

CITY OF CAPITOLA, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by the Capitola Finance Department

**City of Capitola
Comprehensive Annual Financial Report
Year Ended June 30, 2009**

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INTRODUCTORY SECTION

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CAPITOLA, CALIFORNIA 95010
TELEPHONE (831) 475-7300
FAX (831) 479-8879

December 14, 2009

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

SUBJECT: Comprehensive Annual Financial Report – June 30, 2009

The Comprehensive Annual Financial Report (CAFR) for the City of Capitola for the fiscal year ended June 30, 2009 is hereby submitted.

State law requires that the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant. The City's independent auditor, Teaman, Ramirez & Smith, Inc., has audited the City's financial statements and issued an unqualified opinion that financial statements for fiscal year ended June 30, 2009 are fairly presented in conformity with generally accepted accounting principles. This opinion, along with the basic financial statements of the City, are hereby submitted and included in the financial section of this report in fulfillment of the above requirement.

Responsibility for accuracy of data and fairness of presentation, including all footnotes and disclosures, rests with City management. We believe the data 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. To provide a reasonable basis, City management has established a comprehensive framework of internal controls designed to protect the City's assets and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements. The audit provides users with reasonable assurance that the information presented is free from material misstatements.

Generally accepted accounting principles 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 in the Financial Section of this document, immediately following the report of the independent auditor.

The City of Capitola Comprehensive Annual Financial Report is organized as follows:

- I. Introductory section – Letter of Transmittal, Directory of Officials, Organization Chart, and Awards for Financial Reporting
- II. Financial Section – Independent Auditors' Report, Management Discussion & Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to Financial Statements, Required Supplementary Information, and Supplementary Information
- III. Statistical Section – Historical trends for Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information

CITY OF CAPITOLA PROFILE

Capitola, a general law city incorporated January 11, 1949, is an intimate suburban, recreational and tourist beach village of approximately two square miles, located on the northern edge of the Monterey Bay, 35 miles north of Monterey and 75 miles south of San Francisco. The City is home to numerous family-oriented annual events, including the Begonia Festival, celebrating its 57th year in 2009 and the Wharf to Wharf Race, celebrating its 37th year. The City also sponsors several annual series of events, such as Twilight Concerts at the Beach, Art Shows at the Beach, Movies at the Beach, along with the Capitola Water Festival. The City provides financial, administrative, planning, zoning, building, police, recreation, and street, park and facilities maintenance services throughout the City. Independent special districts provide fire protection, water, sewer, and drainage services.

FINANCIAL INFORMATION

The Comprehensive Annual Financial Report includes all financial activities of the City and the Redevelopment Agency of the City of Capitola, two separate legal entities. City Council members also serve as the governing board members of the Redevelopment Agency and the City Manager serves as its Executive Director. The Capitola Financing Authority, a joint powers authority created by and between the City and the RDA, was formed in 1996 to facilitate a 1996 refunding bond issue.

The City's accounting records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received and the liability incurred. The annual budget serves as the foundation for the City of Capitola's financial planning and control. In accordance with the City's Municipal Code, the budget is to be adopted by resolution on or before June 30th for the ensuing fiscal year. Expenditures authorized in the final budget resolution are appropriated at the budget unit. Capital projects are budgeted at the individual project level. City Council may appropriate, amend, or transfer funds by an affirmative vote of three Council members at any regular or special Council meeting.

An affirmative vote of three members of the City Council at any regular or special meeting may create, eliminate, revise, or otherwise amend amounts set aside as reserves in a fund which in the opinion of the council are no longer necessary, amounts appropriated as contingencies in a fund, transfers between budget units, or other budgetary designations.

The City's investment policy establishes the priorities in investing City funds as safety, liquidity, then earnings. During fiscal 2008-09, cash that was not held by bond fiscal agents or used in conjunction with ongoing daily City business, was invested in the California Local Agency Investment Fund (LAIF), consistent with the City's investment policy.

