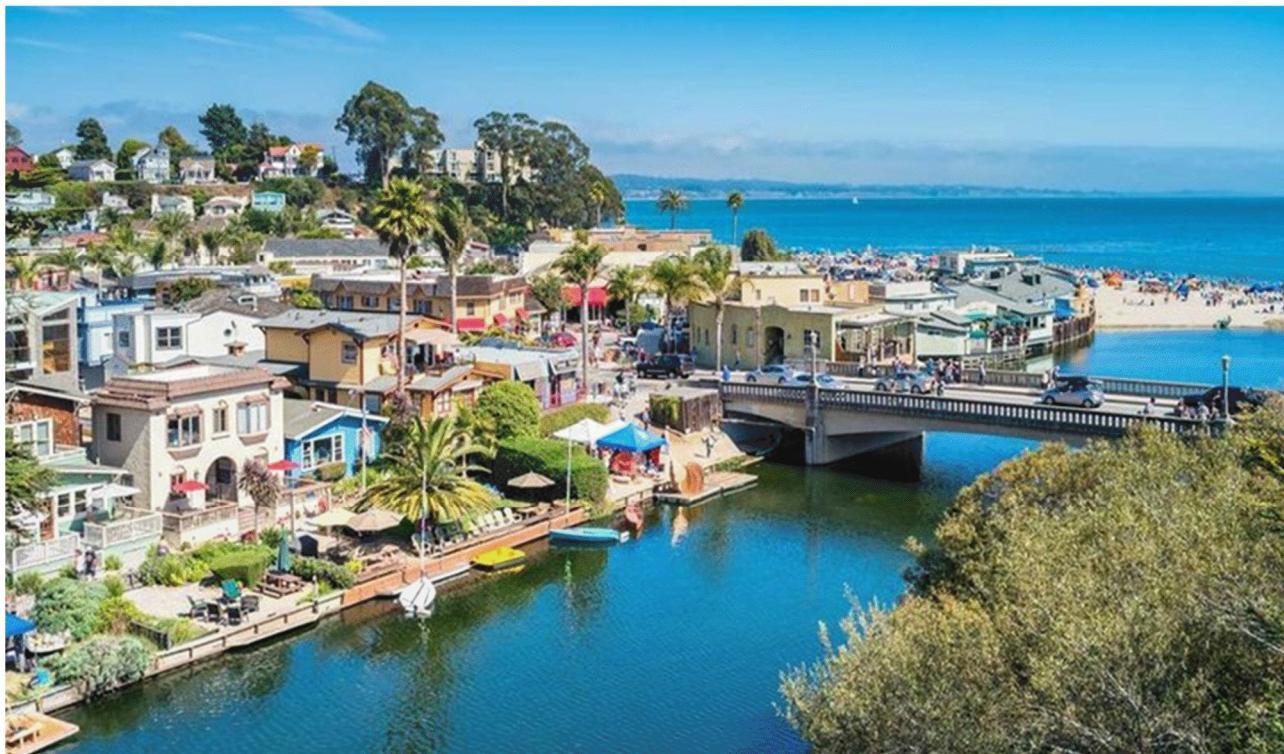


Annual Comprehensive Financial Report



**City of Capitola, California
Fiscal Year Ended June 30, 2025**

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CITY OF CAPITOLA CALIFORNIA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

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INTRODUCTORY SECTION

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CITY OF CAPITOLA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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CITY OF CAPITOLA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
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TRANSMITTAL LETTER



December 31, 2025

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

SUBJECT: Annual Comprehensive Financial Report - June 30, 2025

The Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2025, 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, 2025, 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, 2025, 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 2025 the City did not exceed \$750,000 in the expenditure of federal awards and is not required to complete a Single Audit Report which is due by March 31, 2026. The City did complete and submit a Single Audit Report for the fiscal year ended June 30, 2024.

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 10,000. 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 data, approximately 91% of Capitola residents are high school graduates and 46% 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.

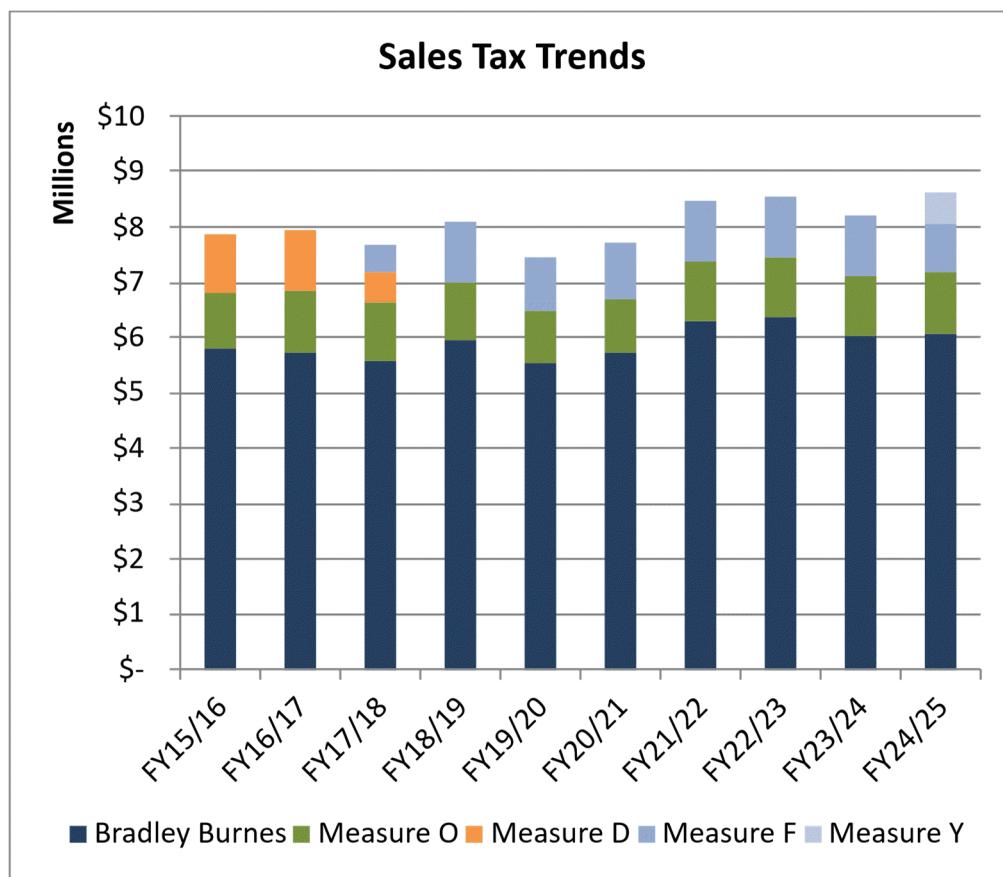
Local Economy

The City of Capitola experienced a sluggish economy during Fiscal Year (FY) 2024-25. During FY 2025-26, the City is anticipating receipt of approximately \$900,000 of FEMA and Cal OES reimbursements from impacts of storms in both January & December 2023 which caused significant damage to local businesses and local infrastructure. General fund revenues were approximately \$19.2 million which was about \$377,000 below the amended budget while general fund expenditures were \$20.5 million which was approximately 134,000 above the amended budget. The primary causes for the revenue shortfall were that sales tax, fines & citations, and charges for services were all below budget projections while city-wide general operations were over budget projections. As a result, the fund balance of the General Fund decreased by approximately \$511,000 from operations which was partially offset by a prior period adjustment.

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 2024-25 the General Fund received \$3.2 million in property tax receipts, prior to inclusion of Documentary Transfer Tax and Residual RDA distributions. This base amount was approximately \$145,000 more than the prior year but \$27,000 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 2024-25 increase was lower compared to that of the prior year, it was on trend at 4.34%.

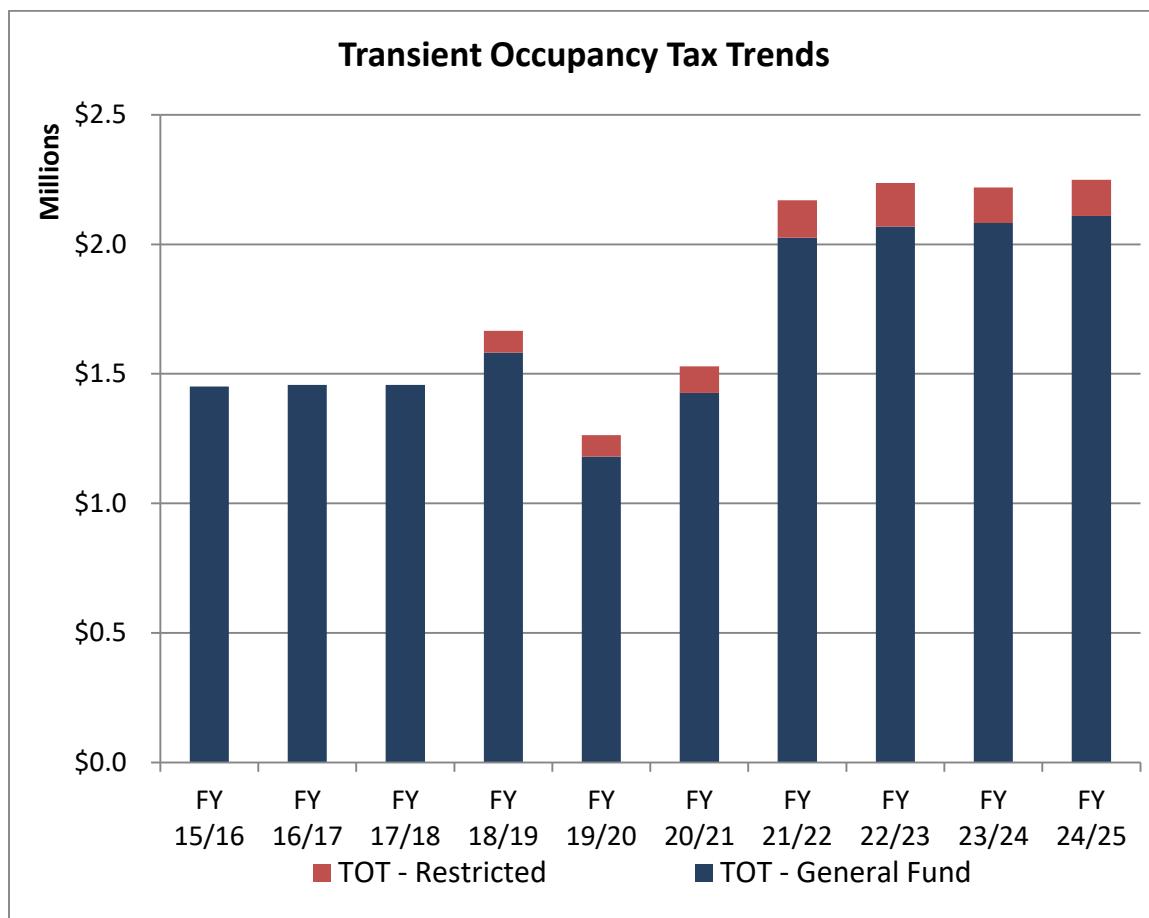
The City's property tax revenues do not respond to economic conditions as quickly as sales tax revenues. This delayed response, along with less volatility, assists the City in adjusting to

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, however, since FY 2021-22 TOT revenues have remained relatively flat.

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, a 0.25% district tax and a 0.50% district tax. 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 Y, was passed by voters in 2024 to replace and increase Measure F, a temporary quarter of one percent sales tax, for an additional ten years and increase to 0.50%. The City is committed to using this funding source to provide general governmental essential city services including public safety and emergency services; repair potholes, maintain streets, sidewalks, bike lanes, beaches, the new wharf, and recreation programs

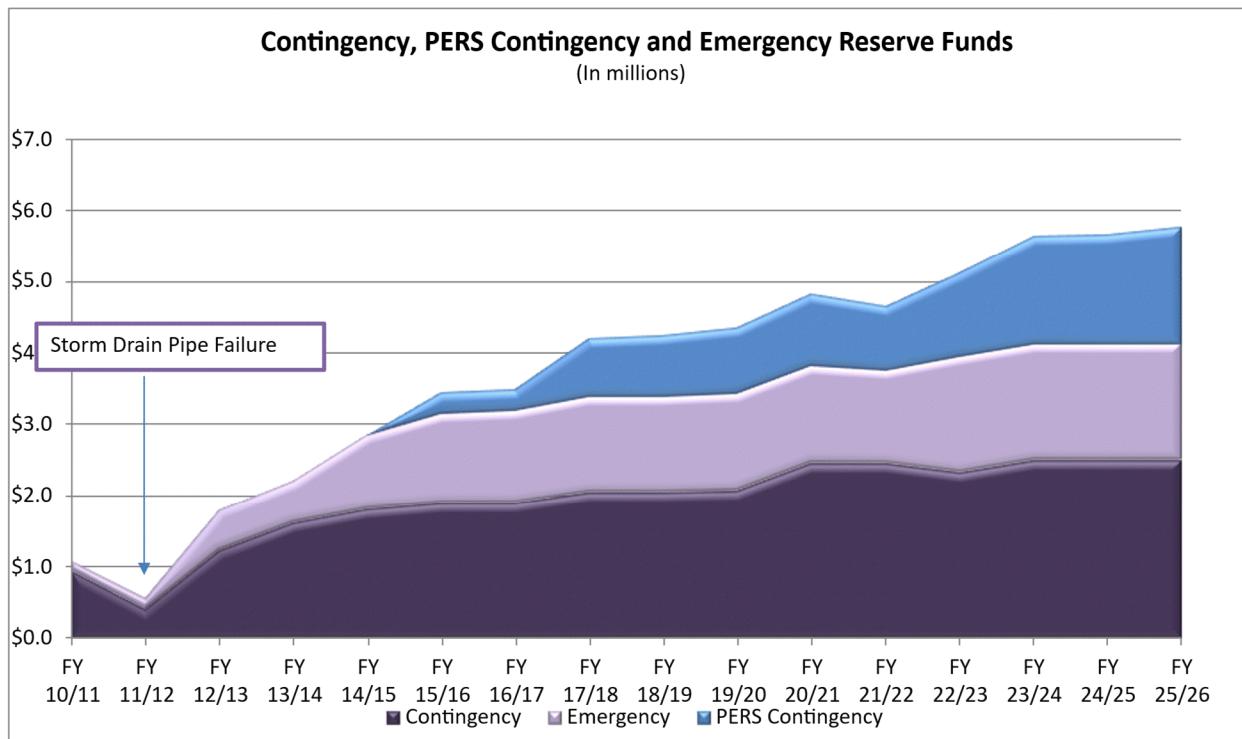
for youth; improve traffic safety; and support local businesses. The adopted FY 2024-25 budget began implementing these commitments as Measure Y went into effect on April 1, 2025.

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 2024-25 with a cash balance of \$282,714. The FY 2025-26 budget does not include any funding into the Facilities Reserve Fund or expenditures in the Facilities Reserve Fund.

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 from \$584,737 on June 30, 2019, to \$1,572,208 on June 30, 2020. The UAL balance as of June 30, 2025, was \$1,567,639 and the City's OPEB trust fund had a balance of \$947,091. The FY 2025-26 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 69% of the General Fund.

In 2024 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 agreed to new three-year contracts through June 30, 2027.

Recent changes in CalPERS' risk pools have had a significant negative impact on the City. Although CalPERS had investment returns of 9.3% in 2024, which is above the anticipated rate of return of 6.8%, these changes will result in an annual increase in CalPERS costs of 13.5% in FY 2025-26. CalPERS 2025 rate of return was 11.6% 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 remained unchanged in FY 2024-25 with 69.5 FTE.

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.

Currently, the Community and Economic Development Department is working on zoning code changes that will potentially facilitate a future project.

Funding Measure Y Commitments

In November 2024 voters of Capitola approved extending an existing quarter of one percent sales tax for an additional ten years and increasing it to one-half percent. The City is committed to using this funding source to provide general governmental essential city services including public safety and emergency services; repair potholes, maintain streets, sidewalks, bike lanes, beaches, the new wharf, and recreation programs for youth; improve traffic safety; and support local businesses. The adopted FY 2024-25 budget began implementing these commitments as Measure Y went into effect on April 1, 2025.

