

City of Scotts Valley California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Of

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

For the Fiscal Year Ended June 30, 2007

**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, 2007
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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.scottsvally.org

September 20, 2007

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

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT - JUNE 30, 2007

Honorable Mayor and Council Members:

The Comprehensive Annual Financial Report for the City of Scotts Valley for the fiscal year ended June 30, 2007 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 2006 / 2007, the City accomplished the following:

- Completed rezonings and General Plan amendments to implement the 2002-07 Housing Element.
- Approved the EIR for the Polo Ranch project (41 single family residential homes).
- Approved quarry site mixed use project consisting of 31,500 square feet of retail/commercial space and 94 multi-family residential condominiums.
- Adopted a Green Building Ordinance.
- Due to numerous retirements, the City promoted from within the police chief, two lieutenants, and two sergeants as well as hiring five new police officers and three new dispatchers.
- Placed asphalt and striped Granite Creek overpass which completed over \$1 million in improvements to the Scotts Valley Drive / Granite Creek / Highway 17 intersection.
- Constructed bike lane and sidewalk on Hacienda Drive.

The following are current and future projects:

- Hired consultant who is currently preparing the Specific Plan for the City's Town Center project which will allow for both retail and residential development.
- Police Department is in the planning process for a major upgrade to the radio and telephone system in the emergency dispatch center to comply with the FCC mandated conversion of all radio frequencies to narrow banding by the year 2013.
- Processing a mixed use project on Glen Canyon Road (24,000 square feet of commercial space and 10 multi-family residential units) and a 20-unit residential project for the Pinnacle View development.
- Reviewing ways to streamline the permitting process including permit tracking software programs.
- Modernize signalized intersections' traffic controllers and their associated hardware
- Construct bike lanes on Green Hills Road.
- Rehabilitate and resurface Glen Canyon and Granite Creek Roads.

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, 2007, cash and investments totaled \$24,209,934 which included \$2,425,829 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. After three years in a row with the rate decreasing across the board (city, county, and state), the rate remained the same for the city and county while the state rate increased slightly.

<u>June 30,</u>	<u>Unemployment Rate</u>		
	<u>Scotts Valley</u>	<u>Santa Cruz County</u>	<u>California</u>
2003	3.0%	7.1%	6.8%
2004	2.6%	6.1%	6.3%
2005	2.3%	5.3%	5.4%
2006	2.1%	5.0%	4.9%
2007	2.1%	5.0%	5.2%

After a decrease in both the average and median price of homes last year, these two prices increased again this year, albeit a very small increase in the median price. Still, they are both significantly higher (over 38%) than the prices four years ago. 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 because 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>
2003	\$642,100	8.8%	\$550,000	5.3%
2004	674,000	5.0%	599,500	9.0%
2005	870,664	29.2%	793,000	32.3%
2006	838,208	(3.7%)	760,000	(4.2%)
2007	889,656	6.1%	761,000	0.1%

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, 2006. 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 nine consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

There has been a change in the eligibility requirements for the Certificate of Award for Outstanding Financial Reporting from the California State Municipal Finance Officers (CSMFO) for Comprehensive Annual Financial Reports. If cities submit and receive the GFOA Certificate of Achievement for Excellence in Financial Reporting, then they cannot apply for the CSMFO Certificate. Because the City of Scotts Valley receives the GFOA Certificate, we will no longer be able to apply for the CSMFO Certificate.

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, 2007

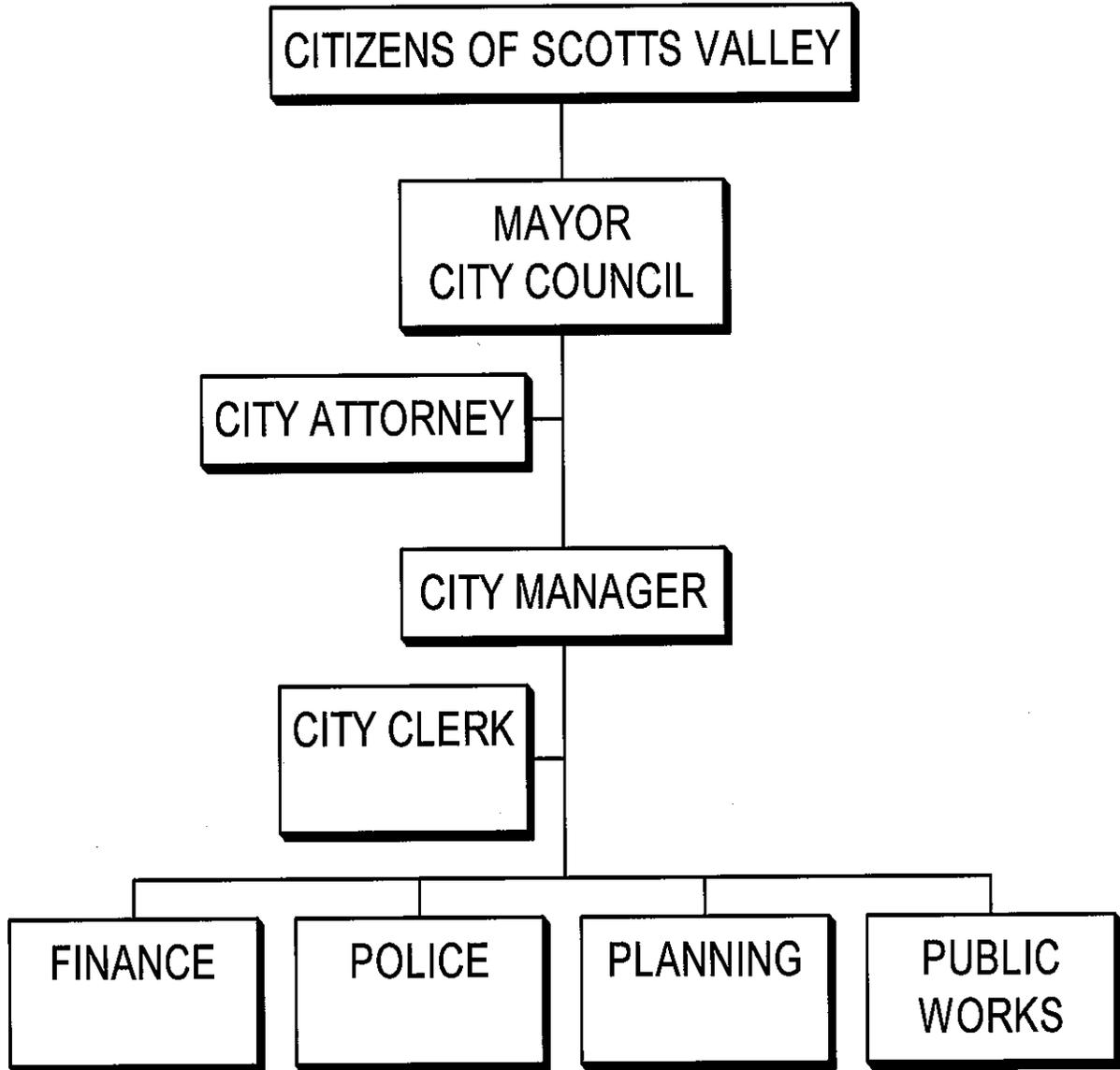
CITY COUNCIL MEMBERS

Dene Bustichi	Mayor
Randy Johnson	Vice Mayor
Stephany E. Aguilar	Councilmember
Cliff Barrett	Councilmember
Jim Reed	Councilmember

CHIEF ADMINISTRATIVE PERSONNEL

Charles Comstock	City Manager
Kirsten Powell	City Attorney
Tracy Ferrara	City Clerk
Stephen Ando	Deputy City Manager / Administrative Services Director
John Weiss	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, 2006

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.



President

Executive Director



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, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2007, 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.

Honorable Mayor
Members of the City Council
Scotts Valley, California

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
September 20, 2007

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, 2007. 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, 2007, by \$61,818,196. The current year change in net assets was an increase of \$2,954,442. Of the total net assets, \$36,618,629 was invested in capital assets (net of related debt) and \$17,675,102 had restrictions on their use leaving \$7,524,465 as unrestricted. The current increase in City net assets is a combination of the governmental activities increasing \$3,266,050 and the business-type activities decreasing \$311,608.

In September 2006, the City's Redevelopment Agency refunded the remaining serial and term Certificates of the 1997 Certificates of Participation. There is no call provision for the capital appreciation Certificates which are still outstanding in the amount of \$1,250,588. This will save the City \$681,423 over the 12 year life of the new issue.

As of June 30, 2007, the City's governmental funds (General Fund, special revenue funds, debt service funds, and capital project funds) had a combined fund balance of \$15,731,528, an increase of \$2,654,966 from the previous year. Of the total fund balance, \$4,912,234 was reserved; \$2,297,313 was designated for capital acquisitions, debt service payments, and future expenditures; and \$8,521,981 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 \$61,818,196 as of June 30, 2007. This is an increase of \$2,954,442, or 5.0%, from the previous year. It is a combination of an increase in total assets of \$2,454,616 and a decrease in total liabilities of \$499,826. 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
	2007	2006	2007	2006	2007	2006	
Current and other assets	\$19,495	\$16,763	\$ 7,119	\$ 7,264	\$26,614	\$24,027	10.8%
Capital assets, net	35,578	35,355	17,889	18,045	53,467	53,600	(0.2%)
Total assets	55,073	52,318	25,008	25,309	80,081	77,627	3.2%
Long-term debt outstanding	14,048	14,834	41	46	14,089	14,880	(5.3%)
Other liabilities	3,795	3,520	379	364	4,174	3,884	7.4%
Total liabilities	17,843	18,354	420	410	18,263	18,764	(2.7%)
Net assets:							
Invested in capital assets, net of related debt	18,729	18,125	17,889	18,045	36,618	36,170	1.2%
Restricted	12,692	11,564	4,983	5,074	17,675	16,638	6.2%
Unrestricted	5,809	4,275	1,716	1,780	7,525	6,055	24.3%
Total net assets	\$37,230	\$33,964	\$24,588	\$24,899	\$61,818	\$58,863	5.0%

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

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

Cash and Investments	\$3,956,131
Receivables – Due from Other Gov'ts	(950,511)
Cash and Investments with Fiscal Agents and Trustees	(516,589)

The increase in cash is mainly in the governmental activities which increased \$4,120,493. Just over half of that increase came from the General Fund and Affordable Housing Fund. The General Fund increase came from a rebound in sales tax revenues which also coincided with the start of a temporary sales tax rate increase approved by City voters. The Affordable Housing increased from annual tax increment revenues. Receivables due from other governments decreased due to the collection of various capital project grants. Cash and investments with fiscal agents and trustees decreased due to the COP refinancing. The reserve fund cash requirement was replaced by an insurance policy.

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

Accrued Interest	\$218,400
Long-term debt	(791,245)

The increase in accrued interest comes from the capital appreciation bonds in the 1997 certificates of participation. The accrued interest will continue to grow on these bonds until they begin to be paid off in fiscal year 2020. Accrued interest also increased due to the 2006 tax allocation bonds issued less than a month before the end of last fiscal year. This fiscal year included a full five-month accrual of interest. Long-term debt not only decreased due to annual debt payments, the 2006 certificates of participation used to refund a portion of the 1997 certificates of participation were issued at a lower principal amount than the refunded 1997 certificates. This was possible due to the use of the reserve fund cash which was no longer needed because the reserve fund requirement of the 2006 certificates was satisfied with a reserve (insurance) policy rather than cash. This allowed the use of the cash of the refunded bond reserve fund to lower the issued principal amount of the refunding bonds.

Changes in Net Assets: City-wide the change in net assets went from an increase of \$1,965,514 in fiscal year 2006 to an increase of \$2,954,442 in fiscal year 2007. This is a result of total revenues increasing \$1,192,010 (or 6.6%) and total expenses increasing only \$203,082 (or 1.3%). A further analysis is shown below.

	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
Program Revenues	\$ 5,170	\$ 5,522	(6.4%)
General Revenues	13,950	12,406	12.5%
Governmental Expenses	(12,665)	(12,470)	1.6%
Business-type Expenses	<u>(3,501)</u>	<u>(3,493)</u>	0.3%
Net Increase (Decrease)	<u>\$ 2,954</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 an increase of \$1,544,249, or 12.4%. Two-thirds of this increase is related to sales taxes (\$1,019,764). This is the first full year of a temporary sales tax rate increase approved by the residents of Scotts Valley and accounted for \$948,975 of the sales tax increase. Two other large increases came from investment earnings (\$336,992) and property taxes (\$282,405). Investment earnings increased due to an increase in the interest rate and the amount of funds invested. The average rate for fiscal year 2007 was 4.87% compared to 3.52% for fiscal year 2006. Although the housing market has started to cool, property taxes still showed an increase of 5%. The only significant decrease was in vehicle-in-lieu fees which decreased \$184,222. In fiscal year 2006 the City received \$197,128 for a 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
	2007	2006	2007	2006	2007	2006	
Program revenues:							
Charges for services	\$666	\$701	\$2,706	\$2,620	\$3,372	\$3,321	1.5%
Operating grants	703	672	0	0	703	672	4.6%
Capital grants	992	1,380	103	149	1,095	1,529	(28.4%)
General revenues:							
Property tax	5,892	5,610	0	0	5,892	5,610	5.0%
Sales tax	2,979	1,959	0	0	2,979	1,959	52.1%
Other taxes	3,663	3,737	0	0	3,663	3,737	(2.0%)
Investment earnings	606	380	355	244	961	624	54.0%
Miscellaneous	455	468	0	8	455	476	(4.4%)
Transfers	(26)	(25)	26	25	0	0	0.0%
Total revenues	<u>15,930</u>	<u>14,882</u>	<u>3,190</u>	<u>3,046</u>	<u>19,120</u>	<u>17,928</u>	6.7%
Expenses:							
General government	1,513	1,466	0	0	1,513	1,466	3.2%
Public safety	3,612	3,669	0	0	3,612	3,669	(1.8%)
Planning & building	1,148	1,042	0	0	1,148	1,042	10.2%
Public works	2,746	2,624	0	0	2,746	2,624	4.6%
Redevelopment	2,648	2,758	0	0	2,648	2,758	(4.0%)
Interest on debt	998	911	2	0	998	913	9.3%
Wastewater	0	0	2,530	2,531	2,530	2,531	0.0%
Recreation	0	0	971	960	971	960	1.1%
Total expenses	<u>12,665</u>	<u>12,470</u>	<u>3,501</u>	<u>3,493</u>	<u>16,166</u>	<u>15,963</u>	1.3%
Increase (decrease) in net assets	<u>\$3,265</u>	<u>\$2,412</u>	<u>(\$ 311)</u>	<u>(\$ 447)</u>	<u>\$ 2,954</u>	<u>\$ 1,965</u>	50.4%

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Net Cost of Services: The table 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 \$12,664,560 were offset by charges for services (\$666,289), operating grants/contributions (\$702,787), and capital grants/contributions (\$991,790), bringing the net cost of services down to \$10,303,694. The increase in Planning and Building is due to having the Community Development Director position filled for a full year. In the previous year the position was vacant for four months during recruitment. The increase is greater in the net cost of services because planning and building fees were down in 2007 due to the softening of the housing market. The net costs for Public Works increased due to lower capital grants and contributions in 2007. The slow down in the housing market had a negative effect on Redevelopment as well. Supplemental property tax increment (and the corresponding pass-through payment) was lower due to fewer houses being sold. The State ended its ERAF shift from the Agency which also lowered the pass-through payments.

**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
	2007	2006		2007	2006	
General Government	\$1,513	\$1,466	3.2%	\$1,484	\$1,424	4.2%
Public Safety	3,612	3,669	(1.8%)	3,287	3,316	(0.9%)
Planning & Building	1,148	1,042	10.2%	700	518	35.1%
Public Works	2,746	2,624	4.6%	1,187	790	50.1%
Redevelopment	2,648	2,758	(4.0%)	2,648	2,758	(4.0%)
Interest on L-T Debt	998	911	9.3%	998	911	9.3%
Total	\$12,665	\$12,470	1.6%	\$10,304	\$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 2006 to 2007. The total revenues and expenditures do not include any "other financing sources (uses)."

