previously published CAFR Reports
Source: (-) Data Unavailable
*Other value contains unitary amount of \$31,120
**Unsecured value includes aircraft
(1.) Total Direct Tax Rate is represented by TRA 02-021
(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

CITY OF WATSONVILLE, CALIFORNIA

**Property Tax Rates - Direct
and Overlapping
(Per \$100 of Assessed Value)
Last Ten Years**

Year	Basic Countywide Levy	School Districts	Retirement	Total
2011	1.000	0.066	0.077	1.143
2012	1.000	0.071	0.077	1.148
2013	1.000	0.075	0.077	1.152
2014	1.000	0.109	0.077	1.186
2015	1.000	0.098	0.077	1.175
2016	1.000	0.101	0.077	1.178
2017	1.000	0.086	0.077	1.163
2018	1.000	0.094	0.077	1.171
2019	1.000	0.081	0.077	1.158
2020	1.000	0.087	0.077	1.164

Source: HDL, Coren & Cone

CITY OF WATSONVILLE, CALIFORNIA
Principal Property Taxpayers
June 30, 2020
(amounts expressed in thousands)

	2020		2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	
	\$	%	\$	%	
MPT of Watsonville	61,917	1	1.40%		
Martinelli Company Properties	57,774	2	1.06%	37,064	2
Ow George Jr Trustees	35,455	3	0.82%	22,352	3
Freedom Assoc LLC	25,239	4	0.59%	19,688	8
Hansen William J Neva J Co Tru	24,745	5	0.45%		
Blackbird Homes LLC	24,620	6			
Home Depot Dev	22,141	7	0.51%	20,096	7
Harvest Drive Properties LLC	21,922	8	0.51%		
111 Jenning Drive LLC	21,845	9			
Tkg Iii Watsonville LLC	20,481	10	0.48%		
Watsonville Hospital Corp	62,131		1.47%	59,366	1
Kaiser	20,818		0.49%	22,131	4
WRI Freedom Center LP					
Terminal Freezers LLC	18,501		0.44%		
Granite Construction Co				20,477	5
Robert S Martinelli				20,126	6
Dayton Hudson Corporation				15,676	9
Cascade Properties LLC				15,663	10
Totals	<u>417,589</u>		<u>8.24%</u>	<u>252,639</u>	<u>8.01%</u>

Source: HDL, Coren & Cone

CITY OF WATSONVILLE, CALIFORNIA

**Property Tax Collection
Last Ten Fiscal Years**

Fiscal Year	Total * Tax Levy	Current Tax * Collections	Percent Of Levy Collected	Supplemental Tax Collections	Delinquent Tax * Collections	Total Tax Collections
	\$	\$	\$	\$	\$	\$
2011	6,314,307	6,314,307	100%	37,941	-	6,352,248
2012	6,445,789	6,445,789	100%	59,830	-	6,505,619
2013	7,125,579	7,125,579	100%	30,475	-	7,156,054
2014	8,242,044	8,242,044	100%	69,092	-	8,311,136
2015	7,837,187	7,837,187	100%	112,079	-	7,949,266
2016	7,801,004	7,801,004	100%	117,264	-	7,918,268
2017	8,615,411	8,615,411	100%	200,484	-	8,815,895
2018	8,605,570	8,605,570	100%	225,296	-	8,830,866
2019	10,536,951	10,536,951	100%	238,730	-	10,775,681
2020	10,859,042	10,859,042	100%	212,455	-	11,071,497

Source: City of Watsonville

*Property Tax collection equals property Tax collected due to agreement with the County of Santa Cruz.
With this agreement the City does not receive any Delinquent tax collection.

