



CITY OF
WATSONVILLE
CALIFORNIA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FISCAL YEAR END JUNE 30, 2021**



City of Watsonville, California

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Prepared by the Finance Department
Cindy Czerwin, Administrative Services Director



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Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2021

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INTRODUCTORY SECTION

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City of Watsonville

"A Community of Opportunities"

December 17, 2021

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. The ACFR 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, 2021.

The ACFR 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, 2021. A copy of this report is included in page 13 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, 2021, 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 87 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 38 to 41 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 2020-21 was an interesting year indeed. The budget was adopted and the fiscal year began in the early months of the COVID-19 pandemic, with little information about how the economy would react to shut down and how long that shut down would last. The budget assumed a 10% loss of General Fund Revenues and assumed we would use a combination of emergency reserves and expenditure reductions to fill the gap. We ended the year adding to our reserves and receiving the first of two \$9.1 million payments from the American Rescue Plan Act.

Local Economy

The Watsonville economy fared fairly well despite the pandemic. Watsonville was not affected as greatly as some of our neighboring tourism dependent communities. Certainly we say some areas of the economy and revenues affected because certain activities were not allowed to continue, but those areas were overwhelmed by others where revenues held steady or increased. Due to recognition partially through the year that the revenues were not going to be as bad as originally thought, we did increase expense budgets and reverse some of the original budget cuts. Despite the confusion brought by the pandemic, Watsonville was able to end the fiscal year on a positive note, driven by year over year tax increases and responsible spending and savings on the part of our departments.

Property taxes saw a very slight decrease from FY 2019-2010. Property tax collections in FY 2020-21 were of course driven by assessments that were set the prior year. We received lower supplemental and transfer taxes than in the prior year to reflect the slow turnover of property we saw during the height of the pandemic. We expect this trend to reverse in future years as Watsonville has seen rapid growth in home prices in recent months. Furthermore, growth and building in Watsonville continues. FY 2020-21 saw the opening of a new hotel and several residential and commercial projects in various phases of planning or construction are underway. We expect to see that growth reflected in our property tax base in future years.

Sales tax revenues increased by a surprising 19% on a cash basis driven by auto and transportation sales and increases to online sales and our allocation from the state and county pools. Our share of the county pool increased from 21 to 23 percent as local sales dropped more in our neighboring tourist driven communities than here in Watsonville. Tax receipts from auto sales are now double what they were just five years ago. We do expect sales tax to level off somewhat going forward. Particularly as individuals return to instore shopping and tourism returns to our neighboring communities. However, inflation driven prices may keep this tax item higher than in the past for the near future.

Community development fees reached an all-time high in FY 2020-21 after dropping to their lowest levels ever in the 4th quarter of the prior year. Home improvement projects and citywide major developments kept the Community development department quite busy and their initial budget cuts were restored in mid-year actions.

Utility user taxes were at their lowest point since Fiscal Year 2016-17 due to the fact that many people were unable to pay utility bills during the pandemic. Our own city utilities were operating under a no shut off policy. Many assistance programs to help families pay back logged utility bills were approved with ARPA and we expect that future year utility tax collections will return to normal.

Transient Occupancy Tax saw a 55% decline from its previous FY 2018-19 peak. Two of our hotels were put to use by the county sheltering homeless or at-risk individuals during the pandemic. That combined with general lower travel meant that FY 2020-21 was a very low year for TOT. However, at the very end of the fiscal year a new Hotel opened in Watsonville and we expect to see a full recovery in this revenue in the next fiscal year.

Fiscal Year 2020-21 began with confusion and uncertainty. With careful monitoring and regular monitoring of revenues and demand for services we were able to make adjustments throughout the year and end the year with an improved financial position.

Long-term financial planning

Fiscal Year 2020-21 was spent entirely in the midst of a once in a century global pandemic. As we began Fiscal Year 2021-22 vaccine programs were rolling out across the country and state, the American Rescue Plan Act was passed by Congress, and inflation was at some of its highest points in recent memory. As of the writing of this letter, the Omicron variant is surging across the country. The outlook is far from stable. There are some positives but there also concerns on the horizon.

We ended the Fiscal Year 2020-21 with an improved financial position and no use of reserves. Because of the reductions in expenses made during FY 2020-21 the FY 2021-22 budget was adopted with a five-year plan showing a decreasing projected deficit in each of the following five years. The American Rescue Plan Act is providing the City of Watsonville \$18.2 million dollars in relief money that can be spent to rebuild and invest in our community in the ways outlined by the bill. The passage of the Infrastructure Investment and Jobs Act leaves us hopeful that Watsonville will be able to apply for and receive even more infrastructure money for our community. This is more one-time resources that we can remember seeing and will make an important mark on our community.

However at the same time that we have new resources coming to us, we also have new and added pressures, specifically inflation. In November of 2021 the annual inflation rate was 6.8%, in the highest since 1982. Inflation will put enormous pressure on our ability to fund the projects we want and all that new money will not go as far as we hope towards meeting our goals. Our tight operating projects a nominal and normal amount of inflation each year, anything beyond that will push us back in the red. Construction related inflation means not only are projects costing more than originally estimated, but supply chain issues have meant that timelines are being delayed, materials cannot be found, and contractors are not available. While we hope that the inflation and supply chain issues we are facing right now are temporary and part of an unsettled economy settling down, we simply don't know yet. Even more unsettling is now the rise of Omicron and the potential future variants. It seems likely that COVID will be with us for a while and what adaptations will be made and how the economy continues to revolve around it are unknown.

Watsonville has thus far weathered the crisis by being flexible and cautious. If we continue that approach I am confident that Watsonville will be successful. We need to continue to show restraint in the growth of operations. We need to continue to use the one-time resources available to their maximum potential. We also need to continue to explore ways to bring more resources to Watsonville, either through new tax initiatives, restructuring our retirement Unfunded Actuarial Liability, and continuing to apply for grants. Watsonville is a strong and resilient community with a history of doing more with less. We are on a good path and with slow and steady steps we will stay there.

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 annual comprehensive financial report (ACFR) for the fiscal year ending June 30, 2020. This was the twentieth 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 ACFR. 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 ACFR 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 30, 2021. 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, Assistant Finance Manager, 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, Christine McGrath, Jorge Ortiz, 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,



Administrative Services Director



Government Finance Officers Association

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

Presented to

**City of Watsonville
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Monill

Executive Director/CEO

City of Watsonville, California

Officers and Officials

For the Fiscal Year End June 30, 2021

City Council:

Mayor – Jimmy Dutra

Mayor Pro Tempore – Ari Parker

Council Member – Rebecca J. Garcia

Council Member – Aurelio Gonzalez

Council Member – Lowell Hurst

Council Member – Francisco Estrada

Council Member – Eduardo Montesino

City Officials:

City Manager – Matt Huffaker

City Clerk – Beatriz Vazquez Flores

Fire Chief – Rudy Lopez

Administrative Services Director – Cindy Czerwin

Interim Police Chief – Thomas Sims

Interim Public Works Director – Christian Di Renzo

Library Director – Alicia Martinez

Community Development Director – Suzi Merriam

Parks and Community Services Director – Nick Calubaquib

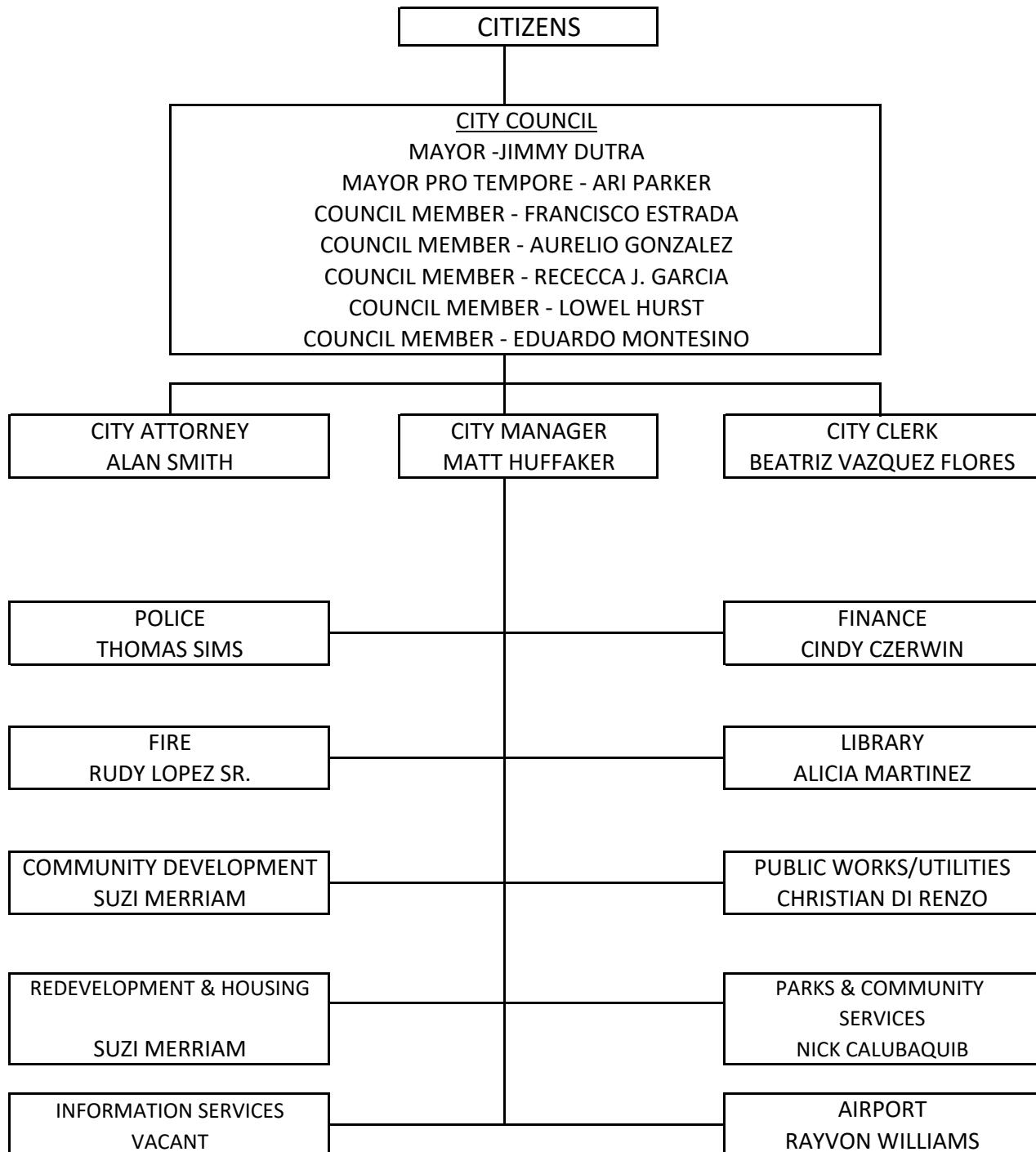
Airport Director – Rayvon Williams

WATSONVILLE

GOVERNING BODY

ORGANIZATIONAL STRUCTURE

FISCAL YEAR 2020 - 2021



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
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, 2021, 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, 2021, 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.

Emphasis of Matters

As discussed in Note IIE, the City restated the beginning fund balance of the Narcotics Asset Seizure Special Revenue Fund related to the reclassifications of deposits payable.

Management early adopted the provisions of Governmental Accounting Standards Board Statement No. 98 – *The Annual Comprehensive Financial Report* which changes the name of the Comprehensive Annual Financial Report to Annual Comprehensive Financial Report.

The emphasis of these matters does not constitute a modification to our opinions.

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, Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental 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 Supplemental 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 17, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 17, 2021

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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, 2021. 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 3 - 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 \$250,403.
- The City's deferred outflow of resources-Pension totaled \$17,789 and its deferred inflow of resources-Pensions totaled \$2,038.
- The City's liabilities totaled \$134,675.
- The City's total net position increased by \$8,211. Governmental activities net position increased by \$3,605 this increase was due to an increase in cash mostly due to the receipt of the ARPA monies. Business type activities net position increased by \$4,606. Most of this increase was from Water and Sewer funds 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 \$42,891 an increase of \$4,071 in comparison with the prior fiscal year's balances. The non-spendable portion of the fund balance was \$308, the restricted portion was \$24,735 and the unassigned amount was \$17,848 a large portion of the unassigned fund balance was created by increases in taxes by the general fund during fiscal year 2020-21 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 30 to 33 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, American rescue plan act 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 34 to 37 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 42 to 44 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 45 to 46.

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 47 to 90 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 110 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 \$250,403 at the close of the most recent fiscal year.

By far the largest portion of the City of Watsonville's net position \$202,511 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 \$24,412 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 \$23,480 is unrestricted and available for next year's operations at the direction of the City Council.

City of Watsonville's Net Position June 30, 2021 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Current and other assets						
Capital assets	98,218	80,610	57,509	48,407	155,727	129,017
Total Assets	111,545	113,339	102,055	99,375	213,600	212,714
Deferred outflows of resources						
Total Deferred Outflows of Resources	209,763	193,949	159,564	147,782	369,327	341,731
Long-term liabilities outstanding	14,164	13,507	3,625	3,875	17,789	17,382
Other Liabilities						
Total Liabilities	14,164	13,507	3,625	3,875	17,789	17,382
Deferred inflows of resources	72,530	67,835	37,103	29,758	109,633	97,593
Total Deferred Inflows of Resources	20,630	11,762	4,412	4,350	25,042	16,113
Net Position:						
Net investment in capital assets	93,160	79,597	41,515	34,109	134,675	113,706
Restricted	1,910	2,683	128	608	2,038	3,291
Unrestricted	(4,162)	(6,712)	27,642	19,821	23,480	13,109
Total Net Position	128,857	125,175	121,546	116,940	250,403	242,116

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, 2021
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Revenues:						
Program Revenues:						
Charges for services	11,338	11,936	56,355	53,011	67,693	64,947
Operating grants and contributions	5,100	5,988	732	787	5,832	6,775
Capital grants and contributions	-	-	107	163	107	163
General Revenues						
Property taxes	16,169	16,243		-	16,169	16,243
Other taxes	30,834	26,704		-	30,834	26,704
Others	2,531	4,555	1,344	811	3,875	5,366
Total Revenues and Transfers	65,972	65,427	58,538	54,772	124,510	120,199
Expenses:						
General government	8,599	13,812		-	8,599	13,812
Public safety	35,608	35,811		-	35,608	35,811
Housing	429	2,059		-	429	2,059
Streets	8,652	6,931		-	8,652	6,931
Culture and recreation	9,201	9,850		-	9,201	9,850
Interest on debt	123	78	44	38	167	116
Water	-	-	15,960	19,369	15,960	19,369
Sewer	-	-	14,190	14,099	14,190	14,099
Solid waste	-	-	19,189	12,567	19,189	12,567
Airport	-	-	4,235	3,803	4,235	3,803
Fiber optic	-	-	69	59	69	59
Total Expenses	62,612	68,541	53,687	49,935	116,299	118,476
Increase in net position before transfers	3,360	(3,114)	4,851	4,838	8,211	1,723
Internal balances	245	251	(245)	(251)	-	-
Change in net position	3,605	(2,863)	4,606	4,586	8,211	1,723
Net position - beginning	125,175	128,039	116,940	112,354	242,116	240,392
Prior year adjustments	77	-	-	-	77	-
Net position - beginning restated	125,252	128,039	116,940	112,354	242,192	240,392
Net position ending	128,857	125,175	121,546	116,940	250,403	242,116

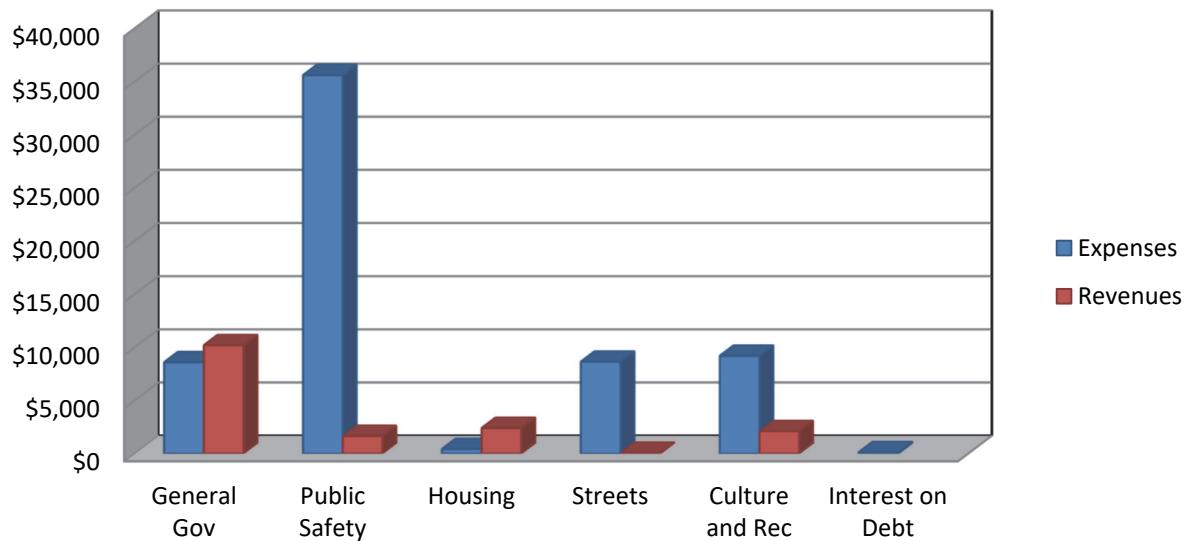
Governmental Activities. Governmental activities increased the City of Watsonville's Net Position by a \$3,605. Key elements of this increase are as follows:

- Governmental revenues saw increases in Sales Tax at about \$2,000. There were very minimal increases in other tax categories and charges for services were relatively flat offset by increases in grants and contributions.
- Governmental spending decreased by \$5,929 primarily in the area of general government and streets. The decrease in spending is primarily due to less grant revenues to complete street projects and the moving of the Municipal Service Center services to the Solid Waste Fund as they mostly serve that division.

