

City of Scotts Valley California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Of

**THE CITY OF SCOTTS VALLEY,
STATE OF CALIFORNIA**

For the Fiscal Year Ended June 30, 2006

**Charles A. Comstock
City Manager**

**Stephen H. Ando
Deputy City Manager /
Administrative Services Director**

**CITY OF SCOTTS VALLEY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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INTRODUCTORY SECTION

CITY OF SCOTTS VALLEY

FINANCE DEPARTMENT

One Civic Center Drive □ Scotts Valley □ California □ 95066
Phone (831) 440-5610 □ Facsimile (831) 438-2793 □ www.scottsvalley.org

October 25, 2006

Honorable Mayor and City Council
City of Scotts Valley
One Civic Center Drive
Scotts Valley, CA 95066

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT - JUNE 30, 2006

Honorable Mayor and Council Members:

The Comprehensive Annual Financial Report for the City of Scotts Valley for the fiscal year ended June 30, 2006 is hereby submitted. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included. These statements have been audited by the City's independent auditor, Nicholson & Olson, who has issued an unqualified opinion thereon. The Auditors' report is also included.

In accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), and the standards adopted by the Governmental Accounting Standards Board, the accompanying report consists of three parts:

- I. Introductory Section – Letter of Transmittal, List of Principal Officials and Organization Chart, Certificates of Achievement from the GFOA and the California Society of Municipal Finance Officers.
- II. Financial Section – Independent Auditors' Report, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements followed by Required Supplementary Information and combining statements of the Non-major Fund Financial Statements.
- III. Statistical Section – Presenting ten year historical trends of financial and non-financial information.

Accounting principles, generally accepted in the United States of America, require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY AND SERVICES PROVIDED

The City of Scotts Valley is a general law city incorporated in 1966. It operates under a council-manager form of government and provides the following range of municipal services: police, parks, recreation, sanitary sewer, streets and roads, public improvements, planning and zoning, construction inspection, and general administrative services. The City provides its sanitary sewer services through its wastewater fund and its recreational programs through its recreation fund, both of which are intended to be funded through user fees.

This report includes all the funds of the City. The financial statements also include the accounts of the following separate legal entities:

- City of Scotts Valley Redevelopment Agency
- Scotts Valley Public Financing Authority

The accounts of these entities are blended into the City's financial statements in accordance with Governmental Accounting Standards Board Statement No. 14. Footnote 1 to the financial statements provides further information regarding these entities.

MAJOR INITIATIVES

During 2005/2006, the City accomplished the following:

- Placed a temporary sales tax increase for the City on the November 2005 ballot. The measure required a simple majority and was approved by 71.5% of the voters. The increase will be a half percent for the first three years and then one-quarter percent for the final two years.
- The City's Redevelopment Agency issued \$6.8 million in refunding tax allocation bonds. These bonds refunded the 1999 tax allocation bonds and paid off a note to the City of Santa Cruz.
- Scotts Valley Corners, a new retail development, completed one building with five separate tenants.
- Cabrillo College satellite campus planning process approved.
- Completed final inspections on all 44 homes in Glenwood development.
- Presented draft Housing Element to the State.
- Issued mixed use building permit on Scotts Valley Drive (3 apartments and 3 offices).

The following are current and future projects:

- Construction started on second and final building at Scotts Valley Corners.
- City commented on the County-wide Interim Programmatic Habitat Conservation Plan.
- City reviewed and commented on the draft EIR for Polo Ranch (41 lots).
- City processed amendments to the Zoning Ordinance (text regarding illegal uses and time extensions for term of approval uses including conditional uses, design permits, variances, and tentative maps).
- City Hall was approved as the first Green Building in the City.
- City is processing mixed use projects on Glen Canyon Road and at the Quarry site on Scotts Valley Drive.
- Continuing to work on the development of the Town Center project.

FINANCIAL INFORMATION

Internal and Budgeting Controls: City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds, and Internal Service Funds are included in the annual appropriated budget. A Five-Year Financial Plan, or Capital Improvement Plan, is also adopted for the Capital Projects. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund. See Note 1 to the financial statements for further information on budgets and budgetary accounting.

As demonstrated by the statements and schedules included in the Financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management: Cash is pooled for the purpose of increasing interest income through investment activities. Investments are stated at fair value. Investments consist of State Local Agency Investment Fund deposits, U.S. Federal Securities, and other deposits.

At June 30, 2006, cash and investments totaled \$20,886,871 which included \$3,058,897 held in restricted funds for bonded debt service and other purposes.

Risk Management: The City is exposed to various risks of loss. To manage these risks, the City participates in a public entity risk pool for workers compensation and liability insurance. The City also established a Dental Insurance Internal Service Fund for employee dental insurance. See Note 6 to the financial statements for more information.

ECONOMIC FACTORS

The City of Scotts Valley is located in Santa Cruz County, approximately 75 miles south of San Francisco. The unemployment rates for Scotts Valley, Santa Cruz County, and California as of June for the last five years are shown below. Scotts Valley's rate is less than half of that of the county and the state. This is the third year in a row that the rate has decreased across the board (city, county, and state).

<u>June 30,</u>	<u>Unemployment Rate</u>		
	<u>Scotts Valley</u>	<u>Santa Cruz County</u>	<u>California</u>
2006	2.1%	5.0%	4.9%
2005	2.3%	5.3%	5.4%
2004	2.6%	6.1%	6.3%
2003	3.0%	7.1%	6.8%
2002	2.7%	6.3%	6.8%

After a significant increase last year, both the average and median price of homes last year, these two prices decreased slightly this year. They are still significantly higher (over 24%) than the previous year. Increases in property values have more of an impact on the Redevelopment Agency's tax increment revenue than on the City's property tax revenue. The City is a low property tax city, which means that the City receives only 4% of the assessed property taxes. Below is a table of the average and median sales prices of houses sold in Santa Cruz County as of June for each of the last five years.

<u>June 30,</u>	<u>Housing</u>			
	<u>Average Price</u>	<u>Increase (Decrease) Over (Under) Prior Year</u>	<u>Median Price</u>	<u>Increase (Decrease) Over (Under) Prior Year</u>
2006	\$838,208	(3.7%)	\$760,000	(4.2%)
2005	870,664	29.2%	793,000	32.3%
2004	674,000	5.0%	599,500	9.0%
2003	642,100	8.8%	550,000	5.3%
2002	589,977	7.0%	522,500	11.2%

OTHER INFORMATION

Independent Audit: The Government Code requires an annual audit by independent certified public accountants selected by the City Council. This requirement has been complied with. The auditors' unqualified opinion has been included in the financial section of this report. The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, unless exempt. The auditor's reports related specifically to the Single Audit Act are included in a separate Single Audit Report.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Scotts Valley for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standard 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 comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Scotts Valley has received a Certificate of Achievement for the last eight consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

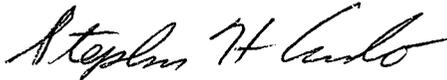
The City also received a Certificate of Award for Outstanding Financial Reporting from the California State Municipal Finance Officers (CSMFO) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This award also recognized the professional quality of the report.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the productive and professional endeavors of the Finance Department staff. I wish to express my appreciation to them.

In closing, the leadership and support of City Manager Charles Comstock and the City Council were essential to the preparation of this report.

Respectfully submitted,



Stephen H. Ando
Deputy City Manager /
Administrative Services Director

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2006

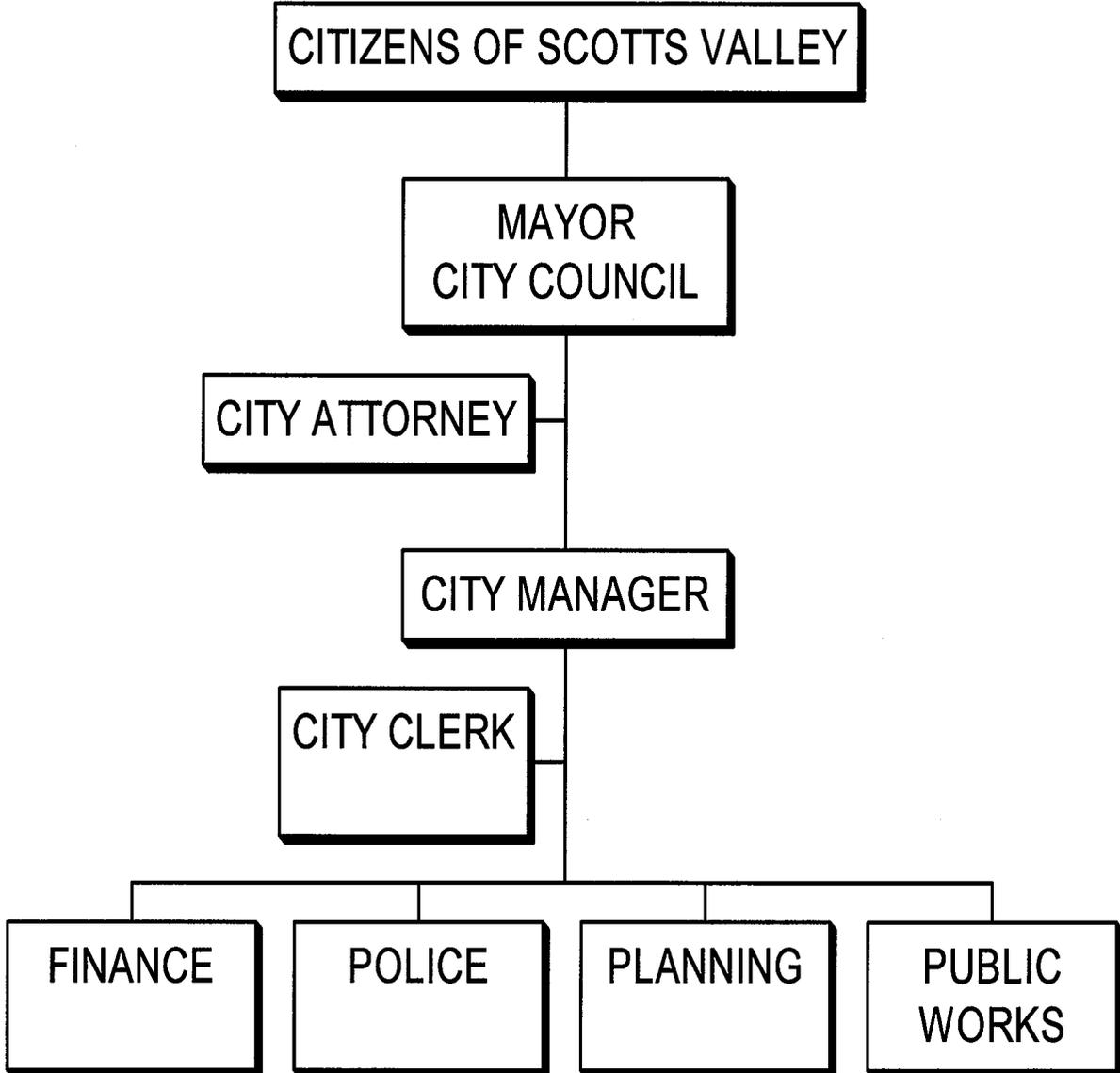
CITY COUNCIL MEMBERS

Stephany E. Aguilar	Mayor
Dene Bustichi	Vice Mayor
Cliff Barrett	Councilmember
Randy Johnson	Councilmember
Paul Marigonda	Councilmember

CHIEF ADMINISTRATIVE PERSONNEL

Charles Comstock	City Manager
Kirsten Powell	City Attorney
Tracy Ferrara	City Clerk
Stephen Ando	Deputy City Manager / Administrative Services Director
Steven Lind	Chief of Police
Ken Anderson	Director of Public Works / City Engineer
Steve Russell	Community Development Director/ Deputy City Manager

CITY OF SCOTTS VALLEY
ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Scotts Valley,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Scotts Valley

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2006

William A. Dumas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



FINANCIAL SECTION

NICHOLSON & OLSON

LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS

729 Sunrise Avenue, Suite 303

Roseville, California 95661

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
City of Scotts Valley, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scotts Valley, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scotts Valley, California, as of June 30, 2006, and the respective changes in financial position and cash flows, were applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor
Members of the City Council
Scotts Valley, California

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2006, on our consideration of the City of Scotts Valley internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Scotts Valley's basic financial statements. The introductory section, other supplemental information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Nicholson & Olson

Certified Public Accountants
Roseville, California
October 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Scotts Valley's annual financial report presents the City's discussion and analysis of its financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The City's assets exceeded liabilities at June 30, 2006, by \$56,863,754. The current year change in net assets was an increase of \$1,965,514. Of the total net assets, \$36,169,945 was invested in capital assets (net of related debt) and \$16,638,820 had restrictions on their use leaving \$6,054,989 as unrestricted. The current increase in City net assets is a combination of the governmental activities increasing \$2,412,230 and the business-type activities decreasing \$446,716.

In June 2006, the City's Redevelopment Agency refunded its 1999 Tax Allocation Bonds and a note payable to the City of Santa Cruz with a \$6,810,000 issue of its 2006 Tax Allocation Bonds. This will save the Agency \$526,980 over the 23 year life of the new issue. In addition to the savings, this refunding cleared the title on the 16 acres of park land purchased from the City of Santa Cruz. The land was the security for the note payable to the City of Santa Cruz.

As of June 30, 2006, the City's governmental funds (General Fund, special revenue funds, debt service funds, and capital project funds) had a combined fund balance of \$13,076,562, an increase of \$1,564,848 from the previous year. Of the total fund balance, \$4,825,193 was reserved; \$2,138,575 was designated for capital acquisitions, debt service payments, and future expenditures; and \$6,112,794 was neither reserved nor designated.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statement for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - the governmental funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer both short- and long-term financial information about the activities the government operates like businesses, such as the sewer system.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

- Fiduciary fund statements provide information about the financial relationships (such as special assessment bond funds) in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, the City included a section with combining statements that provide details about the City’s non major governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure 1 below summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 1
Major Features of the City’s Government-wide and Fund Financial Statements

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else’s resources
Required financial statements	Statement of net assets Statement of activities	Balance sheet, Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statement

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City are divided into three categories:

- **Government activities:** Most of the City's basic services are included here, such as the police, public works, planning, building, park/street maintenance, and general administration. Various taxes, franchise fees, service charges, and investment earnings finance most of these activities.
- **Business-type activities:** The City charges fees to customers to help cover the cost of certain services it provides. The City's sewer system and recreation programs are included here.
- **Component units:** The City includes three other entities in its report - the Scotts Valley Redevelopment Agency, the Scotts Valley Public Financing Authority, and the Scotts Valley Parks and Recreation Advocates. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes such as capital project grant funds or to show that it is properly using certain restricted taxes such as gas tax revenues.

The City has three kinds of funds:

- **Government funds:** Most of the City's basic services are included in government funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, there is additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds:** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements,

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

- provide both long- and short-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Internal service funds (the other kind of proprietary fund) report activities that provide supplies and services for the City's other programs and activities, such as the City's dental insurance program.
- Fiduciary funds: The City is the trustee for some bondholders and fiduciary for others of the City's limited obligation improvement bonds associated with various special assessment districts within the City. The City is also responsible for other assets that, because of a trust arrangement, can be used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following analysis pertains to the Government-wide statements as described above in the overview of the financial statements.

Net Assets: A condensed presentation of the City's net assets shown below totals \$58,863,754 as of June 30, 2006. This is an increase of \$1,965,514, or 3.5%, from the previous year. It is a combination of an increase in total assets of \$1,522,268 and a decrease in total liabilities of \$443,246. The full Statement of Net Assets can be seen on Page 15.

City of Scotts Valley Net Assets (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2005	2006	2005	2006	2005	2006	
Current and other assets	\$14,933	\$16,763	\$6,978	\$7,264	\$21,911	\$24,027	9.7%
Capital assets, net	35,350	35,555	18,844	18,045	54,194	53,600	(1.1%)
Total assets	50,283	52,318	25,822	25,309	76,105	77,627	2.0%
Long-term debt outstanding	15,169	14,834	81	46	15,250	14,880	(2.4%)
Other liabilities	3,562	3,520	395	364	3,957	3,884	(1.8%)
Total liabilities	18,731	18,354	476	410	19,207	18,764	(2.3%)
Net assets:							
Invested in capital assets, net of related debt	17,783	18,125	18,798	18,045	36,581	36,170	(1.1%)
Restricted	9,778	11,564	4,689	5,074	14,467	16,638	15.0%
Unrestricted	3,991	4,275	1,859	1,780	5,850	6,055	3.5%
Total net assets	\$31,552	\$33,964	\$25,346	\$24,899	\$56,898	\$58,863	3.5%

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

The main increases (decreases) in total assets were as follows:

Cash and investments	\$1,101,288
Receivables – Due from Other Gov'ts	1,023,606
Capital assets, net of depreciation	(595,116)

There is an increase in cash in both the governmental (\$847,251) and business-type (\$254,037) activities. The increase in receivables from other governments of \$1,023,606 can be attributed to various outstanding billings from grant funded construction projects. The increase in unamortized bond issuance costs comes from the June 2006 issuance of tax allocation refunding bonds. The decrease in capital assets, net of depreciation, is primarily due to the business-type activities where there is only \$146,077 of capital asset additions being offset by \$822,886 of current year depreciation. A more detailed analysis of capital assets is presented on page 11 of this report.

The main increases and (decreases) in total liabilities were as follows:

Accounts payable	(\$154,894)
Current Portion of Long-Term Debt	159,175
Long-term debt	(369,818)

The decrease in accounts payable is approximately two-thirds in governmental activities (\$100,810) and one-third in business-type activities (\$54,084). Almost all of the construction projects in governmental activities were completed by fiscal year end as evidenced by only \$4,751 in construction in progress. Most of the accounts payable in the previous year were associated with construction projects. The increase in current portion of long-term debt is a combination of 1) the new tax allocation refunding bonds having an initial increase in the first year's payments over the payments of the refunded debt, and 2) an increase in the accrued compensated absences due to two long-term employees retiring in July and August of 2006. Their accrued compensated absences are classified entirely as short-term. The decrease in long-term debt is a combination of an overall lower amount of debt after the refunding and normal debt service payments. A detailed analysis of long-term debt is presented on pages 11 and 12 of this report.

Changes in Net Assets: City-wide the change in net assets went from an increase of \$264,600 in fiscal year 2005 to an increase of \$1,965,514 in fiscal year 2006. This is a result of total revenues increasing \$2,435,677 (or 15.7%) and total expenses increasing \$734,763 (or 4.8%). A further analysis is shown below.

	<u>2005</u>	<u>2006</u>	<u>Percent Change</u>
Program Revenues	\$ 5,421	\$ 5,522	1.9%
General Revenues	10,072	12,406	23.2%
Governmental Expenses	(11,845)	(12,470)	5.3%
Business-type Expenses	<u>(3,384)</u>	<u>(3,493)</u>	3.2%
Net Increase (Decrease)	<u>\$ 264</u>	<u>\$ 1,965</u>	

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Below is a current and prior fiscal year recap of the changes in net assets. The full Statement of Activities can be seen on Page 16.

General revenues show the greatest change, an increase of \$2,222,521, or 22.4%. Almost half of this increase is related to property taxes (\$1,035,469). Two other large increases came from sales tax (\$354,181) and vehicle-in-lieu fees (\$320,162). The residents of Scotts Valley approved a temporary sales tax rate increase on the November 2005 ballot. It became effective on April 1, 2006. Of the total increase in sales tax, \$122,600 relates to this new temporary sales tax rate increase. Included in the vehicle-in-lieu fee increase is \$197,128 which is the one-time payback from the State for the amount they borrowed in fiscal year 2003-04 to help balance their budget.

City of Scotts Valley Change in Net Assets (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2005	2006	2005	2006	2005	2006	
Program revenues:							
Charges for services	\$807	\$701	\$2,561	\$2,620	\$3,368	\$3,321	(1.4%)
Operating grants	585	672	0	0	585	672	14.9%
Capital grants	1,286	1,380	181	149	1,467	1,529	4.2%
General revenues:							
Property tax	4,574	5,610	0	0	4,574	5,610	22.6%
Sales tax	1,605	1,959	0	0	1,605	1,959	22.1%
Other taxes	3,088	3,737	0	0	3,088	3,737	21.0%
Investment earnings	187	380	149	244	336	624	85.7%
Miscellaneous	397	468	0	8	397	476	19.9%
Special Item - Sale of							
Property	72	0	0	0	72	0	(100.0%)
Transfers	(16)	(25)	16	25	0	0	0.0%
Total revenues	<u>12,585</u>	<u>14,882</u>	<u>2,907</u>	<u>3,046</u>	<u>15,492</u>	<u>17,928</u>	(15.7%)
Expenses:							
General government	1,406	1,466	0	0	1,406	1,466	4.3%
Public safety	3,504	3,669	0	0	3,504	3,669	4.7%
Planning & building	1,387	1,042	0	0	1,387	1,042	(24.9%)
Public works	2,281	2,624	0	0	2,281	2,624	15.0%
Redevelopment	2,336	2,758	0	0	2,336	2,758	18.1%
Interest on debt	930	911	3	2	933	913	(2.1%)
Wastewater	0	0	2,463	2,531	2,463	2,531	2.8%
Recreation	0	0	918	960	918	960	4.6%
Total expenses	<u>11,844</u>	<u>12,470</u>	<u>3,384</u>	<u>3,493</u>	<u>15,228</u>	<u>15,963</u>	4.8%
Increase (decrease) in net assets	<u>\$741</u>	<u>\$2,412</u>	<u>(\$ 477)</u>	<u>(\$ 447)</u>	<u>\$ 264</u>	<u>\$ 1,965</u>	644.3%

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Net Cost of Services: The table on the below presents the total cost of each of the City's governmental activities as well as each activity's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

For governmental activities, the total costs of \$12,470,240 were offset by charges for services (\$700,847), operating grants/contributions (\$671,852), and capital grants/contributions (\$1,380,262), bringing the net cost of services down to \$9,717,279. The increase and decrease in total and net cost of services are corresponding. Planning and building had a large decrease while public works and redevelopment had large increases. The decrease in planning and building is due to the loss of three employees including the community development director and principal planner positions. The community development director position was filled after four months; however, the other two positions remain vacant due to the City's hiring freeze. The increase in public works is due to a combination of maintenance costs and depreciation. Redevelopment costs are strictly the pass-through payments. The increase is tied to the increase in tax increment revenue.