The City participates in the Monterey Bay Self-Insurance Agency (Authority), a joint powers agency of eleven local jurisdictions created pursuant to California Law. The Monterey Bay Self-Insurance Authority's Board of Directors is elected from representatives of the member governments, and controls operation of the fund, including selection of management and approval of operating budgets. It is independent of the individual members' influence, except for their representatives on the board, and is therefore not a component unit of the City for reporting purposes. The City is exposed to various risks including tort liability, theft, damage or destruction of assets, errors and/or omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if covered losses are lower than its assessment, it does not receive a refund. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member premiums. Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not

the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years. Premium payment amounts are determined by the Board, and are charged to the City's general fund as expenditures when paid.

FINANCIAL CONDITION

Fiscal 2008-09 provided many economic challenges at international, national, state and local levels. Capitola was no exception. As a City that received 48% of its 2007-08 revenue from sales tax, Capitola had a \$1.6 million decline in sales tax revenue on a total revenue base of \$12.6 million in 2008-09. Three of the City's top six businesses, two automobile dealerships and a major retailer, closed or left the City. An additional major retailer, a City top 10 producer, went out of business at year-end. Total loss in 2008-09 sales tax revenue from these businesses during 2008-09 was \$400,000. Many smaller businesses and restaurants in Capitola suffered as well. Upside developments include one automotive and one retail site being occupied by new businesses, along with the openings of a liquor store, natural/organic grocery store, and family restaurant, all major chain stores, in locations that had been underperforming or vacant prior to fiscal 2008-09. Redevelopment opportunities continue to be analyzed for the major retail corridor and mall area of the City in order to update and upgrade potential revenues. Consumer confidence and spending continue to be low, adding to the lower revenue across all segments of sales tax revenue producers.

Capitola's relatively fixed property ownership base kept property tax revenues, which accounted for 12% of 2007-08 revenue, relatively flat in 2008-09. There were slight decreases in transient occupancy tax and motor vehicle in lieu fees. City management reacted quickly to signs of economic weakness. City leaders worked with employee groups in establishing a "16 days over 16 months" furlough plan from March, 2009 to June, 2010, which had quick acceptance. Additional attention was given and continues to be given to control of all other expenditures. This has allowed the City to cut costs where possible, reduce costs by pressing for price reductions, and remain in reasonably good condition given the surrounding economic climate.

As the State of California continues to struggle with its finances, accentuated by the general economic meltdown, State borrowing and delay in distribution of tax monies and grant funds have affected City finances. Approximately \$400,000 of Capitola's revenue stream from the State is in question in 2008-09. Participation in the California Statewide Communities Development Authority Proposition 1A Securitization bond offering will provide the City with replacement of \$230,000 of that cash flow.

AWARDS AND ACKNOWLEDGEMENTS

The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate for Outstanding Financial Reporting to the City of Capitola for the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2008. The City has received this award every year since fiscal 1999-2000.

Preparation of this report was accomplished through the team effort of the Capitola Finance Department.

I wish to express my thanks and appreciation to the Mayor, members of the City Council, and the City and RDA Treasurers for their leadership, interest, and continued support in planning and conducting the financial operations of the City of Capitola in a responsible and prudent manner in the best interests of the citizens of Capitola.

Respectfully submitted,



Richard Hill
City Manager

**CITY OF CAPITOLA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2009**

ELECTED OFFICIALS

MAYOR	Bob Begun
VICE MAYOR	Sam Storey
COUNCIL MEMBER	Ron Graves
COUNCIL MEMBER	Dennis Norton
COUNCIL MEMBER	Kirby Nicol
CITY TREASURER	Jacques Bertrand

APPOINTED OFFICIALS

RDA TREASURER	Debbie Johnson
CITY MANAGER	Rich Hill
CITY ATTORNEY	Atchison, Barisone, Condotti & Kovacevich

DEPARTMENT DIRECTORS/ADMINISTRATORS

BUILDING OFFICIAL	Daniel Kostelec
CITY CLERK	Pamela Greeninger
COMMUNITY DEVELOPMENT DIRECTOR	Jamie Goldstein
FINANCE DIRECTOR	vacant
POLICE CHIEF	Richard Ehle, Jr.
PUBLIC WORKS DIRECTOR	Steven Jesberg

Citizens of the City of Capitola

Council Members

Mayor Robert 'Bob' Begun, Vice Mayor Sam Storey, Council Members Ron Graves, Dennis Norton and Kirby Nicol

