

# Annual Comprehensive Financial Report



City of Capitola, California  
Fiscal Year Ended June 30, 2024

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# **CITY OF CAPITOLA CALIFORNIA**

ANNUAL COMPREHENSIVE  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2024

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## **INTRODUCTORY SECTION**

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**CITY OF CAPITOLA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
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## **TRANSMITTAL LETTER**



February 12, 2025

Honorable Mayor,  
Members of the City Council, and  
Citizens of the City of Capitola

SUBJECT: Annual Comprehensive Financial Report - June 30, 2024

The Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2024, is hereby submitted.

## **REPORT PURPOSE AND ORGANIZATION**

State law requires the accounts and fiscal affairs of all municipal entities to be audited annually by an independent certified public accountant. The City's independent auditor Chavan & Associates, LLP has audited the City's financial statements and issued an unmodified opinion that the financial statements for the fiscal year ended June 30, 2024, are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements of the City, are hereby submitted as the Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2024, and included in the financial section of this report in fulfillment of the above requirement.

The independent audit of the financial statements is also typically conducted in conjunction with the federally mandated Single Audit. The standards governing the Single Audit require the independent auditor to report on items beyond fair presentation of the financial statements, including internal controls and compliance with legal requirements involving the administration of federal awards. During fiscal year 2024 the City received over \$3.3 million in Federal Awards which will require the completion of a Single Audit Report due by March 31, 2025. The City's was last required to complete a Single Audit Report for the fiscal year ended June 30, 2012.

This report consists of City management's representations concerning the finances of the City of Capitola. Consequently, management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures. Management believes the data presented are accurate in all material respects and that they are presented in a manner designed to fairly set forth the financial position and results of operations of the City. To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls designed both to protect the City's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements. The audit provides users with reasonable assurance that the information presented is free from material misstatements. As management, we assert that to the best of our knowledge, this financial report is complete and reliable in all material respects.

GAAP 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 the MD&A and should be read in conjunction with it. The City's MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

## **CITY OF CAPITOLA PROFILE**



The City of Capitola is a small coastal community located in Santa Cruz County that occupies approximately two square miles and serves a population of about 9,800. Located on the northern edge of Monterey Bay, approximately 35 miles north of Monterey and 75 miles south of San Francisco, Capitola enjoys a rich history and offers residents diverse recreational opportunities. Capitola Village is located along a sandy beach with expansive views of Monterey Bay and is home to numerous craft galleries, boutiques, and restaurants. The City is host to numerous events, including the Capitola Beach Festival, Capitola Art and Wine Festival, and the annual Wharf to Wharf race.

Named the Most Walkable Beach Town in the United States by Elle Décor Magazine, voted one of the best beach locations on the California Coast by Sunset Magazine, and recently named one of the "9 Most Unspoiled Vacation Spots" by the Fishing Booker website, Capitola offers fishing and boating, along with beachfront restaurants, shops, and entertainment. Other visitor attractions include the Capitola Historical Museum, Capitola Wharf, and the Capitola Mall.

Although Capitola is considered a central coast beach destination, it is also one of two major retail centers in Santa Cruz County. The Capitola Mall, combined with Brown Ranch and 41st Avenue businesses, is the retail hub of the central county. With major retailers such as Target, Macy's, Kohl's, CVS, Ross, New Leaf Community Market and Whole Foods Market, Capitola is a "net regional retail provider" with retail sales several times higher than the retail demand of Capitola city residents. The City also has two major car dealerships.

Capitola is also fortunate to have outstanding educational opportunities. In addition to having New Brighton Middle School within its City limits, both Cabrillo Community College and the University of California, Santa Cruz, are within eight miles of the City. According to the U.S. Census Bureau's 2020 data, approximately 93% of Capitola residents are high school graduates and 40% possess a Bachelors' Degree or higher-level degree.

### **Form of Government**

Capitola is a General Law City, which was incorporated on January 11, 1949. The City is subject to the framework and procedures established by State Law and operates under the Council – City Manager form of government. The Council is comprised of four Council Members and a Mayor, all of whom are directly elected by the citizens. The Council Members serve four-year staggered terms; and the Mayor and Vice-Mayor are elected annually by the Council. The Council has the authority to establish all laws and regulations with respect to municipal affairs, subject only to the limitations of the City Municipal Code and the State legislation.

The City Council appoints a City Manager to serve as the City's chief administrative officer. The City Manager provides direction and leadership to all City departments and ensures that all City Council policies are implemented.

## **City Services**

The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and limited drainage services.

Financial data for all funds through which services are provided by the City have been included in this report based on the criteria adopted by the Government Accounting Standards Board (GASB), which is the authoritative body in establishing United States GAAP for local governments.

## **Budgetary Policy and Control**

The City's budgetary records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received, and the liability incurred. The City produces a two-year annual budget, which serves as the foundation for the City of Capitola's financial planning and control. Based on the City's Financial Management Policies, the City is required to maintain a balanced operating budget; along with using one-time revenues to fund non-recurring expenditures. In the budget development process, the City references the following Budgeting Principles to identify key projects and goals: Fiscal Policy, Public Service, and Public Improvements.

In accordance with the City's Municipal Code, the budget is adopted by resolution on or before June 30th for the ensuing fiscal year. Expenditures authorized in the final budget resolution are appropriated at the budget unit level. Capital projects are budgeted at the individual project level. The City Council may appropriate, amend, or transfer funds by an affirmative vote of three or more Council members at any regular or special Council meeting.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment in which the City operates.

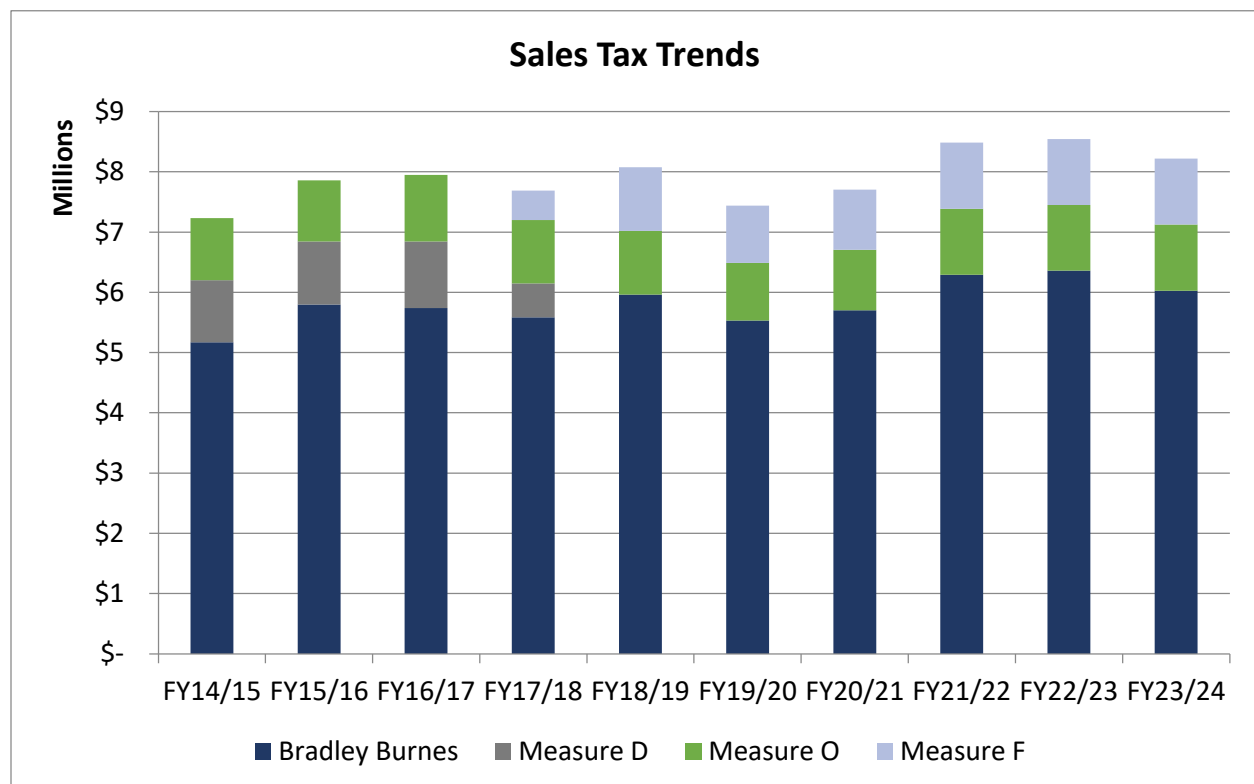
## **Local Economy**

The City of Capitola experienced a strong economy during Fiscal Year (FY) 2023-24 despite the impacts of storms in both January & December 2023 which caused significant damage to local businesses and local infrastructure. General fund revenues were approximately \$19 million exceeding the budget by \$276,000 while general fund expenditures were \$19.7 million which was approximately 89,000 below budget. Tax revenue received was on budget, license and permit revenue as well as other revenues exceeded budget. However, charges for services and fines and forfeiture revenues were below budget. The net position of the General Fund decreased by approximately \$3.9 million, which was anticipated with the completion of the wharf rehabilitation project. The fund balance decrease was by design of the FY 2023-2024 budget and general fund transfers out to the Capital Improvement Project (CIP) fund of \$3.4 million.

The three major sources of General Fund revenue include Sales Tax, Property Tax, and Transient Occupancy Tax (TOT). These three revenues account for approximately 90% of all General Fund Revenues.

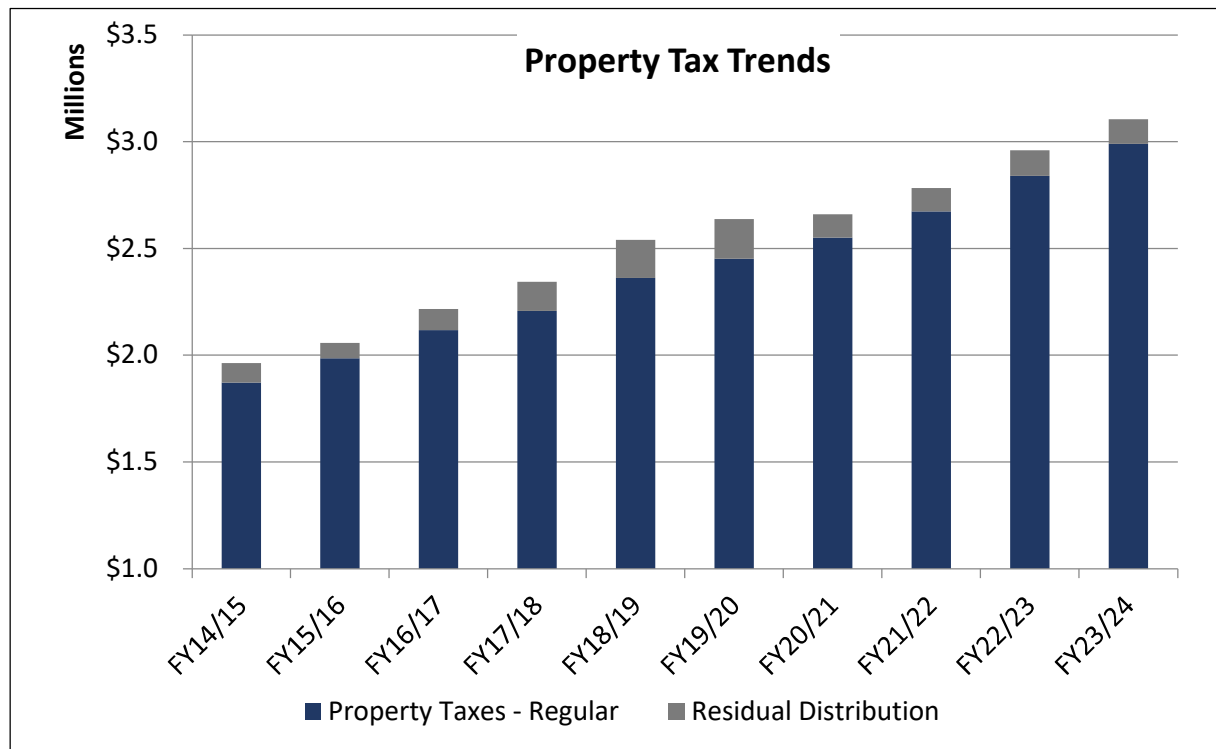
Sales tax is the City's largest source of revenue, accounting for approximately 46% of the General Fund Revenues. The City sales tax consists of 1% Bradley Burns, 0.25% Capitola District Tax (Measure O), and a 0.25% Capitola District Tax (Measure F) that is effective from January 1, 2018, through December 31, 2027. In FY 2024-25, the combined sales tax receipts of \$8.22 million were \$395,710 (4.6%) lower than budgetary estimates and \$320,779 (3.8%) lower than the prior year.

Sales tax receipts are volatile and reflect the current local, state, and national economic condition. Sales Tax collections for the City of Capitola decreased year over year after leveling off last year post-pandemic, however sales tax revenues have been relatively flat since FY 2015-16. The following chart shows sales tax trends over the past ten years as well as demonstrating the proportional share of District and Bradley Burns Sales taxes.

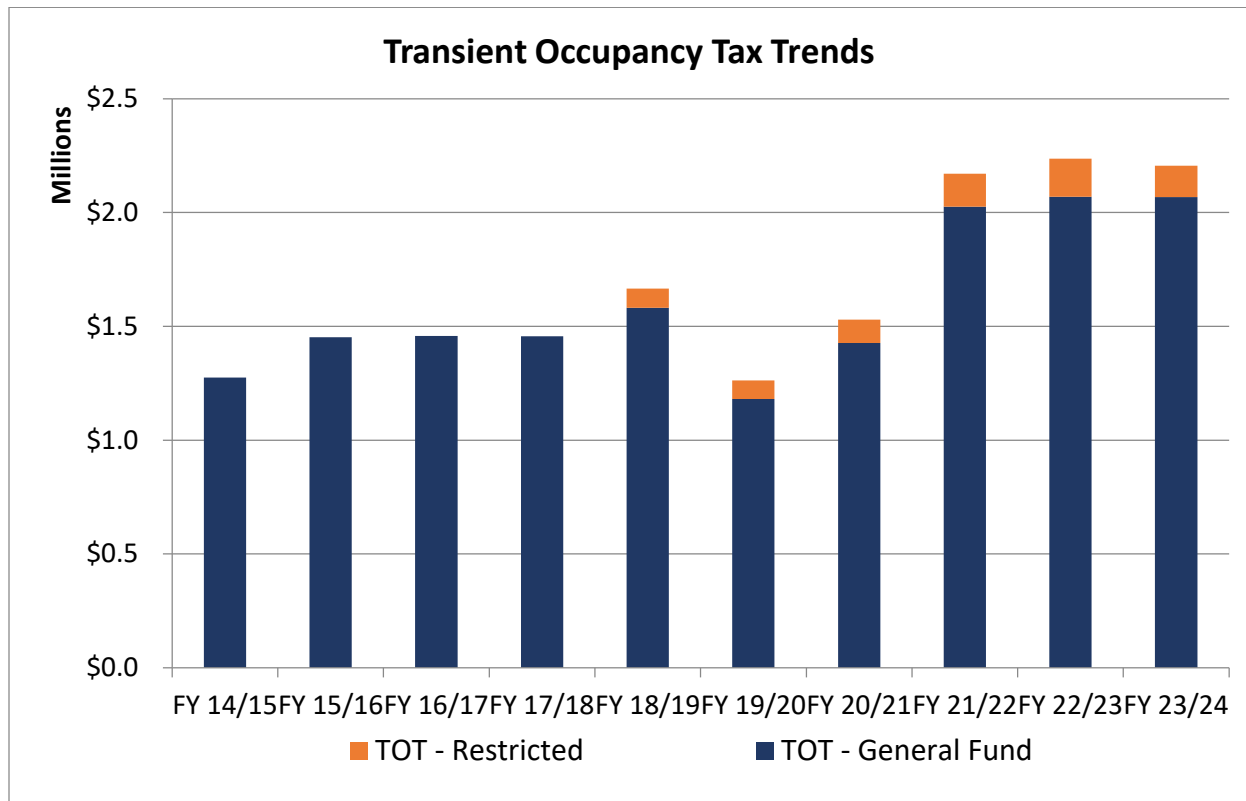


Capitola's second major source of revenue is property tax. In FY 2023/24 the General Fund received \$3.0 million in property tax receipts, prior to inclusion of Documentary Transfer Tax and Residual RDA distributions. This base amount was approximately \$149,000 more than the prior year and \$14,000 below the final budgeted amount. Over the last five fiscal years the City has averaged approximately 5% growth in annual property tax collections. Although the FY 2023/24 increase was lower compared to that of the prior year, it was on trend at 4.95%.

The City's property tax revenues do not respond to economic conditions as quickly as sales tax revenues. This delayed response, along with less volatility, assists the City in adjusting to economic downturns by lessening the immediacy of revenue loss. The following chart includes Property Tax Revenue, as well as Property Tax In-Lieu of Vehicle License Fees. Based on historical data, property tax revenues have remained relatively consistent due to appreciating property values. Staff anticipate this trend, while showing signs of slowing, will continue into the next fiscal year.



Transient occupancy tax (TOT) represents approximately 12% of General Fund revenues. While tourism and economic growth have remained stable, TOT revenue remained flat from FY 2015-16 through FY 2017-18 due to limitations on hotel and vacation rental room inventory. In November 2018 Capitola voters approved an increase in the TOT rate from 10% to 12% with 0.40% dedicated to local business groups and 0.35% dedicated to Early Childhood and Youth programs. The new TOT rate became effective on January 1, 2019, boosting TOT revenues in FY 2018-19. TOT revenues were one of the most impacted revenues due to COVID-19 and saw a significant reduction during the fourth quarter of FY 2019-20, however they rebounded quickly and continue to exceed pre-pandemic amounts. The chart below provides a 10-year history of TOT revenues.



## Long-term Financial Planning

In the past, the City has made strategic decisions to help maintain resiliency in difficult economic times. As a continuation of this practice, the City is focusing on the following planning measures:

### Planning for Sales Tax Revenues

The City of Capitola sales tax revenue consists of 1% Bradley Burns Sales tax and two 0.25% District taxes. The first District sales tax, Measure O, is a permanent 0.25% sales tax that was approved by voters in November 2012 and went into effect April 1, 2013. Measure O was implemented with the goal of replenishing reserves, funding CIP projects, and providing support for public safety initiatives. The City developed a five-year plan to ensure that Measure O funds were applied to their stated priorities. Each of the district taxes collect approximately \$1.0 million in General Fund revenues annually.

The second District tax, Measure F, was passed by voters in 2016 to extend Measure D, a temporary quarter of one percent sales tax, for an additional ten years. The City is committed to using this funding source to protect the wharf and beach from storms and rising sea levels, maintain police services, and improve sidewalks, parks, and bike safety. The adopted FY 2023-2024 budget continued implementing these commitments as Measure F went into effect on January 1, 2018.

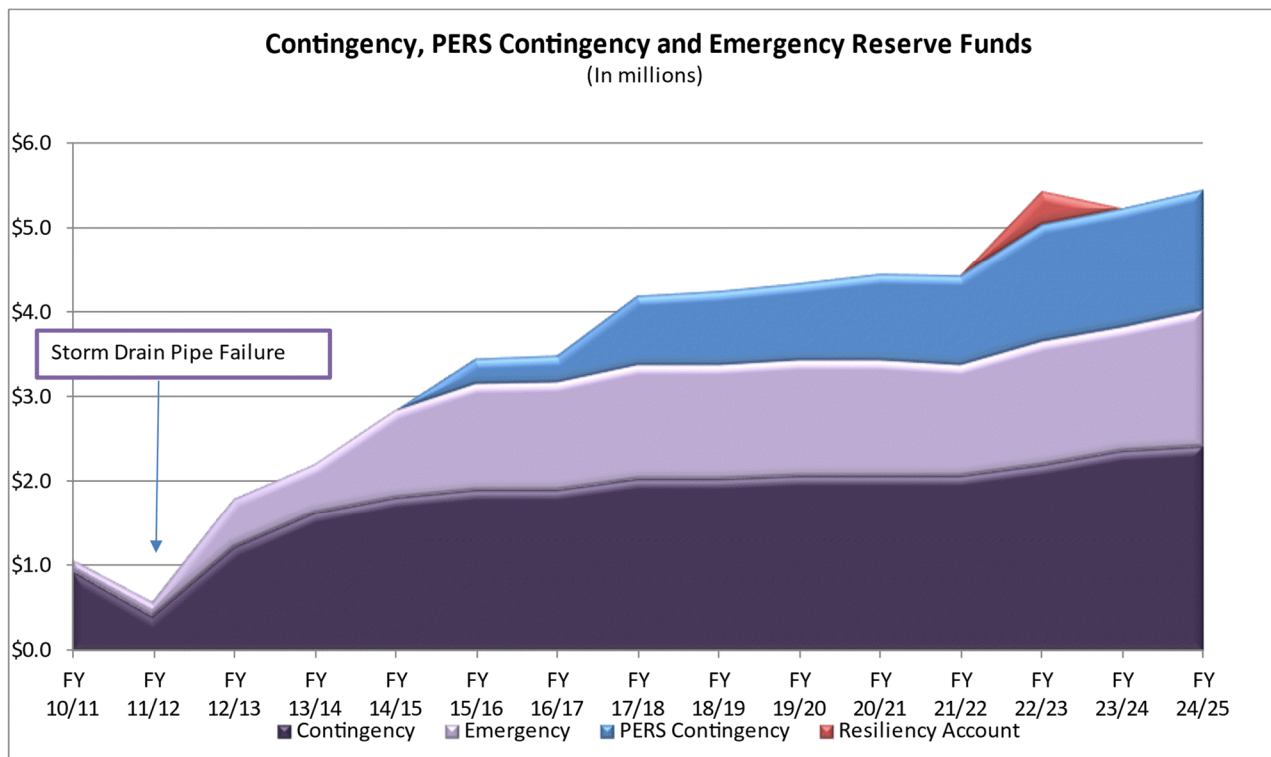


### Replenishing and Increasing Reserves

The City has been proactive in establishing a stable reserve level. A portion of Measure O revenues were set aside to replenish the Contingency and Emergency Reserve Funds. The City's reserves were depleted in March of 2011 when an underground storm drain failed, which resulted in damage to the Pacific Cove Mobile Home Park, City Hall, and portions of Capitola Village. As a result, the City paid \$1.4 million in flood related costs over a two-year period and assumed a \$2.39 million debt to relocate residents of the City-owned Pacific Cove mobile home park. This incident reduced the City's reserves from \$1.87 million in FY 2009-10 to \$561,000 in FY 2011-12. This incident, along with the economic downturn, emphasized the need to review reserve policy levels to ensure the City was maintaining a sufficient balance to effectively manage unforeseen events.

In FY 2012-13 the City increased the Emergency Reserve funding level from 5% to 10% of operating expenditures and the Contingency Reserve funding level from 10% to 15% to ensure sufficient reserves are available to offset the effects of the next economic downturn and unforeseen emergencies.

In FY 2015-16 the City implemented a PERS Contingency Reserve Fund to ensure future funding availability for potential CalPERS contribution increases. The initial funding came from a \$300,000 transfer from the General Fund. The City invested the funds with Public Agency Retirement Services (PARS) in a moderately conservative trust fund that allows for a higher rate of return. During FY 2017-18, the City put an additional \$500,000 in the PERS trust fund and budgeted an additional \$500,000 in FY 2022-23. In each FY 2022-23 and FY 2023-24 \$250,000 was put into the PERS trust fund bringing total contributions to \$1.3 million.