City of Scotts Valley
Net Cost of Governmental Activities
(in thousands of dollars)

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2005	2006		2005	2006	
	General Government	\$1,405		\$1,466	4.3%	
Public Safety	3,504	3,669	4.7%	3,130	3,316	5.9%
Planning & Building	1,387	1,042	(24.9%)	790	518	(34.4%)
Public Works	2,281	2,624	15.0%	621	790	27.2%
Redevelopment	2,336	2,758	18.1%	2,336	2,758	18.1%
Interest on L-T Debt	930	911	(2.1%)	930	911	(2.1%)
Total	\$11,844	\$12,470	5.3%	\$9,165	\$9,717	6.0%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The following analysis pertains to the fund financial statements as described above in the overview of the financial statements.

There are no restrictions, commitments, or other limitations that would significantly affect the availability of fund resources for the future.

To provide an overview of the City's funds, below is a table showing the increases and (decreases) to total assets, liabilities, revenues, and expenditures of the City fund types from fiscal year 2005 to 2006. The total revenues and expenditures do not include any "other financing sources (uses)."

	Increase (Decrease) from Prior Year			
	Assets	Liabilities	Revenues	Expenditures
General Fund	\$11,253	\$28,190	\$1,083,011	\$539,512
Special Revenue	1,537,297	(166,428)	122,943	(453,921)
Debt Service	78,822	156,283	829,921	2,608,503
Capital Projects	585,053	629,532	336,036	378,673

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

The General Fund budget is discussed below under the "Budgetary Highlights".

The five largest variances other than General Fund are Special Revenue fund assets, Debt Service fund revenue and expenditures, and Capital Projects fund assets and liabilities. Over half of the \$1,537,297 increase in Special Revenue fund assets comes from Affordable Housing cash (\$857,330), which accounts for the 20% set-aside for the Redevelopment Agency's low and moderate income housing. This fund's annual revenues exceeded \$1 million for the first time in the Agency's history. The other part of the Special Revenue fund asset increase came from various impact fee funds and gas tax. Approximately \$374,000 in impact fee revenue was received but only \$55,000 was spent on projects thereby increasing cash in these funds by \$319,000. The City held onto gas tax revenues this year for future street maintenance projects. Assets in the Gas Tax fund increased \$232,243.

Almost the entire increase in Debt service fund revenues is related to the Redevelopment Agency Debt Service fund. With the increase in real estate values, the tax increment of the Redevelopment Agency increased substantially (24.3%). Expenditures of the Agency increased because of the related increase in pass-through payments and the payoff of a note payable (\$1,831,096) as part of an overall tax allocation bond refunding.

Capital Project fund assets increased due to outstanding billings to other governmental agencies for grant funded construction projects. Most of the construction projects were completed by fiscal year end, but the corresponding grant funds had not yet been received. The liabilities increased because the Capital Project funds had to temporarily borrow cash from other City funds until the grant funds were received.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues were \$1,203,543 (18.9%) over budget. The largest variance is in tax revenue which is over budget by \$963,767 (20.8%). The only category being under budget is investment earnings which is \$30,116 (18.9%) under budget.

The main tax revenues being over and under budget were as follows:

<u>Over Budget</u>	<u>Under Budget</u>
Sales Tax	No major variances.
\$319,460	
State Vehicle-In-Lieu Fees	
299,402	
Transient Occupancy Tax	
129,407	
Real Property Transfer Tax	
125,797	

The increases in sales tax and State vehicle-in-lieu fees were discussed above in the "City as a whole" discussion on page 8. The transient occupancy tax continues to do well for the second year in a row as tourism remains strong. The real property transfer tax reflects the continuation of the hot real estate market locally.

Although investment earnings are shown as being \$30,116 under budget, this includes an adjustment of \$33,769 for unrealized losses on investments due to fair market value. As interest rates continue to rise, the investments the City is holding will decrease in fair market value. However, because the City always holds its investments to maturity, these losses will never be realized.

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

On the expenditure side, the General Fund was \$72,781, or 1.0%, under budget. Compared to the original budget, planning, building, street maintenance, and park maintenance were the most under budget. This is reflective of the hiring freeze and these departments being down a total of five employees. Amounts from these budgets were used to offset some of the other departments that were over budget.

In total, there were no large variances in assets and liabilities. Within assets the cash decreased \$525,986 while receivables increased \$534,376. For liabilities deferred revenues decreased as more business license revenues were received after year end rather than before. Accrued compensated absences increased as described above on page 7 under the analysis of the City as a whole.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: A recap of the City’s capital assets, net of accumulated depreciation, is shown below. The City-wide decrease (net of depreciation) is \$589,165, or 1.1%. The governmental activities had capital assets additions of \$1,299,766. Current year depreciation of \$1,095,504 brought capital assets to a net increase of \$204,262. The main capital asset addition was the completion of the Scotts Valley Drive / Glenwood / Highway 17 intersection improvement for \$1,076,799. The business-type activities had capital assets additions of only \$146,077 while depreciation of \$939,503 created a net decrease of \$793,426.

**City of Scotts Valley
Capital Assets, Net of Depreciation
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2005	2006	2005	2006	2005	2006	
Land	\$7,161	\$7,161	\$429	\$429	\$7,590	\$7,590	0.0%
Buildings & Improvements	3,799	3,675	2,825	2,705	6,624	6,380	(3.7%)
Equipment	560	527	1,064	816	1,624	1,343	(17.3%)
Infrastructure	23,462	24,187	14,360	13,909	37,822	38,096	0.7%
Outfall Agreement	0	0	101	98	101	98	(3.0%)
Construction in Progress	<u>368</u>	<u>5</u>	<u>65</u>	<u>94</u>	<u>433</u>	<u>99</u>	(77.1%)
Total	<u>\$35,350</u>	<u>\$35,555</u>	<u>\$18,844</u>	<u>\$18,051</u>	<u>\$54,194</u>	<u>\$53,606</u>	(1.1%)

More detailed information about the City’s capital assets is presented in Note 4 to the financial statements.

Long-term Debt: A recap of the City’s long-term debt is shown below. Total long-term debt decreased \$210,643, or 1.3%. The Redevelopment Agency issued \$6,810,000 in new tax allocation bonds (TAB’s) and used the proceeds to refund its 1999 TAB’s and pay off its note to the City of Santa Cruz. All other reduction in debt was due to regularly scheduled debt payments. More detailed information about the City’s long-term debt is presented in Note 5 to the financial statements.

**City of Scotts Valley
Outstanding Debt**
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2005	2006	2005	2006	2005	2006	
Certificates of Participation	\$8,134	\$8,011	\$ 0	\$ 0	\$8,134	\$8,011	(1.5%)
Installment Notes	2,091	145	46	0	2,137	145	(93.2%)
Tax Allocation Bonds	4,935	6,810	0	0	4,935	6,810	38.0%
Accrued Comp Absences	<u>772</u>	<u>795</u>	<u>129</u>	<u>134</u>	<u>901</u>	<u>929</u>	30.1%
Total	<u>\$15,932</u>	<u>\$15,761</u>	<u>\$175</u>	<u>\$134</u>	<u>\$16,107</u>	<u>\$15,895</u>	(1.3%)

NEXT YEAR'S BUDGETS AND RATES

In light of significant projected budget shortfalls, the residents of Scotts Valley approved an additional one-half percent sales tax on the November 2005 ballot which became effective April 1, 2006. The additional sales tax added \$800,000 to the 2006-07 budget and was the major factor in having a balanced budget. Other factors included the end of the Educational Revenue Augmentation Fund (ERAF) shift by the State of City property taxes to the school system. This added \$120,000 to the General Fund. A rebound in the transient occupancy tax (TOT) has also contributed. TOT is budgeted \$90,000 higher than the previous year.

The City will benefit from a reduction in its liability insurance in fiscal year 2007 of approximately \$94,000. The City is a member of a risk pool for its liability insurance. A combination of low claims experience by the City and internal measures by the Pool were the reasons for this decrease. There was no reduction in insurance coverage by the Pool. Medical insurance premiums will increase 13.8% effective January 1, 2007. Poor investment returns have caused the retirement rates charged by PERS to steadily increase in recent years. However, CalPERS has instituted new policies to reduce the volatility of the retirement rates. As a result, the rates are becoming more stable. CalPERS has provided the City with next year's rate and a projected 2008-09 rate. A recap of the retirement rates by fiscal year is shown below.

<u>Fiscal Year</u>	<u>Miscellaneous Group</u>	<u>Safety Group</u>	
2004-05	6.109%	17.669%	Actual
2005-06	11.237%	24.613%	Actual
2006-07	14.254%	24.917%	Actual
2007-08	14.813%	26.644%	Actual
2008-09	14.800%	26.700%	Projected

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of Scotts Valley with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Scotts Valley Finance Department, 1 Civic Center Drive, Scotts Valley, CA 95066.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



**CITY OF SCOTTS VALLEY
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 2)	\$ 10,757,662	\$ 7,070,312	\$ 17,827,974
Receivables:			
Due from other Governments	2,110,366	47,008	2,157,374
Sewer Fees		125,244	125,244
Other		13,887	13,887
Inventory		2,688	2,688
Prepaid Expenses		4,797	4,797
Long-Term Loans Due (Note 3)	2,151,816	0	2,151,816
Restricted Assets (Note 2):			
Cash and Investments with Fiscal Agents and Trustees	954,907	0	954,907
Unamortized Debt Issuance Costs, Net	788,935	0	788,935
Capital Assets (Note 4):			
Land and construction in progress	7,165,501	525,694	7,691,195
Other capital assets, net of depreciation	28,389,080	17,519,157	45,908,237
Total capital assets	<u>35,554,581</u>	<u>18,044,851</u>	<u>53,599,432</u>
Total Assets	<u>52,318,267</u>	<u>25,308,787</u>	<u>77,627,054</u>
LIABILITIES			
Accounts Payable	319,692	77,690	397,382
Accrued Liabilities	200,439	56,306	256,745
Accrued Interest	1,983,421	0	1,983,421
Current Portion of Long-Term Debt (Note 5)	927,949	88,000	1,015,949
Unearned Revenues	88,606	141,085	229,691
Long-Term Debt (Note 5):			
Certificates of Participation	7,888,117	0	7,888,117
Installment Notes	145,000	0	145,000
Tax Allocation Bonds	6,485,000	0	6,485,000
Accrued Compensated Absences	<u>315,498</u>	<u>46,497</u>	<u>361,995</u>
Total Liabilities	<u>18,353,722</u>	<u>409,578</u>	<u>18,763,300</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	18,125,094	18,044,851	36,169,945
Restricted for:			
Capital Projects	599,556	5,074,643	5,674,199
Debt Service	2,471,234	0	2,471,234
Specific Projects and Programs	8,493,387	0	8,493,387
Unrestricted	<u>4,275,274</u>	<u>1,779,715</u>	<u>6,054,989</u>
Total Net Assets	<u>\$ 33,964,545</u>	<u>\$ 24,899,209</u>	<u>\$ 58,863,754</u>

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF SCOTTS VALLEY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,466,261	\$ 32,485	\$	\$ 10,117	\$ 42,602
Public Safety	3,668,511	42,587	239,767	70,335	352,689
Planning & Building	1,041,601	458,221	41,773	23,431	523,425
Public Works	2,624,361	167,554	390,312	1,276,379	1,834,245
Redevelopment	2,758,236	0	0	0	0
Interest on Long-Term Debt and Fiscal Agent Charges	911,270	0	0	0	0
Total Governmental Activities	12,470,240	700,847	671,852	1,380,262	2,752,961
Business-Type Activities:					
Wastewater	2,532,783	1,742,289	0	149,109	1,891,398
Recreation Programs	959,924	877,628	0	0	877,628
Total Business-Type Activities	3,492,707	2,619,917	0	149,109	2,769,026
Total Primary Government	\$ 15,962,947	\$ 3,320,764	\$ 671,852	\$ 1,529,371	\$ 5,521,987

General Revenues:

Taxes:

Property Tax

Sales Tax

Vehicle In-Lieu Fee (Unrestricted)

Franchise Fees

Transient Occupancy Tax

Utility Users Tax

Other Taxes

Total Taxes

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,423,659)	\$ 0	\$ (1,423,659)
(3,315,822)	0	(3,315,822)
(518,176)	0	(518,176)
(790,116)	0	(790,116)
(2,758,236)	0	(2,758,236)
<u>(911,270)</u>	<u>0</u>	<u>(911,270)</u>
<u>(9,717,279)</u>	<u>0</u>	<u>(9,717,279)</u>
0	(641,385)	(641,385)
<u>0</u>	<u>(82,296)</u>	<u>(82,296)</u>
0	(723,681)	(723,681)
<u>(9,717,279)</u>	<u>(723,681)</u>	<u>(10,440,960)</u>
5,609,546	0	5,609,546
1,958,854	0	1,958,854
1,074,402	0	1,074,402
755,946	0	755,946
689,407	0	689,407
684,765	0	684,765
533,081	0	533,081
<u>11,306,001</u>	<u>0</u>	<u>11,306,001</u>
380,259	244,255	624,514
468,359	7,600	475,959
<u>(25,110)</u>	<u>25,110</u>	<u>0</u>
<u>12,129,509</u>	<u>276,965</u>	<u>12,406,474</u>
2,412,230	(446,716)	1,965,514
<u>31,552,315</u>	<u>25,345,925</u>	<u>56,898,240</u>
<u>\$ 33,964,545</u>	<u>\$ 24,899,209</u>	<u>\$ 58,863,754</u>

The Notes to the Financial Statements are an integral part of this statement.

FUND
FINANCIAL STATEMENTS

**CITY OF SCOTTS VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General Fund</u>	<u>Affordable Housing</u>	<u>Redevelopment Agency Debt Service</u>
ASSETS			
Cash and Investments	\$ 448,171	\$ 4,086,252	\$ 810,127
Receivables:			
Due from other Governments	933,580	0	128,278
Due from other Funds	244,822	0	0
Advances Due from other Funds	3,279,344	484,214	0
Long-Term Loans Due	0	1,751,816	0
Restricted Assets:			
Cash and Investments with Fiscal Agents and Trustees	<u>946,293</u>	<u>0</u>	<u>8,614</u>
Total Assets	<u>\$ 5,852,210</u>	<u>\$ 6,322,282</u>	<u>\$ 947,019</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 64,498	\$ 1,590	\$ 237,730
Accrued Liabilities	188,325	3,101	0
Accrued Compensated Absenses	173,597	0	0
Due to other Funds	0	0	0
Advances Due to other Funds	0	0	3,624,026
Deferred Revenues	<u>52,375</u>	<u>1,751,816</u>	<u>0</u>
Total Liabilities	<u>478,795</u>	<u>1,756,507</u>	<u>3,861,756</u>
Fund Balances (Deficit): (Note 9)			
Reserved	4,225,637	0	0
Unreserved, reported in			
General Fund:			
Designated	312,445	0	0
Undesignated	835,333	0	0
Special Revenue Funds:			
Designated	0	0	0
Undesignated	0	4,565,775	0
Debt Service Funds:			
Designated	0	0	0
Undesignated	<u>0</u>	<u>0</u>	<u>(2,914,737)</u>
Total Fund Balances (Deficit)	<u>5,373,415</u>	<u>4,565,775</u>	<u>(2,914,737)</u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 5,852,210</u>	<u>\$ 6,322,282</u>	<u>\$ 947,019</u>

The Notes to the Financial Statements are an integral part of this statement.

	Other Governmental Funds	Total
\$	5,411,716	\$ 10,756,266
	1,048,508	2,110,366
	882,611	1,127,433
	0	3,763,558
	400,000	2,151,816
	<u>0</u>	<u>954,907</u>
\$	<u>7,742,835</u>	<u>\$ 20,864,346</u>
\$	14,748	\$ 318,566
	9,013	200,439
	0	173,597
	1,127,433	1,127,433
	139,532	3,763,558
	<u>400,000</u>	<u>2,204,191</u>
	<u>1,690,726</u>	<u>7,787,784</u>
	599,556	4,825,193
	0	312,445
	0	835,333
	301,189	301,189
	3,626,423	8,192,198
	1,524,941	1,524,941
	<u>0</u>	<u>(2,914,737)</u>
	<u>6,052,109</u>	<u>13,076,562</u>
\$	<u>7,742,835</u>	<u>\$ 20,864,346</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SCOTTS VALLEY
RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balances - Total Governmental Funds (Page 21)	\$ 13,076,562
 Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	35,554,581
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(1,983,421)
An Internal Service Fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of this Internal Service Fund are included in governmental activities in the Government-Wide Statement of Net Assets.	270
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.	
1992 Certificates of Participation	(310,478)
1997 Certificates of Participation	(4,245,588)
2003 Certificates of Participation	(3,455,000)
Tax Allocation Bonds	(6,810,000)
Note Payable - Scotts Valley Water District	(145,000)
Compensated Absences	(621,901)
The unamortized balance of the advance refunding payment and the associated refunding bond issuance costs is not a current financial resource and, therefore, is not reported in the Governmental Funds Balance Sheet.	788,935
The premiums received on the issuance of long-term are deferred and amortized over the life of the debt on the Government-Wide Statement of Net Assets.	(36,231)
Long-term loans receivable are not current financial resources and, therefore, are offset in the Governmental Funds Balance Sheet by a corresponding amount of deferred revenue under liabilities.	<u>2,151,816</u>
 Net Assets of Governmental Activities (Page 15)	 <u><u>\$ 33,964,545</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	<u>General Fund</u>	<u>Affordable Housing</u>	<u>Redevelopment Agency Debt Service</u>
Revenues:			
Taxes and Assessments	\$ 6,354,007	\$ 1,001,180	\$ 4,004,719
Intergovernmental Revenues	45,170	0	0
Fees and Services	574,953	0	0
Fines and Forfeitures	85,427	0	0
Investment Earnings	128,884	118,221	63,958
Contributions, Non-Government	10,000	0	0
Miscellaneous Revenues	371,706	1,300	0
Total Revenues	<u>7,570,147</u>	<u>1,120,701</u>	<u>4,068,677</u>
Expenditures:			
Current:			
General Government	1,401,603	0	0
Public Safety	3,600,776	0	0
Planning and Building	464,050	235,256	0
Public Works	1,358,561	0	0
Capital Outlay	107,104	0	0
Tax Increment Pass-Through	0	0	2,758,236
Debt Service			
Principal	122,949	0	2,084,353
Interest and Finance Charges	351,844	0	563,642
Refunding Bond Issuance Costs	0	0	354,330
Total Expenditures	<u>7,406,887</u>	<u>235,256</u>	<u>5,760,561</u>
Excess of Revenues over (under) Expenditures	<u>163,260</u>	<u>885,445</u>	<u>(1,691,884)</u>
Other Financing Sources (Uses):			
Transfers In	0	0	28,075
Transfers Out	(180,197)	(28,075)	(375,109)
Proceeds from Debt	0	0	6,810,000
Premium on Debt Issued	0	0	36,465
Payment to Refunded Debt Escrow	0	0	(5,017,200)
Net Other Financing Sources (Uses)	<u>(180,197)</u>	<u>(28,075)</u>	<u>1,482,231</u>
Net Change in Fund Balances	(16,937)	857,370	(209,653)
Beginning Fund Balances (Deficit)	<u>5,390,352</u>	<u>3,708,405</u>	<u>(2,705,084)</u>
Ending Fund Balances (Deficit)	<u>\$ 5,373,415</u>	<u>\$ 4,565,775</u>	<u>\$ (2,914,737)</u>

The Notes to the Financial Statements are an integral part of this statement.