CITY OF WATSONVILLE, CALIFORNIA

Ratio of Outstanding Debt By Type

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Debt	Special Assessment Debt	Capital Leases	Revenue Bonds	Loans & Notes	Capital Leases			
	\$	\$	\$	\$	\$	\$	\$		
2011	24,658	674	2,070	33,311	3,519	-	64,232	8.01%	1.253
2012*	4,800	575	1,087	32,237	2,606	-	41,305	5.95%	0.800
2013	5,241	467	86	31,064	5,321	-	42,179	5.81%	0.817
2014	5,082	379	-	30,313	8,181	-	43,955	4.90%	0.852
2015	4,676	290	-	29,057	11,124	-	45,147	5.22%	0.875
2016**	4,254	214	-	677	347	-	5,492	0.59%	0.104
2017	3,818	149	-	461	582	-	5,010	0.50%	0.092
2018	3,406	98	-	235	922	-	4,661	0.47%	0.090
2019	4,283	49	-	-	1,639	-	5,971	0.59%	0.113
2020	3,679	-	-	-	1,693	-	5,372	0.50%	0.104

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

1 See the Schedule of Demographic and Economic Statistics for the personal income and population data.

* Redevelopment Bonds were removed on 1/31/2012.

** Water Revenue Bonds were removed on 6/30/2016

CITY OF WATSONVILLE, CALIFORNIA

**Ratio of Net General Obligation Debt Outstanding
Last Ten Fiscal Years**
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	\$	\$	\$		\$
2011	4,800	915	3,885	0.12%	1,319
2012	5,241	932	4,309	0.14%	1,198
2013	5,082	87	4,995	0.16%	1,033
2014	4,676	79	4,597	0.15%	1,123
2015	4,676	72	4,604	0.15%	1,121
2016	4,254	125	4,129	0.13%	1,250
2017	3,818	131	3,687	0.12%	1,438
2018	3,406	123	3,283	0.09%	1,615
2019	4,283	129	4,154	0.10%	1,276
2020	3,679	238	3,441	0.08%	1,497

Note: Detail of the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for estimated actual property value data.

Population data can be found in the Schedule of Demographic and Economic Statistics

CITY OF WATSONVILLE, CALIFORNIA

Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Fiscal Year	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	117,333	122,989	121,772	123,043	133,232	139,945	149,679	158,656	166,439	175,678	
Total net debt applicable to limit	24,658	4,800	5,241	5,082	4,676	4,129	3,687	3,283	4,154	3,441	
Legal debt margin	<u>90,605</u>	<u>117,136</u>	<u>114,555</u>	<u>118,367</u>	<u>128,556</u>	<u>135,816</u>	<u>145,992</u>	<u>155,373</u>	<u>162,285</u>	<u>172,237</u>	
Total net debt applicable to the limit as a percentage of debt limit	21.015%	3.903%	4.304%	4.130%	3.510%	2.950%	2.463%	2.069%	2.496%	1.959%	
Legal Debt Margin Calculation for Fiscal Year 2020											
Assessed value							\$ 4,437,997				
Add back: exempt real property							246,737				
Total assessed value							<u>4,684,734</u>				
Debt Limit = 3.75% of assessed valuation							175,678				
Debt applicable to limit							3,679				
Less: Amount set aside for repayment of general obligation debt							238				
Total net debt applicable to limit							<u>3,441</u>				
Legal debt margin							<u><u>\$ 172,237</u></u>				

Source: City of Watsonville

CITY OF WATSONVILLE, CALIFORNIA

Computation of Direct and Overlapping Bonded Debt

June 30, 2020

(amounts expressed in thousands, except per capita amount)

Jurisdiction	Total Debt Outstanding	Percentage Applicable	Estimated Share of Overlapping Debt
	\$		\$
Direct Debt:			
City of Watsonville	3,679	100%	<u>3,679</u>
Total of Direct Debt			<u>3,679</u>
Overlapping Tax Debt:			
Cabrillo Joint Community College District	101,080	9.14%	9,235
Pajaro Valley Unified School District	174,155	26.56%	46,254
Santa Cruz County Certificates of Participations	66,595	9.20%	6,129
Santa Cruz County Office of Education	8,516	9.20%	784
Pajaro Valley Unified School District Certificates of Participation	16,160	26.56%	4,292
City of Watsonville 1915 Act Bonds	98	100.00%	98
Successor Agency	10,700	100.00%	10,700
Total Overlapping Debt	<u>377,304</u>		<u>77,491</u>
Total Direct and Overlapping Bonded Debt			<u>77,495</u>

Percentage of overlapping agency's assessed valuation located within boundaries of the city.