### Maintain the Facilities Reserve Fund

The City created a Facilities Reserve Fund in FY 2014-15. The purpose of the Facilities Reserve Fund is to create a mechanism to fund future facility maintenance projects. Examples of projects that could be financed through the fund include replacing roofs, painting exteriors, replacing mechanical/electrical equipment, and maintenance of adjoining parking spaces. The Facilities Reserve Fund ended FY 2023-24 with a cash balance of \$282,714. The FY 2024-25 budget does not include any funding into the Facilities Reserve Fund or expenditures in the Facilities Reserve Fund. Staff anticipate continuing annual contributions to the Facilities Reserve in FY 2024-25.

### Funding Other Post-Employment Benefits Obligation (OPEB)

The City created an OPEB trust fund in FY 2013-14 in order to reduce and eventually eliminate the liability. Before prefunding the OPEB Liability, the City historically contributed the Minimum Employer Contribution required under the Public Employees' Medical and Hospital Care Act (PEMHCA). The transition from "pay as you go" financing to full funding, reduced the City's long-term liability from \$1,011,800 to \$657,500. In May 2014 the Actuarial Standards Board adopted standard number 6 (ASOP 6) requiring the calculation of the "Implicit Rate Subsidy". The implicit rate is an inherent subsidy of retiree healthcare costs by active employee healthcare costs when healthcare premiums paid by retirees and actives are the same.

Following the advice of the City's auditors as well as the new Actuarial Consultant, the current OPEB Actuarial Valuation now includes the Implicit Rate Subsidy calculation. This one change caused the Unfunded Actuarial Accrued Liability to increase \$1,201,442, increasing the balance from \$584,737 on June 30, 2019, to \$1,572,208 on June 30, 2020. The balance on June 30, 2023, the latest actuarial measurement date, was \$1,214,482. The FY 2024-25 Adopted Budget includes funding of \$67,050 for the OPEB trust fund.

### Controlling Personnel Costs

Being a service-oriented organization, personnel costs make up the largest General Fund expenditure. The personnel budget comprises approximately 68% of the General Fund.

In 2021 all bargaining units agreed to multi-year contracts continuing with the cost sharing of CalPERS contributions originally negotiated in FY 2013-14, cost of living adjustments (COLA) based on the Consumer Price Index, and Flex Health Care spending increases. All bargaining units, with the exception of the Mid-Management Employees, agreed to new three-year contracts through June 30, 2024, while the Mid-Management Employees agreed to a new one-year contract through June 30, 2024, following the expiration of their two-year contract June 30, 2023.

Recent changes in CalPERS' risk pools have had a significant negative impact on the City. These changes will result in an annual increase in CalPERS costs of 19.3% in FY 2024-25. Due to investment losses of 6.1% in 2022 the annual CalPERS cost is projected to increase 10.8% in FY 2025-26. However, CalPERS 2024 rate of return was 9.3% which is above the anticipated rate of return of 6.8% and will likely hopefully lead to decreased costs in FY 2026-27. Understanding that existing employees were already contributing more than the CalPERS-designated "employee share," the City's current labor contracts set future employee CalPERS contribution rates at a fixed percentage of compensation to reduce the impact on employees.

The number of full-time equivalent (FTE) positions city-wide increased 1.5 during FY 2023-24 as the City filled the final vacant position that was frozen in order to mitigate the fiscal impacts from COVID-19 and enhanced services in multiple departments. The total city-wide authorized FTEs in FY 2023-24 was 73 with 73.5 positions budgeted.

## **Major Initiatives**

### **Capitola Mall Redevelopment**

The City has continued to seek redevelopment opportunities to update and upgrade the City's major retail corridor and mall area. Upgrades to the Capitola Mall are now anticipated with the April 2016 purchase of the Mall by Merlone Geier Partners, a private real estate investment company focused on the acquisition, development, and redevelopment of retail and retail-driven mixed-use properties on the West Coast. The City received a development application from Merlone Geier Aug. 27, 2019, however, due to COVID-19 the project has been put on hold by the developer.

### **Funding Measure F Commitments**

In November 2016 voters of Capitola approved extending an existing quarter of one percent sales tax for an additional ten years. The city has committed this sales tax revenue to protecting the beach and wharf from rising sea levels and storms, supporting bike and pedestrian safety projects, and maintaining police staffing levels.

In FY 2022-23 Measure F funding was programed towards the Wharf Rehabilitation Project. The FY 2023-24 adopted budget included \$1.1 million of Measure F funding towards the Wharf Rehabilitation Project. Previously the flume and jetty reconstruction projects were fully funded and completed in FY 2020-21. Work began on these projects in FY 2017-18 along with the use of Measure F funds to replace the 20-year-old front end loader for beach maintenance.

### **Capitola Wharf Resiliency and Public Access Improvements**

The Capitola Wharf, known as Soquel Landing at the time, was built more than 150 years ago for F.A. Hihn in order to ship goods produced in the region such as timber, leather, paper, and products from local farms. The Wharf has been damaged and rebuilt numerous times during its history and in 1979 the City of Capitola accepted the grant deed to the Wharf from the County. Following a complete renovation project, the City opened the wharf to the public in 1981. Since that time, the City has used revenue generated from the lease agreements with the restaurant and boat & bait shop to maintain the wharf. A recent report commissioned by the City recommended a number of larger scale projects to better protect the wharf from the impacts of storms and rising sea levels.

The current budget for the Capitola Wharf Resiliency and Public Access Improvements project is \$8.2 million which includes repairing damage from the January 2023 storms. Prior year appropriations of \$9.4 million include \$2.2 million of Measure F funding, State grant funds of \$1.9 million, Federal grant funds of \$3.5 million, State funding of \$500,000 and \$1.3 million of general funds while prior year expenditures and encumbrances total \$1.2 million. The FY 2023-24 Adopted Budget included additional funding of \$1.1 million from Measure F to complete the funding for the project. The Capitola Wharf Resiliency and Public Access Improvements project began construction in Sept. 2023 and was completed August 2024.

## **Relevant Financial Policies**

### **Financial Management Policies**

The City has developed comprehensive Financial Management Policies to assist with the management of the operating and capital budgeting process and to standardize and rationalize the issuance of debt. This document focuses on Capital Budgeting and Reserves – Issuance of Debt, Operating Budgeting and Reserves and Other Policies, which addresses conformance with Generally Accepted Accounting Principles (GAAP), and Internal Borrowings. This policy requires the City to maintain a balanced operating budget; along with the use of one-time revenues to fund non-recurring expenditures.

A key component of this policy focuses on reserve requirements. Each fiscal year, the final adopted General Fund budget is required to have a Contingency Reserve appropriation equal to 15% of the General Fund operating expenditures and an Emergency Reserve appropriation equal to 10% of the General Fund operating expenditures. The purpose of the Contingency Reserve is to provide a prudent level of financial resources to protect against temporary revenue shortfalls, unanticipated operating costs, and/or to meet short-term cash flow requirements. The purpose of the Emergency Reserve Fund is to protect against one-time significant costs that may arise from major unpredictable emergency events.

### **Investment Policy**

The City's Investment Policy governs the investment of temporary cash excesses. Investments are prioritized based on the following order of importance: Safety of principal, liquidity, and yield. Various low risk investments, such as U.S. Treasury bills are permitted. During the year, all excess cash balances, which were not held by a fiscal agent, were invested in the California Local Agency Investment Fund (LAIF) and U.S. Treasury. At no time during the year was the City's cash invested in a manner that violates this policy.

## **AWARD FOR EXCELLENCE IN FINANCIAL REPORTING**

The Government Finance Officers Association of the United States and Canada (GFOA) also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Capitola's ACFR for the fiscal years ended June 30, 2012, through June 30, 2023. This Certificate of Achievement is a prominent national award recognizing conformance with the highest standards for preparation of State and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A GFOA Certificate of Achievement is valid for a period of only one year. The City of Capitola believes the FY 2024 ACFR conforms to the Certificate of Achievement program requirements and will be submitting it to GFOA for review.

Prior to receiving the GFOA Award, the City received the Certificate for Outstanding Financial Reporting for its Annual Comprehensive Financial Report (ACFR) from the California Society of Municipal Finance Officers (CSMFO). This award was received consistently from FY 1999-00. Once a GFOA Award is received, CSMFO prohibits cities from applying and receiving both awards.

## **ACKNOWLEDGEMENTS**

Preparation of this report would not have been possible without the efficient and dedicated services of the entire Finance Department staff. I would also like to express our appreciation to the partners and staff of our auditors for their assistance and support.

I wish to express my thanks and appreciation to the Mayor and members of the City Council for their unfailing leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jamie Goldstein  
City Manager

**CITY OF CAPITOLA**

**LIST OF PRINCIPAL OFFICIALS  
FOR  
FISCAL YEAR ENDED JUNE 30, 2024**

**ELECTED OFFICIALS**

Mayor – Kristen Brown  
Vice Mayor – Yvette Brooks  
Council Member – Joe Clarke  
Council Member – Margaux Morgan  
Council Member – Alexander Pedersen

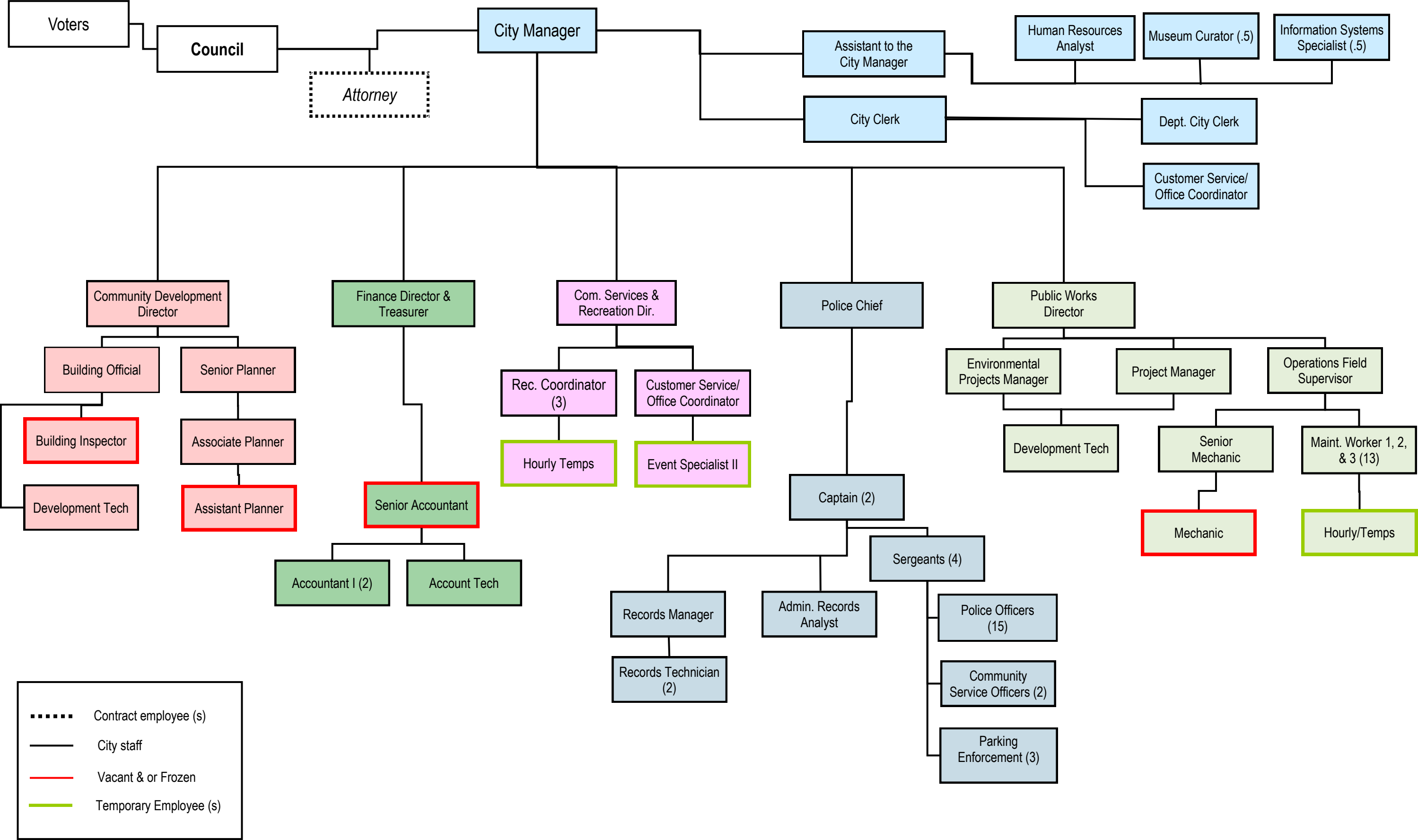
**APPOINTED OFFICIALS**

City Manager – Jamie Goldstein  
City Attorney – Burke, Williams, & Sorensen, LLP

**DEPARTMENT HEADS/ADMINISTRATORS**

Assistant to the City Manager – Chloe Woodmansee  
Chief of Police – Andy Dally  
City Clerk – Julia Gautho  
Community Development Director – Katie Herlihy  
Community Services & Recreation Director – Nikki Bryant  
Finance Director – Jim Malberg  
Public Works Director – Jessica Kahn

City of Capitola Organization Chart June 2024





Government Finance Officers Association

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

Presented to

**City of Capitola  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, as of June 30, 2024, and the respective changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements 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

City management is responsible for the preparation and fair presentation of the 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 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 City'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 opinions. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion 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.

### **Supplementary 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 combining and individual fund financial statements, schedules, and other information listed in the supplementary information section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Information**

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

C & A LLP

Chavan & Associates, LLP  
Certified Public Accountants  
February 11, 2025  
Morgan Hill, California

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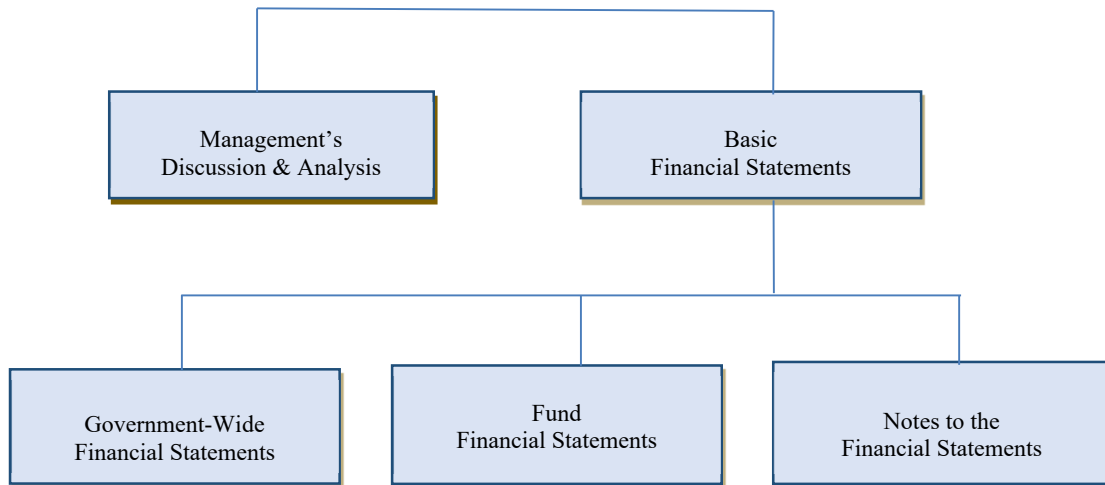


## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## INTRODUCTION

As management of the City of Capitola (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year that ended on June 30, 2024. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal. The required components of the report are listed below.

### Required Components of the Annual Financial Report



## FISCAL YEAR 2023/24 FINANCIAL HIGHLIGHTS

### *Government-Wide Highlights*

- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44.30 million (net position). Of the net position, \$50.12 million was classified as net investment in capital assets; \$12.13 million recorded as restricted funds; and \$17.95 million categorized as a deficit unrestricted net position (negative net position). The negative unrestricted net position is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. This pronouncement requires local governments to record pension liabilities and related deferrals in the government-wide financial statements.
- The City's net position increased by \$3.84 million which was all from Governmental Activities.
- City revenues increased by \$4.96 million, or 23%, when compared to the prior year. The Fiscal Year 23/24 increase was mostly from an increase of \$4.31 million in capital grants and contributions.
- Deferred outflows of resources decreased by \$479,224, while deferred inflows of resources decreased by \$946,242. This was primarily related to pension liability adjustments identified in the City's actuarial report, which include differences between expected and actual earnings; expected and



actual experiences; and changes in proportional allocations. The City's pension liability in accordance with GASB 68 as of June 30, 2024, was \$32.16 million as compared to \$30.06 million in the prior year.

- The City's long-term debt decreased by \$709,965 as a result of debt service payments made during the year.
- The City's net capital assets increased by \$13.94 million, primarily from a \$11.84 million increase to construction in progress.

#### *Fund Highlights*

- At the close of Fiscal Year 23/24 the City's *Governmental Funds* had a combined fund balance of \$18.30 million, which is a decrease of \$9.36 from prior year. Approximately 12%, or \$2.12, million was classified as unassigned fund balance and was available for spending at the government's discretion.
- At the end of the current fiscal year, the *General Fund's* unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) was \$5.49 million, or 28% of total general fund expenditures, prior to transfers.
- The fund balance in the *General Fund* decreased by \$3.59 million at the close of the fiscal year. This included an deficit of operating revenues over expenditures of \$676,983, minus \$3.93 million in net transfers and other financing sources and an adjustment to beginning fund balance of \$344,346.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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The discussion and analysis are intended to serve as an introduction to the City's financial statements. The City's basic financial statements are comprised of (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's finances, in a manner similar to a private-sector business. Government-Wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. Government-Wide Financial Statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or declining.

The *Statement of Activities* presents information showing how the City'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 of related cash flows. This is consistent with a full accrual concept, which may result in the reporting of revenues and expenses in the current fiscal year, with cash flows occurring in future fiscal periods (e.g. uncollected revenues; and earned but not used vacation leave).

Both of the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). An overview of the City's functions associated with each classification is listed below.

*Governmental Activities* – All of the City's basic services are considered to be governmental activities. This includes general government, public works, recreation, community development, and public safety. These services are supported by general City revenues such as taxes, and by specific program revenues such as development and recreation program fees.

The Government-Wide Financial Statements can be found in the financial section 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds are presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the fiscal year and may change from year to year as a result of changes in the pattern of the City's activities.

#### *Governmental Funds*

*Governmental funds* are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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. This represents a modified accrual basis of accounting, with capital assets, long-lived assets, and long-term liabilities excluded from the financial statements. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and other major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found in the financial section of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes can be found immediately following the Fund Financial Statements.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's funding progress for its employee pension obligations. The required supplementary information can be found after the notes to the financial statements of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the *required supplementary information*.

A statistical section provides historical and current data on financial trends, revenue and debt capacity, demographic and economic information, and operating information. This information can be found on immediately after the *supplementary information section*.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position may serve as an indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44.30 million at the close of Fiscal Year 23/24. This was an increase of \$3.85 million over the prior year.

The following table summarizes the City's ending net position:

<b>Table 1 - Net Position</b>			
	<b>Governmental Activities</b>		
	2024	2023	
<b>Assets</b>			
Current and other assets	\$ 21,318,624	\$ 29,163,340	
Capital assets	50,878,594	36,940,232	
<b>Total Assets</b>	<b>\$ 72,197,218</b>	<b>\$ 66,103,572</b>	
<b>Deferred Outflows of Resources</b>	<b>\$ 13,186,912</b>	<b>\$ 13,666,136</b>	
<b>Liabilities</b>			
Current and other liabilities	\$ 3,651,511	\$ 2,559,005	
Noncurrent liabilities	34,869,952	33,247,574	
<b>Total Liabilities</b>	<b>\$ 38,521,463</b>	<b>\$ 35,806,579</b>	
<b>Deferred Inflows of Resources</b>	<b>\$ 2,564,026</b>	<b>\$ 3,510,268</b>	
<b>Net Position</b>			
Net investment in capital assets	\$ 50,115,979	\$ 35,467,652	
Restricted	12,131,607	11,222,924	
Unrestricted	(17,948,945)	(6,237,715)	
<b>Total Net Position</b>	<b>\$ 44,298,641</b>	<b>\$ 40,452,861</b>	

A significant portion, or \$50.12 million, of the City's net position reflects its investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.), less accumulated depreciation and any

outstanding debt that was used to acquire or construct those assets. Capital assets represent infrastructure which provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

The \$12.13 million amount classified as Restricted Net Position represents resources that are subject to external restrictions on how they may be used. These funds are restricted for governmental activities.

The remaining deficit balance of \$17.95 million is classified as unrestricted. This negative unrestricted balance is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. The City participates in the CalPERS Miscellaneous and Safety pension plans. This pronouncement requires that local governments report a proportional share of their pension plan's net pension liabilities on financial statements. In Fiscal Year 23/24, the City's proportionate share of the CalPERS pension liability was \$32.16 million.