CITY MANAGER

Rich Hill

CITY TREASURER

Jacques Bertrand

CITY ATTORNEY

Atchison, Barbone
Coudahl & Kovacovich

City Clerk
Pamela Greeninger, MMC

Assistant to the City Manager
Lisa Murphy

Information Systems Specialist
Larry Laurent

RECORDS COORDINATOR

Michelle Deiter

RECREATION SUPERVISOR

Eise Legare

PUBLIC WORKS DIRECTOR

Steven Jesberg

FINANCE DIRECTOR

VACANT

COMMUNITY DEVELOPMENT DIRECTOR

Jamie Goldstein

BUILDING OFFICIAL

Daniel Koscielke

ART & CULTURAL COMMISSION

Kelly Barrie

EXECUTIVE ASSISTANT TO THE CITY MANAGER

Liz Nichols

RECEPTIONIST

Paul Wakenfeld

MUSEUM

Carolyn Swift

RDA TREASURER

Dabbie Johnson

ACCOUNTANT

Loniie Wagner

FINANCE STAFF

Linda Benko
Helen Marchese
Denise Peterson

SENIOR PLANNER

Ryan Barne

ASSOCIATE PLANNER

John Akerman

DEVELOPMENT SERVICE TECHNICIAN

Danielle Uhanrel

ADMINISTRATIVE ASST

Lorrie Wilson

POLICE CHIEF

(Interim)
Richard Eble, Jr.

DEVELOPMENT SERVICE TECHNICIAN

Danielle Uhanrel 1/3

RECORDS MANAGER

Sharon Presco

DETECTIVES

Marquis Booth
Jason Grogan

RECORDS CLERKS

Tracie Hernandez
Esmeralda Medina
Susan Spellman

RECORDS ENFORCEMENT

Berjanni Iao
Humberto Morales
Oscar Valdez

PARKS SUPERVISOR

FROZEN

MAINTENANCE SUPERINTENDANT

Edlie Garcia

STREET STAFF

Lance Elliot
Mati Kollia
Cary Oyama
Mark Sessions

SENIOR PLANNER

Ryan Barne

ASSOCIATE PLANNER

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**California Society of
Municipal Finance Officers**

Certificate of Award

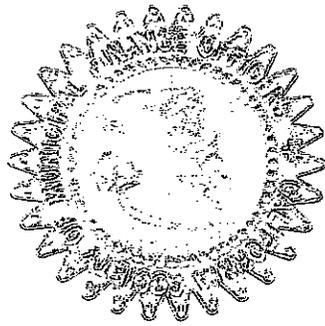
***Outstanding Financial Reporting for the Fiscal
Year ending June 30, 2008***

Presented to the

City of Capitola

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

June 2009



A handwritten signature in black ink, appearing to read "Thomas Fil".

Thomas Fil, President

A handwritten signature in black ink, appearing to read "Jesse Takahashi".

*Jesse Takahashi, Co-Chair
Professional & Technical Standards Committee*

Dedicated Excellence in Municipal Financial Management

FINANCIAL SECTION

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Independent Auditors' Report

The Honorable City Council
City of Capitola, California

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of and for the year ended June 30, 2009, 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 of Capitola's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note V D to the financial statements, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009 on our consideration of the City of Capitola's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* is 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 inquires 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 Capitola's basic financial statements. The introductory section, supplementary information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, 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 tables 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.

Teaman Ramirez & Smith

December 14, 2009

Management's Discussion and Analysis

The management of the City of Capitola offers the following narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. The information presented here should be considered in conjunction with the additional information provided in the Letter of Transmittal included in the Introductory Section of this document and the basic financial statements that follow this Management Discussion and Analysis.

Fiscal Year 2008-09 Financial Highlights

- The City's total net assets were \$20.3 million.
- Total City revenues, including program and general revenues, were \$16.0 million, offset by total expenses of \$16.7 million.
- Governmental Program Revenues were \$4.7 million, while Governmental Program Expenses were \$16.7 million.
- General Fund Revenues were \$11.9 million, offset by General Fund Expenditures of \$12.1 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are presented in three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The Financial Section also includes other supplemental information: Management's Discussion and Analysis (this section), the Required Supplementary Information that further supports the information in the financial statements, and the Supplementary Information of additional supporting schedules and combining statements.