Share of Santa Cruz County Emergency Communications Center obligations.

Excludes postretirement liability.

Source: California Municipal Statistics, Inc.

CITY OF WATSONVILLE, CALIFORNIA

**Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal (2) Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age (3)	Education Level in Years of Formal Schooling	School (4) Enrollment	Unemployment Rate (5)
2011	51,243	887,062	17.311	27.3		19,542	22.4%
2012	51,611	859,308	16.650	29.9	N/A	19,914	20.5%
2013	51,612	873,974	16.934	29.2	N/A	20,001	19.4%
2014	52,508	896,824	17.080	29.7	N/A	20,362	19.3%
2015	52,087	864,719	16.601	29	N/A	20,438	19.2%
2016	52,891	934,271	17.664	29.9	N/A	20,354	19.2%
2017	53,015	981,527	18.514	30.1	N/A	20,400	19.2%
2018	53,434	1,052,216	19.692	29.7	N/A	20,279	19.3%
2019	53,021	1,014,448	19.133	29.7	N/A	20,106	10.4%
2020	51,515	1,068,567	20.742	30.3	N/A	18,616	10.1%

Source: MuniServices, LLC & Data Reporting Office Ca. Dept of Ed.

1.) Population Projections are provided by the California Department of Finance Projections.

2.) Income Data is derived from previous income adjusted for inflation.

3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.

4.) Student Enrollment reflects the total number of students enrolled in the Pajaro Valley Unified School District. Other School Districts

CITY OF WATSONVILLE, CALIFORNIA

Principal Employers
Current Fiscal Year and Ten Years Ago

	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Pajaro Valley Unified School District	4,565	1	19.43%	2,061	1	13.67%
Monterey Mushrooms Inc.	650	2	2.77%			
Watsonville Community Hospital	591	3	2.51%	693	2	4.60%
Granite Construction	566	4	2.41%			
City of Watsonville *	425	6	1.81%	374	4	2.48%
Salud Para La Gente	445	5	1.89%	160	9	1.06%
Fox Factory	309	8	1.31%	400	3	2.65%
West Marine Products	256	10	1.09%	279	5	1.85%
S Martinelli & Co.	277	9	1.18%	180	7	1.19%
Target				211	6	1.40%
Couch Distributing				170	8	1.13%
Lakeside Organic Gardens LLC	425	7	1.81%			
Mi Pueblo Food Center				144	10	0.96%
Total	<u>8,509</u>		<u>36.21%</u>	<u>4,672</u>		<u>30.99%</u>

Source: BL Data, MuniServices, LLC & Called Employers

Source: 2010-2011 previously published CAFR

* Includes Certificated, classified & Admin.

**Includes contractors.

(1) Total City Labor Force provided by EDD Labor Force Data

CITY OF WATSONVILLE, CALIFORNIA

**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government	6	7	6	6	7	7	9	9	9
City Clerk	4	4	3	3	3	3	3	3	3
Community Development	15	16	13	14	13	11.5	14	15	16
Finance	22	22	22	17	16	16	10	10	11
Fire	36	36	36	35	41	41	40	42	43
Informaion Services *	n/a	n/a	n/a	n/a	n/a	n/a	8	8	8
Police:									
Officers	70	70	73	68	64	67.2	66	75	75
Civilians	16	18	19	17	22	26	27	22	24
Library	24	24	29	29	29	27.41	25	25	26
Parks & Community Services	28	30	27	27	27	25.88	26	29	29
Public Works	17	17	16	16	16	14	14	13	15
Airport	8	8	9	9	9	9	9	10	13
LLMAD	1	1	1	1	1	1	1	1	1
Gas Tax	n/a	n/a	n/a	n/a	n/a	n/a	0	2	4
Parking Garage	2	0	0	0	0	0	0	0	0
Redevelopment and Housing	7	10	4	4	4	5.2	3	4	4
Solid Waste	34	34	37	38	36	44	46	49	43
Wastewater	42	41	44	46	47	49	53	55	59
Water	30	30	27	31	34	35	38	41	44
	<u>362</u>	<u>368</u>	<u>366</u>	<u>361</u>	<u>369</u>	<u>382.19</u>	<u>392</u>	<u>413</u>	<u>427</u>

* Information Services was created and moved out of General Government.