Capitola Community Center Renovation

The Capitola Community Center is undergoing a major renovation to modernize the building, improve accessibility, and support a wider range of programming and public use. Located at Jade Street Park, the updated facility will continue to serve as a vital gathering space for classes, meetings, and community events.

Renovations include structural repairs, energy-efficient upgrades, accessibility improvements, and enhancements to outdoor areas adjacent to the building.

Construction is progressing steadily. Major structural repairs, roofing, and underground utilities are near completion. Current work includes siding installation, patio concrete, and preparation for interior upgrades. The project remains on track for completion in Spring 2026.

Treasure Cove at Jade Street Park

The City of Capitola is creating Treasure Cove, a universally accessible (UA) playground at Jade Street Park, located at 4400 Jade Street as part of the Capitola Community Center complex. The new playground will replace the existing equipment installed in 1999 and 2007, which no longer meets accessibility standards and lacks inclusive features. Treasure Cove is designed to be a welcoming, inclusive space where children of all abilities can play, imagine, and connect.

The City partnered with County Park Friends, a local nonprofit dedicated to supporting park projects throughout Santa Cruz County. Through their leadership and the generosity of community donors, over \$1 million was raised for Treasure Cove. In July 2025, the City secured \$3.2 million in Community Development Block Grant (CDBG) funds, fully funding construction of

Treasure Cove and associated park improvements. This combined public-private partnership allows the City to deliver a far more ambitious and inclusive playground than would have been possible with public funds alone.

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 aims 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, 2024. 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 2025 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, 2025

ELECTED OFFICIALS

Mayor – Jor Clarke
Vice Mayor – Margaux Morgan
Council Member – Gerry Jensen
Council Member – Melinda Orbach
Council Member – Susan Westman

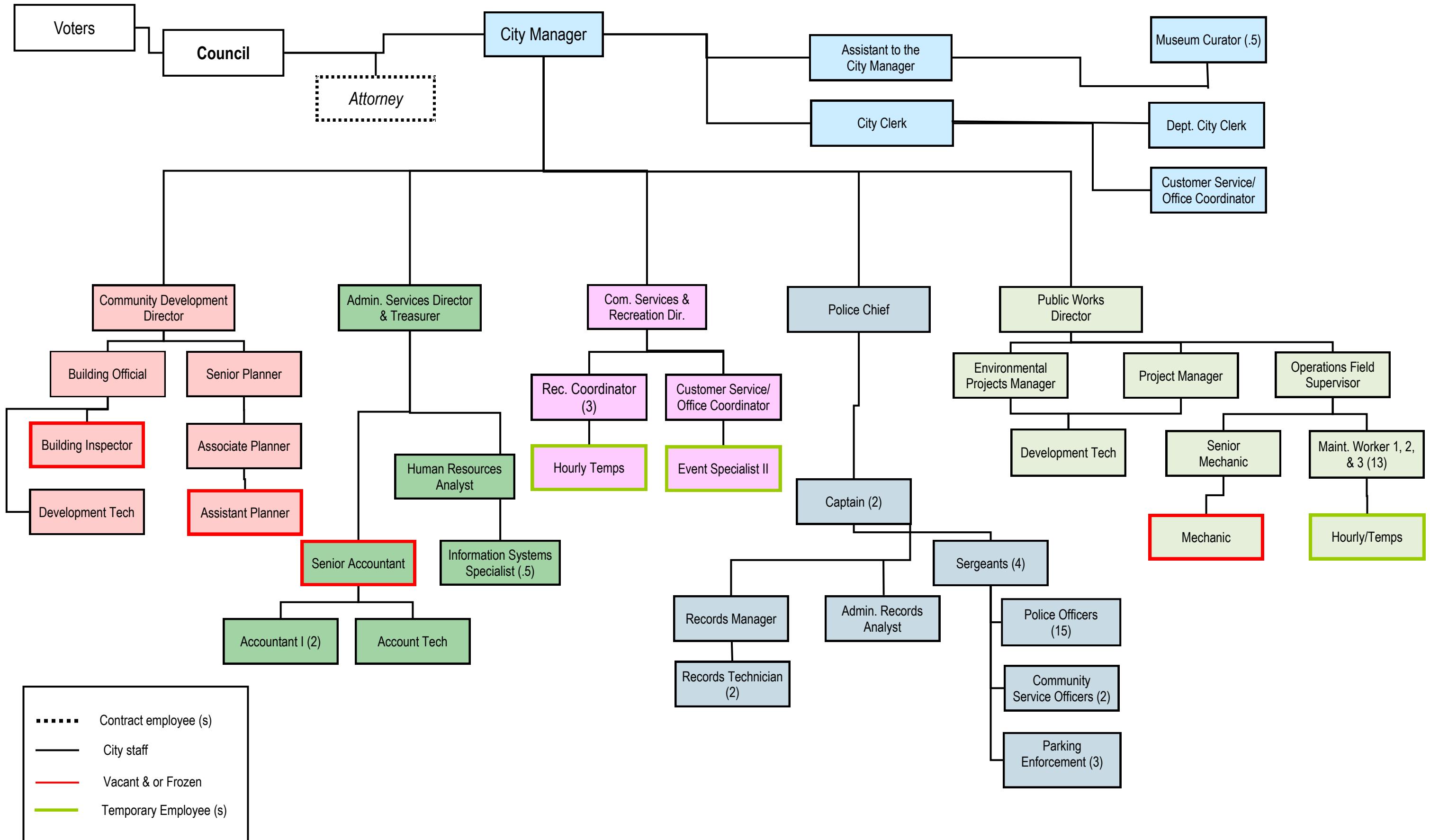
APPOINTED OFFICIALS

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

DEPARTMENT HEADS/ADMINISTRATORS

Assistant to the City Manager – Chloe Woodmansee
Chief of Police – Sarah Ryan
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 July 2025





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, 2024

Christopher P. Monill

Executive Director/CEO

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FINANCIAL SECTION



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, 2025, 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, 2025, 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 December 31, 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
December 31, 2025
Morgan Hill, California

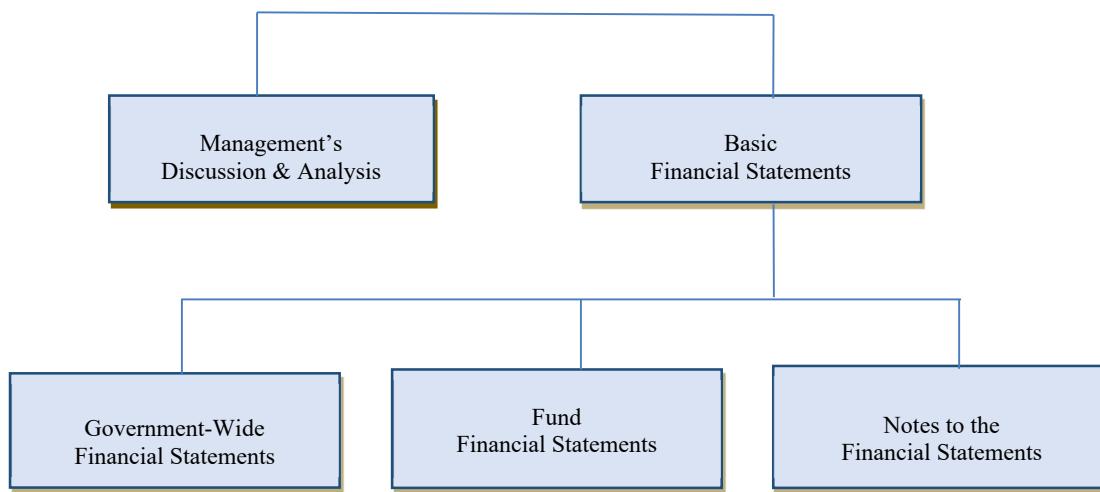


MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025. 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 2024/25 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 \$43.90 million (net position). Of the net position, \$52.14 million was classified as net investment in capital assets; \$13.45 million recorded as restricted funds; and \$21.69 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 decreased by \$397,848 which was all from Governmental Activities.
- City revenues decreased by \$4.96 million, or 4.05%, when compared to the prior year. The Fiscal Year 24/25 decrease was mostly from a decrease of \$2.94 million in capital grants.
- Deferred outflows of resources decreased by \$3.40 million, while deferred inflows of resources decreased by \$931,403. 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, 2025 was \$31.80 million as compared to \$32.16 million in the prior year.

- The City's long-term debt decreased by \$68,823 as a result of debt service payments made during the year.
- The City's net capital assets increased by \$1.96 million, primarily from a \$9.80 million increase to infrastructure net of a \$8.43 million decrease to construction in progress.

Fund Highlights

- At the close of Fiscal Year 24/25 the City's *Governmental Funds* had a combined fund balance of \$18.08 million, which is a decrease of \$220,927 from prior year. Approximately 2.13%, or \$385,573, 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 \$4.27 million, or 20.87% of total general fund expenditures, prior to transfers.
- The fund balance in the *General Fund* decreased by \$1.09 million at the close of the fiscal year. This included a deficit of operating revenues over expenditures of \$1.16 million, minus \$170,568 in net transfers and other financing sources and an adjustment to beginning fund balance of \$246,252.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 nonmajor 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 nonmajor 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 \$43.90 million at the close of Fiscal Year 24/25. This was a decrease of \$397,848 from the prior year.

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

Table 1 - Net Position

	Governmental Activities	
	2025	2024
Assets		
Current and other assets	\$ 19,787,380	\$ 21,318,624
Capital assets	52,835,122	50,878,594
Total Assets	\$ 72,622,502	\$ 72,197,218
Deferred Outflows of Resources	\$ 9,785,754	\$ 13,186,912
Liabilities		
Current and other liabilities	\$ 2,380,372	\$ 3,651,511
Noncurrent liabilities	34,494,468	34,869,952
Total Liabilities	\$ 36,874,840	\$ 38,521,463
Deferred Inflows of Resources	\$ 1,632,623	\$ 2,564,026
Net Position		
Net investment in capital assets	\$ 52,141,330	\$ 50,115,979
Restricted	13,446,693	12,131,607
Unrestricted	(21,687,230)	(17,948,945)
Total Net Position	\$ 43,900,793	\$ 44,298,641

A significant portion, or \$52.14 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 \$13.45 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 \$21.69 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 24/25, the City's proportionate share of the CalPERS pension liability was \$31.80 million.

Governmental Activities

As shown in the *Statement of Changes in Net Position* schedule, the net position for Governmental Activities decreased by \$397,848 from the prior year mostly because of decreases to capital grants and contributions of \$2.94 million. During the year, the City's expenses in the statement of activities were increased by pension adjustments of \$2.03 million related to changes in assumptions and deferrals of differences between estimated and actual plan earnings. This in addition to increases in annual required contributions. An analysis of the changes in revenues and expenses by type of significant events follows:

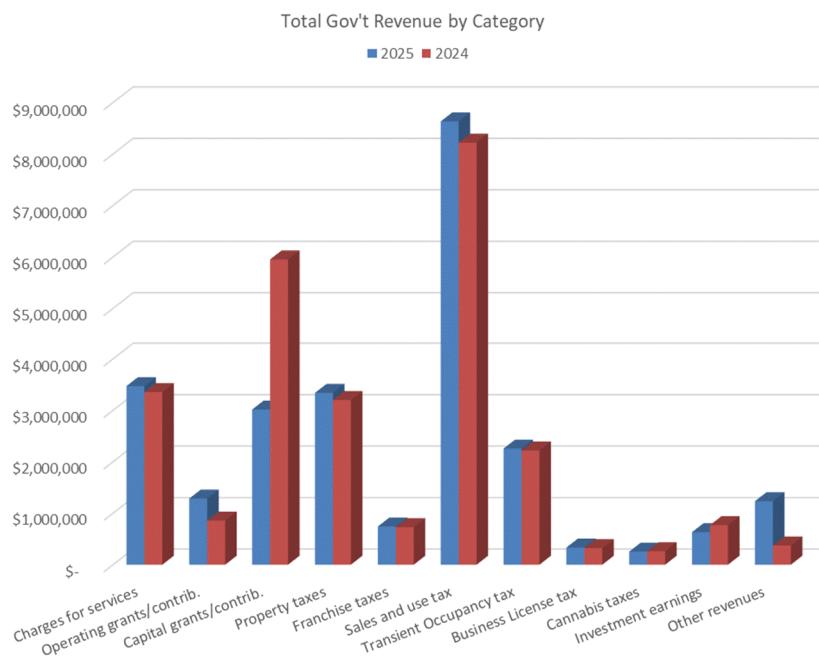
Table 2 - Statement of Changes in Net Position

Functions/Programs	Governmental Activities		Increase (Decrease)
	2025	2024	
Program Revenues			
Charges for services	\$ 3,471,250	\$ 3,355,793	\$ 115,457
Operating grants and contributions	1,286,376	858,915	427,461
Capital grants and contributions	3,015,706	5,952,237	(2,936,531)
Total Program Revenues	7,773,332	10,166,945	(2,393,613)
General Revenues			
Property taxes	3,340,070	3,200,895	139,175
Franchise taxes	742,443	729,485	12,958
Sales and use tax	8,633,916	8,221,640	412,276
Transient Occupancy tax	2,256,352	2,219,951	36,401
Business License tax	334,274	323,755	10,519
Cannabis taxes	254,790	261,764	(6,974)
Investment earnings	633,607	770,404	(136,797)
Other revenues	1,234,425	372,942	861,483
Total General Revenues	17,429,877	16,100,836	1,329,041
Expenses			
General government	6,146,543	5,580,935	565,608
Public safety	9,242,727	8,450,102	792,625
Community development	1,676,942	1,371,360	305,582
Culture and recreation	3,560,635	2,983,749	576,886
Transportation	5,178,574	4,329,241	849,333
Interest on long-term debt	18,097	13,272	4,825
Total Expenses	25,823,518	22,728,659	3,094,859
Increase / (Decrease) in Net Position	(620,309)	3,539,122	(4,159,431)
Prior Period Adjustments	222,461	306,658	(84,197)
Net Position, Beginning of Year	44,298,641	40,452,861	3,845,780
Net Position, End of Year	\$ 43,900,793	\$ 44,298,641	\$ (397,848)

Governmental Activities

Governmental Revenues

The following chart summarizes the changes in revenues by category during Fiscal Year 24/25:

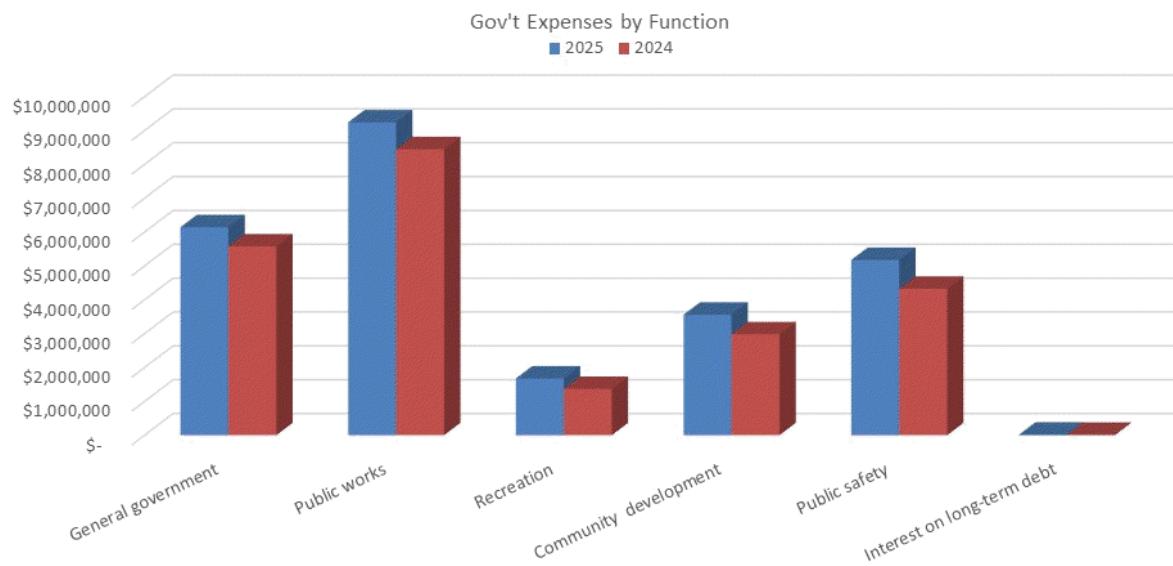


Significant changes in governmental revenues consisted of the following:

- Taxes decreased by \$593,834 with substantial net changes in the following categories:
 - Sales and use taxes increased by \$412,275 or 5.0%, primarily due to the passage of Measure Y the one-half percent district sales tax.
 - Transient occupancy tax increased by \$26,843 or 1.2%.
 - Property taxes increased by \$144,415 or 4.7%, which reflects the continuing strength in property values.
 - Franchise taxes increased by \$12,957 or 1.80%, primarily due to rate increases across the industries.
- Charges for services increased by \$66,414 or 2.7% primarily from increased program activities for recreation.
- Capital grants and contributions decreased by \$2.4 million following completion of the Wharf Resiliency and Public Access Improvement project.