### Governmental Activities

As shown in the *Statement of Changes in Net Position* schedule, the net position for Governmental Activities increased by \$3.85 million in the prior year, mostly because of increases to capital grants and contributions of \$4.31 million. During the year, the City's expenses in the statement of activities were increased by pension adjustments of \$1.21 million related to changes in assumptions and deferrals of differences between estimated and actual plan earnings. This is in addition to increases in annual required contributions. An analysis of the changes in revenues and expenses by type of significant events follows:

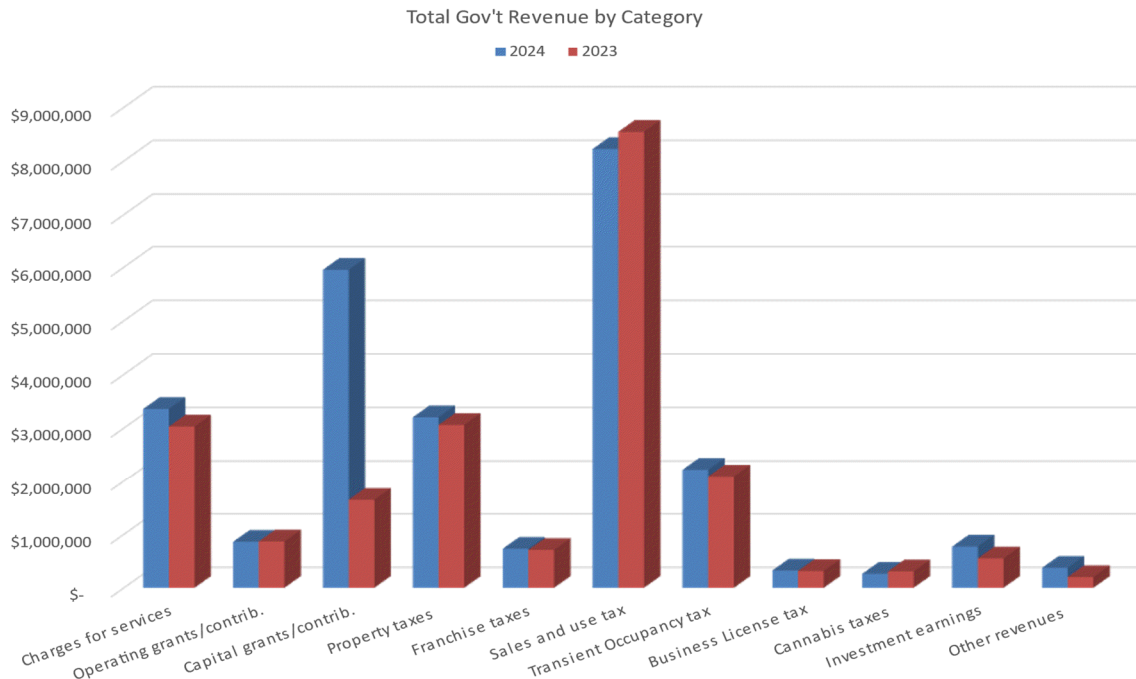
**Table 2 - Statement of Changes in Net Position**

Functions/Programs	Governmental Activities		Increase (Decrease)
	2024	2023	
<b>Program Revenues</b>			
Charges for services	\$ 3,355,793	\$ 3,027,626	\$ 328,167
Operating grants and contributions	858,915	865,684	(6,769)
Capital grants and contributions	5,952,237	1,645,554	4,306,683
<b>Total Program Revenues</b>	<u>10,166,945</u>	<u>5,538,864</u>	<u>4,628,081</u>
<b>General Revenues</b>			
Property taxes	3,200,895	3,058,146	142,749
Franchise taxes	729,485	708,277	21,208
Sales and use tax	8,221,640	8,542,419	(320,779)
Transient Occupancy tax	2,219,951	2,093,243	126,708
Business License tax	323,755	313,993	9,762
Cannabis taxes	261,764	307,089	(45,325)
Investment earnings	770,404	549,243	221,161
Other revenues	372,942	200,579	172,363
<b>Total General Revenues</b>	<u>16,100,836</u>	<u>15,772,989</u>	<u>327,847</u>
<b>Expenses</b>			
General government	5,580,935	3,443,270	2,137,665
Public safety	8,450,102	5,703,129	2,746,973
Community development	1,371,360	635,090	736,270
Culture and recreation	2,983,749	2,181,074	802,675
Transportation	4,329,241	2,408,783	1,920,458
Interest on long-term debt	13,272	20,261	(6,989)
<b>Total Expenses</b>	<u>22,728,659</u>	<u>14,391,607</u>	<u>8,337,052</u>
Transfers	-	-	-
Increase / (Decrease) in Net Position	3,539,122	6,920,246	(3,381,124)
Prior Period Adjustments	306,658	-	306,658
<b>Net Position, Beginning of Year</b>	<u>40,452,861</u>	<u>33,532,615</u>	<u>6,920,246</u>
<b>Net Position, End of Year</b>	<u>\$ 44,298,641</u>	<u>\$ 40,452,861</u>	<u>\$ 3,845,780</u>

## Governmental Activities

### Governmental Revenues

The following chart summarizes the changes in revenues by category during Fiscal Year 23/24:



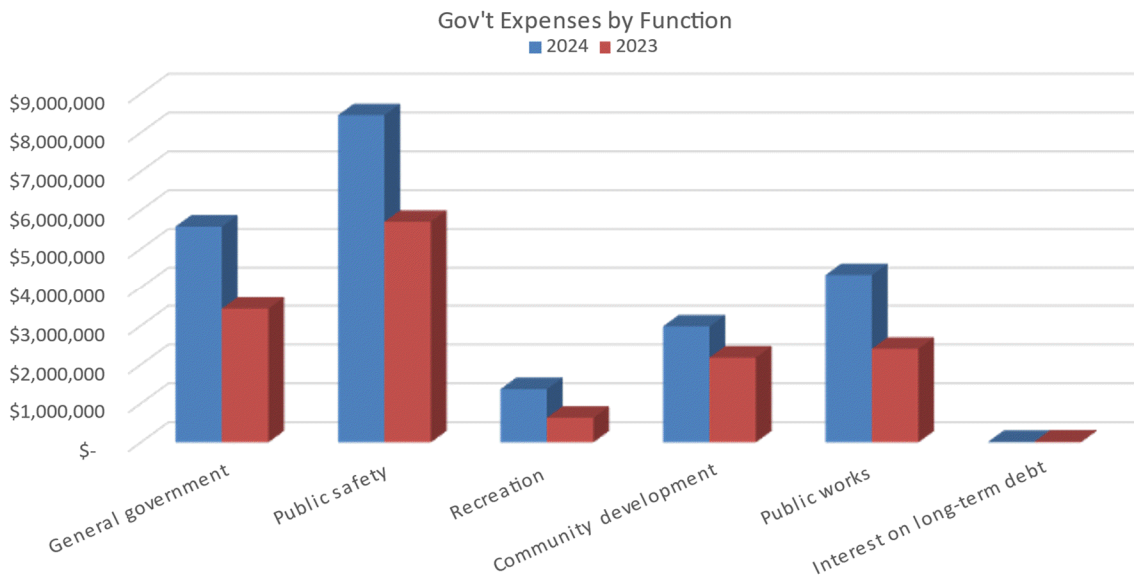
Significant changes in governmental revenues consisted of the following:

- Taxes decreased by \$65,677, with substantial net changes in the following categories:
  - Sales and use taxes decreased by \$320,779 or 3.8%, reflecting a statewide trend of decreased consumer spending.
  - Transient occupancy tax increased by \$126,708 or 6.1%.
  - Property taxes increased by \$142,749 or 4.7%, which reflects the continuing strength in property values.
  - Franchise taxes increased by \$21,208 or 3.0%, primarily due to rate increases across the industries.
  - Business license taxes increased 9,762, or 3.1%
  - Cannabis taxes decreased \$45,325, or 14.8%
- Other revenues increased by \$393,524, from local reimbursements and local donations that did not meet the definition of a charges for services, operating grants or capital grants as well as investment earnings.

- Charges for services increased by \$328,167 mostly from increased program activities for recreation, community development and public safety as services continue to increase to pre-pandemic levels.
- Capital grants and contributions increased by \$4.30 million due to contributions for the Wharf Resiliency and Public Access Improvement project.

### *Governmental Expenses*

The Fiscal Year 23/24 expenses for Governmental Activities increased by \$8.34 million as illustrated in the chart below:



Significant changes in governmental expenses consisted of the following:

- The largest contributed factor to the increase in governmental activities expenses is an adjustment to pension expense as required by GASB 68 of \$1.21 million. The prior year adjustment was a reduction of \$5.1 million which has resulted in a \$6.3 million increase in governmental expenses.
- General government expenses increase by \$2.14 million primarily from the above mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.
- Public safety expenses increased by \$2.75 million primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.
- Community development expenses increased by \$736,270 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.
- Culture and recreation expenses increased by \$802,675 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.

- Transportation expenses increased by \$1.92 million primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.

#### FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

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

The focus of the City'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's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City's City Council.

A summary of the changes in fund balance of the Major Funds and Other Governmental Funds is presented below:

**Table 3 - Summary of Changes in Fund Balance - Governmental Funds**

	Major Funds						Total
	General Fund	Federal Home Loan Reuse Fund	Capitola Housing Successor Fund	RTC Streets Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Total Revenues	\$19,014,509	\$ 86,985	\$ 153,801	\$ 379,314	\$ 5,338,284	\$ 1,294,889	\$26,267,782
Total Expenditures	(19,691,492)	(3,700)	(324,528)	(33,061)	(14,212,655)	(1,664,761)	(35,930,197)
Revenues Over (Under) Expenditures	(676,983)	83,285	(170,727)	346,253	(8,874,371)	(369,872)	(9,662,415)
Other financing sources	-	-	-	-	-	-	-
Transfers in	100,000	-	-	-	2,700,000	757,788	3,557,788
Transfers out	(3,356,788)	-	-	-	-	(201,000)	(3,557,788)
Net change in fund balances	(3,933,771)	83,285	(170,727)	346,253	(6,174,371)	186,916	(9,662,415)
Beginning of year	10,606,744	4,780,025	4,329,058	185,892	5,842,965	1,912,288	27,656,972
Prior Period Adjustment	344,346	154,340	20,076	-	(441,653)	229,549	306,658
End of year	\$ 7,017,319	\$ 5,017,650	\$ 4,178,407	\$ 532,145	\$ (773,059)	\$ 2,328,753	\$18,301,215

The fund balance in the General Fund decreased by \$3.59 million. This included operating revenues short of operating expenses by \$676,983. The operating difference, which was anticipated in the FY 2023-24 Adopted Budget, can be attributed to transfers to the Capital Improvement Fund for the Wharf Rehabilitation and Resiliency project.

Fund balance in the Federal Home Loan Reuse Fund increased by \$83,285 mostly due to loan payoffs received.

Fund balance in the Capitola Housing Successor Fund decreased by \$170,727 mostly due to loans for affordable housing projects.

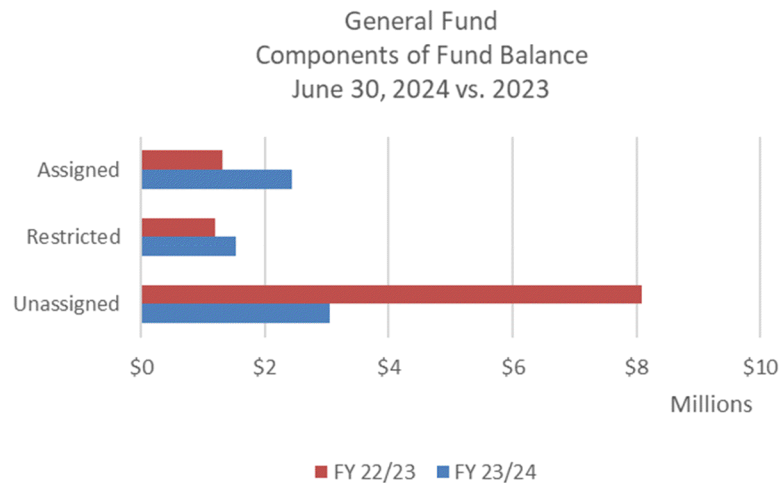
Fund balance in the RTC Streets Fund increased by \$346,253 mostly due to receiving grant funds for projects that were previously programmed to utilize these restricted funds.

Fund balance in the Capital Projects Fund decreased by \$8.87 million mostly due to the construction of the Wharf Rehabilitation and Resiliency project.

The fund balance in Nonmajor Funds increased by \$186,916 mostly due an increase in Intergovernmental revenue received.

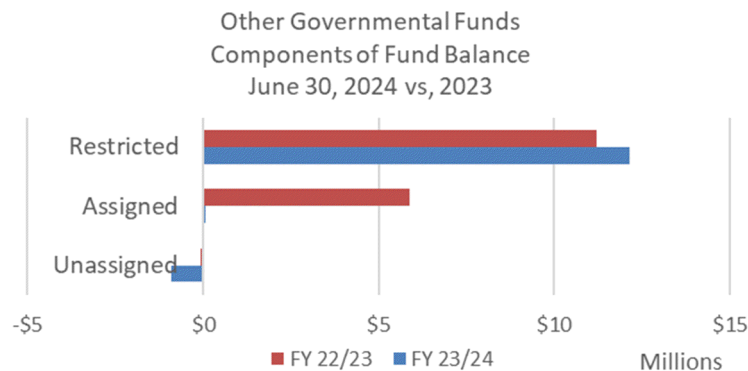
#### *General Fund – Components of Fund Balance*

In Fiscal Year 23/24, the General Fund's total fund balance represented approximately 36% of total general fund expenditures. The following chart summarizes the ending fund balance in the General Fund over the last two fiscal years:



#### *Other Governmental Fund - Components of Fund Balance*

The following chart summarizes the ending fund balance of all other funds other than the General Fund over the last two fiscal years:





**CAPITAL ASSETS**

The City's investment in capital assets as of June 30, 2024 was \$50.88 million (net of accumulated depreciation). The total increase in the City's capital assets, net of depreciation, was \$13.94 million or 38%.

The following table summarizes the City's capital assets at the end of the year:

**Table 4 - Capital Assets at Year End - Net**

	Governmental Activities		% Change
	2024	2023	
Land	\$ 4,883,789	\$ 4,883,789	0.00%
Construction in progress	15,393,620	3,549,718	333.66%
Buildings and improvement	17,748,240	18,017,712	-1.50%
Infrastructure	37,721,731	35,907,669	5.05%
Machinery and equipment	5,334,562	4,520,133	18.02%
Accumulated deprec./amort.	(30,203,348)	(29,938,789)	100.00%
Total Capital Assets, Net	<u>\$ 50,878,594</u>	<u>\$ 36,940,232</u>	37.73%

Additional information on capital assets can be found in Note 5 in the notes to financial statements.

**DEBT ADMINISTRATION**

During the year, long-term debt from governmental activities decreased by \$709,965 because of debt service payments.

The following table summarizes the City's debt at the end of the year:

**Table 5 - Outstanding Long-Term Debt at Year End**

	Governmental Activities		% Change
	2024	2023	
Cove Financing	\$ -	\$ 642,663	-100.00%
Beach and Village Lot II Financing	<u>762,615</u>	<u>829,917</u>	-8.11%
Total outstanding long-term debt	<u>\$ 762,615</u>	<u>\$ 1,472,580</u>	-48.21%

Additional information on debt can be found in Note 6 in the notes to financial statements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Changes from the City's General Fund original budget to the final budget are detailed in the *Required Supplementary Information* section along with a comparison to actual activity for the year ended.

Over the course of the year, the City may revise the expenditure budgets to reflect the changes in the various programs and unanticipated activities, but usually do not change budget assumptions in revenues other than for one-time events. For example, when the City is awarded a grant, it appropriates the revenues and expenditures necessary to spend those funds but does not necessarily adjust upward the property tax estimates when the amounts come in higher than expected or reduce other balances that report declines unless the changes are material. Tax estimates are based on trend information where the base amount rolls forward for cumulative increases in long term planning and the trends are reevaluated each year during the budget period.

At the time of the FY 23/24 budget adoption, City revenues were projected to be \$18.94 million and expenditures were projected to be \$18.31 million. The final budgeted revenues were \$18.84 million and expenditures were \$18.40 million. Actual revenues exceed the final budget by \$176,254 and actual expenditures exceeded the final budget by \$1.30 million.

After transfers, the original adopted budget projected a deficit change in fund balance of \$727,449 and the final budget projected a deficit of \$914,433. The actual change in fund balance for the year was a deficit \$3.93 million, which was \$3.02 million more than the final budgeted deficit and mostly attributable to transfers out to the Capital Projects fund of \$2.70 million. The following table summarizes the City's budget vs. actual amounts for FY 23/24:

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 14,943,970	\$ 14,643,970	\$ 14,495,882	\$ (148,088)
Licenses and permits	645,500	645,500	757,312	111,812
Fines and forfeitures	607,500	607,500	425,043	(182,457)
Intergovernmental	108,000	274,752	223,792	(50,960)
Charges for Services	2,212,637	2,212,637	2,298,937	86,300
Use of money and property	209,495	209,495	478,610	269,115
Other revenue	214,401	244,401	334,933	90,532
<b>Total Revenues</b>	<u>18,941,503</u>	<u>18,838,255</u>	<u>19,014,509</u>	<u>176,254</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,668,814	3,735,085	3,604,714	130,371
Public safety	7,201,461	7,371,463	7,740,343	(368,880)
Community development	1,006,504	1,006,504	947,297	59,207
Culture and recreation	2,408,921	2,366,515	2,677,956	(311,441)
Transportation	3,377,464	3,435,590	3,682,149	(246,559)
Capital outlay	649,000	480,743	1,039,033	(558,290)
<b>Total Expenditures</b>	<u>18,312,164</u>	<u>18,395,900</u>	<u>19,691,492</u>	<u>(1,295,592)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>629,339</u>	<u>442,355</u>	<u>(676,983)</u>	<u>(1,119,338)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	(1,456,788)	(1,456,788)	(3,356,788)	(1,900,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,356,788)</u>	<u>(1,356,788)</u>	<u>(3,256,788)</u>	<u>(1,900,000)</u>
Net Change in Fund Balance	<u>(727,449)</u>	<u>(914,433)</u>	<u>(3,933,771)</u>	<u>(3,019,338)</u>

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**ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES**

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**FY 2024-25 Budget Overview**

On June 27, 2024, the Council approved the FY 2024-25 Budget, with a total appropriation of \$37.4 million, including \$19.2 million allocated to the General Fund. The budget reflects a conservative growth approach, projecting adequate resources to cover expenditures.

Key General Fund revenue growth estimates include:

- **Sales Tax:** 2.3% increase.
- **Transient Occupancy Tax (TOT):** 1.0% increase.
- **Property Tax:** 6.0% increase.

General Fund revenues are expected to exceed expenditures by approximately \$30,000, with a projected year-end fund balance of \$529,000.

**Employee Agreements and Pension Costs**

The City has negotiated agreements with all bargaining units through FY 2026-27, which include fixed Cost of Living Adjustments (COLAs) and Market Study Salary Adjustments for certain classifications. Pension cost caps, initially implemented before FY 2015-16 to prevent significant pay reductions due to increased contribution rates, remain in place under these agreements.

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**FUTURE PROSPECTS****Measures O, F, and Y**

- **Measure O:** Approved in 2012, this permanent quarter-percent sales tax replenished reserves, maintained police staffing, and funded major street improvements.
- **Measure F:** Extended in 2016 for 10 years, this temporary sales tax funded projects such as protecting the wharf and beach, police services, and infrastructure improvements.
- **Measure Y:** Passed in November 2024 to replace Measure F, it increased the sales tax to half a percent for 10 years to continue these initiatives.

**Development Opportunities**

The City is prioritizing several major projects:

- **Jade Street Community Center Renovation:**
    - Estimated Cost: \$6.16 million.
    - Funding Sources: \$1.8 million in General Funds, \$4.36 million in grants.
    - Timeline: Construction to begin in early 2025, with completion expected in 2026.
  - **Treasure Cove Playground, Cliff Drive Resiliency, and Stockton Bridge:**
    - Projects are in various stages of design and funding but remain unfunded as of June 30, 2024.
-

## ECONOMIC OUTLOOK

### Local, State, and National Trends

The 2008 financial crisis significantly impacted local, state, and national economies, but by FY 2011-12, Capitola began to recover with increases in sales tax, TOT, and demand for planning services. These trends continued until FY 2017-18 when TOT and sales tax leveled off.

In 2018, voters increased the TOT rate from 10% to 12%, dedicating a portion to local businesses and Early Childhood and Youth programs.

### Storm Recovery Efforts

Intense storms in January 2023 temporarily damaged the Wharf and several Capitola Village businesses. Despite the setbacks, businesses recovered quickly. The Wharf Rehabilitation project, fully funded with an additional \$1 million in insurance proceeds, began in September 2023 and was completed in August 2024.

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## PENSION OBLIGATIONS

In FY 2022, CalPERS experienced a 6.1% investment loss, leading to increased Unfunded Actuarial Liability (UAL) contributions:

- FY 2024-25 UAL Payment: \$2.6 million (19.3% increase).
- Projected UAL Payments:
  - FY 2025-26: \$2.8 million.
  - FY 2029-30: \$3.5 million.

The City continues to prioritize long-term financial stability and investments in community infrastructure.

## REQUEST FOR INFORMATION

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This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for its fiscal activities to citizens, taxpayers, investors, creditors, and any other interested parties. If you have questions about this report or need additional information please contact the Finance Director at 420 Capitola Avenue, Capitola, California 95010.



## **BASIC FINANCIAL STATEMENTS**

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**City of Capitola**  
**Statement of Net Position**  
**June 30, 2024**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 10,591,482
Restricted cash and investments	1,531,142
Accounts receivable	39,693
Taxes receivable	2,047,916
Interest receivable	144,719
Due from other governments	158,944
Total Current Assets	<u>14,513,896</u>
Noncurrent Assets:	
Loans receivable	6,804,728
Capital Assets:	
Nondepreciable	20,277,409
Depreciable, net of accumulated depreciation	30,601,185
Total Capital Assets, Net	<u>50,878,594</u>
Total Noncurrent Assets	<u>57,683,322</u>
<b>Total Assets</b>	<u><u>\$ 72,197,218</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Adjustments	\$ 12,168,314
OPEB Adjustments	1,018,598
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 13,186,912</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 2,085,742
Accrued liabilities	231,390
Interest payable	7,181
Unearned revenue	291,534
Deposits payable	408,743
Compensated absences, due within one year	558,098
Long-term debt, due within one year	68,823
Total Current Liabilities	<u>3,651,511</u>
Noncurrent Liabilities:	
Compensated absences, due in more than one year	468,652
Net pension liability	32,157,510
Net OPEB liability	1,549,998
Long-term debt - due in more than one year	693,792
Total Noncurrent Liabilities	<u>34,869,952</u>
<b>Total Liabilities</b>	<u><u>\$ 38,521,463</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Adjustments	\$ 1,880,944
OPEB Adjustments	683,082
<b>Total Deferred Inflows of Resources</b>	<u><u>\$ 2,564,026</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 50,115,979
Restricted for:	
Public safety	174,778
Transportation	1,327,582
Community development	10,288,422
Culture and recreation	340,825
Total Restricted	<u>12,131,607</u>
Unrestricted	<u>(17,948,945)</u>
<b>Total Net Position</b>	<u><u>\$ 44,298,641</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Capitola**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

Functions/Programs	Program Revenues					Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
Primary Government:						
Governmental Activities:						
General government	\$ 5,580,935	\$ 982,884	\$ 372,379	\$ -	\$ 1,355,263	\$ (4,225,672)
Public safety	8,450,102	497,126	184,194	-	681,320	(7,768,782)
Community development	1,371,360	972,472	266,717	-	1,239,189	(132,171)
Culture and recreation	2,983,749	862,418	-	5,112,589	5,975,007	2,991,258
Transportation	4,329,241	40,893	35,625	839,648	916,166	(3,413,075)
Interest and fiscal charges	13,272	-	-	-	-	(13,272)
Total Governmental Activities	\$ 22,728,659	\$ 3,355,793	\$ 858,915	\$ 5,952,237	\$ 10,166,945	(12,561,714)
General Revenues:						
Taxes:						
Property taxes						3,200,895
Franchise taxes						729,485
Sales and use tax						8,221,640
Transient Occupancy tax						2,219,951
Business License tax						323,755
Cannabis taxes						261,764
Total taxes						14,957,490
Motor vehicle in-lieu						12,171
Investment income						770,404
Other revenues						360,771
Total General Revenues						16,100,836
Change in Net Position						3,539,122
Net Position - Beginning of Year						40,452,861
Prior Period Adjustments						306,658
Net Position - Beginning of Year, As Adjusted						40,759,519
Net Position - End of Year						\$ 44,298,641



## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

### **General Fund**

Accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

### **Federal Home Loan Reuse Fund**

The Federal Home Loan Reuse Fund accounts for housing loans due to the City from the recipients of previous HOME Program grants. Receipts in the Home Program Reuse Fund are restricted to affordable housing activities in accordance with the federal HOME program re-use guidelines..

### **Capitola Housing Successor Fund**

This fund is used to account for the assets of the former RDA Low and Moderate-Income Fund, and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. It is anticipated that as loan payments are received, the revenue generated will fund new housing activities.

### **Regional Transportation Commission (RTC) Streets Fund**

Santa Cruz County voters passed a 0.5 percent user sales tax to fund local roads. The RTC Streets fund will be utilized to increase the City's street program.

### **Capital Projects Fund**

Accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

### **Non-Major Governmental Funds**

These funds constitute all other governmental funds that do not meet the major fund criteria per governmental accounting standards. These funds consist of other Special Revenue Funds and Debt Service Funds.

