

**CITY OF WATSONVILLE  
MEASURE G**

FINANCIAL STATEMENTS  
June 30, 2015

**CITY OF WATSONVILLE**  
**MEASURE G**  
**TABLE OF CONTENTS**  
June 30, 2015

Independent Auditors' Report ..... 1

Balance Sheet ..... 2

Statement of Revenues, Expenditures, and Changes in Fund Balance..... 3

Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget and Actual..... 4

Notes to Financial Statements ..... 5

**SUPPLEMENTARY INFORMATION SECTION:**

Independent Auditors' Report on Measure G Compliance ..... 6



Moss, Levy & Hartzheim LLP  
 Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

City Council  
 City of Watsonville  
 Watsonville, California

We have audited the accompanying financial statements of the Measure G Fund of the City of Watsonville, as of and for the fiscal year ended June 30, 2015, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion 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 entity'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 entity'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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure G Fund of the City of Watsonville as of June 30, 2015, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measure G Fund and do not purport to, and do not, present fairly the financial position of the City of Watsonville as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the fiscal 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.

*Moss, Levy & Hartzheim LLP*

Santa Maria, California  
 February 8, 2016

**CITY OF WATSONVILLE**  
**MEASURE G**  
**BALANCE SHEET**  
June 30, 2015

**ASSETS**

Cash and investments	\$ 873,750
Accounts receivable	519,200
Due from other governments	<u>80,949</u>
Total current assets	<u>\$ 1,473,899</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$ 120,382
Accrued liabilities	24,073
Unearned revenue	<u>80,949</u>
Total liabilities	<u>225,404</u>

Fund Balance:

Restricted for police services	622,128
Restricted for fire services	<u>626,367</u>
Total fund balance	<u>1,248,495</u>
Total liabilities and fund balance	<u>\$ 1,473,899</u>

See notes to financial statements

**CITY OF WATSONVILLE**  
**MEASURE G**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Fiscal Year Ended June 30, 2015

<b>Revenues</b>	
Sales tax - Fire	\$ 910,384
Sales tax - Police	<u>1,365,576</u>
Total revenues	<u>2,275,960</u>
<b>Expenditures</b>	
Fire	288,256
Police	<u>739,209</u>
Total expenditures	<u>1,027,465</u>
Excess (deficiency) of revenues over expenditures	1,248,495
Fund balance at beginning of fiscal year	<u>                    </u>
Fund balance at end of fiscal year	<u><u>\$ 1,248,495</u></u>

**CITY OF WATSONVILLE**

**MEASURE G**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Sales tax- Fire	\$ 840,000	\$ 910,384	\$ 70,384
Sales tax- Police	1,202,613	1,365,576	162,963
<b>Total revenues</b>	<u>2,042,613</u>	<u>2,275,960</u>	<u>233,347</u>
<b>Expenditures</b>			
Fire			
Salaries and wages	607,500	190,980	416,520
Operations	59,550		59,550
Capital outlay	88,950	97,276	(8,326)
<b>Total fire</b>	<u>756,000</u>	<u>288,256</u>	<u>467,744</u>
Police			
Salaries and wages	514,014	417,359	96,655
Operations	212,428	38,436	173,992
Capital outlay	487,481	283,414	204,067
<b>Total police</b>	<u>1,213,923</u>	<u>739,209</u>	<u>474,714</u>
<b>Total expenditures</b>	<u>1,969,923</u>	<u>1,027,465</u>	<u>942,458</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 72,690</u>	1,248,495	<u>\$ 1,175,805</u>
Fund balance at beginning of fiscal year		<u>                    </u>	
Fund balance at end of fiscal year		<u>\$ 1,248,495</u>	

**CITY OF WATSONVILLE**  
**MEASURE G FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

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

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

B. Basis of Accounting

The Measure G 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 conformity 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, 2015, consist of the following:

Pooled cash and investments with the City of Watsonville	<u>\$ 873,750</u>
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Please refer to the notes of the City's June 30, 2015 Comprehensive Annual Financial Report regarding cash and investments for additional detail.

**SUPPLEMENTARY INFORMATION SECTION**



**INDEPENDENT AUDITORS' REPORT ON  
MEASURE G COMPLIANCE**

City Council  
City of Watsonville

We have audited the financial statements of the City of Watsonville Measure G Fund's (the City) compliance with the types of compliance requirements described in City Ordinance No. 1301-14, published by the City Council of the City of Watsonville applicable for the fiscal year ended June 30, 2015.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to Ordinance No. 1301-14.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance with applicable statutes, rules and regulations of City Ordinance No. 1301-14 Section. 3-6.1102 Program Restrictions. Section 3-6.1102 requires that an independent auditor shall perform at least the following tasks: (a) test expenditures to ensure Measure G revenue was being spent on hiring more police officers, helping improve police emergency response times, increase neighborhood patrols, maintain anti-gang and youth violence prevention, intervention and suppression efforts, including the Caminos and Police Activities League programs, upgrade equipment and technology to help solve crimes, catch criminals and fight gangs, expand programs to identify and shutdown gang houses, hire more firefighters to ensure enough are on duty, maintain fire and paramedic emergency response times, and replace inadequate and outdated life-saving equipment, (b) ensure that the city has created a Measure G fund with two separate divisions for Police and Fire into which new monies was deposited in the proportion of 60% to Police and 40% to Fire, (c) ensure that the City maintains a maintenance of effort from General Fund monies of at least the fiscal year 2013-2014 adopted General Fund budgeted amounts for Police and Fire operations, (d) ensure that no more than 2% of the annual budgeted revenues were spent on administrative overhead for accounting, payroll, and human resources, (e) ensure that the City has established a contingency fund that holds no less than 10% of annual budgeted revenues. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and City Ordinance No. 1301-14. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the City occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Compliance with Ordinance No. 1301-14***

In our opinion, the funds allocated to and received by the City of Watsonville's Measure G Fund, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of Ordinance No. 1301-14 for the fiscal year ended June 30, 2015.

This report is intended solely for the information and use of City Council, Citizen Oversight Committee, management of the City of Watsonville and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Haugheim LLP*

Santa Maria, California  
February 8, 2016