Governmental Expenses

The Fiscal Year 24/25 expenses for Governmental Activities increased by \$3.09 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 \$2.03 million. The prior year adjustment was also an increase of \$6.3 million increase in governmental expenses.
- General government expenses increased by \$565,000 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs.
- Public safety expenses increased by \$792,000 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs.
- Community development expenses increased by \$305,582 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs.
- Culture and recreation expenses increased by \$576,886 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel.
- Transportation expenses increased by \$849,333 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel.

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	\$19,289,903	\$ 129,804	\$ 192,679	\$ 464,304	\$ 3,316,369	\$ 1,810,150	\$25,203,209
Total Expenditures	(20,452,165)	(4,450)	(51,732)	(17,869)	(4,001,314)	(1,119,067)	(25,646,597)
Revenues Over (Under) Expenditures	(1,162,262)	125,354	140,947	446,435	(684,945)	691,083	(443,388)
Transfers in	-	-	-	-	83,000	297,011	380,011
Transfers out	(170,568)	-	-	-	-	(209,443)	(380,011)
Net change in fund balances	(1,332,830)	125,354	140,947	446,435	(601,945)	778,651	(443,388)
Beginning of year	7,017,319	5,017,650	4,178,407	532,145	(773,059)	2,328,753	18,301,215
Prior Period Adjustment	246,252	7,631	(31,422)	-	-	-	222,461
End of year	<u>\$ 5,930,741</u>	<u>\$ 5,150,635</u>	<u>\$ 4,287,932</u>	<u>\$ 978,580</u>	<u>\$ (1,375,004)</u>	<u>\$ 3,107,404</u>	<u>\$18,080,288</u>

The fund balance in the General Fund decreased by \$1.09 million. This included operating revenues short of operating expenses by \$1.16 million. The operating difference was due to lower than projected sales tax revenue receipts and higher than anticipated general operating expenditures.

Fund balance in the Federal Home Loan Reuse Fund increased by \$132,985 mostly due to loan payoffs received.

Fund balance in the Capitola Housing Successor Fund increased by \$109,525 mostly due to loans for affordable housing projects.

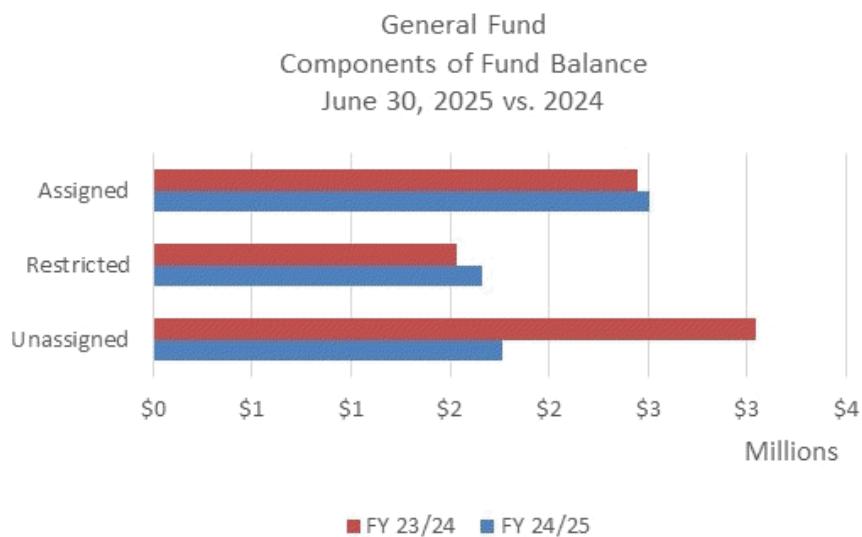
Fund balance in the RTC Streets Fund increased by \$446,435 mostly due to receiving grant funds for projects that were previously programmed to utilize these restricted funds.

Fund balance in the Capital Projects Fund decreased by \$601,945 mostly due to the construction of the Wharf Rehabilitation and Resiliency project.

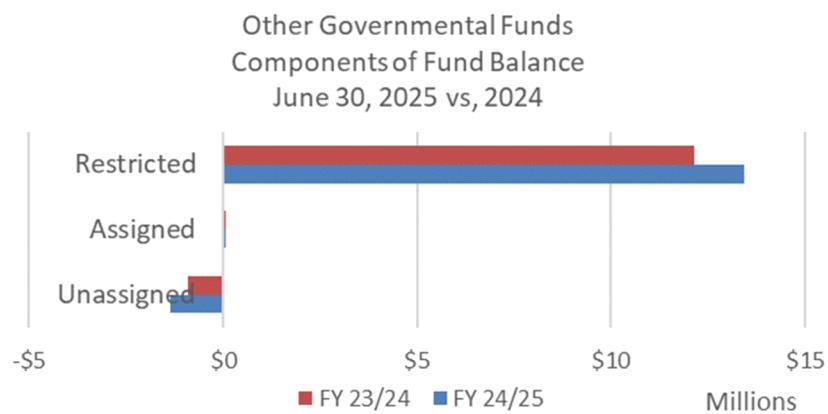
The fund balance in Nonmajor Funds increased by \$778,651 mostly due to an increase in Intergovernmental revenue received.

General Fund – Components of Fund Balance

In Fiscal Year 24/25, the General Fund's total fund balance represented approximately 33% 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, 2025 was \$52.84 million (net of accumulated depreciation). The total increase in the City's capital assets, net of depreciation, was \$1.96 million or 3.85%.

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		
	2025	2024	% Change
Land	\$ 4,883,789	\$ 4,883,789	0.00%
Construction in progress	6,967,309	15,393,620	-54.74%
Buildings and improvement	17,785,112	17,748,240	0.21%
Infrastructure	47,501,638	37,721,731	25.93%
Machinery and equipment	5,467,570	5,334,562	2.49%
Accumulated deprec./amort.	(29,770,296)	(30,203,348)	-1.43%
Total Capital Assets, Net	<u>\$ 52,835,122</u>	<u>\$ 50,878,594</u>	3.85%

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 \$68,823 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		
	2025	2024	% Change
Beach and Village Lot II Financing	\$ 693,792	\$ 762,615	-9.02%

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 24/25 budget adoption, City revenues were projected to be \$19.36 million and expenditures were projected to be \$19.47 million. The final budgeted revenues were \$19.67 million and expenditures were \$20.32 million. Actual revenues fell short of the final budget by \$376,769 and actual expenditures exceeded the final budget by \$134,373.

After transfers, the original adopted budget projected a deficit change in fund balance of \$200,120 and the final budget projected a deficit of \$738,688. The actual change in fund balance for the year was a deficit \$1.33 million, which was \$594,142 more than the final budgeted deficit and mostly attributable to higher than anticipated expenditures for City Attorney and contract services related to Public Records Act requests and the resignations or two City Council members. The following table summarizes the City's budget vs. actual amounts for FY 24/25:

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Taxes	\$ 15,105,079	\$ 15,383,272	\$ 15,087,640	\$ (295,632)	
Licenses and permits	721,750	721,750	739,717	17,967	
Fines and forfeitures	599,500	599,500	503,222	(96,278)	
Intergovernmental	162,173	189,404	197,854	8,450	
Charges for Services	2,408,340	2,408,340	2,340,985	(67,355)	
Use of money and property	172,500	172,500	205,391	32,891	
Other revenue	191,906	191,906	215,094	23,188	
Total Revenues	19,361,248	19,666,672	19,289,903	(376,769)	
EXPENDITURES					
Current:					
General government:					
City council	136,007	136,007	96,100	39,907	
City manager	1,198,703	1,264,655	1,106,958	157,697	
Personnel	487,693	504,122	341,016	163,106	
City attorney	270,000	270,000	325,062	(55,062)	
Finance	987,445	1,005,474	827,413	178,061	
Community grants	133,425	133,425	58,425	75,000	
General operations	609,721	734,192	1,826,248	(1,092,056)	
Public safety	7,988,133	8,123,485	7,882,777	240,708	
Community development	853,538	863,936	844,336	19,600	
Culture and recreation	2,789,503	2,844,811	2,897,034	(52,223)	
Transportation	3,879,632	4,020,024	3,931,622	88,402	
Capital outlay	140,000	417,661	315,174	102,487	
Total Expenditures	19,473,800	20,317,792	20,452,165	(134,373)	
Excess (Deficiency) of Revenues over Expenditures	(112,552)	(651,120)	(1,162,262)	(511,142)	
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	
Transfers out	(87,568)	(87,568)	(170,568)	(83,000)	
Total Other Financing Sources (Uses)	(87,568)	(87,568)	(170,568)	(83,000)	
Net Change in Fund Balance	\$ (200,120)	\$ (738,688)	\$ (1,332,830)	\$ (594,142)	

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

FY 2025-26 Budget Overview

On June 26, 2025, the Council approved the FY 2025-26 Budget, with a total appropriation of \$32.1 million, including \$21.1 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:** 1.0% increase.
- **Transient Occupancy Tax (TOT):** 0.0% increase.
- **Property Tax:** 5.0% increase.

General Fund revenues are expected to exceed expenditures by approximately \$82,796, with a projected year-end fund balance of \$503,000.

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.

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, 2025. Staff anticipates the Treasure Cove Playground becoming fully funded during FY 2025-26

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. Since 2021, TOT revenues have once again leveled off.

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. The City anticipates receiving the final estimated \$900,000 of disaster recovery funds from FEMA and CalOES during FY 2025-26.

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

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

City of Capitola
Statement of Net Position
June 30, 2025

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 8,660,088
Restricted cash and investments	1,662,822
Accounts receivable	113,014
Taxes receivable	2,482,000
Interest receivable	117,699
Due from other governments	123,494
Total Current Assets	<hr/> 13,159,117 <hr/>
Noncurrent Assets:	
Loans receivable	6,628,263
Capital Assets:	
Nondepreciable	11,851,098
Depreciable, net of accumulated depreciation	40,984,024
Total Capital Assets, Net	<hr/> 52,835,122 <hr/>
Total Noncurrent Assets	<hr/> 59,463,385 <hr/>
Total Assets	<hr/> \$ 72,622,502 <hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Adjustments	\$ 8,933,622
OPEB Adjustments	<hr/> 852,132 <hr/>
Total Deferred Outflows of Resources	<hr/> \$ 9,785,754 <hr/>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 996,148
Accrued liabilities	98,391
Interest payable	6,533
Unearned revenue	241,682
Deposits payable	370,871
Compensated absences, due within one year	596,368
Long-term debt, due within one year	70,379
Total Current Liabilities	<hr/> 2,380,372 <hr/>
Noncurrent Liabilities:	
Compensated absences, due in more than one year	508,017
Net pension liability	31,795,399
Net OPEB liability	1,567,639
Long-term debt - due in more than one year	623,413
Total Noncurrent Liabilities	<hr/> 34,494,468 <hr/>
Total Liabilities	<hr/> \$ 36,874,840 <hr/>
DEFERRED INFLOWS OF RESOURCES	
Pension Adjustments	\$ 1,034,468
OPEB Adjustments	<hr/> 598,155 <hr/>
Total Deferred Inflows of Resources	<hr/> \$ 1,632,623 <hr/>
NET POSITION	
Net investment in capital assets	\$ 52,141,330
Restricted for:	
Public safety	201,151
Transportation	2,130,378
Community development	10,842,238
Culture and recreation	272,926
Total Restricted	<hr/> 13,446,693 <hr/>
Unrestricted	<hr/> (21,687,230) <hr/>
Total Net Position	<hr/> \$ 43,900,793 <hr/>

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

City of Capitola
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues						Governmental Activities						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total									
Primary Government:														
Governmental Activities:														
General government	\$ 6,146,543	\$ 1,116,364	\$ 418,373	\$ -	\$ 1,534,737	\$ (4,611,806)								
Public safety	9,242,727	595,854	201,188	-	797,042	(8,445,685)								
Community development	1,676,942	825,262	662,712	-	1,487,974	(188,968)								
Culture and recreation	3,560,635	886,146	1,000	1,487,736	2,374,882	(1,185,753)								
Transportation	5,178,574	47,624	3,103	1,527,970	1,578,697	(3,599,877)								
Interest expense	18,097	-	-	-	-	(18,097)								
Total Governmental Activities	\$ 25,823,518	\$ 3,471,250	\$ 1,286,376	\$ 3,015,706	\$ 7,773,332	(18,050,186)								
General Revenues:														
Taxes:														
Property taxes						3,340,070								
Franchise taxes						742,443								
Sales and use tax						8,633,916								
Transient Occupancy tax						2,256,352								
Business License tax						334,274								
Cannabis taxes						254,790								
Total taxes						15,561,845								
Motor vehicle in-lieu						15,545								
Investment income						633,607								
Other revenues						1,218,880								
Total General Revenues						17,429,877								
Change in Net Position						(620,309)								
Net Position - Beginning of Year						44,298,641								
Prior Period Restatements						222,461								
Net Position - Beginning of Year, As Adjusted						44,521,102								
Net Position - End of Year						\$ 43,900,793								

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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, 2025

	Major Funds							Total Governmental Funds	
	General Fund	Federal Home Loan Reuse Fund	Capitola Housing Successor Fund	RTC Streets Fund	Capital Projects Fund	Nonmajor Governmental Funds			
ASSETS									
Cash and investments	\$ 1,890,309	\$ 1,005,956	\$ 2,037,244	\$ 874,719	\$ -	\$ 2,851,860	\$ 8,660,088		
Restricted cash and investments	1,662,822	-	-	-	-	-	-	1,662,822	
Accounts receivable	96,826	-	-	-	-	16,188	113,014		
Taxes receivable	2,387,430	-	-	94,570	-	-	-	2,482,000	
Interest receivable	46,887	11,069	10,618	9,291	-	39,834	117,699		
Due from other governments	93,112	-	-	-	-	30,382	123,494		
Due from other funds	843,207	-	-	-	-	-	843,207		
Loans receivable	-	4,133,610	2,240,070	-	-	254,583	6,628,263		
Total assets	\$ 7,020,593	\$ 5,150,635	\$ 4,287,932	\$ 978,580	\$ -	\$ 3,192,847	\$ 20,630,587		
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 386,186	\$ -	\$ -	\$ -	\$ 524,597	\$ 85,365	\$ 996,148		
Accrued liabilities	98,391	-	-	-	-	-	98,391		
Unearned revenue	241,682	-	-	-	-	-	241,682		
Deposits payable	363,593	-	-	-	7,200	78	370,871		
Due to other funds	-	-	-	-	843,207	-	843,207		
Total liabilities	1,089,852	-	-	-	1,375,004	85,443	2,550,299		
Fund Balances:									
Restricted:									
Public safety	-	-	-	-	-	201,151	201,151		
Transportation	-	-	-	978,580	-	1,151,798	2,130,378		
Community development	-	5,150,635	4,287,932	-	-	1,403,671	10,842,238		
Culture and recreation	-	-	-	-	-	272,926	272,926		
Retiree benefits	1,662,822	-	-	-	-	-	1,662,822		
Assigned:									
Debt service	-	-	-	-	-	77,858	77,858		
Facilities	282,714						282,714		
General plan	316,128						316,128		
Green building education	276,994						276,994		
Emergency reserve	1,631,506	-	-	-	-	-	1,631,506		
Unassigned:									
Contingencies	1,760,577	-	-	-	-	-	1,760,577		
Remaining unassigned	-	-	-	-	(1,375,004)	-	(1,375,004)		
Total fund balances	5,930,741	5,150,635	4,287,932	978,580	(1,375,004)	3,107,404	18,080,288		
Total liabilities and fund balances	\$ 7,020,593	\$ 5,150,635	\$ 4,287,932	\$ 978,580	\$ -	\$ 3,192,847	\$ 20,630,587		