Government-wide Financial Statements are designed to provide a broad overview of the finances of the City as a whole, in a manner similar to private sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and/or decreases in net assets may serve to indicate whether the financial position of the City is improving or declining. The Statement of Activities shows how the City's net assets changed during the most recent fiscal year. It includes all revenues and expenses based on when they are earned or incurred regardless of the timing of cash receipt or disbursement. The City's financial position, presented in the Statement of Net Assets, and all of the City's financial activities, presented in the Statement of Activities are required to be grouped into government activities and business-type activities. As of June 30, 2009, the City of Capitola has only governmental activity. They include the activities of the Redevelopment Agency of the City, for which the City is financially accountable.

Fund Financial Statements provide more detailed information about the City's most significant funds, rather than the City as a whole. A fund is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with certain financial requirements. The major funds for the City are presented in the basic financial statement section of this report, along with non-major funds presented in summary. The City has two fiduciary funds, all others are governmental.

Governmental funds are used to account for the same functions as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and the balance of spendable resources available at fiscal year-end. This information may be of use in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, a better understanding of the long-term impact of the City's near-term financial decisions can be gained.

The City maintains six major governmental funds: General Fund, Federal Home Loan Reuse, RDA Low and Moderate Income Housing, RDA Debt Service, 2007 Pension Obligation Bond Debt Service, and

Capital Projects. The financial information for each major fund is shown individually and the remaining funds are shown in aggregate in the basic financial statements. The City's governmental activities include the activities of the Redevelopment Agency of the City because the City is financially accountable for the Agency. The City maintains seven internal service funds that provide goods and services solely for City governmental activities and are eliminated at fiscal year-end with any related fund balance reported.

In the Required Supplementary and Supplementary sections, individual Schedules of Revenues, Expenditures, and Changes to Fund Balance – Budget and Actual are presented for each major and non-major fund. Also included are Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds and Combining Balance Sheet - Non-Major Governmental Funds.

Fiduciary funds are used to account for resources held for the benefit of parties other than the City. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because these resources cannot be used by the City. During fiscal 2008-09, the City completed its fiduciary responsibility for Tradewinds Assessment District administration and will complete its responsibilities for 1998 Reassessment Revenue Bonds Assessment District during 2009-10. Combining Statements of Fiduciary Assets and Liabilities – Agency Funds and Statement of Changes in Fiduciary Net Assets – Agency Funds are shown in the Supplementary Information.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found immediately following the financial statements.

Other information presents certain supplemental information, including Schedules of Revenue, Expenditures, and Changes in Fund Balance for major funds, Combining Statements for Non-major Governmental Funds, and Schedules of Revenue, Expenditures, and Changes in Fund Balance for non-major funds and the fiduciary fund, in addition to the basic financial statements and accompanying notes.

Government-Wide Financial Analysis

This analysis focuses on the net assets and changes in net assets at the city-wide level as presented in the Statement of Net Assets and Statement of Activities. As noted previously, increases and/or decreases in net assets over time may serve to indicate changes in the financial position of the City.

Net assets decreased \$738,000 or 3.5% from 2007-08 to 2008-09. The largest portion is investment in net capital assets of \$15.7 million or 77.2% of total net assets. These investments include land, buildings, machinery, equipment, and infrastructure used to provide services to the City's citizens. These assets are not available for future spending. \$1.2 million or 5.8% of the City's net assets are restricted funds that have external limitations on their use. The remaining \$3.4 million or 16.9% is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. A condensed comparative is shown below.