**City of Capitola**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**

	Major Funds						
	General Fund	Federal Home Loan Reuse Fund	Capitola Housing Successor Fund	RTC Streets Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 4,696,736	\$ 881,691	\$ 1,892,662	\$ 499,928	\$ 594,662	\$ 2,025,803	\$ 10,591,482
Restricted cash and investments	1,531,142	-	-	-	-	-	1,531,142
Accounts receivable	36,059	-	-	-	-	3,634	39,693
Taxes receivable	2,021,123	-	-	26,793	-	-	2,047,916
Interest receivable	68,098	9,980	21,988	5,424	-	39,229	144,719
Due from other governments	120,015	-	11,782	-	-	27,147	158,944
Due from other funds	79,229	-	-	-	-	-	79,229
Loans receivable	-	4,125,979	2,271,492	-	-	407,257	6,804,728
<b>Total assets</b>	<b>\$ 8,552,402</b>	<b>\$ 5,017,650</b>	<b>\$ 4,197,924</b>	<b>\$ 532,145</b>	<b>\$ 594,662</b>	<b>\$ 2,503,070</b>	<b>\$ 21,397,853</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 610,694	\$ -	\$ 19,517	\$ -	\$ 1,360,521	\$ 95,010	\$ 2,085,742
Accrued liabilities	231,390	-	-	-	-	-	231,390
Unearned revenue	291,534	-	-	-	-	-	291,534
Deposits payable	401,465	-	-	-	7,200	78	408,743
Due to other funds	-	-	-	-	-	79,229	79,229
<b>Total liabilities</b>	<b>1,535,083</b>	<b>-</b>	<b>19,517</b>	<b>-</b>	<b>1,367,721</b>	<b>174,317</b>	<b>3,096,638</b>
<b>Fund Balances:</b>							
Restricted:							
Public safety	-	-	-	-	-	174,778	174,778
Transportation	-	-	-	532,145	-	795,437	1,327,582
Community development	-	5,017,650	4,178,407	-	-	1,092,365	10,288,422
Culture and recreation	-	-	-	-	-	340,825	340,825
Retiree benefits	1,531,142	-	-	-	-	-	1,531,142
Assigned:							
Debt service	-	-	-	-	-	75,289	75,289
Facilities	282,714	-	-	-	-	-	282,714
General plan	266,685	-	-	-	-	-	266,685
Green building education	263,405	-	-	-	-	-	263,405
Emergency reserve	1,631,506	-	-	-	-	-	1,631,506
Unassigned:							
Contingencies	2,364,346	-	-	-	-	-	2,364,346
Remaining unassigned	677,521	-	-	-	(773,059)	(149,941)	(245,479)
<b>Total fund balances</b>	<b>7,017,319</b>	<b>5,017,650</b>	<b>4,178,407</b>	<b>532,145</b>	<b>(773,059)</b>	<b>2,328,753</b>	<b>18,301,215</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,552,402</b>	<b>\$ 5,017,650</b>	<b>\$ 4,197,924</b>	<b>\$ 532,145</b>	<b>\$ 594,662</b>	<b>\$ 2,503,070</b>	<b>\$ 21,397,853</b>

The accompanying notes are an integral part of these financial statements.

**City of Capitola**  
**Reconciliation of the Government Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2024**

---

**Total Fund Balances - Total Governmental Funds** \$ 18,301,215

Amounts reported for governmental activities in the statement of net position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Capital assets	81,081,942
Less: accumulated depreciation	(30,203,348)
Total Capital Assets	<u>50,878,594</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (7,181)

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position. 10,622,886

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt	(762,615)
Compensated absences	(1,026,750)
Net pension liability	(32,157,510)
Net OPEB liability	(1,549,998)
Total Long-Term Obligations	<u>(35,496,873)</u>

**Net Position of Governmental Activities** \$ 44,298,641

The accompanying notes are an integral part of these financial statements.

**City of Capitola**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2024**

	Major Funds						
	General Fund	Federal Home Loan Reuse Fund	Capitola Housing Successor Fund	RTC Streets Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 14,495,882	\$ -	\$ -	\$ -	\$ -	\$ 137,853	\$ 14,633,735
Licenses and permits	757,312	-	-	-	-	10,453	767,765
Fines and forfeitures	425,043	-	-	-	-	-	425,043
Intergovernmental	223,792	-	-	359,670	5,112,589	885,145	6,581,196
Charges for Services	2,298,937	-	-	-	-	150,768	2,449,705
Use of money and property	478,610	86,985	153,801	19,644	-	68,399	807,439
Other revenue	334,933	-	-	-	225,695	42,271	602,899
<b>Total Revenues</b>	<b>19,014,509</b>	<b>86,985</b>	<b>153,801</b>	<b>379,314</b>	<b>5,338,284</b>	<b>1,294,889</b>	<b>26,267,782</b>
<b>EXPENDITURES</b>							
Current:							
General government	3,604,714	3,700	-	-	22,058	816,111	4,446,583
Public safety	7,740,343	-	-	-	-	-	7,740,343
Community development	947,297	-	324,528	-	-	-	1,271,825
Culture and recreation	2,677,956	-	-	-	-	46,778	2,724,734
Transportation	3,682,149	-	-	-	-	-	3,682,149
Capital outlay	1,039,033	-	-	33,061	14,190,597	64,144	15,326,835
Debt service							
Principal	-	-	-	-	-	709,965	709,965
Interest and fiscal charges	-	-	-	-	-	27,763	27,763
<b>Total Expenditures</b>	<b>19,691,492</b>	<b>3,700</b>	<b>324,528</b>	<b>33,061</b>	<b>14,212,655</b>	<b>1,664,761</b>	<b>35,930,197</b>
Excess (Deficiency) of Revenues over Expenditures	(676,983)	83,285	(170,727)	346,253	(8,874,371)	(369,872)	(9,662,415)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	100,000	-	-	-	2,700,000	757,788	3,557,788
Transfers out	(3,356,788)	-	-	-	-	(201,000)	(3,557,788)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,256,788)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,700,000</b>	<b>556,788</b>	<b>-</b>
Net Change in Fund Balances	(3,933,771)	83,285	(170,727)	346,253	(6,174,371)	186,916	(9,662,415)
Fund Balances Beginning	10,606,744	4,780,025	4,329,058	185,892	5,842,965	1,912,288	27,656,972
Prior Period Adjustments	344,346	154,340	20,076	-	(441,653)	229,549	306,658
Fund Balances Beginning, as Adjusted	10,951,090	4,934,365	4,349,134	185,892	5,401,312	2,141,837	27,963,630
Fund Balances Ending	\$ 7,017,319	\$ 5,017,650	\$ 4,178,407	\$ 532,145	\$ (773,059)	\$ 2,328,753	\$ 18,301,215

The accompanying notes are an integral part of these financial statements.

# City of Capitola

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities For the Year Ended June 30, 2024

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Net Change in Fund Balances - Total Governmental Funds	\$ (9,662,415)
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Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.

Capital additions	15,313,899
Depreciation expense	(1,375,536)

Compensated absences not required to be paid with current financial resources are not reported in the governmental funds, but are accrued as noncurrent liabilities in the Government Wide Statement Net Position. The change from prior year accrued compensated absences is reported in the applicable program expense.

(111,206)

In governmental funds, actual contributions to benefit plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year benefit expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.

(1,350,075)

Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

709,965

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from from prior year.

14,490

### Change in Net Position of Governmental Activities

\$ 3,539,122

The accompanying notes are an integral part of these financial statements.

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**City of Capitola**  
**Index to the Notes to Basic Financial Statements**  
**June 30, 2024**

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

***A. Financial Reporting Entity***

The City of Capitola (the City) was incorporated in 1949 under the laws of the State of California. Capitola is a General Law City and is subject to the framework and procedures established by State law. The City operates under the Council-City Manager form of government. The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and limited drainage services.

***B. Basis of Presentation***

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions, or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present summaries of governmental activities for the City. *Governmental activities* are generally supported by taxes and intergovernmental revenues.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Separate financial statements are provided for governmental funds. Major individual governmental funds

# City of Capitola

## Notes to the Basic Financial Statements

### June 30, 2024

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are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in-regards-to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, internal fund transactions have been eliminated. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Interfund receivable and payables
- Indirect costs between funds

The City applies all applicable GASB pronouncements including all interpretations currently in effect.

### **Governmental Fund Financial Statements**

Governmental fund financial statements include a *Balance Sheet* and a *Statement of Revenues, Expenditures and Changes in Fund Balances* for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets. The *Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (up to 60 days after year-end) are recognized when due. The City's only exception to this timeline is Sales Tax receipts which are recorded as revenues if received within 90 days. Property taxes, sales taxes, transient occupancy taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is 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 City. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other postemployment benefits and claims and judgments, are recorded only when payment is due.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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The City reports the following funds as major funds:

**General Fund**

The General Fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

**Federal Home Loan Reuse Special Revenue Fund**

The Federal Home Loan Reuse Fund accounts for housing loans due to the City from the recipients of previous HOME Program grants. Receipts in the Home Program Reuse Fund are restricted to affordable housing activities in accordance with the federal HOME program re-use guidelines.

**Capitola Housing Successor Special Revenue Fund**

This fund is used to account for the assets of the former RDA Low and Moderate-Income Fund, and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. It is anticipated that as loan payments are received, the revenue generated will fund new housing activities.

**Regional Transportation Commission (RTC) Streets Special Revenue Fund**

Santa Cruz County voters passed a 0.5 percent user sales tax to fund local roads. The RTC Streets fund will be utilized to increase the City's street program.

**Capital Projects Fund**

Accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

Additionally, the City reports the following nonmajor fund types of governmental funds:

**Special Revenue Funds**

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to specific purposes other than debt service or capital projects.

**Debt Service Funds**

Debt service funds are used to accumulate resources for repayment of debt and financing arrangements.

**Capital Project Funds**

Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets in governmental funds. There were not nonmajor capital projects funds reported for this fiscal year.

***C. Cash and Investments***

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments. The City also

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considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas: Interest Rate Risk, Overall Credit Risk, Custodial Credit Risk, Concentrations of Credit Risk, and Foreign Currency Risk.

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures. The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

***D. Restricted Cash and Investments***

Certain restricted cash and investments are held by PARS, a fiscal agent, for pension obligations with CalPERS.

***E. Receivables***

Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. Revenues earned but not collected by year-end are accrued. No allowance for uncollectible accounts receivable has been provided as management has determined that uncollectible accounts have been immaterial historically and the direct write-off method does not result in a material difference from the allowance method.

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***F. Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been offset by nonspendable fund balance to indicate that is not available for appropriation.

***G. Interfund Receivables and Payables***

Activity 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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources. There were no advances between funds reported as of June 30, 2024.

***H. Loans Receivable***

The City uses Federal Home Loan Reuse, Affordable Housing and CDBG Program Income funds to provide housing loans to eligible applicants. Such loans are made to low and moderate-income households to improve or rehabilitate residences. Repayments of the outstanding loans are classified as a revenue source in the applicable funds.

***I. Capital Assets***

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at acquisition value as of the date received. City policy is to capitalize all tangible property with a useful life of five or more years and a cost or assigned valued exceeding \$5,000, with the exception of infrastructure valued at \$50,000 or more. The City recorded all its public domain (infrastructure) capital assets placed in service after June 30, 1980, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, in accordance with generally accepted accounting principles.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year’s pro rata share of the cost of capital assets. Generally accepted accounting principles requires that all capital assets with limited useful lives be depreciated over the estimated useful lives. Depreciation is provided using the straight-line method which means the cost of the assets is divided by its expected useful life in years and the result is charged to expense each fiscal year until the assets are fully depreciated. The City has assigned the useful lives listed below to capital assets subscription term or the useful life of the underlying asset. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Structures and improvements	50 Years
Equipment	5-20 Years
Infrastructure	15-50 Years

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***J. Deferred Outflows/Deferred Inflows of Resources***

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***K. Interest Payable***

In the government-wide financial statements, interest payable of long-term debt is recognized as an incurred liability. The City has not allocated the interest on long-term debt to departments. In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest for long-term debt is recorded in the fund statements when the payment is made.

***L. Compensated Absences***

Based on prior MOU language, a sick leave liability is also accrued for one remaining employee. For governmental fund types, the current liability appears in the respective funds, if due and payable, and the long-term liability appears in the government-wide financial statements as compensated absences. This liability is set up for the current employees at the current rates of pay. If vacation and the sick leave balances are not used by employees during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

***M. Long-Term Liabilities***

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, bonds payable are reported net of the applicable bond premium or discount, and debt issuance costs are expensed in year incurred. In the fund financial statements, governmental fund types recognize debt issuances, premiums, discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***N. Benefit Plans***

**Pension Expense**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the

**City of Capitola**  
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Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit (OPEB) Expense**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

***O. Fund Balances***

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

**Nonspendable**

Nonspendable fund balance represents balances set aside to indicate items that do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, leases receivable in excess of deferred inflows of resources and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed, or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

**Restricted**

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

**Committed**

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to the constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the specific amounts can be determined subsequently. Encumbrances and nonspendable amounts subject to Council commitments are included along with spendable resources.

**Assigned**

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director or City Manager, and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; nonspendable amounts, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects, and Debt Service Funds, which have not been restricted or committed.



# **City of Capitola**

## **Notes to the Basic Financial Statements**

### **June 30, 2024**

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#### **Unassigned**

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

#### **Flow Assumption / Spending Order Policy**

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

#### ***P. Net Position***

In the government-wide financial statements, net position is classified in the following categories:

##### **Net Investment in Capital Assets**

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that are attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position.

##### **Restricted Net Position**

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. These include developer fees received for use on capital projects, debt service requirements, and community development projects.

##### **Unrestricted Net Position**

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position." The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

##### **Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

#### ***Q. Interfund Transactions***

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except for interfund services provided and used and reimbursements, are reported as transfers. All other interfund transfers are reported as transfers.

#### ***R. Property Taxes and Special Assessments***

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is

**City of Capitola**  
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calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

County of Santa Cruz (the County) levies, bills and collects property taxes and special assessments for the City; under the County's "Teeter Plan" the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1. Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on August 1 and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

The City adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year.

***S. Budgetary Information***

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in April of each fiscal year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the following fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within each fund can be made by the City Manager. Budget modifications between funds, increases, or decreases to a fund's overall budget, transfers between general fund departments or transfers that affect capital projects must be approved by the City Council or Agency Board. Numerous properly authorized amendments are made during the fiscal year. Appropriations lapse at fiscal year-end.

Budgetary control is enhanced by integrating the budget into the general ledger. Encumbrance accounting is employed (e.g., purchase orders) to avoid over-expenditure. Encumbrances outstanding at fiscal year-end are automatically budgeted in the following fiscal year, unless specifically cancelled by Council action. Per Capitola Municipal Code 3.20.060.C: "The appropriation for the uncompleted balance of executory contracts should not lapse at year-end but is automatically appropriated for the succeeding fiscal year unless specifically cancelled by council action."

**City of Capitola**  
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The following summarizes the City's actual expenditures over the final budget by department during the year:

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES				
Current:				
General government	\$ 3,668,814	\$ 3,735,085	\$ 3,604,714	\$ 130,371
Public safety	7,201,461	7,371,463	7,740,343	(368,880)
Community development	1,006,504	1,006,504	947,297	59,207
Culture and recreation	2,408,921	2,366,515	2,677,956	(311,441)
Transportation	3,377,464	3,435,590	3,682,149	(246,559)
Capital outlay	649,000	480,743	1,039,033	(558,290)
Total Expenditures	\$ 18,312,164	\$ 18,395,900	\$ 19,691,492	\$ (1,295,592)

During the year, public safety expenditures were over budget to personnel costs associated with two major criminal investigation cases and storm response, cultural and recreation expenditures were over budget primarily due to seasonal program personnel costs which was offset by additional revenues, transportation and capital outlay expenditures was due to the timing of projects and related encumbrances. Overages by department were funded by beginning fund balance and revenues in excess of budget.

***T. Unearned Revenue***

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows of resources from unavailable revenue.

***U. Use of Estimates***

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

***V. Implementation of New Accounting Pronouncements***

***GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62***

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This Statement did not have a material impact on the financial statements.

***W. Upcoming New Accounting Pronouncements***

The City is currently analyzing its accounting practices to identify the potential impact on the financial statements of the following GASB Statements:

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**GASB Statement No. 101, *Compensated Absences***

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

**GASB Statement No. 102, *Certain Risk Disclosures***

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

**GASB Statement No. 103, *Financial Reporting Model Improvements***

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

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This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management's discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

**NOTE 2 - CASH AND INVESTMENTS**

As of June 30, 2024, cash and investments were reported in the financial statements as follows:

	Governmental Activities
Cash and investments	\$ 10,591,482
Restricted cash and investments	1,531,142
Total cash and investments	<u>\$ 12,122,624</u>

Cash and investments consisted of the following as of June 30, 2024:

Deposits:	
Cash on hand	\$ 1,400
Deposits with financial institutions	3,004,165
Total Deposits	<u>3,005,565</u>
Investments:	
Local Agency Investment Fund	3,689,511
Certificates of deposit	3,896,406
PARS restricted cash with fiscal agent	1,531,142
Total investments	<u>9,117,059</u>
Total cash and investments	<u>\$ 12,122,624</u>

**A. Cash Deposits**

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution. The fair value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. Cash deposits insured up to \$250,000 per entity, per bank by the Federal Deposit Insurance Corporation (FDIC).

The bank balances before reconciling items totaled \$3,462,237 at June 30, 2024 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$2,197,237, which was collateralized by securities held by pledging financial institutions. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

# City of Capitola

## Notes to the Basic Financial Statements

### June 30, 2024

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#### ***B. Fair Value Measurements***

GASB 72 established a hierarchy of inputs to the valuation techniques with three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

#### ***C. Investment Policy***

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code (or the City's investment policy, if more restrictive). Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills	5 Years	60%	n/a
Negotiable Certificates of Deposit	5 Years	30%	n/a
Local Agency Investment Fund (LAIF)	n/a	n/a	\$75M

#### ***D. External Investment Pool***

The City's investments with LAIF at June 30, 2024, includes a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

##### **Structured Notes**

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

##### **Asset-Backed Securities**

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is not registered with the Securities and Exchange Commission and is not rated. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

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***E. Risk Disclosures***

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment's maturity, the greater the sensitivity to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2024, the City's investments were in compliance with the ratings required by the City's investment policy and Government Code.

**Concentrations of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments required to be disclosed.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2024, the City's investments had the following maturities:

Investment Type	12 Months or Less	1-5 years	Fair Value	Fair Value Input Levels
Local Agency Investment Funds	\$ 3,689,511	\$ -	\$ 3,689,511	n/a
Certificates of deposit	-	3,896,406	3,896,406	Level 1
PARS restricted cash with fiscal agent	1,531,142	-	1,531,142	Level 2
Total Investments	<u>\$ 5,220,653</u>	<u>\$ 3,896,406</u>	<u>\$ 9,117,059</u>	

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**NOTE 3 - LOANS RECEIVABLE**

**Housing and Community Development Loan Program**

The City uses Federal Home Loan Reuse, Affordable Housing and CDBG Program Income funds to provide housing loans to eligible applicants. Such loans are made to low and moderate-income households to improve or rehabilitate residences. These loans have been reflected in the financial statements as loans receivable.

Loans receivable consisted of the following as of June 30, 2024:

Loans Receivable	CDBG Program Income	Federal Home Loan Reuse	Capitola Housing Successor	Total
Individual Loans	\$ 407,257	\$ 211,953	\$ 391,392	\$ 1,010,602
Bay Avenue Senior Apartments	-	3,785,969	1,880,100	5,666,069
Wharf Road Manor	-	128,057	-	128,057
Total Loans Receivable	<u>\$ 407,257</u>	<u>\$ 4,125,979</u>	<u>\$ 2,271,492</u>	<u>\$ 6,804,728</u>

**NOTE 4 - INTERFUND TRANSACTIONS**

**Inter-fund Receivables and Payables**

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. As of June 30, 2024, the City had the following interfund balances:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 79,229	\$ -
Nonmajor Funds	-	79,229
Total Due From/To	<u>\$ 79,229</u>	<u>\$ 79,229</u>

**Transfers In/Out**

Transfers from the General Fund to the debt service funds were to fund regular debt service activity of the City. Transfers from the General Fund to the Capital Projects fund were to pay for building and infrastructure improvements. The following summarizes transfers between funds during the fiscal year ended June 30, 2024:

Fund	Transfer in	Transfer out
General Fund	\$ 100,000	\$ 3,356,788
Capital Projects Fund	2,700,000	-
Nonmajor Funds	757,788	201,000
Total Transfers	<u>\$ 3,557,788</u>	<u>\$ 3,557,788</u>



**City of Capitola**  
**Notes to the Basic Financial Statements**  
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**NOTE 5 - CAPITAL ASSETS**

Capital assets for governmental activities consisted of the following as of June 30, 2024:

	Balance July 01, 2023	Additions	Deletions/ Transfers	Balance June 30, 2024
<b>Governmental activities:</b>				
<b>Non-depreciable:</b>				
Land	\$ 4,883,789	\$ -	\$ -	\$ 4,883,789
Construction in Progress	3,549,718	12,273,834	(429,932)	15,393,620
Total Non-Depreciable	8,433,507	12,273,834	(429,932)	20,277,409
<b>Depreciable:</b>				
Buildings and Improvements	18,017,712	20,650	(290,122)	17,748,240
Infrastructure	35,907,669	1,814,062	-	37,721,731
Machinery and Equipment	4,520,133	1,635,284	(820,855)	5,334,562
Total Depreciable	58,445,514	3,469,996	(1,110,977)	60,804,533
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(2,159,672)	(368,426)	215,440	(2,312,658)
Infrastructure	(23,811,144)	(568,051)	-	(24,379,195)
Machinery and Equipment	(3,967,973)	(358,565)	815,043	(3,511,495)
Total Accumulated Depreciation	(29,938,789)	(1,295,042)	1,030,483	(30,203,348)
Total Depreciable Capital Assets - Net	28,506,725	2,174,954	(80,494)	30,601,185
Total Capital Assets - Net	\$ 36,940,232	\$ 14,448,788	\$ (510,426)	\$ 50,878,594

Depreciation and amortization expense for governmental activities:

General Government	\$ 786,356
Public Safety	103,992
Culture and Recreation	45,774
Transportation	358,922
Total depreciation expense	<u>\$ 1,295,042</u>

**NOTE 6 - NONCURRENT LIABILITIES**

The City's noncurrent liabilities consisted of the following as of June 30, 2024:

	Balance July 01, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
<b>Governmental Activities</b>					
Cove Financing	\$ 642,663	\$ -	\$ 642,663	\$ -	\$ -
Beach and Village Lot II Financing	829,917	-	67,302	762,615	68,823
Compensated Absences	915,544	608,857	497,651	1,026,750	558,098
Net OPEB liability	1,833,813	1,573,174	1,856,989	1,549,998	-
Net Pension Liability	30,056,602	10,765,807	8,664,899	32,157,510	-
Total Governmental Activities Debt	\$ 34,278,539	\$ 12,947,838	\$ 11,729,504	\$ 35,496,873	\$ 626,921

**Loan Agreement Payable - Pacific Cove Debt Financing**

On March 23, 2012, the City executed a \$2.39 million loan agreement to facilitate relocating the residents of the Pacific Cove Mobile Home Park. The City-owned mobile home park was permanently closed for safety reasons after a pipe failure flooded the park. This financing agreement used the existing City Hall site and the adjacent Upper Pacific Cove Parking lot as the subject property. The original agreement was

**City of Capitola**  
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for 20 years at 5.14% fixed interest rate for the first 10 years, with a reset to 10-year T-Bill plus 3%. The agreement was renegotiated during fiscal year 2012/13 to a tax-exempt lease with a 3.25% interest rate, with a reset in year 10 to a 10-year T-Bill plus 1.5%. As a result of the refinancing, annual loan payments were reduced by approximately \$28,000. Savings on interest over the first nine years was estimated to be \$350,000.

In FY 2012/13, the City made a decision to apply \$500,000 from the disaster recovery insurance settlement to the Pacific Cove Lease. This resulted in a principal reduction of \$476,190, with a prepayment penalty of \$23,810.