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, 2025

Total Fund Balances - Total Governmental Funds

\$ 18,080,288

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	82,605,418
Less: accumulated depreciation	(29,770,296)
Total Capital Assets	<u>52,835,122</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. (6,533)

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. 8,153,131

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	(693,792)
Compensated absences	(1,104,385)
Net pension liability	(31,795,399)
Net OPEB liability	(1,567,639)
Total Long-Term Obligations	<u>(35,161,215)</u>

Net Position of Governmental Activities

\$ 43,900,793

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, 2025

	Major Funds							Total Governmental Funds
	General Fund	Federal Home Loan Reuse Fund	Capitola Housing Successor Fund	RTC Streets Fund	Capital Projects Fund	Nonmajor Governmental Funds		
REVENUES								
Taxes	\$ 15,087,640	\$ -	\$ -	\$ -	\$ -	\$ 139,931	\$ 15,227,571	
Licenses and permits	739,717	-	-	-	-	9,215	748,932	
Fines and forfeitures	503,222	-	-	-	-	-	503,222	
Intergovernmental	197,854	-	-	431,353	2,205,670	1,308,546	4,143,423	
Charges for Services	2,340,985	-	-	-	-	175,224	2,516,209	
Use of money and property	205,391	129,804	192,679	32,951	-	109,940	670,765	
Other revenue	215,094	-	-	-	1,110,699	67,294	1,393,087	
Total Revenues	19,289,903	129,804	192,679	464,304	3,316,369	1,810,150	25,203,209	
EXPENDITURES								
Current:								
General government	4,581,222	-	-	-	-	-	4,581,222	
Public safety	7,882,777	-	-	-	-	50,501	7,933,278	
Community development	844,336	4,450	51,732	-	-	557,117	1,457,635	
Culture and recreation	2,897,034	-	-	-	-	153,622	3,050,656	
Transportation	3,931,622	-	-	-	-	222,069	4,153,691	
Capital outlay	315,174	-	-	17,869	4,001,314	48,190	4,382,547	
Debt service								
Principal	-	-	-	-	-	68,823	68,823	
Interest	-	-	-	-	-	18,745	18,745	
Total Expenditures	20,452,165	4,450	51,732	17,869	4,001,314	1,119,067	25,646,597	
Excess (Deficiency) of								
Revenues over Expenditures	(1,162,262)	125,354	140,947	446,435	(684,945)	691,083	(443,388)	
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	83,000	297,011	380,011	
Transfers out	(170,568)	-	-	-	-	(209,443)	(380,011)	
Total Other Financing Sources (Uses)	(170,568)	-	-	-	83,000	87,568	-	
Net Change in Fund Balances	(1,332,830)	125,354	140,947	446,435	(601,945)	778,651	(443,388)	
Fund Balances Beginning	7,017,319	5,017,650	4,178,407	532,145	(773,059)	2,328,753	18,301,215	
Prior Period Restatements	246,252	7,631	(31,422)	-	-	-	222,461	
Fund Balances Beginning, as Restated	7,263,571	5,025,281	4,146,985	532,145	(773,059)	2,328,753	18,523,676	
Fund Balances Ending	\$ 5,930,741	\$ 5,150,635	\$ 4,287,932	\$ 978,580	\$ (1,375,004)	\$ 3,107,404	\$ 18,080,288	

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, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ (443,388)
---	--------------

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	4,309,512
Depreciation expense	(2,352,984)

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.

	(77,635)
--	----------

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.

	(2,125,285)
--	-------------

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.

	68,823
--	--------

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.

	648
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Change in Net Position of Governmental Activities	\$ (620,309)
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The accompanying notes are an integral part of these financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Capitola
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June 30, 2025

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City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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, 2025

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, 2025

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

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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, 2025.

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 value 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

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. The liability for compensated absences includes salary-related taxes and benefits, where applicable.

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment. A liability for estimated value of vacation that will be used by employees as time off is included in the liability for compensated absences.

Sick Leave

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment. A liability for estimated value of sick leave that will be used by employees as time off is included in the liability for 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

City of Capitola
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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 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.

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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.

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

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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 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 material expenditures in excess of the final budget by department during the year:

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Current:				
General government:				
City attorney	270,000	270,000	325,062	(55,062)
General operations	609,721	734,192	1,826,248	(1,092,056)
Culture and recreation	2,789,503	2,844,811	2,897,034	(52,223)
Total Expenditures	\$ 19,473,800	\$ 20,317,792	\$ 20,452,165	\$ (134,373)

During the year, city attorney, general operations, and cultural and recreation expenditures were over budget primarily due to the timing of projects and related encumbrances and seasonal program personnel costs which was offset by additional revenues. 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. 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.

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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 implementation of this statement did not have a material impact on the City's financial statements.

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 implementation of this standard did not have a material impact on the City's financial statements and management determined there were no concentrations or constraints that make the City vulnerable to the risk of substantial impact.

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:

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.

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.

City of Capitola
Notes to the Basic Financial Statements
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GASB Statement No. 104, *Disclosure of Certain Capital Assets*

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. 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, 2025, cash and investments were reported in the financial statements as follows:

	Governmental Activities
Cash and investments	\$ 8,660,088
Restricted cash and investments	1,662,822
Total cash and investments	<u>\$ 10,322,910</u>

Cash and investments consisted of the following as of June 30, 2025:

Deposits:	
Cash on hand	\$ 1,400
Deposits with financial institutions	5,247,117
Total Deposits	<u>5,248,517</u>
Investments:	
Local Agency Investment Fund	1,437,178
Certificates of deposit	1,974,393
PARS restricted cash with fiscal agent	1,662,822
Total investments	<u>5,074,393</u>
Total cash and investments	<u>\$ 10,322,910</u>

City of Capitola
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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 FDIC insured balances before reconciling items totaled \$5,655,428 at June 30, 2025 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$5,077,314, 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.

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

City of Capitola
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D. External Investment Pool

The City's investments with LAIF at June 30, 2025, 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/>.

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, 2025, 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).

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

As of June 30, 2025, the City's investments had the following maturities:

Investment Type	12 Months or		Fair Value	Fair Value Input Levels
	Less	1-5 years		
Local Agency Investment Funds	\$ 1,437,178	\$ -	\$ 1,437,178	n/a
Certificates of deposit	-	1,974,393	1,974,393	Level 1
PARS restricted cash with fiscal agent	1,662,822	-	1,662,822	Level 2
Total Investments	<u>\$ 3,100,000</u>	<u>\$ 1,974,393</u>	<u>\$ 5,074,393</u>	

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, 2025:

Loans Receivable	CDBG	Federal	Capitola	Total
	Program Income	Home Loan Reuse	Housing Successor	
Individual Loans	\$ 254,583	\$ 215,118	\$ 354,520	\$ 824,221
Bay Avenue Senior Apartments	-	3,799,009	1,885,550	5,684,559
Wharf Road Manor	-	119,483	-	119,483
Total Loans Receivable	<u>\$ 254,583</u>	<u>\$ 4,133,610</u>	<u>\$ 2,240,070</u>	<u>\$ 6,628,263</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, 2025, the City had the following interfund balances:

Fund	Due from	Due to
	Other Funds	Other Funds
General Fund	\$ 843,207	\$ -
Capital Projects Fund	-	843,207
Total Due From/To	<u>\$ 843,207</u>	<u>\$ 843,207</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.

City of Capitola
Notes to the Basic Financial Statements
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The following summarizes transfers between funds during the fiscal year ended June 30, 2025:

Fund	Transfer in	Transfer out
General Fund	\$ -	\$ 170,568
Capital Projects Fund	83,000	-
Nonmajor Funds	297,011	209,443
Total Transfers	\$ 380,011	\$ 380,011

NOTE 5 - CAPITAL ASSETS

Capital assets for governmental activities consisted of the following as of June 30, 2025:

	Balance July 01, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Governmental activities:				
Non-depreciable:				
Land	\$ 4,883,789	\$ -	\$ -	\$ 4,883,789
Construction in Progress	15,393,620	3,376,174	(11,802,485)	6,967,309
Total Non-Depreciable	20,277,409	3,376,174	(11,802,485)	11,851,098
Depreciable:				
Buildings and Improvements	17,748,240	36,872		17,785,112
Infrastructure	37,721,731	12,400,492	(2,620,585)	47,501,638
Machinery and Equipment	5,334,562	298,458	(165,450)	5,467,570
Total Depreciable	60,804,533	12,735,822	(2,786,035)	70,754,320
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,312,658)	(362,294)		(2,674,952)
Infrastructure	(24,379,195)	(728,184)	1,710,449	(23,396,930)
Machinery and Equipment	(3,511,495)	(352,369)	165,450	(3,698,414)
Total Accumulated Depreciation	(30,203,348)	(1,442,847)	1,875,899	(29,770,296)
Total Depreciable Capital Assets - Net	30,601,185	11,292,975	(910,136)	40,984,024
Total Capital Assets - Net	\$ 50,878,594	\$ 14,669,149	\$ (12,712,621)	\$ 52,835,122

Depreciation and amortization expense for governmental activities:

General Government	\$ 876,058
Public Safety	115,854
Culture and Recreation	50,995
Transportation	399,942
Total depreciation expense	\$ 1,442,847

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

NOTE 6 - NONCURRENT LIABILITIES

The City's noncurrent liabilities consisted of the following as of June 30, 2025:

Governmental Activities	Balance			Balance	Due Within One Year
	July 01, 2024	Additions	Retirements		
Beach and Village Lot II Financing	\$ 762,615	\$ -	\$ 68,823	\$ 693,792	\$ 70,379
Compensated Absences	1,026,750	77,635	-	1,104,385	596,368
Net OPEB liability	1,549,998	1,803,105	1,785,464	1,567,639	-
Net Pension Liability	32,157,510	11,033,885	11,395,996	31,795,399	-
Total Governmental Activities Debt	<u>\$ 35,496,873</u>	<u>\$ 12,914,625</u>	<u>\$ 13,250,283</u>	<u>\$ 35,161,215</u>	<u>\$ 666,747</u>

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
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	76,960	8,229	85,189
2031-2035	325,629	14,924	340,553
Total	<u>\$ 693,792</u>	<u>\$ 72,893</u>	<u>\$ 766,685</u>

NOTE 7 - DEFICIT FUND BALANCES

As of June 30, 2025, the city reported a deficit fund balance of \$1,375,004 in the Capital Projects Fund. This deficit is expected to be reduced by future revenues and transfers from other funds.

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.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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, 2025, are summarized as follows:

	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
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	8.00%	7.75%	9.00%	13.75%
Required employer contribution rates	14.13%	7.87%	27.32%	13.76%

Employees Covered

At June 30, 2025, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety
Active	52	21
Transferred	33	16
Separated	30	8
Retired	104	51
Total	219	96

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.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

For the year ended June 30, 2025, the City's contributions were as follows:

	Employer Contributions
Miscellaneous	\$ 1,598,149
Safety	1,875,763
Total Employer Contributions	<u>\$ 3,473,912</u>

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

As of June 30, 2025, 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	\$ 15,048,952
Safety	16,746,447
Total	<u>\$ 31,795,399</u>

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, 2024, 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, 2023 rolled forward to June 30, 2024 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.

The City's proportionate share of the net pension liability for the Plans as of June 30, 2024 and 2025 was as follows:

	Miscellaneous	Safety	Combined Plans
Proportion - June 30, 2024	0.30338%	0.22725%	0.25777%
Proportion - June 30, 2025	0.31115%	0.22969%	0.26218%
Change - Increase/(Decrease)	<u>0.00776%</u>	<u>0.00244%</u>	<u>0.00441%</u>

For the year ended June 30, 2025, the City recognized pension expense of \$5,500,018.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 386,789	\$ -	\$ 412,598	\$ -
Differences between Expected and Actual Experience	1,301,120	50,769	1,366,659	44,436
Differences between Projected and Actual Investment Earnings	866,350	-	809,447	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	178,455	196,768	155,938
Change in Employer's Proportion	1,891	450,666	118,087	154,205
Pension Contributions Made Subsequent to Measurement Date	1,598,149	-	1,875,763	-
Total	\$ 4,154,299	\$ 679,889	\$ 4,779,322	\$ 354,579

The City reported \$3,473,912 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending <u>June 30:</u>	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous	Safety	Total
2026	\$ 399,156	\$ 972,426	\$ 1,371,582
2027	1,811,819	1,878,368	3,690,188
2028	(37,827)	(24,858)	(62,685)
2029	(296,888)	(276,956)	(573,844)
Total	\$ 1,876,260	\$ 2,548,980	\$ 4,425,241

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

(1) Varies by entry age and service

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

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

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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.

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

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap 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	<u>100.00%</u>	

(1) An expected inflation of 2.3% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Study.

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

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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 Liability	\$ 22,048,444	24,483,921
Current	6.90%	6.90%
Net Pension Liability	\$ 15,048,952	16,746,447
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 9,287,341	10,418,281

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.

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.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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
Total employees	83

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, 2025 were \$168,711, which was 2% of covered payroll.

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, 2024
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

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%.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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).

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

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
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%
Total	100.0%	

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2025:

Fiscal Year Ended June 30, 2025	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2024	\$ 2,195,797	\$ 645,799	\$ 1,549,998
Service cost	113,922	-	113,922
Interest in Total OPEB Liability	141,288	-	141,288
Employer contributions	-	166,781	(166,781)
Actual investment income	-	70,999	(70,999)
Administrative expenses	-	(211)	211
Benefit payments	(99,731)	(99,731)	-
Net changes	155,479	137,838	17,641
Balance at June 30, 2025	\$ 2,351,276	\$ 783,637	\$ 1,567,639

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

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

Deferred Inflows and Outflows of Resources

As of June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 598,155
Difference between actual and expected earnings	4,587	-
Change in assumptions	678,834	-
OPEB contribution subsequent to measurement date	168,711	-
Totals	\$ 852,132	\$ 598,155

Contributions of \$168,711 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,	
2026	\$ 58,448
2027	76,029
2028	53,306
2029	52,896
2030	(29,984)
Thereafter	<u>(125,429)</u>
Total	<u>\$ 85,266</u>

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2025:

Service cost	\$ 113,922
Interest in TOL	141,288
Expected investment income	(40,356)
Actuarial adjustments	(8,208)
Difference between actual and expected experience	(84,927)
Difference between actual and expected earnings	2,011
Change in assumptions	143,950
Administrative expenses	211
OPEB Expense	<u>\$ 267,891</u>

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2025:

Net OPEB liability ending	\$ 1,567,639
Net OPEB liability beginning	(1,549,998)
Change in net OPEB liability	17,641
Changes in deferred outflows	166,466
Changes in deferred inflows	(84,927)
Employer contributions	168,711
OPEB Expense	\$ 267,891

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:

	Discount Rate		
	(1% Decrease)	1.92%	(1% Increase)
Net OPEB Liability (Asset)	\$ 1,855,304	\$ 1,567,639	\$ 1,323,795

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:

	Trend Rate		
	(1% Decrease)	5.00%	(1% Increase)
Net OPEB Liability (Asset)	\$ 1,257,652	\$ 1,567,639	\$ 1,950,583

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, 2025

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

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

the City exposed to risk of additional costs beyond reimbursement of its share of on-going operating costs.