For the fiscal year ending June 30, 2021

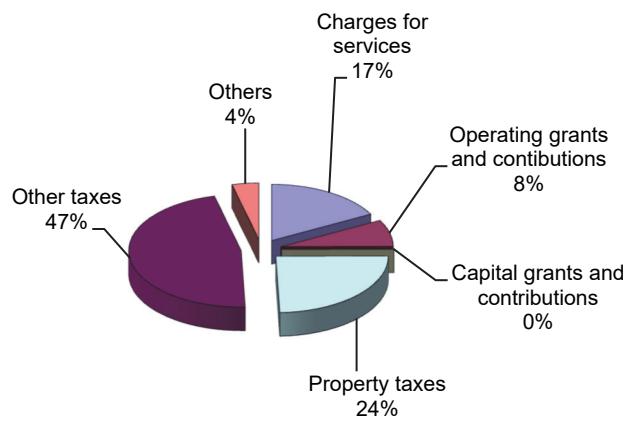
Expenses and Program Revenues

Governmental Activities



Revenues by Source

Governmental Activities

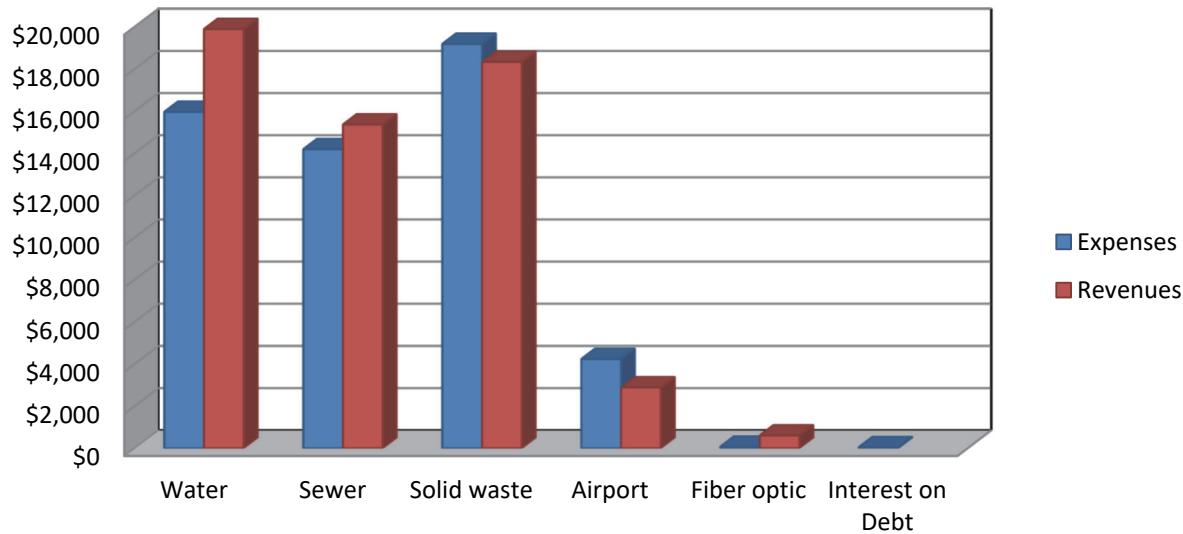


Business-type activities. Business-type activities increased the City of Watsonville's net position by \$4,605. Key elements of this increase are as follows:

For the fiscal year ending June 30, 2021

Expenses and Program Revenues

Business-type Activities

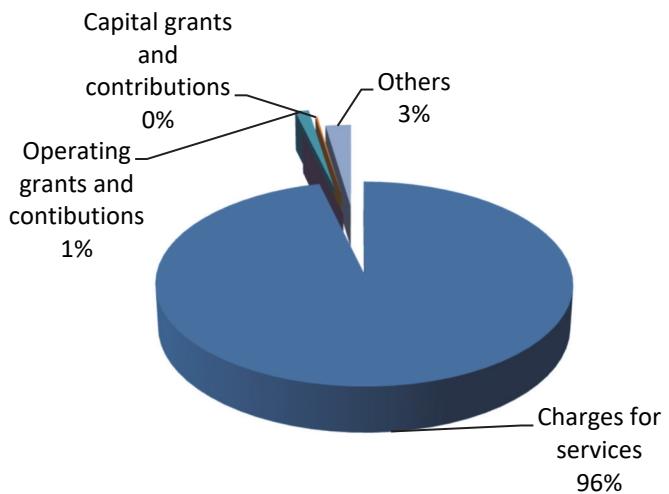


- Charges for services increased by \$3,344 and all other revenues decreased by \$422. The increase in charges for services was mostly from moving in the division of Municipal Services to the Solid Waste Fund.
- Water had a decrease in spending mostly due less capital spending a decrease in pension obligation. The Solid Waste had increases in operating costs as of the fiscal year end mostly due to the division of Municipal Services and an increase in their pension obligation.

For the fiscal year ending June 30, 2021

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 proposes 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 \$42,891, an increase of \$4,071 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 \$7,304. 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 5.1 percent of total general fund expenditures; the total fund balance represented 38 percent of the same amount.

The fund balance of the City of Watsonville's General Fund increased by \$1,679 during the current year largely due steady increases in revenues and controlled expenditures. Departments were asked to reduce expenditures and in 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, sales tax and property tax in lieu of vehicle license fees, decrease in operating costs from a controlled spending initiative.

The Impact Fees Fund had a fund balance of \$7,512 an increase of \$1,467 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 \$3,391, a decrease of \$1,023 over the prior year's fund balance. This decrease is due to a new loan issued during the fiscal year.

The Redevelopment and Housing Grants Fund has a fund balance of \$360, an increase of \$406 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 \$247, an increase of \$8 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 2021	FY 2020	Change	% Change
Water	61,793	57,863	3,930	6.79%
Sewer	44,420	43,315	1,105	2.55%
Solid Waste	5,326	6,219	(893)	-14.36%
Airport	9,449	9,526	(77)	-0.81%
Fiber Optic	558	17	541	3124.50%
Totals	121,546	116,940	4,606	3.94%

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 several budget amendments this fiscal year. The fiscal year 20-21 budget was developed and adopted during the early stages of the pandemic. Budget assumptions and predictions proved to be wrong and during the December 2020 Council meeting \$1,172,253 budget amendments were approved. Most of the increases were for cuts previously made to the Community Development Department and Parks and Community Services. Also, additional \$492 approved for Fire Department who was responding to mutual aid request assisting the State in massive fires most of which were from the July through October 2020 period.

Tax revenues were \$5,561 over budget. The majority was due to Sales Tax revenues coming in \$4,591 over budget. This increase was mainly due to conservative budgeting during the pandemic. Miscellaneous revenues were over budget by \$1,178. Most of this increase was due to a Cares Act grant in the amount of \$498 of which was a one-time allocation to help offset operating costs. We also received about \$200 more than budgeted in mutual aid receipts from Cal State Fire to offset Fire Department overtime.

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, 2021 was \$213,599 (net of depreciation). This represents a \$866 increase from the prior year or 0.42%.

Total City of Watsonville Capital Assets FY 2020-21

Capital Asset	FY 2021	FY 2020	Change	% Change
Land	31,239	31,239	(0)	0.00%
Building and Improvements	124,979	130,354	(5,375)	-4.12%
Machinery & Equipment	14,290	12,914	1,376	10.65%
Infrastructure	33,594	27,804	5,790	20.82%
Construction in progress	9,497	10,402	(905)	-8.70%
Totals	213,599	212,713	886	0.42%

Governmental Type Activities decreased by 1.58% due to depreciation outpacing additions.

Governmental Activities Capital Assets FY 2020-21

Capital Asset	FY 2021	FY 2020	Change	% Change
Land	16,468	16,468	0	0.00%
Building and Improvements	73,202	76,670	(3,468)	-4.52%
Machinery & Equipment	5,539	6,259	(720)	-11.51%
Infrastructure	11,578	10,130	1,448	14.30%
Construction in progress	4,758	3,812	946	24.81%
Totals	111,545	113,339	(1,794)	-1.58%

While Business Type Activities increased by 2.70% 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 2020-21

Capital Asset	FY 2021	FY 2020	Change	% Change
Land	14,771	14,771	(0)	0.00%
Building and Improvements	51,777	53,684	(1,907)	-3.55%
Machinery & Equipment	8,751	6,655	2,096	31.49%
Infrastructure	22,016	17,675	4,341	24.56%
Construction in progress	4,739	6,590	(1,851)	-28.09%
Totals	102,054	99,375	2,679	2.70%

Additional information on the City of Watsonville's capital assets can be found in Note IIIB on pages 60 to 61 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Watsonville had total net debt outstanding of \$111,391. The debt for governmental activities is made up of notes payable of \$2,938, net OPEB liability of \$2,018, compensated absences of \$2,213, and net pension liability of \$66,279. Business type activities have \$2,357 in notes payable, \$5,793 in a loan, net OPEB liability of \$1,516, compensated absences of \$1,010, net pension liability of \$23,587 and landfill closure/post closure liability of \$3,680.

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 \$184,141 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 III E on pages 63 to 73 of this report.

Economic Factors and Next Year's Budget

- Coming out of the reduced FY 2020-21 budget and as we emerge from the pandemic, Watsonville has an opportunity to reset, restructure, and rebuild the budget in ways that we meet community goals, without recreating structural deficits.
- Budget will include using of the American Rescue Plan Act allocation.
- Less growth in charges for services than prior years in the proprietary funds due to the delay of an anticipated rate increase.
- In non-General Fund departments, you will see the same cautious growth assumptions, consistent with the revenue activity we have experienced and assumed for the General Fund.
- Taking advantage of healthy fund balances to move much needed capital and infrastructure projects.
- Continued and accelerated increases in PERS contributions.

After several years of improving position Watsonville appears poised to weather the immediate impacts. As we emerge from the pandemic and turn our attention to helping the community recover. Watsonville was fortunate to receive \$18.2 million in direct funding as part of the American Rescue Plan Act (ARPA). The 2021-23 Biennial Budget utilized limited amount of ARPA funding for restoring those departments hardest hit by the pandemic. The ARPA funding plan will include opportunities for community input and will prioritize areas of greatest community need. 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 2021-23.

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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
	\$	\$	
ASSETS			
Cash and investments	60,564,348	45,153,111	105,717,459
Restricted cash	-	3,435,119	3,435,119
Receivables:			
Interest	2,152,017	-	2,152,017
Taxes	4,792,074	-	4,792,074
Accounts	2,066,061	5,040,623	7,106,684
Intergovernmental	3,984,804	193,584	4,178,388
Internal balances	(2,901,444)	2,901,444	-
Loans receivable	27,331,634	480,271	27,811,905
Inventories	18,282	305,055	323,337
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	73,201,562	51,776,975	124,978,537
Machinery and equipment	5,539,421	8,751,461	14,290,882
Infrastructure	11,577,824	22,015,753	33,593,577
Construction in progress	4,758,154	4,739,315	9,497,469
Total Assets	209,762,660	159,563,926	369,326,586
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources - Pensions	14,164,480	3,624,875	17,789,355
Total Deferred Outflow of Resources	14,164,480	3,624,875	17,789,355

Continued

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA

STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
	\$	\$	
LIABILITIES			
Accounts payable	1,231,568	2,404,313	3,635,881
Accrued personnel costs	2,230,814	1,042,739	3,273,553
Insurance claims payable	3,650,569	-	3,650,569
Interest payable	19,462	-	19,462
Retentions payable	91,866	77,228	169,094
Unearned revenue	10,721,278	38,466	10,759,744
Deposits payable	1,766,071	9,931	1,776,002
Noncurrent liabilities			
Due within one year	917,422	839,992	1,757,414
Due in more than one year	<u>72,530,459</u>	<u>37,102,713</u>	<u>109,633,172</u>
Total Liabilities	<u>93,159,509</u>	<u>41,515,382</u>	<u>134,674,891</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	<u>1,910,417</u>	<u>127,555</u>	<u>2,037,972</u>
Total Deferred Inflows of Resources	<u>1,910,417</u>	<u>127,555</u>	<u>2,037,972</u>
NET POSITION			
Net investment in capital assets	108,607,022	93,904,203	202,511,225
Restricted for:			
Debt service	246,758	-	246,758
Impact fee	7,304,369	-	7,304,369
Housing	3,390,756	-	3,390,756
Grants, contributions & fees for specific purpose	13,470,402	-	13,470,402
Unrestricted	<u>(4,162,093)</u>	<u>27,641,661</u>	<u>23,479,568</u>
Total Net Position	<u>128,857,214</u>	<u>121,545,864</u>	<u>250,403,078</u>
			Concluded

See accompanying notes to financial statements

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CITY OF WATSONVILLE, CALIFORNIA
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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	8,599,026	9,181,413	1,016,912	-	1,599,299	-	1,599,299
Public safety	35,608,066	820,723	831,852	-	(33,955,491)	-	(33,955,491)
Housing	428,762	666,647	1,740,913	-	1,978,798	-	1,978,798
Streets	8,652,278	63,741	-	-	(8,588,537)	-	(8,588,537)
Culture and recreation	9,201,007	605,988	1,510,214	-	(7,084,805)	-	(7,084,805)
Interest on long term debt	123,192	-	-	-	(123,192)	43,555	(166,747)
Total governmental activities	62,612,331	11,338,512	5,099,891	-	(46,173,928)	43,555	(46,217,483)
Business-type activities:							
Water	15,960,144	19,885,009	7,878	26,310	-	3,959,053	3,959,053
Sewer	14,190,155	15,118,993	245,466	80,575	-	1,254,879	1,254,879
Solid Waste	19,189,328	18,310,251	22,614	-	-	(856,463)	(856,463)
Airport	4,234,989	2,431,925	456,433	-	-	(1,346,631)	(1,346,631)
Fiber Optic	68,590	608,749	-	-	-	540,159	540,159
Total business-type activities	53,643,206	56,354,927	732,391	106,885	-	3,550,997	3,550,997
Total primary government	116,255,537	67,693,439	5,832,282	106,885	(46,173,928)	3,507,442	(42,666,486)
General revenues:							
Property taxes				16,168,954	-	16,168,954	
Sales taxes				22,231,899	-	22,231,899	
Utility users taxes				3,993,803	-	3,993,803	
Franchise taxes				563,341	-	563,341	
Other taxes				2,610,509	-	2,610,509	
Intergovernmental revenues not restricted to specific program				1,434,584	-	1,434,584	
Unrestricted investment earnings				2,530,618	69,601	2,600,219	
Other revenue				-	1,274,041	1,274,041	
Transfers				245,536	(245,536)	-	
Total general revenues and transfers				49,779,244	1,098,106	50,877,350	
Change in net position				3,605,316	4,605,548	8,210,864	
Net position - beginning as restated (Note IIE)				125,251,898	116,940,316	242,192,214	
Net position - ending				128,857,214	121,545,864	250,403,078	