Other Governmental Funds	Total
\$ 320,640	\$ 11,680,546
1,172,139	1,217,309
445,074	1,020,027
0	85,427
198,002	509,065
10,123	20,123
185,015	558,021
<u>2,330,993</u>	<u>15,090,518</u>
0	1,401,603
76,362	3,677,138
380,049	1,079,355
266,431	1,624,992
1,204,279	1,311,383
0	2,758,236
0	2,207,302
0	915,486
0	354,330
<u>1,927,121</u>	<u>15,329,825</u>
<u>403,872</u>	<u>(239,307)</u>
621,021	649,096
(90,825)	(674,206)
0	6,810,000
0	36,465
0	(5,017,200)
<u>530,196</u>	<u>1,804,155</u>
934,068	1,564,848
<u>5,118,041</u>	<u>11,511,714</u>
<u>\$ 6,052,109</u>	<u>\$ 13,076,562</u>

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF SCOTTS VALLEY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds (Page 25)	\$ 1,564,848
<p>Amounts reported for governmental activities in the statement of activities (Page 15) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Current year capital outlays	1,299,766
Current year depreciation	(1,095,504)
<p>An internal service fund is used by management to charge the costs of dental insurance to individual funds. The net expense of this internal service fund is reported with governmental activities.</p>	
	72
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Repayment of long-term debt principal	2,207,302
<p>Governmental funds report payments for the advance refunding of debt, bond premiums, and debt issuance costs as expenditures. However, in the statement of activities these amounts are amortized over the remaining life of the refunded debt.</p>	
Debt issuance costs	354,330
Advance refunding payment	5,017,200
Bond premium	(36,231)
Amortization of advance refunding payment and issuance costs	(42,668)
<p>Governmental funds report amounts received as repayment of loans or notes receivable as revenue and new loans as expenditures. However, in the statement of activities these amounts would be a decrease/increase of the receivable.</p>	
Repayment of loans	(183,172)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.</p>	
	(6,810,000)
<p>Some expenses recorded in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>	
Accrual of compensated absences	132,071
Accrual of interest expense on long-term debt	4,216
	2,412,230
Change in net assets of governmental activities (Page 17)	\$ 2,412,230

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF SCOTTS VALLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Recreation Fund	Wastewater Fund	Total	
ASSETS				
Current:				
Cash and Investments	\$ 520	\$ 7,069,792	\$ 7,070,312	\$ 1,396
Receivables:				
Due from other Governments	0	47,008	47,008	0
Sewer Fees	0	125,244	125,244	0
Other	13,887	0	13,887	0
Inventory	0	2,688	2,688	0
Prepaid Expenses	4,797	0	4,797	0
Total Current Assets	19,204	7,244,732	7,263,936	1,396
Capital Assets (Note 4):				
Land and construction in progress	0	525,694	525,694	0
Other capital assets, net of depreciation	46,571	17,472,586	17,519,157	0
Total capital assets	46,571	17,998,280	18,044,851	0
Total Assets	65,775	25,243,012	25,308,787	1,396
LIABILITIES				
Current Liabilities:				
Accounts Payable	12,683	65,007	77,690	1,126
Accrued Liabilities	33,005	23,301	56,306	0
Compensated Absences	14,600	73,400	88,000	0
Deferred Revenues	141,085	0	141,085	0
Total Current Liabilities	201,373	161,708	363,081	1,126
Noncurrent Liabilities:				
Compensated Absences	7,753	38,744	46,497	0
Total Noncurrent Liabilities	7,753	38,744	46,497	0
Total Liabilities	209,126	200,452	409,578	1,126
NET ASSETS				
Invested in Capital Assets, net of related debt	46,571	17,998,280	18,044,851	0
Restricted (Note 9)	0	5,074,643	5,074,643	0
Unrestricted	(189,922)	1,969,637	1,779,715	270
Total Net Assets	\$ (143,351)	\$ 25,042,560	\$ 24,899,209	\$ 270

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENSES; AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Recreation Fund	Wastewater Fund	Total	
Operating Revenues:				
Fees and Services	\$ 877,628	\$ 1,742,289	\$ 2,619,917	\$ 86,124
Total Operating Revenues	877,628	1,742,289	2,619,917	86,124
Operating Expenses:				
Salaries	522,149	485,111	1,007,260	0
Taxes and Benefits	125,863	226,943	352,806	0
Maintenance and Operations	129,264	525,688	654,952	0
Advertising	8,925	0	8,925	0
Professional and Contractual Services	125,950	24,802	150,752	0
Utilities and Communications	16,892	290,737	307,629	0
Insurance and Bonds	16,753	37,683	54,436	86,129
Facility Rental	5,873	0	5,873	
Depreciation	8,255	939,503	947,758	0
Total Operating Expenses	959,924	2,530,467	3,490,391	86,129
(Loss) from Operations	(82,296)	(788,178)	(870,474)	(5)
Nonoperating Revenues (Expenses):				
Interest Income	0	244,255	244,255	77
Connection Fees	0	149,109	149,109	0
Rent and Other	0	7,600	7,600	0
Interest Expense	0	(2,316)	(2,316)	0
Total Nonoperating Revenues	0	398,648	398,648	77
Net (Loss) before Transfers	(82,296)	(389,530)	(471,826)	72
Transfers In	68,610	0	68,610	0
Transfers Out	0	(43,500)	(43,500)	0
Change in Net Assets	(13,686)	(433,030)	(446,716)	72
Net Assets - Beginning of Year	(129,665)	25,475,590	25,345,925	198
Net Assets - End of Year	\$ (143,351)	\$ 25,042,560	\$ 24,899,209	\$ 270

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF SCOTTS VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Recreation Fund	Wastewater Fund	Total	
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 885,882	\$ 1,722,655	\$ 2,608,537	\$ 86,124
Cash Payments for Good and Services	(441,232)	(1,149,556)	(1,590,788)	(92,912)
Cash Payments to Employees	(513,985)	(478,789)	(992,774)	0
Net Cash Provided by (Used for) Operating Activities	(69,335)	94,310	24,975	(6,788)
Cash Flows from Noncapital Financing Activities:				
Rent and Other	0	7,600	7,600	0
Transfers In (Out)	68,610	(43,500)	25,110	0
Net Cash Provided by (Used for) Noncapital Financing Activities	68,610	(35,900)	32,710	0
Cash Flows from Capital and Related Financing Activities				
Receipts of Connection and Standby Fees	0	149,109	149,109	0
Purchase of Vehicles and Equipment	0	(46,243)	(46,243)	0
Construction of Improvements & Land Purchase	0	(102,137)	(102,137)	0
Principal Paid on Long-Term Debt	0	(46,316)	(46,316)	0
Interest Paid on Long-Term Debt	0	(2,316)	(2,316)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	0	(47,903)	(47,903)	0
Cash Flows from Investing Activities:				
Interest Received	0	244,255	244,255	77
Net Cash Provided by Investing Activities	0	244,255	244,255	77
Net Increase (Decrease) in Cash	(725)	254,762	254,037	(6,711)
Cash and Investments, Beginning of Year	1,245	6,815,030	6,816,275	8,107
Cash and Investments, End of Year	\$ 520	\$ 7,069,792	\$ 7,070,312	\$ 1,396

(Continued)

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF SCOTTS VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

	Recreation Fund	Wastewater Fund	Total	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating (Loss)	\$ (82,296)	\$ (788,178)	\$ (870,474)	\$ (5)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	8,255	939,503	947,758	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(11,415)	(19,634)	(31,049)	0
(Increase) Decrease in Prepaid Expenses	(1,331)	0	(1,331)	0
Increase (Decrease) in Accounts Payable	(10,381)	(43,703)	(54,084)	(6,783)
Increase(Decrease) in Acc Liabilities/Comp Absences	8,164	6,322	14,486	0
(Decrease) in Deferred Revenues	19,669	0	19,669	0
Net Cash Provided by (Used for) Operating Activities	\$ (69,335)	\$ 94,310	\$ 24,975	\$ (6,788)
				(Concluded)

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SCOTTS VALLEY
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>Total</u>
ASSETS	
Restricted Assets:	
Cash and Investments Held for Others	\$ 1,303,500
Cash and Investments Held in Accordance with Bond Indentures	<u>800,490</u>
 Total Assets	 \$ <u><u>2,103,990</u></u>
 LIABILITIES	
Payable from Restricted Assets:	
Advance Assessments Collected	\$ 1,232,508
Bond Reserve Payable	800,490
Deposits	<u>70,992</u>
 Total Liabilities	 \$ <u><u>2,103,990</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Scotts Valley (City) operates under the Council-Manager form of government and provides the following services: public safety (police), parks and recreation, public works, streets, planning, and general administrative services. The City also provides environmental health services through its wastewater fund and provides recreation programs through its recreation fund, which are intended to be funded from user fees.

For financial reporting purposes, the financial statements of the City of Scotts Valley include all organizations that the City, as the primary government, is financially accountable for. This financial accountability is defined as the authority of the primary government to appoint a voting majority of an organization's governing body, where the primary government is able to impose its will on that organization; or where there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As a result, the Scotts Valley Redevelopment Agency and the Scotts Valley Public Financing Authority are considered component units of the financial reporting entity and have been included in the financial statements by blending their financial data with financial data of the City as though these organizations are part of the City. The blended component units, which are discussed below, are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The Scotts Valley Redevelopment Agency (the "Agency") was established by the City Council in August 1980 to facilitate redevelopment activities for the City. The Agency's Redevelopment Plan was adopted in November 1990. Although the Agency is a separate legal entity from the City, it is reported as if it were part of the primary government because the members of the City Council also serve as the Agency's governing board and because the Agency's sole purpose is to facilitate redevelopment activities for the City. Separate financial statements are issued by the Agency to comply with redevelopment agency requirements as established by the State of California. A copy may be obtained upon request from its administrative office at the following address:

Scotts Valley Redevelopment Agency
One Civic Center Drive
Scotts Valley, CA 95066

The Scotts Valley Public Financing Authority (the "Authority") was established in April 1989 by the City to facilitate financing for the City. Although the Authority is a separate legal entity from the City, it is reported as if it were part of the primary government because the members of the City Council also serve as the Authority's governing board and because the Authority's sole purpose is to be a financing entity for the City. The Authority does not issue separate financial statements.

B. Basis of Accounting/Measurement Focus

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, liabilities, fund equity revenues, and expenditures or expenses, as appropriate. 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.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Government – Wide Financial Statements

The Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the city are not included in these statements.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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 types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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 Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements, such as: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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 assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

The City of Scotts Valley reports the following major governmental funds:

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Community Development Block Grant fund is used to account for the activity related to this grant.

The Affordable Housing fund is used to account for the 20% state required set-aside funds of the Redevelopment Agency's tax increment revenues. These monies can only be spent on low and moderate-income housing purposes.

The Redevelopment Agency Debt Service fund is used to account for the tax increment revenue as well as payments on Redevelopment Agency Debt.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Public Financing Authority fund is used to account for the investment activities of the Authority payments on Authority debt.

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 and current liabilities are included on the Balance Sheet. 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 (generally 90 days after fiscal year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing an internal service fund is also presented in these statements. However, internal service balances and activities have been combined with the governmental and business-type activities in the Government-Wide financial statements.

The City of Scotts Valley reports the following major proprietary fund types:

The Recreation fund accounts for the City's Recreation programs. The classes, sports programs, and after-school/summer child care programs are all provided on a user fee basis.

The Wastewater fund is used to account for the operation of the City's Wastewater system. This is a self-supporting activity through user fees charged to both residences and businesses in the City.

Proprietary funds are accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period of which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial statements include a Statement of Net Assets. The City's Fiduciary funds represent Agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on the accrual basis of accounting.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the City reports the following funds:

Six Fiduciary funds account for: 1) receipt of special taxes and assessments used to pay municipal and interest on four Assessment District Bonds with no direct City liability, 2) receipt and disbursement of monies held in General Trust, 3) collections held for the construction of a skate park.

An internal service fund accounts for the City's self-insured dental plan.

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided to explain the differences created by the integrated approach of the GASB Statement No. 34 reporting model.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Included in capital assets are land, buildings and improvements, equipment, and infrastructure. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and assets in government-wide financial statements to the extent the City's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

Equipment – 5 to 10 years
Buildings and Improvements – 40 years
Infrastructure – 20 to 75 years

Budgets and Budgetary Accounting Process

- A. The City Manager submits a proposed budget to the City Council.
- B. Public hearings are conducted to obtain citizen comments.
- C. The City Council legally adopts the operating and capital improvement budgets.

Once the budgets are adopted, legal budgetary control is established by requiring the following transactions be approved by the City Council:

- A. Transfers between funds.
- B. Any budget amendment that would increase a fund's total appropriations.
- C. Any budget amendment that would increase a fund's total appropriation of operating expenditures.

Management may approve transfers of all other line item appropriations within a fund without the approval of the City Council.

Supplemental budgetary appropriations were required during the fiscal year.

Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations at fiscal year end are reappropriated in the following fiscal year.

Formal budgetary control is integrated into the City's general ledger as a management control device during the fiscal year.

All of the City's governmental type funds have legally adopted budgets, prepared on a basis consistent with the accounting for these funds.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are pooled and investment income is allocated to each fund based on its proportionate share of the pool's earnings. During fiscal year 2005/2006, the entity realized no gain from the sale of investments. The calculation of realized gains is independent of the calculation of the net increases in fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal period and sold in the current fiscal year may have been recognized as an increase or decrease in the fair value of investments reported in the prior fiscal year. The net decrease in the fair value of investments during fiscal year 2005/2006 was \$33,769. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the fiscal year.

Unbilled Receivables

The City bills wastewater service fees every two months. Whenever the fiscal year end does not coincide with a billing month, the City accrues unbilled wastewater service fees.

Inventory

Inventories for gasoline and oil are accounted for in the Wastewater Enterprise Fund. The inventories are priced at cost, determined on a first-in, first-out basis.

Compensated Absences

A long-term liability of accumulated vacation and sick leave has been recorded in the Government-Wide Financial Statements. In the Fund Financial Statements, this liability is only recorded in the Enterprise Funds.

Encumbrances

Encumbrance accounting is employed by the City in all of its governmental funds. In doing so, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation,

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Proprietary Funds' "deposits" in the City-wide cash management pool are, in substance, demand deposits and are considered cash equivalents for purposes of the statement of cash flows.

Property Tax Levy, Collection, and Maximum Rates

The State of California Constitution Article XIII A (Proposition 13) provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of fair value as defined by Article XIII A and may be increased by no more than two percent per year, cumulatively, unless the property is sold, improved, or transferred. The State Legislature has determined the method of distribution of receipts from a one-percent tax levy among the counties, cities, school districts, and other districts.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Santa Cruz County assesses properties, and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation Dates	January 1	January 1
Lien/Lewy Dates	July 1	July 1
Due Dates	50% November 1 50% February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

Property taxes are recognized in the fiscal year for which taxes have been levied and collected within sixty days of the fiscal year end. Beginning in fiscal year 1993-94 under the Alternative Method of Tax Assessment and Collections (Teeter Plan), Santa Cruz County began providing the Agency 100% of the property tax increment whether or not the property owners actually paid their tax bills.

Transactions Between Funds

In the Fund Financial Statements, the City records numerous transactions between funds, including expenditures and transfers of resources, to provide services and to construct assets. All interfund transactions, except loans or advances, interfund services provided and used, and reimbursements, are treated as transfers. Interfund services provided and used include internal service fund charges for services to City departments. In those interfund transactions where one fund pays expenditures or expenses of another fund, a transfer of funds is treated as a credit against the fund that originally paid for the expenditure or expense, and is charged to expenditures or expenses in the appropriate fund.

2. CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees under the provisions of bond indentures. Cash and investments are summarized below as of June 30, 2006.

Pooled Deposits	\$ 8,094
Pooled Investments:	
California Local Agency Investment Fund (LAIF)	3,462,033
Federal Home Loan Bank	6,764,908
Federal National Mortgage Association	3,253,470
Certificates of Deposit	4,200,000
Money Market	1,795,347
Petty Cash	<u>1,720</u>
Subtotal	19,485,572
Investments with Fiscal Agents and Trustees	<u>1,401,299</u>
Total Cash and Investments	<u><u>\$20,886,871</u></u>

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

2. CASH AND INVESTMENTS (continued)

The City's cash and investments are reported in the financial statements as follows:

	<u>Government-Wide Statement of Net Assets</u>		Fiduciary Funds	<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Statement of Net Assets</u>	
Cash & Investments	\$10,756,266	\$7,071,708	\$1,303,500	\$19,131,474
Restricted Cash & Investments	<u>954,907</u>	<u>-</u>	<u>800,490</u>	<u>1,755,397</u>
Total	<u>\$11,711,173</u>	<u>\$7,071,708</u>	<u>\$2,103,990</u>	<u>\$20,886,871</u>

Pooled Deposits

At June 30, 2006, the difference between the carrying amount of the City's demand deposits of \$8,094 and the corresponding bank balance of \$95,748 was due to outstanding checks and deposits in transit. Of the bank balance, \$95,748 was insured by federal depository insurance and none was collateralized 110% in accordance with the California Government Code with securities held by the pledging financial institution in the City's name.

Investments

Under provisions of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may make deposits into and invest in the following:

Securities of the U.S. Government, or its agencies	Bankers Acceptances
Negotiable Certificates of Deposit	Commercial Paper
Repurchase Agreements (Repos)	Corporate Medium Term Notes
Passbook Savings Account Demand Deposits	Money Market Funds
Local Agency Investment Fund (State Pool) Demand Deposits	

At no time during the fiscal year did the City borrow funds through the use of reverse-repurchase agreements. Reverse-repurchase agreement investments are not allowed under the City's investment policy.

External Investment Pool

The City invests in the California State pool Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. There is a five member Local Investment Advisory Board is chaired by the State Treasurer.

LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. The City's investments with LAIF at June 30, 2006, included a portion of the pooled funds invested in structured notes and asset-backed securities. These investments are described as follows.

Structured Notes 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.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

2. CASH AND INVESTMENTS (continued)

Asset-Backed Securities, the bulk of which 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 Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2006, the City had \$3,462,033 invested in LAIF, which had invested 2.567% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments with LAIF by multiplying its account balance with a fair value factor determined by LAIF. This factor is the result of dividing all LAIF participants' total aggregate fair value (\$63,366,260,064) by total aggregate amortized cost (\$63,481,426,759) resulting in a factor of .998185821.

Investment Risks

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment policy limits investments to a maximum maturity of five years. At June 30, 2006, investment maturities (other than investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements) were:

	Less Than <u>1 Year</u>	1 <u>Year</u>	1 – 2 <u>Years</u>	2 – 3 <u>Years</u>
LAIF	\$3,462,033			
Federal Home Loan Bank	1,997,600		\$3,293,108	\$1,474,200
Federal National Mortgage Assn			1,634,490	1,618,980
Certificates of Deposit		\$4,200,000		
Money Market	<u>1,795,347</u>			
Totals	<u>\$7,254,980</u>	<u>\$4,200,000</u>	<u>\$4,927,598</u>	<u>\$3,093,180</u>

Credit Risk: All Federal Home Loan Bank and Federal National Mortgage Association investments were rated AAA by Moody's. The LAIF, certificates of deposit, and money market investments are not rated.

3. LONG-TERM LOANS DUE

Special Revenue Funds:

\$ 1,288,521 due from a California Limited Partnership with simple interest at 3%, all due and payable by November 22, 2026. Funds were loaned by the Scotts Valley Redevelopment Agency Affordable Housing Fund to facilitate the construction of 46 affordable housing units. The loan is secured by a deed of trust on the housing units.

\$ 463,295 due from twelve parties together with contingent interest calculated as an amount equal to 10% of appreciation of the residential properties purchased by the various parties, all due and payable: upon sale or transfer, upon default, upon cash-out refinancing of the superior "first" or "second" loan, or upon the date the "first" note becomes due and payable. Funds were loaned by the Scotts Valley Redevelopment Agency Affordable Housing Fund to facilitate the purchase of affordable housing through the Agency's "silent second" loan program. The loans are secured by deeds of trust on the respective properties.

\$400,000 due from a California Limited Partnership with interest at 6.1% compounded annually, all due and payable by September 15, 2054. Funds were loaned by the Scotts Valley Redevelopment Agency Affordable Housing Fund to facilitate the construction of 46 affordable housing units. The loan is secured by a deed of trust on the housing units.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$7,160,750	\$ 0	\$ 0	\$7,160,750
Construction in progress	<u>367,906</u>	<u>829,108</u>	<u>1,192,263</u>	<u>4,751</u>
Total capital assets not being depreciated	<u>7,528,656</u>	<u>829,108</u>	<u>1,192,263</u>	<u>7,165,501</u>
<u>Capital assets being depreciated:</u>				
Buildings and Improvements	5,164,612	47,570	0	5,212,182
Machinery and equipment	2,023,931	123,324	0	2,147,255
Infrastructure	<u>32,714,594</u>	<u>1,492,027</u>	<u>0</u>	<u>34,206,621</u>
Total capital assets being depreciated	<u>39,903,137</u>	<u>1,662,921</u>	<u>0</u>	<u>41,566,058</u>
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements	1,403,918	132,931	0	1,536,849
Machinery and equipment	1,463,275	156,871	0	1,620,146
Infrastructure	<u>9,214,281</u>	<u>805,702</u>	<u>0</u>	<u>10,019,983</u>
Total accumulated depreciation	<u>12,081,474</u>	<u>1,095,504</u>	<u>0</u>	<u>13,176,978</u>
Total capital assets being depreciated, net	<u>27,821,663</u>	<u>567,417</u>	<u>0</u>	<u>28,389,080</u>
Governmental capital assets, net	<u>\$35,350,319</u>	<u>\$1,396,525</u>	<u>\$1,192,263</u>	<u>\$35,554,581</u>
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 429,416	\$ 0	\$ 0	\$ 429,416
Construction in progress	<u>64,516</u>	<u>31,762</u>	<u>0</u>	<u>96,278</u>
Total capital assets not being depreciated	<u>493,932</u>	<u>31,762</u>	<u>0</u>	<u>525,694</u>
<u>Capital assets being depreciated:</u>				
Buildings and Improvements	(1) 4,938,679	0	0	4,938,679
Machinery and equipment	5,137,972	46,242	0	5,184,214
Infrastructure	(1) 22,077,937	70,376	0	22,148,313
Outfall agreement	<u>178,000</u>	<u>0</u>	<u>0</u>	<u>178,000</u>
Total capital assets being depreciated	<u>32,332,588</u>	<u>116,618</u>	<u>0</u>	<u>32,449,206</u>
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements	2,114,063	126,735	0	2,240,798
Machinery and equipment	4,073,644	296,013	0	4,369,657
Infrastructure	7,717,445	522,043	0	8,239,488
Outfall agreement	<u>77,139</u>	<u>2,967</u>	<u>0</u>	<u>80,106</u>
Total accumulated depreciation	<u>13,982,291</u>	<u>947,758</u>	<u>0</u>	<u>14,930,049</u>
Total capital assets being depreciated, net	<u>18,350,297</u>	<u>(831,140)</u>	<u>0</u>	<u>17,519,157</u>
Business-type capital assets, net	<u>\$18,844,229</u>	<u>\$ (799,378)</u>	<u>\$ 0</u>	<u>\$18,044,851</u>
Total Capital Assets	<u>\$54,194,548</u>	<u>\$ 597,147</u>	<u>\$1,192,263</u>	<u>\$53,599,432</u>

(1) The beginning balances for these two categories have been adjusted from the previous year in offsetting amounts. Buildings and improvements was decreased and infrastructure was increased by \$38,608.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006**

4. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions and programs of the City as follows:

Governmental Activities:

General government	\$ 37,081
Public safety	116,321
Planning & building	6,456
Public works	<u>935,646</u>
Total depreciation expense – government activities	<u>\$ 1,095,504</u>

Business-Type Activities:

Wastewater	\$ 939,503
Recreation	<u>8,255</u>
Total depreciation expense – business-type activities	<u>\$ 947,758</u>

5. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2006:

	GOVERNMENTAL ACTIVITIES				
	Balance at July 1, 2005	Additions	Reductions	Balance at June 30, 2006	Due Within One Year
Certificates of Participation	\$ 8,134,015	\$ 0	\$122,949	\$ 8,011,066	\$122,949
Installment Notes	2,090,657	0	1,945,657	145,000	0
Tax Allocation Bonds	4,935,000	6,810,000	4,935,000	6,810,000	325,000
Accrued Compensated Absences	<u>771,853</u>	<u>401,760</u>	<u>378,115</u>	<u>795,498</u>	<u>480,000</u>
Totals	<u>\$15,931,525</u>	<u>\$7,211,760</u>	<u>\$7,381,721</u>	<u>\$15,761,564</u>	<u>\$927,949</u>

	BUSINESS-TYPE ACTIVITIES				
	Balance at July 1, 2005	Additions	Reductions	Balance at June 30, 2006	Due Within One Year
Installment Notes	\$ 46,316	\$ 0	\$ 46,316	\$ 0	\$ 0
Accrued Compensated Absences	<u>128,863</u>	<u>81,144</u>	<u>75,510</u>	<u>134,497</u>	<u>88,000</u>
Totals	<u>\$175,179</u>	<u>\$81,144</u>	<u>\$121,826</u>	<u>\$134,497</u>	<u>\$88,000</u>

Debt service payments are generally provided from the following sources:

Certificates of Participation - General revenues recorded in the General Fund and tax increment revenues recorded in the Redevelopment Agency Debt Service Fund.