	Increase (Decrease) from Prior Year			
	Assets	Liabilities	Revenues	Expenditures
General Fund	\$591,060	(\$31,111)	\$1,065,060	\$3,268,395
Special Revenue	1,540,796	(67,396)	3,486	37,115
Debt Service	640,524	174,390	140,514	(2,342,600)
Capital Projects	(763,757)	(722,226)	(297,163)	(217,919)

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 the General Fund are the assets in the Special Revenue, Debt Service, and Capital Projects funds; liabilities in the Capital Projects fund; and expenditures in the Debt Service fund. Over 70% of the Special Revenue asset increase is due to the increase in cash in the Affordable Housing fund. Over 87% of the Debt Service asset increase is due to the increase in cash in the Redevelopment Agency fund. Both of these two cash increases will be used in the development of the City's Town Center project. The City is currently developing the specific plan for the Town Center area. Environmental review will be done after the completion of the specific plan.

Almost the entire decrease in Capital Project assets is due to the decrease in receivables for construction grants. These are reimbursement type grants. The Capital Project funds borrowed monies from other funds until these grant funds were received. Once these grant monies were received, interfund borrowings were repaid. This also accounts for the decrease in liabilities for the Capital Project funds.

The decrease in the Debt Service expenditures is due to the refunding of the Redevelopment Agency long-term debt in the previous year. Fiscal year 2006 included \$1,831,096 of principal payments to pay off the installment note to the City of Santa Cruz as well as \$354,330 of refunding bond issuance costs. The tax allocation bond refinancing in 2006 was reported under other financing sources and uses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues were \$845,856 (10.9%) over budget. The largest variance is in tax revenue which is over budget by \$617,943 (10.2%). The only category being under budget is charges for services which is \$81,854 (13.7%) under budget.

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

<u>Over Budget</u>		<u>Under Budget</u>
Sales Tax - Base	\$227,043	No major variances.
Sales Tax - Temporary	271,575	

The sales tax received by the City from the base rate was \$227,043 over budget. Sales tax had decreased for four straight fiscal years through June 30, 2005. This fiscal year's sales tax budget was somewhat conservative after so many years of declining revenues. The first full year of the City's half-cent temporary sales tax also did well, coming in \$271,575 over budget. It was difficult to estimate how well the temporary sales tax would do in its first full year.

On the expenditure side, the General Fund was \$99,435, or 0.9%, under the final budget. Compared to the original budget, general government was substantially over budget and street maintenance was the most under budget. General government was over budget due to partial refunding of debt that was not anticipated when the budget was approved. The offsetting issuance of debt is shown under other financing sources. The street maintenance was under budget due to personnel and street overlay costs. Personnel costs were down due to a workers compensation injury and an employee retiring. The street overlay costs were lower due to the shortage of staff.

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Assets increased \$591,060. This is mainly due to an increase in cash and a decrease in restricted cash with fiscal agents and trustees. Cash increased due to revenues exceeding expenditures. The restricted cash decreased because it was used in the partial refunding of debt.

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 \$131,998, or 0.2%. The governmental activities had capital assets additions of \$1,118,068. Current year depreciation of \$1,094,279 brought capital assets to a net increase of \$23,789. The main capital asset additions were the Mt. Hermon Road rehabilitation (\$334,414) and the construction in progress payments on the Hacienda Drive Bike Lane (\$301,306). The business-type activities had capital assets additions of \$782,781 while depreciation of \$938,568 created a net decrease of \$155,787. The largest addition this year was the construction in progress payments for the Carbonero Creek Lift Station improvements.

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

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2007	2006	2007	2006	2007	2006	
Land	\$7,176	\$7,161	\$429	\$429	\$7,605	\$7,590	0.2%
Buildings & Improvements	3,593	3,675	2,571	2,698	6,164	6,373	(3.3%)
Equipment	527	527	579	816	1,106	1,343	(17.6%)
Infrastructure	23,965	24,187	13,553	13,909	37,518	38,096	(1.5%)
Outfall Agreement	0	0	95	98	95	98	(3.1%)
Construction in Progress	<u>317</u>	<u>5</u>	<u>662</u>	<u>94</u>	<u>979</u>	<u>99</u>	988.9%
Total	<u>\$35,578</u>	<u>\$35,555</u>	<u>\$17,889</u>	<u>\$18,044</u>	<u>\$53,599</u>	<u>\$53,599</u>	(0.2%)

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 on the next page. Total long-term debt decreased \$887,962, or 5.6%. The City issued \$2,735,000 in Certificates of Participation (COP's) and used the proceeds to refund a portion of its 1997 COP's. An insurance policy was issued for the reserve fund of the new COP. The 1997 COP reserve fund was used in the partial refunding. 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
	2007	2006	2007	2006	2007	2006	
Certificates of Participation	\$7,595	\$8,011	\$ 0	\$ 0	\$7,595	\$8,011	(5.2%)
Installment Notes	140	145	0	0	140	145	(3.4%)
Tax Allocation Bonds	6,485	6,810	0	0	6,485	6,810	(4.8%)
Accrued Comp Absences	640	795	148	134	788	929	30.1%
Total	<u>\$14,860</u>	<u>\$15,761</u>	<u>\$148</u>	<u>\$134</u>	<u>\$15,088</u>	<u>\$15,895</u>	(5.6%)

NEXT YEAR'S BUDGETS AND RATES

The City continues to have a hiring freeze. As positions become vacant, they are not being filled. The two exceptions are emergency dispatch and police officers. Police officer positions are capped at two vacancies. With additional vacancies and the addition of the temporary sales tax rate increase, the General Fund is budgeted with a surplus of \$471,418. The temporary sales tax revenues are budgeted at \$1,060,000. Therefore, without the temporary tax measure, the City would have a deficit of \$588,582. This is less than the over \$800,000 deficit the City had prior to the passage of the temporary sales tax rate increase. Regular sales tax rebounded last year and is being budgeted at \$1,970,000 in fiscal year 2008, an increase of \$290,000 over fiscal year 2007.

The City will once again benefit from a reduction in its liability insurance in fiscal year 2008 of approximately \$30,000. Approximately \$18,000 of that reduction is allocated to the General Fund. The City is a member of a risk pool for its liability insurance. A combination of low claims experienced 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 6.0% effective January 1, 2008. CalPERS has provided the City with next year's rate and a projected 2009-10 rate. A recap of the retirement rates by fiscal year is shown below.

Fiscal Year	Miscellaneous Group	Safety Group	
2005-06	11.237%	24.613%	Actual
2006-07	14.254%	24.917%	Actual
2007-08	14.813%	26.644%	Actual
2008-09	15.510%	28.192%	Actual
2009-10	15.300%	27.900%	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, 2007**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 2)	\$ 14,878,155	\$ 6,905,950	\$ 21,784,105
Receivables:			
Due from other Governments	1,173,239	33,624	1,206,863
Sewer Fees	0	136,533	136,533
Other	0	24,221	24,221
Inventory	0	2,688	2,688
Prepaid Expenses	0	15,862	15,862
Long-Term Loans Due (Note 3)	2,101,816	0	2,101,816
Restricted Assets (Note 2):			
Cash and Investments with Fiscal Agents and Trustees	438,318	0	438,318
Unamortized Debt Issuance Costs, Net	903,831	0	903,831
Capital Assets (Note 4):			
Land and construction in progress	7,492,562	1,091,548	8,584,110
Other capital assets, net of depreciation	28,085,808	16,797,515	44,883,323
Total capital assets	<u>35,578,370</u>	<u>17,889,063</u>	<u>53,467,433</u>
Total Assets	<u>55,073,729</u>	<u>25,007,941</u>	<u>80,081,670</u>
LIABILITIES			
Accounts Payable	383,095	60,143	443,238
Accrued Liabilities	196,174	59,383	255,557
Accrued Interest	2,201,821	0	2,201,821
Current Portion of Long-Term Debt (Note 5)	812,232	107,000	919,232
Unearned Revenues	201,963	152,796	354,759
Long-Term Debt (Note 5):			
Certificates of Participation	7,484,751	0	7,484,751
Installment Notes	135,000	0	135,000
Tax Allocation Bonds	6,215,000	0	6,215,000
Accrued Compensated Absences	213,098	41,018	254,116
Total Liabilities	<u>17,843,134</u>	<u>420,340</u>	<u>18,263,474</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	18,729,566	17,889,063	36,618,629
Restricted for:			
Capital Projects	558,025	4,983,103	5,541,128
Debt Service	2,044,334	0	2,044,334
Specific Projects and Programs	10,089,640	0	10,089,640
Unrestricted	<u>5,809,030</u>	<u>1,715,435</u>	<u>7,524,465</u>
Total Net Assets	<u>\$ 37,230,595</u>	<u>\$ 24,587,601</u>	<u>\$ 61,818,196</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, 2007**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,512,706	\$ 23,775	\$ 0	\$ 4,707	\$ 28,482
Public Safety	3,611,534	58,898	222,197	43,015	324,110
Planning & Building	1,148,286	396,364	28,670	23,539	448,573
Public Works	2,746,454	187,252	451,920	920,529	1,559,701
Redevelopment	2,648,024	0	0	0	0
Interest on Long-Term Debt and Fiscal Agent Charges	997,556	0	0	0	0
Total Governmental Activities	12,664,560	666,289	702,787	991,790	2,360,866
Business-Type Activities:					
Wastewater	2,529,974	1,760,937	0	103,295	1,864,232
Recreation Programs	971,495	944,650	0	0	944,650
Total Business-Type Activities	3,501,469	2,705,587	0	103,295	2,808,882
Total Primary Government	\$ 16,166,029	\$ 3,371,876	\$ 702,787	\$ 1,095,085	\$ 5,169,748

General Revenues:

Taxes:

Property Tax

Sales Tax

Vehicle In-Lieu Fee (Intergovernmental / Unrestricted)

Franchise Taxes

Utility Users Tax

Transient Occupancy 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.

**CITY OF SCOTTS VALLEY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,484,224)	\$ 0	\$ (1,484,224)
(3,287,424)	0	(3,287,424)
(699,713)	0	(699,713)
(1,186,753)	0	(1,186,753)
(2,648,024)	0	(2,648,024)
<u>(997,556)</u>	<u>0</u>	<u>(997,556)</u>
<u>(10,303,694)</u>	<u>0</u>	<u>(10,303,694)</u>
0	(665,742)	(665,742)
<u>0</u>	<u>(26,845)</u>	<u>(26,845)</u>
0	(692,587)	(692,587)
<u>(10,303,694)</u>	<u>(692,587)</u>	<u>(10,996,281)</u>
5,891,951	0	5,891,951
2,978,618	0	2,978,618
890,180	0	890,180
792,521	0	792,521
767,368	0	767,368
693,788	0	693,788
519,374	0	519,374
<u>12,533,800</u>	<u>0</u>	<u>12,533,800</u>
606,404	355,102	961,506
455,417	0	455,417
<u>(25,877)</u>	<u>25,877</u>	<u>0</u>
<u>13,569,744</u>	<u>380,979</u>	<u>13,950,723</u>
3,266,050	(311,608)	2,954,442
<u>33,964,545</u>	<u>24,899,209</u>	<u>58,863,754</u>
<u>\$ 37,230,595</u>	<u>\$ 24,587,601</u>	<u>\$ 61,818,196</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, 2007**

	General Fund	Affordable Housing	Redevelopment Agency Debt Service
ASSETS			
Cash and Investments	\$ 1,503,998	\$ 5,161,586	\$ 1,368,775
Receivables:			
Due from other Governments	990,646	0	137,238
Due from other Funds	78,631	0	0
Advances Due from other Funds	3,432,132	484,214	0
Long-Term Loans Due	0	1,701,816	0
Restricted Assets:			
Cash and Investments with Fiscal Agents and Trustees	437,863	0	455
Total Assets	\$ 6,443,270	\$ 7,347,616	\$ 1,506,468
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 85,983	\$ 5,855	\$ 259,332
Accrued Liabilities	182,876	2,639	0
Accrued Compensated Absenses	27,265	0	0
Due to other Funds	0	0	0
Advances Due to other Funds	0	0	3,776,814
Deferred Revenues	151,560	1,701,816	0
Total Liabilities	447,684	1,710,310	4,036,146
Fund Balances (Deficit): (Note 9)			
Reserved	3,869,995	484,214	0
Unreserved, reported in			
General Fund:			
Designated	370,968	0	0
Undesignated	1,754,623	0	0
Special Revenue Funds:			
Designated	0	0	0
Undesignated	0	5,153,092	0
Debt Service Funds:			
Designated	0	0	0
Undesignated	0	0	(2,529,678)
Total Fund Balances (Deficit)	5,995,586	5,637,306	(2,529,678)
Total Liabilities and Fund Balances (Deficit)	\$ 6,443,270	\$ 7,347,616	\$ 1,506,468

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

**CITY OF SCOTTS VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>Other Governmental Funds</u>		<u>Total</u>
\$	6,841,736	\$	14,876,095
	45,355		1,173,239
	288,524		367,155
	0		3,916,346
	400,000		2,101,816
	<u>0</u>		<u>438,318</u>
\$	<u>7,575,615</u>	\$	<u>22,872,969</u>
\$	29,955	\$	381,125
	10,659		196,174
	0		27,265
	367,155		367,155
	139,532		3,916,346
	<u>400,000</u>		<u>2,253,376</u>
	<u>947,301</u>		<u>7,141,441</u>
	558,025		4,912,234
	0		370,968
	0		1,754,623
	320,329		320,329
	4,143,944		9,297,036
	1,606,016		1,606,016
	<u>0</u>		<u>(2,529,678)</u>
	<u>6,628,314</u>		<u>15,731,528</u>
\$	<u>7,575,615</u>	\$	<u>22,872,969</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, 2007

Total Fund Balances - Total Governmental Funds (Page 21)	\$ 15,731,528
 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.	35,578,370
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.	(2,201,821)
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.	90
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	(254,395)
1997 Certificates of Participation	(1,250,588)
2003 Certificates of Participation	(3,455,000)
2006 Certificates of Participation	(2,635,000)
Tax Allocation Bonds	(6,485,000)
Note Payable - Scotts Valley Water District	(140,000)
Compensated Absences	(612,833)
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.	903,831
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.	(50,403)
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>2,101,816</u>
 Net Assets of Governmental Activities (Page 15)	 <u><u>\$ 37,230,595</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, 2007

	<u>General Fund</u>	<u>Affordable Housing</u>	<u>Redevelopment Agency Debt Service</u>
Revenues:			
Taxes and Assessments	\$ 7,448,319	\$ 1,027,878	\$ 4,111,514
Intergovernmental Revenues	81,890	0	0
Fees and Services	514,142	0	0
Fines and Forfeitures	78,300	0	0
Investment Earnings	200,933	226,564	69,046
Contributions, Non-Government	17,000	0	0
Miscellaneous Revenues	<u>294,623</u>	<u>54,760</u>	<u>0</u>
Total Revenues	<u>8,635,207</u>	<u>1,309,202</u>	<u>4,180,560</u>
Expenditures:			
Current:			
General Government	1,443,253	0	0
Public Safety	3,558,867	0	0
Planning and Building	467,673	237,671	0
Public Works	1,380,514	0	0
Capital Outlay	146,780	0	0
Tax Increment Pass-Through	0	0	2,648,024
Debt Service			
Principal	3,151,083	0	330,000
Interest and Finance Charges	339,219	0	439,937
Refunding Bond Issuance Costs	<u>187,893</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>10,675,282</u>	<u>237,671</u>	<u>3,417,961</u>
Excess of Revenues over (under) Expenditures	<u>(2,040,075)</u>	<u>1,071,531</u>	<u>762,599</u>
Other Financing Sources (Uses):			
Transfers In	0	0	38,832
Transfers Out	(90,998)	0	(416,372)
Issuance of Debt	2,735,000	0	0
Premium on Debt Issued	<u>18,244</u>	<u>0</u>	<u>0</u>
Net Other Financing Sources (Uses)	<u>2,662,246</u>	<u>0</u>	<u>(377,540)</u>
Net Change in Fund Balances	622,171	1,071,531	385,059
Beginning Fund Balances (Deficit)	<u>5,373,415</u>	<u>4,565,775</u>	<u>(2,914,737)</u>
Ending Fund Balances (Deficit)	<u>\$ 5,995,586</u>	<u>\$ 5,637,306</u>	<u>\$ (2,529,678)</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, 2007

Other Governmental Funds	Total
\$ 325,135	\$ 12,912,846
739,353	821,243
323,340	837,482
0	78,300
334,299	830,842
134,244	151,244
21,075	370,458
1,877,446	16,002,415
0	1,443,253
14,053	3,572,920
420,872	1,126,216
278,895	1,659,409
1,030,082	1,176,862
0	2,648,024
0	3,481,083
0	779,156
0	187,893
1,743,902	16,074,816
133,544	(72,401)
647,884	686,716
(205,223)	(712,593)
0	2,735,000
0	18,244
442,661	2,727,367
576,205	2,654,966
6,052,109	13,076,562
\$ 6,628,314	\$ 15,731,528

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, 2007**

Net change in fund balances - total governmental funds (Page 25) **\$ 2,654,966**

Amounts reported for governmental activities in the statement of activities (Page 15) are different because:

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.

