

City of Watsonville

Measure D Fund Financial Statements

Watsonville, California

For the Year Ended June 30, 2022

The Page Left Intentionally Blank

CITY OF WATSONVILLE
MEASURE D FUND FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Table of Contents

Independent Auditor's Report	1
Financial Statements:	
Balance Sheet.....	4
Statement of Revenues, Expenditures, and Change in Fund Balance.....	5
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	6
Notes to the Basic Financial Statements	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9

The Page Left Intentionally Blank



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Measure D Fund (the Fund) of the City of Watsonville, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2022, and the respective changes in the financial position listed in the Table of Contents as part of the financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not present fairly the financial position of the City of Watsonville as of June 30, 2022, the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 21, 2022

CITY OF WATSONVILLE
MEASURE D FUND
BALANCE SHEET
June 30, 2022

ASSETS

Cash and investments	\$ 3,304,950
Accounts receivable	300,489
TOTAL ASSETS	\$ 3,605,439

LIABILITIES

Accounts payable	\$ 39,770
Accrued salaries payable	-
Total Liabilities	39,770

FUND BALANCE

Restricted for:

Admin cost	2,445
Other Measure D programs	3,563,223
Total Fund Balance	3,565,668
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,605,438

See accompanying Notes to Basic Financial Statements.

**CITY OF WATSONVILLE
MEASURE D FUND**
**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE**
For The Year Ended June 30, 2022

REVENUES

Measure D allocation	\$ 1,260,173
Interest	9,888
Miscellaneous	215,326
Total Revenues	1,485,387

EXPENDITURES

Street Sidewalks	503,352
Administrative costs	2,445
Total Expenditures	505,797

NET CHANGE IN FUND BALANCE 979,590

FUND BALANCE

Beginning Fund Balance	2,586,078
Ending Fund Balance	\$ 3,565,668

See accompanying Notes to Basic Financial Statements.

**CITY OF WATSONVILLE
MEASURE D FUND**
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**
For The Year Ended June 30, 2022

	Final Budget	Actual	Variance
			Favorable (Unfavorable)
REVENUES			
Sales tax - Transportation	\$ 927,424	\$ 1,260,173	\$ 332,749
Interest Revenue	15,000	9,888	(5,112)
Miscellaneous	-	215,326	215,326
Total Revenues	942,424	1,485,387	327,637
EXPENDITURES			
Street Sidewalks	2,960,976	503,352	2,457,624
Administrative costs	-	2,445	(2,445)
Total Expenditures	2,960,976	505,797	2,455,179
NET CHANGE IN FUND BALANCE	<u>\$ (2,018,552)</u>	979,590	<u>\$ 2,782,816</u>
FUND BALANCE			
Beginning Fund Balance		2,586,078	
Ending Fund Balance		<u>\$ 3,565,668</u>	

See accompanying Notes to Basic Financial Statements

**CITY OF WATSONVILLE
MEASURE D FUND**
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On November 8, 2016, the voters of Santa Cruz County, pursuant to the provisions of the Local Transportation Authority and Improvement Act (the Act), California Public Utilities Code, Division 19, Section 180000 et seq. adopted an ordinance approving the Santa Cruz County Transportation Improvement Plan Measure (Measure D), thereby authorizing Santa Cruz County Regional Transportation Commission, referred to herein as the Local Transportation Authority (Authority), to administer the proceeds from a retail transaction and use tax of one-half of one-percent (0.5%) that will last for 30 years from the initial date of collection. The Measure D Ordinance authorizes the Authority to allocate, administer, and oversee the expenditure of all Measure D revenues and to distribute revenues no less than quarterly to local jurisdictions (including City of Watsonville), Santa Cruz Metropolitan Transit District, and the Consolidated Transportation Service Agency.

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

B. Basis of Accounting

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

C. Estimates

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2022, consist of the following:

Pooled cash and investments with the City of Watsonville \$3,304,950

Please refer to the notes of the City's June 30, 2022 Annual Comprehensive Financial Report regarding cash and investments for additional detail.

The Page Left Intentionally Blank



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Watsonville Measure D Fund (the Fund) as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated December 21, 2022 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze & Associates

Pleasant Hill, California
December 21, 2022