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, 2025 (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, 2025 totaled \$901,028.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

NOTE 13 - PRIOR PERIOD RESTATEMENTS

The following summarizes the prior period restatements as of June 30, 2025:

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Beginning Balance</u>		
	<u>Previously Reported</u>	<u>Error Corrections</u>	<u>Restated</u>		<u>Description</u>
<i>Fund Financial Statements</i>					
General Fund	\$ 7,017,319	\$ 246,252	\$ 7,263,571		Timing differences
Federal Home Loan Reuse Fund	5,017,650	7,631	5,025,281		Timing differences
Capitola Housing Successor Fund	4,178,407	(31,422)	4,146,985		Timing differences
<i>Government Wide Financial Statements</i>					
Governmental Activities	44,298,641	222,461	44,521,102		Timing differences

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2025

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Taxes	\$ 15,105,079	\$ 15,383,272	\$ 15,087,640	\$ (295,632)	
Licenses and permits	721,750	721,750	739,717	17,967	
Fines and forfeitures	599,500	599,500	503,222	(96,278)	
Intergovernmental	162,173	189,404	197,854	8,450	
Charges for Services	2,408,340	2,408,340	2,340,985	(67,355)	
Use of money and property	172,500	172,500	205,391	32,891	
Other revenue	191,906	191,906	215,094	23,188	
Total Revenues	19,361,248	19,666,672	19,289,903	(376,769)	
EXPENDITURES					
Current:					
General government:					
City council	136,007	136,007	96,100	39,907	
City manager	1,198,703	1,264,655	1,106,958	157,697	
Personnel	487,693	504,122	341,016	163,106	
City attorney	270,000	270,000	325,062	(55,062)	
Finance	987,445	1,005,474	827,413	178,061	
Community grants	133,425	133,425	58,425	75,000	
General operations	609,721	734,192	1,826,248	(1,092,056)	
Public safety	7,988,133	8,123,485	7,882,777	240,708	
Community development	853,538	863,936	844,336	19,600	
Culture and recreation	2,789,503	2,844,811	2,897,034	(52,223)	
Transportation	3,879,632	4,020,024	3,931,622	88,402	
Capital outlay	140,000	417,661	315,174	102,487	
Total Expenditures	19,473,800	20,317,792	20,452,165	(134,373)	
Excess (Deficiency) of Revenues over Expenditures	(112,552)	(651,120)	(1,162,262)	(511,142)	
OTHER FINANCING SOURCES (USES)					
Transfers out	(87,568)	(87,568)	(170,568)	(83,000)	
Net Change in Fund Balance	(200,120)	(738,688)	(1,332,830)	(594,142)	
Fund Balance Beginning	7,017,319	7,017,319	7,017,319	-	
Prior Period Adjustments	246,252	246,252	246,252	-	
Fund Balance Beginning, as Adjusted	7,263,571	7,263,571	7,263,571	-	
Fund Balance Ending	\$ 7,063,451	\$ 6,524,883	\$ 5,930,741	\$ (594,142)	

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, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 129,804	\$ 129,804
Total Revenues	-	-	129,804	129,804
EXPENDITURES				
Current:				
Community development	4,100	4,100	4,450	(350)
Total Expenditures	4,100	4,100	4,450	(350)
Net Change in Fund Balance	(4,100)	(4,100)	125,354	129,454
Fund Balance Beginning	5,017,650	5,017,650	5,017,650	-
Prior Period Adjustments	7,631	7,631	7,631	-
Fund Balance Beginning, as Adjusted	5,025,281	5,025,281	5,025,281	-
Fund Balance Ending	<u>\$ 5,021,181</u>	<u>\$ 5,021,181</u>	<u>\$ 5,150,635</u>	<u>\$ 129,454</u>

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, 2025

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Use of money and property	\$ 27,400	\$ 27,400	\$ 192,679	\$ 165,279	
Total Revenues	\$ 27,400	27,400	192,679	165,279	
EXPENDITURES					
Current:					
Community development	1,324,025	2,224,649	51,732	2,172,917	
Total Expenditures	1,324,025	2,224,649	51,732	2,172,917	
Net Change in Fund Balance	(1,296,625)	(2,197,249)	140,947	2,338,196	
Fund Balance Beginning	4,178,407	4,178,407	4,178,407	-	
Prior Period Adjustments	(31,422)	(31,422)	(31,422)	-	
Fund Balance Beginning, as Adjusted	4,146,985	4,146,985	4,146,985	-	
Fund Balance Ending	\$ 2,850,360	\$ 1,949,736	\$ 4,287,932	\$ 2,338,196	

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, 2025

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
				Final	Positive (Negative)
REVENUES					
Intergovernmental	\$ 369,000	\$ 369,000	\$ 431,353	\$ 62,353	
Use of money and property	5,000	5,000	32,951	27,951	
Total Revenues	374,000	374,000	464,304	90,304	
EXPENDITURES					
Capital outlay	369,000	369,000	17,869	351,131	
Total Expenditures	369,000	369,000	17,869	351,131	
Net Change in Fund Balance	5,000	5,000	446,435	441,435	
Fund Balance Beginning	532,145	532,145	532,145	-	
Fund Balance Ending	\$ 537,145	\$ 537,145	\$ 978,580	\$ 441,435	

City of City of Capitola
Schedule of Pension Contributions (CalPERS Miscellaneous)
June 30, 2025
(Last Ten Years)

Miscellaneous Plan

	2015	2016	2017	2018	2019
	2016	2017	2018	2019	2020
Contractually Required Contributions	\$ 448,910	\$ 516,728	\$ 832,631	\$ 838,617	\$ 913,110
Contributions in Relation to					
Contractually Required Contributions	448,910	516,728	832,631	838,617	913,110
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 3,245,529	\$ 3,370,438	\$ 3,434,216	\$ 3,504,309	\$ 3,799,393
Contributions as a % of Covered Payroll	13.83%	15.33%	24.25%	23.93%	24.03%
Miscellaneous Plan					
	2020	2021	2022	2023	2024
	2021	2022	2023	2024	2025
Contractually Required Contributions	\$ 1,024,725	\$ 1,173,195	\$ 1,290,739	\$ 1,377,687	\$ 1,598,149
Contributions in Relation to					
Contractually Required Contributions	1,024,725	1,173,195	1,290,739	1,377,687	1,598,149
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 3,432,738	\$ 3,656,822	\$ 3,818,143	\$ 3,908,367	\$ 4,052,186
Contributions as a % of Covered Payroll	29.85%	32.08%	33.81%	35.25%	39.44%

Notes to Schedule:

Valuation Date:

June 30, 2023

Assumptions Used:

Entry Age Method used for Actuarial Cost Method

Level Percentage of Payroll and Direct Rate Smoothing

Remaining Amortization Period no more than 26 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 morality 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 FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

City of City of Capitola
Schedule of Pension Contributions (CalPERS Safety)
June 30, 2025
(Last Ten Years)

Safety Plan

	2015	2016	2017	2018	2019
Plan Measurement Date	2015	2016	2017	2018	2019
Fiscal Year Ended	2016	2017	2018	2019	2020
Contractually Required Contributions	\$ 741,692	\$ 536,507	\$ 937,396	\$ 954,292	\$ 1,199,415
Contributions in Relation to					
Contractually Required Contributions	741,692	536,507	937,396	954,292	1,199,415
Contribution Deficiency (Excess)	\$ -				

Covered Payroll	\$ 2,308,245	\$ 2,402,133	\$ 2,487,719	\$ 2,381,492	\$ 2,371,092
Contributions as a % of Covered Payroll	32.13%	22.33%	37.68%	40.07%	50.58%

Safety Plan

	2020	2021	2022	2023	2024
Plan Measurement Date	2020	2021	2022	2023	2024
Fiscal Year Ended	2021	2022	2023	2024	2025
Contractually Required Contributions	\$ 1,307,218	\$ 1,512,085	\$ 1,624,178	\$ 1,637,024	\$ 1,875,763
Contributions in Relation to					
Contractually Required Contributions	1,307,218	1,512,085	1,624,178	1,637,024	1,875,763
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 2,300,530	\$ 2,632,190	\$ 2,734,960	\$ 2,716,661	\$ 2,898,211
Contributions as a % of Covered Payroll	56.82%	57.45%	59.39%	60.26%	64.72%

Notes to Schedule:

Valuation Date:	June 30, 2023
Assumptions Used:	Entry Age Method used for Actuarial Cost Method Level Percentage of Payroll and Direct Rate Smoothing Remaining Amortization Period no more than 26 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 morality 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 FY2022. The CalPERS mortality assumptions was adjusted in fiscal year 2021.

City of City of Capitola
Schedule of Proportionate Share of Net Pension Liability
June 30, 2025
(Last Ten Years)

Miscellaneous and Safety Plan

Plan Measurement Date Fiscal Year Ended	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Proportion of Net Pension Liability (Safety and Misc)	0.22276%	0.22460%	0.22542%	0.23208%	0.23566%
Proportion of Net Pension Liability (Misc Plan Only)	0.27813%	0.27444%	0.27777%	0.28641%	0.29038%
Proportionate Share of Net Pension Liability	\$ 15,290,341	\$ 19,435,188	\$ 22,355,266	\$ 22,363,591	\$ 24,148,410
Covered Payroll	\$ 5,430,835	\$ 5,553,774	\$ 5,772,571	\$ 5,921,935	\$ 5,885,801
Proportionate Share of NPL as a % of Covered Payroll	281.55%	349.95%	387.27%	377.64%	410.28%
Plan's Fiduciary Net Position as a % of the TPL	76.36%	72.55%	71.66%	72.50%	71.85%

Miscellaneous and Safety Plan

Plan Measurement Date Fiscal Year Ended	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025
Proportion of Net Pension Liability (Safety and Misc)	0.23999%	0.31633%	0.26021%	0.25777%	0.26218%
Proportion of Net Pension Liability (Misc Plan Only)	0.29469%	0.42981%	0.30483%	0.30338%	0.31115%
Proportionate Share of Net Pension Liability	\$ 26,111,558	\$ 17,108,187	\$ 30,056,602	\$ 32,157,510	\$ 31,795,399
Covered Payroll	\$ 6,170,485	\$ 5,733,268	\$ 6,289,012	\$ 6,553,103	\$ 6,625,028
Proportionate Share of NPL as a % of Covered Payroll	423.17%	298.40%	477.92%	490.72%	479.93%
Plan's Fiduciary Net Position as a % of the TPL	70.61%	81.35%	69.15%	68.81%	70.70%

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 FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

City of City of Capitola
Schedule of OPEB Contributions
June 30, 2025
(Last Ten Years)

Fiscal Year Ended

Actuarially determined contribution (ADC)
Less: actual contribution in relation to ADC
Contribution deficiency (excess)

	2018	2019	2020	2021
\$ 87,697	\$ 88,801	\$ 82,353	\$ 155,509	
(86,090)	(88,801)	(82,353)	(155,509)	
\$ 1,607	\$ -	\$ -	\$ -	

Covered employee payroll
Contrib. as a % of covered employee payroll

\$ 5,361,855	\$ 5,567,350	\$ 5,757,120	\$ 6,145,766
1.61%	1.60%	1.43%	2.53%

Fiscal Year Ended

Actuarially determined contribution (ADC)
Less: actual contribution in relation to ADC
Contribution deficiency (excess)

	2022	2023	2024	2025
\$ 99,732	\$ 169,270	\$ 158,573	\$ 168,711	
(99,732)	(169,270)	(158,573)	(168,711)	
\$ -	\$ -	\$ -	\$ -	

Covered employee payroll
Contrib. as a % of covered employee payroll

\$ 6,286,092	\$ 7,344,221	\$ 7,943,922	\$ 8,426,663
1.59%	2.30%	2.00%	2.00%

Notes to Schedule:

Assumptions and Methods

Valuation Date:
Measurement Date:
Actuarial Cost Method:
Amortization Period:
Actuarial Assumptions:

June 30, 2023
June 30, 2024
Entry-Age, Level Percent of Pay
20 years

Discount Rate
Inflation
Salary Increases
Healthcare Trend Rate
Investment Rate of Return
Mortality

6.25%
2.50%
2.75%
5.50%
6.25%
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, 2025
(Last Ten Years)

Measurement Date Fiscal Year Ended	2017	2018	2019	2020	2021	2022	2023	2024
	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	\$ 26,537	\$ 27,267	\$ 32,631	\$ 113,292	\$ 104,614	\$ 109,131	\$ 97,501	\$ 113,922
Interest	51,739	57,232	62,516	140,891	151,868	158,499	169,676	141,288
Diff. 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)	(99,731)
Net change in Total OPEB Liability	51,644	56,802	1,065,305	171,830	87,941	176,994	(180,885)	155,479
Total OPEB Liability - beginning	766,166	817,810	874,612	1,939,917	2,111,747	2,199,688	2,376,682	2,195,797
Total OPEB Liability - ending	817,810	874,612	1,939,917	2,111,747	2,199,688	2,376,682	2,195,797	2,351,276
Plan fiduciary net position								
Net investment income	15,205	16,868	17,834	12,995	116,763	(74,613)	36,040	70,999
Employer contributions	81,540	87,697	88,801	82,353	155,509	150,886	169,270	166,781
Benefit payments	(26,632)	(27,697)	(28,801)	(82,353)	(95,259)	(90,636)	(102,222)	(99,731)
Administrative expense	(127)	(397)	-	(180)	(164)	(141)	(158)	(211)
Other	-	31	-	-	-	-	-	-
Net change in fid. net position	69,986	76,502	77,834	12,815	176,849	(14,504)	102,930	137,838
Plan fid. net position - beginning	143,387	213,373	289,875	367,709	380,524	557,373	542,869	645,799
Plan fid. net position - ending	213,373	289,875	367,709	380,524	557,373	542,869	645,799	783,637
Net OPEB liability (asset)	\$ 604,437	\$ 584,737	\$ 1,572,208	\$ 1,731,223	\$ 1,642,315	\$ 1,833,813	\$ 1,549,998	\$ 1,567,639
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%	33.33%
Covered Employee Payroll	\$ 5,787,564	\$ 5,361,855	\$ 5,567,350	\$ 5,757,120	\$ 6,145,766	\$ 6,286,092	\$ 7,344,221	\$ 7,943,922
NOL as a % of covered emp. payroll	10.44%	10.91%	28.24%	30.07%	26.72%	29.17%	21.11%	19.73%

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

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, 2025

	Budgeted Amounts		Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)
			Amounts	
REVENUES				
Intergovernmental	\$ -	\$ 1,300,000	\$ 2,205,670	\$ 905,670
Other revenue	-	90,000	1,110,699	1,020,699
Total Revenues	-	1,390,000	3,316,369	1,926,369
EXPENDITURES				
Capital outlay	-	7,261,338	4,001,314	3,260,024
Total Expenditures	-	7,261,338	4,001,314	3,260,024
Excess (Deficiency) of Revenues over Expenditures	-	(5,871,338)	(684,945)	5,186,393
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,360,240	83,000	(3,277,240)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	3,360,240	83,000	(3,277,240)
Net Change in Fund Balance	-	(2,511,098)	(601,945)	1,909,153
Fund Balance Beginning	(773,059)	(773,059)	(773,059)	-
Prior Period Adjustments	-	-	-	-
Fund Balance Beginning, as Adjusted	(773,059)	(773,059)	(773,059)	-
Fund Balance Ending	\$ (773,059)	\$ (3,284,157)	\$ (1,375,004)	\$ 1,909,153

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, 2025

		Special Revenue Funds				
		Supplemental Law Enforcement Fund	Restricted Transient Occupancy Tax Fund	SB1 Road Rehabilitation and Maintenance Fund	Gas Tax Fund	Wharf Fund
ASSETS						
Cash and investments		\$ 199,546	\$ 80,695	\$ 783,269	\$ 340,780	\$ 85,782
Accounts receivable		-	-	-	-	361
Interest receivable		2,423	690	8,259	23,586	-
Due from other governments		-	-	22,549	3,711	1,061
Loans receivable		-	-	-	-	-
Total assets		\$ 201,969	\$ 81,385	\$ 814,077	\$ 368,077	\$ 87,204
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$ 818	\$ 10,302	\$ -	\$ 31,093	\$ 2,494
Deposits payable		-	-	-	-	78
Total liabilities		818	10,302	-	31,093	2,572
Fund Balances:						
Restricted:						
Public safety		201,151	-	-	-	-
Transportation		-	-	814,077	336,984	-
Community development		-	71,083	-	-	-
Culture and recreation		-	-	-	-	84,632
Assigned:						
Debt service		-	-	-	-	-
Total fund balances		201,151	71,083	814,077	336,984	84,632
Total liabilities and fund balances		\$ 201,969	\$ 81,385	\$ 814,077	\$ 368,077	\$ 87,204

Cont'd

City of Capitola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Special Revenue Funds