This loan was completely repaid during the fiscal year ended June 30, 2024.

**Loan Agreement Payable - Beach and Village Lot II Financing**

On March 14, 2014, the City of Capitola executed a \$1,372,500 low-interest loan with the California Infrastructure and Economic Development Bank (IBank). This loan is considered an obligation with the General Fund as the source of repayment; and the City Public Works Corporation Yard serving as the leased asset. The loan term is 20 years at a fixed 2.26% interest rate.

The following summarizes the City's debt service requirements under this agreement:

Fiscal Year	Principal	Interest	Total
2025	\$ 68,823	\$ 16,457	\$ 85,280
2026	70,379	14,884	85,263
2027	71,969	13,276	85,245
2028	73,596	11,631	85,227
2029	75,259	9,949	85,208
2030-2034	402,589	23,153	425,742
Total	<u>\$ 762,615</u>	<u>\$ 89,350</u>	<u>\$ 851,965</u>

**Compensated Absences**

Generally Accepted Accounting Principles identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, totaled \$468,652 as of June 30, 2024.

**NOTE 7 - DEFICIT FUND BALANCES**

As of June 30, 2024, the city reported a deficit fund balance of \$773,059 in the Capital Projects Fund and \$149,941 in its nonmajor funds. These deficits are expected to be reduced by future revenues and transfers from other funds.

**City of Capitola**  
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**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

***General Information about the Pension Plans***

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors three miscellaneous rate plans. Benefit provisions under the Plan are 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.

**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 non-duty 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 Employee's Retirement Law the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The general fund typically is used to liquidate pension liabilities for governmental funds.

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<b>Miscellaneous</b>		<b>Safety</b>	
	<b>Classic</b>	<b>PEPRA</b>	<b>Classic</b>	<b>PEPRA</b>
Benefit formula	2.5% @ 55	2% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	50	52	50	50-57
Monthly benefits as a				
% of eligible compensation	2-2.5%	2%	3.00%	2.70%
Required employee contribution rates	7.96%	7.75%	8.99%	13.75%
Required employer contribution rates	14.06%	7.68%	27.11%	13.54%

**City of Capitola**  
**Notes to the Basic Financial Statements**  
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**Employees Covered**

At June 30, 2024, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety	Total
Active	51	21	72
Transferred	36	13	49
Separated	28	7	35
Retired	112	56	168
Total	227	97	324

**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 Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are 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. For the year ended June 30, 2024, the City's contributions were as follows:

	Employer Contributions
Miscellaneous	\$ 1,377,687
Safety	1,637,024
Total Employer Contributions	<u>\$ 3,014,711</u>

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

As of June 30, 2024, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 15,170,447
Safety	16,987,063
<b>Total</b>	<b><u>\$ 32,157,510</u></b>

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2023, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**City of Capitola**  
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The City's proportionate share of the net pension liability for the Plans as of June 30, 2023 and 2024 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Combined Plans</u>
Proportion - June 30, 2023	0.30483%	0.22983%	0.26021%
Proportion - June 30, 2024	0.30338%	0.22725%	0.25777%
Change - Increase/(Decrease)	<u>-0.00145%</u>	<u>-0.00257%</u>	<u>-0.00244%</u>

For the year ended June 30, 2024, the City recognized pension expense of \$4,226,459.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 915,908	\$ -	\$ 991,388	\$ -
Differences between Expected and Actual Experience	774,988	120,219	1,247,164	106,770
Differences between Projected and Actual Investment Earnings	2,456,232	-	2,324,675	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	401,481	118,690	524,075
Change in Employer's Proportion	2,942	719,940	321,615	8,459
Pension Contributions Made Subsequent to Measurement Date	1,377,687	-	1,637,024	-
<b>Total</b>	<u>\$ 5,527,758</u>	<u>\$ 1,241,640</u>	<u>\$ 6,640,556</u>	<u>\$ 639,304</u>

The City reported \$3,014,711 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

	<u>Deferred Outflows/(Inflows) of Resources</u>		
<u>Ending June 30:</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2025	\$ 569,125	\$ 1,391,764	\$ 1,960,889
2026	441,051	1,005,467	1,446,517
2027	1,827,776	1,902,111	3,729,887
2028	70,479	64,886	135,365
2029	-	-	-
Thereafter	-	-	-
<b>Total</b>	<u>\$ 2,908,431</u>	<u>\$ 4,364,228</u>	<u>\$ 7,272,658</u>

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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**Actuarial Assumptions**

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	6.90% (2)
Mortality	(3)

(1) Varies by age and service

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

(3) Derived using CalPERS' membership data for all funds

**Discount Rate**

The discount rate used to measure the total pension liability was 6.9 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. 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 (11-60 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 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 equivalent 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 rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

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These rates of return are net of administrative expenses as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

- (a) In the System's ACFR, 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 2.30% used for this period.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, 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 or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	5.90%	5.90%
Net Pension Liabil \$	21,849,354	24,354,064
Current	6.90%	6.90%
Net Pension Liabil \$	15,170,447	16,987,063
1% Increase	7.90%	7.90%
Net Pension Liabil \$	9,673,133	10,964,016

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See <https://www.calpers.ca.gov/page/investments/about-investment-office/investment-financial-reports?stream=top>.

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)**

**Plan Description**

The City's defined benefit postemployment healthcare plan, (City of Capitola Retiree Healthcare Plan, CRHP), provides medical benefits to eligible retired City employees and spouses. CRHP is an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statute within the Public Employees' Retirement Law. The CRHP's plan provisions are established and may be amended through negotiation and Memoranda of Understanding between the City Council and the various bargaining units. All contracts with CalPERS are approved through City resolution. CalPERS issues publicly available reports that can be found on the CalPERS' website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Benefits Provided**

The City offers the same medical plans to its retirees as to its active employees, with the exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA.

Employees are eligible to receive City-paid healthcare benefits upon meeting retirement eligibility requirements under applicable CalPERS provisions (Miscellaneous Classic or PEPRA and Safety Classic or PEPRA), or by qualifying disability retirement status. Benefits are paid for the lifetime of the retiree and, if applicable, the surviving spouse of the retiree.

The City has participated over twenty years in PEMHCA, therefore, the statutory contributions for retirees are equal to the active employees. The City also pays an administrative statutory percentage-of-premium fee for all retirees.

**Employees Covered by Benefit Terms**

At June 30, 2023, the most recent valuation date, the benefit terms covered the following employees:

Active employees	57
Inactive employees	26
<b>Total employees</b>	<b>83</b>

**Contributions**

The obligation of the City to contribute to the plan is based on an actuarially determined rate. The City makes contributions and participates in the California Employers' Retiree Benefit Trust (CERBT) Fund for the purpose of prefunding obligations for past services. Through this plan, the California Public Employees' Retirement System (CalPERS) Board of Administration has the sole and exclusive control and power over the administration and investment of the prefunding plan. Total contributions during the fiscal year ended June 30, 2024 were \$158,573, which was 2% of covered payroll.



# City of Capitola

## Notes to the Basic Financial Statements

### June 30, 2024

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#### Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2023
Measurement Date:	June 30, 2023
Actuarial Cost Method:	Entry-Age, Level Percent of Pay
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Payroll Increases	2.75%
Trend Rate	5.50%
Mortality	2000-2019 CalPERS Experience Study

#### Notes:

The discount rate decreased from 7% to 6.25%.

#### Discount Rate

GASB 75 requires a discount rate that reflects the following:

- The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the City's Total OPEB liability is based on these requirements and long-term expected returns of plan investments of 6.25% as compared to a 20 year municipal index of 3.86%.

#### Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate).

**City of Capitola**  
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The following table provides the long-term expected real rates of return by asset class (based on published capital market assumptions):

<b>Asset Class</b>	<b>Percentage of Portfolio</b>	<b>Long-Term Expected Rate of Return</b>
Global Equity	49.0%	4.8%
Domestic Fixed Income	23.0%	1.8%
Treasury Inflation-Protected Securities (TIPS)	5.0%	1.6%
Real Estate Investment Trusts (REITs)	20.0%	3.7%
All Commodities	3.0%	1.9%
<b>Total</b>	<b>100.0%</b>	

**Changes in the Net OPEB Liability**

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2024:

<b>Fiscal Year Ended June 30, 2024</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2023</b>	<b>\$ 2,376,682</b>	<b>\$ 542,869</b>	<b>\$ 1,833,813</b>
Service cost	97,501	-	97,501
Interest in Total OPEB Liability	169,676	-	169,676
Employer contributions	-	169,270	(169,270)
Balance of diff between actual/exp experience	(510,333)	-	(510,333)
Balance of changes in assumptions	164,493	-	164,493
Actual investment income	-	36,040	(36,040)
Administrative expenses	-	(158)	158
Benefit payments	(102,222)	(102,222)	-
<b>Net changes</b>	<b>(180,885)</b>	<b>102,930</b>	<b>(283,815)</b>
<b>Balance at June 30, 2024</b>	<b>\$ 2,195,797</b>	<b>\$ 645,799</b>	<b>\$ 1,549,998</b>

Covered Employee Payroll	\$ 7,943,922
TOL as a % of Covered Employee Payroll	27.64%
Service Cost as a % of Covered Emp Payroll	1.23%
NOL as a % of Covered Employee Payroll	19.51%

The City's OPEB Plan is a funded plan and assets have been set aside in an irrevocable trust.

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**June 30, 2024**

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**Deferred Inflows and Outflows of Resources**

As of June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ 683,082
Difference between actual and expected earnings	37,241	-
Change in assumptions	822,784	-
OPEB contribution subsequent to measurement date	158,573	-
<b>Totals</b>	<b>\$ 1,018,598</b>	<b>\$ 683,082</b>

Contributions of \$158,573 were made subsequent to the measurement date and will be recognized as OPEB expense fiscal year 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2025	\$ 67,163
2026	64,577
2027	82,158
2028	59,435
2029	59,023
Thereafter	(155,413)
<b>Total</b>	<b>\$ 176,943</b>

**OPEB Expense**

The following summarizes the OPEB expense by source during the year ended June 30, 2024:

Service cost	\$ 97,501
Interest in TOL	169,676
Expected investment income	(38,096)
Difference between actual and expected experience	(84,927)
Difference between actual and expected earnings	8,638
Change in assumptions	143,950
Administrative expenses	158
<b>OPEB Expense</b>	<b>\$ 296,900</b>

**City of Capitola**  
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The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2024:

Net OPEB liability ending	\$ 1,549,998
Net OPEB liability beginning	(1,833,813)
Change in net OPEB liability	(283,815)
Changes in deferred outflows	(3,264)
Changes in deferred inflows	425,406
Employer contributions	158,573
<b>OPEB Expense</b>	<b>\$ 296,900</b>

**Sensitivity to Changes in the Municipal Bond Rate**

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a municipal bond rate (used to determine the discount rate) that is one percentage point lower or one percentage point higher, is as follows:

	<b>Discount Rate</b>		
	<b>(1% Decrease )</b>	<b>1.92%</b>	<b>(1% Increase )</b>
Net OPEB Liability (Asset)	\$ 1,818,672	\$ 1,549,998	\$ 1,322,369

**Sensitivity to Changes in the Healthcare Cost Trend Rates**

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	<b>Trend Rate</b>		
	<b>(1% Decrease )</b>	<b>5.00%</b>	<b>(1% Increase )</b>
Net OPEB Liability (Asset)	\$ 1,279,941	\$ 1,549,998	\$ 1,881,828

**NOTE 10 - RISK MANAGEMENT**

**Municipal Pooling Authority (MPA)**

The City participates in the Monterey Bay Area Self-Insurance Agency (the Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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adjustments to the premiums charged and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year-end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the five previous years.

Premium payment amounts are determined by the fund's Board and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Authority, article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agency's contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member. Audited financial statements of the Authority can be obtained at 1 Civic Center Drive, Scotts Valley, California 90566.

There were no material unpaid and uninsured claims outstanding at the beginning or end of the last two fiscal years. Settlements have not exceeded insurance in the past three fiscal years.

**NOTE 11 - JOINT VENTURES**

**Santa Cruz Consolidated Emergency Communications Center**

The City is a member of the Santa Cruz Consolidated Emergency Communications Center, a Joint Powers Authority created to establish and operate a consolidated communications center which provides emergency call receiving and dispatching services. Other members of the Authority include the Cities of Santa Cruz and Watsonville, and the County of Santa Cruz. The members, including the City of Capitola, are responsible for funding the operations of the Authority through annual assessments. The annual assessments are based on percentages calculated for each member. Audited financial statements of the Authority can be obtained at 495 Upper Park Road, Santa Cruz, California 95065.

In addition, the Authority and member agencies have entered into a Use Agreement relating to the issuance of the Authority's Santa Cruz County Public Financing Authority 2002 Lease Revenue Refunding Bonds, Series A, in the aggregate principal amount of \$5,760,000. These bonds were refunded in May as 2012 Lease Revenue Bonds, Series A with a principal of \$3,965,000. The proceeds were used to refinance the existing debt that was used for building costs; purchase additional equipment and make a lease termination payment to the County to acquire space that is currently being used for the Emergency Operations Center (EOC). The term bonds are due on June 15, 2034.

**Other Activities**

The City participates in other joint activities for the provisions of law enforcement activities, including the Santa Cruz County Narcotics Enforcement Team (SCCNET) and the Criminal Justice Council. None of these activities are conducted as a separate legal entity; therefore, they are not joint ventures, but are cost-sharing arrangements only. No separate financial statements are prepared for these activities, nor is the City exposed to risk of additional costs beyond reimbursement of its share of on-going operating costs.

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

**Litigation**

The City is subject to certain matters of litigation that may arise in the normal course of conducting City business. City management believes, based upon consultation with legal counsel, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

**Federal and State Grant Programs**

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants if required by and in accordance with the provisions of the Uniform Guidance and applicable State requirements. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**City/Successor Agency Obligations**

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2024 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. Over the last fiscal year, the Successor Agency has been successful in receiving funding for all approved obligations, with the exception of City/RDA loans. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time as to be immaterial or not.

**Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year end. Encumbrances outstanding as of June 30, 2024 totaled \$2.77 million.

**NOTE 13 - PRIOR PERIOD ADJUSTMENTS – ACCOUNTING CHANGES AND CORRECTIONS**

As of June 30, 2024, the City increased beginning net position in its governmental activities by \$306,658 to reflect a change in the application of accounting policies and related estimates as of June 30, 2024. This adjustment is reflected by fund and opinion unit in the governmental fund statement of revenues, expenditures and changes in fund balance.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 14,943,970	\$ 14,643,970	\$ 14,495,882	\$ (148,088)
Licenses and permits	645,500	645,500	757,312	111,812
Fines and forfeitures	607,500	607,500	425,043	(182,457)
Intergovernmental	108,000	274,752	223,792	(50,960)
Charges for Services	2,212,637	2,212,637	2,298,937	86,300
Use of money and property	209,495	209,495	478,610	269,115
Other revenue	214,401	244,401	334,933	90,532
<b>Total Revenues</b>	<b>18,941,503</b>	<b>18,838,255</b>	<b>19,014,509</b>	<b>176,254</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,668,814	3,735,085	3,604,714	130,371
Public safety	7,201,461	7,371,463	7,740,343	(368,880)
Community development	1,006,504	1,006,504	947,297	59,207
Culture and recreation	2,408,921	2,366,515	2,677,956	(311,441)
Transportation	3,377,464	3,435,590	3,682,149	(246,559)
Capital outlay	649,000	480,743	1,039,033	(558,290)
<b>Total Expenditures</b>	<b>18,312,164</b>	<b>18,395,900</b>	<b>19,691,492</b>	<b>(1,295,592)</b>
Excess (Deficiency) of Revenues over Expenditures	629,339	442,355	(676,983)	(1,119,338)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	(1,456,788)	(1,456,788)	(3,356,788)	(1,900,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,356,788)</b>	<b>(1,356,788)</b>	<b>(3,256,788)</b>	<b>(1,900,000)</b>
Net Change in Fund Balance	(727,449)	(914,433)	(3,933,771)	(3,019,338)
Fund Balance Beginning	10,606,744	10,606,744	10,606,744	-
Prior Period Adjustments	344,346	344,346	344,346	-
Fund Balance Beginning, as Adjusted	10,951,090	10,951,090	10,951,090	-
Fund Balance Ending	<u>\$ 10,223,641</u>	<u>\$ 10,036,657</u>	<u>\$ 7,017,319</u>	<u>\$ (3,019,338)</u>

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in April of each fiscal year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the following fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within each fund can be made by the City Manager. Budget modifications between funds, increases, or decreases to a fund's overall budget, transfers between general fund departments or transfers that affect capital projects must be approved by the City Council or Agency Board. Numerous properly authorized amendments are made during the fiscal year. Appropriations lapse at fiscal year-end. Budgetary control is enhanced by integrating the budget into the general ledger. Encumbrance accounting is employed (e.g., purchase orders) to avoid over-expenditure. Encumbrances outstanding at fiscal year-end are automatically rebudgeted in the following fiscal year, unless specifically cancelled by Council action. Per Capitola Municipal Code 3.20.060.C: "The appropriation for the uncompleted balance of executory contracts should not lapse at year-end but is automatically appropriated for the succeeding fiscal year unless specifically cancelled by council action". Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

# City of Capitola

## Schedule of Revenues, Expenditures, and Changes in Fund Balance

### Budget and Actual (GAAP Basis)

#### Federal Home Loan Reuse Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 86,985	\$ 86,985
<b>Total Revenues</b>	-	-	86,985	86,985
<b>EXPENDITURES</b>				
Current:				
General government	4,100	64,100	3,700	60,400
<b>Total Expenditures</b>	4,100	64,100	3,700	60,400
Net Change in Fund Balance	(4,100)	(64,100)	83,285	147,385
Fund Balance Beginning	4,780,025	4,780,025	4,780,025	-
Prior Period Adjustments	154,340	154,340	154,340	-
Fund Balance Beginning, as Adjusted	4,934,365	4,934,365	4,934,365	-
Fund Balance Ending	\$ 4,930,265	\$ 4,870,265	\$ 5,017,650	\$ 147,385

# City of Capitola

## Schedule of Revenues, Expenditures, and Changes in Fund Balance

### Budget and Actual (GAAP Basis)

### Capitola Housing Successor Fund

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 40,000	\$ 40,000	\$ 153,801	\$ 113,801
<b>Total Revenues</b>	40,000	40,000	153,801	113,801
<b>EXPENDITURES</b>				
Current:				
Community development	155,807	405,807	324,528	81,279
<b>Total Expenditures</b>	155,807	405,807	324,528	81,279
Net Change in Fund Balance	(115,807)	(365,807)	(170,727)	195,080
Fund Balance Beginning	4,329,058	4,329,058	4,329,058	-
Prior Period Adjustments	20,076	20,076	20,076	-
Fund Balance Beginning, as Adjusted	4,349,134	4,349,134	4,349,134	-
Fund Balance Ending	\$ 4,233,327	\$ 3,983,327	\$ 4,178,407	\$ 195,080

**City of Capitola**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**RTC Streets Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 371,000	\$ 371,000	\$ 359,670	\$ (11,330)
Use of money and property	-	-	19,644	19,644
<b>Total Revenues</b>	<b>371,000</b>	<b>371,000</b>	<b>379,314</b>	<b>8,314</b>
<b>EXPENDITURES</b>				
Capital outlay	366,000	386,345	33,061	353,284
<b>Total Expenditures</b>	<b>366,000</b>	<b>386,345</b>	<b>33,061</b>	<b>353,284</b>
Net Change in Fund Balance	5,000	(15,345)	346,253	361,598
Fund Balance Beginning	185,892	185,892	185,892	-
Fund Balance Ending	<u>\$ 190,892</u>	<u>\$ 170,547</u>	<u>\$ 532,145</u>	<u>\$ 361,598</u>

**City of City of Capitola**  
**Schedule of Pension Contributions (CalPERS Miscellaneous)**  
**June 30, 2024**  
**(Last Ten Years)**

**Miscellaneous Plan**

Plan Measurement Date	2014	2015	2016	2017	2018
Fiscal Year Ended	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 261,550	\$ 448,910	\$ 516,728	\$ 832,631	\$ 838,617
Contributions in Relation to					
Contractually Required Contributions	261,550	448,910	516,728	832,631	838,617
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,147,103	\$ 3,245,529	\$ 3,370,438	\$ 3,434,216	\$ 3,504,309
Contributions as a % of Covered Payroll	8.31%	13.83%	15.33%	24.25%	23.93%

**Miscellaneous Plan**

Plan Measurement Date	2019	2020	2021	2022	2023
Fiscal Year Ended	2020	2021	2022	2023	2024
Contractually Required Contributions	\$ 913,110	\$ 1,024,725	\$ 1,173,195	\$ 1,290,739	\$ 1,377,687
Contributions in Relation to					
Contractually Required Contributions	913,110	1,024,725	1,173,195	1,290,739	1,377,687
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,799,393	\$ 3,432,738	\$ 3,656,822	\$ 3,818,143	\$ 3,908,367
Contributions as a % of Covered Payroll	24.03%	29.85%	32.08%	33.81%	35.25%

**Notes to Schedule:**

Valuation Date: June 30, 2022

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
Remaining Amortization Period no more than 29 years  
Inflation Assumed at 2.30%  
Investment Rate of Returns set at 6.8%  
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023. The CalPERS mortality assumptions was adjusted in fiscal year 2023.

**City of City of Capitola**  
**Schedule of Pension Contributions (CalPERS Safety)**  
**June 30, 2024**  
**(Last Ten Years)**

**Safety Plan**

Plan Measurement Date	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Fiscal Year Ended	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Contractually Required Contributions	\$ 640,785	\$ 741,692	\$ 536,507	\$ 937,396	\$ 954,292
Contributions in Relation to					
Contractually Required Contributions	640,785	741,692	536,507	937,396	954,292
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<b>\$ 2,283,732</b>	<b>\$ 2,308,245</b>	<b>\$ 2,402,133</b>	<b>\$ 2,487,719</b>	<b>\$ 2,381,492</b>
Contributions as a % of Covered Payroll	<b>28.06%</b>	<b>32.13%</b>	<b>22.33%</b>	<b>37.68%</b>	<b>40.07%</b>

**Safety Plan**

Plan Measurement Date	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Fiscal Year Ended	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Contractually Required Contributions	\$ 1,199,415	\$ 1,307,218	\$ 1,512,085	\$ 1,624,178	\$ 1,637,024
Contributions in Relation to					
Contractually Required Contributions	1,199,415	1,307,218	1,512,085	1,624,178	1,637,024
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<b>\$ 2,371,092</b>	<b>\$ 2,300,530</b>	<b>\$ 2,632,190</b>	<b>\$ 2,734,960</b>	<b>\$ 2,716,661</b>
Contributions as a % of Covered Payroll	<b>50.58%</b>	<b>56.82%</b>	<b>57.45%</b>	<b>59.39%</b>	<b>60.26%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2022

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
Remaining Amortization Period no more than 29 years  
Inflation Assumed at 2.30%  
Investment Rate of Returns set at 6.8%  
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023. The CalPERS mortality assumptions was adjusted in fiscal year 2023.