1997 Scotts Valley Water District Installment Note – Redevelopment Agency tax increment revenues recorded in the Redevelopment Agency Debt Service Fund and amounts to be recovered from future property developers in the Gateway South area.

Tax Allocation Bonds - Redevelopment Agency tax increment revenues recorded in the Redevelopment Agency Debt Service Fund.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006**

5. LONG-TERM DEBT (continued)

Accrued Compensated Absences - General revenues recorded in the General Fund and operating revenues recorded in the Proprietary Funds.

Advance Refunding of Long-Term Debt:

See Note 14 on page 52 regarding the advance refunding of the 1999 Tax Allocation Bonds. See Note 15 on Page 53 detailing the subsequent event regarding the partial refunding of the 1997 Certificates of Participation.

Certificates of Participation:

The City entered into lease and sub-lease agreements with the Scotts Valley Public Financing Authority, a Joint Powers Authority formed by the City of Scotts Valley and the Scotts Valley Redevelopment Agency, to lease and lease-back certain public assets. The lease revenues are used as security for the issuance of Certificates of Participation (COP). The annual lease payments are equal to the total debt service payments on the Certificates. The leases have a purchase option for the Scotts Valley Public Financing Authority to acquire the public assets that are subordinated to a bargain purchase option in the City's sub-lease agreement. Since the financial activities of the City and the Scotts Valley Public Financing Authority are included in the financial statements (Note 1), economic substance is emphasized over legal form and the above leasing transactions are reported as general obligation debts and recorded in the Government-Wide Statement of Net Assets under Governmental Activities.

The following Certificates of Participation were outstanding at June 30, 2006:

Original issue - \$7,359,911, Refunding and 1992 Public Improvements Project	\$310,478
Original issue - \$4,940,588, 1997-1 Refunding Certificates of Participation	4,245,588
Original issue - \$3,455,000, Refunding and 2003 Public Improvement Project	<u>3,455,000</u>
Total Certificates of Participation	<u>\$8,011,066</u>

In 1992, the Scotts Valley Public Financing Authority issued \$7,359,911 of current interest and capital appreciation bonds. The current interest bonds were refunded entirely by refunding certificates issued in 1997 and 2003 (see below). Only the capital appreciation bonds in the original amount of \$499,911 remain outstanding for this issue. The interest rate for the capital appreciation bonds ranges from 6.85% to 7.00% per annum. This COP refunded previous COP's issued in 1986 and 1990. The 1986 COP proceeds were used to construct the current City Hall. The 1990 COP proceeds were used for improvements and additions to the storm drainage system within Scotts Valley Drive.

Fiscal Year <u>Ending</u>	1992 Refunding Certificates of Participation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$56,083	\$88,917	\$145,000
2008	50,232	89,768	140,000
2009	46,914	93,086	140,000
2010	43,457	96,543	140,000
2011	40,568	99,432	140,000
2012-2013	<u>73,224</u>	<u>206,776</u>	<u>280,000</u>
Totals	<u>\$310,478</u>	<u>\$674,522</u>	<u>\$985,000</u>

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

5. LONG-TERM DEBT (continued)

In 1997, the Scotts Valley Public Financing Authority issued \$4,940,587.95 of refunding COP's. The proceeds were used to refund a portion of the current interest bonds from the 1992 COP. The 1997 COP consisted of \$3,690,000 of current interest certificates ranging from 3.70% to 5.25% per annum, and \$1,250,587.95 of capital appreciation certificates ranging from 5.60% to 5.70% per annum.

Fiscal Year Ending	<u>1997-1 Refunding Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$60,000	\$153,755	\$213,755
2008	70,000	150,680	220,680
2009	75,000	147,163	222,163
2010	80,000	143,325	223,325
2011	80,000	139,305	219,305
2012-2016	1,310,000	563,748	1,873,748
2017-2021	1,601,494	799,556	2,401,050
2022-2026	749,664	2,440,336	3,190,000
2027	<u>219,430</u>	<u>900,570</u>	<u>1,120,000</u>
Totals	<u>\$4,245,588</u>	<u>\$5,438,438</u>	<u>\$9,684,026</u>

In 2003, the Scotts Valley Public Financing Authority issued \$3,455,000 of Refunding and 2003 Capital Improvement Project Certificates of Participation. The proceeds were used to refund the remaining 1992 COP current interest certificates and to provide partial funding for the purchase of an existing 6,000 square foot building to be used as a City community center. The interest rates for this COP range from 4.5% to 4.7% per annum.

Fiscal Year Ending	<u>2003 Refunding Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$0	\$159,283	\$159,283
2008	0	159,283	159,283
2009	0	159,283	159,283
2010	0	159,283	159,283
2011	0	159,283	159,283
2012-2016	0	796,412	796,412
2017-2021	580,000	748,939	1,328,939
2022-2026	285,000	645,076	930,076
2027-2031	2,050,000	401,696	2,451,696
2032	<u>540,000</u>	<u>12,555</u>	<u>552,555</u>
Totals	<u>\$3,455,000</u>	<u>\$3,401,093</u>	<u>\$6,856,093</u>

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

5. LONG-TERM DEBT (continued)

Installment Notes:

The following installment notes were outstanding at June 30, 2006:

Scotts Valley Water District \$145,000

In 1997, the City agreed to a \$165,000 installment note payable to the Scotts Valley Water District for the City's share of bonds issued by the Water District. The District and the City shared the proceeds of the bond issue in order to save on issuance costs. The Scotts Valley Redevelopment Agency ultimately used the proceeds and is repaying the installment note in annual principal amounts varying from \$ 0 to \$15,000 plus interest at 6% per annum, through 2028.

Installment Note – Scotts Valley Water District			
Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 0	\$ 8,738	\$ 8,738
2008	5,000	8,471	13,471
2009	5,000	8,198	13,198
2010	5,000	7,920	12,920
2011	5,000	7,640	12,640
2012-2016	20,000	34,800	54,800
2017-2021	35,000	26,550	61,550
2022-2026	45,000	14,850	59,850
2027-2028	<u>25,000</u>	<u>1,650</u>	<u>26,650</u>
Totals	<u>\$145,000</u>	<u>\$118,817</u>	<u>\$263,817</u>

Tax Allocation Bonds:

The following Tax Allocation Bonds were outstanding at June 30, 2006:

Tax Allocation Refunding Bonds of 2006 \$6,810,000

In 2006, the Redevelopment Agency issued \$6,810,000 Tax Allocation Refunding Bonds. The proceeds were used to refund the 1999 tax allocation bonds and to fully pay off the outstanding balance of the installment note to the City of Santa Cruz. Annual repayment installments range from \$290,000 to \$385,000, plus interest at 3.4% to 5.0% per annum, through 2030.

Tax Allocation Refunding Bonds of 2006			
Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	325,000	181,750	506,750
2008	270,000	279,813	549,813
2009	280,000	270,276	550,276
2010	280,000	260,476	540,476
2011	290,000	250,269	540,269
2012-2016	1,640,000	1,075,725	2,715,725
2017-2021	1,450,000	730,865	2,180,865
2022-2026	1,220,000	437,875	1,657,875
2027-2030	<u>1,055,000</u>	<u>108,000</u>	<u>1,163,000</u>
Totals	<u>\$6,810,000</u>	<u>\$3,595,049</u>	<u>\$10,405,049</u>

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

5. LONG-TERM DEBT (continued)

Special Assessment Bonds (No City Liability)

The City is not liable for repayment of the special assessment and community facilities district debt, but is only acting as an agent in collecting the applicable assessments and taxes from property owners, forwarding the collections to the paying agent for payment of principal and interest to the bondholders. The City is responsible for initiating foreclosure proceedings where required by bond covenants. The following special assessment and community facilities district debt were outstanding as of June 30, 2006:

Original issue - \$6,966,000, 2002 Consolidated Reassessment District	\$4,770,000
Original issue - \$4,800,000, Community Facilities District, 97-1 Series A	3,975,000
Original issue - \$1,700,000, Community Facilities District, 97-1 Series B	1,465,000
Original issue - \$400,000, Valley Commons Improvement Assessment District	<u>11,000</u>
Total Special Assessment District Bonds (No City Liability)	<u>\$10,221,000</u>

6. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City participates in a public entity risk pool that operates as a common risk management and insurance program for 10 member cities. The City pays an annual premium to the pool for its general liability and workers' compensation coverage. Risk of loss is retained for general liability claims by each city up to \$10,000 per occurrence. The agreement with the pool provides that it will be self-sustaining through member premiums and that excess coverage be carried for general liability claims between \$500,000 and \$5,000,000 and for workers' compensation claims in excess of \$300,000 per insured event. The amount of unpaid claims was immaterial at fiscal year end.

During fiscal year 1993, the City established a Dental Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss for employee dental care. The Dental Insurance Fund finances employee and dependent claims up to a maximum of \$1,000 per participant per calendar year entirely through self-insurance. The amount of unpaid claims was immaterial at fiscal year end.

The City continues to carry commercial insurance for all other insured risks of loss. The City paid no settlements in excess of insurance coverage in any of the past three fiscal years.

7. INTERFUND TRANSACTIONS

Current Interfund Balances: The following is a summary of the current amounts due from and due to other funds at June 30, 2006:

	<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:	General Fund	\$ 244,822		
Non Major Funds:	Natural Disaster Assistance	288,524	AB 2766	\$59,651
	Traffic Impact	594,087	FEMA - El Nino Disaster	288,524
			SCCNET Grant	1,174
			Community Center	16,227
			OTS Grant	27,140
			Gen Capital Projects	734,717
Totals		<u>\$1,127,433</u>		<u>\$1,127,433</u>

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

7. INTERFUND TRANSACTIONS (continued)

The above transfers on the previous page resulted from the normal course of the City's operations.

Long-term Interfund Advances: The following is a summary of the advances made that were not expected to be repaid in one year or less:

	<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Fund:	General	\$3,279,344	Redevelopment Agency	
	Affordable Housing	484,214	Debt Service	\$3,624,026
Non Major Fund:			General Facilities	<u>139,532</u>
Totals		<u>\$3,763,558</u>		<u>\$3,763,558</u>

The advance from the General Fund to the Redevelopment Agency is being repaid with tax increment revenues with interest at an interest rate equal to the Local Agency Investment Fund rate. The funds were loaned for start-up expenses, initial formation of the Redevelopment Agency, and improvement projects.

The advance from Affordable Housing to the Redevelopment Agency Debt Service is being repaid with tax increment revenues. The funds were loaned to pay for the ERAF shifts by the State.

The advance from the General Fund to the General Facilities Fund will be repaid with future impact fee revenues. The funds were loaned for the construction of the current City Hall.

Interfund Transfers: In the governmental fund financial statements, total transfers in and out were \$717,706, as follows:

	<u>Transfers In:</u>			
	<u>Redevelopment Debt Service Fund</u>	<u>Recreation Fund</u>	<u>Non Major Fund</u>	<u>Total</u>
<u>Transfers Out:</u>				
General Fund	\$ 0	\$68,610	\$ 111,587	\$ 180,197
Affordable Housing	28,075	0	0	28,075
Redevelopment				
Debt Service Fund	0	0	375,109	375,109
Wastewater Fund	0	0	43,500	43,500
Non Major Fund	<u>0</u>	<u>0</u>	<u>90,825</u>	<u>90,825</u>
Total	<u>\$28,075</u>	<u>\$68,610</u>	<u>\$621,021</u>	<u>\$717,706</u>

The General Fund transferred out a total of \$180,197 as follows: \$25,838 to the Senior Center, \$68,610 to the Recreation Fund for operations, \$79,748 to the COP Debt Service Fund for additional reserve funds, and \$6,000 to the General Capital Projects Fund for improvements to City parks.

The Affordable Housing Fund transferred out a total of \$28,075 to the Redevelopment Agency's Debt Service Fund for overpayments made to the Affordable Housing Fund in prior years.

The Redevelopment Agency's Debt Service Fund transferred out a total of \$375,109 to the Redevelopment Agency's Capital Projects Fund for various projects and administration.

The Wastewater Fund transferred \$43,500 to the General Capital Projects Fund for its contribution towards the Scotts Valley Drive / Glenwood / Highway 17 Intersection Project.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

7. INTERFUND TRANSACTIONS (continued)

The transfers between the Non-Major Funds consisted of three transfers to the General Capital Projects Fund: one for \$37,273 from the Gas Tax Fund to transfer Proposition 40 monies for various street projects, one for \$35,398 from the Traffic Impact Mitigation Fund for the Scotts Valley Drive / Glenwood / Highway 17 Intersection Project, and the last one for \$18,154 from the Redevelopment Agency Capital Projects Fund for improvements to City parks.

8. COMMITMENTS AND CONTINGENCIES

Under an agreement with the City of Santa Cruz, the City is obligated to pay 4% of the actual new outfall facilities operation and maintenance costs in order to use the Santa Cruz sewer outfall facility.

The City has no construction contract commitments at June 30, 2006.

In December of 2003 the City entered into a Memorandum of Understanding (MOU) with the Land Trust of Santa Cruz County. The Land Trust is to manage approximately 162 acres of open space in accordance with the Glenwood Open Space Management Plan approved by the City Council on June 4, 2004. The City has placed \$1,070,000 in an endowment trust fund managed by the Land Trust. All costs associated with the management of the open space are to be paid by investment earnings and principal of this endowment. If the Land Trust is unable to provide management services or if the agreement is terminated, any remaining amount in the endowment trust fund will be returned to the City.

9. RESERVED / DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS

Total reserved and designated fund balances for the governmental fund types are detailed as follows:

	<u>General Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Reserved for:			
Debt Service	\$ 946,293	\$ 0	\$ 946,293
Advances Due from Other Funds	3,279,344	0	3,279,344
Construction Projects	<u>0</u>	<u>599,556</u>	<u>599,556</u>
Total Reserved	<u>\$4,225,637</u>	<u>\$599,556</u>	<u>\$4,825,193</u>

	<u>General Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Designated for:			
Capital Acquisition	\$312,445	\$ 11,387	\$ 323,832
Debt Service	0	1,524,941	1,524,941
Future Expenditures	<u>0</u>	<u>289,802</u>	<u>289,802</u>
Total Designated	<u>\$312,445</u>	<u>\$1,826,130</u>	<u>\$2,138,575</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006**

9. RESERVED / DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS (continued)

Total restricted net assets for the proprietary funds are detailed as follows:

	<u>Wastewater Fund</u>
Restricted for:	
Repair and Replacement of Capital Assets	\$3,235,450
Wastewater System Construction and Improvements	<u>1,839,193</u>
Total	<u>\$5,074,643</u>

10. DEFICIT FUND BALANCES

At June 30, 2006, the following City funds had deficit fund balances:

Major Fund:	
Redevelopment Agency Debt Service	<u>(\$2,914,737)</u>
Non Major Funds:	
General Facility	(\$93,760)
FEMA – El Nino Disaster	(48,019)
Community Center	(6,714)
AB2766 Grants	(838)
Office of Traffic Safety Grant	<u>(997)</u>
Total Non Major Funds	<u>(\$150,328)</u>

The Redevelopment Agency Debt Service fund deficit will be eliminated by future tax increment revenue. The General Facility fund deficit will be eliminated by future impact fee revenues. The FEMA – El Nino Disaster deficit will be eliminated by future disaster assistance revenues. The Community Center fund deficit will be eliminated by a future pledged private contribution. The AB2766 Grant and Office of Traffic Safety Grant funds' deficits will be eliminated by future grant funds.

11. PENSION PLAN

Plan Description

The City's defined benefit pension plans, the Safety Plan of the City of Scotts Valley ("Safety Plan") and the Miscellaneous Plan of the City of Scotts Valley ("Miscellaneous Plan"), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Safety Plan and the Miscellaneous Plan are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Menus of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006**

11. PENSION PLAN (continued)

Funded Status

Because the City has less than 100 employees, it is required to participate in a risk pool. Therefore, no required supplementary information is provided in this report regarding the funded status of the City's Plans.

Funding Policy

The City contributes for active plan members in the Safety Plan and Miscellaneous Plan 9% and 7%, respectively, of their annual covered salaries. The City also is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal 2005/2006 was 11.237% for Miscellaneous Plan employees and 24.613% for Safety Plan employees. The contribution requirements of the plan are established by State statute and the employer contribution rates are established and may be amended by CalPERS. The funded status of each Plan for each of the three years ended June 30, 2006 is described on Page 60 of these financial statements.

Annual Pension Cost

For fiscal year 2004/2005, the City's annual pension cost for the Safety Plan was \$274,247 and the City actually contributed \$274,247. For the fiscal year 2004/2005, the City's annual pension cost for the Miscellaneous Plan was \$179,370 and the City actually contributed \$179,370. The required contribution for fiscal year 2004/2005 was determined as part of the June 30, 2002 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percentage of pay.

The Safety Plan's and Miscellaneous Plan's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2004 was 19 years for the Safety Plan and 20 years for the Miscellaneous Plan.

Three-Year Trend Information

Fiscal Year Ending	Miscellaneous Plan			Safety Plan		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$16,803	100%	\$0	\$118,064	100%	\$0
6/30/2005	\$179,370	100%	\$0	\$274,247	100%	\$0
6/30/2006	\$329,416	100%	\$0	\$379,717	100%	\$0

12. POSTEMPLOYMENT BENEFITS

The City provides postemployment benefits to eligible employees in the form of partial reimbursement for postretirement health insurance premiums. Eligibility requirements include a minimum of ten years employment with the City and minimum retirement ages of 50 years for safety employees and 55 years for non-safety employees. For eligible employees, the City will pay 33-75% of the retired employee's health insurance premiums, the exact amount determined by years of service, employee group, and age. In addition, there is a cap on what the City will contribute that is indexed to the cost of CalPERS postretirement medical insurance premiums.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006**

12. POSTEMPLOYMENT BENEFITS (continued)

The obligation of the City to provide these benefits is determined by agreements with the various employee bargaining groups.

The City's contributions are financed on a pay-as-you-go basis. The City paid \$55,725 in post employment benefits for the 11 retired employees who were eligible for benefits during the fiscal year ended June 30, 2005.

13. JOINT POWERS AUTHORITY

The City participates in a public entity risk pool under a joint power agreement (JPA): the Monterey Bay Area Self Insurance Authority. The relationship between the City and the JPA is such that the JPA is not a component of the City for financial reporting purposes.

The Monterey Bay Area Self Insurance Authority (MBASIA) provides for workers' compensation and liability insurance for its members: various small cities in the Monterey Bay Area. The MBASIA is governed by a board of directors composed of representatives from each of the member cities. This board controls the operations of the MBASIA, including selection of management and approval of operating budgets independent of any influence by the member cities beyond their representation on the Board. Each member city pays a premium based on factors determined by the board. Below is the condensed financial information of the MBASIA for the fiscal year ended June 30, 2005 (fiscal year 2006 not available at the time of the printing of the City's financial statements):

Total Assets	\$12,458,360	Total Revenues	\$3,989,030
Total Liabilities	<u>21,101,196</u>	Total Expenditures	<u>7,061,690</u>
Fund Balance	<u>(\$8,642,836)</u>	Net Income	<u>(\$3,072,660)</u>

The City paid \$130,528 for workers compensation and \$155,107 for liability premiums during the 2005/2006 year. The City's share of the fiscal year-end assets, liabilities, or fund equity has not been calculated by the MBASIA.

14. ADVANCE REFUNDING OF LONG-TERM DEBT

On June 14, 2006, the Scotts Valley Redevelopment Agency (Agency) issued \$6,810,000 in Refunding Tax Allocation Bonds with a weighted average interest rate of 4.31%. The proceeds of these bonds plus \$359,558 from a reserve fund for the refunded debt were used to advance refund the Agency's 1999 Tax Allocation Bonds and pay off a note payable to the City of Santa Cruz. The 1999 Tax Allocation Bonds had an outstanding balance of \$4,830,000 and a remaining weighted average interest rate of 5.13%. The Santa Cruz Note had an outstanding balance of \$1,831,096 and an interest rate of 5%. Proceeds of \$5,017,200 were used to purchase U.S. Government Securities and deposited in an irrevocable trust with an escrow agent to provide \$5,048,346 of the future debt service payments on the 1999 Tax Allocation Bonds. As a result, that portion of the 1999 Tax Allocation Bonds is considered to be defeased and the liability for those bonds has been removed from the City's financial statements. Proceeds of \$1,834,402 were used to pay off the Santa Cruz Note.

The decrease in the Agency's total debt service payments related solely to the advance refunding of the 1999 Tax Allocation Bonds is \$833,626 spread over the next 23 years. The advanced refunding also produced an economic gain of \$350,431. This represents the difference between the present values of the debt service payments on the old and new debt.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2006

15. SUBSEQUENT EVENT

On September 7, 2006, the City issued \$2,735,000 in Certificates of Participation with a weighted average interest rate of 4.13%. The proceeds of these Certificates plus \$507,808 from a reserve fund for the refunded debt were used to currently refund all remaining serial and term Certificates of the 1997 Certificates of Participation. The refunded Certificates had a weighted average interest rate of 4.97% and an outstanding balance of \$2,995,000. There will still be \$1,250,588 of capital appreciation Certificates remaining of the 1997 Certificates issue. There was no call provision for these Certificates. Proceeds of \$3,072,600 were deposited in an escrow fund with an escrow agent to pay the debt on the 1997 Certificates on October 1, 2006.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2006**

1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budget operates from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees, and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows the procedures below in establishing the budgetary data reflected in the basic financial statements:

- The City Manager submits a proposed budget to the City Council which includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain citizen comments.
- The City Council legally adopts the operating and capital improvement budgets through passage of a resolution.