	Public Art Fee Fund	Parking Reserve Fund	Technology Fees Fund	PEG Cable TV Access Fee Fund
ASSETS				
Cash and investments	\$ 120,200	\$ 737	\$ 106,677	\$ 65,168
Accounts receivable	-	-	10,382	-
Interest receivable	-	-	-	712
Due from other governments	-	-	-	2,214
Loans receivable	-	-	-	-
Total assets	\$ 120,200	\$ 737	\$ 117,059	\$ 68,094
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Restricted:				
Public safety	-	-	-	-
Transportation	-	737	-	-
Community development	-	-	117,059	-
Culture and recreation	120,200	-	-	68,094
Assigned:				
Debt service	-	-	-	-
Total fund balances	120,200	737	117,059	68,094
Total liabilities and fund balances	\$ 120,200	\$ 737	\$ 117,059	\$ 68,094

Cont'd

City of Capitola
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Special Revenue Funds

	Capitola Village and Wharf BIA Fund	CDBG Fund	CDBG Program Income Fund	Library Fund	Affordable Housing Fund
ASSETS					
Cash and investments	\$ 16,561	\$ 144,481	\$ 949	\$ 16,916	\$ 345,655
Accounts receivable	5,445	-	-	-	-
Interest receivable	140	-	10	189	3,825
Due from other governments	-	-	-	-	-
Loans receivable	-	-	254,583	-	-
Total assets	\$ 22,146	\$ 144,481	\$ 255,542	\$ 17,105	\$ 349,480
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,915	\$ 37,743	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-	-
Total liabilities	2,915	37,743	-	-	-
Fund Balances:					
Restricted:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	19,231	106,738	255,542	17,105	349,480
Culture and recreation	-	-	-	-	-
Assigned:					
Debt service	-	-	-	-	-
Total fund balances	19,231	106,738	255,542	17,105	349,480
Total liabilities and fund balances	\$ 22,146	\$ 144,481	\$ 255,542	\$ 17,105	\$ 349,480

Cont'd

City of Capitola

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2025

	Special Revenue Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Permanent Local Housing Allocation Fund	Pacific Cove Debt Financing Fund	Beach & Village Lot II Debt Financing Fund			
ASSETS						
Cash and investments	\$ 467,433	\$ 76,999	\$ 12	\$	\$	2,851,860
Accounts receivable	-	-	-			16,188
Interest receivable	-	-	-			39,834
Due from other governments	-	847	-			30,382
Loans receivable	-	-	-			254,583
Total assets	\$ 467,433	\$ 77,846	\$ 12	\$	\$	3,192,847
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	85,365
Deposits payable	-	-	-			78
Total liabilities	-	-	-			85,443
Fund Balances:						
Restricted:						
Public safety	-	-	-			201,151
Transportation	-	-	-			1,151,798
Community development	467,433	-	-			1,403,671
Culture and recreation	-	-	-			272,926
Assigned:						
Debt service	-	77,846	12			77,858
Total fund balances	467,433	77,846	12	\$	\$	3,107,404
Total liabilities and fund balances	\$ 467,433	\$ 77,846	\$ 12	\$	\$	3,192,847

Concluded

City of Capitola

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2025

Special Revenue Funds					
	Supplemental Law Enforcement Fund	Restricted Transient Occupancy Tax Fund	SB1 Road Rehabilitation and Maintenance Fund	Gas Tax Fund	Wharf Fund
REVENUES					
Taxes	\$ -	\$ 102,616	\$ -	\$ -	\$ -
Licenses and permits	- -	- -	- -	- -	- -
Intergovernmental	100,000	- -	267,984	277,850	- -
Charges for services	- -	- -	- -	- -	- -
Use of money and property	8,874	3,281	29,156	13,630	19,292
Other revenue	- -	- -	- -	- -	- -
Total Revenues	108,874	105,897	297,140	291,480	19,292
EXPENDITURES					
Current:					
Public safety	50,501	- -	- -	- -	- -
Community development	- -	98,030	- -	- -	- -
Culture and recreation	- -	- -	- -	- -	59,449
Transportation	- -	- -	- -	216,069	- -
Capital outlay	32,000	- -	16,190	- -	- -
Debt service:					
Principal	- -	- -	- -	- -	- -
Interest	- -	- -	- -	- -	- -
Total Expenditures	82,501	98,030	16,190	216,069	59,449
Excess (Deficiency) of Revenues over Expenditures	26,373	7,867	280,950	75,411	(40,157)
OTHER FINANCING SOURCES (USES)					
Transfers in	- -	- -	- -	- -	- -
Transfers out	- -	- -	- -	- -	- -
Total Other Financing Sources (Uses)	- -	- -	- -	- -	- -
Net Change in Fund Balances	26,373	7,867	280,950	75,411	(40,157)
Fund Balances Beginning	174,778	63,216	533,127	261,573	124,789
Fund Balances Ending	\$ 201,151	\$ 71,083	\$ 814,077	\$ 336,984	\$ 84,632

Cont'd

City of Capitola
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			
	Public Art Fee Fund	Parking Reserve Fund	Technology Fees Fund	PEG Cable TV Access Fee Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	9,215
Intergovernmental	-	-	-	-
Charges for services	34,460	-	15,396	-
Use of money and property	-	-	-	2,756
Other revenue	20,000	-	-	-
Total Revenues	54,460	-	15,396	11,971
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	4,375	-
Culture and recreation	92,765	-	-	1,408
Transportation	-	-	6,000	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	92,765	-	10,375	1,408
Excess (Deficiency) of Revenues over Expenditures	(38,305)	-	5,021	10,563
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(38,305)	-	5,021	10,563
Fund Balances Beginning	158,505	737	112,038	57,531
Fund Balances Ending	\$ 120,200	\$ 737	\$ 117,059	\$ 68,094

Cont'd

City of Capitola
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds				
	Capitola Village and Wharf BIA Fund	CDBG Fund	CDBG Program Income Fund	Library Fund	Affordable Housing Fund
REVENUES					
Taxes	\$ 37,315	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	286,072	-	-	-
Charges for services	54,945	-	-	-	70,423
Use of money and property	1,535	-	10,029	1,820	16,998
Other revenue	46,665	-	-	-	629
Total Revenues	140,460	286,072	10,029	1,820	88,050
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Community development	153,714	238,836	-	37,426	15,693
Culture and recreation	-	-	-	-	-
Transportation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	153,714	238,836	-	37,426	15,693
Excess (Deficiency) of Revenues over Expenditures	(13,254)	47,236	10,029	(35,606)	72,357
OTHER FINANCING SOURCES (USES)					
Transfers in	-	209,443	-	-	-
Transfers out	-	-	(209,443)	-	-
Total Other Financing Sources (Uses)	-	209,443	(209,443)	-	-
Net Change in Fund Balances	(13,254)	256,679	(199,414)	(35,606)	72,357
Fund Balances Beginning	32,485	(149,941)	454,956	52,711	277,123
Fund Balances Ending	\$ 19,231	\$ 106,738	\$ 255,542	\$ 17,105	\$ 349,480

Cont'd

City of Capitola

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2025

	Special Revenue Funds				Debt Service Funds	Total Nonmajor Governmental Funds
	Permanent Local Housing Allocation Fund	Pacific Cove Debt Financing Fund	Beach & Village Lot II Debt Financing Fund			
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -		139,931
Licenses and permits						9,215
Intergovernmental		376,640				1,308,546
Charges for services						175,224
Use of money and property			2,569			109,940
Other revenue						67,294
Total Revenues	376,640	2,569				1,810,150
EXPENDITURES						
Current:						
Public safety						50,501
Community development		9,043				557,117
Culture and recreation						153,622
Transportation						222,069
Capital outlay						48,190
Debt service:						
Principal				68,823		68,823
Interest				18,745		18,745
Total Expenditures	9,043	-		87,568		1,119,067
Excess (Deficiency) of Revenues over Expenditures	367,597	2,569		(87,568)		691,083
OTHER FINANCING SOURCES (USES)						
Transfers in				87,568		297,011
Transfers out						(209,443)
Total Other Financing Sources (Uses)	-	-		87,568		87,568
Net Change in Fund Balances	367,597	2,569				778,651
Fund Balances Beginning	99,836	75,277		12		2,328,753
Fund Balances Ending	\$ 467,433	\$ 77,846		\$ 12		\$ 3,107,404
						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, 2025

Supplemental Law Enforcement Fund

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	100,000	100,000	100,000	-
Charges for Services	-	-	-	-
Use of money and property	4,000	4,000	8,874	4,874
Other Revenue	-	-	-	-
Total Revenues	104,000	104,000	108,874	4,874
EXPENDITURES				
Current:				
Public safety	34,500	34,500	50,501	(16,001)
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	67,000	99,000	32,000	67,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	101,500	133,500	82,501	50,999
Excess (Deficiency) of Revenues over Expenditures	2,500	(29,500)	26,373	55,873
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	2,500	(29,500)	26,373	55,873
Fund Balances Beginning	174,778	174,778	174,778	-
Fund Balances Ending	\$ 177,278	\$ 145,278	\$ 201,151	\$ 55,873

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, 2025

Restricted Transient Occupancy Tax Fund

	Variance with Final Budget			
	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 101,841	101,841	\$ 102,616	\$ 775
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	3,281	3,281
Other Revenue	-	-	-	-
Total Revenues	101,841	101,841	105,897	4,056
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	115,533	115,533	98,030	17,503
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	115,533	115,533	98,030	17,503
Excess (Deficiency) of Revenues over Expenditures	(13,692)	(13,692)	7,867	21,559
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(13,692)	(13,692)	7,867	21,559
Fund Balances Beginning	63,216	63,216	63,216	-
Fund Balances Ending	\$ 49,524	\$ 49,524	\$ 71,083	\$ 21,559

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, 2025

Road Rehabilitation and Maintenance Fund

	Budgeted Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	252,161	252,161	267,984	15,823
Charges for Services	-	-	-	-
Use of money and property	-	-	29,156	29,156
Other Revenue	-	-	-	-
Total Revenues	252,161	252,161	297,140	44,979
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	252,161	252,161	16,190	235,971
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	252,161	252,161	16,190	235,971
Excess (Deficiency) of Revenues over Expenditures	-	-	280,950	280,950
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	280,950	280,950
Fund Balances Beginning	533,127	533,127	533,127	-
Fund Balances Ending	\$ 533,127	\$ 533,127	\$ 814,077	\$ 280,950

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, 2025

Gas Tax Fund

	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Amounts	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	
Licenses and permits	-	-	-	-	
Intergovernmental	272,660	272,660	277,850	5,190	
Charges for Services	-	-	-	-	
Use of money and property	1,500	1,500	13,630	12,130	
Other Revenue	-	-	-	-	
Total Revenues	274,160	274,160	291,480	17,320	
EXPENDITURES					
Current:					
Public safety	-	-	-	-	
Community development	-	-	-	-	
Culture and recreation	-	-	-	-	
Transportation	272,000	296,741	216,069	80,672	
Capital outlay	-	-	-	-	
Debt service:					
Principal	-	-	-	-	
Interest	-	-	-	-	
Total Expenditures	272,000	296,741	216,069	80,672	
Excess (Deficiency) of Revenues over Expenditures	2,160	(22,581)	75,411	97,992	
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	
Transfers out	-	-	-	-	
Total Other Financing Sources (Uses)	-	-	-	-	
Net Change in Fund Balances	2,160	(22,581)	75,411	97,992	
Fund Balances Beginning	261,573	261,573	261,573	-	
Fund Balances Ending	\$ 263,733	\$ 238,992	\$ 336,984	\$ 97,992	

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, 2025

Wharf Fund

	Budgeted Amounts				Variance with Final Budget Positive (Negative)	
	Original		Final			
REVENUES						
Taxes	\$	-	\$	-	\$	-
Licenses and permits	-		-		-	
Intergovernmental	-		-		-	
Charges for Services	-		-		-	
Use of money and property		20,500		20,500		19,292
Other Revenue	-		-		-	
Total Revenues		20,500		20,500		19,292
						(1,208)
EXPENDITURES						
Current:						
Public safety	-		-		-	
Community development	-		-		-	
Culture and recreation		101,250		101,250		59,449
Transportation	-		-		-	
Capital outlay		40,000		40,000		-
Debt service:						
Principal	-		-		-	
Interest	-		-		-	
Total Expenditures		141,250		141,250		59,449
						81,801
Excess (Deficiency) of Revenues over Expenditures		(120,750)		(120,750)		(40,157)
						80,593
OTHER FINANCING SOURCES (USES)						
Transfers in	-		-		-	
Transfers out	-		-		-	
Total Other Financing Sources (Uses)		-		-		-
Net Change in Fund Balances		(120,750)		(120,750)		(40,157)
Fund Balances Beginning		124,789		124,789		124,789
Fund Balances Ending	\$	4,039	\$	4,039	\$	84,632
						\$ 80,593

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, 2025

Public Art Fee Fund

	Budgeted Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	34,460	34,460
Use of money and property	-	-	-	-
Other Revenue	-	-	20,000	20,000
Total Revenues	-	-	54,460	54,460
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	92,765	(92,765)
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	92,765	(92,765)
Excess (Deficiency) of Revenues over Expenditures	-	-	(38,305)	(38,305)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(38,305)	(38,305)
Fund Balances Beginning	158,505	158,505	158,505	-
Fund Balances Ending	\$ 158,505	\$ 158,505	\$ 120,200	\$ (38,305)

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, 2025

Parking Reserve Fund

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Taxes	\$ -	\$ -		\$ -	\$ -
Licenses and permits	-	-		-	-
Intergovernmental	-	-		-	-
Charges for Services	-	-		-	-
Use of money and property	-	-		-	-
Other Revenue	-	-		-	-
Total Revenues	-	-		-	-
EXPENDITURES					
Current:					
Public safety	-	-		-	-
Community development	-	-		-	-
Culture and recreation	-	-		-	-
Transportation	-	-		-	-
Capital outlay	-	-		-	-
Debt service:					
Principal	-	-		-	-
Interest	-	-		-	-
Total Expenditures	-	-		-	-
Excess (Deficiency) of Revenues over Expenditures	-	-		-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-		-	-
Transfers out	-	-		-	-
Total Other Financing Sources (Uses)	-	-		-	-
Net Change in Fund Balances	-	-		-	-
Fund Balances Beginning		737		737	-
Fund Balances Ending	\$ 737	\$ 737	\$ 737	\$ 737	-

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, 2025

Technology Fees Fund

				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	14,500	14,500	15,396	896
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	14,500	14,500	15,396	896
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	9,750	9,750	4,375	5,375
Culture and recreation	-	-	-	-
Transportation	3,500	3,500	6,000	(2,500)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	13,250	13,250	10,375	2,875
Excess (Deficiency) of Revenues over Expenditures	1,250	1,250	5,021	3,771
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	1,250	1,250	5,021	3,771
Fund Balances Beginning	112,038	112,038	112,038	-
Fund Balances Ending	\$ 113,288	\$ 113,288	\$ 117,059	\$ 3,771

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, 2025

PEG Cable TV Access Fee Fund

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	15,000	15,000	9,215	(5,785)
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	1,000	1,000	2,756	1,756
Other Revenue	-	-	-	-
Total Revenues	16,000	16,000	11,971	(4,029)
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	12,000	12,000	1,408	10,592
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	12,000	12,000	1,408	10,592
Excess (Deficiency) of Revenues over Expenditures	4,000	4,000	10,563	6,563
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	4,000	4,000	10,563	6,563
Fund Balances Beginning	57,531	57,531	57,531	-
Fund Balances Ending	\$ 61,531	\$ 61,531	\$ 68,094	\$ 6,563

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, 2025

Capitola Village and Wharf BIA Fund

					Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual Amounts			
	Original	Final				
REVENUES						
Taxes	\$ 37,000	\$ 37,000	\$ 37,315	\$ 315		
Licenses and permits	-	-	-	-		
Intergovernmental	-	-	-	-		
Charges for Services	53,370	53,370	54,945	1,575		
Use of money and property	100	100	1,535	1,435		
Other Revenue	56,500	56,500	46,665	(9,835)		
Total Revenues	146,970	146,970	140,460	(6,510)		
EXPENDITURES						
Current:						
Public safety	-	-	-	-		
Community development	155,900	155,900	153,714	2,186		
Culture and recreation	-	-	-	-		
Transportation	-	-	-	-		
Capital outlay	-	-	-	-		
Debt service:						
Principal	-	-	-	-		
Interest	-	-	-	-		
Total Expenditures	155,900	155,900	153,714	2,186		
Excess (Deficiency) of Revenues over Expenditures	(8,930)	(8,930)	(13,254)	(4,324)		
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-		
Transfers out	-	-	-	-		
Total Other Financing Sources (Uses)	-	-	-	-		
Net Change in Fund Balances	(8,930)	(8,930)	(13,254)	(4,324)		
Fund Balances Beginning	32,485	32,485	32,485	-		
Fund Balances Ending	\$ 23,555	\$ 23,555	\$ 19,231	\$ (4,324)		