Current year capital outlays	1,118,068
Current year depreciation	(1,094,279)

Governmental funds report amounts received as repayment of loans or notes receivable as revenue. However, in the statement of activities these amounts would be a decrease of the receivable.

(50,000)

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.

(180)

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.

Repayment of long-term debt principal	3,481,083
---------------------------------------	-----------

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.

Debt issuance costs	187,893
Bond premium	(14,172)
Amortization of advance refunding payment and issuance costs	(72,997)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

(2,735,000)

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:

Accrual of compensated absences	9,068
Accrual of interest expense on long-term debt	(218,400)

Change in net assets of governmental activities (Page 17) **\$ 3,266,050**

**CITY OF SCOTTS VALLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Recreation Fund	Wastewater Fund	Total	
ASSETS				
Current:				
Cash and Investments	\$ 1,694	\$ 6,904,256	\$ 6,905,950	\$ 2,060
Receivables:				
Due from other Governments	0	33,624	33,624	0
Sewer Fees	0	136,533	136,533	0
Other	24,221	0	24,221	0
Inventory	0	2,688	2,688	0
Prepaid Expenses	15,862	0	15,862	0
Total Current Assets	41,777	7,077,101	7,118,878	2,060
Capital Assets (Note 4):				
Land and construction in progress	0	1,091,548	1,091,548	0
Other capital assets, net of depreciation	38,316	16,759,199	16,797,515	0
Total capital assets	38,316	17,850,747	17,889,063	0
Total Assets	80,093	24,927,848	25,007,941	2,060
LIABILITIES				
Current Liabilities:				
Accounts Payable	13,516	46,627	60,143	1,970
Accrued Liabilities	34,984	24,399	59,383	0
Compensated Absences	16,560	90,440	107,000	0
Deferred Revenues	152,796	0	152,796	0
Total Current Liabilities	217,856	161,466	379,322	1,970
Noncurrent Liabilities:				
Compensated Absences	6,439	34,579	41,018	0
Total Noncurrent Liabilities	6,439	34,579	41,018	0
Total Liabilities	224,295	196,045	420,340	1,970
NET ASSETS				
Invested in Capital Assets, net of related debt	38,316	17,850,747	17,889,063	0
Restricted (Note 9)	0	4,983,103	4,983,103	0
Unrestricted	(182,518)	1,897,953	1,715,435	90
Total Net Assets	\$ (144,202)	\$ 24,731,803	\$ 24,587,601	\$ 90

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, 2007

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Recreation Fund	Wastewater Fund	Total	
Operating Revenues:				
Fees and Services	\$ 944,650	\$ 1,760,937	\$ 2,705,587	\$ 75,028
Total Operating Revenues	944,650	1,760,937	2,705,587	75,028
Operating Expenses:				
Salaries	508,188	507,144	1,015,332	0
Taxes and Benefits	142,959	256,739	399,698	0
Maintenance and Operations	148,567	511,418	659,985	0
Advertising	9,278	0	9,278	0
Professional and Contractual Services	131,996	15,633	147,629	0
Utilities and Communications	15,492	278,976	294,468	0
Insurance and Bonds	6,760	29,751	36,511	75,288
Depreciation	8,255	930,313	938,568	0
Total Operating Expenses	971,495	2,529,974	3,501,469	75,288
(Loss) from Operations	(26,845)	(769,037)	(795,882)	(260)
Nonoperating Revenues (Expenses):				
Interest Income	117	354,985	355,102	80
Connection Fees	0	103,295	103,295	0
Total Nonoperating Revenues	117	458,280	458,397	80
Net (Loss) before Transfers	(26,728)	(310,757)	(337,485)	(180)
Transfers In	25,877	0	25,877	0
Change in Net Assets	(851)	(310,757)	(311,608)	(180)
Net Assets - Beginning of Year	(143,351)	25,042,560	24,899,209	270
Net Assets - End of Year	\$ (144,202)	\$ 24,731,803	\$ 24,587,601	\$ 90

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, 2007**

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Recreation Fund	Wastewater Fund	Total	
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 946,027	\$ 1,763,032	\$ 2,709,059	\$ 75,028
Cash Payments for Good and Services	(465,284)	(1,110,897)	(1,576,181)	(74,444)
Cash Payments to Employees	(505,563)	(493,171)	(998,734)	0
Net Cash Provided by (Used for) Operating Activities	(24,820)	158,964	134,144	584
Cash Flows from Noncapital Financing Activities:				
Rent and Other	0	0	0	0
Transfers In (Out)	25,877	0	25,877	0
Net Cash Provided by (Used for) Noncapital Financing Activities	25,877	0	25,877	0
Cash Flows from Capital and Related Financing Activities				
Receipts of Connection and Standby Fees	0	103,295	103,295	0
Purchase of Vehicles and Equipment	0	(52,563)	(52,563)	0
Construction of Improvements & Land Purchase	0	(730,217)	(730,217)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	0	(679,485)	(679,485)	0
Cash Flows from Investing Activities:				
Interest Received	117	354,985	355,102	80
Net Cash Provided by Investing Activities	117	354,985	355,102	80
Net Increase (Decrease) in Cash	1,174	(165,536)	(164,362)	664
Cash and Investments, Beginning of Year	520	7,069,792	7,070,312	1,396
Cash and Investments, End of Year	\$ 1,694	\$ 6,904,256	\$ 6,905,950	\$ 2,060

(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, 2007**

	<u>Recreation</u> <u>Fund</u>	<u>Wastewater</u> <u>Fund</u>	<u>Total</u>	<u>Governmental</u> <u>Activities -</u> <u>Internal</u> <u>Service</u> <u>Fund</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating (Loss)	\$ (26,845)	\$ (769,037)	\$ (795,882)	\$ (260)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	8,255	930,313	938,568	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(10,334)	2,095	(8,239)	0
(Increase) Decrease in Prepaid Expenses	(11,065)	0	(11,065)	0
Increase (Decrease) in Accounts Payable	833	(18,380)	(17,547)	844
Increase(Decrease) in Acc Liabilities/Comp Absences	2,625	13,973	16,598	0
(Decrease) in Deferred Revenues	11,711	0	11,711	0
Net Cash Provided by (Used for) Operating Activities	<u>\$ (24,820)</u>	<u>\$ 158,964</u>	<u>\$ 134,144</u>	<u>\$ 584</u>

(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, 2007**

	<u>Total</u>
ASSETS	
Restricted Assets:	
Cash and Investments Held for Others	\$ 1,167,323
Cash and Investments Held in Accordance with Bond Indentures	<u>820,188</u>
 Total Assets	 <u>\$ 1,987,511</u>
 LIABILITIES	
Payable from Restricted Assets:	
Advance Assessments Collected	\$ 1,116,688
Bond Reserve Payable	820,188
Deposits	<u>50,635</u>
 Total Liabilities	 <u>\$ 1,987,511</u>

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

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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, 2007

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

Government – Wide Financial Statements

The Government-Wide Financial Statements include a Statement a 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, 2007

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, 2007

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, 2007**

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 2006 / 2007, 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 increase in the fair value of investments during fiscal year 2006 / 2007 was \$117,076. 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, 2007**

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/Levy 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, 2007.

Pooled Deposits	\$ 1,648,159
Pooled Investments:	
California Local Agency Investment Fund (LAIF)	6,101,418
Federal Home Loan Bank	1,996,400
Certificates of Deposit	8,868,760
Money Market	4,707,895
Petty Cash	<u>1,720</u>
Subtotal	23,324,352
Investments with Fiscal Agents and Trustees	<u>885,582</u>
Total Cash and Investments	<u>\$24,209,934</u>

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007

2. CASH AND INVESTMENTS (continued)

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

	<u>Government-Wide</u> <u>Statement of Net Assets</u>		Fiduciary	<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	Funds Statement of Net Assets	
Cash & Investments	\$14,878,155	\$6,905,950	\$1,167,323	\$22,951,428
Restricted Cash & Investments	<u>438,318</u>	<u>-</u>	<u>820,188</u>	<u>1,258,506</u>
Total	<u>\$15,316,473</u>	<u>\$6,905,950</u>	<u>\$1,987,511</u>	<u>\$24,209,934</u>

Pooled Deposits

At June 30, 2007, the difference between the carrying amount of the City's demand deposits of \$1,648,159 and the corresponding bank balance of \$248,181 was due to outstanding checks and deposits in transit. Of the bank balance, \$116,963 was insured by federal depository insurance and \$131,218 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. As of June 30, 2007, LAIF had over \$19.7 billion in investments.

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, 2007, 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, 2007

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, 2007, the City had \$6,101,418 invested in LAIF, which had invested 3.466% 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 (\$65,756,665,933) by total aggregate amortized cost (\$65,786,597,418) resulting in a factor of .999545022.

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, 2007, 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	\$6,101,418	\$ -	\$ -	\$ -
Federal Home Loan Bank	-	-	-	1,996,400
Certificates of Deposit	2,000,000	6,368,760	500,000	-
Money Market	<u>4,707,895</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$12,809,313</u>	<u>\$6,368,760</u>	<u>\$500,000</u>	<u>\$1,996,400</u>

Credit Risk: All Federal Home Loan Bank and Federal National Mortgage Association investments were rated AAA by Moody's which meets the minimum requirements set forth in the City's Investment Policy for managing credit risk. 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.

\$ 413,295 due from ten 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, 2007

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$7,160,750	\$ 15,000	\$ 0	\$7,175,750
Construction in progress	<u>4,751</u>	<u>312,061</u>	<u>0</u>	<u>316,812</u>
Total capital assets not being depreciated	<u>7,165,501</u>	<u>327,061</u>	<u>0</u>	<u>7,492,562</u>
<u>Capital assets being depreciated:</u>				
Buildings and Improvements	5,212,182	55,869	0	5,268,051
Machinery and equipment	2,147,255	108,530	40,645	2,215,140
Infrastructure	<u>34,206,621</u>	<u>626,608</u>	<u>0</u>	<u>34,833,229</u>
Total capital assets being depreciated	<u>41,566,058</u>	<u>791,007</u>	<u>40,645</u>	<u>42,316,420</u>
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements	1,536,849	137,507	0	1,674,356
Machinery and equipment	1,620,146	108,439	40,645	1,687,940
Infrastructure	<u>10,019,983</u>	<u>848,333</u>	<u>0</u>	<u>10,868,316</u>
Total accumulated depreciation	<u>13,176,978</u>	<u>1,094,279</u>	<u>40,645</u>	<u>14,230,612</u>
Total capital assets being depreciated, net	<u>28,389,080</u>	<u>(303,272)</u>	<u>0</u>	<u>28,085,808</u>
Governmental capital assets, net	<u>\$35,554,581</u>	<u>\$ 23,789</u>	<u>\$ 0</u>	<u>\$35,578,370</u>
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 429,416	\$ 0	\$ 0	\$ 429,416
Construction in progress	<u>96,278</u>	<u>565,854</u>	<u>0</u>	<u>662,132</u>
Total capital assets not being depreciated	<u>525,694</u>	<u>565,854</u>	<u>0</u>	<u>1,091,548</u>
<u>Capital assets being depreciated:</u>				
Buildings and Improvements	4,938,679	0	0	4,938,679
Machinery and equipment	5,184,214	52,563	0	5,236,777
Infrastructure	22,148,313	164,364	0	22,312,677
Outfall agreement	<u>178,000</u>	<u>0</u>	<u>0</u>	<u>178,000</u>
Total capital assets being depreciated	<u>32,449,206</u>	<u>216,927</u>	<u>0</u>	<u>32,666,133</u>
<u>Less accumulated depreciation for:</u>				
Buildings and Improvements	2,240,798	126,735	0	2,367,533
Machinery and equipment	4,369,657	288,821	0	4,658,478
Infrastructure	8,239,488	520,045	0	8,759,533
Outfall agreement	<u>80,106</u>	<u>2,967</u>	<u>0</u>	<u>83,073</u>
Total accumulated depreciation	<u>14,930,049</u>	<u>938,568</u>	<u>0</u>	<u>15,868,617</u>
Total capital assets being depreciated, net	<u>17,519,157</u>	<u>(721,641)</u>	<u>0</u>	<u>16,797,516</u>
Business-type capital assets, net	<u>\$18,044,851</u>	<u>\$ (155,787)</u>	<u>\$ 0</u>	<u>\$17,889,064</u>
Total Capital Assets	<u>\$53,599,432</u>	<u>\$ (131,998)</u>	<u>\$ 0</u>	<u>\$53,467,434</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007**

4. CAPITAL ASSETS (continued)

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

<u>Governmental Activities:</u>	
General government	\$ 40,297
Public safety	76,724
Planning & building	6,456
Public works	<u>970,802</u>
Total depreciation expense – government activities	<u>\$ 1,094,279</u>
 <u>Business-Type Activities:</u>	
Wastewater	\$ 930,313
Recreation	<u>8,255</u>
Total depreciation expense – business-type activities	<u>\$ 938,568</u>

5. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2007:

	<u>GOVERNMENTAL ACTIVITIES</u>				
	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2007</u>	<u>Due Within One Year</u>
Certificates of Participation	\$ 8,011,066	\$ 2,735,000	\$3,151,083	\$ 7,594,983	\$110,232
Installment Notes	145,000	0	5,000	140,000	5,000
Tax Allocation Bonds	6,810,000	0	325,000	6,485,000	270,000
Accrued Compensated Absences	<u>795,498</u>	<u>413,764</u>	<u>569,164</u>	<u>640,098</u>	<u>427,000</u>
Totals	<u>\$15,761,564</u>	<u>\$3,148,764</u>	<u>\$4,050,247</u>	<u>\$14,860,081</u>	<u>\$812,232</u>
	<u>BUSINESS-TYPE ACTIVITIES</u>				
	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2007</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	<u>\$134,497</u>	<u>\$89,875</u>	<u>\$76,354</u>	<u>\$148,018</u>	<u>\$107,000</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, 2007**

5. LONG-TERM DEBT (continued)

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

Current Refunding of Long-Term Debt:

See Note 14 on Page 52 detailing 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, 2007:

Original issue - \$7,359,911, Refunding and 1992 Public Improvements Project	\$254,395
Original issue - \$4,940,588, 1997-1 Refunding Certificates of Participation	1,250,588
Original issue - \$3,455,000, Refunding and 2003 Public Improvement Project	3,455,000
Original issue - \$2,735,000, 2006 Refunding Certificates of Participation	<u>2,635,000</u>
Total Certificates of Participation	<u>\$7,594,983</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 Ending	<u>1992 Refunding Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	37,871	102,129	140,000
2013	<u>35,353</u>	<u>104,647</u>	<u>140,000</u>
Totals	<u>\$ 254,395</u>	<u>\$ 585,605</u>	<u>\$ 840,000</u>

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007

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. The current interest certificates were refunded by the 2006 Refunding COP's. Only the capital appreciation certificates remain outstanding.

Fiscal Year <u>Ending</u>	1997-1 Refunding Certificates of Participation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-2022	\$ 462,639	\$1,202,361	\$1,665,000
2023-2027	<u>787,949</u>	<u>2,832,051</u>	<u>3,620,000</u>
Totals	<u>\$1,250,588</u>	<u>\$4,034,412</u>	<u>\$5,285,000</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 <u>Ending</u>	2003 Refunding Certificates of Participation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	0	159,283	159,283
2013-2017	0	796,413	796,413
2018-2022	580,000	722,838	1,302,838
2023-2027	415,000	629,240	1,044,240
2028-2032	<u>2,460,000</u>	<u>296,904</u>	<u>2,756,904</u>
Totals	<u>\$3,455,000</u>	<u>\$3,241,810</u>	<u>\$6,696,810</u>

In 2006, the Scotts Valley Public Financing Authority issued \$2,735,000 of 2006 Refunding Certificates of Participation. The proceeds were used to refund the remaining 1997-1 Refunding COP current interest certificates. The interest rates for this COP range from 4.0% to 4.25%.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007

5. LONG-TERM DEBT (continued)

Fiscal Year Ending	<u>2006 Refunding Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$60,000	\$ 108,225	\$ 168,225
2009	60,000	105,825	165,825
2010	70,000	103,325	173,325
2011	70,000	100,525	170,525
2012	70,000	97,725	167,725
2013-2017	1,495,000	368,331	1,863,331
2018-2022	<u>810,000</u>	<u>39,100</u>	849,100
Totals	<u>\$2,635,000</u>	<u>\$ 923,056</u>	<u>\$3,558,056</u>

Installment Notes:

The following installment notes were outstanding at June 30, 2007:

Scotts Valley Water District \$140,000

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.