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2021

	SPECIAL REVENUE FUNDS						OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT AND HOUSING GRANTS	AMERICAN RESCUE PLAN ACT	DEBT SERVICE		
ASSETS:								
Cash and investments	21,481,142	7,307,464	3,256,074	2,030,316	9,132,714	246,758	12,187,930	55,642,398
Receivables:								
Interest	92,942	-	764,247	1,146,280	-	-	148,548	2,152,017
Taxes	3,450,512	-	-	-	-	-	1,341,562	4,792,074
Accounts	1,288,593	-	-	-	-	-	381,868	1,670,461
Intergovernmental	3,137,504	-	-	534,084	-	-	313,216	3,984,804
Due from other funds	955,413	-	-	-	-	-	-	955,413
Advances receivable	-	208,075	-	-	-	-	81,547	289,622
Loans receivable	1,815,302	-	10,964,551	13,013,474	-	-	1,538,307	27,331,634
Inventories	18,282	-	-	-	-	-	-	18,282
Land held for resale	-	-	150,000	-	-	-	-	150,000
Total Assets	32,239,690	7,515,539	15,134,872	16,724,154	9,132,714	246,758	15,992,978	96,986,705
LIABILITIES:								
Accounts payable	759,039	3,095	-	405	-	-	291,439	1,053,978
Accrued personnel costs	1,849,930	-	15,153	10,739	59,357	-	179,121	2,114,300
Retentions payable	87,127	-	-	-	-	-	1,299	88,426
Due to other funds	-	-	-	545,604	-	-	409,809	955,413
Advances payable	3,191,066	-	-	-	-	-	-	3,191,066
Unearned revenue	-	-	-	1,647,921	9,073,357	-	-	10,721,278
Deposits payable	1,765,600	-	471	-	-	-	-	1,766,071
Total Liabilities	7,652,762	3,095	15,624	2,204,669	9,132,714	-	881,668	19,890,532
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	6,315,971	-	11,728,492	14,159,754	-	-	2,000,639	34,204,856
Total Deferred Inflows of Resources	6,315,971	-	11,728,492	14,159,754	-	-	2,000,639	34,204,856
FUND BALANCES:								
Nonspendable:								
Inventories	18,282	-	-	-	-	-	-	18,282
Advances receivable	-	208,075	-	-	-	-	81,547	289,622
Restricted for:								
Debt service	-	-	-	-	-	246,758	-	246,758
Streets - Impact fees	-	7,304,369	-	-	-	-	-	7,304,369
Housing	-	-	3,390,756	359,731	-	-	-	3,750,487
Public safety - Narcotics assets seizure	-	-	-	-	-	-	223,692	223,692
Housing - Business development	-	-	-	-	-	-	149,489	149,489
Housing - Economic development	-	-	-	-	-	-	26,017	26,017
Cultural and recreation - Library	-	-	-	-	-	-	1,189,913	1,189,913
Cultural and recreation - Parks development	-	-	-	-	-	-	2,120,347	2,120,347
General government - Retirement tax	-	-	-	-	-	-	370,717	370,717
Public safety - Measure G/Y	-	-	-	-	-	-	3,725,098	3,725,098
Public safety - Abandoned vehicle	-	-	-	-	-	-	19,204	19,204
Housing - Inclusionary housing	-	-	-	-	-	-	510,752	510,752
Streets - SB1 Gas tax	-	-	-	-	-	-	2,512,531	2,512,531
Streets - Measure D	-	-	-	-	-	-	2,586,078	2,586,078
Unassigned	18,252,675	-	-	-	-	-	(404,714)	17,847,961
Total Fund Balances	18,270,957	7,512,444	3,390,756	359,731	-	246,758	13,110,671	42,891,317
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	32,239,690	7,515,539	15,134,872	16,724,154	9,132,714	246,758	15,992,978	96,986,705

See accompanying notes to financial statements

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

JUNE 30, 2021

Amounts reported for governmental activities in the Statement of Net Position
are different from those reported in the governmental funds because:

	\$
Fund balances of governmental funds	42,891,317
Capital assets (gross) used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.	213,746,839
Accumulated depreciation has not been included in the governmental funds financial statements.	(102,201,955)
The internal service fund is used by management to charge the costs of insurance to individual governmental funds. The net current assets and liabilities of the internal service fund are included in Governmental Activities on the Statement of Net Position.	1,429,437
Loans and intergovernmental receivables recorded as unavailable revenue in the governmental funds are recorded as revenue on the Statement of Activities.	34,204,856
Interest payable is not due and payable in the current period and therefore, not reported in governmental funds.	(19,462)
Long-term liabilities are not due and payable in the current period and therefore, not reported in governmental funds.	(73,447,881)
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	14,164,480
Deferred inflows of resources relating to pensions	<u>(1,910,417)</u>
Total Net Position - Governmental Activities	<u>128,857,214</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, 2021

	SPECIAL REVENUE FUNDS							TOTAL GOVERNMENTAL FUNDS	
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT	AMERICAN	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS		
				AND HOUSING GRANTS	RESCUE PLAN ACT				
REVENUES:									
Taxes	31,696,950	-	-	-	-	-	13,886,645	45,583,595	
Licenses, permits, and fees	2,212,590	630,555	-	-	-	-	534,971	3,378,116	
Intergovernmental	3,162,931	-	-	1,221,221	59,356	-	1,290,531	5,734,039	
Charges for services	3,353,708	-	-	-	-	-	42,083	3,395,791	
Fines	462,190	-	-	-	-	-	-	462,190	
Interest	2,481,291	5,722	32,302	1,492	-	-	7,936	2,528,743	
Miscellaneous	2,515,265	-	673,197	567,602	-	55,670	127,921	3,939,655	
Total revenues	45,884,925	636,277	705,499	1,790,315	59,356	55,670	15,890,087	65,022,129	
EXPENDITURES:									
Current:									
General government	9,837,863	-	-	-	59,356	-	191,906	10,089,125	
Public safety	26,404,851	-	-	-	-	-	3,607,002	30,011,853	
Housing	-	-	1,823,181	1,111,920	-	-	1,223,614	4,158,715	
Streets	5,317,110	577,751	-	-	-	-	1,932,684	7,827,545	
Culture and recreation	4,708,097	-	-	-	-	-	3,589,045	8,297,142	
Debt service:									
Principal	1,649,451	-	-	-	-	741,194	-	2,390,645	
Interest and fiscal charges	-	-	-	-	-	147,166	-	147,166	
Total expenditures	47,917,372	577,751	1,823,181	1,111,920	59,356	888,360	10,544,251	62,922,191	
Excess (deficiency) of revenues over (under) expenditures	(2,032,447)	58,526	(1,117,682)	678,395	-	(832,690)	5,345,836	2,099,938	
OTHER FINANCING SOURCES (USES)									
Issuance of debt	1,649,451	-	-	-	-	-	-	1,649,451	
Transfers in	3,729,635	1,413,261	94,176	-	-	840,955	93,195	6,171,222	
Transfers out	(1,667,803)	(5,000)	-	(273,066)	-	-	(3,979,817)	(5,925,686)	
Total other financing sources (uses)	3,711,283	1,408,261	94,176	(273,066)	-	840,955	(3,886,622)	1,894,987	
Net change in fund balances	1,678,836	1,466,787	(1,023,506)	405,329	-	8,265	1,459,214	3,994,925	
Fund balances, July 1, as restated (Note IIE)	16,592,121	6,045,657	4,414,262	(45,598)	-	238,493	11,651,457	38,896,392	
Fund balances, June 30	18,270,957	7,512,444	3,390,756	359,731	-	246,758	13,110,671	42,891,317	

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, 2021**

Amounts reported for governmental activities in the statement of activities are different because of the following:	\$
Net Change In Fund Balance - Total Governmental Funds	3,994,925
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	4,037,258
Depreciation expense is deducted from the fund balance	(5,831,016)
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 Position. 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 is added back to fund balance	(1,649,451)
Repayment of debt principal is added back to fund balance	2,390,645
Interest accrued to principal is deducted from fund balance	23,974
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):	
Compensated Absences	(157,797)
Net pension liabilities and pension-related deferred outflows/inflows of resources	(3,883,157)
Net opeb liability	
Unavailable revenue	3,729,953
Internal Service Funds Are Used By Management To Charge The Costs Of Insurance To Individual Funds.	<u>949,982</u>
Change In Net Position Of Governmental Funds	<u>3,605,316</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, 2021**

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Taxes	26,135,531	26,135,531	31,696,950	5,561,419
Licenses, permits, and fees	1,553,409	1,941,295	2,212,590	271,295
Intergovernmental	5,542,734	7,748,501	3,162,931	(4,585,570)
Charges for services	3,370,366	3,370,366	3,353,708	(16,658)
Fines	627,875	627,875	462,190	(165,685)
Interest	2,684,063	2,684,063	2,481,291	(202,772)
Miscellaneous	760,736	1,336,594	2,515,265	1,178,671
Total revenues	40,674,714	43,844,225	45,884,925	2,040,700
EXPENDITURES:				
Current:				
General government	9,658,428	10,285,843	9,837,863	447,980
Public safety	25,940,315	27,509,399	26,404,851	1,104,548
Streets	7,682,989	8,743,699	5,317,110	3,426,589
Culture and recreation	4,701,838	5,951,144	4,708,097	1,243,047
Debt Service:				
Principal	-	-	1,649,451	(1,649,451)
Total expenditures	47,983,570	52,490,085	47,917,372	4,572,713
Excess (deficiency) of revenues over (under) expenditures	(7,308,856)	(8,645,860)	(2,032,447)	6,613,413
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	1,649,451	1,649,451
Transfers in	4,064,404	4,064,404	3,729,635	(334,769)
Transfers out	(221,314)	(221,314)	(1,667,803)	(1,446,489)
Total other financing sources (uses)	3,843,090	3,843,090	3,711,283	(131,807)
Net change in fund balance	(3,465,766)	(4,802,770)	1,678,836	6,481,606
Fund balance, July 1	16,592,121	16,592,121	16,592,121	-
Fund balance, June 30	13,126,355	11,789,351	18,270,957	6,481,606

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, 2021**

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Licenses, permits, and fees	133,000	133,000	630,555	497,555
Interest	51,000	51,000	5,722	(45,278)
Miscellaneous	185,000	185,000	-	(185,000)
Total revenues	369,000	369,000	636,277	267,277
EXPENDITURES:				
Current:				
Streets	752,383	752,383	577,751	174,632
Total expenditures	752,383	752,383	577,751	174,632
Excess (deficiency) of revenues over (under) expenditures	(383,383)	(383,383)	58,526	441,909
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,413,261	1,413,261
Transfers (out)	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	(5,000)	(5,000)	1,408,261	1,413,261
Net change in fund balance	(388,383)	(388,383)	1,466,787	1,855,170
Fund balance, July 1	6,045,657	6,045,657	6,045,657	-
Fund balance, June 30	5,657,274	5,657,274	7,512,444	1,855,170

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, 2021

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Interest	15,000	15,000	32,302	17,302
Miscellaneous	250,000	250,000	673,197	423,197
Total revenues	265,000	265,000	705,499	440,499
EXPENDITURES:				
Current:				
Housing	3,165,828	3,165,828	1,823,181	1,342,647
Total expenditures	3,165,828	3,165,828	1,823,181	1,342,647
Excess (deficiency) of revenues over (under) expenditures	(2,900,828)	(2,900,828)	(1,117,682)	1,783,146
OTHER FINANCING SOURCES (USES)				
Transfers In	49,350	49,350	94,176	44,826
Total other financing sources (uses)	49,350	49,350	94,176	44,826
Net change in fund balance	(2,851,478)	(2,851,478)	(1,023,506)	1,827,972
Fund balance, July 1	4,414,262	4,414,262	4,414,262	-
Fund balance, June 30	1,562,784	1,562,784	3,390,756	1,827,972

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, 2021

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	1,645,816	1,645,816	1,788,823	143,007
Interest	<u>24,760</u>	<u>24,760</u>	<u>1,492</u>	<u>(23,268)</u>
Total revenues	<u>1,670,576</u>	<u>1,670,576</u>	<u>1,790,315</u>	<u>119,739</u>
EXPENDITURES:				
Housing	<u>2,743,812</u>	<u>2,743,812</u>	<u>1,111,920</u>	<u>1,631,892</u>
Total expenditures	<u>2,743,812</u>	<u>2,743,812</u>	<u>1,111,920</u>	<u>1,631,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,073,236)</u>	<u>(1,073,236)</u>	<u>678,395</u>	<u>1,751,631</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(273,066)</u>	<u>(273,066)</u>	<u>(273,066)</u>	<u>-</u>
Total other financing sources (uses)	<u>(273,066)</u>	<u>(273,066)</u>	<u>(273,066)</u>	<u>-</u>
Net change in fund balance	<u>(1,346,302)</u>	<u>(1,346,302)</u>	<u>405,329</u>	<u>1,751,631</u>
Fund balance, July 1	<u>(45,598)</u>	<u>(45,598)</u>	<u>(45,598)</u>	<u>-</u>
Fund balance, June 30	<u>(1,391,900)</u>	<u>(1,391,900)</u>	<u>359,731</u>	<u>1,751,631</u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC	TOTALS	
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Current Assets:							
Cash and investments	23,823,748	11,975,864	8,556,494	766,582	30,423	45,153,111	4,921,950
Restricted cash	-	1,643,736	1,791,383	-	-	3,435,119	-
Receivables:							
Accounts	1,489,762	2,704,004	753,651	93,206	-	5,040,623	395,600
Intergovernmental	-	-	-	193,584	-	193,584	-
Loans receivable	-	480,271	-	-	-	480,271	-
Deposits	-	-	-	-	-	-	60,000
Inventories	253,010	-	862	51,183	-	305,055	-
Total Current Assets	25,566,520	16,803,875	11,102,390	1,104,555	30,423	54,607,763	5,377,550
Noncurrent Assets:							
Advances receivable	2,557,460	206,682	137,302	-	-	2,901,444	-
Capital assets:							
Land and improvements	259,333	8,375,598	1,769,401	4,366,883	-	14,771,215	-
Buildings	48,498,822	30,899,307	1,846,282	9,160,742	-	90,405,153	-
Machinery and equipment	7,326,804	6,757,365	12,704,698	419,964	-	27,208,831	-
Infrastructure	13,620,179	48,151,092	-	7,966,694	706,929	70,444,894	-
Construction in progress	3,782,275	803,243	153,797	-	-	4,739,315	-
Accumulated depreciation	(32,591,982)	(51,095,311)	(9,985,753)	(11,661,965)	(179,678)	(105,514,689)	-
Net Capital Assets	40,895,431	43,891,294	6,488,425	10,252,318	527,251	102,054,719	-
Total Noncurrent Assets	43,452,891	44,097,976	6,625,727	10,252,318	527,251	104,956,163	-
Total Assets	69,019,411	60,901,851	17,728,117	11,356,873	557,674	159,563,926	5,377,550
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows of resources - pension	903,968	1,493,535	975,093	252,279	-	3,624,875	-
Total Deferred Outflows of Resources	903,968	1,493,535	975,093	252,279	-	3,624,875	-
LIABILITIES							
Current Liabilities:							
Accounts payable	1,226,262	427,874	624,823	125,354	-	2,404,313	177,590
Accrued personnel costs	239,978	461,367	270,984	70,347	63	1,042,739	116,514
Insurance claims payable	-	-	-	-	-	-	3,650,569
Retentions payable	71,669	-	5,559	-	-	77,228	3,440
Customer deposits	9,931	-	-	-	-	9,931	-
Unearned revenue	-	-	-	38,466	-	38,466	-
Current maturities of long term debt:							
Compensated absences	13,701	25,673	18,234	2,964	-	60,572	-
Notes payable	13,888	119,438	324,030	23,037	-	480,393	-
Loans payable	-	299,027	-	-	-	299,027	-
Total Current Liabilities	1,575,429	1,333,379	1,243,630	260,168	63	4,412,669	3,948,113
Noncurrent Liabilities:							
Compensated absences	214,648	402,216	285,666	46,442	-	948,972	-
Net OPEB liability	395,427	553,540	461,290	105,439	-	1,515,696	-
Liability for landfill closure	-	-	3,680,437	-	-	3,680,437	-
Net pension liability	5,881,983	9,718,204	6,344,783	1,641,542	-	23,586,512	-
Notes payable	30,716	420,934	1,327,196	97,907	-	1,876,753	-
Loans payable	-	5,494,343	-	-	-	5,494,343	-
Total Noncurrent Liabilities	6,522,774	16,589,237	12,099,372	1,891,330	-	37,102,713	-
Total Liabilities	8,098,203	17,922,616	13,343,002	2,151,498	63	41,515,382	3,948,113
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - pension	31,810	52,556	34,312	8,877	-	127,555	-
Total Deferred Inflows of Resources	31,810	52,556	34,312	8,877	-	127,555	-
NET POSITION							
Net investment in capital assets	40,850,827	37,557,552	4,837,199	10,131,374	527,251	93,904,203	-
Unrestricted	20,942,539	6,862,662	488,697	(682,597)	30,360	27,641,661	1,429,437
Total Net Position	61,793,366	44,420,214	5,325,896	9,448,777	557,611	121,545,864	1,429,437