**City of City of Capitola**  
**Schedule of Proportionate Share of Net Pension Liability**  
**June 30, 2024**  
**(Last Ten Years)**

**Miscellaneous and Safety Plan**

Plan Measurement Date	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Fiscal Year Ended	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Proportion of Net Pension Liability (Safety and Misc)	0.19640%	0.22276%	0.22460%	0.22542%	0.23208%
Proportion of Net Pension Liability (Misc Plan Only)	0.23223%	0.27813%	0.27444%	0.27777%	0.28641%
Proportionate Share of Net Pension Liability	\$ 12,221,177	\$ 15,290,341	\$ 19,435,188	\$ 22,355,266	\$ 22,363,591
Covered Payroll	\$ 5,267,910	\$ 5,430,835	\$ 5,553,774	\$ 5,772,571	\$ 5,921,935
Proportionate Share of NPL as a % of Covered Payroll	231.99%	281.55%	349.95%	387.27%	377.64%
Plan's Fiduciary Net Position as a % of the TPL	79.99%	74.72%	72.55%	71.66%	72.50%

**Miscellaneous and Safety Plan**

Plan Measurement Date	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Fiscal Year Ended	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Proportion of Net Pension Liability (Safety and Misc)	0.23566%	0.23999%	0.31633%	0.26021%	0.25777%
Proportion of Net Pension Liability (Misc Plan Only)	0.29038%	0.29469%	0.42981%	0.30483%	0.30338%
Proportionate Share of Net Pension Liability	\$ 24,148,410	\$ 26,111,558	\$ 17,108,187	\$ 30,056,602	\$ 32,157,510
Covered Payroll	\$ 5,885,801	\$ 6,170,485	\$ 5,733,268	\$ 6,289,012	\$ 6,553,103
Proportionate Share of NPL as a % of Covered Payroll	410.28%	423.17%	298.40%	477.92%	490.72%
Plan's Fiduciary Net Position as a % of the TPL	71.85%	70.61%	81.35%	69.15%	68.81%

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023.  
The CalPERS mortality assumptions was adjusted in fiscal year 2023.

**City of City of Capitola**  
**Schedule of OPEB Contributions**  
**June 30, 2024**  
**(Last Ten Years)**

<b>Fiscal Year Ended</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Actuarially determined contribution (ADC)	\$ 87,697	\$ 88,801	\$ 82,353	\$ 155,509	\$ 99,732	\$ 169,270	\$ 158,573
Less: actual contribution in relation to ADC	(86,090)	(88,801)	(82,353)	(155,509)	(99,732)	(169,270)	(158,573)
Contribution deficiency (excess)	\$ 1,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 5,361,855	\$ 5,567,350	\$ 5,757,120	\$ 6,145,766	\$ 6,286,092	\$ 7,344,221	\$ 7,943,922
Contrib. as a % of covered employee payroll	1.61%	1.60%	1.43%	2.53%	1.59%	2.30%	2.00%

**Notes to Schedule:**

*Assumptions and Methods*

Valuation Date:	June 30, 2023
Measurement Date:	June 30, 2023
Actuarial Cost Method:	Entry-Age, Level Percent of Pay
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75%
Healthcare Trend Rate	5.50%
Investment Rate of Return	6.25%
Mortality	2000-2019 CalPERS Experience Study

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Discount rates decreased from 7% to 6.25% in FY24.



**City of City of Capitola**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**June 30, 2024**  
**(Last Ten Years)**

Measurement Date Fiscal Year Ended	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023	2023 2024
<b>Total OPEB liability</b>							
Service cost	\$ 26,537	\$ 27,267	\$ 32,631	\$ 113,292	\$ 104,614	\$ 109,131	\$ 97,501
Interest	51,739	57,232	62,516	140,891	151,868	158,499	169,676
Diff. between expected/actual experience	-	-	(203,258)	-	(168,232)	-	(510,333)
Changes of assumptions	-	-	1,202,217	-	94,950	-	164,493
Benefit payments	(26,632)	(27,697)	(28,801)	(82,353)	(95,259)	(90,636)	(102,222)
Net change in Total OPEB Liability	51,644	56,802	1,065,305	171,830	87,941	176,994	(180,885)
Total OPEB Liability - beginning	766,166	817,810	874,612	1,939,917	2,111,747	2,199,688	2,376,682
Total OPEB Liability - ending	817,810	874,612	1,939,917	2,111,747	2,199,688	2,376,682	2,195,797
<b>Plan fiduciary net position</b>							
Net investment income	15,205	16,868	17,834	12,995	116,763	(74,613)	36,040
Employer contributions	81,540	87,697	88,801	82,353	155,509	150,886	169,270
Benefit payments	(26,632)	(27,697)	(28,801)	(82,353)	(95,259)	(90,636)	(102,222)
Administrative expense	(127)	(397)	-	(180)	(164)	(141)	(158)
Other	-	31	-	-	-	-	-
Net change in plan fiduciary net position	69,986	76,502	77,834	12,815	176,849	(14,504)	102,930
Plan fiduciary net position - beginning	143,387	213,373	289,875	367,709	380,524	557,373	542,869
Plan fiduciary net position - ending	213,373	289,875	367,709	380,524	557,373	542,869	645,799
Net OPEB liability (asset)	\$ 604,437	584,737	1,572,208	1,731,223	1,642,315	1,833,813	1,549,998
Plan fiduciary net position as a % of the total OPEB liability	26.09%	33.14%	18.95%	18.02%	25.34%	22.84%	29.41%
Covered Employee Payroll	\$ 5,787,564	\$ 5,361,855	\$ 5,567,350	\$ 5,757,120	\$ 6,145,766	\$ 6,286,092	\$ 7,344,221
NOL as a % of covered employee payroll	10.44%	10.91%	28.24%	30.07%	26.72%	29.17%	21.11%
TOL as a % of covered employee payroll	14.13%	16.31%	34.84%	36.68%	35.79%	37.81%	29.90%

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.



## **SUPPLEMENTARY INFORMATION**

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Intergovernmental	\$ 3,500,000	\$ 6,693,700	\$ 5,112,589	\$ (1,581,111)
Other revenue	1,227,000	1,227,000	225,695	(1,001,305)
<b>Total Revenues</b>	<u>4,727,000</u>	<u>7,920,700</u>	<u>5,338,284</u>	<u>(2,582,416)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	(6,774)	22,058	(28,832)
Capital outlay	12,686,300	11,596,468	14,190,597	(2,594,129)
<b>Total Expenditures</b>	<u>12,686,300</u>	<u>11,589,694</u>	<u>14,212,655</u>	<u>(2,622,961)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(7,959,300)</u>	<u>(3,668,994)</u>	<u>(8,874,371)</u>	<u>(5,205,377)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,450,000	2,450,000	2,700,000	250,000
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>2,450,000</u>	<u>2,450,000</u>	<u>2,700,000</u>	<u>250,000</u>
Net Change in Fund Balance	<u>(5,509,300)</u>	<u>(1,218,994)</u>	<u>(6,174,371)</u>	<u>(4,955,377)</u>
Fund Balance Beginning	5,842,965	5,842,965	5,842,965	-
Prior Period Adjustments	(441,653)	(441,653)	(441,653)	-
Fund Balance Beginning, as Adjusted	<u>5,401,312</u>	<u>5,401,312</u>	<u>5,401,312</u>	<u>-</u>
Fund Balance Ending	<u>\$ (107,988)</u>	<u>\$ 4,182,318</u>	<u>\$ (773,059)</u>	<u>\$ (4,955,377)</u>

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

#### **Supplemental Law Enforcement Fund**

This fund accounts for the receipt and expenditure of Supplemental Law Enforcement revenues provided by the State of California, including the COPS grant to provide funding for Community Oriented Policing & Problem Solving (COPPS) programs.

#### **Restricted Transient Occupancy Tax (TOT) Fund**

This fund accounts for the Measure J 12% transient occupancy tax which is restricted to 0.4% for local business groups and 0.35% for early childhood and youth programming.

#### **Senate Bill 1 (SB1) Road Rehabilitation and Maintenance Fund**

This fund accounts for receipts and expenditures received from the passage of Senate Bill 1 - Road Repair and Accountability Act of 2017.

#### **Gas Tax Fund**

This fund accounts for receipts and expenditures of gasoline tax revenues as provided by State law.

#### **Wharf Fund**

In accordance with the State law and contractual commitments, this fund accounts for wharf operating revenues and expenditures.

#### **Public Art Fee Fund**

This fund accumulates money received as public art fees to acquire works of art to be displayed in or about public places within the city.

#### **Parking Reserve Fund**

This fund accounts for 16% of parking meter revenue from the village area (Parking Meter Zone A1). The fund was established to fund parking improvement projects throughout the village.

#### **Technology Fees Fund**

This fund accounts for revenues received from technology fees to be used for new permit processing program.

#### **PEG Cable TV Access Fee Fund**

This fund accounts for Public Education and Government (PEG) Cable TV access fees.

#### **Capitola Village and Wharf BIA Fund**

This fund accounts for the receipt and expenditure of assessments for the Business Improvement Area (BIA).

#### **Community Development Block Grants (CDBG) Fund**

This fund accounts for grant revenue applied for and received from the Federal Department of Housing and Urban Development (HUD) through the California Small Cities Grant Program administered by California Department of Housing and Community Development (HCD) to address local community development needs.

#### **CDBG Program Income Fund**

This fund accounts for housing loan principal and interest repayments for the Community Development Block Grant (CDBG) Program.

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Library Fund**

This fund accounts for revenues received for project enhancements related to the new Capitola Branch Library opened in June 2021.

### **Affordable Housing Fund**

This fund accounts for a flexible local source of funding for the creation of new affordable housing, rehabilitation of existing affording housing, funding of local programs to assist lower and moderate-income buyers purchase affordable housing, or as leverage of local funds for larger State and Federal grants.

### **Permanent Local Housing Allocation Fund**

This fund accounts for Senate Bill 2 (SB 2) recording fees on real estate documents that are allocated to local governments for eligible housing and homelessness activities and provide a permanent, on-going source of funding for housing-related projects and programs that address the unmet housing needs of the community.

### **Debt Service Fund**

#### **Beach and Village Lot II Debt Financing Fund**

This fund accounts for the debt proceeds and the corresponding expenditures for the Beach and Village Lot II project. This fund is also used for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the long-term debt issued by the City.

#### **Pacific Cove Debt Financing Fund**

This fund accounts for the debt proceeds and the corresponding expenditures for the Pacific Cove Mobile Home Park Relocation Plan. This fund is also used for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the long-term debt issued by the City.

**City of Capitola**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

	Special Revenue Funds				
	Supplemental Law Enforcement Fund	Restricted Transient Occupancy Tax Fund	SB1 Road Rehabilitation and Maintenance Fund	Gas Tax Fund	Wharf Fund
<b>ASSETS</b>					
Cash and investments	\$ 175,016	\$ 72,160	\$ 507,023	\$ 247,595	\$ 123,459
Accounts receivable	-	-	-	-	-
Interest receivable	2,266	811	5,594	23,267	-
Due from other governments	-	-	20,510	2,750	1,408
Loans receivable	-	-	-	-	-
<b>Total assets</b>	<b>\$ 177,282</b>	<b>\$ 72,971</b>	<b>\$ 533,127</b>	<b>\$ 273,612</b>	<b>\$ 124,867</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,504	\$ 9,755	\$ -	\$ 12,039	\$ -
Deposits payable	-	-	-	-	78
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>2,504</b>	<b>9,755</b>	<b>-</b>	<b>12,039</b>	<b>78</b>
<b>Fund Balances:</b>					
Restricted:					
Public safety	174,778	-	-	-	-
Transportation	-	-	533,127	261,573	-
Community development	-	63,216	-	-	-
Culture and recreation	-	-	-	-	124,789
Assigned:					
Debt service	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>174,778</b>	<b>63,216</b>	<b>533,127</b>	<b>261,573</b>	<b>124,789</b>
<b>Total liabilities and fund balances</b>	<b>\$ 177,282</b>	<b>\$ 72,971</b>	<b>\$ 533,127</b>	<b>\$ 273,612</b>	<b>\$ 124,867</b>

Cont'd



**City of Capitola**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

	Special Revenue Funds			
	Public Art Fee Fund	Parking Reserve Fund	Technology Fees Fund	PEG Cable TV Access Fee Fund
<b>ASSETS</b>				
Cash and investments	\$ 158,505	\$ 737	\$ 112,038	\$ 54,450
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	602
Due from other governments	-	-	-	2,479
Loans receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 158,505</b>	<b>\$ 737</b>	<b>\$ 112,038</b>	<b>\$ 57,531</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted:				
Public safety	-	-	-	-
Transportation	-	737	-	-
Community development	-	-	112,038	-
Culture and recreation	158,505	-	-	57,531
Assigned:				
Debt service	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>158,505</b>	<b>737</b>	<b>112,038</b>	<b>57,531</b>
<b>Total liabilities and fund balances</b>	<b>\$ 158,505</b>	<b>\$ 737</b>	<b>\$ 112,038</b>	<b>\$ 57,531</b>

Cont'd

**City of Capitola**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

	Special Revenue Funds				
	Capitola Village and Wharf BIA Fund	CDBG Fund	CDBG Program Income Fund	Library Fund	Affordable Housing Fund
<b>ASSETS</b>					
Cash and investments	\$ 28,504	\$ -	\$ 47,165	\$ 52,121	\$ 271,905
Accounts receivable	3,634	-	-	-	-
Interest receivable	347	-	534	590	5,218
Due from other governments	-	-	-	-	-
Loans receivable	-	-	407,257	-	-
<b>Total assets</b>	<b>\$ 32,485</b>	<b>\$ -</b>	<b>\$ 454,956</b>	<b>\$ 52,711</b>	<b>\$ 277,123</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 70,712	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-	-
Due to other funds	-	79,229	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>149,941</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Restricted:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	32,485	-	454,956	52,711	277,123
Culture and recreation	-	-	-	-	-
Assigned:					
Debt service	-	-	-	-	-
Unassigned	-	(149,941)	-	-	-
<b>Total fund balances</b>	<b>32,485</b>	<b>(149,941)</b>	<b>454,956</b>	<b>52,711</b>	<b>277,123</b>
<b>Total liabilities and fund balances</b>	<b>\$ 32,485</b>	<b>\$ -</b>	<b>\$ 454,956</b>	<b>\$ 52,711</b>	<b>\$ 277,123</b>

Cont'd

**City of Capitola**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

	Special Revenue Funds		Debt Service Funds	
	Permanent Local Housing Allocation Fund	Pacific Cove Debt Financing Fund	Beach & Village Lot II Debt Financing Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 99,836	\$ 75,277	\$ 12	\$ 2,025,803
Accounts receivable	-	-	-	3,634
Interest receivable	-	-	-	39,229
Due from other governments	-	-	-	27,147
Loans receivable	-	-	-	407,257
<b>Total assets</b>	<b>\$ 99,836</b>	<b>\$ 75,277</b>	<b>\$ 12</b>	<b>\$ 2,503,070</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 95,010
Deposits payable	-	-	-	78
Due to other funds	-	-	-	79,229
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>174,317</b>
<b>Fund Balances:</b>				
Restricted:				
Public safety	-	-	-	174,778
Transportation	-	-	-	795,437
Community development	99,836	-	-	1,092,365
Culture and recreation	-	-	-	340,825
Assigned:				
Debt service	-	75,277	12	75,289
Unassigned	-	-	-	(149,941)
<b>Total fund balances</b>	<b>99,836</b>	<b>75,277</b>	<b>12</b>	<b>2,328,753</b>
<b>Total liabilities and fund balances</b>	<b>\$ 99,836</b>	<b>\$ 75,277</b>	<b>\$ 12</b>	<b>\$ 2,503,070</b>
Concluded				

# City of Capitola

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2024

	Special Revenue Funds				
	Supplemental Law Enforcement Fund	Restricted Transient Occupancy Tax Fund	SB1 Road Rehabilitation and Maintenance Fund	Gas Tax Fund	Wharf Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ 101,092	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	100,000	-	249,261	270,231	-
Charges for services	-	-	-	-	-
Use of money and property	7,526	3,392	16,517	10,618	5,373
Other revenue	-	-	-	-	-
<b>Total Revenues</b>	<b>107,526</b>	<b>104,484</b>	<b>265,778</b>	<b>280,849</b>	<b>5,373</b>
<b>EXPENDITURES</b>					
Current:					
General government	42,018	99,741	-	275,742	-
Culture and recreation	-	-	-	-	46,778
Capital outlay	42,343	-	21,801	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total Expenditures</b>	<b>84,361</b>	<b>99,741</b>	<b>21,801</b>	<b>275,742</b>	<b>46,778</b>
Excess (Deficiency) of Revenues over Expenditures	23,165	4,743	243,977	5,107	(41,405)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	23,165	4,743	243,977	5,107	(41,405)
Fund Balances Beginning	151,613	58,473	289,150	256,466	166,194
Prior Period Adjustments	-	-	-	-	-
Fund Balances Beginning, as Adjusted	151,613	58,473	289,150	256,466	166,194
Fund Balances Ending	\$ 174,778	\$ 63,216	\$ 533,127	\$ 261,573	\$ 124,789

Cont'd

**City of Capitola**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Special Revenue Funds			
	Public Art Fee Fund	Parking Reserve Fund	Technology Fees Fund	PEG Cable TV Access Fee Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	10,453
Intergovernmental	-	-	-	-
Charges for services	-	-	18,726	-
Use of money and property	-	-	-	1,998
Other revenue	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>18,726</b>	<b>12,451</b>
<b>EXPENDITURES</b>				
Current:				
General government	7,731	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>7,731</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	<b>(7,731)</b>	<b>-</b>	<b>18,726</b>	<b>12,451</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	<b>(7,731)</b>	<b>-</b>	<b>18,726</b>	<b>12,451</b>
Fund Balances Beginning	-	737	93,312	45,080
Prior Period Adjustments	166,236	-	-	-
Fund Balances Beginning, as Adjusted	<b>166,236</b>	<b>737</b>	<b>93,312</b>	<b>45,080</b>
Fund Balances Ending	<b>\$ 158,505</b>	<b>\$ 737</b>	<b>\$ 112,038</b>	<b>\$ 57,531</b>

Cont'd

# City of Capitola

## Combining Statement of Revenues, Expenditures

### and Changes in Fund Balances

#### Nonmajor Governmental Funds

For the Year Ended June 30, 2024

	Special Revenue Funds				
	Capitola Village and Wharf BIA Fund	CDBG Fund	CDBG Program Income Fund	Library Fund	Affordable Housing Fund
<b>REVENUES</b>					
Taxes	\$ 36,761	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	160,561	-	-	-
Charges for services	53,854	-	-	-	78,188
Use of money and property	1,934	-	1,906	2,103	17,032
Other revenue	41,704	-	-	-	567
<b>Total Revenues</b>	<b>134,253</b>	<b>160,561</b>	<b>1,906</b>	<b>2,103</b>	<b>95,787</b>
<b>EXPENDITURES</b>					
Current:					
General government	146,011	239,612	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total Expenditures</b>	<b>146,011</b>	<b>239,612</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	(11,758)	(79,051)	1,906	2,103	95,787
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(201,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(201,000)</b>
Net Change in Fund Balances	(11,758)	(79,051)	1,906	2,103	(105,213)
Fund Balances Beginning	44,243	(70,890)	443,439	-	379,242
Prior Period Adjustments	-	-	9,611	50,608	3,094
Fund Balances Beginning, as Adjusted	44,243	(70,890)	453,050	50,608	382,336
Fund Balances Ending	\$ 32,485	\$ (149,941)	\$ 454,956	\$ 52,711	\$ 277,123

Cont'd

# City of Capitola

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2024

	Special Revenue		Debt Service Funds	
	Funds			
	Permanent Local Housing Allocation Fund	Pacific Cove Debt Financing Fund	Beach & Village Lot II Debt Financing Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 137,853
Licenses and permits	-	-	-	10,453
Intergovernmental	105,092	-	-	885,145
Charges for services	-	-	-	150,768
Use of money and property	-	-	-	68,399
Other revenue	-	-	-	42,271
<b>Total Revenues</b>	<u>105,092</u>	<u>-</u>	<u>-</u>	<u>1,294,889</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,256	-	-	816,111
Culture and recreation	-	-	-	46,778
Capital outlay	-	-	-	64,144
Debt service:				
Principal	-	642,663	67,302	709,965
Interest and fiscal charges	-	7,277	20,486	27,763
<b>Total Expenditures</b>	<u>5,256</u>	<u>649,940</u>	<u>87,788</u>	<u>1,664,761</u>
Excess (Deficiency) of Revenues over Expenditures	<u>99,836</u>	<u>(649,940)</u>	<u>(87,788)</u>	<u>(369,872)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	670,000	87,788	757,788
Transfers out	-	-	-	(201,000)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>670,000</u>	<u>87,788</u>	<u>556,788</u>
Net Change in Fund Balances	<u>99,836</u>	<u>20,060</u>	<u>-</u>	<u>186,916</u>
Fund Balances Beginning	-	55,217	12	1,912,288
Prior Period Adjustments	-	-	-	229,549
Fund Balances Beginning, as Adjusted	<u>-</u>	<u>55,217</u>	<u>12</u>	<u>2,141,837</u>
Fund Balances Ending	<u>\$ 99,836</u>	<u>\$ 75,277</u>	<u>\$ 12</u>	<u>\$ 2,328,753</u>

Concluded

# City of Capitola

## Schedule of Revenues, Expenditures, and

### Changes in Fund Balances

#### Budget and Actual (GAAP Basis)

#### Nonmajor Governmental Funds

#### For the Year Ended June 30, 2024

	Supplemental Law Enforcement Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	100,000	100,000	100,000	-
Charges for Services	-	-	-	-
Use of money and property	500	500	7,526	7,026
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>100,500</b>	<b>100,500</b>	<b>107,526</b>	<b>7,026</b>
<b>EXPENDITURES</b>				
Current:				
General government	36,000	36,000	42,018	(6,018)
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	65,000	33,000	42,343	(9,343)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>101,000</b>	<b>69,000</b>	<b>84,361</b>	<b>(15,361)</b>
Excess (Deficiency) of Revenues over Expenditures	(500)	31,500	23,165	(8,335)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(120,000)	(120,000)	-	120,000
<b>Total Other Financing Sources (Uses)</b>	<b>(120,000)</b>	<b>(120,000)</b>	<b>-</b>	<b>120,000</b>
Net Change in Fund Balances	(120,500)	(88,500)	23,165	111,665
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	151,613	151,613	151,613	-
Fund Balances Ending	\$ 31,113	\$ 63,113	\$ 174,778	\$ 111,665

Cont'd



**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Restricted Transient Occupancy Tax Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 101,092	\$ 101,092
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	3,392	3,392
Other Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	104,484	104,484
<b>EXPENDITURES</b>				
Current:				
General government	151,667	151,667	99,741	51,926
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	151,667	151,667	99,741	51,926
Excess (Deficiency) of Revenues over Expenditures	(151,667)	(151,667)	4,743	156,410
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	101,333	101,333	-	(101,333)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	101,333	101,333	-	(101,333)
Net Change in Fund Balances	(50,334)	(50,334)	4,743	55,077
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	58,473	58,473	58,473	-
Fund Balances Ending	\$ 8,139	\$ 8,139	\$ 63,216	\$ 55,077

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Road Rehabilitation and Maintenance Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	248,500	248,500	249,261	761
Charges for Services	-	-	-	-
Use of money and property	-	-	16,517	16,517
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>248,500</b>	<b>248,500</b>	<b>265,778</b>	<b>17,278</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	243,500	243,500	21,801	221,699
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>243,500</b>	<b>243,500</b>	<b>21,801</b>	<b>221,699</b>
Excess (Deficiency) of Revenues over Expenditures	5,000	5,000	243,977	238,977
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	5,000	5,000	243,977	238,977
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	289,150	289,150	289,150	-
Fund Balances Ending	\$ 294,150	\$ 294,150	\$ 533,127	\$ 238,977