Fiscal Year Ending	<u>Installment Note – Scotts Valley Water District</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	0	7,350	7,350
2013-2017	20,000	33,600	53,600
2018-2022	35,000	24,450	59,450
2023-2027	50,000	12,000	62,000
2028	<u>15,000</u>	<u>450</u>	<u>15,450</u>
Totals	<u>\$ 140,000</u>	<u>\$ 110,079</u>	<u>\$ 250,079</u>

Tax Allocation Bonds:

The following Tax Allocation Bonds were outstanding at June 30, 2007:

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.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007**

5. LONG-TERM DEBT (continued)

Fiscal Year <u>Ending</u>	Tax Allocation Refunding Bonds of 2006		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	305,000	239,483	544,483
2013-2017	1,700,000	1,011,070	2,711,070
2018-2022	1,305,000	667,037	1,972,037
2023-2027	1,285,000	376,125	1,661,125
2028-2030	<u>770,000</u>	<u>58,750</u>	<u>828,750</u>
Totals	<u>\$6,485,000</u>	<u>\$3,413,299</u>	<u>\$9,898,299</u>

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, 2007:

Original issue - \$6,966,000, 2002 Consolidated Reassessment District	\$4,134,998
Original issue - \$4,800,000, Community Facilities District, 97-1 Series A	3,875,000
Original issue - \$1,700,000, Community Facilities District, 97-1 Series B	1,435,000
Original issue - \$400,000, Valley Commons Improvement Assessment District	<u>5,000</u>
Total Special Assessment District Bonds (No City Liability)	<u>\$9,449,998</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.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007**

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, 2007:

	<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:	General Fund	\$78,631		
Non Major Funds:	Natural Disaster Assistance	288,524	AB 2766 FEMA - El Nino Disaster Community Center Gen Capital Projects	\$59,651 288,524 16,227 2,753
Totals		<u>\$367,155</u>		<u>\$367,155</u>

The above transfers 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 Affordable Housing	\$3,432,132 484,214	Redevelopment Agency Debt Service	\$3,776,814
Non Major Fund:			General Facilities	<u>139,532</u>
Totals		<u>\$3,916,346</u>		<u>\$3,916,346</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 \$722,096, 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	\$25,877	\$65,121	\$90,998
Redevelopment Debt Service Fund	0	0	416,372	416,372
Non Major Fund	<u>38,832</u>	<u>0</u>	<u>175,894</u>	<u>214,726</u>
Total	<u>\$38,832</u>	<u>\$25,877</u>	<u>\$657,387</u>	<u>\$722,096</u>

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007

7. INTERFUND TRANSACTIONS (continued)

The General Fund transferred out a total of \$90,998 as follows: \$28,990 to the Senior Center and \$25,877 to the Recreation Fund for operations, \$35,542 to the General Capital Projects Fund for the City's General Plan update, and \$589 to the Office of Traffic Safety Fund for the City's portion of matching grant funds.

The Redevelopment Agency's Debt Service Fund transferred out a total of \$416,372 to the Redevelopment Agency's Capital Projects Fund for various projects and administration.

The transfers between the Non-Major Funds consisted of two transfers to the General Capital Projects Fund: one for \$141,391 from the Gas Tax Fund to fund various street projects and the other for \$25,000 from the Drainage Construction Fund to fund the drainage portion of a sidewalk project. The other Non-Major transfer of \$38,832 is to the Redevelopment Agency Debt Service Fund to repay excess funding for a road rehabilitation project.

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, 2007.

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:

	General Fund	Affordable Housing	Non Major Funds	Total
Reserved for:				
Debt Service	\$ 437,863	\$ 0	\$ 0	\$ 437,863
Advances Due from Other Funds	3,432,132	484,214	0	3,432,132
Construction Projects	<u>0</u>	<u>0</u>	<u>558,025</u>	<u>558,025</u>
Total Reserved	<u>\$3,869,995</u>	<u>\$484,214</u>	<u>\$558,025</u>	<u>\$4,428,020</u>

	General Fund	Non Major Funds	Total
Designated for:			
Capital Acquisition	\$370,968	\$ 0	\$ 370,968
Debt Service	0	1,606,016	1,606,016
Future Expenditures	<u>0</u>	<u>320,329</u>	<u>320,329</u>
Total Designated	<u>\$370,968</u>	<u>\$1,926,345</u>	<u>\$2,297,313</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007**

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	\$2,961,241
Wastewater System Construction and Improvements	<u>2,021,862</u>
Total	<u>\$4,983,103</u>

10. DEFICIT FUND BALANCES

At June 30, 2007, the following City funds had deficit fund balances:

Major Fund:	
Redevelopment Agency Debt Service	<u>(\$2,529,678)</u>
Non Major Funds:	
General Facility	(\$76,338)
Senior Center	(1,646)
FEMA – El Nino Disaster	<u>(43,629)</u>
Total Non Major Funds	<u>(\$121,613)</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 Senior Center fund deficit will be eliminated through increased emphasis on revenue generating activities such as facility rental and classes. The FEMA – El Nino Disaster deficit will be eliminated by future disaster assistance revenues.

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.

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.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007**

11. PENSION PLAN (continued)

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 2006 / 2007 was 14.254% for Miscellaneous Plan employees and 24.917% 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.

Annual Pension Cost

For fiscal year 2006 / 2007, the City's annual pension cost for the Safety Plan was \$342,834 and the City actually contributed \$342,834. For the fiscal year 2006 / 2007, the City's annual pension cost for the Miscellaneous Plan was \$412,174 and the City actually contributed \$412,174. The required contribution for fiscal year 2006 / 2007 was determined as part of the June 30, 2005 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, 2005 was 18 years for the Safety Plan and 19 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
6/30/2005	\$179,370	100%	\$0	\$274,247	100%	\$0
6/30/2006	\$329,416	100%	\$0	\$379,717	100%	\$0
6/30/2007	\$412,174	100%	\$0	\$342,834	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.

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 \$100,640 in post employment benefits for the 18 retired employees who were eligible for benefits during the fiscal year ended June 30, 2007.

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2007

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, 2006 (fiscal year 2007 not available at the time of the printing of the City's financial statements):

Total Assets	\$12,310,525	Total Revenues	\$4,697,954
Total Liabilities	<u>18,337,130</u>	Total Expenditures	<u>2,081,720</u>
Net Assets (Deficit)	<u>(\$6,026,602)</u>	Change in Net Assets	<u>\$2,616,234</u>

The City paid \$133,412 for workers compensation and \$65,888 for liability premiums during the year ended June 30, 2007. The City's share of the fiscal year-end assets, liabilities, or fund equity has not been calculated by the MBASIA.

14 CURRENT REFUNDING OF LONG-TERM DEBT

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.

The decrease in the City's total debt service payments related solely to the current refunding of the 1997 Certificates of Participation is \$681,423 spread over the next 12 years. The advanced refunding also produced an economic gain of \$514,378. This represents the difference between the present values of the debt service payments on the old and new debt.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

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, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 5,941,900	\$ 6,037,855	\$ 6,655,798	\$ 617,943
Franchise fees	717,000	717,000	792,521	75,521
Fines & forfeitures	69,000	69,000	78,300	9,300
Charges for services	595,996	595,996	514,142	(81,854)
Investment earnings	58,500	58,500	200,933	142,433
Other revenue	311,000	311,000	393,513	82,513
Total Revenue	<u>7,693,396</u>	<u>7,789,351</u>	<u>8,635,207</u>	<u>845,856</u>
Expenditures:				
Legislative	177,094	172,964	170,982	1,982
Legal	81,550	85,680	85,680	0
General government	848,763	4,150,977	4,148,730	2,247
Administration	191,416	199,856	198,714	1,142
Finance	541,240	544,848	544,211	637
Police	3,474,535	3,474,535	3,444,352	30,183
Animal control	89,355	89,355	89,355	0
Emergency services	48,500	48,500	46,988	1,512
Planning	346,779	353,642	350,061	3,581
Building	129,868	123,005	117,612	5,393
Engineering	447,187	469,973	467,124	2,849
Street maintenace	469,698	420,087	383,866	36,221
Vehicle maintenance	105,534	105,534	101,280	4,254
Park maintenance	293,888	293,888	290,992	2,896
Building maintenance	227,096	241,873	235,335	6,538
Total Expenditures	<u>7,472,503</u>	<u>10,774,717</u>	<u>10,675,282</u>	<u>99,435</u>
Excess (Deficiency) of Revenues over (under) Expenditures	220,893	(2,985,366)	(2,040,075)	945,291
Other Financing Sources (Uses):				
Operating Transfers Out	(116,506)	(116,506)	(90,998)	25,508
Proceeds from Debt	0	2,735,000	2,735,000	0
Premium on Debt Issued	0	18,244	18,244	0
Net Change in Fund Balance (Budgetary and USGAAP Basis)	104,387	(348,628)	622,171	970,799
Beginning Fund Balance	<u>5,373,415</u>	<u>5,373,415</u>	<u>5,373,415</u>	<u>0</u>
Ending Fund Balance	<u><u>\$ 5,477,802</u></u>	<u><u>\$ 5,024,787</u></u>	<u><u>\$ 5,995,586</u></u>	<u><u>\$ 970,799</u></u>

**CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - AFFORDABLE HOUSING
FOR THE YEAR ENDED JUNE 30, 2007**

	<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	\$ 1,020,000	\$ 1,020,000	\$ 1,027,878	\$ 7,878
Investment earnings	120,000	120,000	226,564	106,564
Other revenue	0	0	54,760	54,760
Total Revenues	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,309,202</u>	<u>169,202</u>
Expenditures:				
Planning	<u>1,228,794</u>	<u>1,228,794</u>	<u>237,671</u>	<u>991,123</u>
Total Expenditures	<u>1,228,794</u>	<u>1,228,794</u>	<u>237,671</u>	<u>991,123</u>
Net Changes in Fund Balance (Budgetary and USGAAP Basis)	(88,794)	(88,794)	1,071,531	1,160,325
Beginning Fund Balance	<u>4,565,775</u>	<u>4,565,775</u>	<u>4,565,775</u>	<u>0</u>
Ending Fund Balance	<u><u>\$ 4,476,981</u></u>	<u><u>\$ 4,476,981</u></u>	<u><u>\$ 5,637,306</u></u>	<u><u>\$ 1,160,325</u></u>

SUPPLEMENTAL INFORMATION

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
JUNE 30, 2007**

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

1. Major Funds Budgetary Comparison Schedules (pages 63 – 65)

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	63
Proprietary Funds:	
Recreation Fund	64
Wastewater Fund	65

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 66 – 105)

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	66
Statement of Revenues, Expenditures, and Changes in Fund Balances	74
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual	82

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 106 – 109)

The Statement of Fiduciary Net Assets is presented on page 33. Included in this supplemental information section are 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, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,084,000	\$ 4,084,000	\$ 4,111,514	\$ 27,514
Investment Earnings	30,000	33,780	69,046	35,266
Total Revenues	4,114,000	4,117,780	4,180,560	62,780
Expenditures:				
Tax Increment Pass-Through	2,799,800	2,648,100	2,648,024	76
Debt Service:				
Principal	330,000	330,000	330,000	0
Interest and Finance Charges	284,457	439,937	439,937	0
Total Expenditures	3,414,257	3,418,037	3,417,961	76
Excess (Deficiency) of Revenues over (under) Expenditures	699,743	699,743	762,599	62,856
Other Financing Sources (Uses):				
Transfers In	0	0	38,832	38,832
Transfers Out	(417,197)	(417,197)	(416,372)	825
Net other Financing Sources (Uses)	(417,197)	(417,197)	(377,540)	39,657
Net Change in Fund Balance (Budgetary and USGAAP Basis)	282,546	282,546	385,059	102,513
Beginning Fund Balance	(2,914,737)	(2,914,737)	(2,914,737)	0
Ending Fund Balance	\$ (2,632,191)	\$ (2,632,191)	\$ (2,529,678)	\$ 102,513

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
MAJOR FUND BUDGETARY SCHEDULE - RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues:				
Fees and Services	\$ 964,120	\$ 973,376	\$ 944,650	\$ (28,726)
Total Operating Revenues	<u>964,120</u>	<u>973,376</u>	<u>944,650</u>	<u>(28,726)</u>
Operating Expenses:				
Salaries	510,784	508,295	508,188	107
Taxes and Benefits	159,873	143,653	142,959	694
Maintenance and Operations	125,590	160,289	137,501	22,788
Advertising	2,500	9,278	9,278	0
Professional and Contractual Services	141,000	131,996	131,996	0
Utilities and Communications	20,000	15,492	15,492	0
Insurance and Bonds	6,937	6,937	6,760	177
Total Operating Expenses	<u>966,684</u>	<u>975,940</u>	<u>952,174</u>	<u>23,766</u>
(Loss) from Operations	(2,564)	(2,564)	(7,524)	(4,960)
Nonoperating Revenues:				
Interest Income	<u>0</u>	<u>0</u>	<u>117</u>	<u>117</u>
Net (Loss) before Transfers	(2,564)	(2,564)	(7,407)	(4,843)
Transfers In	<u>0</u>	<u>0</u>	<u>25,877</u>	<u>25,877</u>
Change in Net Assets (Budgetary Basis)	(2,564)	(2,564)	18,470	21,034
Basis Adjustments:				
Prepaid Expenses	0	0	(11,066)	(11,066)
Depreciation	<u>0</u>	<u>0</u>	<u>(8,255)</u>	<u>(8,255)</u>
Change in Net Assets (USGAAP Basis)	(2,564)	(2,564)	(851)	1,713
Total Net Assets - Beginning	<u>(143,351)</u>	<u>(143,351)</u>	<u>(143,351)</u>	<u>0</u>
Total Net Assets - Ending	<u>\$ (145,915)</u>	<u>\$ (145,915)</u>	<u>\$ (144,202)</u>	<u>\$ 1,713</u>

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
MAJOR FUND BUDGETARY SCHEDULE - WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues:				
Fees and Services	\$ 1,693,560	\$ 1,693,560	\$ 1,760,937	\$ 67,377
Total Operating Revenues	<u>1,693,560</u>	<u>1,693,560</u>	<u>1,760,937</u>	<u>67,377</u>
Operating Expenses:				
Salaries	496,549	509,317	507,144	2,173
Taxes and Benefits	256,196	258,939	256,739	2,200
Maintenance and Operations	516,400	514,295	511,418	2,877
Professional and Contractual Services	26,000	21,000	15,633	5,367
Utilities and Communications	296,500	280,700	278,976	1,724
Insurance and Bonds	34,845	34,845	29,751	5,094
Capital Outlay	909,000	968,293	782,780	185,513
Total Operating Expenses	<u>2,535,490</u>	<u>2,587,389</u>	<u>2,382,441</u>	<u>204,948</u>
(Loss) from Operations	(841,930)	(893,829)	(621,504)	272,325
Nonoperating Revenues (Expenditures):				
Interest Income	206,000	206,000	354,985	148,985
Connection Fees	160,000	160,000	103,295	(56,705)
Change in Net Assets (Budgetary Basis)	(475,930)	(527,829)	(163,224)	364,605
Basis Adjustments:				
Capital Outlay	0	0	782,780	782,780
Depreciation	0	0	(930,313)	(930,313)
Change in Net Assets (USGAAP Basis)	(475,930)	(527,829)	(310,757)	217,072
Total Net Assets - Beginning	<u>25,042,560</u>	<u>25,042,560</u>	<u>25,042,560</u>	<u>0</u>
Total Net Assets - Ending	<u>\$ 24,566,630</u>	<u>\$ 24,514,731</u>	<u>\$ 24,731,803</u>	<u>\$ 217,072</u>

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds			
	Recycling	Gas Tax	Drainage Construction	Traffic Impact Mitigation
ASSETS				
Cash and Investments	\$ 382,261	\$ 390,881	\$ 87,916	\$ 784,822
Receivables:				
Due from other Governments	0	21,658	0	0
Other	0	0	0	0
Due from other Funds	0	0	0	0
Long-Term Loans Due	0	0	0	0
	0	0	0	0
Total Assets	\$ 382,261	\$ 412,539	\$ 87,916	\$ 784,822
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 3,049	\$ 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
	0	0	0	0
Total Liabilities	3,049	0	0	0
Fund Balances (Deficit):				
Reserved	0	0	0	0
Unreserved, report in				
Special Revenue Funds:				
Designated	0	0	0	0
Undesignated	379,212	412,539	87,916	784,822
Debt Service Fund - Designated	0	0	0	0
	0	0	0	0
Total Fund Balances (Deficit)	379,212	412,539	87,916	784,822
Total Liabilities and Fund Balances (Deficit)	\$ 382,261	\$ 412,539	\$ 87,916	\$ 784,822