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, 2021

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC	TOTALS	
	\$	\$	\$	\$	\$	\$	\$
OPERATING REVENUES:							
Charges for services	19,885,009	\$15,118,993	18,310,251	2,431,925	608,749	56,354,927	15,568,654
Total operating revenues	19,885,009	15,118,993	18,310,251	2,431,925	608,749	56,354,927	15,568,654
OPERATING EXPENSES:							
Costs of sales and services	14,327,111	12,620,555	18,438,927	3,836,907	33,244	49,256,744	14,620,543
Depreciation	1,633,033	1,569,600	750,401	398,082	35,346	4,386,462	-
Total operating expenses	15,960,144	14,190,155	19,189,328	4,234,989	68,590	53,643,206	14,620,543
Operating income (loss)	3,924,865	928,838	(879,077)	(1,803,064)	540,159	2,711,721	948,111
NONOPERATING REVENUES (EXPENSES)							
Lease revenues	-	-	-	1,274,041	-	1,274,041	-
Grant revenues	7,878	245,466	22,614	456,433	-	732,391	-
Interest revenues	16,082	46,057	6,820	495	147	69,601	1,871
Interest expenses	(16,747)	(22,970)	(3,838)	-	-	(43,555)	-
Total nonoperating revenues (expenses)	7,213	268,553	25,596	1,730,969	147	2,032,478	1,871
Income (loss) before contributions and transfers	3,932,078	1,197,391	(853,481)	(72,095)	540,306	4,744,199	949,982
Capital contributions - connection fees	26,310	80,575	-	-	-	106,885	-
Transfers in	-	-	-	-	-	-	-
Transfers (out)	(27,725)	(173,076)	(39,679)	(5,056)	-	(245,536)	-
Changes in net position	3,930,663	1,104,890	(893,160)	(77,151)	540,306	4,605,548	949,982
Total Net Position - Beginning	57,862,703	43,315,324	6,219,056	9,525,928	17,305	116,940,316	479,455
Total Net Position - Ending	61,793,366	44,420,214	5,325,896	9,448,777	557,611	121,545,864	1,429,437

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	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	19,754,952	15,122,704	18,159,656	2,317,801	562,293	55,917,406	-
Receipts from interfund services provided	(9,477,760)	(6,682,283)	(2,037,429)	(3,779,199)	(32,981)	(22,009,652)	15,612,327
Payments to suppliers	(4,687,712)	(6,709,282)	(14,459,701)	(44,566)	(200)	(25,901,461)	(14,919,692)
Payments to employees	665,182	414,819	48,598	21,465	(706,928)	443,136	116,514
Receipt for interfund services provided (used)							-
Net cash provided (used) by operating activities	6,254,662	2,145,958	1,711,124	(1,484,499)	(177,816)	8,449,429	809,149
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES							
Grant revenue	7,878	245,466	22,614	456,433	-	732,391	-
Transfers from (to) other funds	(27,725)	(173,076)	(39,679)	(5,056)	-	(245,536)	-
Net cash provided (used) by noncapital financing activities	(19,847)	72,390	(17,065)	451,377	-	486,855	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(\$3,344,628)	(1,883,612)	(1,820,627)	(16,988)	-	(7,065,855)	-
Connection fees	26,310	80,575	-	-	-	106,885	-
Proceeds from issuance of notes and loans payable	-	4,993,714	1,809,432	-	-	6,803,146	-
Principal paid on long term debt	(14,510)	(141,859)	(166,466)	(23,036)	-	(345,871)	-
Interest paid on long term debt	(16,747)	(22,970)	(3,838)	-	-	(43,555)	-
Net cash provided (used) by capital and related financing activities	(3,349,575)	3,025,848	(181,499)	(40,024)	-	(545,250)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Lease revenue	-	-	-	1,274,041	-	1,274,041	-
Interest received	16,082	46,057	6,820	495	147	69,601	1,871
Net cash provided (used) by investment activities	16,082	46,057	6,820	1,274,536	147	1,343,642	1,871
Net cash flows	2,901,322	5,290,253	1,519,380	201,390	(177,669)	9,734,676	811,020
Cash and cash equivalents at beginning of period	20,922,426	8,329,347	8,828,497	565,192	208,092	38,853,554	4,110,930
Cash and cash equivalents at ending of period	23,823,748	13,619,600	10,347,877	766,582	30,423	48,588,230	4,921,950
Reconciliation of Statement of Net Position:							
Cash and investments	23,823,748	11,975,864	8,556,494	766,582	30,423	45,153,111	4,921,950
Cash and investments with fiscal agents	-	1,643,736	1,791,383	-	-	3,435,119	-
Reconciliation of operating income (loss) to cash flows from operating activities	Operating Income (loss)	9,924,865	928,838	(879,077)	(1,803,064)	540,159	2,711,721
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	1,633,033	1,569,600	750,401	398,082	35,346	4,386,462	-
(Increase) decrease in receivables	(130,057)	(92,128)	(135,144)	(38,599)	-	(395,928)	43,673
(Increase) decrease in inventories	557,954	-	347	2,754	-	561,055	-
(Increase) decrease in loans receivable	-	95,839	-	-	-	95,839	-
(Increase) decrease in due from other governments	-	-	9,665	(81,432)	-	(71,767)	-
(Increase) decrease in advances receivable	665,182	414,819	48,598	21,465	-	-	-
(Increase) decrease in deferred outflows	158,920	243,566	(146,904)	(5,493)	-	250,089	-
Increase (decrease) in net pension liability	(209,042)	(236,489)	1,598,731	227,303	-	1,380,503	-
Increase (decrease) in accounts payable	(80,079)	(455,566)	450,640	54,954	-	(30,051)	118,453
Increase (decrease) in claims payable	(250,000)	-	-	(250,000)	-	(500,000)	(421,042)
Increase (decrease) in accrued personnel costs	58,935	110,840	147,062	13,475	63	330,375	116,514
Increase (decrease) in retentions payable	68,886	(213,317)	5,559	-	-	(138,872)	3,440
Increase (decrease) in liability for landfill closure	-	-	(17,984)	-	-	(17,984)	-
Increase (decrease) in unearned revenue	-	-	(25,116)	5,907	(46,456)	(65,665)	-
Increase (decrease) in customer deposits	(8,948)	-	-	-	-	(8,948)	-
Increase (decrease) in net opeb liabilities	-	-	-	-	-	-	-
Increase (decrease) in deferred inflows	(134,987)	(220,044)	(95,654)	(29,851)	-	(480,536)	-
Increase (decrease) in advances payable	-	-	-	-	(706,928)	-	-
Total adjustments	2,329,797	1,217,120	2,590,201	318,565	(717,975)	5,294,572	(138,962)
Net cash provided (used) by operating activities	6,254,662	2,145,958	1,711,124	(1,484,499)	(177,816)	8,449,429	809,149
NON CASH TRANSACTIONS							
Retirement of capital assets	(\$77,703)	(\$285,022)	(\$370,735)	-	-	(\$733,460)	-
Landfill post closure liability amortization	-	-	59,860	-	-	59,860	-
Landfill usage amortization	-	-	41,876	-	-	41,876	-

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

ASSETS	\$
Cash and investments	1,291,675
Cash and investments with fiscal agent	1,692,464
Notes receivable	<u>218,810</u>
 Total Assets	 <u>3,202,949</u>
 DEFERRED OUTFLOW OF RESOURCES	
Deferred Loss on Refunding	<u>177,412</u>
 Total Deferred Outflow of Resources	 <u>177,412</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	1,531
Salaries Payable	410
Interest Payable	150,255
Notes Payable	900,000
Refunding Bonds Payable	<u>1,325,000</u>
 Total Current Liabilities	 <u>2,377,196</u>
Noncurrent liabilities:	
Net OPEB Liability	64,461
Notes Payable	955,275
Refunding Bonds Payable	<u>8,008,079</u>
 Total Non Current liabilities	 <u>9,027,815</u>
 Total Liabilities	 <u>11,405,011</u>
 Net Position	
Held in trust for other purposes	<u>(8,024,650)</u>
 Total Net Position	 <u>(8,024,650)</u>

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, 2021

ADDITIONS:	\$
Taxes	2,045,372
Interest	7,670
Amortization	<u>72,686</u>
Total additions	<u>2,125,728</u>
DEDUCTIONS:	
General government	1,005,835
Administration	11,370
Interest	<u>412,382</u>
Total deductions	<u>1,429,587</u>
Change in Net Position	696,141
Net Position (Deficit), July 1	<u>(8,720,791)</u>
Net Position (Deficit), June 30	<u>(8,024,650)</u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 fiduciary 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, 2021

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 City 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 Special Revenue 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 Special Revenue 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 Special Revenue 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 American Rescue Plan Act Special Revenue Fund accounts for funds received and spent for the American Rescue Plan Act.

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

The City 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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The Sewer Fund records the activity of the City'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.

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 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 City'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 City's internal service fund are charges to customers for sales and services. The City 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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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, which 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 City'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 City 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 City 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 City 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 City 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, 2021

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 City 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, 2021

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, Equipment, and Vehicles	3 to 10 years

6. Compensated absences

It is the City'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, 2021

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 two items which qualify for reporting in this category – unavailable revenue and pension related deferred inflows of resources. 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, 2021

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, 2021

E. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

The City early implemented GASB Statement No. 98 – *The Annual Comprehensive Financial Report*, which changed the name of the Comprehensive Annual Financial Report to Annual Comprehensive Financial Report.

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 City's management so that a budget may be prepared. Before May 31 the proposed budget is presented to the City Council for review. City 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 City 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. City Council made several supplemental budget appropriations during the fiscal year. The General Fund budget was increased by \$4,520,442 during the fiscal year for reimbursements to the Impact Fees Fund, new solar loan, increased community development department expenditures, and increased salary and overtime for public safety officers.

Encumbrance accounting is employed in governmental funds. The commitments will be re-appropriated and honored during the subsequent fiscal year. Encumbrances were as follows at fiscal year-end: General Fund - \$2,976,749, Housing Fund - \$58,768, Redevelopment and Housing Grants - \$471,694, and Other Governmental Funds - \$766,438.

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2021, expenditures exceeded appropriations in the following funds: Debt Service Fund (\$24,689), Economic Development Special Revenue Fund (\$98), Library Special Revenue Fund (\$241,908), Retirement Tax Special Revenue Fund (\$3,023), and the Parking Garage Special Revenue Fund (\$13,088). These funds had excess fund balance to cover these costs, with the exception of the Parking Garage Special Revenue Fund.

**CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

C. Deficit fund equity

As of June 30, 2021, the Parking Garage Special Revenue Fund had a fund balance deficit of (\$404,714). The fund will make up the deficits with future licenses, permits and fees collected.

D. New Funds

During fiscal year ended June 30, 2021, the City created the American Rescue Plan Act Special Revenue Fund. The fund was established to account for revenues and expenditures from the American Rescue Plan Act funds.

E. Prior Period Adjustment

In fiscal year 2021, the City restated the beginning fund balance in the Narcotics Asset Seizure Special Revenue Fund related to deposits payable not recognized as revenue from previous periods. As a result, the beginning fund balance of the Narcotics Asset Seizure Special Revenue Fund and the beginning net position of governmental activities were restated and increased by \$76,530.

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, 2021 were as follows:

<u>Cash:</u>	\$	\$
Demand Deposits	9,242,849	-
Outstanding Checks	(1,370,358)	-
Deposits in Transit	179,921	-
<u>Net Demand Deposits</u>	<u>8,052,412</u>	-
Petty Cash	12,436	-
 Cash Subtotal	 -	8,064,848
 <u>Investments:</u>	 	
Guaranteed Investment Contracts	1,692,462	-
California Asset Management Program	28,279,530	-
Local Agency Investment Fund	74,099,877	-
 Investment Subtotal	 104,071,869	
 Total Cash and Investments	 112,136,717	

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The cash and investments of Governmental Activities, Business-Type Activities, and the Private Purpose Trust Fund was as follows as of June 30, 2021:

Governmental Activities:	\$
General Fund	21,481,142
Impact Fees Special Revenue Fund	7,326,043
Housing Special Revenue Fund	3,256,074
Redevelopment and Housing Grants Special Revenue Fund	2,030,316
American Rescue Plan Act Special Revenue Fund	9,132,714
Debt Service Fund	246,758
Other Nonmajor Funds	<u>12,169,351</u>
Total Governmental Activities:	<u>55,642,398</u>
Business-type Activities:	
Water Fund	23,823,748
Sewer Fund	13,619,600
Solid Waste Fund	10,347,877
Airport Fund	766,582
Fiber Optic Fund	<u>30,423</u>
Total Business-Type Activities	<u>48,588,230</u>
Internal Service Fund	<u>4,921,950</u>
Private Purpose Trust Fiduciary Fund	<u>2,984,139</u>
Total City Cash and Investments	<u>112,136,717</u>

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, 2021:

	<u>Total</u>	<u>Exempt</u>
Investments measured at amortized cost:	\$	\$
Guaranteed Investments Contracts	1,692,462	1,692,462
Local Agency Investment Fund	74,099,877	74,099,877
California Asset Management Program	<u>28,279,530</u>	<u>28,279,530</u>
Total Investments	<u>104,071,869</u>	<u>104,071,869</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 the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposit.

CITY OF WATSONVILLE, CALIFORNIA
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The City may waive collateral requirements for deposits, which are fully insured up to \$250,000 by federal depository insurance.

At June 30, 2021, the City's carrying amount of deposits and cash on hand was \$5,775,867 and bank balances were \$6,953,868. Bank balances in excess of the FDIC insurance limitations are fully collateralized by the Bank by pledging identified U.S. Government securities.

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
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 Corporate Notes	5 years	30%	None
Debt of City of Watsonville	N/A	None	None
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
California Asset Management Program (CAMP)	N/A	None	None

* 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

CITY OF WATSONVILLE, CALIFORNIA
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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	74,099,877	-	74,099,877
California Asset Management Program	28,279,530	-	28,279,530
Guaranteed Investment Contracts	-	1,692,462	1,692,462
Total	102,379,407	1,692,462	104,071,869

Disclosures Relating to Credit Risk

Investment Type	Ratings as of Fiscal Year End		
	AA	Not Rated	Total
	\$	\$	\$
Local Agency Investment Fund	-	74,099,877	74,099,877
California Asset Management Program	-	28,279,530	28,279,530
Guaranteed Investment Contracts	1,692,462	-	1,692,462
Total	1,692,462	102,379,407	104,071,869

- (1) The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the City that as of June 30, 2021 the amortized cost value of the pool was \$193,304,977,285 and the estimated fair value of the pool was \$193,321,015,759. The reported value of the City's portion of LAIF is the same value as the fair value of LAIF shares. LAIF's (and the City'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. At June 30, 2021, these investments had an average maturity of 291 days.
- (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, 2021, fair value was approximate to the City's cost. At June 30, 2021, these investments had an average maturity of 52 days.

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The City has funds held by trustees or fiscal agents pledged to the payment or security of certain bonds. 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.