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, 2025

CDBG Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	- -	- -	- -	- -
Intergovernmental	232,335	3,432,335	286,072	(3,146,263)
Charges for Services	- -	- -	- -	- -
Use of money and property	- -	- -	- -	- -
Other Revenue	- -	- -	- -	- -
Total Revenues	232,335	3,432,335	286,072	(3,146,263)
EXPENDITURES				
Current:				
Public safety	- -	- -	- -	- -
Community development	235,530	235,530	238,836	(3,306)
Culture and recreation	- -	- -	- -	- -
Transportation	- -	- -	- -	- -
Capital outlay	- -	- -	- -	- -
Debt service:				
Principal	- -	- -	- -	- -
Interest	- -	- -	- -	- -
Total Expenditures	235,530	235,530	238,836	(3,306)
Excess (Deficiency) of Revenues over Expenditures	(3,195)	3,196,805	47,236	(3,149,569)
OTHER FINANCING SOURCES (USES)				
Transfers in	- -	160,241	209,443	49,202
Transfers out	- -	(3,360,240)	- -	3,360,240
Total Other Financing Sources (Uses)	-	(3,199,999)	209,443	3,409,442
Net Change in Fund Balances	(3,195)	(3,194)	256,679	259,873
Fund Balances Beginning	(149,941)	(149,941)	(149,941)	-
Fund Balances Ending	\$ (153,136)	\$ (153,135)	\$ 106,738	\$ 259,873

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, 2025

CDBG Program Income Fund

					Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual Amounts			
	Original	Final				
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -		
Licenses and permits	-	-	-	-		
Intergovernmental	-	-	-	-		
Charges for Services	-	-	-	-		
Use of money and property	-	-	10,029	10,029		
Other Revenue	-	-	-	-		
Total Revenues	-	-	10,029	10,029		
EXPENDITURES						
Current:						
Public safety	-	-	-	-		
Community development	10,000	10,000	-	10,000		
Culture and recreation	-	-	-	-		
Transportation	-	-	-	-		
Capital outlay	-	-	-	-		
Debt service:						
Principal	-	-	-	-		
Interest	-	-	-	-		
Total Expenditures	10,000	10,000	-	10,000		
Excess (Deficiency) of Revenues over Expenditures	(10,000)	(10,000)	10,029	20,029		
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-		
Transfers out	-	(160,241)	(209,443)	(49,202)		
Total Other Financing Sources (Uses)	-	(160,241)	(209,443)	(49,202)		
Net Change in Fund Balances	(10,000)	(170,241)	(199,414)	(29,173)		
Fund Balances Beginning	454,956	454,956	454,956	-		
Fund Balances Ending	\$ 444,956	\$ 284,715	\$ 255,542	\$ (29,173)		

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, 2025

Library Fund

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	1,820	1,820
Other Revenue	-	-	-	-
Total Revenues	-	-	1,820	1,820
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	37,426	(37,426)
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	37,426	(37,426)
Excess (Deficiency) of Revenues over Expenditures	-	-	(35,606)	(35,606)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(35,606)	(35,606)
Fund Balances Beginning	52,711	52,711	52,711	-
Fund Balances Ending	\$ 52,711	\$ 52,711	\$ 17,105	\$ (35,606)

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, 2025

Affordable Housing Fund

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	10,000	10,000	70,423	60,423
Use of money and property	4,000	4,000	16,998	12,998
Other Revenue	-	-	629	629
Total Revenues	14,000	14,000	88,050	74,050
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	15,693	(15,693)
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	15,693	(15,693)
Excess (Deficiency) of Revenues over Expenditures	14,000	14,000	72,357	58,357
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(150,000)	(150,000)	-	150,000
Total Other Financing Sources (Uses)	(150,000)	(150,000)	-	150,000
Net Change in Fund Balances	(136,000)	(136,000)	72,357	208,357
Fund Balances Beginning	277,123	277,123	277,123	-
Fund Balances Ending	\$ 141,123	\$ 141,123	\$ 349,480	\$ 208,357

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, 2025

Permanent Local Housing Allocation Fund

	Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	171,825	171,825	376,640	204,815
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	171,825	171,825	376,640	204,815
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	171,825	621,201	9,043	612,158
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	171,825	621,201	9,043	612,158
Excess (Deficiency) of Revenues over Expenditures	-	(449,376)	367,597	816,973
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	(449,376)	367,597	816,973
Fund Balances Beginning	99,836	99,836	99,836	-
Fund Balances Ending	\$ 99,836	\$ (349,540)	\$ 467,433	\$ 816,973

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, 2025

Pacific Cove Debt Financing Fund

	Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	2,569	2,569
Other Revenue	-	-	-	-
Total Revenues	-	-	2,569	2,569
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	2,569	2,569
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	2,569	2,569
Fund Balances Beginning	75,277	75,277	75,277	-
Fund Balances Ending	\$ 75,277	\$ 75,277	\$ 77,846	\$ 2,569

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, 2025

Beach & Village Lot II Debt Financing Fund

	Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	68,823	68,823	68,823	-
Interest	18,745	18,745	18,745	-
Total Expenditures	87,568	87,568	87,568	-
Excess (Deficiency) of Revenues over Expenditures	(87,568)	(87,568)	(87,568)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	87,568	87,568	87,568	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	87,568	87,568	87,568	-
Net Change in Fund Balances	-	-	-	-
Fund Balances Beginning	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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Primary Government Activities:										
Net Investment in										
Capital Assets	\$ 13,154	\$ 14,457	\$ 15,773	\$ 18,563	\$ 27,367	\$ 32,053	\$ 33,336	\$ 35,468	\$ 50,116	\$ 52,141
Restricted for										
Public Safety	98	8	10	17	72	99	154	152	175	201
Transportation	113	119	420	630	26	917	1,400	732	1,328	2,130
Community Development	6,599	8,811	11,191	14,105	14,221	10,821	9,995	10,159	10,288	10,842
Culture and Recreation	143	159	121	146	175	218	219	211	341	273
Total Restricted	6,953	9,097	11,742	14,898	14,494	12,055	11,768	11,254	12,132	13,447
Unrestricted	(8,884)	(9,883)	(11,536)	(10,563)	(12,887)	(10,987)	(11,571)	(6,156)	(17,949)	(21,687)
Total Primary Government										
Net Position	\$ 11,223	\$ 13,671	\$ 15,979	\$ 22,898	\$ 28,974	\$ 33,121	\$ 33,533	\$ 40,566	\$ 44,299	\$ 43,901

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

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				
	2016	2017	2018	2019	2020
EXPENSES:					
Primary government activities					
General government	\$ 3,557	\$ 3,975	\$ 3,594	\$ 3,595	\$ 3,876
Public safety	6,211	7,462	6,822	7,037	7,810
Community development	1,076	1,090	1,057	956	1,097
Culture and recreation	1,150	1,302	1,228	1,192	1,793
Transportation	3,218	3,212	3,382	3,384	3,263
Interest and other charges	158	119	77	76	68
Total primary government expenses	<u>15,370</u>	<u>17,160</u>	<u>16,160</u>	<u>16,240</u>	<u>17,907</u>
PROGRAM REVENUES:					
Primary government activities					
Charges for services:					
General government	970	911	1,057	1,132	1,022
Public safety	701	597	601	579	554
Community development	727	637	695	528	619
Culture and recreation	751	640	636	614	633
Transportation	112	116	34	44	47
Operating grants and contributions	400	3,329	1,832	650	501
Capital grants and contributions	511	146	413	5,678	7,357
Total primary govt program revenues	<u>4,172</u>	<u>6,376</u>	<u>5,268</u>	<u>9,225</u>	<u>10,733</u>
NET PRIMARY GOVT REV/(EXP)	<u>(11,198)</u>	<u>(10,784)</u>	<u>(10,892)</u>	<u>(7,015)</u>	<u>(7,174)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:					
Primary government activities					
Taxes:					
Property taxes	2,194	2,288	2,498	2,630	2,712
Franchise taxes	524	535	555	545	557
Sales and use tax	7,860	7,959	7,688	8,077	7,441
Transient occupancy taxes	1,452	1,458	1,457	1,582	1,263
Business license tax	298	302	308	308	330
Cannabis taxes	-	-	-	-	-
Intergovernmental, unrestricted	226	201	223	224	233
Investment income, unrestricted	227	264	237	450	699
Other general revenues	424	225	406	119	16
Total primary government activities	<u>13,205</u>	<u>13,232</u>	<u>13,372</u>	<u>13,935</u>	<u>13,251</u>
CHANGES IN NET POSITION:					
Total primary government activities	<u>\$ 2,007</u>	<u>\$ 2,448</u>	<u>\$ 2,480</u>	<u>\$ 6,920</u>	<u>\$ 6,077</u>

Continued

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				
	2021	2022	2023	2024	2025
EXPENSES:					
Primary government activities					
General government	\$ 3,736	\$ 6,117	\$ 3,443	\$ 5,581	\$ 6,147
Public safety	7,237	7,554	5,703	8,450	9,243
Community development	979	1,998	635	1,371	1,677
Culture and recreation	1,107	1,421	2,181	2,984	3,561
Transportation	3,092	4,222	2,409	4,329	5,179
Interest and other charges	67	56	20	13	18
Total primary government expenses	<u>16,218</u>	<u>21,368</u>	<u>14,391</u>	<u>22,729</u>	<u>25,824</u>
PROGRAM REVENUES:					
Primary government activities					
Charges for services:					
General government	1,057	1,678	744	983	1,116
Public safety	509	509	624	497	596
Community development	539	539	901	972	825
Culture and recreation	274	274	710	862	886
Transportation	39	39	48	41	48
Operating grants and contributions	3,125	2,970	866	859	1,286
Capital grants and contributions	<u>1,167</u>	<u>865</u>	<u>1,646</u>	<u>5,952</u>	<u>3,016</u>
Total primary govt program revenues	<u>6,710</u>	<u>6,874</u>	<u>5,539</u>	<u>10,167</u>	<u>7,773</u>
NET PRIMARY GOVT REV/(EXP)	<u>(9,508)</u>	<u>(14,494)</u>	<u>(8,852)</u>	<u>(12,562)</u>	<u>(18,050)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:					
Primary government activities					
Taxes:					
Property taxes	2,794	2,883	3,058	3,201	3,340
Franchise taxes	562	635	708	729	742
Sales and use tax	7,705	8,485	8,542	8,222	8,634
Transient occupancy taxes	1,529	2,171	2,131	2,220	2,256
Business license tax	292	316	314	324	334
Cannabis taxes	-	-	-	262	255
Intergovernmental, unrestricted	232	341	307	12	16
Investment income, unrestricted	335	(129)	549	770	634
Other general revenues	204	204	162	361	1,219
Total primary government activities	<u>13,653</u>	<u>14,906</u>	<u>15,773</u>	<u>16,101</u>	<u>17,430</u>
CHANGES IN NET POSITION:					
Total primary government activities	<u>\$ 4,145</u>	<u>\$ 412</u>	<u>\$ 6,921</u>	<u>\$ 3,539</u>	<u>\$ (620)</u>

Concluded

Source: City of Capitola Finance Department

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

Table 3

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GENERAL FUND										
Fund Balance:										
Nonspendable	\$ 524	\$ 426	\$ 58	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	300	300	816	867	917	1,016	904	1,196	1,531	1,663
Assigned	1,262	1,277	1,277	1,344	1,344	1,374	1,374	1,314	2,444	2,507
Unassigned	4,599	5,345	4,603	5,627	5,044	8,923	9,588	8,097	3,042	1,761
Total General Fund	<u>6,685</u>	<u>7,348</u>	<u>6,754</u>	<u>7,859</u>	<u>7,305</u>	<u>11,313</u>	<u>11,866</u>	<u>10,607</u>	<u>7,017</u>	<u>5,931</u>
ALL OTHER GOVERNMENT FUNDS										
Fund Balance:										
Restricted	736	834	11,742	14,896	14,493	12,110	11,768	11,223	12,132	13,447
Assigned	2,745	1,927	1,633	2,110	2,603	1,842	4,200	5,898	75	78
Unassigned	(215)	(39)	(39)	(39)	(365)	(39)	(39)	(71)	(923)	(1,375)
Total All Other Govt Funds	<u>3,266</u>	<u>2,722</u>	<u>13,336</u>	<u>16,967</u>	<u>16,731</u>	<u>13,913</u>	<u>15,929</u>	<u>17,050</u>	<u>11,284</u>	<u>12,150</u>
TOTAL	\$ 9,951	\$ 10,070	\$ 20,090	\$ 24,826	\$ 24,036	\$ 25,226	\$ 27,795	\$ 27,657	\$ 18,301	\$ 18,080

Source: City of Capitola Finance Department.

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Table 4

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

	2016	2017	2018	2019	2020
REVENUES:					
Taxes	\$ 12,250	\$ 12,436	\$ 12,416	\$ 13,097	\$ 12,307
Licenses & permits	671	626	766	663	726
Fines and forfeitures	787	1,475	2,250	6,030	7,521
Intergovernmental	656	560	558	522	520
Charges for services	2,165	1,970	2,007	2,020	1,959
Use of money and property	324	376	237	450	699
Other	328	114	406	378	252
Total revenues	<u>17,181</u>	<u>17,557</u>	<u>18,640</u>	<u>23,160</u>	<u>23,984</u>
EXPENSES:					
Current:					
General government	2,712	3,153	2,824	2,819	2,965
Public safety	6,134	6,495	6,333	6,552	6,467
Community development	1,005	976	967	913	963
Culture and recreation	1,039	1,137	1,154	1,130	1,710
Transportation	2,744	2,637	2,852	2,981	2,714
Capital outlay	<u>2,074</u>	<u>2,113</u>	<u>1,924</u>	<u>3,770</u>	<u>9,698</u>
Subtotal	<u>15,708</u>	<u>16,511</u>	<u>16,054</u>	<u>18,165</u>	<u>24,517</u>
Debt service:					
Principal retirement	764	788	829	182	186
Interest and agent fees	163	139	95	78	71
Subtotal	<u>927</u>	<u>927</u>	<u>924</u>	<u>260</u>	<u>257</u>
Total expenditures	<u>16,635</u>	<u>17,438</u>	<u>16,978</u>	<u>18,425</u>	<u>24,774</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>546</u>	<u>119</u>	<u>1,662</u>	<u>4,735</u>	<u>(790)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers in	2,784	1,815	2,865	1,676	1,734
Transfers out	(2,784)	(1,815)	(2,865)	(1,676)	(1,734)
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>546</u>	<u>119</u>	<u>1,662</u>	<u>4,735</u>	<u>(790)</u>
Prior Period Adjustments	-	-	-	-	-
Beginning fund balance					
Ending fund balance	<u>546</u>	<u>546</u>	<u>665</u>	<u>20,091</u>	<u>24,826</u>
	<u>\$ 546</u>	<u>\$ 665</u>	<u>\$ 2,327</u>	<u>\$ 24,826</u>	<u>\$ 24,036</u>
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	\$ 16,635	\$ 17,438	\$ 16,978	\$ 18,425	\$ 24,774
Capitalized Portion of Capital Outlay	2,079	2,231	2,063	3,681	9,535
Total Non-Capitalized Expenditures	14,556	15,207	14,915	14,744	15,239
Debt service: Principal and Interest	927	927	924	260	257
Debt service as a percentage of noncapital expenditures	6.37%	6.10%	6.20%	1.76%	1.69%