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

Special Revenue Funds

<u>Park and Recreation Facilities</u>	<u>General Facility</u>	<u>Police Facility</u>	<u>Senior Center</u>	<u>Natural Disaster Assistance</u>
\$ 201,262	\$ 63,194	\$ 456,042	\$ 2,209	\$ 242,686
0	0	0	0	0
0	0	0	0	0
0	0	0	0	288,524
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 201,262</u>	<u>\$ 63,194</u>	<u>\$ 456,042</u>	<u>\$ 2,209</u>	<u>\$ 531,210</u>
\$ 1,087	\$ 0	\$ 0	\$ 1,353	0
0	0	0	2,502	0
0	0	0	0	0
0	139,532	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>1,087</u>	<u>139,532</u>	<u>0</u>	<u>3,855</u>	<u>0</u>
0	0	0	0	0
0	0	0	0	0
200,175	(76,338)	456,042	(1,646)	531,210
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>200,175</u>	<u>(76,338)</u>	<u>456,042</u>	<u>(1,646)</u>	<u>531,210</u>
<u>\$ 201,262</u>	<u>\$ 63,194</u>	<u>\$ 456,042</u>	<u>\$ 2,209</u>	<u>\$ 531,210</u>

(Continued)

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds			
	FEMA- El Nino Disaster	Tree Replacement	Pinewood Estates Landscape Maintenance District	Skypark Landscape Maintenance District
ASSETS				
Cash and Investments	\$ 244,895	\$ 43,143	\$ 21,966	\$ 360,626
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	 \$ 244,895	 \$ 43,143	 \$ 21,966	 \$ 360,626
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 8	\$ 2,531
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	 8	 2,531
 Fund Balances (Deficit):				
Reserved	0	0	0	0
Unreserved, report in Special Revenue Funds:				
Designated	0	0	0	320,329
Undesignated	(43,629)	43,143	21,958	37,766
Debt Service Fund - Designated	0	0	0	0
 Total Fund Balances (Deficit)	 (43,629)	 43,143	 21,958	 358,095
 Total Liabilities and Fund Balances (Deficit)	 \$ 244,895	 \$ 43,143	 \$ 21,966	 \$ 360,626

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

Special Revenue Funds						
Library Fees	SMIP Fees	Community Center Operations	AB2766 Grants	COPS Universal Hiring Grant	Office of Traffic Safety Grant	
\$ 508,764	\$ 2,510	\$ 22,972	\$ 45,826	\$ 0	\$ 107	
0	0	0	15,300	0	0	
0	0	0	0	0	0	
0	0	0	0	0	0	
<u>508,764</u>	<u>2,510</u>	<u>22,972</u>	<u>61,126</u>	<u>0</u>	<u>107</u>	
\$ 0	\$ 0	\$ 653	\$ 0	\$ 0	\$ 0	
0	0	243	0	0	0	
0	0	16,227	59,651	0	0	
0	0	0	0	0	0	
<u>0</u>	<u>0</u>	<u>17,123</u>	<u>59,651</u>	<u>0</u>	<u>0</u>	
0	0	0	0	0	0	
0	0	0	0	0	0	
508,764	2,510	5,849	1,475	0	107	
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<u>508,764</u>	<u>2,510</u>	<u>5,849</u>	<u>1,475</u>	<u>0</u>	<u>107</u>	
<u>\$ 508,764</u>	<u>\$ 2,510</u>	<u>\$ 22,972</u>	<u>\$ 61,126</u>	<u>\$ 0</u>	<u>\$ 107</u>	

(Continued)

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds			
	Supplemental Law Enforcement Services	Surface Transportation Projects Grant	Police Development Fees	CLEEP Grant
ASSETS				
Cash and Investments	\$ 98,620	\$ 24,651	\$ 151,109	\$ 4,308
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	\$ 98,620	\$ 24,651	\$ 151,109	\$ 4,308
 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	98,620	24,651	151,109	4,308
Debt Service Fund - Designated	0	0	0	0
 Total Fund Balances (Deficit)	98,620	24,651	151,109	4,308
 Total Liabilities and Fund Balances (Deficit)	\$ 98,620	\$ 24,651	\$ 151,109	\$ 4,308

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

Special Revenue Funds				Debt Service Fund
SCCNET Grant	Community Development Block Grant	Homeland Security Grant	Total	COP Debt Service
\$ 0	\$ 513,381	\$ 0	\$ 4,654,151	\$ 1,606,016
0	0	2,753	39,711	0
0	0	0	0	0
0	0	0	288,524	0
0	400,000	0	400,000	0
\$ 0	\$ 913,381	\$ 2,753	\$ 5,382,386	\$ 1,606,016
0	0	0	8,681	0
0	0	0	2,745	0
0	0	2,753	367,155	0
0	0	0	139,532	0
0	400,000	0	400,000	0
0	400,000	2,753	918,113	0
0	0	0	0	0
0	0	0	320,329	0
0	513,381	0	4,143,944	0
0	0	0	0	1,606,016
0	513,381	0	4,464,273	1,606,016
\$ 0	\$ 913,381	\$ 2,753	\$ 5,382,386	\$ 1,606,016

(Continued)

**CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Capital Projects Funds			
	Redevelop- ment Agency	Mt. Hermon Road Improvement Construction	Scotts Valley Drive A Improvement District	FHWA Projects
ASSETS				
Cash and Investments	\$ 13,095	\$ 214,723	\$ 133,266	\$ 310
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
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 13,095</u>	<u>\$ 214,723</u>	<u>\$ 133,266</u>	<u>\$ 5,954</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 5,181	\$ 0	\$ 0	\$ 0
Accrued Liabilities	7,914	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
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>13,095</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances (Deficit):				
Reserved	0	214,723	133,266	5,954
Unreserved, report in				
Special Revenue Funds:				
Designated	0	0	0	0
Undesignated	0	0	0	0
Debt Service Fund - Designated	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances (Deficit)	<u>0</u>	<u>214,723</u>	<u>133,266</u>	<u>5,954</u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 13,095</u>	<u>\$ 214,723</u>	<u>\$ 133,266</u>	<u>\$ 5,954</u>

**CITY OF SCOTTS VALLEY
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007**

Capital Projects Funds		
General Capital Improvements	Total	Total Non Major Governmental Funds
\$ 220,175	\$ 581,569	\$ 6,841,736
0	5,644	45,355
0	0	0
0	0	288,524
0	0	400,000
\$ 220,175	\$ 587,213	\$ 7,575,615
\$ 16,093	\$ 21,274	\$ 29,955
0	7,914	10,659
0	0	367,155
0	0	139,532
0	0	400,000
16,093	29,188	947,301
204,082	558,025	558,025
0	0	320,329
0	0	4,143,944
0	0	1,606,016
204,082	558,025	6,628,314
\$ 220,175	\$ 587,213	\$ 7,575,615

(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, 2007

	Special Revenue Funds			
	Recycling	Gas Tax	Drainage Construction	Traffic Impact Mitigation
Revenues:				
Taxes and Assessments	\$ 109,440	\$ 215,695	\$ 0	\$ 0
Intergovernmental Revenues	5,000	86,044	0	0
Fees and Services	0	0	8,722	116,959
Investment Earnings	18,141	17,600	5,457	26,156
Contributions, Non-Government	0	0	0	0
Miscellaneous Revenues	0	0	0	0
Total Revenues	132,581	319,339	14,179	143,115
Expenditures:				
Current:				
Public Safety	0	0	0	0
Planning and Building	0	0	0	0
Public Works	108,567	0	0	0
Capital Outlay	0	19,333	0	0
Total Expenditures	108,567	19,333	0	0
Excess of Revenues over (under) Expenditures	24,014	300,006	14,179	143,115
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers (Out)	0	(141,391)	(25,000)	0
Net Change in Fund Balances	24,014	158,615	(10,821)	143,115
Beginning Fund Balances (Deficit)	355,198	253,924	98,737	641,707
Ending Fund Balances (Deficit)	\$ 379,212	\$ 412,539	\$ 87,916	\$ 784,822

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, 2007

Special Revenue Funds

<u>Park and Recreation Facilities</u>	<u>General Facility</u>	<u>Police Facility</u>	<u>Senior Center</u>	<u>Natural Disaster Assistance</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0
14,264	1,546	20,357	55,296	0
10,372	3,162	22,658	296	24,587
0	0	0	5,744	0
0	0	0	1,235	0
<u>24,636</u>	<u>4,708</u>	<u>43,015</u>	<u>62,571</u>	<u>24,587</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	95,680	0
<u>11,981</u>	<u>0</u>	<u>11,500</u>	<u>8,914</u>	<u>0</u>
<u>11,981</u>	<u>0</u>	<u>11,500</u>	<u>104,594</u>	<u>0</u>
12,655	4,708	31,515	(42,023)	24,587
0	0	0	28,990	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
12,655	4,708	31,515	(13,033)	24,587
<u>187,520</u>	<u>(81,046)</u>	<u>424,527</u>	<u>11,387</u>	<u>506,623</u>
<u>\$ 200,175</u>	<u>\$ (76,338)</u>	<u>\$ 456,042</u>	<u>\$ (1,646)</u>	<u>\$ 531,210</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, 2007

	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	4,390	0	0	0
Fees and Services	0	19,465	5,880	42,078
Investment Earnings	0	1,603	1,036	17,023
Contributions, Non-Government	0	0	0	0
Miscellaneous Revenues	0	0	0	0
Total Revenues	4,390	21,068	6,916	59,101
Expenditures:				
Current:				
Public Safety	0	0	0	0
Planning and Building	0	0	0	0
Public Works	0	2,426	4,556	10,908
Capital Outlay	0	0	0	0
Total Expenditures	0	2,426	4,556	10,908
Excess of Revenues over (under) Expenditures	4,390	18,642	2,360	48,193
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Net Change in Fund Balances	4,390	18,642	2,360	48,193
Beginning Fund Balances (Deficit)	(48,019)	24,501	19,598	309,902
Ending Fund Balances (Deficit)	\$ (43,629)	\$ 43,143	\$ 21,958	\$ 358,095

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, 2007

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	1,166
1,717	12	37,044	0	0	0
25,662	127	1,311	2,313	0	686
0	0	28,500	0	0	0
0	0	2,466	0	0	0
<u>27,379</u>	<u>139</u>	<u>69,321</u>	<u>2,313</u>	<u>0</u>	<u>1,852</u>
0	0	0	0	9,503	1,338
0	0	0	0	0	0
0	0	56,758	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>56,758</u>	<u>0</u>	<u>9,503</u>	<u>1,338</u>
27,379	139	12,563	2,313	(9,503)	514
0	0	0	0	0	590
0	0	0	0	0	0
27,379	139	12,563	2,313	(9,503)	1,104
<u>481,385</u>	<u>2,371</u>	<u>(6,714)</u>	<u>(838)</u>	<u>9,503</u>	<u>(997)</u>
<u>\$ 508,764</u>	<u>\$ 2,510</u>	<u>\$ 5,849</u>	<u>\$ 1,475</u>	<u>\$ 0</u>	<u>\$ 107</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, 2007

	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	0	0
Investment Earnings	5,252	1,245	7,629	218
Contributions, Non-Government	0	0	0	0
Miscellaneous Revenues	9,503	0	0	0
Total Revenues	<u>114,755</u>	<u>1,245</u>	<u>7,629</u>	<u>218</u>
Expenditures:				
Current:				
Public Safety	0	0	0	0
Planning and Building	0	0	0	0
Public Works	0	0	0	0
Capital Outlay	95,578	0	0	0
Total Expenditures	<u>95,578</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	19,177	1,245	7,629	218
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Net Change in Fund Balances	19,177	1,245	7,629	218
Beginning Fund Balances (Deficit)	79,443	23,406	143,480	4,090
Ending Fund Balances (Deficit)	<u>\$ 98,620</u>	<u>\$ 24,651</u>	<u>\$ 151,109</u>	<u>\$ 4,308</u>

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, 2007

<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>
<u>SCCNET Grant</u>	<u>Community Development Block Grant</u>	<u>Homeland Security Grant</u>	<u>Total</u>	<u>COP Debt Service</u>
\$ 0	\$ 0	\$ 0	\$ 325,135	\$ 0
0	0	2,753	199,353	0
0	0	0	323,340	0
0	25,916	0	218,450	81,075
0	0	0	34,244	0
0	0	0	13,204	0
<u>0</u>	<u>25,916</u>	<u>2,753</u>	<u>1,113,726</u>	<u>81,075</u>
459	0	2,753	14,053	0
0	0	0	0	0
0	0	0	278,895	0
0	0	0	147,306	0
<u>459</u>	<u>0</u>	<u>2,753</u>	<u>440,254</u>	<u>0</u>
(459)	25,916	0	673,472	81,075
0	0	0	29,580	0
0	0	0	(166,391)	0
(459)	25,916	0	536,661	81,075
<u>459</u>	<u>487,465</u>	<u>0</u>	<u>3,927,612</u>	<u>1,524,941</u>
<u>\$ 0</u>	<u>\$ 513,381</u>	<u>\$ 0</u>	<u>\$ 4,464,273</u>	<u>\$ 1,606,016</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, 2007

	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	10,840	6,728	1,829
Contributions, Non-Government	0	0	0	0
Miscellaneous Revenues	4,500	0	0	3,371
Total Revenues	4,500	10,840	6,728	5,200
Expenditures:				
Current:				
Public Safety	0	0	0	0
Planning and Building	420,872	0	0	0
Public Works	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	420,872	0	0	0
Excess of Revenues over (under) Expenditures	(416,372)	10,840	6,728	5,200
Other Financing Sources (Uses):				
Transfers In	416,372	0	0	0
Transfers (Out)	0	0	0	(38,832)
Net Change in Fund Balances	0	10,840	6,728	(33,632)
Beginning Fund Balances (Deficit)	0	203,883	126,538	39,586
Ending Fund Balances (Deficit)	\$ 0	\$ 214,723	\$ 133,266	\$ 5,954

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, 2007

Capital Projects Funds		
General Capital Improvements	Total	Total Non Major Governmental Funds
\$ 0	\$ 0	\$ 325,135
540,000	540,000	739,353
0	0	323,340
15,377	34,774	334,299
100,000	100,000	134,244
0	7,871	21,075
655,377	682,645	1,877,446
0	0	14,053
0	420,872	420,872
0	0	278,895
882,776	882,776	1,030,082
882,776	1,303,648	1,743,902
(227,399)	(621,003)	133,544
201,932	618,304	647,884
0	(38,832)	(205,223)
(25,467)	(41,531)	576,205
229,549	599,556	6,052,109
\$ 204,082	\$ 558,025	\$ 6,628,314