Once the budget is adopted, legal budgetary control is established by requiring the following transactions to be approved by the City Council:

- Transfers between funds.
- Any budget amendment that would increase a fund's total appropriations.
- Any budget amendment that would increase a fund's total appropriation of operating expenditures.

Management may approve transfers of all other line item appropriations within a fund without the approval of the City Council.

Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations at fiscal year end are reappropriated in the following fiscal year.

Formal budgetary control is integrated into the City's general ledger as a management control device during the fiscal year.

On the following pages are the budget comparison schedules for the General Fund and each major special revenue fund that has a legally adopted annual budget. These schedules are presented with the budgetary basis amounts and reconciled to the Accounting Principles Generally Accepted in the United States of America (USGAAP) basis at the end. The basis adjustments are for the following:

- General Fund - compensated absences are budgeted on the cash basis whereas USGAAP uses the accrual basis.
- Affordable Housing – this Fund makes loans for individuals to purchase low and moderate income housing. Budgetary amounts include principal repayments as income and new loans as expenditures whereas USGAAP treats these as reductions and increases in notes receivable.

**CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 4,574,900	\$ 4,634,294	\$ 5,598,061	\$ 963,767
Franchise fees	674,000	674,000	755,946	81,946
Fines & forfeitures	55,000	55,000	85,427	30,427
Charges for services	549,310	549,310	574,953	25,643
Investment earnings	159,000	159,000	128,884	(30,116)
Other revenue	295,000	295,000	426,876	131,876
Total Revenue	<u>6,307,210</u>	<u>6,366,604</u>	<u>7,570,147</u>	<u>1,203,543</u>
Expenditures:				
Legislative	152,592	171,163	164,974	6,189
Legal	75,550	75,550	69,607	5,943
General government	861,536	938,366	934,505	3,861
Administration	194,817	201,792	200,632	1,160
Finance	508,276	508,880	508,056	824
Police	3,361,828	3,573,668	3,570,707	2,961
Animal control	80,912	80,912	80,000	912
Emergency services	44,217	49,261	47,199	2,062
Planning	411,264	361,379	353,659	7,720
Building	181,615	118,286	110,846	7,440
Engineering	446,716	465,353	464,015	1,338
Street maintenence	423,027	353,437	338,237	15,200
Vehicle maintenance	97,952	104,211	102,536	1,675
Park maintenance	355,123	282,330	276,402	5,928
Building maintenance	196,669	195,080	185,512	9,568
Total Expenditures	<u>7,392,094</u>	<u>7,479,668</u>	<u>7,406,887</u>	<u>72,781</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,084,884)	(1,113,064)	163,260	1,276,324
Other Financing Sources (Uses):				
Operating Transfers In	788,726	788,726	0	(788,726)
Operating Transfers Out	<u>(23,276)</u>	<u>(180,197)</u>	<u>(180,197)</u>	<u>0</u>
Net Change in Fund Balance (Budgetary and USGAAP Basis)	(319,434)	(504,535)	(16,937)	487,598
Beginning Fund Balance	<u>5,390,352</u>	<u>5,390,352</u>	<u>5,390,352</u>	<u>0</u>
Ending Fund Balance	<u>\$ 5,070,918</u>	<u>\$ 4,885,817</u>	<u>\$ 5,373,415</u>	<u>\$ 487,598</u>

**CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - AFFORDABLE HOUSING
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 804,000	\$ 804,000	\$ 1,001,180	\$ 197,180
Investment earnings	50,000	50,000	118,221	68,221
Other revenue	0	0	1,300	1,300
Total Revenues	<u>854,000</u>	<u>854,000</u>	<u>1,120,701</u>	<u>266,701</u>
Expenditures:				
Planning	<u>1,252,474</u>	<u>1,252,474</u>	<u>235,256</u>	<u>1,017,218</u>
Total Expenditures	<u>1,252,474</u>	<u>1,252,474</u>	<u>235,256</u>	<u>1,017,218</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(398,474)	(398,474)	885,445	1,283,919
Other Financing Sources (Uses):				
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>(28,075)</u>	<u>(28,075)</u>
Net Changes in Fund Balance (Budgetary and USGAAP Basis)	(398,474)	(398,474)	857,370	1,255,844
Beginning Fund Balance	<u>3,708,405</u>	<u>3,708,405</u>	<u>3,708,405</u>	<u>0</u>
Ending Fund Balance	<u>\$ 3,309,931</u>	<u>\$ 3,309,931</u>	<u>\$ 4,565,775</u>	<u>\$ 1,255,844</u>

**SUPPLEMENTAL
INFORMATION**

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
JUNE 30, 2006**

The following three disclosures are being provided as supplemental information to the financial statements.

1. Major Funds Budgetary Comparison Schedules (pages 65 – 67)

GASB 34 requires budgetary comparison schedules be presented as required supplementary information for the General Fund and each major special revenue fund that has a legally adopted annual budget. Budgetary comparison schedules for the other major funds (listed below) are presented in this section as supplemental information:

	<u>Page</u>
Debt Service Fund:	
Redevelopment Agency Debt Service Fund	65
Proprietary Funds:	
Recreation Fund	66
Wastewater Fund	67

As stated in the footnotes, the Public Financing Authority Fund does not have a legally adopted annual budget and, therefore, no schedule for that fund is presented here.

These schedules are presented with the budgetary basis amounts and then reconciled to the Accounting Principles Generally Accepted in the United States of America (USGAAP) basis. Budgetary amounts are on the cash basis. The basis adjustments for prepaid expenses and compensated absences convert the amounts to the accrual (USGAAP) basis. The capital outlay adjustment is necessary because these items are capitalized and depreciated over time. Principal payments reduce long-term debt. The City does not budget for depreciation; it is a non-cash expense.

2. Non Major Governmental Funds (pages 68 – 107)

All non major funds are presented in the Fund Financial Statements as a total in one column entitled "Other Governmental Funds." Presented in this section are combining schedules for the following statements:

	<u>Page</u>
Balance Sheet	68
Statement of Revenues, Expenditures, and Changes in Fund Balances	76
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual	84

The schedules show separate totals for the special revenue funds, debt service fund, and capital projects funds as well as a grand total.

3. Fiduciary Funds (pages 108 – 111)

The Statement of Fiduciary Net Assets is presented on page 33. Included in this supplemental information section is the Combining Statement of Fiduciary Net Assets and the Combining Statement of Changes of Assets and Liabilities for all Fiduciary Funds.

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
MAJOR FUND BUDGETARY SCHEDULE - REDEVELOPMENT AGENCY DEBT SERVICE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,216,000	\$ 3,999,003	\$ 4,004,719	\$ 5,716
Investment Earnings	25,000	25,000	63,958	38,958
Total Revenues	<u>3,241,000</u>	<u>4,024,003</u>	<u>4,068,677</u>	<u>44,674</u>
Expenditures:				
Tax Increment Pass-Through	2,090,000	2,758,236	2,758,236	0
Debt Service:				
Principal	499,709	2,084,353	2,084,353	0
Interest and Finance Charges	563,460	568,518	563,642	4,876
Refunding Bond Issuance Costs	0	354,330	354,330	0
Total Expenditures	<u>3,153,169</u>	<u>5,765,437</u>	<u>5,760,561</u>	<u>4,876</u>
Excess (Deficiency) of Revenues over (under) Expenditures	87,831	(1,741,434)	(1,691,884)	49,550
Other Financing Sources (Uses):				
Transfers In	333,052	333,052	28,075	(304,977)
Transfers Out	(390,789)	(390,789)	(375,109)	15,680
Proceeds from Debt	0	6,810,000	6,810,000	0
Premium on Debt Issued	0	36,465	36,465	0
Payment to Refunded Debt Escrow	0	(5,017,200)	(5,017,200)	0
Net other Financing Sources (Uses)	<u>(57,737)</u>	<u>1,771,528</u>	<u>1,482,231</u>	<u>(289,297)</u>
Net Change in Fund Balance (Budgetary and USGAAP Basis)	30,094	30,094	(209,653)	(239,747)
Beginning Fund Balance	<u>(2,705,084)</u>	<u>(2,705,084)</u>	<u>(2,705,084)</u>	<u>0</u>
Ending Fund Balance	<u>\$ (2,674,990)</u>	<u>\$ (2,674,990)</u>	<u>\$ (2,914,737)</u>	<u>\$ (239,747)</u>

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
MAJOR FUND BUDGETARY SCHEDULE - RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues:				
Fees and Services	\$ 945,500	\$ 945,500	\$ 877,628	\$ (67,872)
Total Operating Revenues	<u>945,500</u>	<u>945,500</u>	<u>877,628</u>	<u>(67,872)</u>
Operating Expenses:				
Salaries	506,675	522,564	522,149	415
Taxes and Benefits	133,803	127,803	125,863	1,940
Maintenance and Operations	123,153	139,143	130,594	8,549
Advertising	5,000	8,925	8,925	0
Professional and Contractual Services	141,794	126,794	125,950	844
Utilities and Communications	19,426	17,124	16,892	232
Insurance and Bonds	16,637	16,753	16,753	0
Facility Rental	0	5,873	5,873	0
Total Operating Expenses	<u>946,488</u>	<u>964,979</u>	<u>952,999</u>	<u>11,980</u>
(Loss) from Operations	(988)	(19,479)	(75,371)	(55,892)
Nonoperating Revenues:				
Other Income	1,000		0	0
Net (Loss) before Transfers	12	(19,479)	(75,371)	(55,892)
Transfers In	0	0	68,610	68,610
Change in Net Assets (Budgetary Basis)	12	(19,479)	(6,761)	12,718
Basis Adjustments:				
Prepaid Expenses	0	0	1,330	1,330
Depreciation	0	0	(8,255)	(8,255)
Change in Net Assets (USGAAP Basis)	12	(19,479)	(13,686)	5,793
Total Net Assets - Beginning	<u>(129,665)</u>	<u>(129,665)</u>	<u>(129,665)</u>	<u>0</u>
Total Net Assets - Ending	<u>\$ (129,653)</u>	<u>\$ (149,144)</u>	<u>\$ (143,351)</u>	<u>\$ 5,793</u>

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
MAJOR FUND BUDGETARY SCHEDULE - WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues:				
Fees and Services	\$ 1,713,300	\$ 1,748,300	\$ 1,742,289	\$ (6,011)
Total Operating Revenues	<u>1,713,300</u>	<u>1,748,300</u>	<u>1,742,289</u>	<u>(6,011)</u>
Operating Expenses:				
Salaries	479,873	485,183	485,111	72
Taxes and Benefits	224,063	227,413	226,943	470
Maintenance and Operations	502,050	532,650	525,688	6,962
Professional and Contractual Services	26,000	26,000	24,802	1,198
Utilities and Communications	287,000	302,000	290,362	11,638
Insurance and Bonds	46,856	46,796	37,683	9,113
Capital Outlay	<u>203,500</u>	<u>188,875</u>	<u>148,379</u>	<u>40,496</u>
Total Operating Expenses	<u>1,769,342</u>	<u>1,808,917</u>	<u>1,738,968</u>	<u>69,949</u>
(Loss) from Operations	(56,042)	(60,617)	3,321	63,938
Nonoperating Revenues (Expenditures):				
Interest Income	112,000	147,000	244,255	97,255
Connection Fees	74,000	74,000	149,109	75,109
Rent and Other	0	0	7,600	7,600
Principal Payment on Long-Term Debt	(9,264)	(46,364)	(46,316)	48
Interest Expense	<u>(2,316)</u>	<u>(2,316)</u>	<u>(2,316)</u>	<u>0</u>
Net Income before Transfers	118,378	111,703	355,653	243,950
Transfers Out	<u>0</u>	<u>0</u>	<u>(43,500)</u>	<u>(43,500)</u>
Change in Net Assets (Budgetary Basis)	118,378	111,703	312,153	200,450
Basis Adjustments:				
Capital Outlay	0	0	148,379	148,379
Principal Payment on Long-Term Debt	0	0	46,316	46,316
Depreciation	<u>0</u>	<u>0</u>	<u>(939,503)</u>	<u>(939,503)</u>
Change in Net Assets (USGAAP Basis)	118,378	111,703	(432,655)	(544,358)
Total Net Assets - Beginning	<u>25,475,590</u>	<u>25,475,590</u>	<u>25,475,590</u>	<u>0</u>
Total Net Assets - Ending	<u>\$ 25,593,968</u>	<u>\$ 25,587,293</u>	<u>\$ 25,042,935</u>	<u>\$ (544,358)</u>

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue Funds			
	Recycling	Gas Tax	Drainage Construction	Traffic Impact Mitigation
ASSETS				
Cash and Investments	\$ 355,639	\$ 217,608	\$ 98,737	\$ 47,620
Receivables:				
Due from other Governments	0	36,316	0	0
Other	0	0	0	0
Due from other Funds	0	0	0	594,087
Long-Term Loans Due	0	0	0	0
 Total Assets	<u>\$ 355,639</u>	<u>\$ 253,924</u>	<u>\$ 98,737</u>	<u>\$ 641,707</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 441	\$ 0	\$ 0	\$ 0
Accrued Liabilities	0	0	0	0
Due to other Funds	0	0	0	0
Advances Due to other Funds	0	0	0	0
Deferred Revenues	0	0	0	0
 Total Liabilities	441	0	0	0
 Fund Balances (Deficit):				
Reserved	0	0	0	0
Unreserved, report in Special Revenue Funds:				
Designated	0	0	0	0
Undesignated	355,198	253,924	98,737	641,707
Debt Service Fund - Designated	0	0	0	0
 Total Fund Balances (Deficit)	355,198	253,924	98,737	641,707
 Total Liabilities and Fund Balances (Deficit)	<u>\$ 355,639</u>	<u>\$ 253,924</u>	<u>\$ 98,737</u>	<u>\$ 641,707</u>

Special Revenue Funds

Park and Recreation Facilities	General Facility	Police Facility	Senior Center	Natural Disaster Assistance
\$ 187,520	\$ 58,486	\$ 424,527	\$ 15,286	\$ 218,099
0	0	0	0	0
0	0	0	0	0
0	0	0	0	288,524
0	0	0	0	0
<u>\$ 187,520</u>	<u>\$ 58,486</u>	<u>\$ 424,527</u>	<u>\$ 15,286</u>	<u>\$ 506,623</u>
\$ 0	\$ 0	\$ 0	\$ 1,847	\$ 0
0	0	0	2,052	0
0	0	0	0	0
0	139,532	0	0	0
0	0	0	0	0
<u>0</u>	<u>139,532</u>	<u>0</u>	<u>3,899</u>	<u>0</u>
0	0	0	0	0
0	0	0	11,387	0
187,520	(81,046)	424,527	0	506,623
0	0	0	0	0
<u>187,520</u>	<u>(81,046)</u>	<u>424,527</u>	<u>11,387</u>	<u>506,623</u>
<u>\$ 187,520</u>	<u>\$ 58,486</u>	<u>\$ 424,527</u>	<u>\$ 15,286</u>	<u>\$ 506,623</u>

(Continued)

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue Funds			
	FEMA- El Nino Disaster	Tree Replacement	Pinewood Estates Landscape Maintenance District	Skypark Landscape Maintenance District
ASSETS				
Cash and Investments	\$ 240,505	\$ 24,501	\$ 19,605	\$ 310,819
Receivables:				
Due from other Governments	0	0	0	0
Other	0	0	0	0
Due from other Funds	0	0	0	0
Long-Term Loans Due	0	0	0	0
 Total Assets	\$ 240,505	\$ 24,501	\$ 19,605	\$ 310,819
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 7	\$ 917
Accrued Liabilities	0	0	0	0
Due to other Funds	288,524	0	0	0
Advances Due to other Funds	0	0	0	0
Deferred Revenues	0	0	0	0
 Total Liabilities	288,524	0	7	917
 Fund Balances (Deficit):				
Reserved	0	0	0	0
Unreserved, report in Special Revenue Funds:				
Designated	0	0	0	289,802
Undesignated	(48,019)	24,501	19,598	20,100
Debt Service Fund - Designated	0	0	0	0
 Total Fund Balances (Deficit)	(48,019)	24,501	19,598	309,902
 Total Liabilities and Fund Balances (Deficit)	\$ 240,505	\$ 24,501	\$ 19,605	\$ 310,819

Special Revenue Funds

Library Fees	SMIP Fees	Community Center Operations	AB2766 Grants	COPS Universal Hiring Grant	Office of Traffic Safety Grant
\$ 481,385	\$ 2,371	\$ 11,067	\$ 43,513	\$ 9,503	\$ 0
0	0	0	15,300	0	26,389
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$ 481,385</u>	<u>\$ 2,371</u>	<u>\$ 11,067</u>	<u>\$ 58,813</u>	<u>\$ 9,503</u>	<u>\$ 26,389</u>
\$ 0	\$ 0	\$ 1,334	\$ 0	\$ 0	\$ 0
0	0	220	0	0	246
0	0	16,227	59,651	0	27,140
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>17,781</u>	<u>59,651</u>	<u>0</u>	<u>27,386</u>
0	0	0	0	0	0
0	0	0	0	0	0
481,385	2,371	(6,714)	(838)	9,503	(997)
0	0	0	0	0	0
<u>481,385</u>	<u>2,371</u>	<u>(6,714)</u>	<u>(838)</u>	<u>9,503</u>	<u>(997)</u>
<u>\$ 481,385</u>	<u>\$ 2,371</u>	<u>\$ 11,067</u>	<u>\$ 58,813</u>	<u>\$ 9,503</u>	<u>\$ 26,389</u>

(Continued)

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue Funds			
	Supplemental Law Enforcement Services	Surface Transportation Projects Grant	Police Development Fees	CLEEP Grant
ASSETS				
Cash and Investments	\$ 79,443	\$ 23,406	\$ 143,480	\$ 4,090
Receivables:				
Due from other Governments	0	0	0	0
Other	0	0	0	0
Due from other Funds	0	0	0	0
Long-Term Loans Due	0	0	0	0
Total Assets	\$ 79,443	\$ 23,406	\$ 143,480	\$ 4,090
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Liabilities	0	0	0	0
Due to other Funds	0	0	0	0
Advances Due to other Funds	0	0	0	0
Deferred Revenues	0	0	0	0
Total Liabilities	0	0	0	0
Fund Balances (Deficit):				
Reserved	0	0	0	0
Unreserved, report in Special Revenue Funds:				
Designated	0	0	0	0
Undesignated	79,443	23,406	143,480	4,090
Debt Service Fund - Designated	0	0	0	0
Total Fund Balances (Deficit)	79,443	23,406	143,480	4,090
Total Liabilities and Fund Balances (Deficit)	\$ 79,443	\$ 23,406	\$ 143,480	\$ 4,090

<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>
<u>SCCNET Grant</u>	<u>Community Development Block Grant</u>	<u>Sand Hills HCP Grant</u>	<u>Total</u>	<u>COP Debt Service</u>
\$ 1,040	\$ 487,465	\$ 0	\$ 3,505,715	\$ 1,524,941
593	0	0	78,598	0
0	0	0	0	0
0	0	0	882,611	0
0	400,000	0	400,000	0
<u>\$ 1,633</u>	<u>\$ 887,465</u>	<u>\$ 0</u>	<u>\$ 4,866,924</u>	<u>\$ 1,524,941</u>
0	0	0	4,546	0
0	0	0	2,518	0
1,174	0	0	392,716	0
0	0	0	139,532	0
0	400,000	0	400,000	0
<u>1,174</u>	<u>400,000</u>	<u>0</u>	<u>939,312</u>	<u>0</u>
0	0	0	0	0
0	0	0	301,189	0
459	487,465	0	3,626,423	0
0	0	0	0	1,524,941
<u>459</u>	<u>487,465</u>	<u>0</u>	<u>3,927,612</u>	<u>1,524,941</u>
<u>\$ 1,633</u>	<u>\$ 887,465</u>	<u>\$ 0</u>	<u>\$ 4,866,924</u>	<u>\$ 1,524,941</u>

(Continued)

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Capital Projects Funds			
	Redevelop- ment Agency	Mt. Hermon Road Improvement Construction	Scotts Valley Drive A Improvement District	FHWA Projects
ASSETS				
Cash and Investments	\$ 13,325	\$ 203,883	\$ 126,538	\$ 37,314
Receivables:				
Due from other Governments	0	0	0	5,644
Other	0	0	0	0
Due from other Funds	0	0	0	0
Long-Term Loans Due	0	0	0	0
 Total Assets	\$ 13,325	\$ 203,883	\$ 126,538	\$ 42,958
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 6,830	\$ 0	\$ 0	\$ 3,372
Accrued Liabilities	6,495	0	0	0
Due to other Funds	0	0	0	0
Advances Due to other Funds	0	0	0	0
Deferred Revenues	0	0	0	0
 Total Liabilities	13,325	0	0	3,372
 Fund Balances (Deficit):				
Reserved	0	203,883	126,538	39,586
Unreserved, report in				
Special Revenue Funds:				
Designated	0	0	0	0
Undesignated	0	0	0	0
Debt Service Fund - Designated	0	0	0	0
 Total Fund Balances (Deficit)	0	203,883	126,538	39,586
 Total Liabilities and Fund Balances (Deficit)	\$ 13,325	\$ 203,883	\$ 126,538	\$ 42,958

Capital Projects Funds

General Capital Improvements	Total	Total Non Major Governmental Funds
\$ 0	\$ 381,060	\$ 5,411,716
964,266	969,910	1,048,508
0	0	0
0	0	882,611
0	0	400,000
\$ 964,266	\$ 1,350,970	\$ 7,742,835
\$ 0	\$ 10,202	\$ 14,748
0	6,495	9,013
734,717	734,717	1,127,433
0	0	139,532
0	0	400,000
734,717	751,414	1,690,726
229,549	599,556	599,556
0	0	301,189
0	0	3,626,423
0	0	1,524,941
229,549	599,556	6,052,109
\$ 964,266	\$ 1,350,970	\$ 7,742,835