Governmental Net Assets (\$000)		
<u>Governmental Activities</u>	<u>2009</u>	<u>2008</u>
Cash & Investments	\$ 10,936	\$ 11,327
Capital Assets	16,729	16,636
Other Assets	4,042	4,046
Total Assets	<u>31,707</u>	<u>\$ 32,009</u>
Long-term Debt	7,578	8,044
Other Liabilities	3,854	2,953
Total Liabilities	<u>11,432</u>	<u>10,997</u>
<u>Net Assets</u>		
Invested in Capital Assets, net of Debt	15,659	15,636
Restricted	1,180	2,185
Unrestricted	3,435	3,191
Total Net Assets	<u>\$ 20,274</u>	<u>\$ 21,012</u>

All revenue for the City of Capitola is governmental revenue. Major revenue sources are Sales and Use Taxes (30.4% of total 2008-09 revenue), Property Taxes (25.9%), and Charges for Services (24.5%). Total revenue declined \$1.6 million or 8.9%. Sales tax alone also declined \$1.6 million as discussed below. Other changes include a \$1.1 million decline in operating grants and contributions offset by a \$527,000 increase in capital grants and contributions and a \$501,000 increase in charges for services.

Changes in Governmental Net Assets (\$000)		
Revenues:	2009	2008
Program Revenues:		
Charges for services	\$ 3,923	\$ 3,422
Operating Grants & Contributions	286	1,420
Capital Grants & Contributions	527	-
General Revenues:		
Property Taxes	4,148	4,034
Sales and Use Taxes	4,859	6,417
Other Taxes	1,342	1,380
Investment Income	394	379
Other	508	497
Total Revenues	\$ 15,987	\$ 17,549
Expenses:		
General Government	\$ 4,482	\$ 4,398
Public Safety	5,927	5,298
Community Development	2,218	2,193
Cultural and Leisure	1,035	1,658
Transportation	2,530	1,522
Interest on Long-term Debt	533	589
Total Expenses	\$ 16,725	\$ 15,658
Change in Net Assets	\$ (738)	\$ 1,891
Prior Period Adjustment	-	(5,913)
Net Assets at Beginning of Year	\$ 21,012	\$ 25,034
Net Assets at End of Year	\$ 20,274	\$ 21,012

Sales tax declined \$1.6 million, from 36.5% of total City revenue in 2007-08 to 30.4% as a result of the mortgage and Wall Street crises of 2008-09 that triggered economic and consumer reaction. The City had a total sales tax decline of 24.3% from prior year. The decline includes the City's ¼% Transaction and Use Tax that generated \$788,000 in revenue, a \$228,000 decline from prior year. The ¼% tax extends through 2017.

Taxes By Type (\$000)		
	2009	2008
Property Tax	\$ 4,148	\$ 4,034
Sales taxes	4,071	5,401
1/4% Transaction & Use Tax	788	1,016
Transient Occupancy Tax	605	644
Business License Tax	278	299
Franchise Taxes	459	437
Total Tax Revenues	\$10,349	\$11,831
Total City Revenue	\$15,987	\$17,579
Sales Tax as a % of Total Tax Revenue	47.0%	54.2%
Sales Tax as a % of Total City Revenue	30.4%	36.5%

Program revenue decreased 2.2% or \$106,000. Community Development had a \$471,000, or 36.6% increase, offset by decreases in all other program revenues, particularly Cultural and Leisure. Total expenditures from governmental activities increased 7.5% to \$16.2 million in fiscal year 2008-09 from \$15.1 million in fiscal year 2007-08. This increase is due to higher Transportation and Public Safety

activities (\$1,008,000 and \$629,000 increases respectively). As shown in the chart below, Public Safety had the highest expenditures with \$5.9 million (35.4% of total program expenditures), followed by General Government services with \$4.5 million (26.8%), Transportation with \$2.5 million (15.1%), Community Development with \$2.2 million (13.3%), Cultural and Leisure with \$ 1.0 million (6.2%), and interest on long term debt accounting for \$533,000 or 3.2% of governmental activities.

Program Revenues and Expenses - Governmental Activities (\$000)						
	2009			2008		
	Expense	Revenue	Net Rev/(Exp)	Expense	Revenue	Net Rev/(Exp)
General Government	\$ 4,482	\$ 673	\$ (3,809)	\$ 4,398	\$ 803	\$ (3,595)
Public Safety	\$ 5,927	\$ 1,036	\$ (4,891)	\$ 5,298	\$ 1,103	\$ (4,195)
Community Development	\$ 2,218	\$ 1,757	\$ (461)	\$ 2,193	\$ 1,286	\$ (908)
Cultural and Leisure	\$ 1,035	\$ 709	\$ (326)	\$ 1,658	\$ 1,021	\$ (637)
Transportation	\$ 2,530	\$ 561	\$ (1,969)	\$ 1,522	\$ 629	\$ (893)
Total	\$16,192	\$ 4,736	\$ (11,456)	\$15,069	\$ 4,842	\$ (10,227)
Interest on Long Term Debt	\$ 533	\$ -	\$ (533)	\$ 589	\$ -	\$ (589)
Total	\$16,725	\$ 4,736	\$ (11,989)	\$15,658	\$ 4,842	\$ (10,816)