B. Capital assets

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

Governmental activities:

	Balance at June 30, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Capital Assets not being depreciated:					
Land and Improvements	16,467,923	-	-	-	16,467,923
Construction in Progress	3,812,138	3,510,476	-	(2,564,460)	4,758,154
Total Capital Assets not being depreciated	<u>20,280,061</u>	<u>3,510,476</u>	<u>-</u>	<u>(2,564,460)</u>	<u>21,226,077</u>
Capital Assets being depreciated:					
Buildings and Improvements	136,331,309	120,221	-	209,732	136,661,262
Machinery and Equipment	17,574,510	392,311	(229,358)	-	17,737,463
Infrastructure	35,753,059	14,250	-	2,354,728	38,122,037
Total Capital Assets being depreciated	<u>189,658,878</u>	<u>526,782</u>	<u>(229,358)</u>	<u>2,354,728</u>	<u>192,520,762</u>
Less accumulated depreciation for:					
Buildings and Improvements	(59,661,690)	(3,798,010)	-	-	(63,459,700)
Machinery and Equipment	(11,315,242)	(1,112,158)	229,358	-	(12,198,042)
Infrastructure	(25,623,365)	(920,848)	-	-	(26,544,213)
Total accumulated depreciation	<u>(96,600,297)</u>	<u>(5,831,016)</u>	<u>229,358</u>	<u>-</u>	<u>(102,201,955)</u>
Total Capital Assets being depreciated, net	<u>93,058,581</u>	<u>(5,304,234)</u>	<u>-</u>	<u>2,564,460</u>	<u>90,318,807</u>
Governmental activity Capital Assets, net	<u>113,338,642</u>	<u>(1,793,758)</u>	<u>-</u>	<u>-</u>	<u>111,544,884</u>

Business-type activities:

	Balance at June 30, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Capital Assets, not being depreciated:					
Land and improvement	14,771,215	-	-	-	14,771,215
Construction in progress	6,590,360	3,643,161	-	(5,494,206)	4,739,315
Total Capital Assets not being depreciated	<u>21,361,575</u>	<u>3,643,161</u>	<u>-</u>	<u>(5,494,206)</u>	<u>19,510,530</u>
Capital Assets, being depreciated:					
Buildings and Improvements	90,184,537	220,616	-	-	90,405,153
Machinery, Equipment and Vehicles	24,717,851	2,608,944	(733,460)	615,496	27,208,831
Infrastructure	64,973,050	593,134	-	4,878,710	70,444,894
Total Capital Assets being depreciated	<u>179,875,438</u>	<u>3,422,694</u>	<u>(733,460)</u>	<u>5,494,206</u>	<u>188,058,878</u>
Less accumulated depreciation for:					
Buildings and Improvements	(36,500,484)	(2,127,694)	-	-	(38,628,178)
Machinery Equipment	(18,062,688)	(1,128,142)	733,460	-	(18,457,370)
Infrastructure	(47,298,515)	(1,130,626)	-	-	(48,429,141)
Total accumulated depreciation	<u>(101,861,687)</u>	<u>(4,386,462)</u>	<u>733,460</u>	<u>-</u>	<u>(105,514,689)</u>
Total Capital Assets being depreciated	<u>78,013,751</u>	<u>(963,768)</u>	<u>-</u>	<u>5,494,206</u>	<u>82,544,189</u>
Business-type activities Capital Assets, net	<u>99,375,326</u>	<u>2,679,393</u>	<u>-</u>	<u>-</u>	<u>102,054,719</u>

CITY OF WATSONVILLE, CALIFORNIA
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Depreciation expenses were charged to functions/programs of the primary government as follows:

Governmental activities:	\$
General government	25,590
Public safety	268,928
Streets	4,632,633
Culture and recreation	<u>903,865</u>
Total depreciation expense - governmental activities	<u>5,831,016</u>
Business-Type activities:	
Water Fund	1,633,033
Sewer Fund	1,569,600
Solid Waste Fund	750,401
Airport Fund	398,082
Fiber Optic Fund	<u>35,346</u>
Total depreciation expense - business-type activities	<u>4,386,462</u>

C. Interfund receivables, payables, and transfers

The composition of interfund activities as of June 30, 2021, 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, 2021 were as follows:

	Due from other funds	Due to other funds
	\$	\$
Governmental Funds:		
General Fund	955,413	-
Redevelopment & Housing Grants Special Revenue Fu	-	545,604
Nonmajor Funds	-	409,809
Total Governmental Funds	<u>955,413</u>	<u>955,413</u>

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

CITY OF WATSONVILLE, CALIFORNIA
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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, 2021 were as follows:

	Advances Receivable	Advances Payable
Governmental Funds:		
General Fund	-	3,191,066
Impact Fees Special Revenue Fund	208,075	-
Nonmajor Funds	81,547	-
Total Governmental Funds	289,622	3,191,066
Enterprise Funds:		
Water Fund	2,557,460	-
Sewer Fund	206,682	-
Solid Waste Fund	137,302	-
Total Enterprise Funds	2,901,444	3,191,066
Total Government	3,191,066	3,191,066

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

Transfers Out	Transfers In					
	General Fund	Impact Fees Special Revenue Fund	Housing Special Revenue Fund	Debt Service Fund	Nonmajor Funds	Total Transfers Out
	\$	\$	\$	\$	\$	\$
General Fund	-	1,413,261	94,176	146,883	13,483	1,667,803
Impact Fee Special Revenue Fund	5,000	-	-	-	-	5,000
Redevelopment & Housing Special Revenue Fund	115,019	-	-	158,047	-	273,066
Nonmajor Governmental Funds	3,609,616	-	-	310,713	59,488	3,979,817
Water Fund	-	-	-	22,669	5,056	27,725
Sewer Fund	-	-	-	168,020	5,056	173,076
Solid Waste Fund	-	-	-	34,623	5,056	39,679
Airport Fund	-	-	-	-	5,056	5,056
Total Transfers In	3,729,635	1,413,261	94,176	840,955	93,195	6,171,222

The City 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
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D. Leases

Operating lease

The City 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 \$50,406 for the fiscal year ended June 30, 2021. The future minimum lease payments as of June 30, 2021 are as follows:

Fiscal Year Ending	Amount
June 30	\$
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	50,964
Total	<u>656,223</u>

E. Long-term debt

The City's long-term debt obligations are repaid by the following funds: General Fund, Debt Service Fund, Water Enterprise Fund, Sewer Enterprise Fund, Solid Waste Enterprise Fund and the Airport Enterprise Fund.

Debt payable (Direct Borrowing) – Governmental Activities

On April 13, 2012, the City 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 City was 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 was 5.29% with principal payments ranging from \$206,431 to \$282,376 through fiscal year 2027. On March 9, 2021, the City refinanced the lease when the City entered into a Master Equipment Lease Purchase Agreement with Bank of America. See Capital Leases (Direct Borrowings) – Governmental Activities for additional information.

CITY OF WATSONVILLE, CALIFORNIA
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Notes payable:

Governmental Activities -

Section 108 Loan Payable (Direct Borrowing)

The City entered into a 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 loan 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 loan outstanding as of June 30, 2021 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
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	635,000	31,567	666,567

PG&E Notes (Direct Borrowings)

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, 2021 are as follows:

City Buildings Lights – Governmental Activities:

Fiscal Year	Principal
	\$
2022	8,805
Total	8,805

CITY OF WATSONVILLE, CALIFORNIA
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Business-type Activities - Waste Water System Lights:

Fiscal Year	Principal
	\$
2022	10,555
2023	<u>7,036</u>
Total	<u><u>\$17,591</u></u>

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, 4 year loan, maximum annual payment of \$9,229,
 Youth Center - \$27,876, 6 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, 5 year loan, maximum annual payment of \$19,010,
 Senior Center - \$20,657, 8 year loan, maximum annual payment of \$2,882.

The annual requirements to repay the PG&E 2019 governmental activities notes outstanding as of June 30, 2021 are as follows:

Fiscal Year	Principal
	\$
2022	93,214
2023	78,298
2024	49,374
2025	11,292
2026	3,709
2027	2,882
2028	243
Total	<u><u>239,012</u></u>

CITY OF WATSONVILLE, CALIFORNIA
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The original note 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.

Business Type Activities

For the Water Fund as follows:

The annual requirements to repay the PG&E 2019 Water Fund notes outstanding as of June 30, 2021 are as follows:

Fiscal Year	Principal
	\$
2022	13,888
2023	10,773
2024	10,333
2025	5,489
2026	4,121
Total	<u><u>44,604</u></u>

For the Waste Water Fund as follows:

Waste Water

Treatment Plant - \$86,422, 5 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, 2021 are as follows:

Fiscal Year	Principal
	\$
2022	19,205
2023	19,205
2024	19,205
2025	8,002
Total	<u><u>65,617</u></u>

CITY OF WATSONVILLE, CALIFORNIA
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For the Airport Fund as follows:

Airport - \$153,579, 7 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, 2021 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2022	23,037
2023	23,037
2024	23,037
2025	23,037
2026	23,037
2027	5,759
Total	<u><u>120,944</u></u>

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, 2021 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2022	1,458
2023	1,458
2024	1,458
2025	1,458
2026	970
Total	<u><u>6,802</u></u>

CITY OF WATSONVILLE, CALIFORNIA
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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 note has been paid off in this fiscal year ending June 30, 2021.

State Water Resources Control Board Loans (Direct Borrowing)

On December 18, 2015, the City entered into an agreement with the California State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the Manana Lane Sewer Replacement Project. The amount of the loan is \$1,486,310. The interest rate for the 20 year loan is 1.6% with principal payments ranging from \$66,227 to \$86,741.

The City's outstanding loan under the California State Water Resources Control Board is 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, 2021 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
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	1,302,693	195,518	1,498,211

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On April 15, 2019, the City entered into an agreement with the California State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the Freedom Sanitation Trunk Sewer Line Project. The total amount of the loan is \$4,600,840, however, the City has only drawn down \$4,490,677 as of June 30, 2021. The interest rate for the 20 year loan is 1.7% with principal payments ranging from \$191,783 to \$259,770 as of June 30, 2021.

The City's outstanding loan under the California State Water Resources Control Board is 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, 2021 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2022	231,740	32,445	264,185
2023	191,783	72,402	264,185
2024	195,043	69,142	264,185
2025	198,359	65,826	264,185
2026	201,731	62,454	264,185
2027	205,160	59,025	264,185
2028	208,648	55,537	264,185
2029	212,195	51,990	264,185
2030	215,802	48,382	264,184
2031	219,471	44,714	264,185
2032	223,202	40,983	264,185
2033	226,996	37,188	264,184
2034	230,855	33,329	264,184
2035	234,780	29,405	264,185
2036	238,771	25,414	264,185
2037	242,830	21,354	264,184
2038	246,958	17,226	264,184
2039	251,157	13,028	264,185
2040	255,426	8,758	264,184
2041	259,770	4,416	264,186
Total	4,490,677	793,018	5,283,695

CITY OF WATSONVILLE, CALIFORNIA
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Business-type Activities - Municipal landfill closure and post-closure liability and requirements

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

The City 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, 2021, the new landfill cell had used 96.7% of its projected space. The estimated closure and post-closure costs were \$1,876,793 and \$1,803,644, respectively, which will be recognized as the remaining capacity is used (estimated to be 0.6 years). To date, the fund has \$239,650 for post closure costs for the closed phase I and II cells and has set aside closure costs of \$1,876,793 and post-closure costs of \$1,563,994 for the open phase III cell for a total of \$3,680,437. 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, 2021, 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 Statements of Net Position as follows: Governmental Activities - \$2,017,944, Business-type Activities - \$1,515,696 and Successor Agency Private Purpose Trust Fund - \$64,461.

Governmental Activities - Capital Leases (Direct Borrowings)

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 pertaining to governmental activities was \$1,291,081. The interest rate for the 5 year lease is 3.544% with principal lease payments ranging from \$249,076 to \$276,507.

If the City 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 entered into.

CITY OF WATSONVILLE, CALIFORNIA
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The annual requirement to amortize the lease outstanding as of June 30, 2021 is as follows:

Fiscal Year	Principal	Interest	Debt Service	Purchase Option
	\$	\$	\$	\$
2022	267,043	19,263	286,306	282,038
2023	276,507	9,799	286,306	-
Total	<u>543,550</u>	<u>29,062</u>	<u>572,612</u>	<u>282,038</u>

On March 9, 2021, the City entered into a Master Equipment Lease Purchase Agreement with Bank of America for the refinancing of the Solar Project Equipment by prepayment of the 2012 Solar Lease with Santa Cruz County and acquiring four solid waste collection vehicles and one sewer cleaning vehicle. See Capital Lease (Direct Borrowing) – Business-Type Activities for further information. The amount of the lease pertaining to governmental activities was \$1,649,451. Interest rate for the 7 year lease is 1.25% with principal lease payments ranging from \$137,956 to \$279,708.

If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

The annual requirement to amortize the lease outstanding for governmental activities as of June 30, 2021 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2022	268,578	14,701	283,279
2023	271,318	11,961	283,279
2024	274,086	9,192	283,278
2025	276,883	6,396	283,279
2026	279,708	3,571	283,279
2027	<u>140,922</u>	<u>717</u>	<u>141,639</u>
Total	<u>1,511,495</u>	<u>46,538</u>	<u>1,558,033</u>

Business-Type Activities - Capital Lease (Direct Borrowing)

On March 9, 2021, the City entered into a Master Equipment Lease Purchase agreement with Bank of America for the purchase of a Sewer Cleaning Vehicle Truck. The amount of the lease pertaining to the Sewer Fund was \$503,037. Interest rate for the 6 year lease is 1.25% with principal lease payments ranging from \$45,873 to \$93,206.

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If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

The annual requirement to amortize the lease outstanding in the Sewer Fund as of June 30, 2021 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2022	89,678	4,204	93,882
2023	90,546	3,335	93,881
2024	91,424	2,457	93,881
2025	92,310	1,571	93,881
2026	<u>93,206</u>	<u>676</u>	<u>93,882</u>
Total	<u>457,164</u>	<u>12,243</u>	<u>469,407</u>

On March 9, 2021, the City entered into a Master Equipment Lease Purchase agreement with Bank of America for the purchase of four solid waste collection vehicle trucks. The amount of the lease pertaining to the Solid Waste Fund was \$1,809,432. The interest rate for the 6 year lease is 1.25% with principal lease payments ranging from \$165,008 to \$335,528.

If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

The annual requirement to amortize the lease outstanding in the Solid Waste Fund as of June 30, 2021 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2022	322,572	15,120	337,692
2023	325,698	11,994	337,692
2024	328,855	8,838	337,693
2025	332,041	5,651	337,692
2026	<u>335,258</u>	<u>2,433</u>	<u>337,691</u>
Total	<u>1,644,424</u>	<u>44,036</u>	<u>1,688,460</u>

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Changes in long-term liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2021, are as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Governmental activities:					
Direct Borrowings:					
Debt payable	\$ 1,699,279	\$ -	\$ (1,699,279)	\$ -	\$ -
Notes payable	1,979,777	1,649,451	(691,366)	2,937,862	784,640
Subtotal	3,679,056	1,649,451	(2,390,645)	2,937,862	784,640
Other Liabilities:					
Compensated absences	2,055,235	1,227,436	(1,069,639)	2,213,032	132,782
Net OPEB liability	2,017,944	-	-	2,017,944	-
Net pension liability	60,965,842	5,313,201	-	66,279,043	-
Total Governmental activities	<u>68,718,077</u>	<u>8,190,088</u>	<u>(3,460,284)</u>	<u>73,447,881</u>	<u>917,422</u>
Business-type activities:					
	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
	\$	\$	\$	\$	\$
Loans payable (2019 PG&E various, Sewer Cleaning Truck, Solid Waste Collection Truck)	1,368,920	4,490,677	(66,227)	5,793,370	299,027
Notes payable (2015 SWRCB, 2019 SWRCB)	324,321	2,312,469	(279,644)	2,357,146	480,393
Compensated absences	829,846	762,156	(582,458)	1,009,544	60,572
Net OPEB liability	1,515,696	-	-	1,515,696	-
Net pension liabilities	22,206,009	1,826,034	(445,531)	23,586,512	-
Landfill closure / post-closure liabilities	3,698,421	41,876	(59,860)	3,680,437	-
Total Business-type activities	<u>29,943,213</u>	<u>9,433,212</u>	<u>(1,433,720)</u>	<u>37,942,705</u>	<u>839,992</u>
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 Net Pension Liabilities.

CITY OF WATSONVILLE, CALIFORNIA
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IV. Other information

A. Risk management

The City 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 City 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 City has established a risk management fund to account for and finance its uninsured risks of loss.

The City'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 City 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 City 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, 2021 totaled \$3,650,569 as follows: Health Benefits \$85,432; General Liability \$936,617; and Workers' Compensation \$2,628,520.

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.

	2019-2020	2020-2021
Claims incurred but not reported:		
Beginning	\$ 666,224	\$ 2,226,605
Incurred claims	2,550,210	51,216
Claims paid	<u>(989,829)</u>	<u>(1,255,772)</u>
Ending	<u>2,226,605</u>	<u>1,022,049</u>
Claims payable		
Beginning	2,431,364	2,345,006
Incurred claims	2,745,084	4,016,832
Claims paid	<u>(2,831,442)</u>	<u>(3,733,318)</u>
Ending	<u>2,345,006</u>	<u>2,628,520</u>
Total claims payable	<u><u>4,571,611</u></u>	<u><u>3,650,569</u></u>

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B. Public entity risk pool

In November 1994, the City 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 34 municipalities and one fire district, 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, 2021, total estimated claims payable for General Liability were \$936,617.

C. Commitments and Contingencies

Litigation

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

Grant audits

The City 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 City'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 City'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 City'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 City 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.

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E. Defined Benefit Pension Plans

The City has two defined benefit pension plans, a Miscellaneous Plan and a Safety Plan. The Miscellaneous Plan is an Agent-Multiple Employer Plan and the Safety Plan is a Cost-Sharing Employer Plan administered by the California Public Employees' Retirement System (CalPERS).

Below is a summary of the deferred outflows, net pension liabilities and deferred inflows of resources by Plan:

CalPERS Plan	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense
Miscellaneous - Agent Multiple Employer	\$ 6,665,308	\$ 43,370,112	\$ 234,544	\$ 6,054,753
Safety - Cost-Sharing Multiple Employer	11,124,047	46,495,443	1,803,428	10,456,382
Totals	17,789,355	89,865,555	2,037,972	16,511,135

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 June 30	Safety Plan		Miscellaneous Plan	Total
	Annual Amortization	Annual Amortization	Annual Amortization	Annual Amortization
	\$	\$	\$	\$
2022	992,192	(193,343)	798,849	
2023	1,566,920	661,427	2,228,347	
2024	1,126,072	631,702	1,757,774	
2026	506,338	480,732	987,070	
Total	4,191,522	1,580,518	5,772,040	

See Notes E.1 and 2 below for further information about the 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, 2021, 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 2.42%	1.09% to 2.42%	1% to 2.5%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	8.23%	8.23%	12.56%

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, 2021 was \$3,027,848, 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, 2019 and measurement date as of June 30, 2020:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	305
Inactive employees entitled to but not yet receiving benefits	321
Active employees	313
Total	939

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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 Miscellaneous 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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2020 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(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 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.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 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.

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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.