(Concluded)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds		
		<u>Recycling</u>	
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 104,000	\$ 109,440	\$ 5,440
Intergovernmental Revenues	5,000	5,000	0
Fees and Services	0	0	0
Investment Earnings	11,000	18,141	7,141
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	<u>120,000</u>	<u>132,581</u>	<u>12,581</u>
Total Revenues			
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	116,650	108,567	8,083
Capital Outlay	0	0	0
	<u>116,650</u>	<u>108,567</u>	<u>8,083</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	3,350	24,014	20,664
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>3,350</u>	24,014	\$ <u>20,664</u>
Beginning Fund Balances		<u>0</u>	
Ending Fund Balances		<u>\$ 24,014</u>	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds					
<u>Gas Tax</u>			<u>Drainage Construction</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 222,000	\$ 215,695	\$ (6,305)	\$ 0	\$ 0	\$ 0
0	86,044	86,044	0	0	0
0	0	0	16,400	8,722	(7,678)
9,334	17,600	8,266	2,560	5,457	2,897
0	0	0	0	0	0
0	0	0	0	0	0
<u>231,334</u>	<u>319,339</u>	<u>88,005</u>	<u>18,960</u>	<u>14,179</u>	<u>(4,781)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>19,333</u>	<u>19,333</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>19,333</u>	<u>19,333</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
212,001	300,006	88,005	18,960	14,179	(4,781)
0	0	0	0	0	0
<u>0</u>	<u>(141,391)</u>	<u>(141,391)</u>	<u>0</u>	<u>(25,000)</u>	<u>(25,000)</u>
<u>\$ 212,001</u>	158,615	<u>\$ (53,386)</u>	<u>\$ 18,960</u>	(10,821)	<u>\$ (29,781)</u>
	<u>0</u>			<u>0</u>	
	<u>\$ 158,615</u>			<u>\$ (10,821)</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	209,600	116,959	(92,641)
Investment Earnings	18,000	26,156	8,156
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
Total Revenues	227,600	143,115	(84,485)
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Total Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	227,600	143,115	(84,485)
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	\$ 227,600	\$ 143,115	\$ (84,485)
Beginning Fund Balances		0	
Ending Fund Balances		\$ 143,115	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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
188,875	14,264	(174,611)	10,400	1,546	(8,854)
5,000	10,372	5,372	2,367	3,162	795
0	0	0	0	0	0
0	0	0	0	0	0
<u>193,875</u>	<u>24,636</u>	<u>(169,239)</u>	<u>12,767</u>	<u>4,708</u>	<u>(8,059)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>52,000</u>	<u>11,981</u>	<u>40,019</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>52,000</u>	<u>11,981</u>	<u>40,019</u>	<u>0</u>	<u>0</u>	<u>0</u>
141,875	12,655	(129,220)	12,767	4,708	(8,059)
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>\$ 141,875</u>	12,655	<u>\$ (129,220)</u>	<u>\$ 12,767</u>	4,708	<u>\$ (8,059)</u>
	<u>0</u>			<u>0</u>	
	<u>\$ 12,655</u>			<u>\$ 4,708</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds		
	Police Facility		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	110,000	0	(110,000)
Fees and Services	35,600	20,357	(15,243)
Investment Earnings	12,000	22,658	10,658
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	<u>157,600</u>	<u>43,015</u>	<u>(114,585)</u>
Total Revenues			
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	208,600	11,500	197,100
	<u>208,600</u>	<u>11,500</u>	<u>197,100</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	(51,000)	31,515	82,515
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>(51,000)</u>	31,515	\$ <u>82,515</u>
Beginning Fund Balances		<u>0</u>	
Ending Fund Balances		<u>\$ 31,515</u>	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds

<u>Senior Center</u>			<u>Natural Disaster Assistance</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
57,700	55,296	(2,404)	0	0	0
350	296	(54)	14,000	24,587	10,587
4,000	5,744	1,744	0	0	0
1,000	1,235	235	0	0	0
<u>63,050</u>	<u>62,571</u>	<u>(479)</u>	<u>14,000</u>	<u>24,587</u>	<u>10,586</u>
0	0	0	0	0	0
0	0	0	0	0	0
96,703	95,680	1,023	0	0	0
8,914	8,914	0	0	0	0
<u>105,617</u>	<u>104,594</u>	<u>1,023</u>	<u>0</u>	<u>0</u>	<u>0</u>
(42,567)	(42,023)	544	14,000	24,587	10,586
0	28,990	28,990	0	0	0
0	0	0	0	0	0
<u>\$ (42,567)</u>	<u>(13,033)</u>	<u>\$ 29,534</u>	<u>\$ 14,000</u>	<u>24,587</u>	<u>\$ 10,586</u>
	<u>0</u>			<u>0</u>	
	<u>\$ (13,033)</u>			<u>\$ 24,587</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds		
	FEMA-El Nino Disaster		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	106,047	4,390	(101,657)
Fees and Services	0	0	0
Investment Earnings	0	0	0
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
Total Revenues	106,047	4,390	(101,657)
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Total Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	106,047	4,390	(101,657)
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	\$ 106,047	4,390	\$ (101,657)
Beginning Fund Balances		0	
Ending Fund Balances		\$ 4,390	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds

<u>Tree Replacement</u>			<u>Pinewood Estates Landscape Maintenance</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
2,000	19,465	17,465	6,000	5,880	(120)
730	1,603	873	500	1,036	536
0	0	0	0	0	0
0	0	0	0	0	0
<u>2,730</u>	<u>21,068</u>	<u>18,338</u>	<u>6,500</u>	<u>6,916</u>	<u>416</u>
0	0	0	0	0	0
0	0	0	0	0	0
10,000	2,426	7,574	13,500	4,556	8,944
0	0	0	0	0	0
<u>10,000</u>	<u>2,426</u>	<u>7,574</u>	<u>13,500</u>	<u>4,556</u>	<u>8,944</u>
(7,270)	18,642	25,912	(7,000)	2,360	9,360
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>\$ (7,270)</u>	18,642	<u>\$ 25,912</u>	<u>\$ (7,000)</u>	2,360	<u>\$ 9,360</u>
	<u>0</u>			<u>0</u>	
	<u>\$ 18,642</u>			<u>\$ 2,360</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	42,078	327
Investment Earnings	9,800	17,023	7,223
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
Total Revenues	51,551	59,101	7,550
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	17,500	10,908	6,592
Capital Outlay	0	0	0
Total Expenditures	17,500	10,908	6,592
Excess of Revenues over (under) Expenditures	34,051	48,193	14,142
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	\$ 34,051	48,193	\$ 14,142
Beginning Fund Balances		0	
Ending Fund Balances		\$ 48,193	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds					
Library Fees			SMIP Fees		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
17,700	1,717	(15,983)	50	12	(38)
16,000	25,662	9,662	70	127	57
0	0	0	0	0	0
0	0	0	0	0	0
<u>33,700</u>	<u>27,379</u>	<u>(6,321)</u>	<u>120</u>	<u>139</u>	<u>19</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
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
33,700	27,379	(6,321)	120	139	19
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>\$ 33,700</u>	<u>27,379</u>	<u>\$ (6,321)</u>	<u>\$ 120</u>	<u>139</u>	<u>\$ 19</u>
	<u>0</u>			<u>0</u>	
	<u>\$ 27,379</u>			<u>\$ 139</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	25,000	37,044	12,044
Investment Earnings	0	1,311	1,311
Contributions, Non-Government	27,860	28,500	640
Miscellaneous Revenues	400	2,466	2,066
	<u>53,260</u>	<u>69,321</u>	<u>16,061</u>
Total Revenues			
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	57,217	56,758	459
Capital Outlay	0	0	0
	<u>57,217</u>	<u>56,758</u>	<u>459</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	(3,957)	12,563	16,520
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>(3,957)</u>	12,563	\$ <u>16,520</u>
Beginning Fund Balances		<u>0</u>	
Ending Fund Balances		<u>\$ 12,563</u>	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds

<u>AB 2766 Programs</u>			<u>COPS Universal Hiring Grant</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	2,313	2,313	300	0	(300)
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>2,313</u>	<u>2,313</u>	<u>300</u>	<u>0</u>	<u>(300)</u>
0	0	0	9,503	9,503	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>9,503</u>	<u>9,503</u>	<u>0</u>
0	2,313	2,313	(9,203)	(9,503)	(300)
0	0	0	0	590	590
0	0	0	0	0	0
<u>\$ 0</u>	<u>2,313</u>	<u>\$ 2,313</u>	<u>\$ (9,203)</u>	<u>(8,913)</u>	<u>\$ 290</u>
	<u>0</u>			<u>0</u>	
	<u>\$ 2,313</u>			<u>\$ (8,913)</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds			
Office of Traffic Safety Grant			
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	653	1,166	513
Fees and Services	0	0	0
Investment Earnings	686	686	0
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	<u>1,339</u>	<u>1,852</u>	<u>513</u>
Total Revenues			
Expenditures:			
Current:			
Public Safety	1,338	1,338	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
	<u>1,338</u>	<u>1,338</u>	<u>0</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	1	514	513
Other Financing Sources (Uses):			
Transfers In	0	590	590
Transfers (Out)	0	0	0
	<u>0</u>	<u>590</u>	<u>590</u>
Excess of Revenues and other Sources over (under) Expenditures and other Uses			
	<u>\$ 1</u>	<u>1,104</u>	<u>\$ 1,103</u>
Beginning Fund Balances		<u>0</u>	
Ending Fund Balances		<u>\$ 1,104</u>	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds

<u>Supplemental Law Enforcement Services</u>			<u>Surface Transportation Projects 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
100,000	100,000	0	0	0	0
0	0	0	0	0	0
1,500	5,252	3,752	600	1,245	645
0	0	0	0	0	0
0	9,503	9,503	0	0	0
<u>101,500</u>	<u>114,755</u>	<u>13,255</u>	<u>600</u>	<u>1,245</u>	<u>645</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>96,066</u>	<u>95,578</u>	<u>488</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>96,066</u>	<u>95,578</u>	<u>488</u>	<u>0</u>	<u>0</u>	<u>0</u>
5,434	19,177	13,743	600	1,245	645
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>\$ 5,434</u>	<u>19,177</u>	<u>\$ 13,743</u>	<u>\$ 600</u>	<u>1,245</u>	<u>\$ 645</u>
	<u>0</u>			<u>0</u>	
	<u>\$ 19,177</u>			<u>\$ 1,245</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	0	0
Investment Earnings	4,400	7,629	3,229
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
	<u>4,400</u>	<u>7,629</u>	<u>3,229</u>
Total Revenues	<u>4,400</u>	<u>7,629</u>	<u>3,229</u>
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	4,400	7,629	3,229
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>\$ 4,400</u>	<u>7,629</u>	<u>\$ 3,229</u>
Beginning Fund Balances		<u>0</u>	
Ending Fund Balances		<u>\$ 7,629</u>	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds						
<u>CLEEP Grant</u>			<u>SCCNET Grant</u>			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
140	218	78	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>140</u>	<u>218</u>	<u>78</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	459	459	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>459</u>	<u>459</u>	<u>0</u>	<u>0</u>
140	218	78	(459)	(459)	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>0</u>
<u>\$ 140</u>	218	<u>\$ 78</u>	<u>\$ (459)</u>	(459)	<u>\$ 0</u>	<u>0</u>
	<u>0</u>			<u>0</u>		
	<u>\$ 218</u>			<u>\$ (459)</u>		

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	25,916	10,916
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
Total Revenues	15,000	25,916	10,916
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Total Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	15,000	25,916	10,916
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	\$ 15,000	25,916	\$ 10,916
Beginning Fund Balances		0	
Ending Fund Balances		\$ 25,916	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Funds

<u>Homeland Security Grant</u>			<u>Totals - Special Revenue Funds</u>		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 326,000	\$ 325,135	\$ (865)
2,753	2,753	0	323,800	199,353	(124,447)
0	0	0	611,076	323,340	(287,736)
0	0	0	123,651	218,450	94,799
0	0	0	31,860	34,244	2,384
0	0	0	1,400	13,204	11,804
<u>2,753</u>	<u>2,753</u>	<u>0</u>	<u>1,417,787</u>	<u>1,113,726</u>	<u>(304,061)</u>
2,753	2,753	0	14,053	14,053	0
0	0	0	0	0	0
0	0	0	311,570	278,895	32,675
0	0	0	<u>384,913</u>	<u>147,306</u>	<u>237,607</u>
<u>2,753</u>	<u>2,753</u>	<u>0</u>	<u>710,536</u>	<u>440,254</u>	<u>270,282</u>
0	0	0	707,251	673,472	(33,779)
0	0	0	0	29,580	29,580
0	0	0	<u>0</u>	<u>(166,391)</u>	<u>(166,391)</u>
<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	<u>\$ 707,251</u>	536,661	<u>\$ (170,590)</u>
	<u>0</u>			<u>0</u>	
	<u>\$ 0</u>			<u>\$ 536,661</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	50,000	81,075	31,075
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
Total Revenues	50,000	81,075	31,075
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Total Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	50,000	81,075	31,075
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	\$ 50,000	81,075	\$ 31,075
Beginning Fund Balances		0	
Ending Fund Balances		\$ 81,075	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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	6,000	10,840	4,840
0	0	0	0	0	0
<u>34,000</u>	<u>4,500</u>	<u>(29,500)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>34,000</u>	<u>4,500</u>	<u>(29,500)</u>	<u>6,000</u>	<u>10,840</u>	<u>4,840</u>
0	0	0	0	0	0
451,197	420,872	30,325	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>451,197</u>	<u>420,872</u>	<u>30,325</u>	<u>0</u>	<u>0</u>	<u>0</u>
(417,197)	(416,372)	825	6,000	10,840	4,840
0	416,372	416,372	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (417,197)</u>	0	<u>\$ 417,197</u>	<u>\$ 6,000</u>	10,840	<u>\$ 4,840</u>
	<u>0</u>			<u>0</u>	
	<u>\$ 0</u>			<u>\$ 10,840</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	4,000	6,728	2,728
Contributions, Non-Government	0	0	0
Miscellaneous Revenues	0	0	0
Total Revenues	4,000	6,728	2,728
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	0	0	0
Public Works	0	0	0
Capital Outlay	0	0	0
Total Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	4,000	6,728	2,728
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	\$ 4,000	6,728	\$ 2,728
Beginning Fund Balances		0	
Ending Fund Balances		\$ 6,728	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Capital Project Funds

<u>FHWA Projects</u>			<u>General Capital Improvements</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	618,000	540,000	(78,000)
0	0	0	0	0	0
1,000	1,829	829	0	15,377	15,377
0	0	0	51,043	100,000	48,957
0	3,371	3,371	0	0	0
<u>1,000</u>	<u>5,200</u>	<u>4,200</u>	<u>669,043</u>	<u>655,377</u>	<u>(13,666)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	916,057	882,776	33,281
0	0	0	916,057	882,776	33,281
1,000	5,200	4,200	(247,014)	(227,399)	19,615
0	0	0	0	201,932	201,932
0	(38,832)	(38,832)	0	0	0
<u>\$ 1,000</u>	<u>(33,632)</u>	<u>\$ (34,632)</u>	<u>\$ (247,014)</u>	<u>(25,467)</u>	<u>\$ 221,547</u>
	<u>0</u>			<u>0</u>	
	<u>\$ (33,632)</u>			<u>\$ (25,467)</u>	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Capital Project Funds			
Totals - Capital Project Funds			
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	618,000	540,000	(78,000)
Fees and Services	0	0	0
Investment Earnings	11,000	34,774	23,774
Contributions, Non-Government	51,043	100,000	48,957
Miscellaneous Revenues	34,000	7,871	(26,129)
Total Revenues	714,043	682,645	(31,398)
Expenditures:			
Current:			
Public Safety	0	0	0
Planning and Building	451,197	420,872	30,325
Public Works	0	0	0
Capital Outlay	916,057	882,776	33,281
Total Expenditures	1,367,254	1,303,648	63,606
Excess of Revenues over (under) Expenditures	(653,211)	(621,003)	32,208
Other Financing Sources (Uses):			
Transfers In	0	618,304	618,304
Transfers (Out)	0	(38,832)	(38,832)
Excess of Revenues and other Sources over (under) Expenditures and other Uses	\$ (653,211)	(41,531)	\$ 611,680
Beginning Fund Balances		0	
Ending Fund Balances		\$ (41,531)	

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Totals - Non Major Funds</u>		
<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 326,000	\$ 325,135	\$ (865)
941,800	739,353	(202,447)
611,076	323,340	(287,736)
184,651	334,299	149,648
82,903	134,244	51,341
<u>35,400</u>	<u>21,075</u>	<u>(14,325)</u>
<u>2,181,830</u>	<u>1,877,446</u>	<u>(304,384)</u>
14,053	14,053	0
451,197	420,872	30,325
311,570	278,895	32,675
<u>1,300,970</u>	<u>1,030,082</u>	<u>270,888</u>
<u>2,077,790</u>	<u>1,743,902</u>	<u>333,888</u>
104,040	133,544	29,504
0	647,884	647,884
<u>0</u>	<u>(205,223)</u>	<u>(205,223)</u>
<u>\$ 104,040</u>	576,205	<u>\$ 472,165</u>
	<u>0</u>	
	<u>\$ 576,205</u>	(Concluded)

**CITY OF SCOTTS VALLEY
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2007**

	<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	\$ 647,680	\$ 2,173	\$ 316,022
Cash and Investments Held in Accordance with Bond Indentures	<u>364,529</u>	<u>8,395</u>	<u>312,287</u>
 Total Assets	 <u>\$ 1,012,209</u>	 <u>\$ 10,568</u>	 <u>\$ 628,309</u>
 LIABILITIES			
Payable from Restricted Assets:			
Advance Assessments Collected	\$ 647,680	\$ 2,173	\$ 316,022
Bond Reserve Payable	364,529	8,395	312,287
Deposits	<u>0</u>	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>\$ 1,012,209</u>	 <u>\$ 10,568</u>	 <u>\$ 628,309</u>