Source: City of Watsonville's Biennial Budget documents.

CITY OF WATSONVILLE, CALIFORNIA

Operating Indicators by Function
Last Ten Fiscal Years

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government:									
City Council meetings	24	25	24	22	27	19	21	25	25
Resolutions processed	209	158	169	153	181	199	187	192	180
Recruitments	21	36	29	52	46	59	66	41	55
Community Development:									
Planning application reviews	341	289	332	259	393	361	369	423	442
Construction inspections	1,508	1,459	1,784	1,851	1,725	1,165	2,933	3,828	3,624
Building Permits	1,175	766	852	625	768	817	862	1,034	810
Finance:									
Payroll checks issued	13,575	12,784	12,336	12,203	12,327	12,511	12,547	13,323	13,028
Utility accounts	14,833	14,684	14,618	14,685	15,023	15,024	14,985	15,043	15,070
A/P checks issued	7,879	7,634	7,484	7,460	7,313	7,517	7,644	7,588	8,062
Fire:									
Field incidents dispatched	4,590	4,734	4,092	4,123	4,282	4,282	4,997	5,070	5,286
Information Services:									
Client Computers	447	450	450	542	542	531	531	646	646
Library:									
Items used/checked out	327,961	231,384	259,986	262,929	411,234	411,234	439,234	272,468	326,888
Parks & Community Services:									
Registered Participants	856	807	628	506	549	475	479	413	297
Police:									
Moving and Parking Citations	10,599	12,161	11,204	9,876	10,524	11,105	12,747	9,600	15,659
Service Calls Dispatch	57,651	62,047	62,126	61,239	65,288	69,668	67,632	65,635	44,386
URC Crime Rate	32	32	27	25	39	40	43	38	34
(# crimes/1,000 population, calendar years)									
Wastewater:									
Avrg. Annual volume per day septic treated (in million gallons)	7.12	6.65	6.98	7.70	7.81	3.39	3.49	4.38	5.38
Water:									
Water production (acre feet)	7,300	7,758	7,761		7,163	6,597	6,648	7,102	6,906
Solid Waste:									
Refuse handled (tons)	32,936	32,812	32,995	32,607	40,204	41,389	36,028	34,286	35,109
Recycled material (tons)	4,006	6,258	5,847	6,041	4,946	7,466	7,081	8,188	7,070

Source: City of Watsonville departments

CITY OF WATSONVILLE, CALIFORNIA

Capital Assets Statistics by Function
Last Ten Fiscal Years

Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	18	18	18	18	17	17	17	22	22
Patrol motorcycles	6	6	6	6	4	5	5	5	5
Library:									
Buildings	2	2	2	2	2	2	2	2	2
Parks & Community Services:									
Parks	21	21	21	21	26	26	26	26	26
Acreage of parks	85.0	85.0	85.0	85.0	143.0	143.0	143.0	143.0	143.0
Community Centers	6	6	6	6	5	5	5	5	6
Public Works:									
Miles of streets	96	96	96	96	89	89	89	89	89
Airport:									
Runways	2	2	2	2	2	2	2	2	2
Wastewater:									
Treatment plants	1	1	1	1	1	1	1	1	1
Capacity of treatment plant*	16.5	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
*(gallons per day in millions)									
Water:									
Maximum pumping capacity*	18.7	18.7	18.7	18.7	19.1	19.1	19.1	19.1	19.1
Average consumption*	6.3	6.3	6.3	6.3	6.1	5.9	5.9	5.9	6.2
*(gallons per day in millions)									
Solid Waste:									
Collection trucks	20	19	16	16	16	19	19	20	20

Source: City of Watsonville departments

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