The table below reflects the long-term expected real rates 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 Comprehensive Annual Financial Report, 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.

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C. Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	\$	\$	\$
Balance at June 30, 2019	<u>154,931,383</u>	<u>114,156,134</u>	<u>40,775,249</u>
Changes in the year:			
Service cost	3,126,358	-	3,126,358
Interest on the total pension liability	10,957,570	-	10,957,570
Differences between actual and expected experience	181,334	-	181,334
Contribution - employer	-	4,648,909	(4,648,909)
Contribution - employee	-	1,474,994	(1,474,994)
Net investment income	-	5,707,428	(5,707,428)
Benefit payments, including refunds of employee contributions	(6,846,317)	(6,846,317)	-
Administrative expense	-	(160,932)	160,932
Net changes	<u>7,418,945</u>	<u>4,824,082</u>	<u>2,594,863</u>
Balance at June 30, 2020	<u>162,350,328</u>	<u>118,980,216</u>	<u>43,370,112</u>

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	\$65,408,726

1% Decrease	7.15%
Net Pension Liability	\$43,370,112

1% Increase	8.15%
Net Pension Liability	\$25,151,368

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

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

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$6,054,753. At June 30, 2021, 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	4,850,246	-
Differences between actual and expected experience	832,456	(117,741)
Changes in assumptions	-	(116,803)
Net differences between projected and actual earnings on plan investments	<u>982,606</u>	-
Total	<u>6,665,308</u>	<u>(234,544)</u>

The amount of \$4,850,246 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, 2022. 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 June 30	Annual Amortization
	\$
2022	(193,343)
2023	661,427
2024	631,702
2025	<u>480,732</u>
Total	<u>1,580,518</u>

2. CALPERS Safety (Police & Fire) Employees Plan

A. General Information about the Safety 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.

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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 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, 2021, 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%	2.4%-3.0%	2.0%-2.7%
Required employee contribution rates	9.0%	9.0%	13.0%
Required employer contribution rates	23.674%	20.585%	13.044%

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, 2021 was \$2,928,401, 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 \$5,129,097 for the fiscal year ended June 30, 2021.

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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, 2021, 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, 2019	0.67916%
Proportion - June 30, 2020	0.69788%
Change - Increase (Decrease)	<u>0.01873%</u>

For the year ended June 30, 2021, the City recognized pension expense of \$10,456,382 for the Safety Plan. At June 30, 2021, 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	5,129,097	-
Differences between actual and expected experience	3,605,486	-
Changes in assumptions	-	(154,877)
Net differences between projected and actual earnings on plan investments	1,010,542	-
Differences between actual contributions and proportional contributions	-	(1,648,551)
Adjustment due to differences in proportion	<u>1,378,922</u>	<u>-</u>
Total	<u>11,124,047</u>	<u>(1,803,428)</u>

The amount of \$5,129,097 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, 2022.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
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 June 30	Annual Amortization
	\$
2022	992,192
2023	1,566,920
2024	1,126,072
2025	506,338
Total	<u>4,191,522</u>

Actuarial Assumptions

For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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, 2019 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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

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 rates 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 Comprehensive Annual Financial Report, 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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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:

<u>Safety</u>	
1% Decrease	6.15%
Net Pension Liability	\$68,644,831
Current Discount Rate	7.15%
Net Pension Liability	\$46,495,443
1% Increase	8.15%
Net Pension Liability	\$28,319,775

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

F. 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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

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, 2021:

	Balance June 30, 2020	Retirements	Balance June 30, 2021	Due Within One Year
	\$	\$	\$	\$
Refunding tax allocation bonds	9,475,000	(1,265,000)	8,210,000	1,325,000
Bond Premium	1,209,469	(86,390)	1,123,079	-
Total Bonds Payable	10,684,469	(1,351,390)	9,333,079	1,325,000
Notes Payable	2,282,431	(427,156)	1,855,275	900,000
Net OPEB Liability	64,461	-	64,461	-
Total	13,031,361	(1,778,546)	11,252,815	2,225,000

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 of 2016 Tax Allocation Refunding Bonds, Series A and \$2,420,000 of 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.

**CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 \$177,412 which is shown as a deferred outflow of resources to be amortized over the life of the bonds.

The annual requirements to amortize the loan outstanding as of June 30, 2021 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
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	8,210,000	1,566,538	9,776,538

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 \$1,855,275

The State of California deemed these notes as a 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 a 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, 2021

Debt Payable Recap:

Parking Garage Loan

Fiscal Year	Principal	Interest	Total
	\$	\$	\$
2022	900,000	1,366	901,366
2023	955,275	876	956,151
Total	<u>1,855,275</u>	<u>2,242</u>	<u>1,857,517</u>

Required Supplementary Information

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CITY OF WATSONVILLE, CALIFORNIA
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
 LAST SEVEN FISCAL YEARS
 JUNE 30, 2021

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

	2014	2015	2016	2017	2018	2019	2020
TOTAL PENSION LIABILITY	\$ 2,348,593	\$ 2,251,567	\$ 2,250,229	\$ 2,616,009	\$ 2,696,646	\$ 2,918,120	\$ 3,126,358
Service Cost	8,369,558	8,741,399	9,093,428	9,502,933	9,872,907	10,452,164	10,957,570
Interest	-	(1,088,430)	(1,307,204)	(160,738)	(622,350)	1,523,815	181,334
Differences between expected and actual experience	-	(2,194,095)	-	8,126,558	(617,380)	-	-
Changes in assumptions	-	-	-	-	-	-	-
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)	(6,846,317)
Net change in total pension liability	6,163,500	2,835,959	4,744,114	14,471,997	5,452,483	8,566,194	7,418,945
Total pension liability - beginning	112,697,136	118,860,636	121,696,595	126,440,709	140,912,706	146,365,189	154,931,383
Total pension liability - ending (a)	118,860,636	121,696,595	126,440,709	140,912,706	146,365,189	154,931,383	162,350,328
PLAN FIDUCIARY NET POSITION							
Contributions - employer	1,750,491	1,881,144	2,288,840	2,856,260	3,443,447	3,756,237	4,648,909
Contributions - employee	1,087,253	1,064,147	1,145,223	1,265,745	1,301,275	1,520,671	1,474,994
Net investment income (1)	14,090,974	2,081,010	501,726	10,269,390	8,537,327	7,097,297	5,707,428
Administrative expense	-	(105,873)	(57,299)	(136,723)	(457,364)	(76,957)	(160,932)
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)	(6,846,317)
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	4,824,082
Plan fiduciary net position - beginning	81,597,739	93,971,806	94,017,752	92,603,903	101,243,607	108,190,702	114,156,134
Plan fiduciary net position - ending (b)	93,971,806	94,017,752	92,603,903	101,243,607	108,190,702	114,156,134	118,980,216
Net pension liability - ending (a)-(b)	24,888,830	27,678,843	33,836,806	39,669,099	38,174,487	40,775,249	43,370,112
Plan fiduciary net position as a percentage of the total pension liability	79.06%	77.26%	73.24%	71.85%	73.92%	73.68%	73.29%
Covered payroll	17,390,545	17,452,658	17,680,742	18,366,981	18,917,990	19,029,329	20,531,347
Net pension liability as percentage of covered-employee payroll	143.12%	158.59%	191.38%	215.98%	201.79%	214.28%	211.24%

Notes to Schedule:

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

Changes in assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, 2018, 2019, and 2020, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.5% discount rate.

* Fiscal year 2015 was the 1st year of implementation.

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
LAST SEVEN FISCAL YEARS*
JUNE 30, 2021

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

	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 1,769,613	\$ 2,299,823	\$ 2,288,840	\$ 2,856,260	\$ 3,756,236	\$ 4,648,909	\$ 4,850,246
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)	(4,850,246)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	17,452,658	17,680,742	18,366,981	18,917,990	19,029,329	20,531,347	21,749,448
Contributions as a percentage of covered payroll	10.14%	13.01%	12.46%	15.10%	19.74%	22.64%	22.30%

Notes to Schedule

Valuation date: 6/30/19

Methods and assumptions used to determine contribution rates:

Discount Rate
7.15% @ 6/30/2019
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 2.75% for 2015 to 2019, 2.625% for 2020, and 2.50% for 2021

Salary increases Varies by Entry Age and Service

Investment rate of return 7.50% for 2015 to 2018, 7.375% for 2019,
7.25% for 2020, and 7.00% for 2021, net of
pension plan investment expenses, including

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

Post Retirement Benefit Increase Contract COLA up to 2.50% until Purchasing
Power Protection Allowance Floor on
Purchasing Power applies, 2.50% thereafter.

(1) The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries for 2015 to 2018. For 2019 to 2021, 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.

* Fiscal year 2015 was the 1st year of implementation.

CITY OF WATSONVILLE, CALIFORNIA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 LAST SEVEN FISCAL YEARS*
 JUNE 30, 2021

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

	2014	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability	\$ 0.358953%	\$ 0.379737%	\$ 0.387650%	\$ 0.388914%	\$ 0.666691%	\$ 0.679156%	\$ 0.697883%
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	46,495,443
Covered payroll	10,541,326	9,190,095	9,792,080	11,557,360	11,496,504	11,783,799	12,765,651
Proportionate share of the net pension liability as percentage of covered payroll	211.89%	283.62%	342.56%	333.72%	340.26%	359.79%	364.22%
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	24,782,493,361
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	18,120,140,152
Plan fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	72.69%	71.74%	73.39%	73.37%	73.12%

Notes to Schedule:

* 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 SEVEN FISCAL YEARS*
JUNE 30, 2021

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

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 2,648,853	\$ 2,921,288	\$ 3,364,471	\$ 3,606,866	\$ 3,940,104	\$ 4,649,154	\$ 5,129,097
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)	(5,129,097)
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	11,313,017
Contributions as a percentage of covered payroll	28.82%	29.83%	29.11%	31.37%	34.00%	36.81%	45.34%

Notes to Schedule

Valuation date: 6/30/19

Methods and assumptions used to determine contribution rates:

Discount Rate
7.15% @ 6/30/2019
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
2.75% for 2015 to 2019, 2.625 for 2020, and 2.50% for 2021

Salary increases
Varies by Entry Age and Service

Investment rate of return
7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021, net of pension plan investment expenses, including inflation.

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

Post Retirement Benefit Increase
Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries for 2015 to 2018. For 2019 to 2021, 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.

* 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/Y

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, 2021

	Special Revenue Funds						
	GAS TAX \$	NARCOTICS ASSETS SEIZURE \$	BUSINESS DEVELOPMENT \$	ECONOMIC DEVELOPMENT \$	LIBRARY \$	PARKS DEVELOPMENT \$	RETIREMENT TAX \$
ASSETS:							
Cash and investments	807,964	223,692	147,400	26,017	835,095	2,114,063	212,626
Receivables:							
Interest	-	-	-	42,970	-	-	-
Taxes	-	-	-	-	-	-	158,091
Accounts	3,903	-	2,657	-	354,818	9,917	-
Intergovernmental	313,216	-	-	-	-	-	-
Advances receivable	-	-	-	-	23,373	34,745	-
Loans receivable	-	-	-	53,770	-	-	-
Total Assets	<u>1,125,083</u>	<u>223,692</u>	<u>150,057</u>	<u>122,757</u>	<u>1,213,286</u>	<u>2,158,725</u>	<u>370,717</u>
LIABILITIES:							
Accounts payable	70,996	-	-	-	-	447	-
Accrued personnel costs	17,773	-	-	-	-	3,186	-
Retentions payable	1,299	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	<u>90,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,633</u>	<u>-</u>
Deferred Inflows of Resources							
Unavailable revenue	313,216	-	568	96,740	-	-	-
Total Deferred Inflows of Resources	<u>313,216</u>	<u>-</u>	<u>568</u>	<u>96,740</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Nonspendable	-	-	-	-	23,373	34,745	-
Restricted for:							
Assets seizure	-	223,692	-	-	-	-	-
Business development	-	-	149,489	-	-	-	-
Economic development	-	-	-	26,017	-	-	-
Library	-	-	-	-	1,189,913	-	-
Parks development	-	-	-	-	-	2,120,347	-
Retirement tax	-	-	-	-	-	-	370,717
Measure G/Y	-	-	-	-	-	-	-
Inclusionary housing	-	-	-	-	-	-	-
SB1 gas tax	721,799	-	-	-	-	-	-
Measure D	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	<u>721,799</u>	<u>223,692</u>	<u>149,489</u>	<u>26,017</u>	<u>1,213,286</u>	<u>2,155,092</u>	<u>370,717</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>1,125,083</u>	<u>223,692</u>	<u>150,057</u>	<u>122,757</u>	<u>1,213,286</u>	<u>2,158,725</u>	<u>370,717</u>

Continued

CITY OF WATSONVILLE, CALIFORNIA
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2021

	Special Revenue Funds						
	PARKING GARAGE	MEASURE G/Y	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	TOTAL
	\$	\$	\$	\$	\$	\$	\$
ASSETS:							
Cash and investments	541	3,093,802	19,204	540,506	1,697,637	2,469,383	12,187,930
Receivables:							
Interest	-	-	-	105,578	-	-	148,548
Taxes	-	892,514	-	-	93,095	197,862	1,341,562
Accounts	10,573	-	-	-	-	-	381,868
Intergovernmental	-	-	-	-	-	-	313,216
Advances receivable	-	-	-	23,429	-	-	81,547
Loans receivable	-	-	-	1,484,537	-	-	1,538,307
Total Assets	11,114	3,986,316	19,204	2,154,050	1,790,732	2,667,245	15,992,978
LIABILITIES:							
Accounts payable	6,019	123,918	-	9,604	-	80,455	291,439
Accrued personnel costs	-	137,300	-	20,150	-	712	179,121
Retentions payable	-	-	-	-	-	-	1,299
Unearned revenue	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-
Due to other funds	409,809	-	-	-	-	-	409,809
Total Liabilities	415,828	261,218	-	29,754	-	81,167	881,668
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	1,590,115	-	-	2,000,639
Total Deferred Inflows of Resources	-	-	-	1,590,115	-	-	2,000,639
Fund Balances:							
Nonspendable	-	-	-	23,429	-	-	81,547
Restricted for:							
Assets seizure	-	-	-	-	-	-	223,692
Business development	-	-	-	-	-	-	149,489
Economic development	-	-	-	-	-	-	26,017
Library	-	-	-	-	-	-	1,189,913
Parks development	-	-	-	-	-	-	2,120,347
Retirement tax	-	-	-	-	-	-	370,717
Measure G/Y	-	3,725,098	-	-	-	-	3,725,098
Abandoned vehicle	-	-	19,204	-	-	-	19,204
Inclusionary housing	-	-	-	510,752	-	-	510,752
SB1 gas tax	-	-	-	-	1,790,732	-	2,512,531
Measure D	-	-	-	-	-	2,586,078	2,586,078
Unassigned	(404,714)	-	-	-	-	-	(404,714)
Total Fund Balances	(404,714)	3,725,098	19,204	534,181	1,790,732	2,586,078	13,110,671
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	11,114	3,986,316	19,204	2,154,050	1,790,732	2,667,245	15,992,978
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, 2021

	Special Revenue Funds						
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	-	-	-	3,624,785	-	3,598,653
Licenses, permits and fees	-	-	92,848	-	2,484	205,416	-
Intergovernmental	1,157,022	-	-	-	58,220	-	-
Charges for services	-	-	-	-	-	-	-
Interest	521	168	117	-	571	1,450	-
Miscellaneous	14,856	4,747	-	2,391	51,450	52,973	-
Total revenues	1,172,399	4,915	92,965	2,391	3,737,510	259,839	3,598,653
EXPENDITURES:							
Current:							
General government	-	-	15,000	98	-	-	3,023
Public safety	-	29,551	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Streets	987,814	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,450,495	138,550	-
Total expenditures	987,814	29,551	15,000	98	3,450,495	138,550	3,023
Excess (deficiency) of revenues over (under) expenditures	184,585	(24,636)	77,965	2,293	287,015	121,289	3,595,630
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	(24,900)	-	(100,141)	-	(3,561,139)
Total other financing sources (uses)	-	-	(24,900)	-	(100,141)	-	(3,561,139)
Net change in fund balances	184,585	(24,636)	53,065	2,293	186,874	121,289	34,491
Fund balances, July 1 (as restated)	537,214	248,328	96,424	23,724	1,026,412	2,033,803	336,226
Fund balances, June 30	721,799	223,692	149,489	26,017	1,213,286	2,155,092	370,717