Financial Analysis of Fund Financial Statements

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

Major Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the City's new resources available for spending at the end of each fiscal year.

The General Fund is the chief operating fund of the City. The total fund balance of the General Fund decreased 7.8% to \$6.0 million in fiscal year 2008-09 from \$6.5 million in fiscal year 2007-08. At June 30, 2009, the unreserved fund balance of the General Fund was \$ 4.0 million. As a measure of General Fund liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. At June 30, 2009, unreserved fund balance represented 33.2% of total General Fund expenditures, while total fund balance represented 49.7% of that same amount.

Included within the fund balance of the General Fund are the fiscal year-end designations associated with the City Council Designated Reserves, which total \$3,738,864 at June 30, 2009. The designations are as follows:

	Designated General Fund	
	2009	2008
Contingency Reserve	1,247,152	1,240,952
Emergency Reserves	627,083	614,283
Compensated Absences Fund	193,475	337,780
Information Technology Fund	113,198	344,676
Self Insurance Liability Fund	198,117	140,935
Workers Compensation Fund	175,150	185,614
Stores Fund	13,743	3,872
Equipment Replacement Fund	255,759	259,121
Public Space	256	256
Public Employee Retirement Reserve	369,663	175,076
Disabled Parking	12,622	12,622
Green Building	-	-
Public Arts *	-	-
General Plan Update *	532,646	639,684
Total General Gov	\$ 3,738,864	\$ 3,954,871

* Public Arts and General Plan Update Fund revenues are restricted by City ordinance and are classified as Special Revenue in the CAFR.

General Fund Budget comparison is located in the Required Supplementary Information following the Notes to the Financial Statements. Over the course of the year, the City Council revises the City budget for amendments and appropriations to reflect carryovers of unspent contractual obligations and appropriations from the prior year and newly approved appropriations for City decisions that have been made since generation of the budget. General Fund revenue budget of \$11.8 million was decreased by \$621,100 during fiscal 2008-09. Total actual General Fund revenues were \$11.9 million or \$767,000 or 6.9% over the final budget. The favorable variance was primarily due to a 166.3% increase in intergovernmental revenue. General Fund operating expenditures budget of \$12.8 million was minimally decreased during 2008-09. Total actual General Fund operating expenditures were \$12.1 million or 5.7% lower than the final amended budget. The overall favorable expenditure variance was the result of a concerted effort to control expenditures during difficult economic times. These included a 4.6% employee furlough program initiated in March, 2009 and limiting contractual obligations to the minimum necessary to conduct City business. As a result of the favorable revenue and expenditure performances versus budget, ending Fund Balance for the year was \$1.5 million favorable to the final amended budget.

The Federal HOME Loan Reuse Fund is for depositing loan payments from recipients of the HOME program loans made within the City. All deposits into this HOME Program Reuse Fund must be used to fund additional affordable housing activities in the City, in accordance with the Federal HOME Program Reuse Guidelines. Currently there are four groups of outstanding home loans recorded in this fund: a set of share loans to assist mobile home park residents purchase their park, First Time Homebuyer Program providing deferred second mortgages, housing rehabilitation loans to bring mobile homes and homes up to standard, and a combination of rehabilitation and acquisition loans to assist residents in the acquisition of their mobile home park. Fiscal 2008-09 activity included \$22,500 for two payoffs and funding of two new loans totaling \$212,000.