**CITY OF SCOTTS VALLEY
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2007**

	<u>Scotts Valley Drive Improvement District B</u>	<u>General Trust</u>	<u>Total</u>
\$	150,813	\$ 50,635	\$ 1,167,323
	<u>134,977</u>	<u>0</u>	<u>820,188</u>
\$	<u><u>285,790</u></u>	<u><u>50,635</u></u>	<u><u>1,987,511</u></u>

\$	150,813	\$ 0	\$ 1,116,688
	134,977	0	820,188
	<u>0</u>	<u>50,635</u>	<u>50,635</u>
\$	<u><u>285,790</u></u>	<u><u>50,635</u></u>	<u><u>1,987,511</u></u>

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>2002 Consolidated</u> <u>Reassessment District</u>	<u>Balance</u> <u>7/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2007</u>
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ 752,045	\$ 838,925	\$ 943,290	\$ 647,680
Cash and Investments Held in Accordance with Bond Indentures	<u>346,127</u>	<u>18,402</u>	<u>0</u>	<u>364,529</u>
Total Assets	<u>\$ 1,098,172</u>	<u>\$ 857,327</u>	<u>\$ 943,290</u>	<u>\$ 1,012,209</u>

Liabilities:				
Payable from Restricted Assets:				
Advance Assessments Collected	\$ 752,045	\$ 838,925	\$ 943,290	\$ 647,680
Bond Reserve Payable	<u>346,127</u>	<u>18,402</u>	<u>0</u>	<u>364,529</u>
Total Liabilities	<u>\$ 1,098,172</u>	<u>\$ 857,327</u>	<u>\$ 943,290</u>	<u>\$ 1,012,209</u>

<u>Valley Commons</u> <u>Assessment District</u>				
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ 6,032	\$ 4,214	\$ 8,073	\$ 2,173
Cash and Investments Held in Accordance with Bond Indentures	<u>7,971</u>	<u>424</u>	<u>0</u>	<u>8,395</u>
Total Assets	<u>\$ 14,003</u>	<u>\$ 4,638</u>	<u>\$ 8,073</u>	<u>\$ 10,568</u>

Liabilities:				
Payable from Restricted Assets:				
Advance Assessments Collected	\$ 6,032	\$ 4,214	\$ 8,073	\$ 2,173
Bond Reserve Payable	<u>7,971</u>	<u>424</u>	<u>0</u>	<u>8,395</u>
Total Liabilities	<u>\$ 14,003</u>	<u>\$ 4,638</u>	<u>\$ 8,073</u>	<u>\$ 10,568</u>

<u>Scotts Valley Drive</u> <u>Improvement District A</u>				
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ 320,510	\$ 299,708	\$ 304,196	\$ 316,022
Cash and Investments Held in Accordance with Bond Indentures	<u>311,678</u>	<u>15,099</u>	<u>14,490</u>	<u>312,287</u>
Total Assets	<u>\$ 632,188</u>	<u>\$ 314,807</u>	<u>\$ 318,686</u>	<u>\$ 628,309</u>

Liabilities:				
Payable from Restricted Assets:				
Advance Assessments Collected	\$ 320,510	\$ 299,708	\$ 304,196	\$ 316,022
Deposits	<u>311,678</u>	<u>15,099</u>	<u>14,490</u>	<u>312,287</u>
Total Liabilities	<u>\$ 632,188</u>	<u>\$ 314,807</u>	<u>\$ 318,686</u>	<u>\$ 628,309</u>

**CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Scotts Valley Drive Improvement District B</u>	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2007</u>
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ 153,921	\$ 131,262	\$ 134,370	\$ 150,813
Cash and Investments Held in Accordance with Bond Indentures	<u>134,714</u>	<u>6,536</u>	<u>6,273</u>	<u>134,977</u>
Total Assets	<u>\$ 288,635</u>	<u>\$ 137,798</u>	<u>\$ 140,643</u>	<u>\$ 285,790</u>
Liabilities:				
Payable from Restricted Assets:				
Advance Assessments Collected	\$ 153,921	\$ 131,262	\$ 134,370	\$ 150,813
Bond Reserve Payable	<u>134,714</u>	<u>6,536</u>	<u>6,273</u>	<u>134,977</u>
Total Liabilities	<u>\$ 288,635</u>	<u>\$ 137,798</u>	<u>\$ 140,643</u>	<u>\$ 285,790</u>
 <u>General Trust</u>				
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ <u>70,992</u>	\$ <u>41,092</u>	\$ <u>61,449</u>	\$ <u>50,635</u>
Total Assets	<u>\$ 70,992</u>	<u>\$ 41,092</u>	<u>\$ 61,449</u>	<u>\$ 50,635</u>
Liabilities:				
Payable from Restricted Assets:				
Deposits	\$ <u>70,992</u>	\$ <u>41,092</u>	\$ <u>61,449</u>	\$ <u>50,635</u>
Total Liabilities	<u>\$ 70,992</u>	<u>\$ 41,092</u>	<u>\$ 61,449</u>	<u>\$ 50,635</u>
 <u>All Agency Funds</u>				
Assets:				
Restricted Assets:				
Cash and Investments Held for Others	\$ 1,303,500	\$ 1,315,201	\$ 1,451,378	\$ 1,167,323
Cash and Investments Held in Accordance with Bond Indentures	<u>800,490</u>	<u>40,461</u>	<u>20,763</u>	<u>820,188</u>
Total Assets	<u>\$ 2,103,990</u>	<u>\$ 1,355,662</u>	<u>\$ 1,472,141</u>	<u>\$ 1,987,511</u>
Liabilities:				
Payable from Restricted Assets:				
Advance Assessments Collected	\$ 1,232,508	\$ 1,274,109	\$ 1,389,929	\$ 1,116,688
Bond Reserve Payable	800,490	40,461	20,763	820,188
Deposits	<u>70,992</u>	<u>41,092</u>	<u>61,449</u>	<u>50,635</u>
Total Liabilities	<u>\$ 2,103,990</u>	<u>\$ 1,355,662</u>	<u>\$ 1,472,141</u>	<u>\$ 1,987,511</u>

STATISTICAL SECTION

CITY OF SCOTTS VALLEY
NARRATIVE EXPLANATION OF STATISTICAL SECTION CATEGORIES

Financial Trends

The financial trends section provides information to assist the user in understanding and assessing how the City's financial position has changed over time. Tables 1 and 2 present information from the government-wide statements. Tables 3 and 4 present information from the fund financial statements.

Revenue Capacity Information

The revenue capacity information section provides information to assist the user in understanding and assessing the factors affecting the City's ability to generate its own-source revenues. Table 5 presents the assessed value of the residential, commercial and other property within the City. Table 6 presents the general property tax rate as well as tax rates from various school districts. Table 7 presents the top ten property tax payers. Table 8 presents the amount of property taxes levied and collected.

Debt Capacity Information

The debt capacity information section provides information to assist the user in understanding and assessing the City's debt burden and ability to issue additional debt. Table 9 presents the outstanding balance of all direct and overlapping government debt at fiscal year end. Table 10 presents the City's debt by type as well as total debt as a percentage of personal income and total debt per capita. The personal income is of the County of Santa Cruz because there is no information available for the City of Scotts Valley alone. Table 11 presents the maximum amount of debt the City can legally incur. Table 12 presents the coverage of pledged revenue sources to the total debt they service.

Demographic and Economic Information

The demographic and economic information section provides information to assist the user in (1) understanding the socioeconomic environment within which the City operates, and (2) to provide information that facilitates comparisons of financial statement information over time and among governments. Table 13 presents population and unemployment rate for the City of Scotts Valley as well as the population, personal income, and per capita income for the County of Santa Cruz. Table 14 presents the top ten employers in terms of number of employees.

Operating Information

The operating information section provides contextual information about the City's operations and resources to assist readers in using financial statement information to understand and assess the City's economic condition. Table 15 provides the number of full-time equivalent City employees. For example, two half-time employees would equal one full-time equivalent employee. Table 16 provides operating statistics for various city departments. Table 17 presents capital assets by city function.

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 16,328,022	\$ 18,294,435	\$ 17,783,010	\$ 18,125,094	\$ 18,729,566
Restricted	8,022,469	8,643,935	9,778,064	11,564,177	12,691,999
Unrestricted	<u>3,996,760</u>	<u>3,872,390</u>	<u>3,991,241</u>	<u>4,275,274</u>	<u>5,809,030</u>
Total Governmental Activities	<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>	<u><u>\$ 37,230,595</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	\$ 17,889,063
Restricted	4,745,600	4,906,437	4,688,834	5,074,643	4,983,103
Unrestricted	<u>1,882,976</u>	<u>1,860,198</u>	<u>1,859,178</u>	<u>1,779,715</u>	<u>1,715,435</u>
Total Business-Type Activities	<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>	<u><u>\$ 24,587,601</u></u>
Primary Government:					
Invested in capital assets, net of related debt	\$ 36,051,026	\$ 37,350,680	\$ 36,580,923	\$ 36,169,945	\$ 36,618,629
Restricted	12,768,069	13,550,372	14,466,898	16,638,820	17,675,102
Unrestricted	<u>5,879,736</u>	<u>5,732,588</u>	<u>5,850,419</u>	<u>6,054,989</u>	<u>7,524,465</u>
Total Primary Government	<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>	<u><u>\$ 61,818,196</u></u>

Table 2

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses:					
Governmental Activities					
General Government	\$ 1,523,982	\$ 1,509,558	\$ 1,405,807	\$ 1,466,261	\$ 1,512,706
Public Safety	3,231,339	3,339,675	3,503,618	3,668,511	3,611,534
Planning & Building	1,127,084	1,214,639	1,387,280	1,041,601	1,148,286
Public Works	2,687,792	3,857,981	2,281,320	2,624,361	2,746,454
Redevelopment	1,964,528	2,203,455	2,336,313	2,758,236	2,648,024
Interest on Long-Term Debt and Fiscal Agent Charges	1,184,476	949,133	930,237	911,270	997,556
Total Governmental Activities Expense	<u>11,719,201</u>	<u>13,074,441</u>	<u>11,844,575</u>	<u>12,470,240</u>	<u>12,664,560</u>
Business-Type Activities					
Wastewater	2,447,924	2,389,090	2,465,408	2,532,783	2,529,974
Recreation Programs	962,677	1,009,326	918,201	959,924	971,495
Total Business-Type Activities Expense	<u>3,410,601</u>	<u>3,398,416</u>	<u>3,383,609</u>	<u>3,492,707</u>	<u>3,501,469</u>
Total Primary Government Expense	<u>\$ 15,129,802</u>	<u>\$ 16,472,857</u>	<u>\$ 15,228,184</u>	<u>\$ 15,962,947</u>	<u>\$ 16,166,029</u>
Program Revenues:					
Governmental Activities					
Charges for Services					
Planning and Building fees	\$ 407,274	\$ 378,307	\$ 564,113	\$ 458,221	\$ 396,364
Police fees	97,306	59,615	69,014	42,587	58,898
Senior Center / Community Ctr	42,804	54,971	71,178	81,753	131,892
Public Works fees	24,700	51,828	70,612	85,801	55,360
Other activities	9,076	28,633	32,207	32,485	23,775
Operating Grants and Contributions	708,639	649,868	585,386	671,852	702,787
Capital Grants and Contributions	1,384,468	3,070,572	1,325,240	1,380,262	991,790
Total Gov'tal Activities Program Revenue	<u>2,674,267</u>	<u>4,293,794</u>	<u>2,717,750</u>	<u>2,752,961</u>	<u>2,360,866</u>
Business-Type Activities					
Charges for Services					
Wastewater fees	1,682,967	1,700,169	1,693,237	1,742,289	1,760,937
Recreational program fees	853,949	966,885	868,047	877,628	944,650
Capital Grants and Contributions	199,896	105,977	180,633	149,109	103,295
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>	<u>2,808,882</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>	<u>\$ 5,169,748</u>

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense) Revenue					
Governmental Activities	\$ (9,044,934)	\$ (8,780,647)	\$ (9,126,825)	\$ (9,717,279)	\$(10,303,694)
Business-Type Activities	<u>(673,789)</u>	<u>(625,385)</u>	<u>(641,692)</u>	<u>(723,681)</u>	<u>(692,587)</u>
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>	<u>\$ (10,996,281)</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	\$ 5,891,951
Sales tax	1,828,481	1,610,145	1,604,673	1,958,854	2,978,618
Vehicle-in-lieu fee	690,774	566,114	754,240	1,074,402	890,180
Franchise fees	649,674	657,448	689,974	755,946	792,521
Utility users tax	678,637	651,034	666,217	684,765	767,368
Transient Occupancy Tax	461,566	483,300	545,144	689,407	693,788
Other taxes	419,558	424,626	432,381	533,081	519,374
Investment Earnings	312,649	83,494	187,368	380,259	606,404
Miscellaneous	1,676,282	394,446	397,349	468,359	455,417
Special Item:					
Sale of Property	0	1,196,340	71,565	0	0
Gain on Sale of Investments	1,107,348	0	0	0	0
Transfers	<u>(28,882)</u>	<u>0</u>	<u>(16,000)</u>	<u>(25,110)</u>	<u>(25,877)</u>
Total Governmental Activities	<u>11,831,876</u>	<u>10,563,702</u>	<u>9,906,988</u>	<u>12,129,509</u>	<u>13,569,744</u>
Business-Type Activities					
Investment Earnings	139,514	96,004	148,737	244,255	355,102
Miscellaneous	0	681	0	7,600	0
Transfers	<u>28,882</u>	<u>0</u>	<u>16,000</u>	<u>25,110</u>	<u>25,877</u>
Total Business-Type Activities	<u>168,396</u>	<u>96,685</u>	<u>164,737</u>	<u>276,965</u>	<u>380,979</u>
Total Primary Government	<u>\$ 12,000,272</u>	<u>\$ 10,660,387</u>	<u>\$ 10,071,725</u>	<u>\$ 12,406,474</u>	<u>\$ 13,950,723</u>
Change in Net Assets					
Governmental Activities	\$ 2,786,942	\$ 1,783,055	\$ 780,163	\$ 2,412,230	3,266,050
Business-Type Activities	<u>(505,393)</u>	<u>(528,700)</u>	<u>(476,955)</u>	<u>(446,716)</u>	<u>(311,608)</u>
Total Primary Government	<u>\$ 2,281,549</u>	<u>\$ 1,254,355</u>	<u>\$ 303,208</u>	<u>\$ 1,965,514</u>	<u>\$ 2,954,442</u>

Table 3

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

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund				
Reserved	\$ 3,647,052	\$ 3,787,296	\$ 3,943,571	\$ 3,980,801
Unreserved	<u>2,273,562</u>	<u>1,624,155</u>	<u>2,035,516</u>	<u>2,484,296</u>
Total General Fund	<u>\$ 5,920,614</u>	<u>\$ 5,411,451</u>	<u>\$ 5,979,087</u>	<u>\$ 6,465,097</u>
 All Other Governmental Funds				
Reserved	\$ 23,786,937	\$ 20,500,604	\$ 16,299,668	\$ 14,610,515
Unreserved, reported in				
Special revenue funds	2,915,513	2,765,051	2,524,110	3,626,523
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>\$ 26,702,450</u>	<u>\$ 23,265,655</u>	<u>\$ 18,823,778</u>	<u>\$ 18,237,038</u>

Fiscal Year

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 4,027,904	\$ 4,213,261	\$ 4,140,540	\$ 4,111,022	\$ 4,225,637	\$ 3,869,995
<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>2,125,591</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>	<u>\$ 5,995,586</u>
\$ 11,374,607	\$ 2,026,011	\$ 714,392	\$ 644,035	\$ 599,556	\$ 558,025
4,389,169	5,181,970	5,636,415	6,789,662	8,493,387	10,089,640
(52,644)	(127,246)	0	0	0	0
<u>0</u>	<u>(2,440,375)</u>	<u>(1,162,200)</u>	<u>(1,312,335)</u>	<u>(1,389,796)</u>	<u>(923,662)</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>	<u>\$ 9,724,003</u>