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, 2021

	Special Revenue Funds						
	PARKING GARAGE	MEASURE G/Y	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	TOTAL
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	4,688,780	-	-	874,077	1,100,350	13,886,645
Licenses, permits and fees	113,283	25,708	45,712	49,520	-	-	534,971
Intergovernmental	-	-	-	-	-	75,289	1,290,531
Charges for services	-	-	-	42,083	-	-	42,083
Interest	-	2,038	-	643	973	1,455	7,936
Miscellaneous	4	-	-	1,500	-	-	127,921
Total revenues	113,287	4,716,526	45,712	93,746	875,050	1,177,094	15,890,087
EXPENDITURES:							
Current:							
General government	173,785	-	-	-	-	-	191,906
Public safety	-	3,517,451	60,000	-	-	-	3,607,002
Housing	-	-	-	1,223,614	-	-	1,223,614
Streets	-	-	-	-	260,648	684,222	1,932,684
Culture and recreation	-	-	-	-	-	-	3,589,045
Total expenditures	173,785	3,517,451	60,000	1,223,614	260,648	684,222	10,544,251
Excess (deficiency) of revenues over (under) expenditures	(60,498)	1,199,075	(14,288)	(1,129,868)	614,402	492,872	5,345,836
OTHER FINANCING SOURCES (USES):							
Transfers in	93,195	-	-	-	-	-	93,195
Transfers (out)	(7,330)	(286,307)	-	-	-	-	(3,979,817)
Total other financing sources (uses)	85,865	(286,307)	-	-	-	-	(3,886,622)
Net changes in fund balances	25,367	912,768	(14,288)	(1,129,868)	614,402	492,872	1,459,214
Fund balances, July 1 (as restated)	(430,081)	2,812,330	33,492	1,664,049	1,176,330	2,093,206	11,651,457
Fund balances, June 30	(404,714)	3,725,098	19,204	534,181	1,790,732	2,586,078	13,110,671

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, 2021

	GAS TAX				NARCOTICS ASSETS SEIZURE			
	Budgeted Amounts		Variance With Final Budget - Positive (Negative)	\$	Budgeted Amounts		Variance With Final Budget - Positive (Negative)	\$
	Original	Final			Actual	\$		
REVENUES:								
Taxes								
Intergovernmental	943,236	943,236	1,157,022	213,786		-	-	-
Interest	4,200	4,200	521	(3,679)		1,500	1,500	168
Miscellaneous	-	-	14,856	14,856		10,000	10,000	(1,332)
Total revenues	947,436	947,436	1,172,399	224,963		11,500	11,500	4,915
EXPENDITURES:								
Public safety								
Streets	1,194,713	1,194,713	987,814	206,899		110,000	110,000	29,551
Total expenditures	1,194,713	1,194,713	987,814	206,899		110,000	110,000	29,551
Net changes in fund balances	(247,277)	(247,277)	184,585	(18,064)		(98,500)	(98,500)	(24,636)
Fund balances, July 1 (as restated)	537,214	537,214	537,214	-		248,328	248,328	248,328
Fund balances, June 30	289,937	289,937	721,799	(18,064)		149,828	149,828	223,692
								73,864

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, 2021**

	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	92,848	7,848	-	-	-	-
Interest	1,425	1,425	117	(1,308)	-	-	-	-
Miscellaneous	6,000	6,000	-	(6,000)	-	-	2,391	2,391
Total revenues	92,425	92,425	92,965	540	-	-	2,391	2,391
EXPENDITURES:								
Current:								
General government	73,000	73,000	15,000	58,000	-	-	98	(98)
Total expenditures	73,000	73,000	15,000	58,000	-	-	98	(98)
Excess (deficiency) of revenues over (under) expenditures	19,425	19,425	77,965	58,540	-	-	2,293	2,489
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(24,900)	(24,900)	(24,900)	-	-	-	-	-
Total other financing sources (uses)	(24,900)	(24,900)	(24,900)	-	-	-	-	-
Net changes in fund balances	(5,475)	(5,475)	53,065	58,540	-	-	2,293	2,489
Fund balances, July 1	96,424	96,424	96,424	-	-	-	23,724	23,724
Fund balances, June 30	90,949	90,949	149,489	58,540	-	-	26,017	26,213

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, 2021

	LIBRARY				PARKS DEVELOPMENT				Variance With Final Budget - Positive (Negative)	
	Budgeted Amounts		Actual	\$	Budgeted Amounts		Actual	\$		
	Original	Final			Original	Final				
REVENUES:										
Taxes	2,578,696	2,578,696	3,624,785	1,046,089	-	-	-	-	-	
Licenses, permits and fees	34,000	34,000	2,484	(31,516)	191,985	191,985	205,416	13,431		
Intergovernmental	43,000	43,000	58,220	15,220	-	-	-	-		
Interest	20,000	20,000	571	(19,429)	5,500	5,500	1,450	(4,050)		
Miscellaneous	10,000	10,000	51,450	41,450	-	-	52,973	52,973		
Total revenues	2,685,696	2,685,696	3,737,510	1,051,814	197,485	197,485	259,839	62,354		
EXPENDITURES:										
Current:										
Culture and recreation	3,208,587	3,208,587	3,450,495	(241,908)	452,868	452,868	138,550	314,318		
Total expenditures	3,208,587	3,208,587	3,450,495	(241,908)	452,868	452,868	138,550	314,318		
Excess (deficiency) of revenues over (under) expenditures	(522,891)	(522,891)	287,015	809,906	(255,383)	(255,383)	121,289	376,672		
OTHER FINANCING SOURCES (USES):										
Transfers (out)	(100,141)	(100,141)	(100,141)	-	-	-	-	-	-	
Total other financing sources (uses)	(100,141)	(100,141)	(100,141)	-	-	-	-	-	-	
Net change in fund balances	(623,032)	(623,032)	186,874	809,906	(255,383)	(255,383)	121,289	376,672		
Fund balances, July 1	1,026,412	1,026,412	1,026,412	-	2,033,803	2,033,803	2,033,803	-		
Fund balances, June 30	403,380	403,380	1,213,286	809,906	1,778,420	1,778,420	2,155,092	376,672		

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, 2021

	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	3,561,139	3,561,139	3,598,653	37,514	-	-	-	-	-	
Licenses, permits, and fees	-	-	-	-	162,000	162,000	113,283	(48,717)	4	
Miscellaneous	-	-	-	-	-	-	4	4	4	
Total revenues	3,561,139	3,561,139	3,598,653	37,514	162,000	162,000	113,287	(48,713)		
EXPENDITURES:										
Current:										
General government	-	-	3,023	(3,023)	160,697	160,697	173,785	(13,088)		
Total expenditures	-	-	3,023	(3,023)	160,697	160,697	173,785	(13,088)		
Excess (deficiency) of revenues over (under) expenditures	3,561,139	3,561,139	3,595,630	34,491	1,303	1,303	(60,498)	(61,801)		
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	-	-	93,195	93,195	93,195	-		
Transfers (out)	(3,561,139)	(3,561,139)	(3,561,139)	-	(3,886)	(3,886)	(7,330)	(3,444)		
Total other financing sources (uses)	(3,561,139)	(3,561,139)	(3,561,139)	-	89,309	89,309	85,865	(3,444)		
Net change in fund balances	-	-	34,491	34,491	90,612	90,612	25,367	(65,245)		
Fund balances, July 1	336,226	336,226	336,226	-	(430,081)	(430,081)	(430,081)	-		
Fund balances, June 30	336,226	336,226	370,717	34,491	(339,469)	(339,469)	(404,714)	(65,245)		

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, 2021

	MEASURES G/Y				ABANDONED VEHICLE			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
REVENUES:								
Taxes	4,023,000	4,023,000	4,688,780	665,780	-	-	-	-
Licenses, permits and fees	600	600	25,708	25,108	60,000	60,000	45,712	(14,288)
Interest	10,000	10,000	2,038	(7,962)	-	-	-	-
Total revenues	4,033,600	4,033,600	4,716,526	682,926	60,000	60,000	45,712	(14,288)
EXPENDITURES:								
Current:								
Public safety	3,687,678	3,687,678	3,517,451	170,227	60,000	60,000	60,000	-
Total expenditures	3,687,678	3,687,678	3,517,451	170,227	60,000	60,000	60,000	-
Excess (deficiency) of revenues over (under) expenditures	345,922	345,922	1,199,075	853,153	-	-	(14,288)	(14,288)
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(286,307)	(286,307)	(286,307)	-	-	-	-	-
Total other financing sources (uses)	(286,307)	(286,307)	(286,307)	-	-	-	-	-
Net change in fund balances	59,615	59,615	912,768	853,153	-	-	(14,288)	(14,288)
Fund balances, July 1	2,812,330	2,812,330	2,812,330	-	33,492	33,492	33,492	-
Fund balances, June 30	2,871,945	2,871,945	3,725,098	853,153	33,492	33,492	19,204	(14,288)

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, 2021

	INCLUSIONARY HOUSING				SB 1 - GAS TAX				Variance With Final Budget - Positive (Negative)	
	Budgeted Amounts		Actual	\$	Budgeted Amounts		Actual	\$		
	Original	Final			Original	Final				
REVENUES:										
Taxes										
Licenses, permits and fees	22,000	22,000	49,520	27,520		575,000	575,000	874,077	299,077	
Charges for services	60,000	60,000	42,083	(17,917)		-	-	-	-	
Interest	10,000	10,000	643	(9,357)	2,160	2,160	973	(1,187)		
Miscellaneous	5,000	5,000	1,500	(3,500)		-	-	-	-	
Total revenues	97,000	97,000	93,746	(3,254)	577,160	577,160	875,050	297,890		
EXPENDITURES:										
Current:										
Housing	1,741,604	1,741,604	1,223,614	517,990		-	-	-	-	
Streets	-	-	-	-	2,032,088	2,032,088	260,648	1,771,440		
Total expenditures	1,741,604	1,741,604	1,223,614	517,990	2,032,088	2,032,088	260,648	1,771,440		
Excess (deficiency) of revenues over (under) expenditures	(1,644,604)	(1,644,604)	(1,129,868)	514,736	(1,454,928)	(1,454,928)	614,402	(1,473,550)		
OTHER FINANCING SOURCES (USES):										
Transfers (out)	(50,000)	(50,000)	-	50,000	-	-	-	-	-	
Total other financing sources (uses)	(50,000)	(50,000)	-	50,000	-	-	-	-	-	
Net changes in fund balances	(1,694,604)	(1,694,604)	(1,129,868)	564,736	(1,454,928)	(1,454,928)	614,402	(1,473,550)		
Fund balances, July 1	1,664,049	1,664,049	1,664,049	-	1,176,330	1,176,330	1,176,330	-		
Fund balances, June 30	(30,555)	(30,555)	534,181	564,736	(278,598)	(278,598)	1,790,732	(1,473,550)		

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, 2021**

MEASURE D				Variance With Final Budget - Positive (Negative)	
Budgeted Amounts		Actual			
Original	Final	\$			
REVENUES:					
Taxes	621,600	621,600	1,100,350	478,750	
Intergovernmental	1,550,000	1,550,000	75,289	(1,474,711)	
Interest	5,000	5,000	1,455	(3,545)	
Total revenues	2,176,600	2,176,600	1,177,094	(999,506)	
EXPENDITURES:					
Current:					
Streets	2,819,898	2,819,898	684,222	2,135,676	
Total expenditures	2,819,898	2,819,898	684,222	2,135,676	
Excess (deficiency) of revenues over (under) expenditures	(643,298)	(643,298)	492,872	1,136,170	
Net change in fund balance	(643,298)	(643,298)	492,872	1,136,170	
Fund balance, July 1	2,093,206	2,093,206	2,093,206	-	
Fund balance, June 30	1,449,908	1,449,908	2,586,078	1,136,170	

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, 2021

	Budgeted Amounts			Variance With Final Budget -
	Original	Final	Actual	Positive (Negative)
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	52,581	52,581	55,670	3,089
Total revenues	<u>52,581</u>	<u>52,581</u>	<u>55,670</u>	<u>3,089</u>
EXPENDITURES:				
Debt service:				
Principal	729,521	729,521	741,194	(11,673)
Interest and fiscal charges	<u>134,150</u>	<u>134,150</u>	<u>147,166</u>	<u>(13,016)</u>
Total expenditures	<u>863,671</u>	<u>863,671</u>	<u>888,360</u>	<u>(24,689)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(811,090)</u>	<u>(811,090)</u>	<u>(832,690)</u>	<u>(21,600)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	811,090	811,090	840,955	29,865
Total other financing sources (uses)	<u>811,090</u>	<u>811,090</u>	<u>840,955</u>	<u>29,865</u>
Net change in fund balance	-	-	8,265	8,265
Fund balance, July 1	<u>238,493</u>	<u>238,493</u>	<u>238,493</u>	<u>-</u>
Fund balance, June 30	<u>238,493</u>	<u>238,493</u>	<u>246,758</u>	<u>8,265</u>

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.

Contents	Page
Financial Trends	113
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	118
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	123
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	126
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	129
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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities										
Net investment in capital assets	128,634	121,354	118,302	114,148	110,806	111,256	108,892	110,033	109,660	108,607
Restricted	39,086	41,689	42,945	44,188	16,754	16,496	19,849	19,803	8,803	24,412
Unrestricted	(7,011)	(4,812)	(2,634)	(39,888)	(7,184)	(3,294)	475	(1,797)	6,712	(4,162)
Total governmental activities net position	<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>	<u>128,857</u>
Business-type activities										
Net investment in capital assets	99,867	100,375	99,277	98,484	94,655	96,034	95,782	92,296	97,119	93,904
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	8,671	6,562	10,865	(2,581)	2,587	5,524	9,085	20,058	19,821	27,642
Total business-type activities net position	<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>	<u>121,546</u>
Primary government										
Net investment in capital assets	228,501	221,729	217,579	212,632	205,461	207,290	204,674	202,329	206,779	202,511
Restricted	39,086	41,689	42,945	44,188	16,754	16,496	19,849	19,803	22,228	24,412
Unrestricted	1,660	1,750	8,231	(42,469)	(4,597)	2,230	9,560	18,261	13,109	23,480
Total primary government net position	<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>	<u>250,403</u>

CITY OF WATSONVILLE, CALIFORNIA

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses:										
Governmental activities:										
General government	7,729	7,140	11,773	5,494	7,151	8,257	7,032	15,143	13,812	8,599
Public safety	18,888	21,249	23,020	25,716	27,751	27,382	30,972	31,221	35,811	35,608
Housing	3,091	1,543	820	1,298	1,389	2,318	1,158	2,289	2,059	24,412
Highways and streets	8,926	7,110	6,708	4,697	3,043	6,348	5,974	8,561	6,931	8,652
Culture and recreation	7,510	7,511	7,334	7,916	8,613	7,817	8,591	9,152	9,850	(4,162)
Interest on long term debt	1,153	346	189	132	112	146	158	491	78	123
Total governmental activities	<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>	<u>73,232</u>
Business-type activities:										
Water	11,213	11,249	11,001	11,583	15,537	13,851	12,038	13,996	19,378	15,960
Sewer	9,842	9,863	9,298	10,741	10,731	10,272	13,175	14,195	14,099	14,190
Solid Waste	8,583	8,557	8,699	10,136	9,181	10,976	12,758	11,925	12,567	19,189
Airport	2,539	3,347	2,888	2,580	2,225	2,684	3,382	5,118	3,803	4,235
Fiber Optic	-	-	-	-	8	41	46	68	59	69
Total business-type activities	<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>	<u>53,643</u>
Total primary government	<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>	<u>126,875</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	3,095	3,489	9,249	5,488	5,524	8,426	8,285	12,233	8,649	9,181
Public safety	1,703	1,623	1,549	1,396	1,853	1,780	1,875	822	874	821
Housing	903	97	1,619	391	-	675	289	866	782	667
Highways and streets	16	1,579	2,501	1,585	1,858	2,284	2,663	1,057	799	64
Culture and recreation	1,165	739	827	1,330	833	952	1,189	1,244	832	606
Operating grants and contributions	6,906	4,926	2,657	2,393	3,590	3,310	2,772	2,501	5,988	5,100
Capital grants and contributions	962	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<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>	<u>16,439</u>
Business-type activities:										
Charges for services:										
Water	10,119	9,964	12,363	12,075	12,756	14,617	15,243	17,358	20,484	19,885
Sewer	8,782	9,128	10,864	10,046	14,307	12,069	12,475	13,444	14,153	15,119
Solid Waste	8,712	8,952	9,580	10,471	10,746	11,225	12,549	13,493	14,587	18,310
Airport	2,229	2,254	1,844	1,956	2,159	1,937	2,576	5,595	3,713	2,432
Fiber Optic	-	-	-	-	23	44	43	45	74	609
Operating grants and contributions	990	784	603	901	759	1,373	1,430	2,016	796	732
Capital grants and contributions	172	994	1,156	590	659	1,104	311	94	163	107
Total business-type activities program revenues	<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>	<u>57,194</u>