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

Table 4

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

	2021	2022	2023	2024	2025
REVENUES:					
Taxes	\$ 13,064	\$ 14,757	\$ 14,853	\$ 14,634	\$ 15,228
Licenses & permits	679	746	662	768	749
Fines and forfeitures	3,832	3,093	2,417	425	503
Intergovernmental	496	589	567	6,581	4,143
Charges for services	1,536	2,020	2,010	2,450	2,516
Use of money and property	335	(129)	548	807	671
Other	422	704	1,700	603	1,393
Total revenues	<u>20,364</u>	<u>21,780</u>	<u>22,757</u>	<u>26,268</u>	<u>25,203</u>
EXPENSES:					
Current:					
General government	3,021	4,198	4,444	4,447	4,581
Public safety	6,075	6,995	8,137	7,740	7,933
Community development	859	1,464	1,101	1,272	1,458
Culture and recreation	1,026	1,202	2,525	2,725	3,051
Transportation	2,529	2,921	3,470	3,682	4,154
Capital outlay	<u>5,410</u>	<u>2,178</u>	<u>2,965</u>	<u>15,327</u>	<u>4,383</u>
Subtotal	<u>18,920</u>	<u>18,958</u>	<u>22,642</u>	<u>35,192</u>	<u>25,559</u>
Debt service:					
Principal retirement	187	191	231	710	69
Interest and agent fees	67	62	22	28	19
Subtotal	<u>254</u>	<u>253</u>	<u>253</u>	<u>738</u>	<u>88</u>
Total expenditures	<u>19,174</u>	<u>19,211</u>	<u>22,895</u>	<u>35,930</u>	<u>25,647</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>1,190</u>	<u>2,569</u>	<u>(138)</u>	<u>(9,662)</u>	<u>(443)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers in	324	4,023	2,622	3,558	380
Transfers out	(324)	(4,023)	(2,622)	(3,558)	(380)
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,190</u>	<u>2,569</u>	<u>(138)</u>	<u>(9,662)</u>	<u>(443)</u>
Prior Period Adjustments	-	-	-	307	222
Beginning fund balance	<u>24,036</u>	<u>25,226</u>	<u>27,795</u>	<u>27,657</u>	<u>18,301</u>
Ending fund balance	<u>\$ 25,226</u>	<u>\$ 27,795</u>	<u>\$ 27,657</u>	<u>\$ 18,301</u>	<u>\$ 18,080</u>
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	\$ 19,174	\$ 19,211	\$ 22,895	\$ 35,930	\$ 25,647
Capitalized Portion of Capital Outlay	<u>5,410</u>	<u>2,178</u>	<u>2,965</u>	<u>15,314</u>	<u>4,310</u>
Total Non-Capitalized Expenditures	<u>13,764</u>	<u>17,033</u>	<u>19,930</u>	<u>20,616</u>	<u>21,337</u>
Debt service: Principal and Interest	<u>254</u>	<u>253</u>	<u>253</u>	<u>738</u>	<u>88</u>
Debt service as a percentage of noncapital expenditures	<u>1.85%</u>	<u>1.49%</u>	<u>1.27%</u>	<u>3.58%</u>	<u>0.41%</u>

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

Fiscal Year	General Revenue By Source								Total General Revenues
	Sales Tax Revenue ⁽¹⁾	Property Taxes ⁽²⁾	Transient Occupancy Tax	Franchise Taxes	Business Licenses	Investment Income	Other Revenue		
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	
2025	8,633,916	3,340,070	2,256,352	742,443	334,274	633,607	1,218,880	17,159,542	

NOTES:

⁽¹⁾ 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%.

⁽²⁾ 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
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%
2025	3,215,809	79,727	157	3,295,693	4.37%

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: County Assessor data, Neumo / MuniServices, LLC

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

Table 7

Category	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential	\$ 1,555,335	\$ 1,632,996	\$ 1,722,244	\$ 1,824,839	\$ 1,920,483	\$ 2,020,785	\$ 2,143,810	\$ 2,265,545	\$ 2,393,238	\$ 2,612,760
Commercial	392,427	439,224	476,377	487,098	501,612	523,379	524,820	535,445	555,355	485,537
Industrial	14,437	14,612	19,124	19,557	21,914	22,319	22,545	23,320	22,345	10,408
SBE Nonunitary	83	84	84	110	110	111	111	157	157	157
Other properties	63,836	69,632	76,429	81,138	86,943	91,174	94,726	99,581	107,065	107,104
Unsecured	76,862	77,622	84,389	87,922	81,815	77,632	79,332	72,799	79,583	79,727
TOTALS	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648	\$ 2,500,664	\$ 2,612,877	\$ 2,735,400	\$ 2,865,344	\$ 2,996,847	\$ 3,157,743	\$ 3,295,693

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
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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: County Assessor data, Neumo / MuniServices, LLC

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

Table 8

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City Direct Property Tax Rates										
Basic Levy ⁽¹⁾	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 ⁽²⁾	0.05456	0.05452	0.05452	0.05438	0.05441	0.05372	0.05372	0.05372	0.05372	0.05372
Overlapping Property Tax Rates⁽³⁾										
Santa Cruz High School	0.01961	0.01848	0.04461	0.04272	0.03889	0.03800	0.03706	0.03767	0.03155	0.03534
Soquel Elementary School	0.01846	0.01811	0.04539	0.04251	0.03948	0.04140	0.04123	0.04113	0.03307	0.03570
Live Oak Sd 2022 Ref	0.04600	0.03574	0.01988	0.02117	0.02072	0.02106	0.02116	0.02003	0.02610	0.05886
Cabrillo College	0.03669	0.03260	0.02425	0.02102	0.02117	0.02475	0.02370	0.02405	0.02434	0.01533
Total Overlapping Property Tax Rate ⁽²⁾	0.12076	0.10493	0.13413	0.12742	0.12026	0.12521	0.12315	0.12288	0.11506	0.14523
(4)	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372
Total Direct & Overlapping Rate	1.12076	1.10493	1.13413	1.12742	1.12026	1.12521	1.12315	1.12288	1.11506	1.14523

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: County Auditor/Controller, Neumo / MuniServices, LLC

City of Capitola
Top Ten Property Taxpayers
Current Year and Nine Years Ago
(amounts expressed in dollars unless otherwise noted)

Table 9

Taxpayer	2024-25			2015-16		
	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	\$ 122,310,468	1	3.71%	-	-	0.00%
Drew Auto Property LLC	35,400,190	2	1.07%	-	-	0.00%
Aspromonte Hotels LLC	22,821,789	3	0.69%	16,316,000	3	0.78%
Target Corporation	19,972,849	4	0.61%	18,192,569	2	0.87%
Loma Vista Estates Owners Association Inc.	18,536,227	5	0.56%	-	-	0.00%
George Ow Jr. Trustees	14,765,271	6	0.45%	12,531,156	4	0.60%
Brown Ranch Properties	13,408,577	7	0.41%	11,379,740	5	0.54%
Blai LP	12,632,748	8	0.38%	10,655,951	6	0.51%
Grandview Capitola LLC	11,444,400	9	0.35%	-	-	0.00%
Melanie Kett Trust	9,992,158	10	0.30%	8,474,738	8	0.40%
Macerich Partnership LP	-			67,738,106	1	3.22%
Santa Cruz Seaside Company	-			9,385,205	7	0.45%
850 Rosedale LLC	-			8,261,539	9	0.39%
Crossroads Associates	-			7,116,696	10	0.34%
Memo: Gross Assessed Value	\$ 281,284,677		8.53%	\$ 170,051,700		8.09%
	\$ 3,295,693,197		100.00%	\$ 2,102,980,000		100.00%

Source: County Assessor data, Neumo / MuniServices, LLC

Table 10**City of Capitola****Property Tax Levies and Collections****Last Ten Fiscal Years**

(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
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%
2025	1,782,634	1,782,634	100%	-	1,782,634	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, 2025**

Table 11

Listed alphabetically

Business Name	Business Category
Beverages & More	Liquor Stores
Chevron Service Stations	Service Stations
Coast Service Stations	Service Stations
Consolidated Electrical Distributors	Bldg.Matls-Whsle
CVS/Pharmacy	Drug Stores
Gayles Bakery & Rosticceria	Restaurants
Hasco Stations LLC	Business Services
Kohl's Department Stores	Department Stores
Macy's Department Store	Department Stores
Margaritaville	Restaurants
Nob Hill General Stores	Food Markets
Outdoor Supply Hardware	Bldg.Matls-Retail
Pizza My Heart	Restaurants
Ross Stores	Apparel Stores
Santa Cruz Subaru	Auto Sales - New
Santa Cruz Toyota	Auto Sales - New
Shadowbrook	Restaurants
Sierra Utility Sales	Electronic Equipment
Target Stores	Department Stores
Toyota Lease Trust	Leasing
Trader Joe's	Food Markets
Ulta	Miscellaneous Retail
Verizon Wireless	Miscellaneous Retail
Whole Foods Market	Food Markets
Zelda's	Restaurants

NOTES:

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

Source: Neumo / MuniServices, LLC

City of Capitola
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Table 11

Fiscal Year Ended June 30	Government/Total Primary Government Activities				Tot. Gov't./ Primary Gov't. Activities	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita				
	General Obligation Bonds		Lease Revenue Bonds									
			Other debt									
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				
2025	-	-	68,823	68,823		0.00%	0.01%	7				

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
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Table 12

Fiscal Year Ended June 30,	Government/Total Primary Government Activities				Debt per Capita	
	General Obligation Bonds	Debt as a %		Debt as a % of Total Personal Income		
		of Taxable Assessed Property Value	of Taxable Assessed Property Value			
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%	-		
2025	-	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 CaIPERS unfunded pension liability as of that point in time.

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

Table 13

2024-25 Assessed Valuation	\$ 3,305,186,041		
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable ⁽¹⁾	Total Debt	City's Share of Debt
Cabrillo Joint Community College District	5.364%	\$ 84,706,903	\$ 4,543,678
Santa Cruz City High School District	11.490%	224,105,769	25,749,753
Live Oak School District	5.363%	21,401,000	1,147,736
Soquel Union School District	39.247%	61,629,000	24,187,534
Santa Cruz Libraries Facilities Community Facilities District	5.975%	53,425,000	3,192,144
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 445,267,672	\$ 58,820,844
 DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Overlapping General Fund Debt:			
Santa Cruz County General Fund Obligations	5.409%	\$ 161,987,069	\$ 8,761,881
Santa Cruz County Pension Obligation Bonds	5.409%	103,085,000	5,575,868
Santa Cruz County Office of Education Certificates of Participation	5.409%	6,193,926	335,029
Santa Cruz City High School District Certificates of Participation	11.490%	283,914	32,622
Live Oak School District Certificates of Participation	5.363%	10,863,973	582,635
Soquel Union School District Certificates of Participation	39.247%	4,015,237	1,575,860
Santa Cruz City Schools Certificates of Participation	11.490%	295,000	33,896
City of Capitola Lease Financing	100.000%	693,791	693,791
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 287,417,910	\$ 17,591,581
 TOTAL CITY'S DIRECT DEBT			\$ 693,791
TOTAL OVERLAPPING DEBT			\$ 75,718,634
 COMBINED TOTAL DEBT			\$ 76,412,425 ⁽²⁾

RATIOS TO 2021-22 ASSESSED VALUATION:

Total Direct and Overlapping Tax and Assessment Debt	1.78%
Total Direct Debt	0.02%
Combined Total Debt	2.31%

(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
(amounts expressed in thousands)

Table 14

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assessed Valuation	\$ 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	\$ 3,295,693
RDA Base Valuation	264,195	272,121	280,284	288,693	297,354	306,274	315,462	324,926	334,674	344,714
Adj. assessed valuation	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	2,950,979
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	275,818	294,307	314,755	331,796	347,329	364,369	375,927	400,788	423,460	442,647
Total net applicable debt										
Gen. obligation bonds	1,255	645	-	-	-	-	-	-	-	-
Legal debt margin	\$ 274,563	\$ 293,662	\$ 314,755	\$ 331,796	\$ 347,329	\$ 364,369	\$ 375,927	\$ 400,788	\$ 423,460	\$ 442,647
Ratio of Total Net Applicable Debt to Debt Limit	0.46%	0.22%	0.00%	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
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%
2025	9,670	634,806	65,647	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	2025			2016		
	Ranking	Number of Employees	% of Total Employment	Ranking	Number of Employees	% of Total Employment
Santa Cruz Subaru - Toyota	1	200	3.85%	2	190	3.33%
Pacific Coast Manor*	2	176	3.38%	1	130	2.28%
Culinary Enterprises Inc DBA Shadowbrook Restaurant	3	175	3.37%	7	130	2.28%
Target Store*	4	171	3.29%	5	149	2.61%
Gayle's Bakery & Rosticceria	5	171	3.29%	4	172	3.02%
Soquel Union Elementary School District	6	168	3.23%	10	94	1.65%
Trader Joe's*	7	162	3.12%		104	1.82%
Whole Foods Market	8	140	2.69%		140	2.46%
New Leaf Community Markets*	9	140	2.69%	8		
City of Capitola*	10	136	2.62%			
Macy's				3	200	3.51%
Kohl's				9	90	1.58%
Total Top Ten Employers		1,639	31.52%		1,399	24.54%
Total Labor Force		5,200	100.00%		5,700	100.00%

*Includes full-time and part-time employees.

Source: Neumo / MuniServices, LLC

Source: City of Capitola Publication, FY2016 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>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government										
City Manager	7.65	6.50	6.50	6.00	7.50	5.50	5.50	7.00	7.00	7.00
Finance	4.50	4.50	3.75	3.75	3.75	2.75	3.00	3.00	4.00	4.00
City Attorney	1.00	1.00	1.00	1.00	-	-	-	-	-	-
	13.15	12.00	11.25	10.75	11.25	8.25	8.50	10.00	11.00	11.00
Police										
Chief, Captain, Sgts.	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Officers	16.00	16.00	16.00	15.00	15.00	14.00	15.00	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	2.00	2.00	2.00	2.00	3.00	3.00	3.00
Administrative	4.65	4.50	4.50	4.50	4.50	4.50	4.00	4.00	4.00	4.00
	31.65	31.50	31.50	30.50	30.50	29.50	30.00	31.00	31.00	31.00
Public Works										
Streets	9.00	11.00	12.00	11.50	10.00	10.00	10.00	11.00	12.00	12.00
Parks	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Fleet Maintenance	1.25	1.00	1.00	1.50	2.00	1.00	1.00	1.00	1.00	1.00
	14.25	16.00	16.00	16.00	15.00	14.00	14.00	15.00	16.00	16.00
Recreation										
Supervisor	2.00	2.50	2.50	2.50	1.00	1.00	1.00	1.00	1.00	1.00
Other - full year	2.75	1.25	1.25	1.25	4.00	4.00	3.50	3.50	4.50	4.50
	4.75	3.75	3.75	3.75	5.00	5.00	4.50	4.50	5.50	5.50
Community Development	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Building	2.00	2.00	2.00	3.00	3.00	3.00	2.75	3.00	2.00	2.00
Total City Employees	69.30	68.75	68.00	67.00	67.75	62.75	62.75	66.50	68.50	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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>Police department</u>										
Adult arrests	904	939	692	587	503	317	345	424	560	635
Calls for service (thousands)	17	20	19	15	19	15	14	6	13	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 ⁽¹⁾	3	9	6	8	9	9	9	8	8	10
Valuation (millions)	\$ 1	\$ 3	\$ 4	\$ 3	\$ 4	\$ 4	\$ 4	\$ 3	\$ 3	\$ 2
<u>Recreation Revenue (thousands)</u>										
Classes	\$ 275	\$ 260	\$ 240	\$ 231	\$ 214	\$ 79	\$ 199	\$ 225	\$ 265	\$ 216
Sports fees	19	21	24	23	19	8	26	22	16	18
Junior Guard	328	258	238	244	160	85	268	264	295	337
Camp Capitola	129	100	96	111	100	105	175	150	193	199
Afterschool	-	-	-	-	24	48	52	68	105	78
Events	-	-	-	-	-	-	1	3	1	9
Net Class Revenue	\$ 751	\$ 639	\$ 598	\$ 609	\$ 517	\$ 325	\$ 721	\$ 732	\$ 875	\$ 857
Jade St. Rental	7	6	8	5	5	-	7	7	11	14
Net Recreation Rev	<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>	<u>\$ 871</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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	75
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	10
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.