Table 4

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

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues:				
Taxes and Assessments	\$ 6,750,521	\$ 6,297,770	\$ 7,107,567	\$ 9,089,751
Intergovernmental Revenues	817,929	5,150,087	3,210,035	1,944,712
Fees and Services	1,916,173	1,156,232	1,080,225	1,018,513
Fines and Forfeitures	41,304	102,839	107,501	82,519
Investment Earnings	2,718,081	1,496,628	608,082	774,935
Contributions, Non-Government	10,097	167,219	396,506	44,060
Miscellaneous Revenues	286,081	243,674	714,832	289,614
Total Revenues	<u>12,540,186</u>	<u>14,614,449</u>	<u>13,224,748</u>	<u>13,244,104</u>
Expenditures:				
Current:				
General Government	1,110,183	1,159,179	1,107,824	1,177,197
Public Safety	2,407,062	2,557,328	2,700,114	2,982,829
Planning and Building	649,045	720,248	658,730	797,332
Public Works	1,191,362	1,247,379	1,300,106	1,529,719
Capital Outlay	2,336,649	8,601,529	6,470,638	1,326,773
Tax Increment Pass-Through	1,132,680	970,309	1,075,642	1,392,510
Debt Service				
Principal	3,069,449	2,360,000	1,975,000	1,300,776
Interest and Finance Charges	2,162,474	1,883,155	1,548,203	2,046,855
Refunded Bond Issuance Costs	-	-	-	-
Total Expenditures	<u>14,058,904</u>	<u>19,499,127</u>	<u>16,836,257</u>	<u>12,553,991</u>
Excess(Deficit) of Revenues over (under) Expenditures	<u>(1,518,718)</u>	<u>(4,884,678)</u>	<u>(3,611,509)</u>	<u>690,113</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,854,225	1,617,319	2,722,869	914,534
Operating Transfers Out	(1,865,265)	(1,565,349)	(2,481,936)	(938,708)
Proceeds from Debt	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	7,834
Net Other Financing Sources (Uses)	<u>6,561,676</u>	<u>938,719</u>	<u>(262,733)</u>	<u>(16,340)</u>
Net Change in Fund Balances	<u>\$ 5,042,958</u>	<u>\$ (3,945,959)</u>	<u>\$ (3,874,242)</u>	<u>\$ 673,773</u>
Debt Services as a Percentage of Noncapital Expenditures	<u>45%</u>	<u>39%</u>	<u>34%</u>	<u>30%</u>

Fiscal Year

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 9,062,722	\$ 9,066,203	\$ 9,261,454	\$ 9,637,895	\$11,680,546	\$12,912,846
1,072,694	1,014,224	2,619,993	671,518	1,217,309	821,243
658,343	960,949	859,782	1,231,145	1,020,027	837,482
21,004	57,368	52,856	84,821	85,427	78,300
504,622	373,962	190,581	339,240	509,065	830,842
85,364	585,535	388,309	389,508	20,123	151,244
976,336	2,619,218	417,789	364,480	558,021	370,458
<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>	<u>16,002,415</u>
1,451,763	1,455,435	1,443,544	1,330,571	1,401,603	1,443,253
3,045,046	3,018,673	3,174,693	3,357,721	3,677,138	3,572,920
943,161	1,092,650	1,360,362	1,559,860	1,079,355	1,126,216
1,666,345	1,521,341	1,618,438	1,521,682	1,624,992	1,659,409
1,209,407	2,705,621	4,191,369	859,989	1,311,383	1,176,862
1,696,291	1,864,528	2,136,063	2,336,313	2,758,236	2,648,024
2,173,128	2,906,719	368,482	410,417	2,207,302	3,481,083
1,498,856	1,107,133	858,869	880,505	915,486	779,156
-	-	-	-	354,330	187,893
<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>16,074,816</u>
<u>(1,302,912)</u>	<u>(994,641)</u>	<u>(1,361,056)</u>	<u>461,549</u>	<u>(239,307)</u>	<u>(72,401)</u>
759,888	2,068,283	1,133,629	777,111	649,096	686,716
(788,277)	(2,097,165)	(1,133,629)	(793,111)	(674,206)	(712,593)
-	3,455,000	-	-	6,810,000	2,735,000
-	-	-	-	36,465	18,244
-	(10,158,415)	-	-	(5,017,200)	-
-	-	-	-	-	-
-	-	1,196,340	286,843	-	-
<u>(28,389)</u>	<u>(6,732,297)</u>	<u>1,196,340</u>	<u>270,843</u>	<u>1,804,155</u>	<u>2,727,367</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>\$ 2,654,966</u>
<u>29%</u>	<u>31%</u>	<u>11%</u>	<u>11%</u>	<u>22%</u>	<u>29%</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
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	1.00%
2007	1,692,733,808	544,166,106	2,236,899,914	1.00%

(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 less than 4%. 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
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%	-
2007	1.000%	0.044%	0.027%	-

(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	2007			2006		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
NNN Enterprise Way Assoc, LLC	\$ 65,943	1	2.95%	\$ 63,799	1	3.09%
Seagate Technology, LLC	35,879	2	1.60%	37,453	2	1.82%
FIT Ren Oak Tree Villa, LLC	24,140	3	1.08%	23,203	3	1.13%
Scotts Valley Associates	13,792	4	0.62%	13,256	5	0.64%
Aviza Technology	13,677	5	0.61%	13,145	6	0.64%
Granite Creek Business Center	13,006	6	0.58%	12,751	7	0.62%
FPA Scotts Valley Assoc, LP	12,518	7	0.56%	-	-	-
Inn at Scotts Valley, LLC	12,165	8	0.54%	12,581	8	0.61%
Scarborough, Nena, TC, ETAL	10,482	9	0.47%	10,075	10	0.49%
S & A Ito Family Partnership	8,585	10	0.38%	10,640	9	0.52%
Borland International	-		-	13,352	4	0.65%
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	\$ 210,187		9.39%	\$ 210,255		10.21%

Note: Dollar amounts are in thousands.

Source: Santa Cruz County Assessor

Table 7

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

	2002			2001		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Enterprise Way Associates, LLC	\$ 50,881	1	3.47%	\$ 84,055	1	6.06%
Seagate Technology, LLC, et al.	43,846	2	2.99%	48,321	2	3.48%
SHP Oak Tree Villa, LLC	15,391	4	1.05%	15,061	5	1.09%
Scotts Valley Associates	12,263	7	0.84%	12,022	8	0.87%
Aviza Technology	-	-	-	-	-	-
Granite Creek Business Partners	14,394	6	0.98%	14,112	7	1.02%
FPA Scotts Valley Assoc, LP	-	-	-	-	-	-
Scotts Valley Hilton	12,042	8	0.82%	19,172	3	1.38%
Scarborough, Nena, TC, et. al.	-	-	-	-	-	-
S & A ITO Family Partnership	9,843	10	0.67%	-	-	-
Borland International	16,744	3	1.14%	16,440	4	1.18%
American Development II Co, etal.	10,585	9	0.72%	9,334	9	0.67%
Silicon Valley Group, Inc.	14,521	5	0.99%	-	-	-
Selco Service Corporation	-	-	-	14,433	6	1.04%
Green Hills Road Partners	-	-	-	9,320	10	0.67%
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	-	-	-	-	-	-
	<u>\$ 200,510</u>		<u>13.67%</u>	<u>\$ 242,270</u>		<u>17.46%</u>

Note: Dollar amounts are in thousands.

Source: Santa Cruz County Assessor

2000			1999			1998		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
-		-	-		-	-		-
52,966	2	4.28%	51,237	3	4.14%	48,449	3	3.90%
-		-	-		-	-		-
11,524	6	0.93%	10,935	6	0.88%	9,021	7	0.70%
-		-	-		-	-		-
13,564	4	1.10%	13,317	4	1.08%	13,317	4	1.10%
-		-	-		-	-		-
-		-	-		-	-		-
9,592	8	0.77%	7,805	10	0.63%	7,494	10	0.60%
-		-	-		-	-		-
-		-	-		-	9,768	6	0.80%
37,866	3	3.06%	56,900	2	4.60%	-		-
-		-	-		-	-		-
-		-	-		-	-		-
96,603	1	7.80%	100,962	1	8.16%	100,592	1	8.10%
12,592	5	1.02%	9,780	7	0.79%	9,780	5	0.80%
11,504	7	0.93%	11,223	5	0.91%	8,622	8	0.70%
8,545	9	0.69%	8,393	8	0.68%	-		-
8,160	10	0.66%	7,994	9	0.65%	7,994	9	0.60%
-		-	-		-	56,838	2	4.60%
-		-	-		-	-		-
-		-	-		-	-		-
<u>\$262,916</u>		<u>21.24%</u>	<u>\$278,546</u>		<u>22.52%</u>	<u>\$271,875</u>		<u>21.90%</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>
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%
2007	751,670	751,670	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, 2007**

	<u>Percent Applicable</u>	<u>Bonded Debt June 30, 2007</u>
Overlapping Debt:		
Cabrillo Joint Community College District	5.849%	\$ 10,685,266
Scotts Valley Unified School District	60.238%	12,255,421
Santa Cruz High School District	0.004%	3,701
Santa Cruz County General Fund Obligations	5.849%	4,339,878
Santa Cruz County Office of Education Certificates of Participation	5.849%	688,641
Cabrillo Joint Community College District Certificates of Participation	5.934%	166,404
Santa Cruz City School District Certificates of Participation	0.004%	214
Scotts Valley Unified School District Certificates of Participation	60.238%	2,523,972
San Lorenzo Valley County Water District Certificates of Participation	10.007%	13,860
Monterey Bay Unified Air Pollution Authority	2.075%	<u>67,749</u>
Total Overlapping Debt		<u>30,745,106</u>
 <u>Direct Debt:</u>		
City of Scotts Valley Community Facilities District No. 97-1		5,315,000
City of Scotts Valley 1915 Act Bonds		4,134,998
City of Scotts Valley Certificates of Participation		<u>7,594,983</u>
Total Direct Debt		<u>17,044,981</u>
 Combined Total Debt		 <u><u>\$ 47,790,087</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	Installment Notes
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	-
2007	7,595	-	6,485	140	-

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, not available for City alone.

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>
\$	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
	14,220	N/A	1,223

Table 11

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

	Fiscal Year				
	1998	1999	2000	2001	2002
Assessed Valuation	N/A	\$ 1,163	\$ 1,222	\$ 1,288	\$ 1,388
Redevelopment Incremental Valuation	N/A	(197)	(227)	(275)	(342)
Net Assessed Valuation	<u>\$ 1,180</u>	<u>\$ 966</u>	<u>\$ 995</u>	<u>\$ 1,013</u>	<u>\$ 1,046</u>
Debt Limit (15%)	\$ 177	\$ 145	\$ 149	\$ 152	\$ 157
Total Debt Applicable to Limit	-	-	-	-	-
Legal Debt Margin	<u>\$ 177</u>	<u>\$ 145</u>	<u>\$ 149</u>	<u>\$ 152</u>	<u>\$ 157</u>

Note: Amounts are in millions.

Source: Santa Cruz County Assessor's Office

Fiscal Year				
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 1,468	\$ 1,560	\$ 1,580	\$ 2,062	\$ 2,237
<u>(329)</u>	<u>(364)</u>	<u>(372)</u>	<u>(458)</u>	<u>(495)</u>
<u>\$ 1,139</u>	<u>\$ 1,196</u>	<u>\$ 1,208</u>	<u>\$ 1,604</u>	<u>\$ 1,742</u>
\$ 171	\$ 179	\$ 181	\$ 241	\$ 261
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 171</u>	<u>\$ 179</u>	<u>\$ 181</u>	<u>\$ 241</u>	<u>\$ 261</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	
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	-	-	-
2007	1,760,937	1,599,661	161,276	-	-	-

(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	
\$ 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	-	-	-	-
1,155,859	771,000	575,573	0.86	-	-	-	-

**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
1998	10,861	N/A	248,422	7,686,332	30,941
1999	11,080	N/A	251,570	8,398,107	33,383
2000	11,385	1.9%	255,130	9,610,039	37,667
2001	11,447	1.9%	257,500	9,841,404	38,219
2002	11,501	2.7%	258,400	9,707,027	37,566
2003	11,558	3.0%	258,900	9,597,280	37,069
2004	11,545	2.6%	258,886	9,987,183	38,578
2005	11,565	2.3%	260,240	N/A	N/A
2006	11,563	2.1%	262,351	N/A	N/A
2007	11,615	2.1%	264,125	N/A	N/A

Note: Personal income not available at the City level.

Table 14

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

Employer	2007			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Seagate Technology	846	1	14.82%	726	1	13.81%
Threshold Enterprises, LTD	516	2	9.04%	416	2	7.91%
Xyratex International	290	3	5.08%	75	7	1.43%
Aviza	285	4	4.99%	275	3	5.23%
SV Unified School District		5	0.00%	207	5	3.94%
Surfcontrol	179	6	3.13%	173	6	3.29%
Borland Software Corporation	151	7	2.64%	266	4	5.06%
Nob Hill Foods	74	8	1.30%	73	8	1.39%
The Camp	73	9	1.28%			
Oak Tree Villa SHP	72	10	1.26%	-		-
City of Scotts Valley	-		-	69	9	1.31%
Comcast Cable	-		-	68	10	1.29%
Rainmaker Systems, Inc.	-		-	-		-
Nokia	-		-	-		-
Starfish Software	-		-	-		-
Bogar, Inc.	-		-	-		-
Total	<u>2,486</u>		<u>43.54%</u>	<u>2,348</u>		<u>44.67%</u>

Note: Information not available prior to 2004.

2005			2004		
Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
817	1	15.38%	814	1	14.55%
371	2	6.98%	339	3	6.06%
-		-	-		-
205	5	3.86%	193	5	3.45%
209	4	3.93%	197	4	3.52%
165	6	3.11%	154	6	2.75%
315	3	5.93%	430	2	7.68%
78	9	1.47%	-		-
84	8	1.58%	-		-
-		-	76	10	1.36%
-		-	-		-
105	7	1.98%	94	9	1.68%
75	10	1.41%	-		-
-		-	111	7	1.98%
-		-	105	8	1.88%
<u>2,424</u>		<u>45.63%</u>	<u>2,513</u>		<u>44.91%</u>

Table 15

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

Function / Program	Fiscal Year				
	1998	1999	2000	2001	2002
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	4.50	4.50	4.50	4.50
Police					
Officers	21.00	21.00	22.00	22.00	22.00
Dispatch and Support	8.00	8.00	8.50	8.50	9.00
Planning	3.75	3.75	3.75	3.75	4.40
Building	2.25	2.75	2.50	2.50	2.41
Public Works					
Engineering	4.50	4.50	4.50	4.50	4.45
Street Maintenance	4.50	4.50	2.34	2.34	2.60
Vehicle Maintenance	1.00	1.00	1.00	1.00	1.20
Park Maintenance	2.50	2.50	2.33	2.33	3.60
Building Maintenance	-	-	2.33	2.33	1.60
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	1.45
Total	<u>71.75</u>	<u>72.75</u>	<u>74.00</u>	<u>74.00</u>	<u>76.41</u>

Source: City of Scotts Valley Annual Budget

Fiscal Year				
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
0.75	0.75	0.50	0.50	0.50
2.00	2.00	1.25	1.25	1.10
5.35	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
4.15	4.15	3.90	3.90	4.30
2.41	2.41	2.41	2.41	2.41
4.50	4.50	4.50	4.50	4.00
3.10	3.10	3.10	3.10	3.60
1.20	1.20	1.20	1.20	1.20
3.10	3.10	3.10	3.10	2.60
1.60	1.60	1.60	1.60	1.60
7.35	7.35	7.35	7.35	7.35
8.00	8.00	7.00	7.00	7.00
1.90	1.90	2.15	2.15	1.90
<u>76.41</u>	<u>76.41</u>	<u>74.41</u>	<u>74.41</u>	<u>73.91</u>

Table 16

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

	Fiscal Year		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Government			
Number of Citizen Complaints Received	34	44	44
Police			
Calls for Service	15,508	15,899	15,575
Number of Citations Written	2,238	1,669	1,525
Number of Arrests	550	500	490
Planning			
Planning Applications Submitted	47	113	77
Lot Line Adjustment Applications Processed		5	2
Building			
Number of Building Inspections	1,328	2,390	1,588
Building Permits Submitted	332	593	404
Building Permits Issued	364	586	418
Public Works			
Building Permit Applications Processed	111	120	147
Encroachment Permits Processed	19	15	23
Transportation Permits Processed	97	78	106
Sewer Allocations Issued	9	14	30
Subdivision Maps Recorded	2	3	4
Wastewater Treatment Plant (all amounts in thousands of gallons)			
Total Flow	335,767	367,935	336,487
Highest Average Daily Flow	1,061	1,234	1,186
Lowest Average Daily Flow	858	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 THREE FISCAL YEARS**

	Fiscal Year		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Police:			
Stations	1	1	1
Emergency Vehicles	14	13	13
Public Works:			
Streets (miles)	35	35	35
Streetlights	212	212	212
Traffic Signals	16	16	16
Senior Center	1	1	1
Community Center	1	1	1
Wastewater			
Treatment Plant	1	1	1
Recreation			
Parks / Playgrounds	6	6	6
Soccer Fields	3	3	3
Tennis Courts	4	4	4