(Concluded)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	Special Revenue Funds			
	Recycling	Gas Tax	Drainage Construction	Traffic Impact Mitigation
Revenues:				
Taxes and Assessments	\$ 103,983	\$ 216,657	\$ 0	\$ 0
Intergovernmental Revenues	5,000	51,829	0	0
Fees and Services	0	0	25,426	118,904
Investment Earnings	11,814	1,030	3,204	18,529
Contributions, Non-Government	0	0	0	0
Miscellaneous Revenues	0	0	0	0
	<u>120,797</u>	<u>269,516</u>	<u>28,630</u>	<u>137,433</u>
Total Revenues				
Expenditures:				
Current:				
Public Safety	0	0	0	0
Planning and Building	0	0	0	0
Public Works	100,759	0	0	0
Capital Outlay	0	0	0	0
	<u>100,759</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures				
Excess of Revenues over (under) Expenditures	20,038	269,516	28,630	137,433
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers (Out)	0	(37,273)	0	(35,398)
	<u>0</u>	<u>(37,273)</u>	<u>0</u>	<u>(35,398)</u>
Excess of Revenues and other Sources over (under) Expenditures and other Uses	20,038	232,243	28,630	102,035
Beginning Fund Balances (Deficit)	<u>335,160</u>	<u>21,681</u>	<u>70,107</u>	<u>539,672</u>
Ending Fund Balances (Deficit)	<u>\$ 355,198</u>	<u>\$ 253,924</u>	<u>\$ 98,737</u>	<u>\$ 641,707</u>

Special Revenue Funds

Park and Recreation Facilities	General Facility	Police Facility	Senior Center	Natural Disaster Assistance
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0
90,517	8,470	55,600	52,331	0
5,644	1,647	14,735	497	16,433
0	0	0	4,123	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>973</u>	<u>0</u>
<u>96,161</u>	<u>10,117</u>	<u>70,335</u>	<u>57,924</u>	<u>16,433</u>
0	0	0	0	0
0	0	0	0	0
2,634	0	0	84,995	0
<u>12,714</u>	<u>0</u>	<u>4,306</u>	<u>0</u>	<u>0</u>
<u>15,348</u>	<u>0</u>	<u>4,306</u>	<u>84,995</u>	<u>0</u>
80,813	10,117	66,029	(27,071)	16,433
0	0	0	25,839	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
80,813	10,117	66,029	(1,232)	16,433
<u>106,707</u>	<u>(91,163)</u>	<u>358,498</u>	<u>12,619</u>	<u>490,190</u>
<u>\$ 187,520</u>	<u>\$ (81,046)</u>	<u>\$ 424,527</u>	<u>\$ 11,387</u>	<u>\$ 506,623</u>

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	Special Revenue Funds			
	FEMA- El Nino Disaster	Tree Replacement	Pinewood Estates Landscape Maintenance District	Skypark Landscape Maintenance District
Revenues:				
Taxes and Assessments	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	1,334	0	0	0
Fees and Services	0	2,480	6,120	43,399
Investment Earnings	0	855	634	10,892
Contributions, Non-Government	0	0	0	0
Miscellaneous Revenues	0	0	0	0
Total Revenues	1,334	3,335	6,754	54,291
Expenditures:				
Current:				
Public Safety	0	0	0	0
Planning and Building	0	0	0	0
Public Works	0	150	4,574	43,668
Capital Outlay	0	0	0	0
Total Expenditures	0	150	4,574	43,668
Excess of Revenues over (under) Expenditures	1,334	3,185	2,180	10,623
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	1,334	3,185	2,180	10,623
Beginning Fund Balances (Deficit)	(49,353)	21,316	17,418	299,279
Ending Fund Balances (Deficit)	\$ (48,019)	\$ 24,501	\$ 19,598	\$ 309,902

Special Revenue Funds

Library Fees	SMIP Fees	Community Center Operations	AB 2766	COPS Universal Hiring Grant	Office of Traffic Safety Grant
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	26,389
14,482	58	26,287	0	0	0
17,104	149	149	590	341	0
0	0	0	0	0	0
0	0	390	0	0	0
<u>31,586</u>	<u>207</u>	<u>26,826</u>	<u>590</u>	<u>341</u>	<u>26,389</u>
0	0	0	0	0	4,739
0	0	0	0	0	0
0	0	29,651	0	0	0
0	0	0	0	0	22,647
<u>0</u>	<u>0</u>	<u>29,651</u>	<u>0</u>	<u>0</u>	<u>27,386</u>
31,586	207	(2,825)	590	341	(997)
0	0	0	0	0	0
0	0	0	0	0	0
31,586	207	(2,825)	590	341	(997)
<u>449,799</u>	<u>2,164</u>	<u>(3,889)</u>	<u>(1,428)</u>	<u>9,162</u>	<u>0</u>
<u>\$ 481,385</u>	<u>\$ 2,371</u>	<u>\$ (6,714)</u>	<u>\$ (838)</u>	<u>\$ 9,503</u>	<u>\$ (997)</u>

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	Special Revenue Funds			
	Supplemental Law Enforcement Services	Surface Transportation Projects Grant	Police Development Fees	CLEEP Grant
Revenues:				
Taxes and Assessments	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	100,000	0	0	0
Fees and Services	0	0	1,000	0
Investment Earnings	2,847	839	5,147	156
Contributions, Non-Government	0	0	0	0
Miscellaneous Revenues	0	0	0	0
Total Revenues	102,847	839	6,147	156
Expenditures:				
Current:				
Public Safety	64,490	0	0	842
Planning and Building	0	0	0	0
Public Works	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	64,490	0	0	842
Excess of Revenues over (under) Expenditures	38,357	839	6,147	(686)
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	38,357	839	6,147	(686)
Beginning Fund Balances (Deficit)	41,086	22,567	137,333	4,776
Ending Fund Balances (Deficit)	\$ 79,443	\$ 23,406	\$ 143,480	\$ 4,090

Special Revenue Funds				Debt Service Fund
SCCNET Grant	Community Development Block Grant	Sand Hills HCP Grant	Total	COP Debt Service
\$ 0	\$ 0	0	\$ 320,640	\$ 0
4,793	0	23,094	212,439	0
0	0	0	445,074	0
14	18,200	0	131,450	52,444
0	0	0	4,123	0
0	183,652	0	185,015	0
<u>4,807</u>	<u>201,852</u>	<u>23,094</u>	<u>1,298,741</u>	<u>52,444</u>
6,291	0	0	76,362	0
0	0	23,094	23,094	0
0	0	0	266,431	0
0	0	0	39,667	0
<u>6,291</u>	<u>0</u>	<u>23,094</u>	<u>405,554</u>	<u>0</u>
(1,484)	201,852	0	893,187	52,444
0	0	0	25,839	79,748
0	0	0	(72,671)	0
(1,484)	201,852	0	846,355	132,192
<u>1,943</u>	<u>285,613</u>	<u>0</u>	<u>3,081,257</u>	<u>1,392,749</u>
<u>\$ 459</u>	<u>\$ 487,465</u>	<u>0</u>	<u>\$ 3,927,612</u>	<u>\$ 1,524,941</u>

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

	Capital Projects Funds			
	Redevelop- ment Agency	Mt. Hermon Road Improvement Construction	Scotts Valley Drive A Improvement District	FHWA Projects
Revenues:				
Taxes and Assessments	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0	0
Fees and Services	0	0	0	0
Investment Earnings	0	7,322	4,544	1,348
Contributions, Non-Government	0	0	0	0
Miscellaneous Revenues	0	0	0	0
Total Revenues	0	7,322	4,544	1,348
Expenditures:				
Current:				
Public Safety	0	0	0	0
Planning and Building	356,955	0	0	0
Public Works	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	356,955	0	0	0
Excess of Revenues over (under) Expenditures	(356,955)	7,322	4,544	1,348
Other Financing Sources (Uses):				
Transfers In	375,109	0	0	0
Transfers (Out)	(18,154)	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	0	7,322	4,544	1,348
Beginning Fund Balances (Deficit)	0	196,561	121,994	38,238
Ending Fund Balances (Deficit)	\$ 0	\$ 203,883	\$ 126,538	\$ 39,586

Capital Projects Funds

<u>General Capital Improvements</u>	<u>Total</u>	<u>Total Non Major Governmental Funds</u>
\$ 0	\$ 0	\$ 320,640
959,700	959,700	1,172,139
0	0	445,074
894	14,108	198,002
6,000	6,000	10,123
0	0	185,015
<u>966,594</u>	<u>979,808</u>	<u>2,330,993</u>
0	0	76,362
0	356,955	380,049
0	0	266,431
<u>1,164,612</u>	<u>1,164,612</u>	<u>1,204,279</u>
<u>1,164,612</u>	<u>1,521,567</u>	<u>1,927,121</u>
(198,018)	(541,759)	403,872
140,325	515,434	621,021
<u>0</u>	<u>(18,154)</u>	<u>(90,825)</u>
(57,693)	(44,479)	934,068
<u>287,242</u>	<u>644,035</u>	<u>5,118,041</u>
<u>\$ 229,549</u>	<u>\$ 599,556</u>	<u>\$ 6,052,109</u>

(Concluded)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Budget	<u>Recycling</u> Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 98,000	\$ 103,983	\$ 5,983
Intergovernmental Revenues	5,000	5,000	0
Fees and Services	0	0	0
Investment Earnings	5,000	11,814	6,814
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	<u>108,000</u>	<u>120,797</u>	<u>12,797</u>
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	107,338	100,759	6,579
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
	<u>107,338</u>	<u>100,759</u>	<u>6,579</u>
Total Expenditures	<u>107,338</u>	<u>100,759</u>	<u>6,579</u>
Excess of Revenues over (under) Expenditures	662	20,038	19,376
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and other Sources over (under) Expenditures and other Uses	<u>\$ 662</u>	<u>20,038</u>	<u>\$ 19,376</u>
Beginning Fund Balances		<u>335,160</u>	
Ending Fund Balances		<u>\$ 355,198</u>	

Special Revenue Funds

<u>Gas Tax</u>			<u>Drainage Construction</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 222,000	\$ 216,657	\$ (5,343)	\$ 0	\$ 0	\$ 0
0	51,829	51,829	0	0	0
0	0	0	6,600	25,426	18,826
0	1,030	1,030	1,000	3,204	2,204
0	0	0	0	0	0
0	0	0	0	0	0
<u>222,000</u>	<u>269,516</u>	<u>47,516</u>	<u>7,600</u>	<u>28,630</u>	<u>21,030</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
10,000	0	10,000	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>10,000</u>	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
212,000	269,516	57,516	7,600	28,630	21,030
0	0	0	0	0	0
0	(37,273)	(37,273)	0	0	0
<u>\$ 212,000</u>	<u>232,243</u>	<u>\$ 20,243</u>	<u>\$ 7,600</u>	<u>28,630</u>	<u>\$ 21,030</u>
	<u>21,681</u>			<u>70,107</u>	
	<u>\$ 253,924</u>			<u>\$ 98,737</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Traffic Impact Mitigation		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0
Fees and Services	23,000	118,904	95,904
Investment Earnings	10,000	18,529	8,529
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	<u>33,000</u>	<u>137,433</u>	<u>104,433</u>
Total Revenues			
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	33,000	137,433	104,433
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	(35,398)	(35,398)
	<u>0</u>	<u>(35,398)</u>	<u>(35,398)</u>
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ <u>33,000</u>	\$ 102,035	\$ <u>69,035</u>
Beginning Fund Balances		<u>539,672</u>	
Ending Fund Balances		<u>\$ 641,707</u>	

Special Revenue Funds

<u>Park and Recreation Facilities</u>			<u>General Facility</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
39,700	90,517	50,817	10,400	8,470	(1,930)
1,900	5,644	3,744	700	1,647	947
0	0	0	0	0	0
0	0	0	0	0	0
<u>41,600</u>	<u>96,161</u>	<u>54,561</u>	<u>11,100</u>	<u>10,117</u>	<u>(983)</u>
0	0	0	0	0	0
0	0	0	0	0	0
2,700	2,634	66	0	0	0
12,714	12,714	0	14,000	0	14,000
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>15,414</u>	<u>15,348</u>	<u>66</u>	<u>14,000</u>	<u>0</u>	<u>14,000</u>
26,186	80,813	54,627	(2,900)	10,117	13,017
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 26,186</u>	80,813	<u>\$ 54,627</u>	<u>\$ (2,900)</u>	10,117	<u>\$ 13,017</u>
	<u>106,707</u>			<u>(91,163)</u>	
	<u>\$ 187,520</u>			<u>\$ (81,046)</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Police Facility		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	115,000	0	(115,000)
Fees and Services	25,000	55,600	30,600
Investment Earnings	7,000	14,735	7,735
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	147,000	70,335	(76,665)
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	145,000	4,306	140,694
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
	145,000	4,306	140,694
Excess of Revenues over (under) Expenditures	2,000	66,029	64,029
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ 2,000	66,029	\$ 64,029
Beginning Fund Balances		358,498	
Ending Fund Balances		\$ 424,527	

Special Revenue Funds

<u>Senior Center</u>			<u>Natural Disaster Assistance</u>		
<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
51,818	52,331	513	0	0	0
455	497	42	7,000	16,433	9,433
5,000	4,123	(877)	0	0	0
1,000	973	(27)	0	0	0
<u>58,273</u>	<u>57,924</u>	<u>(349)</u>	<u>7,000</u>	<u>16,433</u>	<u>9,432</u>
0	0	0	0	0	0
0	0	0	0	0	0
85,299	84,995	304	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>85,299</u>	<u>84,995</u>	<u>304</u>	<u>0</u>	<u>0</u>	<u>0</u>
(27,026)	(27,071)	(45)	7,000	16,433	9,432
0	25,839	25,839	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (27,026)</u>	<u>(1,232)</u>	<u>\$ 25,794</u>	<u>\$ 7,000</u>	<u>16,433</u>	<u>\$ 9,432</u>
	<u>12,619</u>			<u>490,190</u>	
	<u>\$ 11,387</u>			<u>\$ 506,623</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	<u>FEMA-El Nino Disaster</u>		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	1,334	1,334
Fees and Services	0	0	0
Investment Earnings	0	0	0
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
 Total Revenues	0	1,334	1,334
 Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
 Total Expenditures	0	0	0
 Excess of Revenues over (under) Expenditures	0	1,334	1,334
 Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
 Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ 0	1,334	\$ 1,334
 Beginning Fund Balances		(49,353)	
Ending Fund Balances		\$ (48,019)	

Special Revenue Funds

<u>Tree Replacement</u>			<u>Pinewood Estates Landscape Maintenance</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
1,500	2,480	980	6,000	6,120	120
400	855	455	300	634	334
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,900</u>	<u>3,335</u>	<u>1,435</u>	<u>6,300</u>	<u>6,754</u>	<u>454</u>
0	0	0	0	0	0
0	0	0	0	0	0
10,000	150	9,850	13,500	4,574	8,926
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>10,000</u>	<u>150</u>	<u>9,850</u>	<u>13,500</u>	<u>4,574</u>	<u>8,926</u>
(8,100)	3,185	11,285	(7,200)	2,180	9,380
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (8,100)</u>	3,185	<u>\$ 11,285</u>	<u>\$ (7,200)</u>	2,180	<u>\$ 9,380</u>
	<u>21,316</u>			<u>17,418</u>	
	<u>\$ 24,501</u>			<u>\$ 19,598</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Skypark Maintenance District		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0
Fees and Services	41,751	43,399	1,648
Investment Earnings	5,500	10,892	5,392
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	47,251	54,291	7,040
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	44,913	43,668	1,245
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
	44,913	43,668	1,245
Excess of Revenues over (under) Expenditures	2,338	10,623	8,285
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ 2,338	10,623	\$ 8,285
Beginning Fund Balances		299,279	
Ending Fund Balances		\$ 309,902	

Special Revenue Funds

<u>Library Fees</u>			<u>SMIP Fees</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
14,600	14,482	(118)	50	58	8
8,000	17,104	9,104	40	149	109
0	0	0	0	0	0
0	0	0	0	0	0
<u>22,600</u>	<u>31,586</u>	<u>8,986</u>	<u>90</u>	<u>207</u>	<u>117</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
22,600	31,586	8,986	90	207	117
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 22,600</u>	31,586	<u>\$ 8,986</u>	<u>\$ 90</u>	207	<u>\$ 117</u>
	<u>449,799</u>			<u>2,164</u>	
	<u>\$ 481,385</u>			<u>\$ 2,371</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Community Center Operations		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0
Fees and Services	29,829	26,287	(3,542)
Investment Earnings	0	149	149
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	500	390	(110)
Total Revenues	30,329	26,826	(3,503)
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	29,829	29,651	178
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
Total Expenditures	29,829	29,651	178
Excess of Revenues over (under) Expenditures	500	(2,825)	(3,325)
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ 500	(2,825)	\$ (3,325)
Beginning Fund Balances		(3,889)	
Ending Fund Balances		\$ (6,714)	

Special Revenue Funds

<u>AB 2766 Programs</u>			<u>COPS Universal Hiring Grant</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	590	590	0	341	341
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>590</u>	<u>590</u>	<u>0</u>	<u>341</u>	<u>341</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	590	590	0	341	341
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 0</u>	<u>590</u>	<u>\$ 590</u>	<u>\$ 0</u>	<u>341</u>	<u>\$ 341</u>
	<u>(1,428)</u>			<u>9,162</u>	
	<u>\$ (838)</u>			<u>\$ 9,503</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Office of Traffic Safety Grant		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	26,389	26,389	0
Fees and Services	0	0	0
Investment Earnings	0	0	0
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
Total Revenues	26,389	26,389	0
Expenditures:			
Current:			
Public Safety	4,739	4,739	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	22,647	22,647	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
Total Expenditures	27,386	27,386	0
Excess of Revenues over (under) Expenditures	(997)	(997)	0
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ (997)	(997)	\$ 0
Beginning Fund Balances		0	
Ending Fund Balances		\$ (997)	

Special Revenue Funds

<u>Supplemental Law Enforcement Services</u>			<u>Surface Transportation Projects Grant</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
100,000	100,000	0	0	0	0
0	0	0	0	0	0
1,000	2,847	1,847	300	839	539
0	0	0	0	0	0
0	0	0	0	0	0
<u>101,000</u>	<u>102,847</u>	<u>1,847</u>	<u>300</u>	<u>839</u>	<u>539</u>
114,477	64,490	49,987	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>114,477</u>	<u>64,490</u>	<u>49,987</u>	<u>0</u>	<u>0</u>	<u>0</u>
(13,477)	38,357	51,834	300	839	539
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (13,477)</u>	38,357	<u>\$ 51,834</u>	<u>\$ 300</u>	839	<u>\$ 539</u>
	<u>41,086</u>			<u>22,567</u>	
	<u>\$ 79,443</u>			<u>\$ 23,406</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Police Development Fees		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0
Fees and Services	0	1,000	1,000
Investment Earnings	1,900	5,147	3,247
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	<u>1,900</u>	<u>6,147</u>	<u>4,247</u>
Total Revenues			
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	1,900	6,147	4,247
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ <u>1,900</u>	6,147	\$ <u>4,247</u>
Beginning Fund Balances		<u>137,333</u>	
Ending Fund Balances		<u>\$ 143,480</u>	

Special Revenue Funds

<u>CLEEP Grant</u>			<u>SCCNET Grant</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	6,000	4,793	(1,207)
0	0	0	0	0	0
150	156	6	0	14	14
0	0	0	0	0	0
0	0	0	0	0	0
<u>150</u>	<u>156</u>	<u>6</u>	<u>6,000</u>	<u>4,807</u>	<u>(1,193)</u>
842	842	0	12,532	6,291	6,241
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>842</u>	<u>842</u>	<u>0</u>	<u>12,532</u>	<u>6,291</u>	<u>6,241</u>
(692)	(686)	6	(6,532)	(1,484)	5,048
0	0	0	0	0	0
0	0	0	0	0	0
<u><u>(692)</u></u>	<u><u>(686)</u></u>	<u><u>6</u></u>	<u><u>(6,532)</u></u>	<u><u>(1,484)</u></u>	<u><u>5,048</u></u>
	<u>4,776</u>			<u>1,943</u>	
	<u><u>\$ 4,090</u></u>			<u><u>\$ 459</u></u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds		
	Community Development Block Grant		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0
Fees and Services	0	0	0
Investment Earnings	15,000	18,200	3,200
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	51,750	183,652	131,902
Total Revenues	66,750	201,852	135,102
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
Total Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	66,750	201,852	135,102
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ 66,750	201,852	\$ 135,102
Beginning Fund Balances		285,613	
Ending Fund Balances		\$ 487,465	

Special Revenue Funds

<u>Sand Hills HCP Grant</u>			<u>Totals - Special Revenue Funds</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 320,000	\$ 320,640	\$ 640
23,094	23,094	0	249,094	212,439	(36,655)
0	0	0	250,248	445,074	194,826
0	0	0	65,645	131,450	65,805
0	0	0	5,000	4,123	(877)
0	0	0	53,250	185,015	131,765
<u>23,094</u>	<u>23,094</u>	<u>0</u>	<u>943,237</u>	<u>1,298,741</u>	<u>355,504</u>
0	0	0	127,851	76,362	51,489
23,094	23,094	0	23,094	23,094	0
0	0	0	293,579	266,431	27,148
0	0	0	169,000	39,667	129,333
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>23,094</u>	<u>23,094</u>	<u>0</u>	<u>613,524</u>	<u>405,554</u>	<u>207,970</u>
0	0	0	329,713	893,187	563,474
0	0	0	0	25,839	25,839
0	0	0	0	(72,671)	(72,671)
<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	<u>\$ 329,713</u>	<u>846,355</u>	<u>\$ 516,642</u>
	<u>0</u>			<u>3,081,257</u>	
	<u>\$ 0</u>			<u>\$ 3,927,612</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Debt Service Fund		
	COP Debt Service		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0
Fees and Services	0	0	0
Investment Earnings	23,500	52,444	28,944
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	23,500	52,444	28,944
Total Revenues	23,500	52,444	28,944
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
	0	0	0
Total Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	23,500	52,444	28,944
Other Financing Sources (Uses):			
Transfers In	0	79,748	79,748
Transfers (Out)	0	0	0
	0	0	0
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ 23,500	132,192	\$ 108,692
Beginning Fund Balances		1,392,749	
Ending Fund Balances		\$ 1,524,941	