Continued

CITY OF WATSONVILLE, CALIFORNIA

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

	Fiscal Year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Net (expense) / revenue											
Governmental activities	(32,547)	(32,448)	(31,442)	(32,670)	(34,401)	(34,840)	(37,564)	(48,134)	(50,655)	(46,217)	
Business-type activities	(1,174)	(939)	4,525	999	3,727	4,544	3,227	6,744	4,065	3,551	
Total primary government net expense	<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>	<u>24,412</u>	
General Revenues and Other Changes in Net Position										-4162	
Governmental activities:											
Taxes											
Property taxes	13,825	12,383	12,090	11,868	12,846	13,300	13,436	15,669	16,243	16,169	
Sales taxes	9,774	9,276	11,436	13,988	16,693	16,083	18,393	19,369	19,075	22,232	
Utility users taxes	2,934	3,068	3,029	3,437	3,183	3,679	4,019	4,011	4,265	3,994	
Franchise taxes	365	417	365	404	456	471	436	460	458	563	
Other taxes	708	1,069	1,120	1,295	1,457	1,792	2,060	3,125	2,906	2,610	
Intergovernmental revenue not restricted	1,255	1,235	1,686	1,475	1,120	1,009	1,048	1,021	1,139	1,434	
Transfers	-	171	211	226	232	308	270	272	251	246	
Unrestricted investment earnings	2,190	2,173	1,890	1,916	2,098	2,218	2,660	3,030	3,416	2,531	
Total governmental activities	<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>	<u>49,779</u>	
Business-type activities:											
Transfers	-	(171)	(211)	(226)	(231)	(308)	(270)	(272)	(251)	(246)	
Other Revenue	-	-	-	-	-	-	-	-	-	1,274	
Unrestricted investment earnings	724	291	263	269	201	206	352	1,014	811	70	
Total business-type activities	<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>	<u>1,098</u>	
Total primary government	<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>	<u>50,877</u>	
Change in net position before extraordinary item											
Governmental activities	(1,496)	(2,656)	385	1,939	3,683	4,020	4,758	(1,177)	(2,863)	3,605	
Business-type activities	(450)	(819)	4,577	1,043	3,696	4,442	3,309	7,486	4,586	4,606	
Total primary government	<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>	<u>8,211</u>	
Extraordinary items											
Governmental activities	21,010	-	-	-	-	-	-	-	-	-	
Total primary government	<u>21,010</u>	<u>-</u>	<u>-</u>								
Change in net position											
Governmental activities	19,514	(2,656)	385	1,939	3,683	4,020	4,758	(1,177)	(2,863)	3,605	
Business-type activities	(450)	(819)	4,577	1,043	3,696	4,442	3,309	7,486	4,586	4,606	
Total primary government	<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>	<u>8,211</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General fund										
Nonspendable	44	65	56	35	3,365	2,965	2,588	123	114	18
Restricted	-	-	-	-	-	-	-	-	-	-
Unassigned	4,305	4,428	1,881	4,595	4,228	6,057	10,342	13,144	16,478	18,253
Total general fund	<u>4,349</u>	<u>4,493</u>	<u>1,937</u>	<u>4,630</u>	<u>7,593</u>	<u>9,022</u>	<u>12,930</u>	<u>13,267</u>	<u>16,592</u>	<u>18,271</u>
All other governmental funds										
Restricted, reported in										
Special revenue funds	12,158	12,069	12,021	14,566	18,216	17,880	20,926	20,607	22,465	24,778
Debt service funds	932	87	79	72	125	131	123	129	238	247
Unassigned	(1,967)	(1,021)	(910)	(1,069)	(770)	(740)	(728)	(615)	(475)	(404)
Total all other governmental funds	<u>11,123</u>	<u>11,135</u>	<u>11,190</u>	<u>13,569</u>	<u>17,571</u>	<u>17,271</u>	<u>20,321</u>	<u>20,121</u>	<u>22,228</u>	<u>24,621</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Taxes	28,860	27,448	29,725	32,466	35,754	36,198	39,392	43,655	42,029	45,583
Licenses, permits, and fees	3,272	2,757	4,855	5,248	5,795	5,885	6,642	5,971	5,315	3,378
Intergovernmental	7,670	4,530	3,032	2,458	3,336	3,410	3,455	3,417	9,167	5,734
Charges for services	4,773	4,704	2,447	2,458	2,945	2,770	3,224	3,072	3,534	3,396
Fines	804	588	622	552	690	737	723	708	24,412	462
Interest	2,344	2,309	2,084	2,076	2,168	2,435	2,869	3,405	3,280	2,529
Special assessment	172	229	92	91	77	60	58	50	(4,162)	-
Miscellaneous	956	475	825	1,995	2,810	1,871	2,491	3,007	3,826	3,940
Total revenues	48,851	43,040	43,682	47,344	53,575	53,366	58,854	63,285	87,401	65,022
Expenditures										
Current:										
General government	5,594	6,407	10,447	5,574	6,989	7,556	7,978	13,062	11,330	10,089
Public safety	18,473	20,353	20,406	22,707	24,860	24,271	26,744	30,459	30,543	30,012
Housing	3,191	1,566	820	1,298	1,389	2,318	1,158	2,289	2,059	4,159
Streets	8,598	6,509	5,972	4,252	1,672	5,772	5,385	8,759	8,911	7,827
Culture and recreation	6,152	6,051	6,505	7,172	7,090	7,079	7,837	9,406	9,076	8,297
Capital outlay	3,929	1,134	1,581	817	3,286	4,833	2,404	-	-	-
Debt service:										
Principal	2,139	1,381	439	495	429	478	463	730	797	2,391
Interest and fiscal charges	1,267	299	195	159	183	173	161	220	82	147
Total expenditures	49,343	43,700	46,365	42,474	45,898	52,480	52,130	64,925	62,798	62,922
Excess (deficiency) of revenues over (under) expenditures	(492)	(660)	(2,683)	4,870	7,677	886	6,724	(1,640)	24,603	2,100
Other financing sources (uses)										
Bond/note proceeds	3,014	695	191	-	-	-	-	1,541	144	1,649
Transfers in	5,883	4,388	3,238	3,340	3,692	3,562	4,464	5,457	4,750	6,171
Transfers out	(5,883)	(4,217)	(3,309)	(3,150)	(3,496)	(3,290)	(4,230)	(5,222)	(4,535)	(5,926)
Total other financing sources (uses)	3,014	866	120	190	196	272	234	1,776	359	1,894
Net change in fund balances before extraordinary items	2,522	206	(2,563)	5,060	7,873	1,158	6,958	136	24,962	3,995
Extraordinary items	-228	-	-	-	-	-	-	-	-	-
Net change in fund balances	2,294	206	(2,563)	5,060	7,873	1,158	6,958	136	24,962	3,995
Debt service as a percentage of noncapital expenditures	**	**	**	**	**	**	**	**	**	**
	26.0%	8.1%	4.1%	1.4%	1.6%	1.5%	1.4%	1.5%	1.4%	4.2%

** 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
	\$	\$	\$	\$	\$	\$
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
2021	16,169	22,232	563	3,994	2,610	45,568

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 Direct Tax Rate (1)	Estimated Actual Taxable Value	Assessed Value as a % of Actual Taxable Value
	\$	\$	\$	\$	\$	\$	\$	%	\$	%
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
2021	3,002,026	640,089	485,947	410,766	276,813	205,383	4,610,258	1.16	4,610,258	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
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
2021	1.000	0.084	0.077	1.161

Source: HDL, Coren & Cone

CITY OF WATSONVILLE, CALIFORNIA
Principal Property Taxpayers
June 30, 2021
(amounts expressed in thousands)

	2021			2012		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
			%			%
S Martinelli And Company	55,433	1	1.20%	35,701	2	1.13%
MPT of Watsonville	47,889	2	1.04%			
OW Family-Lee Road LLC	36,164	3	0.78%	23,440	3	0.74%
Blackbird Homes LLC	26,902	4	0.58%			
Freedom Associates LLC	25,958	5	0.56%	19,835	6	0.63%
William J and Neva J Hansen Co Trustees	25,143	6	0.55%			
Home Depot Dev	23,287	7	0.51%	18,282	4	0.65%
111 Jenning Drive LLC	22,986	8	0.50%			
Harvest Drive Properties LLC	22,344	9	0.48%			
Tkg lli Watsonville LLC	20,891	10	0.45%			
Watsonville Hospital Corp				57,905	1	1.85%
WRI Freedom Center LP				17,271	8	0.55%
Granite Construction Co				18,459	7	0.59%
Robert S Martinelli				20,145	5	0.64%
Dayton Hudson Corporation				15,523	9	0.49%
Watsonville Square LLC				14,911	10	0.47%
Totals	<u>306,997</u>		<u>6.65%</u>	<u>241,472</u>		<u>7.74%</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
	\$	\$	\$	\$	\$	\$
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
2021	10,732,446	10,732,446	100%	127,234	-	10,859,680

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			
	\$	\$	\$	\$	\$	\$	\$		
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	0.99%	0.216
2021	2,938	-	-	-	8,150	-	11,088	1.24%	0.216

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
	\$	\$	\$		\$
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
2021	2,938	247	2,691	0.06%	1,909

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)**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	122,989	121,772	123,043	133,232	139,945	149,679	158,656	166,439	175,678	181,450
Total net debt applicable to limit	4,800	5,241	5,082	4,676	4,129	3,687	3,283	4,154	3,441	2,691
Legal debt margin	117,136	114,555	118,367	128,556	135,816	145,992	155,373	162,285	172,237	178,759
Total net debt applicable to the limit as a percentage of debt limit	3.903%	4.304%	4.130%	3.510%	2.950%	2.463%	2.069%	2.496%	1.959%	1.483%

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value	\$4,610,259
Add back: exempt real property	228,404
Total assessed value	<u>4,838,663</u>
Debt Limit = 3.75% of assessed valuation	181,450
Debt applicable to limit	2,938
Less: Amount set aside for repayment of general obligation debt	247
Total net debt applicable to limit	<u>2,691</u>
Legal debt margin	<u><u>\$ 178,759</u></u>

Source: City of Watsonville

CITY OF WATSONVILLE, CALIFORNIA

Computation of Direct and Overlapping Bonded Debt

June 30, 2021

(amounts expressed in thousands, except per capita amount)

Jurisdiction	Total Debt Outstanding	(1) Percentage Applicable	Estimated Share of Overlapping Debt
	\$		\$
Direct Debt:			
City of Watsonville	2,938	100%	2,938
Total of Direct Debt			2,938
Overlapping Tax Debt:			
Cabrillo Joint Community College District	109,958	9.07%	9,972
Pajaro Valley Unified School District	169,709	26.51%	44,983
Santa Cruz County General Fund Obligations	65,060	9.14%	5,946
Santa Cruz County Office of Education General Fund Obligations	7,790	9.14%	712
Pajaro Valley Joint Unified School District Certificates of Participation	14,795	26.51%	3,922
City of Watsonville General Fund Obligations (2)	5,587	100.00%	5,587
Successor Agency	8,210	100.00%	8,210
Total Overlapping Debt	381,109		(3) 79,331
Total Direct and Overlapping Bonded Debt	384,047		79,334

Source: Wildan Financial Services

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Includes share of Santa Cruz County Emergency Communication Center obligations (\$480,963).

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

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)
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%
2021	51,366	1,122,733	21,857	30.3	N/A	19,772	14.8%

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 w/in the City are not accounted for in this statistics.

CITY OF WATSONVILLE, CALIFORNIA

Principal Employers
Current Fiscal Year and Ten Years Ago

	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Pajaro Valley Unified School District	3,418	1	14.18%	2,066	1	11.95%
Monterey Mushrooms Inc.	790	2	3.28%			
Watsonville Community Hospital	620	3	2.57%	662	2	3.83%
Granite Construction	566	4	2.35%			
Salud Para La Gente	445	5	1.85%			
Lakeside Organic Gardens LLC	425	6	1.76%			
City of Watsonville *	388	7	1.61%	362	5	2.09%
Fox Factory	309	8	1.28%	400	3	2.31%
S Martinelli & Co.	275	9	1.14%	180	8	1.04%
West Marine Products	256	10	1.06%	407	4	2.35%
Target				237	6	1.37%
Del Mar Food Products, Inc				200	7	1.16%
Mi Pueblo Food Center				172	9	1.00%
Couch Distributing				165	10	0.95%
Total	<u>7,492</u>		<u>31.09%</u>	<u>4,851</u>		<u>28.06%</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

<https://www.labormarketinfo.edd.ca.gov/data/labor-force-and-unemployment-for-cities-and-census-areas.html>

CITY OF WATSONVILLE, CALIFORNIA

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	7	6	6	7	7	9	9	9	9	10
City Clerk	4	3	3	3	3	3	3	3	3	4
Community Development	16	13	14	13	11.5	14	15	16	16	12
Finance	22	22	17	16	16	10	10	11	11	10
Fire	36	36	35	41	41	40	42	43	43	31
Information Services *	n/a	n/a	n/a	n/a	n/a	8	8	8	9	11
Police:										
Officers	70	73	68	64	67.2	66	75	75	75	71
Civilians	18	19	17	22	26	27	22	24	23	21
Library	24	29	29	29	27.41	25	25	26	27	23
Parks & Community Services	30	27	27	27	25.88	26	29	29	26	22
Public Works	17	16	16	16	14	14	13	15	15	15
Airport	8	9	9	9	9	9	10	13	13	10
LLMAD	1	1	1	1	1	1	1	1	1	1
Gas Tax	n/a	n/a	n/a	n/a	n/a	0	2	4	4	3
Parking Garage	0	0	0	0	0	0	0	0	0	0
Redevelopment and Housing	10	4	4	4	5.2	3	4	4	4	5
Solid Waste	34	37	38	36	44	46	49	43	43	43
Wastewater	41	44	46	47	49	53	55	59	59	52
Water	30	27	31	34	35	38	41	44	44	44
	368	366	361	369	382.19	392	413	427	425	388

* 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government:										
City Council meetings	25	24	22	27	19	21	25	25	23	22
Resolutions processed	158	169	153	181	199	187	192	180	229	282
Recruitments	36	29	52	46	59	66	41	55	44	76
Community Development:										
Planning application reviews	289	332	259	393	361	369	423	442	396	230
Construction inspections	1,459	1,784	1,851	1,725	1,165	2,933	3,828	3,624	2,904	1,029
Building Permits	766	852	625	768	817	862	1,034	810	758	1,493
Finance:										
Payroll checks issued	12,784	12,336	12,203	12,327	12,511	12,547	13,323	13,028	13,045	11,200
Utility accounts	14,684	14,618	14,685	15,023	15,024	14,985	15,043	15,070	14,556	14,474
A/P checks issued	7,634	7,484	7,460	7,313	7,517	7,644	7,588	8,062	7,695	6,890
Fire:										
Field incidents dispatched	4,734	4,092	4,123	4,282	4,282	4,997	5,070	5,286	5,427	6,539
Information Services:										
Client Computers	450	450	542	542	531	531	646	646	682	698
Library:										
Items used/checked out	231,384	259,986	262,929	411,234	411,234	439,234	272,468	326,888	303,137	34,242
Parks & Community Services:										
Registered Participants	807	628	506	549	475	479	413	297	335	48
Police:										
Moving and Parking Citations	12,161	11,204	9,876	10,524	11,105	12,747	9,600	15,659	9,738	8,721
Service Calls Dispatch	62,047	62,126	61,239	65,288	69,668	67,632	65,635	44,386	56,901	53,730
URC Crime Rate (# crimes/1,000 population, calendar years)	32	27	25	39	40	43	38	34	34	30
Wastewater:										
Avg. Annual volume per day septicage treated (in million gallons)	6.65	6.98	7.70	7.81	3.39	3.49	4.38	5.38	4.94	5.90
Water:										
Water production (acre feet)	7,758	7,761		7,163	6,597	6,648	7,102	6,906	7,882	7,100
Solid Waste:										
Refuse handled (tons)	32,812	32,995	32,607	40,204	41,389	36,028	34,286	35,109	35,202	39,898
Recycled material (tons)	6,258	5,847	6,041	4,946	7,466	7,081	8,188	7,070	6,050	5,808

Source: City of Watsonville departments

CITY OF WATSONVILLE, CALIFORNIA

Capital Assets Statistics by Function
Last Ten Fiscal Years

Function	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	18	17	17	17	22	22	22	22
Patrol motorcycles	6	6	6	4	5	5	5	5	6	6
Library:										
Buildings	2	2	2	2	2	2	2	2	2	2
Parks & Community Services:										
Parks	21	21	21	26	26	26	26	26	26	26
Acreage of parks	85.0	85.0	85.0	143.0	143.0	143.0	143.0	143.0	143	143
Community Centers	6	6	6	5	5	5	5	6	8	8
Public Works:										
Miles of streets	96	96	96	89	89	89	89	89	89	89
Airport:										
Runways	2	2	2	2	2	2	2	2	2	2
Wastewater:										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Capacity of treatment plant*	12.1	12.1	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	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Average consumption*	6.3	6.3	6.3	6.1	5.9	5.9	5.9	6.2	7	7
*(gallons per day in millions)										
Solid Waste:										
Collection trucks	19	16	16	16	19	19	20	20	25	25

Source: City of Watsonville departments

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