Cont'd

# City of Capitola

## Schedule of Revenues, Expenditures, and

### Changes in Fund Balances

### Budget and Actual (GAAP Basis)

### Nonmajor Governmental Funds

### For the Year Ended June 30, 2024

	Gas Tax Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	283,381	283,381	270,231	(13,150)
Charges for Services	-	-	-	-
Use of money and property	1,500	1,500	10,618	9,118
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>284,881</b>	<b>284,881</b>	<b>280,849</b>	<b>(4,032)</b>
<b>EXPENDITURES</b>				
Current:				
General government	283,000	258,609	275,742	(17,133)
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>283,000</b>	<b>258,609</b>	<b>275,742</b>	<b>(17,133)</b>
Excess (Deficiency) of Revenues over Expenditures	1,881	26,272	5,107	(21,165)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	1,881	26,272	5,107	(21,165)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	256,466	256,466	256,466	-
Fund Balances Ending	\$ 258,347	\$ 282,738	\$ 261,573	\$ (21,165)

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# City of Capitola

## Schedule of Revenues, Expenditures, and

### Changes in Fund Balances

#### Budget and Actual (GAAP Basis)

#### Nonmajor Governmental Funds

#### For the Year Ended June 30, 2024

	Wharf Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	5,373	5,373
Other Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	5,373	5,373
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	46,778	(46,778)
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	-	-	46,778	(46,778)
Excess (Deficiency) of Revenues over Expenditures	-	-	(41,405)	(41,405)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
Net Change in Fund Balances	-	-	(41,405)	(41,405)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	166,194	166,194	166,194	-
Fund Balances Ending	\$ 166,194	\$ 166,194	\$ 124,789	\$ (41,405)

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Public Art Fee Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	5,000	5,000	-	(5,000)
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>	<b>(5,000)</b>
<b>EXPENDITURES</b>				
Current:				
General government	75,500	75,500	7,731	67,769
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>75,500</b>	<b>75,500</b>	<b>7,731</b>	<b>67,769</b>
Excess (Deficiency) of Revenues over Expenditures	(70,500)	(70,500)	(7,731)	62,769
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(70,500)	(70,500)	(7,731)	62,769
Prior Period Adjustments	-	-	166,236	-
Fund Balances Beginning, as Adjusted	-	-	-	-
Fund Balances Ending	\$ (70,500)	\$ (70,500)	\$ 158,505	\$ 229,005

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# City of Capitola

## Schedule of Revenues, Expenditures, and

### Changes in Fund Balances

### Budget and Actual (GAAP Basis)

### Nonmajor Governmental Funds

### For the Year Ended June 30, 2024

	Parking Reserve Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	-	-
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	737	737	737	-
Fund Balances Ending	\$ 737	\$ 737	\$ 737	\$ -

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Technology Fees Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	11,500	11,500	18,726	7,226
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>11,500</b>	<b>11,500</b>	<b>18,726</b>	<b>7,226</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	9,750	9,750	-	9,750
Culture and recreation	-	-	-	-
Transportation	3,500	3,500	-	3,500
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>13,250</b>	<b>13,250</b>	<b>-</b>	<b>13,250</b>
Excess (Deficiency) of Revenues over Expenditures	(1,750)	(1,750)	18,726	20,476
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(1,750)	(1,750)	18,726	20,476
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	93,312	93,312	93,312	-
Fund Balances Ending	\$ 91,562	\$ 91,562	\$ 112,038	\$ 20,476

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	PEG Cable TV Access Fee Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	16,000	16,000	10,453	(5,547)
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	1,998	1,998
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>16,000</b>	<b>16,000</b>	<b>12,451</b>	<b>(3,549)</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	15,000	15,000	-	15,000
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>
Excess (Deficiency) of Revenues over Expenditures	1,000	1,000	12,451	11,451
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	1,000	1,000	12,451	11,451
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	45,080	45,080	45,080	-
Fund Balances Ending	\$ 46,080	\$ 46,080	\$ 57,531	\$ 11,451

Cont'd



**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Capitola Village and Wharf BIA Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 36,761	\$ 36,761
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	53,584	53,584	53,854	270
Use of money and property	100	100	1,934	1,834
Other Revenue	56,500	56,500	41,704	(14,796)
<b>Total Revenues</b>	<b>110,184</b>	<b>110,184</b>	<b>134,253</b>	<b>24,069</b>
<b>EXPENDITURES</b>				
Current:				
General government	157,500	157,500	146,011	11,489
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>157,500</b>	<b>157,500</b>	<b>146,011</b>	<b>11,489</b>
Excess (Deficiency) of Revenues over Expenditures	(47,316)	(47,316)	(11,758)	35,558
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	36,500	36,500	-	(36,500)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>36,500</b>	<b>36,500</b>	<b>-</b>	<b>(36,500)</b>
Net Change in Fund Balances	(10,816)	(10,816)	(11,758)	(942)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	44,243	44,243	44,243	-
Fund Balances Ending	\$ 33,427	\$ 33,427	\$ 32,485	\$ (942)

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	CDBG Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	253,335	253,335	160,561	(92,774)
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>253,335</b>	<b>253,335</b>	<b>160,561</b>	<b>(92,774)</b>
<b>EXPENDITURES</b>				
Current:				
General government	273,335	273,335	239,612	33,723
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>273,335</b>	<b>273,335</b>	<b>239,612</b>	<b>33,723</b>
Excess (Deficiency) of Revenues over Expenditures	(20,000)	(20,000)	(79,051)	(59,051)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(20,000)	(20,000)	(79,051)	(59,051)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	(70,890)	(70,890)	(70,890)	-
Fund Balances Ending	\$ (90,890)	\$ (90,890)	\$ (149,941)	\$ (59,051)

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	CDBG Program Income Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	250	250	1,906	1,656
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>250</b>	<b>250</b>	<b>1,906</b>	<b>1,656</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	7,500	-	7,500
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>7,500</b>	<b>-</b>	<b>7,500</b>
Excess (Deficiency) of Revenues over Expenditures	250	(7,250)	1,906	9,156
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	250	(7,250)	1,906	9,156
Prior Period Adjustments	-	-	9,611	-
Fund Balances Beginning, as Adjusted	443,439	443,439	443,439	-
Fund Balances Ending	\$ 443,689	\$ 436,189	\$ 454,956	\$ 18,767

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Library Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	1,500	1,500	2,103	603
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>1,500</b>	<b>1,500</b>	<b>2,103</b>	<b>603</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	1,500	1,500	2,103	603
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	1,500	1,500	2,103	603
Prior Period Adjustments	-	-	50,608	-
Fund Balances Beginning, as Adjusted	-	-	-	-
Fund Balances Ending	\$ 1,500	\$ 1,500	\$ 52,711	\$ 51,211

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Affordable Housing Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	10,000	10,000	78,188	68,188
Use of money and property	-	-	17,032	17,032
Other Revenue	-	-	567	567
<b>Total Revenues</b>	<b>10,000</b>	<b>10,000</b>	<b>95,787</b>	<b>85,787</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	10,000	10,000	95,787	85,787
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(201,000)	(201,000)	(201,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(201,000)</b>	<b>(201,000)</b>	<b>(201,000)</b>	<b>-</b>
Net Change in Fund Balances	(191,000)	(191,000)	(105,213)	85,787
Prior Period Adjustments	-	-	3,094	-
Fund Balances Beginning, as Adjusted	379,242	379,242	379,242	-
Fund Balances Ending	\$ 188,242	\$ 188,242	\$ 277,123	\$ 88,881

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Permanent Local Housing Allocation Fund			
	Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	481,732	481,732	105,092	(376,640)
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>481,732</b>	<b>481,732</b>	<b>105,092</b>	<b>(376,640)</b>
<b>EXPENDITURES</b>				
Current:				
General government	256,800	256,800	5,256	251,544
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>256,800</b>	<b>256,800</b>	<b>5,256</b>	<b>251,544</b>
Excess (Deficiency) of Revenues over Expenditures	224,932	224,932	99,836	(125,096)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	224,932	224,932	99,836	(125,096)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	-	-	-	-
Fund Balances Ending	\$ 224,932	\$ 224,932	\$ 99,836	\$ (125,096)

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Pacific Cove Debt Financing Fund			
	Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	-	-
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	725,000	725,000	642,663	82,337
Interest and fiscal charges	-	-	7,277	(7,277)
<b>Total Expenditures</b>	725,000	725,000	649,940	75,060
Excess (Deficiency) of Revenues over Expenditures	(725,000)	(725,000)	(649,940)	75,060
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	670,000	670,000	670,000	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	670,000	670,000	670,000	-
Net Change in Fund Balances	(55,000)	(55,000)	20,060	75,060
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	55,217	55,217	55,217	-
Fund Balances Ending	\$ 217	\$ 217	\$ 75,277	\$ 75,060

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Beach & Village Lot II Debt Financing Fund			
	Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	-	-
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	67,302	67,302	67,302	-
Interest and fiscal charges	20,486	20,486	20,486	-
<b>Total Expenditures</b>	87,788	87,788	87,788	-
Excess (Deficiency) of Revenues over Expenditures	(87,788)	(87,788)	(87,788)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	87,788	87,788	87,788	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	87,788	87,788	87,788	-
Net Change in Fund Balances	-	-	-	-
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	12	12	12	-
Fund Balances Ending	\$ 12	\$ 12	\$ 12	\$ -

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## **STATISTICAL SECTION**

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## STATISTICAL SECTION

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds
5. General Revenues by Source

### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

5. Net Taxable Assessed Value History
6. Assessed Value of Taxable Property
7. Direct and Overlapping Property Tax Rates
8. Top Ten Property Taxpayers
9. Property Tax Levies and Collections
10. Top 25 Sales Tax Taxpayers

### Debt Capacity

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:

11. Ratios of Outstanding Debt by Type
12. Ratios of General Bonded Debt Outstanding
13. Direct and Overlapping Debt
14. Legal Debt Margin Information

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

15. Demographic and Economic Statistics
16. Principal Employers

### Operating Information

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:

17. Full-Time Equivalent Employees by Function
18. Operating Indicators by Function
19. Capital Asset Statistics by Function

### Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

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**City of Capitola**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

**Table 1**

	2015*	2016	2017	2018	2019	2020	2021	2022	2023	2024
Primary Government Activities:										
Net Investment in										
Capital Assets	\$ 11,604	\$ 13,154	\$ 14,457	\$ 15,773	\$ 18,563	\$ 27,367	\$ 32,053	\$ 33,336	\$ 35,468	\$ 50,116
Restricted for										
Public Safety	101	98	8	10	17	72	99	154	152	175
Transportation	393	113	119	420	630	26	917	1,400	732	1,328
Community Development	6,357	6,599	8,811	11,191	14,105	14,221	10,821	9,995	10,159	10,288
Culture and Recreation	141	143	159	121	146	175	218	219	211	341
Total Restricted	6,992	6,953	9,097	11,742	14,898	14,494	12,055	11,768	11,254	12,132
Unrestricted	(9,381)	(8,884)	(9,883)	(11,536)	(10,563)	(12,887)	(10,987)	(11,571)	(6,156)	(17,949)
Total Primary Government										
Net Position	\$ 9,215	\$ 11,223	\$ 13,671	\$ 15,979	\$ 22,898	\$ 28,974	\$ 33,121	\$ 33,533	\$ 40,566	\$ 44,299

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same.

\*FY 2014/15 reflects the first year of the implementation of GASB Statement Nos. 68 and 71, which resulted in a prior period restatement of (\$15,436,035) to the Governmental Activities.

Source: City of Capitola Finance Department.

**City of Capitola**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

**Table 2**

	Fiscal Year				
	2015*	2016	2017	2018	2019
<b>EXPENSES:</b>					
Primary government activities					
General government	\$ 3,582	\$ 3,557	\$ 3,975	\$ 3,594	\$ 3,595
Public safety	6,181	6,211	7,462	6,822	7,037
Community development	809	1,076	1,090	1,057	956
Culture and recreation	974	1,150	1,302	1,228	1,192
Transportation	2,866	3,218	3,212	3,382	3,384
Interest and other charges	217	158	119	77	76
Total primary government expenses	14,629	15,370	17,160	16,160	16,240
<b>PROGRAM REVENUES:</b>					
Primary government activities					
Charges for services:					
General government	1,012	970	911	1,057	1,132
Public safety	806	701	597	601	579
Community development	633	727	637	695	528
Culture and recreation	765	751	640	636	614
Transportation	120	112	116	34	44
Operating grants and contributions	657	400	3,329	1,832	650
Capital grants and contributions	12	511	146	413	5,678
Total primary govt program revenues	4,005	4,172	6,376	5,268	9,225
NET PRIMARY GOVT REV/(EXP)	(10,624)	(11,198)	(10,784)	(10,892)	(7,015)
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET POSITION:</b>					
Primary government activities					
Taxes:					
Property taxes	2,041	2,194	2,288	2,498	2,630
Franchise taxes	508	524	535	555	545
Sales and use tax	7,330	7,860	7,959	7,688	8,077
Transient occupancy taxes	1,276	1,452	1,458	1,457	1,582
Business license tax	284	298	302	308	308
Cannabis taxes	-	-	-	-	-
Intergovernmental, unrestricted	265	226	201	223	224
Investment income, unrestricted	119	227	264	237	450
Other general revenues	242	424	225	406	119
Total primary government activities	12,065	13,205	13,232	13,372	13,935
<b>CHANGES IN NET POSITION:</b>					
Total primary government activities	\$ 1,441	\$ 2,007	\$ 2,448	\$ 2,480	\$ 6,920

Continued

\* Fiscal year 2014-15 reflects the first year of the implementation of GASB Statement Nos. 68 and 71, which resulted in a prior restatement of (\$15,436,035) to the Governmental Activities. GASB 75 restatement was reflected in 2018 for \$172,688.

Source: City of Capitola Finance Department

**City of Capitola**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

**Table 2**

	Fiscal Year				
	2020	2021	2022	2023	2024
<b>EXPENSES:</b>					
Primary government activities					
General government	\$ 3,876	\$ 3,736	\$ 6,117	\$ 3,443	\$ 5,581
Public safety	7,810	7,237	7,554	5,703	8,450
Community development	1,097	979	1,998	635	1,371
Culture and recreation	1,793	1,107	1,421	2,181	2,984
Transportation	3,263	3,092	4,222	2,409	4,329
Interest and other charges	68	67	56	20	13
Total primary government expenses	17,907	16,218	21,368	14,391	22,729
<b>PROGRAM REVENUES:</b>					
Primary government activities					
Charges for services:					
General government	1,022	1,057	1,678	744	983
Public safety	554	509	509	624	497
Community development	619	539	539	901	972
Culture and recreation	633	274	274	710	862
Transportation	47	39	39	48	41
Operating grants and contributions	501	3,125	2,970	866	859
Capital grants and contributions	7,357	1,167	865	1,646	5,952
Total primary govt program revenues	10,733	6,710	6,874	5,539	10,167
NET PRIMARY GOVT REV/(EXP)	(7,174)	(9,508)	(14,494)	(8,852)	(12,562)
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET POSITION:</b>					
Primary government activities					
Taxes:					
Property taxes	2,712	2,794	2,883	3,058	3,201
Franchise taxes	557	562	635	708	729
Sales and use tax	7,441	7,705	8,485	8,542	8,222
Transient occupancy taxes	1,263	1,529	2,171	2,131	2,220
Business license tax	330	292	316	314	324
Cannabis taxes	-	-	-	-	262
Intergovernmental, unrestricted	233	232	341	307	12
Investment income, unrestricted	699	335	(129)	549	770
Other general revenues	16	204	204	162	361
Total primary government activities	13,251	13,653	14,906	15,773	16,101
<b>CHANGES IN NET POSITION:</b>					
Total primary government activities	\$ 6,077	\$ 4,145	\$ 412	\$ 6,921	\$ 3,539

Concluded

Source: City of Capitola Finance Department



**City of Capitola**  
**Fund Balances of Governmental Funds**  
**Last ten years**  
(amounts expressed in thousands)

**Table 3**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>GENERAL FUND</b>										
Fund Balance:										
Nonspendable	\$ 618	\$ 524	\$ 426	\$ 58	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	300	300	816	867	917	1,016	904	1,196	1,531
Assigned	1,049	1,262	1,277	1,277	1,344	1,344	1,374	1,374	1,314	2,444
Unassigned	4,338	4,599	5,345	4,603	5,627	5,044	8,923	9,588	8,097	3,042
Total General Fund	6,005	6,685	7,348	6,754	7,859	7,305	11,313	11,866	10,607	7,017
<b>ALL OTHER GOVERNMENT FUNDS</b>										
Fund Balance:										
Restricted	985	736	834	11,742	14,896	14,493	12,110	11,768	11,223	12,132
Assigned	2,457	2,745	1,927	1,633	2,110	2,603	1,842	4,200	5,898	75
Unassigned	(41)	(215)	(39)	(39)	(39)	(365)	(39)	(39)	(71)	(923)
Total All Other Govt Funds	3,401	3,266	2,722	13,336	16,967	16,731	13,913	15,929	17,050	11,284
<b>TOTAL</b>	<b>\$ 9,406</b>	<b>\$ 9,951</b>	<b>\$ 10,070</b>	<b>\$ 20,090</b>	<b>\$ 24,826</b>	<b>\$ 24,036</b>	<b>\$ 25,226</b>	<b>\$ 27,795</b>	<b>\$ 27,657</b>	<b>\$ 18,301</b>

Source: City of Capitola Finance Department.

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**City of Capitola**  
**Changes in Fund Balances of Governmental Funds**  
**Last ten years**

**Table 4**

(amounts expressed in thousands)

	2015	2016	2017	2018	2019
<b>REVENUES:</b>					
Taxes	\$ 11,416	\$ 12,250	\$ 12,436	\$ 12,416	\$ 13,097
Licenses & permits	629	671	626	766	663
Fines and forfeitures	671	787	1,475	2,250	6,030
Intergovernmental	757	656	560	558	522
Charges for services	2,078	2,165	1,970	2,007	2,020
Use of money and property	228	324	376	237	450
Other	132	328	114	406	378
Total revenues	15,911	17,181	17,557	18,640	23,160
<b>EXPENSES:</b>					
Current:					
General government	2,443	2,712	3,153	2,824	2,819
Public safety	5,917	6,134	6,495	6,333	6,552
Community development	823	1,005	976	967	913
Culture and recreation	978	1,039	1,137	1,154	1,130
Transportation	2,577	2,744	2,637	2,852	2,981
Capital outlay	535	2,074	2,113	1,924	3,770
Subtotal	13,273	15,708	16,511	16,054	18,165
Debt service:					
Principal retirement	699	764	788	829	182
Interest and agent fees	229	163	139	95	78
Subtotal	928	927	927	924	260
Total expenditures	14,201	16,635	17,438	16,978	18,425
<b>Excess/(deficiency) of revenues over/(under) expenditures</b>	1,710	546	119	1,662	4,735
<b>OTHER FINANCING SOURCES/(USES):</b>					
Transfers in	2,091	2,784	1,815	2,865	1,676
Transfers out	(2,091)	(2,784)	(1,815)	(2,865)	(1,676)
Total other financing sources/(uses)	-	-	-	-	-
<b>Net change in fund balances</b>	1,710	546	119	1,662	4,735
Prior Period Adjustments	-	-	-	-	-
Beginning fund balance	7,695	9,405	9,951	10,070	20,091
Ending fund balance	\$ 9,405	\$ 9,951	\$ 10,070	\$ 11,732	\$ 24,826
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	\$ 14,201	\$ 16,635	\$ 17,438	\$ 16,978	\$ 18,425
Capitalized Portion of Capital Outlay	(153)	2,079	2,231	2,063	3,681
Total Non-Capitalized Expenditures	14,354	14,556	15,207	14,915	14,744
Debt service: Principal and Interest	928	927	927	924	260
Debt service as a percentage of noncapital expenditures	6.47%	6.37%	6.10%	6.20%	1.76%

Continued

**NOTES:**

Debt service as a percentage of noncapital expenditures reflects total governmental fund expenditures less the capital outlay shown separately in the Changes in Fund Balances schedule and any expenditures for capitalized assets contained within the functional expenditure categories. The sum of these items is reported in this calculation, as well as appearing as a reconciling item in the reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

Source: City of Capitola Finance Department

**City of Capitola**  
**Changes in Fund Balances of Governmental Funds**  
**Last ten years**

**Table 4**

(amounts expressed in thousands)

	2020	2021	2022	2023	2024
<b>REVENUES:</b>					
Taxes	\$ 12,307	\$ 13,064	\$ 14,757	\$ 14,853	\$ 14,634
Licenses & permits	726	679	746	662	768
Fines and forfeitures	7,521	3,832	3,093	2,417	425
Intergovernmental	520	496	589	567	6,581
Charges for services	1,959	1,536	2,020	2,010	2,450
Use of money and property	699	335	(129)	548	807
Other	252	422	704	1,700	603
Total revenues	23,984	20,364	21,780	22,757	26,268
<b>EXPENSES:</b>					
Current:					
General government	2,965	3,021	4,198	4,444	4,447
Public safety	6,467	6,075	6,995	8,137	7,740
Community development	963	859	1,464	1,101	1,272
Culture and recreation	1,710	1,026	1,202	2,525	2,725
Transportation	2,714	2,529	2,921	3,470	3,682
Capital outlay	9,698	5,410	2,178	2,965	15,327
Subtotal	24,517	18,920	18,958	22,642	35,192
Debt service:					
Principal retirement	186	187	191	231	710
Interest and agent fees	71	67	62	22	28
Subtotal	257	254	253	253	738
Total expenditures	24,774	19,174	19,211	22,895	35,930
<b>Excess/(deficiency) of revenues over/(under) expenditures</b>	<b>(790)</b>	<b>1,190</b>	<b>2,569</b>	<b>(138)</b>	<b>(9,662)</b>
<b>OTHER FINANCING SOURCES/(USES):</b>					
Transfers in	1,734	324	4,023	2,622	3,558
Transfers out	(1,734)	(324)	(4,023)	(2,622)	(3,558)
Total other financing sources/(uses)	-	-	-	-	-
<b>Net change in fund balances</b>	<b>(790)</b>	<b>1,190</b>	<b>2,569</b>	<b>(138)</b>	<b>(9,662)</b>
Prior Period Adjustments	-	-	-	-	307
Beginning fund balance	24,826	24,036	25,226	27,795	27,657
Ending fund balance	<u>\$ 24,036</u>	<u>\$ 25,226</u>	<u>\$ 27,795</u>	<u>\$ 27,657</u>	<u>\$ 18,301</u>
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	\$ 24,774	\$ 19,174	\$ 19,211	\$ 22,895	\$ 35,930
Capitalized Portion of Capital Outlay	9,535	5,410	2,178	2,965	15,314
Total Non-Capitalized Expenditures	15,239	13,764	17,033	19,930	20,616
Debt service: Principal and Interest	257	254	253	253	738
Debt service as a percentage of noncapital expenditures	1.69%	1.85%	1.49%	1.27%	3.58%

Concluded

**NOTES:**

Debt service as a percentage of noncapital expenditures reflects total governmental fund expenditures less the capital outlay shown separately in the Changes in Fund Balances schedule and any expenditures for capitalized assets contained within the functional expenditure categories. The sum of these items is reported in this calculation, as well as appearing as a reconciling item in the reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

Source: City of Capitola Finance Department

**City of Capitola  
General Revenues By Source  
Last Ten Fiscal Years**

**Table 5**

General Revenue By Source								
Fiscal Year	Sales Tax Revenue <sup>(1)</sup>	Property Taxes <sup>(2)</sup>	Transient Occupancy Tax	Franchise Taxes	Business Licenses	Investment Income	Other Revenue	Total General Revenues
2015	\$ 7,330,443	\$ 2,041,248	\$ 1,275,716	\$ 507,517	\$ 284,474	\$ 118,770	\$ 506,803	\$ 12,064,971
2016	7,859,511	2,193,588	1,451,512	524,214	298,020	227,142	650,656	13,204,643
2017	7,959,086	2,288,341	1,457,704	534,513	301,545	264,040	426,525	13,231,754
2018	7,687,959	2,721,299	1,456,899	555,475	308,236	237,383	406,456	13,373,707
2019	8,076,583	2,854,103	1,581,864	545,424	307,930	450,099	119,011	13,935,014
2020	7,440,745	2,945,342	1,262,816	556,708	329,711	699,199	16,383	13,250,904
2021	7,705,348	3,026,024	1,529,015	561,969	291,590	335,472	203,806	13,653,224
2022	8,484,799	3,224,366	2,170,541	634,511	315,604	(128,502)	205,129	14,906,448
2023	8,542,419	3,365,235	2,131,470	708,277	313,993	662,048	162,352	15,885,794
2024	8,221,640	3,200,895	2,219,951	729,485	323,755	770,404	634,706	16,100,836

**NOTES:**

<sup>(1)</sup> A 0.25% District Transactions and Use Tax took effect April 1, 2005 and in 2008 was extended through December 2017. An additional 0.25% Permanent Retail Transactions and Use Tax took effect April 1, 2013, bringing the local tax rate to 0.50%.