Capital Project Funds

<u>Redevelopment Agency</u>			<u>Mt. Hermon Road Improvement</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	3,500	7,322	3,822
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,500</u>	<u>7,322</u>	<u>3,822</u>
0	0	0	0	0	0
390,789	356,955	33,834	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>390,789</u>	<u>356,955</u>	<u>33,834</u>	<u>0</u>	<u>0</u>	<u>0</u>
(390,789)	(356,955)	33,834		7,322	3,822
0	375,109	375,109	0	0	0
<u>0</u>	<u>(18,154)</u>	<u>(18,154)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (390,789)</u>	0	<u>\$ 390,789</u>	<u>\$ 0</u>	7,322	<u>\$ 3,822</u>
	<u>0</u>			<u>196,561</u>	
	<u>\$ 0</u>			<u>\$ 203,883</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Capital Projects Fund		
	Scotts Valley Drive A Improvement District		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	0	0
Fees and Services	0	0	0
Investment Earnings	2,000	4,544	2,544
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
 Total Revenues	2,000	4,544	2,544
 Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
 Total Expenditures	0	0	0
 Excess of Revenues over (under) Expenditures	2,000	4,544	2,544
 Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers (Out)	0	0	0
 Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ 2,000	4,544	\$ 2,544
 Beginning Fund Balances		121,994	
 Ending Fund Balances		\$ 126,538	

Capital Project Funds

<u>FHWA Projects</u>			<u>General Capital Improvements</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	750,965	959,700	208,735
0	0	0	0	0	0
0	1,348	1,348	2,000	894	(1,106)
0	0	0	10,000	6,000	(4,000)
0	0	0	0	0	0
<u>0</u>	<u>1,348</u>	<u>1,348</u>	<u>762,965</u>	<u>966,594</u>	<u>203,629</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,375,000	1,164,612	210,388
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,375,000</u>	<u>1,164,612</u>	<u>210,388</u>
0	1,348	1,348	(612,035)	(198,018)	414,017
0	0	0	0	140,325	140,325
0	0	0	0	0	0
<u>\$ 0</u>	<u>1,348</u>	<u>\$ 1,348</u>	<u>\$ (612,035)</u>	<u>(57,693)</u>	<u>\$ 554,342</u>
	<u>38,238</u>			<u>287,242</u>	
	<u>\$ 39,586</u>			<u>\$ 229,549</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Capital Project Funds			
Totals - Capital Project Funds			
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	750,965	959,700	208,735
Fees and Services	0	0	0
Investment Earnings	7,500	14,108	6,608
Contributions, Non-Government	10,000	6,000	(4,000)
Miscellaneous Revenues	0	0	0
Total Revenues	768,465	979,808	211,343
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	390,789	356,955	33,834
Public Works	0	0	0
Capital Outlay	1,375,000	1,164,612	210,388
Tax Increment Pass-Through	0	0	0
Debt Service:			
Principal	0	0	0
Interest and Finance Charges	0	0	0
Total Expenditures	1,765,789	1,521,567	244,222
Excess of Revenues over (under) Expenditures	(997,324)	(541,759)	455,565
Other Financing Sources (Uses):			
Transfers In	0	515,434	515,434
Transfers (Out)	0	(18,154)	(18,154)
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ (997,324)	(44,479)	\$ 952,845
Beginning Fund Balances		644,035	
Ending Fund Balances		\$ 599,556	

Totals - Non Major Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 320,000	\$ 320,640	\$ 640
1,000,059	1,172,139	172,080
250,248	445,074	194,826
96,645	198,002	101,357
15,000	10,123	(4,877)
53,250	185,015	131,765
1,735,202	2,330,993	595,791
127,851	76,362	51,489
413,883	380,049	33,834
293,579	266,431	27,148
1,544,000	1,204,279	339,721
0	0	0
0	0	0
0	0	0
2,379,313	1,927,121	452,192
(644,111)	403,872	1,047,983
0	621,021	621,021
0	(90,825)	(90,825)
<u>\$ (644,111)</u>	934,068	<u>\$ 1,578,179</u>
	5,118,041	
	<u>\$ 6,052,109</u>	
		(Concluded)

**CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006**

	<u>2002 Consolidated Reassessment District</u>	<u>Valley Commons Assessment District</u>	<u>Scotts Valley Drive Improvement District A</u>
ASSETS			
Restricted Assets:			
Cash and Investments Held for Others	\$ 752,045	\$ 6,032	\$ 320,510
Cash and Investments Held in Accordance with Bond Indentures	<u>346,127</u>	<u>7,971</u>	<u>311,678</u>
 Total Assets	 \$ <u>1,098,172</u>	 \$ <u>14,003</u>	 \$ <u>632,188</u>
 LIABILITIES			
Payable from Restricted Assets:			
Advance Assessments Collected	\$ 752,045	\$ 6,032	\$ 320,510
Bond Reserve Payable	346,127	7,971	311,678
Deposits	<u>0</u>	<u>0</u>	<u>0</u>
 Total Liabilities	 \$ <u>1,098,172</u>	 \$ <u>14,003</u>	 \$ <u>632,188</u>

Scotts Valley Drive Improvement District B	General Trust	Total
\$ 153,921	\$ 70,992	\$ 1,303,500
<u>134,714</u>	<u>0</u>	<u>800,490</u>
<u>\$ 288,635</u>	<u>\$ 70,992</u>	<u>\$ 2,103,990</u>

\$ 153,921	\$ 0	\$ 1,232,508
134,714	0	800,490
<u>0</u>	<u>70,992</u>	<u>70,992</u>
<u>\$ 288,635</u>	<u>\$ 70,992</u>	<u>\$ 2,103,990</u>

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Assessment Districts</u>	<u>Balance 7/1/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2006</u>
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ 1,237,265	\$ 1,326,160	\$ 1,330,917	\$ 1,232,508
Cash and Investments Held in Accordance with Bond Indentures	<u>784,648</u>	<u>28,488</u>	<u>12,646</u>	<u>800,490</u>
Total Assets	<u>\$ 2,021,913</u>	<u>\$ 1,354,648</u>	<u>\$ 1,343,563</u>	<u>\$ 2,032,998</u>
Liabilities:				
Payable from Restricted Assets:				
Advance Assessments Collected	\$ 1,237,265	\$ 1,326,160	\$ 1,330,917	\$ 1,232,508
Bond Reserve Payable	<u>784,648</u>	<u>28,488</u>	<u>12,646</u>	<u>800,490</u>
Total Liabilities	<u>\$ 2,021,913</u>	<u>\$ 1,354,648</u>	<u>\$ 1,343,563</u>	<u>\$ 2,032,998</u>
<u>General Trust</u>				
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ <u>107,365</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>107,365</u>
Total Assets	<u>\$ 107,365</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,365</u>
Liabilities:				
Payable from Restricted Assets:				
Deposits	\$ <u>107,365</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>107,365</u>
Total Liabilities	<u>\$ 107,365</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,365</u>
<u>All Agency Funds</u>				
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ 1,344,630	\$ 1,326,160	\$ 1,330,917	\$ 1,339,873
Cash and Investments Held in Accordance with Bond Indentures	<u>784,648</u>	<u>28,488</u>	<u>12,646</u>	<u>800,490</u>
Total Assets	<u>\$ 2,129,278</u>	<u>\$ 1,354,648</u>	<u>\$ 1,343,563</u>	<u>\$ 2,140,363</u>
Liabilities:				
Payable from Restricted Assets:				
Advance Assessments Collected	\$ 1,237,265	\$ 1,326,160	\$ 1,330,917	\$ 1,232,508
Bond Reserve Payable	<u>784,648</u>	<u>28,488</u>	<u>12,646</u>	<u>800,490</u>
Deposits	<u>107,365</u>	<u>0</u>	<u>0</u>	<u>107,365</u>
Total Liabilities	<u>\$ 2,129,278</u>	<u>\$ 1,354,648</u>	<u>\$ 1,343,563</u>	<u>\$ 2,140,363</u>



STATISTICAL SECTION

**CITY OF SCOTTS VALLEY
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 16,328,022	\$ 18,294,435	\$ 17,783,010	\$ 18,125,094
Restricted	8,022,469	8,643,935	9,778,064	11,564,177
Unrestricted	<u>3,996,760</u>	<u>3,872,390</u>	<u>3,991,241</u>	<u>4,275,274</u>
Total Governmental Activities Net Assets	<u><u>\$ 28,347,251</u></u>	<u><u>\$ 30,810,760</u></u>	<u><u>\$ 31,552,315</u></u>	<u><u>\$ 33,964,545</u></u>
 Business-Type Activities:				
Invested in capital assets, net of related debt	\$ 19,723,004	\$ 19,056,245	\$ 18,797,913	\$ 18,044,851
Restricted	4,745,600	4,906,437	4,688,834	5,074,643
Unrestricted	<u>1,882,976</u>	<u>1,860,198</u>	<u>1,859,178</u>	<u>1,779,715</u>
Total Business-Type Activities Net Assets	<u><u>\$ 26,351,580</u></u>	<u><u>\$ 25,822,880</u></u>	<u><u>\$ 25,345,925</u></u>	<u><u>\$ 24,899,209</u></u>
 Primary Government:				
Invested in capital assets, net of related debt	\$ 36,051,026	\$ 37,350,680	\$ 36,580,923	\$ 36,169,945
Restricted	12,768,069	13,550,372	14,466,898	16,638,820
Unrestricted	<u>5,879,736</u>	<u>5,732,588</u>	<u>5,850,419</u>	<u>6,054,989</u>
Total Primary Government Net Assets	<u><u>\$ 54,698,831</u></u>	<u><u>\$ 56,633,640</u></u>	<u><u>\$ 56,898,240</u></u>	<u><u>\$ 58,863,754</u></u>

Table 2

**CITY OF SCOTTS VALLEY
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses:				
Governmental Activities				
General Government	\$ 1,523,982	\$ 1,509,558	\$ 1,405,807	\$ 1,466,261
Public Safety	3,231,339	3,339,675	3,503,618	3,668,511
Planning & Building	1,127,084	1,214,639	1,387,280	1,041,601
Public Works	2,687,792	3,857,981	2,281,320	2,624,361
Redevelopment	1,964,528	2,203,455	2,336,313	2,758,236
Interest on Long-Term Debt and Fiscal Agent Charges	<u>1,184,476</u>	<u>949,133</u>	<u>930,237</u>	<u>911,270</u>
Total Governmental Activities Expenses	<u>11,719,201</u>	<u>13,074,441</u>	<u>11,844,575</u>	<u>12,470,240</u>
Business-Type Activities				
Wastewater	2,447,924	2,389,090	2,465,408	2,532,783
Recreation Programs	<u>962,677</u>	<u>1,009,326</u>	<u>918,201</u>	<u>959,924</u>
Total Business-Type Activities Expenses	<u>3,410,601</u>	<u>3,398,416</u>	<u>3,383,609</u>	<u>3,492,707</u>
Total Primary Government Expenses	<u>\$ 15,129,802</u>	<u>\$ 16,472,857</u>	<u>\$ 15,228,184</u>	<u>\$ 15,962,947</u>
Program Revenues:				
Governmental Activities				
Charges for Services				
Planning and Building fees	407,274	378,307	564,113	458,221
Police fees	97,306	59,615	69,014	42,587
Senior Center / Community Ctr revenue	42,804	54,971	71,178	81,753
Public Works fees	24,700	51,828	70,612	85,801
Other activities	9,076	28,633	32,207	32,485
Operating Grants and Contributions	708,639	649,868	585,386	671,852
Capital Grants and Contributions	<u>1,384,468</u>	<u>3,070,572</u>	<u>1,325,240</u>	<u>1,380,262</u>
Total Gov'tal Activities Program Revenues	<u>2,674,267</u>	<u>4,293,794</u>	<u>2,717,750</u>	<u>2,752,961</u>
Business-Type Activities				
Charges for Services				
Wastewater fees	1,682,967	1,700,169	1,693,237	1,742,289
Recreational program fees	853,949	966,885	868,047	877,628
Capital Grants and Contributions	<u>199,896</u>	<u>105,977</u>	<u>180,633</u>	<u>149,109</u>
Total Business-Type Activities Program Revenues	<u>2,736,812</u>	<u>2,773,031</u>	<u>2,741,917</u>	<u>2,769,026</u>
Total Primary Gov't Program Revenues	<u>\$ 5,411,079</u>	<u>\$ 7,066,825</u>	<u>\$ 5,459,667</u>	<u>\$ 5,521,987</u>

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expense) Revenue				
Governmental Activities	\$ (9,044,934)	\$ (8,780,647)	\$ (9,126,825)	\$ (9,717,279)
Business-Type Activities	(673,789)	(625,385)	(641,692)	(723,681)
Total Primary Government Net Expense	<u>\$ (9,718,723)</u>	<u>\$ (9,406,032)</u>	<u>\$ (9,768,517)</u>	<u>\$ (10,440,960)</u>
General Revenues and Other Changes in Net Assets				
General Activities				
Taxes				
Property tax	4,035,789	4,496,755	4,574,077	5,609,546
Sales tax	1,828,481	1,610,145	1,604,673	1,958,854
Vehicle-in-lieu fee	690,774	566,114	754,240	1,074,402
Franchise fees	649,674	657,448	689,974	755,946
Transient Occupancy Tax	461,566	483,300	545,144	689,407
Utility users tax	678,637	651,034	666,217	684,765
Other taxes	419,558	424,626	432,381	533,081
Investment Earnings	312,649	83,494	187,368	380,259
Miscellaneous	1,676,282	394,446	397,349	468,359
Special Item:				
Sale of Property	0	1,196,340	71,565	
Gain on Sale of Investments	1,107,348	0	0	
Transfers	(28,882)	0	(16,000)	(25,110)
Total Governmental Activities	<u>11,831,876</u>	<u>10,563,702</u>	<u>9,906,988</u>	<u>12,129,509</u>
Business-Type Activities				
Investment Earnings	139,514	96,004	148,737	244,255
Miscellaneous	0	681	0	7,600
Transfers	28,882	0	16,000	25,110
Total Business-Type Activities	<u>168,396</u>	<u>96,685</u>	<u>164,737</u>	<u>276,965</u>
Total Primary Government	<u>\$ 12,000,272</u>	<u>\$ 10,660,387</u>	<u>\$ 10,071,725</u>	<u>\$ 12,406,474</u>
Change in Net Assets				
Governmental Activities	\$ 2,786,942	\$ 1,783,055	\$ 780,163	\$ 2,412,230
Business-Type Activities	(505,393)	(528,700)	(476,955)	(446,716)
Total Primary Government	<u>\$ 2,281,549</u>	<u>\$ 1,254,355</u>	<u>\$ 303,208</u>	<u>\$ 1,965,514</u>

Table 3

**CITY OF SCOTTS VALLEY
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	Fiscal Year			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$ 3,470,897	\$ 3,647,052	\$ 3,787,296	\$ 3,943,571
Unreserved	<u>1,711,219</u>	<u>2,273,562</u>	<u>1,624,155</u>	<u>2,035,516</u>
Total General Fund	<u><u>\$ 5,182,116</u></u>	<u><u>\$ 5,920,614</u></u>	<u><u>\$ 5,411,451</u></u>	<u><u>\$ 5,979,087</u></u>
 All Other Governmental Funds				
Reserved	\$ 20,140,344	\$ 23,786,937	\$ 20,500,604	\$ 16,299,668
Unreserved, reported in				
Special revenue funds	1,886,615	2,915,513	2,765,051	2,524,110
Capital project funds	0	0	0	0
Debt service funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Other Governmental Funds	<u><u>\$ 22,026,959</u></u>	<u><u>\$ 26,702,450</u></u>	<u><u>\$ 23,265,655</u></u>	<u><u>\$ 18,823,778</u></u>

Fiscal Year

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 3,980,801	\$ 4,027,904	\$ 4,213,261	\$ 4,140,540	\$ 4,111,022	\$ 4,225,637
<u>2,484,296</u>	<u>2,202,082</u>	<u>2,090,417</u>	<u>1,450,175</u>	<u>1,279,330</u>	<u>1,147,778</u>
<u>\$ 6,465,097</u>	<u>\$ 6,229,986</u>	<u>\$ 6,303,678</u>	<u>\$ 5,590,715</u>	<u>\$ 5,390,352</u>	<u>\$ 5,373,415</u>
\$ 14,610,515	\$ 11,374,607	\$ 2,026,011	\$ 714,392	\$ 644,035	\$ 599,556
3,626,523	4,389,169	5,181,970	5,636,415	6,789,662	8,493,387
0	(52,644)	(127,246)	0	0	0
<u>0</u>	<u>0</u>	<u>(2,440,375)</u>	<u>(1,162,200)</u>	<u>(1,312,335)</u>	<u>(1,389,796)</u>
<u>\$ 18,237,038</u>	<u>\$ 15,711,132</u>	<u>\$ 4,640,360</u>	<u>\$ 5,188,607</u>	<u>\$ 6,121,362</u>	<u>\$ 7,703,147</u>

Table 4

CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
LAST TEN FISCAL YEARS

	Fiscal Year			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues:				
Taxes and Assessments	\$ 6,723,800	\$ 6,750,521	\$ 6,297,770	\$ 7,107,567
Intergovernmental Revenues	269,400	817,929	5,150,087	3,210,035
Fees and Services	1,329,833	1,916,173	1,156,232	1,080,225
Fines and Forfeitures	59,366	41,304	102,839	107,501
Investment Earnings	2,039,576	2,718,081	1,496,628	608,082
Contributions, Non-Government	156,717	10,097	167,219	396,506
Miscellaneous Revenues	281,372	286,081	243,674	714,832
Total Revenues	<u>10,860,064</u>	<u>12,540,186</u>	<u>14,614,449</u>	<u>13,224,748</u>
Expenditures:				
Current:				
General Government	989,379	1,110,183	1,159,179	1,107,824
Public Safety	2,254,119	2,407,062	2,557,328	2,700,114
Planning and Building	1,119,653	649,045	720,248	658,730
Public Works	1,133,583	1,191,362	1,247,379	1,300,106
Capital Outlay	3,706,007	2,336,649	8,601,529	6,470,638
Tax Increment Pass-Through	764,919	1,132,680	970,309	1,075,642
Debt Service				
Principal	3,664,086	3,069,449	2,360,000	1,975,000
Interest and Finance Charges	1,963,538	2,162,474	1,883,155	1,548,203
Refunded Bond Issuance Costs	-	-	-	-
Total Expenditures	<u>15,595,284</u>	<u>14,058,904</u>	<u>19,499,127</u>	<u>16,836,257</u>
Excess(Deficit) of Revenues over (under) Expenditures	<u>(4,735,220)</u>	<u>(1,518,718)</u>	<u>(4,884,678)</u>	<u>(3,611,509)</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,254,370	1,854,225	1,617,319	2,722,869
Operating Transfers Out	(1,330,624)	(1,865,265)	(1,565,349)	(2,481,936)
Proceeds from Debt	3,316,462	10,838,541	5,535,000	-
Premium on Debt Issued	-	-	-	-
Payment to Refunded Bond Escrow	-	(4,455,825)	(4,305,585)	-
Loans and Advances	-	-	(350,500)	(511,500)
Sale of Real Property	-	190,000	7,834	7,834
Net Other Financing Sources (Uses)	<u>3,240,208</u>	<u>6,561,676</u>	<u>938,719</u>	<u>(262,733)</u>
Net Change in Fund Balances	<u>\$ (1,495,012)</u>	<u>\$ 5,042,958</u>	<u>\$(3,945,959)</u>	<u>\$(3,874,242)</u>
Debt Services as a Percentage of Noncapital Expenditures	<u>47%</u>	<u>45%</u>	<u>39%</u>	<u>34%</u>

Fiscal Year

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 9,089,751	\$ 9,062,722	\$ 9,066,203	\$ 9,261,454	\$ 9,637,895	\$ 11,680,546
1,944,712	1,072,694	1,014,224	2,619,993	671,518	1,217,309
1,018,513	658,343	960,949	859,782	1,231,145	1,020,027
82,519	21,004	57,368	52,856	84,821	85,427
774,935	504,622	373,962	190,581	339,240	509,065
44,060	85,364	585,535	388,309	389,508	20,123
289,614	976,336	2,619,218	417,789	364,480	558,021
<u>13,244,104</u>	<u>12,381,085</u>	<u>14,677,459</u>	<u>13,790,764</u>	<u>12,718,607</u>	<u>15,090,518</u>
1,177,197	1,451,763	1,455,435	1,443,544	1,330,571	1,401,603
2,982,829	3,045,046	3,018,673	3,174,693	3,357,721	3,677,138
797,332	943,161	1,092,650	1,360,362	1,559,860	1,079,355
1,529,719	1,666,345	1,521,341	1,618,438	1,521,682	1,624,992
1,326,773	1,209,407	2,705,621	4,191,369	859,989	1,311,383
1,392,510	1,696,291	1,864,528	2,136,063	2,336,313	2,758,236
1,300,776	2,173,128	2,906,719	368,482	410,417	2,207,302
2,046,855	1,498,856	1,107,133	858,869	880,505	915,486
-	-	-	-	-	354,330
<u>12,553,991</u>	<u>13,683,997</u>	<u>15,672,100</u>	<u>15,151,820</u>	<u>12,257,058</u>	<u>15,329,825</u>
<u>690,113</u>	<u>(1,302,912)</u>	<u>(994,641)</u>	<u>(1,361,056)</u>	<u>461,549</u>	<u>(239,307)</u>
914,534	759,888	2,068,283	1,133,629	777,111	649,096
(938,708)	(788,277)	(2,097,165)	(1,133,629)	(793,111)	(674,206)
-	-	3,455,000	-	-	6,810,000
-	-	-	-	-	36,465
-	-	(10,158,415)	-	-	(5,017,200)
-	-	-	-	-	-
7,834	-	-	1,196,340	286,843	-
<u>(16,340)</u>	<u>(28,389)</u>	<u>(6,732,297)</u>	<u>1,196,340</u>	<u>270,843</u>	<u>1,804,155</u>
<u>\$ 673,773</u>	<u>\$(1,331,301)</u>	<u>\$(7,726,938)</u>	<u>\$ (164,716)</u>	<u>\$ 732,392</u>	<u>\$ 1,564,848</u>
<u>30%</u>	<u>29%</u>	<u>31%</u>	<u>11%</u>	<u>11%</u>	<u>22%</u>

Table 5

**CITY OF SCOTTS VALLEY
ASSESSED VALUES OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year	Residential Property	Commercial and Other Property	Total Taxable Assessed Value	(1) General Tax Rate
1997	\$ 618,504,956	\$ 457,714,013	\$ 1,076,218,969	1.00%
1998	681,375,499	421,896,082	1,103,271,581	1.00%
1999	N/A	N/A	1,162,825,599	1.00%
2000	707,588,912	514,210,623	1,221,799,535	1.00%
2001	772,917,513	514,716,001	1,287,633,514	1.00%
2002	844,700,292	543,325,565	1,388,025,857	1.00%
2003	953,847,622	501,774,493	1,455,622,115	1.00%
2004	1,038,713,562	520,984,072	1,559,697,634	1.00%
2005	1,159,784,079	420,466,955	1,580,251,034	1.00%
2006	1,551,341,689	510,619,809	2,061,961,498	

(1) Property tax rates are limited to \$1.00 per \$100.00 assessed valuation based on a June 1978 state constitutional amendment (Proposition 13). The tax rate (1%) is levied by the County and apportioned to local agencies according to a formula prescribed by the State legislature.