<sup>(2)</sup> As of 2006, Property Taxes In Lieu of Vehicle License Fees were included as part of Property Tax distributions by the State of California. Dissolution of California Redevelopment Agencies in February 2012 lowered agency property tax receipts by the size of the previous redevelopment tax increment.

Source: City of Capitola Finance Department.

**City of Capitola**  
**Net Taxable Assessed Value History**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

**Table 6**

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total Assessed Value	% Change
2015	\$ 1,906,637	\$ 81,887	\$ 84	\$ 1,988,608	3.50%
2016	2,026,035	76,862	83	2,102,980	5.75%
2017	2,156,464	77,622	84	2,234,170	6.24%
2018	2,294,174	84,389	84	2,378,647	6.47%
2019	2,412,636	87,922	111	2,500,669	5.13%
2020	2,530,955	81,815	111	2,612,881	4.49%
2021	2,657,657	77,632	111	2,735,400	4.69%
2022	2,785,901	79,332	111	2,865,344	4.75%
2023	2,923,890	72,799	157	2,996,846	4.59%
2024	3,078,003	79,583	157	3,157,743	5.37%

NOTES: California Constitution Article 13A establishes a county assessor "full cash value" property valuation formulated on varying base years and not at current fair market value. As a result, there is not a reasonable basis available for estimating actual value of taxable property for the City of Capitola for comparative purposes.

Source: HdL Companies, Santa Cruz County Assessor 2023-24 Combined Tax Rolls.

**City of Capitola**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

**Table 7**

Category	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential	\$ 1,413,964	\$ 1,515,227	\$ 1,590,959	\$ 1,681,534	\$ 1,782,996	\$ 1,878,890	\$ 1,981,312	\$ 2,093,954	\$ 2,225,831	\$ 2,356,130
Commercial	379,721	392,427	439,224	476,377	487,098	501,612	523,379	524,820	535,445	555,355
Industrial	14,130	14,437	14,612	19,124	19,557	21,914	22,319	22,545	23,320	22,345
Institutional	14,716	15,134	15,966	15,054	9,927	10,943	9,290	19,436	7,407	7,555
Miscellaneous	6	6	6	267	272	277	283	293	292	297
Recreational	8,844	9,705	9,791	9,996	10,311	10,525	10,592	8,849	9,878	11,766
Vacant	14,934	15,263	16,274	15,393	21,333	19,848	19,308	21,278	22,137	17,490
SBE Nonunitary	84	83	84	84	110	110	111	111	157	157
Cross Reference	60,322	63,836	69,632	76,429	81,138	86,943	91,174	94,726	99,581	107,065
Unsecured	81,887	76,862	77,622	84,389	87,922	81,815	77,632	79,332	72,799	79,583
<b>TOTALS</b>	<b>\$ 1,988,608</b>	<b>\$ 2,102,980</b>	<b>\$ 2,234,170</b>	<b>\$ 2,378,648</b>	<b>\$ 2,500,664</b>	<b>\$ 2,612,877</b>	<b>\$ 2,735,400</b>	<b>\$ 2,865,344</b>	<b>\$ 2,996,847</b>	<b>\$ 3,157,743</b>
Total Direct										
Property Tax Rate	0.0551	0.0546	0.0546	0.0545	0.0545	0.0544	0.0544	0.0537	0.0537	0.0537

NOTES: Exempt values are not included in Total.

In 1978, the voters of the State of California passed Proposition 13, which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Companies, Santa Cruz County Assessor 2013-14 and 2022-23 Combined Tax Rolls.

**City of Capitola**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
(Rate per \$100 of taxable value)

**Table 8**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>City Direct Property Tax Rates</b>										
Basic Levy <sup>(1)</sup>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Total Direct Property Tax Rate <sup>(2)</sup>	0.05461	0.05456	0.05452	0.05452	0.05438	0.05441	0.05372	0.05372	0.05372	0.05372
<b>Overlapping Property Tax Rates <sup>(3)</sup></b>										
Santa Cruz High School	0.02087	0.01961	0.01848	0.04461	0.04272	0.03889	0.03800	0.03706	0.03767	0.03155
Soquel Elementary School	0.02045	0.01846	0.01811	0.04539	0.04251	0.03948	0.04140	0.04123	0.04113	0.03307
Live Oak Sd 2022 Ref	0.05279	0.04600	0.03574	0.01988	0.02117	0.02072	0.02106	0.02116	0.02003	0.02610
Cabrillo College	0.03694	0.03669	0.03260	0.02425	0.02102	0.02117	0.02475	0.02370	0.02405	0.02434
Total Overlapping Property Tax Rate <sup>(2)</sup>	0.13105	0.12076	0.10493	0.13413	0.12742	0.12026	0.12521	0.12315	0.12288	0.11506
<sup>(4)</sup>	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372
<b>Total Direct Rate <sup>(3)</sup></b>	<b>0.05461</b>	<b>0.05456</b>	<b>0.05452</b>	<b>0.05452</b>	<b>0.05438</b>	<b>0.05441</b>	<b>0.05438</b>	<b>0.05434</b>	<b>0.05431</b>	<b>0.05428</b>
<b>Total Direct &amp; Overlapping Rate</b>	<b>1.13105</b>	<b>1.12076</b>	<b>1.10493</b>	<b>1.13413</b>	<b>1.12742</b>	<b>1.12026</b>	<b>1.12521</b>	<b>1.12315</b>	<b>1.12288</b>	<b>1.11506</b>

NOTES:

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Because basic and debt rates vary by tax rate area individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

(3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(4) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ration figures.

SOURCE: HdL Companies, Santa Cruz County Assessors Office.



**City of Capitola**  
**Top Ten Property Taxpayers**  
**Current Year and Nine Years Ago**

**Table 9**

(amounts expressed in dollars unless otherwise noted)

Taxpayer	2023-24			2014-15		
	Net Assessed Valuation	Rank	Percent of Total City Net Assessed Valuation	Net Assessed Valuation	Rank	Percent of Total City Net Assessed Valuation
MGP XI Capitola LLC	\$ 119,575,067	1	3.79%	-		0.00%
Drew Auto Property LLC	34,706,070	2	1.10%	-		0.00%
Aspromonte Hotels LLC	22,433,239	3	0.71%	17,426,716	4	0.88%
Target Corporation	19,572,930	4	0.62%	18,203,941	3	0.92%
Loma Vista Estates Owners Assoc. Inc.	17,672,960	5	0.56%	-		0.00%
George Ow Jr. Trustees	11,583,992	6	0.37%	13,951,688	5	0.70%
Brown Ranch Properties	13,145,664	7	0.42%	11,286,826	6	0.57%
Blai LP	12,386,557	8	0.39%	10,524,216	7	0.53%
Grandview Capitola	11,220,000	9	0.36%	-		0.00%
Melanie Kett Wirtanen Trustee	9,796,360	10	0.31%	8,315,230	8	0.42%
Macerich Partnership LP	-			45,978,178	1	2.31%
Macerich Capitola Adjacent LP	-			22,470,153	2	1.13%
850 Rosedale LLC	-			8,106,207	9	0.41%
Macy's West Inc	-			7,224,821	10	0.36%
	<u>\$ 272,092,839</u>		<u>8.62%</u>	<u>\$ 163,487,976</u>		<u>8.22%</u>
Memo: Gross Assessed Value	\$ 3,157,742,571		100.00%	\$ 1,988,607,727		100.00%

Source: HdL Companies, Santa Cruz County Assessor 2014-15 and 2023-24 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

**City of Capitola**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

**Table 10**

(amounts expressed in dollars unless otherwise noted)

Fiscal Year Ended June 30,	Property Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2015	\$ 1,060,919	\$ 1,060,919	100%	\$ -	\$ 1,060,919	100%
2016	1,104,034	1,104,034	100%	-	1,104,034	100%
2017	1,203,689	1,203,689	100%	-	1,203,689	100%
2018	1,331,609	1,331,609	100%	-	1,331,609	100%
2019	1,406,900	1,406,900	100%	-	1,406,900	100%
2020	1,452,553	1,452,553	100%	-	1,452,553	100%
2021	1,420,380	1,420,380	100%	-	1,420,380	100%
2022	1,503,589	1,503,589	100%	-	1,503,589	100%
2023	1,601,360	1,601,360	100%	-	1,601,360	100%
2024	1,674,964	1,674,964	100%	-	1,674,964	100%

NOTES: Figures presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that are pass throughs for other agencies, and real and personal property. The figures do not include Property Taxes In Lieu of Vehicle License Fees. In FY 1993-94, Santa Cruz County adopted the Teeter Plan under which the City of Capitola receives its entire tax levy, regardless of delinquencies as long as it qualifies for the Teeter Plan.

Reduction in property taxes levied from 2011 through 2020 reflects the 2/1/2012 State of California dissolution of Redevelopment Agencies and the associated elimination of tax increment received by the City of Capitola.

Source: Santa Cruz County Auditor-Controller, City of Capitola Finance Department.

**City of Capitola**  
**Top 25 Sales Tax Taxpayers**  
**June 30, 2024**

**Table 11**

*Listed alphabetically*

<b>Business Name</b>	<b>Business Category</b>
Ajs Fuel Market Of Capitola	Service Stations
BevMo	Convenience Stores/Liquor
Capitola Coast	Service Stations
Capitola Shell	Service Stations
Chevron	Service Stations
CVS Pharmacy	Drug Stores
Gayles Bakery & Rosticceria	Food Stores Non-Grocery
Greentech Renewables	Energy/Utilities
Kohls	Department Stores
Macy's	Department Stores
Nob Hill General Store	Grocery Stores
O Neill Surf Shop	Sporting Goods/Bike Stores
Outdoor Supply Hardware	Building Materials
Pizza My Heart	Quick-Service Restaurants
Ross	Family Apparel
Santa Cruz Subaru	New Motor Vehicle Dealers
Santa Cruz Toyota	New Motor Vehicle Dealers
Shadowbrook	Fine Dining
Sierra Utility Sales	Electrical Equipment
Target	Discount Dept Stores
Toyota Lease Trust	Auto Lease
Trader Joe's	Grocery Stores
Ulta Beauty	Specialty Stores
Whole Foods Market	Grocery Stores
Zelda's on the Beach	Casual Dining

**NOTES:**

The list is in alphabetical order and is not indicative of relative nor total sales volume.

Source: HdL

**City of Capitola****Table 11****Ratios of Outstanding Debt by Type****Last Ten Fiscal Years**

(amounts expressed in dollars unless otherwise noted)

Government/Total Primary Government Activities					Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
Fiscal Year Ended June 30	General Obligation Bonds	Lease Revenue Bonds	Other debt	Tot. Gov't./ Primary Gov't. Activities			
2015	\$ 1,830,000	\$ -	\$ 3,000,243	\$ 4,830,243	0.24%	1.27%	476
2016	1,255,000	-	2,811,059	4,066,059	0.19%	1.04%	400
2017	645,000	-	2,632,952	3,277,952	0.15%	0.78%	310
2018	-	-	2,449,251	2,449,251	0.10%	0.63%	239
2019	-	-	2,267,652	2,267,652	0.09%	0.51%	224
2020	-	-	2,081,485	2,081,485	0.08%	0.50%	206
2021	-	-	1,894,649	1,894,649	0.07%	0.39%	193
2022	-	-	1,703,461	1,703,461	0.06%	0.31%	177
2023	-	-	1,472,580	1,472,580	0.05%	0.24%	155
2024	-	-	762,615	762,615	0.02%	0.13%	81

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

In July 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB), which was used to pay off the City's CalPERS unfunded pension liability as of that point in time. Other debt includes tax anticipation notes, county library long term debt, financed purchase, notes payable, and RDA deferred pass throughs. Compensated absences, OPEB liability and net pension liability amounts are no longer included per GASB implementation guidelines.

Source: City of Capitola Financial Statements.

**City of Capitola****Table 12****Ratios of General Bonded Debt Outstanding****Last Ten Fiscal Years**

(amounts expressed in dollars unless otherwise noted)

Government/Total Primary Government Activities				
Fiscal Year Ended June 30,	General Obligation Bonds	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
2015	1,255,000	0.06%	0.33%	124
2016	645,000	0.03%	0.17%	63
2017	-	0.00%	0.00%	-
2018	-	0.00%	0.00%	-
2019	-	0.00%	0.00%	-
2020	-	0.00%	0.00%	-
2021	-	0.00%	0.00%	-
2022	-	0.00%	0.00%	-
2023	-	0.00%	0.00%	-
2024	-	0.00%	0.00%	-

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

In July 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB), which was used to pay off the City's CalPERS unfunded pension liability as of that point in time.

**City of Capitola**  
**Direct & Overlapping Debt**  
**Fiscal Year ended June 30, 2024**

**Table 13**

2023-24 Assessed Valuation \$ 3,157,742,571

	% Applicable <sup>(1)</sup>	Total Debt	City's Share of Debt
<b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Cabrillo Joint Community College District	5.360%	\$ 91,586,964	\$ 4,909,061
Santa Cruz City High School District	11.559%	134,354,446	15,530,030
Live Oak School District	5.836%	7,534,000	439,684
Soquel Union School District	39.161%	44,554,768	17,448,093
Santa Cruz Libraries Facilities Community Facilities District	5.979%	35,785,000	2,139,585
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 313,815,178</b>	<b>\$ 40,466,454</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Overlapping General Fund Debt:			
Santa Cruz County General Fund Obligations	5.405%	\$ 167,498,341	\$ 9,053,285
Santa Cruz County Office of Education Certificates of Participation	5.405%	6,612,042	357,381
Santa Cruz City High School District Certificates of Participation	11.559%	664,349	76,792
Live Oak School District Certificates of Participation	5.836%	13,558,483	791,273
Soquel Union School District Certificates of Participation	39.161%	4,556,794	1,784,486
Santa Cruz City Schools Certificates of Participation	11.559%	440,000	50,860
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 193,330,009</b>	<b>\$ 12,114,077</b>
<b>TOTAL CITY'S DIRECT DEBT</b>			<b>\$ 762,615</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$ 51,817,916</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$ 52,580,531 <sup>(2)</sup></b>
<b><u>RATIOS TO 2021-22 ASSESSED VALUATION:</u></b>			
Total Direct and Overlapping Tax and Assessment Debt			1.28%
Total Direct Debt			0.02%
Combined Total Debt			1.67%

(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) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded financing obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: MuniServices, LLC, City of Capitola Finance Department

**City of Capitola**  
**Legal Debt Margin**  
**Last Ten Fiscal Years**

**Table 14**

(amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assessed Valuation	\$ 1,988,608	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648	\$ 2,500,669	\$ 2,612,882	\$ 2,735,400	\$ 2,821,643	\$ 2,996,846	\$ 3,157,743
RDA Base Valuation	256,500	264,195	272,121	280,284	288,693	297,354	306,274	315,462	324,926	334,674
Adj. assessed valuation	1,732,108	1,838,785	1,962,049	2,098,364	2,211,976	2,315,528	2,429,126	2,506,181	2,671,920	2,823,069
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	259,816	275,818	294,307	314,755	331,796	347,329	364,369	375,927	400,788	423,460
Total net applicable debt										
Gen. obligation bonds	1,830	1,255	645	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 257,986</u>	<u>\$ 274,563</u>	<u>\$ 293,662</u>	<u>\$ 314,755</u>	<u>\$ 331,796</u>	<u>\$ 347,329</u>	<u>\$ 364,369</u>	<u>\$ 375,927</u>	<u>\$ 400,788</u>	<u>\$ 423,460</u>
Ratio of Total Net Applicable										
Debt to Debt Limit	0.71%	0.46%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES: The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned assets for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the City of Capitola bylaws and the State Constitution.

Source: Santa Cruz County Auditor-Controller, Santa Cruz County Assessor, City of Capitola Finance Department.

**City of Capitola**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

**Table 15**

Calendar Year	Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2015	10,150	\$ 381,027	\$ 37,540	43.3	6.0%
2016	10,162	390,369	38,415	42.8	5.5%
2017	10,563	421,494	39,903	42.6	3.3%
2018	10,240	388,326	37,922	42.0	2.2%
2019	10,108	440,760	43,605	42.7	1.4%
2020	10,091	419,398	41,562	42.2	2.1%
2021	9,794	484,927	49,513	45.3	1.8%
2022	9,625	548,976	57,036	47.3	2.3%
2023	9,497	622,725	65,571	48.9	2.8%
2024	9,456	593,534	62,768	46.3	2.5%

Sources: HdL Companies, California State Department of Finance, California Employment Development Department, ESRI, U. S. Census Bureau, American Community Survey.



**City of Capitola**  
**Principal Employers - Top Ten**  
**Current year and nine years ago**

**Table 16**

Employer	2024			2015		
	Ranking	Number of Employees	% of Total Employment	Ranking	Number of Employees	% of Total Employment
Subaru, Toyota of Santa Cruz	1	200	3.92%	2	182	3.25%
Soquel Union Elementary School District	2	182	3.57%	1	200	3.57%
Culinary Enterprises Inc DBA Shadowbrook Restaurant	3	168	3.29%	7	130	2.32%
Target Store*	4	165	3.24%	5	157	2.80%
Gayle's Bakery & Rosticceria	5	153	3.00%	4	176	3.14%
Trader Joe's*	6	140	2.75%	10	93	1.66%
City of Capitola*	7	133	2.61%			
Pacific Coast Manor*	8	128	2.51%		107	1.91%
Whole Foods Market	9	110	2.16%	8	140	2.50%
New Leaf Community Markets*	10	95	1.86%			
Macy's				3	180	3.21%
Kohl's				9	95	1.70%
<b>Total Top Ten Employers</b>		<b>1,474</b>	<b>28.90%</b>		<b>1,460</b>	<b>26.07%</b>
<b>Total Labor Force</b>		<b>5,100</b>	<b>100.00%</b>		<b>5,600</b>	<b>100.00%</b>

\*Includes full-time and part-time employees.

Source: MuniServices, LLC / Avenu Insights & Analytics

Source: City of Capitola Publication, FY2015 Annual Comprehensive Financial Statement Report

**City of Capitola**  
**Full-time and Part-time City Employees by Function**  
**Last Ten Fiscal Years**

**Table 17**

<u>Function</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General government										
City Manager	7.65	7.65	6.50	6.50	6.00	7.50	5.50	5.50	7.00	7.00
Finance	4.50	4.50	4.50	3.75	3.75	3.75	2.75	3.00	3.00	4.00
City Attorney	1.00	1.00	1.00	1.00	1.00	-	-	-	-	-
	13.15	13.15	12.00	11.25	10.75	11.25	8.25	8.50	10.00	11.00
Police										
Chief, Captain, Sgts.	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00
Officers	15.00	16.00	16.00	16.00	15.00	15.00	14.00	15.00	15.00	15.00
CSOs	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parking Enforcement	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	3.00	3.00
Administrative	4.65	4.65	4.50	4.50	4.50	4.50	4.50	4.00	4.00	4.00
	30.65	31.65	31.50	31.50	30.50	30.50	29.50	30.00	31.00	31.00
Public Works										
Streets	9.00	9.00	11.00	12.00	11.50	10.00	10.00	10.00	11.00	12.00
Parks	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Fleet Maintenance	1.50	1.25	1.00	1.00	1.50	2.00	1.00	1.00	1.00	1.00
	14.50	14.25	16.00	16.00	16.00	15.00	14.00	14.00	15.00	16.00
Recreation										
Supervisor	2.00	2.00	2.50	2.50	2.50	1.00	1.00	1.00	1.00	1.00
Other - full year	2.25	2.75	1.25	1.25	1.25	4.00	4.00	3.50	3.50	4.50
	4.25	4.75	3.75	3.75	3.75	5.00	5.00	4.50	4.50	5.50
Community Development	3.00	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00	3.00
Building	2.00	2.00	2.00	2.00	3.00	3.00	3.00	2.75	3.00	2.00
Total City Employees	67.55	69.30	68.75	68.00	67.00	67.75	62.75	62.75	66.50	68.50

NOTES: Full time equivalents (FTE); does not include temporary or seasonal employees.

SOURCE: City of Capitola Finance Department.

**City of Capitola**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years (except as noted)**

**Table 18**

INDICATOR	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<u>Police department</u>										
Adult arrests	956	904	939	692	587	503	317	345	424	560
Calls for service (thousands)	18	17	20	19	15	19	15	14	6	13
<u>Public works</u>										
Miles paved	26	26	26	26	26	26	26	26	26	26
<u>New construction</u>										
Commercial units	-	1	2	1	1	-	-	-	-	-
Valuation (millions)	\$ -	\$ 4	\$ 5	\$ 2	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -
Residential units <sup>(1)</sup>	3	3	9	6	8	9	9	9	8	8
Valuation (millions)	\$ 1	\$ 1	\$ 3	\$ 4	\$ 3	\$ 4	\$ 4	\$ 4	\$ 3	\$ 3
<u>Recreation Revenue (thousands)</u>										
Classes	\$ 282	\$ 275	\$ 260	\$ 240	\$ 231	\$ 214	\$ 79	\$ 199	\$ 225	\$ 265
Sports fees	32	19	21	24	23	19	8	26	22	16
Junior Guard	312	328	258	238	244	160	85	268	264	295
Camp Capitola	139	129	100	96	111	100	105	175	150	193
Afterschool	-	-	-	-	-	24	48	52	68	105
Events	-	-	-	-	-	-	-	1	3	1
Net Class Revenue	\$ 765	\$ 751	\$ 639	\$ 598	\$ 609	\$ 517	\$ 325	\$ 721	\$ 732	\$ 875
Jade St. Rental	7	7	6	8	5	5	-	7	7	11
Net Recreation Rev	<u>\$ 772</u>	<u>\$ 758</u>	<u>\$ 645</u>	<u>\$ 606</u>	<u>\$ 614</u>	<u>\$ 522</u>	<u>\$ 325</u>	<u>\$ 728</u>	<u>\$ 739</u>	<u>\$ 886</u>

(1) Residential units and associated valuations are total additional, new or substantially new (by code definition) units.

Source: City of Capitola Building, Finance, Police, and Public Works Departments.

**City of Capitola**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

**Table 19**

Indicator	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	26	26	26	26	26	26	26	26	26	26
Streetlights	71	71	71	71	71	71	71	71	71	71
Traffic signals	8	8	8	8	8	8	8	8	8	8
Parks and recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	1	1	1
General										
Commercial buildings	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Department.