The City's share of the 1% property tax rate for its own General Fund is approximately 4.5%. The City established a Redevelopment Agency in 1980. The Agency's Redevelopment Plan was adopted in November 1990. The City's General Fund does not receive any property tax from the tax revenues generated above the base year amount (tax increment revenue). The Agency entered into pass-through agreements with various governmental entities. Approximately 47% of the total tax increment revenue is paid out per these agreements. Another 20% is restricted for low and moderate income housing purposes.

Source: Santa Cruz County Assessor

**CITY OF SCOTTS VALLEY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year	(1) General Tax Rate	Overlapping Rates			
		Scotts Valley Unified School District	Cabrillo Community College District	Santa Cruz County School District	Santa Cruz High School District
1997	1.000%	0.024%	-	0.001%	-
1998	1.000%	0.087%	-	0.002%	-
1999	1.000%	0.087%	0.014%	-	-
2000	1.000%	0.077%	0.007%	0.001%	-
2001	1.000%	0.073%	0.012%	-	-
2002	1.000%	0.052%	0.021%	0.001%	-
2003	1.000%	0.084%	0.019%	-	-
2004	1.000%	0.055%	0.019%	-	-
2005	1.000%	0.054%	0.038%	-	-
2006	1.000%	0.050%	0.037%	-	-

(1) See explanation on Table 5.

Source: Santa Cruz County Treasurer / Tax Collector

Table 7

**CITY OF SCOTTS VALLEY
PRINCIPAL PROPERTY TAX PAYERS
LAST TEN FISCAL YEARS**

Taxpayer	2006			2005		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Enterprise Way Associates, LLC	\$ 63,799	1		\$ 62,556	1	3.03%
Seagate Technology, LLC, et al.	37,453	2		39,091	2	1.90%
SHP Oak Tree Villa, LLC	23,203	3		16,392	3	0.79%
Borland International	13,352	4		13,103	4	0.64%
Scotts Valley Associates	13,256	5		12,996	5	0.63%
Aviza Technology	13,145	6		12,888	6	0.63%
Granite Creek Business Partners	12,751	7		12,751	7	0.62%
Scotts Valley Hilton	12,581	8		12,065	8	0.59%
S & A ITO Family Partnership	10,640	9		10,432	9	0.51%
Scarborough, Nena, TC, et. al.	10,075	10		9,877	10	0.48%
American Development II Co, etal.	-		-	-		-
Silicon Valley Group, Inc.	-		-	-		-
Selco Service Corporation	-		-	-		-
Green Hills Road Partners	-		-	-		-
Inprise Corporation	-		-	-		-
Birtcher Multi Family Limited	-		-	-		-
Carlton E. Scarborough	-		-	-		-
Bethany College, Assemblies of God	-		-	-		-
Ow, David L. Trustee, et al.	-		-	-		-
Watkins-Johnson Company	-		-	-		-
First Lockwood Lane, et al.	-		-	-		-
Scotts Valley Partners	-		-	-		-
Top Ten Totals	<u>\$ 210,255</u>		<u>0.00%</u>	<u>\$ 202,151</u>		<u>9.82%</u>

Note: Dollar amounts are in thousands.

Source: Santa Cruz County Assessor

2004			2003			2002		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$ 52,788	1	3.38%	\$ 47,192	1	3.03%	\$ 50,881	1	3.47%
39,731	2	2.55%	43,853	2	2.81%	43,846	2	2.99%
16,038	3	1.03%	15,728	4	1.01%	15,391	4	1.05%
14,165	5	0.91%	17,060	3	1.09%	16,744	3	1.14%
12,742	6	0.82%	10,398	9	0.67%	12,263	7	0.84%
12,635	8	0.81%	-	-	-	-	-	-
14,956	4	0.96%	14,682	6	0.94%	14,394	6	0.98%
12,091	9	0.78%	12,071	7	0.77%	12,042	8	0.82%
-	-	-	10,040	10	0.64%	9,843	10	0.67%
10,998	10	0.71%	10,796	8	0.69%	10,585	9	0.72%
-	-	-	14,812	5	0.95%	14,521	5	0.99%
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 186,144</u>		<u>11.95%</u>	<u>\$ 196,632</u>		<u>12.60%</u>	<u>\$ 200,510</u>		<u>13.67%</u>

Table 7

**CITY OF SCOTTS VALLEY
PRINCIPAL PROPERTY TAX PAYERS
LAST TEN FISCAL YEARS**

	2001			2000		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Enterprise Way Associates, LLC	\$ 84,055	1	6.06%	-		-
Seagate Technology, LLC, et al.	48,321	2	3.48%	52,966	2	4.28%
SHP Oak Tree Villa, LLC	15,061	5	1.09%	-		-
Borland International	16,440	4	1.18%	-		-
Scotts Valley Associates	12,022	8	0.87%	11,524	6	0.93%
Aviza Technology	-		-	-		-
Granite Creek Business Partners	14,112	7	1.02%	13,564	4	1.10%
Scotts Valley Hilton	19,172	3	1.38%	-		-
S & A ITO Family Partnership	-		-	9,592	8	0.77%
American Development II Co, etal.	9,334	9	0.67%	-		-
Silicon Valley Group, Inc.	-		-	37,866	3	3.06%
Selco Service Corporation	14,433	6	1.04%	-		-
Green Hills Road Partners	9,320	10	0.67%	-		-
Inprise Corporation	-		-	96,603	1	7.80%
Birtcher Multi Family Limited	-		-	12,592	5	1.02%
Carlton E. Scarborough	-		-	11,504	7	0.93%
Bethany College, Assemblies of God	-		-	8,545	9	0.69%
Ow, David L. Trustee, et al.	-		-	8,160	10	0.66%
Watkins-Johnson Company	-		-	-		-
First Lockwood Lane, et al.	-		-	-		-
Scotts Valley Partners	-		-	-		-
	<u>\$ 242,270</u>		<u>17.46%</u>	<u>\$ 262,916</u>		<u>21.24%</u>

Note: Dollar amounts are in thousands.

Source: Santa Cruz County Assessor

1999			1998			1997		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
-		-	-		-	-		-
51,237	3	4.14%	48,449	3	3.90%	76,302	2	7.00%
-		-	-		-	-		-
10,935	6	0.88%	9,021	7	0.70%	103,636	1	9.50%
-		-	-		-	9,038	7	0.80%
13,317	4	1.08%	13,317	4	1.10%	-		-
-		-	-		-	13,056	4	1.20%
7,805	10	0.63%	7,494	10	0.60%	-		-
-		-	9,768	6	0.80%	7,454	10	0.70%
56,900	2	4.60%	-		-	9,577	6	0.90%
-		-	-		-	-		-
-		-	-		-	-		-
100,962	1	8.16%	100,592	1	8.10%	-		-
9,780	7	0.79%	9,780	5	0.80%	12,375	5	1.10%
11,223	5	0.91%	8,622	8	0.70%	8,453	8	0.80%
8,393	8	0.68%	-		-	-		-
7,994	9	0.65%	7,994	9	0.60%	7,937	9	0.70%
-		-	56,838	2	4.60%	48,033	3	4.40%
-		-	-		-	-		-
-		-	-		-	-		-
<u>\$278,546</u>		<u>22.52%</u>	<u>\$271,875</u>		<u>21.90%</u>	<u>\$295,861</u>		<u>27.10%</u>

Table 8

**CITY OF SCOTTS VALLEY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>(1) Taxes Levied</u>	<u>(2) Current Collections</u>	<u>Percent of Levy Collected</u>
1997	\$ 426,602	\$ 426,602	100%
1998	472,113	472,113	100%
1999	494,082	494,082	100%
2000	534,124	534,124	100%
2001	504,434	504,434	100%
2002	618,510	618,510	100%
2003	593,306	593,306	100%
2004	622,184	622,184	100%
2005 (3)	546,284	546,284	100%
2006 (3)	602,924	602,924	100%

(1) Levies include real and personal property.

(2) Beginning with the 1993-94 fiscal year, the County of Santa Cruz began distributing 100% of the property taxes assessed under a method of property tax distribution called the Teeter Plan.

(3) In fiscal years 2005 and 2006 the State shifted \$120,326 in property taxes away from the City to the Education Revenue Augmentation Fund (ERAF).

Source: City of Scotts Valley Finance Department

**CITY OF SCOTTS VALLEY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2006**

	<u>Percent Applicable</u>	<u>Bonded Debt June 30, 2006</u>
Overlapping Debt:		
Cabrillo Joint Community College District	5.924%	\$ 7,648,684
Scotts Valley Unified School District	60.300%	12,663,000
Santa Cruz High School District	0.004%	2,039
Santa Cruz County Certificates of Participation	6.008%	4,063,646
Cabrillo Joint Community College District Certificates of Participation	5.924%	180,090
Santa Cruz City Schools Certificates of Participation	0.004%	222
Scotts Valley Unified School District Certificates of Participation	60.300%	2,402,955
San Lorenzo Valley County Water District Certificates of Participation	9.744%	15,394
Monterey Bay Unified Air Pollution Authority	2.099%	<u>73,360</u>
Total Overlapping Debt		<u>27,049,390</u>
<u>Direct Debt:</u>		
City of Scotts Valley Community Facilities District No. 97-1		5,720,000
City of Scotts Valley 1915 Act Bonds		4,780,999
City of Scotts Valley Certificates of Participation		<u>8,011,066</u>
Total Direct Debt		<u>18,512,065</u>
Combined Total Debt		<u><u>\$ 45,561,455</u></u>

Source: California Municipal Statistics, Inc.

Table 10

**CITY OF SCOTTS VALLEY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				Business-Type Activities		
	Certificates of Participation	Revenue Bonds	Tax Allocation Bonds	Installment Notes	Certificates of Participation	Revenue Bonds	Installment Notes
1997	\$ 6,740	\$ 19,330	\$ 4,210	\$ 2,615	\$ 35	\$ 110	\$ 105
1998	7,370	17,190	4,110	2,580	-	-	103
1999	7,275	15,030	5,535	2,580	-	-	97
2000	7,175	13,295	5,395	2,580	-	-	86
2001	7,070	12,270	5,310	2,489	-	-	79
2002	6,965	10,382	5,220	2,394	-	-	72
2003	8,380	-	5,130	2,294	-	-	64
2004	8,256	-	5,035	2,195	-	-	55
2005	8,134	-	4,935	2,091	-	-	46
2006	8,011	-	6,810	145	-	-	-

Notes: Dollar amounts are in thousands, except for per capita.

See note (3) on Table 12 regarding the above Revenue Bonds.

Percentage of Personal Income is based on County income. Personal income not available for City.

Details of the City's outstanding debt can be found in Note 5 to the financial statements.

The City of Scotts Valley has no general bonded debt.

Source: City of Scotts Valley Finance Department

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 33,145	0.46%	\$ 3,291
31,353	0.41%	2,972
30,517	0.36%	2,858
28,531	0.30%	2,625
27,218	0.28%	2,391
25,033	0.26%	2,170
15,868	0.17%	1,368
15,541	0.16%	1,372
15,206	N/A	1,308
14,966	N/A	1,287

Table 11

**CITY OF SCOTTS VALLEY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year				
	1997	1998	1999	2000	2001
Assessed Valuation	\$ 1,076	N/A	\$ 1,163	\$ 1,222	\$ 1,288
Redevelopment Incremental Valuation	<u>(157)</u>	N/A	<u>(193)</u>	<u>(197)</u>	<u>(227)</u>
Net Assessed Valuation	<u>\$ 919</u>	<u>\$ 1,180</u>	<u>\$ 970</u>	<u>\$ 1,025</u>	<u>\$ 1,061</u>
Debt Limit (15%)	\$ 138	\$ 177	\$ 146	\$ 154	\$ 159
Total Debt Applicable to Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 138</u>	<u>\$ 177</u>	<u>\$ 146</u>	<u>\$ 154</u>	<u>\$ 159</u>

Note: Amounts are in millions.

Source: Santa Cruz County Assessor's Office

Fiscal Year				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 1,388	\$ 1,468	\$ 1,560	\$ 1,580	\$ 2,062
<u>(275)</u>	<u>(342)</u>	<u>(329)</u>	<u>(364)</u>	<u>(372)</u>
<u>\$ 1,113</u>	<u>\$ 1,126</u>	<u>\$ 1,231</u>	<u>\$ 1,216</u>	<u>\$ 1,690</u>
\$ 167	\$ 169	\$ 185	\$ 182	\$ 254
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 167</u>	<u>\$ 169</u>	<u>\$ 185</u>	<u>\$ 182</u>	<u>\$ 254</u>

Table 12

CITY OF SCOTTS VALLEY
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Sewer Revenue Bonds					Coverage
	(1) Gross Revenue	(2) Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
1997	\$ 1,689,938	\$ 1,174,596	\$ 515,342	\$ 5,000	\$ 5,625	48.50
1998	1,669,257	1,198,004	471,253	110,000	4,165	4.13
1999	1,660,733	1,298,063	362,670	-	-	-
2000	1,687,210	1,234,232	452,978	-	-	-
2001	1,759,234	1,261,075	498,159	-	-	-
2002	1,805,828	1,485,451	320,377	-	-	-
2003	1,682,967	1,555,639	127,328	-	-	-
2004	1,700,169	1,505,584	194,585	-	-	-
2005	1,693,237	1,531,616	161,621	-	-	-
2006	1,742,289	1,590,964	151,325	-	-	-

(1) Does not include non-operating revenues.

(2) Includes all operating expenses except depreciation.

(3) The Public Financing Authority (PFA) issued revenue bonds in 1993. The source of revenue for the PFA was special assessment bonds of the City of Scotts Valley and another city which the PFA held as investments. The revenue bonds of the PFA were refunded in fiscal year 2003 along with the special assessment bonds held as investment. The refunding bonds are straight special assessment bonds of the City to external investors, not to the PFA.

Source: City of Scotts Valley Finance Department

Special Assessment Bonds

Public Financing Authority Revenue Bonds (3)

Special Assessment Collections	Debt Service		Coverage	Revenue Received	Debt Service		Coverage
	Principal	Interest			Principal	Interest	
N/A	N/A	N/A	-	\$ 1,611,199	\$ 2,735,000	\$ 1,230,741	0.41
\$ 2,659,734	\$ 1,069,849	\$ 1,158,879	1.19	2,179,399	2,140,000	1,106,032	0.67
1,944,694	1,283,687	1,337,001	0.74	1,837,468	2,160,000	960,335	0.59
1,826,998	1,017,087	1,233,873	0.81	2,106,218	1,735,000	852,455	0.81
1,811,623	986,998	1,071,140	0.88	1,590,066	1,024,932	1,160,551	0.73
2,333,028	912,950	1,092,149	1.16	2,050,401	1,887,992	718,437	0.79
1,547,652	141,000	580,169	2.15	-	-	-	-
1,451,748	836,001	732,834	0.93	-	-	-	-
1,375,501	806,000	656,173	0.94	-	-	-	-
1,287,431	681,000	613,293	0.99	-	-	-	-

**CITY OF SCOTTS VALLEY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	City		County		
	Population	Unemployment Rate	Population	Personal Income (in thousands)	Per Capita Personal Income
1997	10,071	N/A	245,176	\$ 7,139,687	29,121
1998	10,551	N/A	248,422	7,686,332	30,941
1999	10,678	N/A	251,570	8,398,107	33,383
2000	10,870	1.9%	255,130	9,610,039	37,667
2001	11,385	1.9%	257,500	9,841,404	38,219
2002	11,537	2.7%	258,400	9,707,027	37,566
2003	11,600	3.0%	258,900	9,597,280	37,069
2004	11,625	2.6%	258,886	9,987,183	38,578
2005	11,625	2.3%	260,240	N/A	N/A
2006	11,625	2.1%	262,351	N/A	N/A

Note: Personal income not available at the City level.

Table 14

**CITY OF SCOTTS VALLEY
PRINCIPAL EMPLOYERS
LAST THREE FISCAL YEARS**

Employer	2006			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Seagate Technology	726	1	13.81%	817	1	15.38%
Threshold Enterprises, LTD	416	2	7.91%	371	2	6.98%
Aviza	275	3	5.23%	205	5	3.86%
Borland Software Corporation	266	4	5.06%	315	3	5.93%
SV Unified School District	207	5	3.94%	209	4	3.93%
Surfcontrol	173	6	3.29%	165	6	3.11%
Xyratex International	75	7	1.43%	-	-	-
Nob Hill Foods	73	8	1.39%	78	9	1.47%
City of Scotts Valley	69	9	1.31%	-	-	-
Comcast Cable	68	10	1.29%	-	-	-
Rainmaker Systems, Inc.	-	-	-	105	7	1.98%
Oak Tree Villa SHP	-	-	-	84	8	1.58%
Nokia	-	-	-	75	10	1.41%
Starfish Software	-	-	-	-	-	-
Bogar, Inc.	-	-	-	-	-	-
	<u>2,348</u>		<u>44.67%</u>	<u>2,424</u>		<u>45.63%</u>

2004

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
814	1	14.55%
339	3	6.06%
193	5	3.45%
430	2	7.68%
197	4	3.52%
154	6	2.75%
-		-
-		-
76	10	1.36%
-		-
94	9	1.68%
-		-
-		-
111	7	1.98%
<u>105</u>	8	1.88%
<u>2,513</u>		<u>44.91%</u>

Table 15

**CITY OF SCOTTS VALLEY
FULL-TIME EQUIVALENT CITY EMPLOYEES
LAST TEN FISCAL YEARS**

<u>Function / Program</u>	Fiscal Year				
	1997	1998	1999	2000	2001
General Government					
Legislative	0.75	0.75	0.75	0.75	0.75
Administration	2.25	2.25	2.25	2.25	2.25
Finance	4.00	4.00	4.50	4.50	4.50
Police					
Officers	21.00	21.00	21.00	22.00	22.00
Dispatch and Support	8.00	8.00	8.00	8.50	8.50
Planning	3.75	3.75	3.75	3.75	3.75
Building	2.75	2.25	2.75	2.50	2.50
Public Works					
Engineering	4.50	4.50	4.50	4.50	4.50
Street Maintenance	4.50	4.50	4.50	2.34	2.34
Vehicle Maintenance	1.00	1.00	1.00	1.00	1.00
Park Maintenance	2.50	2.50	2.50	2.33	2.33
Building Maintenance	-	-	-	2.33	2.33
Wastewater Treatment Plant	8.20	8.20	8.20	8.20	8.20
Recreation	8.00	8.00	8.00	8.00	8.00
Redevelopment	1.05	1.05	1.05	1.05	1.05
Total	<u>72.25</u>	<u>71.75</u>	<u>72.75</u>	<u>74.00</u>	<u>74.00</u>

Source: City of Scotts Valley Annual Budget

Fiscal Year				
2002	2003	2004	2005	2006
0.75	0.75	0.75	0.50	0.50
2.25	2.00	2.00	1.25	1.25
4.50	5.35	5.35	5.35	5.35
22.00	22.00	22.00	22.00	22.00
9.00	9.00	9.00	9.00	9.00
4.40	4.15	4.15	3.90	3.90
2.41	2.41	2.41	2.41	2.41
4.45	4.50	4.50	4.50	4.50
2.60	3.10	3.10	3.10	3.10
1.20	1.20	1.20	1.20	1.20
3.60	3.10	3.10	3.10	3.10
1.60	1.60	1.60	1.60	1.60
8.20	7.35	7.35	7.35	7.35
8.00	8.00	8.00	7.00	7.00
1.45	1.90	1.90	2.15	2.15
<u>76.41</u>	<u>76.41</u>	<u>76.41</u>	<u>74.41</u>	<u>74.41</u>

Table 16

**CITY OF SCOTTS VALLEY
OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TWO FISCAL YEARS**

	Fiscal Year	
	<u>2006</u>	<u>2005</u>
General Government		
Number of Citizen Complaints Received	44	44
Police		
Calls for Service	15,899	15,575
Number of Citations Written	1,669	1,525
Number of Arrests	500	490
Planning		
Planning Applications Submitted	113	77
Lot Line Adjustment Applications Processed	5	2
Building		
Number of Building Inspections	2,390	1,588
Building Permits Submitted	593	404
Building Permits Issued	586	418
Public Works		
Building Permit Applications Processed	120	147
Encroachment Permits Processed	15	23
Transportation Permits Processed	78	106
Sewer Allocations Issued	14	30
Subdivision Maps Recorded	3	4
Wastewater Treatment Plant (all amounts in thousands of gallons)		
Total Flow	367,935	336,487
Highest Average Daily Flow	1,234	1,186
Lowest Average Daily Flow	881	669

Note: Indicators are not available for the Redevelopment function.

Source: Various City departments

**CITY OF SCOTTS VALLEY
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TWO FISCAL YEARS**

	Fiscal Year	
	<u>2006</u>	<u>2005</u>
Police:		
Stations	1	1
Emergency Vehicles	10	10
Public Works:		
Streets (miles)	35	35
Streetlights	212	212
Traffic Signals	16	16
Senior Center	1	1
Community Center	1	1
Wastewater		
Treatment Plant	1	1
Recreation		
Parks / Playgrounds	6	6
Soccer Fields	3	3
Tennis Courts	4	4