The RDA Low Income Housing Fund is funded from 20% of gross tax increment set aside required under California Redevelopment Law. As required by law, it is segregated in a separate fund and all principal repayments and interest payments for loans and grants are returned to the fund. Key components of current year revenue are \$499,300 from tax increment and \$16,200 from loan payoff principal. These were more than offset by a \$600,000 rehabilitation loan for Bay Avenue Senior Housing Project and a \$59,200 First-Time Homebuyer Loan. Total revenues of \$37,300 plus \$499,300 in transfers in were offset by total expenditures of \$1 million resulting in a \$509,500 drop in fund balance to \$673,900.

The RDA Debt Service Fund includes a \$618,000 debt to the City for reimbursement of previously rendered but uncharged administrative services and \$1,350,000 debt to the City for a loan relating to purchase of 5.4 acres of the Rispin property in July, 2003. The \$618,000 loan is to be paid as Agency funds become available, but in no event later than twenty-five years from the date of the agreement which is December 13, 2001. The \$1,350,000 loan, initially due and payable in full on the maturity date of June 24, 2017, is now due June 24, 2022 based on amendment of the Redevelopment Plan for the Capitola Redevelopment Project to extend the time limit on receipt of tax increment revenues. Terms dictate the maturity date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended.

Capital Asset and Debt Administration key components are net capital assets for the City and total long term debt, along with debt due within one year.

Capital Assets for governmental activities increased \$309,000 or less than 1% to \$34.4 million at fiscal year-end 2008-09. Net capital assets of \$16.7 million at June 30, 2009 are relatively unchanged from prior year. Additional detail on capital assets can be found in Note IV of the notes to the financial statements.

Capital Assets - Governmental Activities (\$000)		
	2009	2008
Land	\$ 4,884	\$ 4,884
Construction in Progress	1,238	425
Buildings & Improvements	3,252	3,563
Machinery & Equipment	2,645	3,079
Infrastructure	22,426	22,115
Total Capital Assets	\$ 34,445	\$ 34,066
Accumulated Depreciation	\$ (17,716)	\$ (17,430)
Net Capital Assets	\$ 16,729	\$ 16,636

Long-term Debt is summarized in the table below. At June 30, 2009, total long term debt was \$8.3 million. It includes a \$101,400 capital lease at 4.20% for a street sweeper. The capital lease matures in October, 2011. Also part of long term debt is a \$1million interest only loan at 4.75% that expires in September, 2014. The largest component of debt is the 2007 Pension Obligation Bond with a \$4.7 million balance. The bond issue is at 6.01% and matures in August, 2017.

	Long Term Debt			
	Balance	Additions	Reductions	Balance
	July 1, 2008			June 30, 2009
2007 Pension Obligation Bond	\$ 5,040,000	\$ -	\$ 370,000	\$ 4,670,000
Capital Leases Payable	133,374	-	31,944	101,430
Notes Payable	1,022,743	-	6,141	1,016,602
Compensated Absences	717,528	-	21,285	696,243
RDA Pass Throughs	1,784,779	81,034	91,026	1,774,787
Total	\$ 8,698,424	\$ 81,034	\$ 520,396	\$ 8,259,062

Economic Outlook and Next Year's Budget

The global economic downturn which began in 2007 became the worst financial crisis since the Great Depression by the end of 2008. On a local level, consumer confidence was eroded and economic activity declined significantly during fiscal 2008-09. The City is very cautiously optimistic that 2009-10 revenues will increase slightly (3.2%) during the next fiscal year, partly due to the low base established during 2008-09. It is closely monitoring major revenue sources and minimizing expenditures to the extent possible without harming the economic health and function of the City. Significant attention is being given to funding ongoing expenditures with ongoing revenues and limiting use of reserves to one-time or short term needs. In reacting to the downturn, the City established a furlough program in March, 2009 which extends to June, 2010 and includes a 4.6% reduction in employee pay rates. While retirement costs for employees will continue to rise for the foreseeable future, the City instituted a cap on its contribution to employee retirement costs on December 30, 2007. As California Public Employees' Retirement System (CalPERS) rates climb due cost of retiree benefits combined with an investment loss of 23.4% for fiscal 2008-09 alone, the increases will borne by the employees rather than the City. Budgeted General Fund revenues for fiscal year 2009-10 are \$12.3 million, \$379,000 over 2008-09 actual revenue. Budgeted operating expenditures of \$11.6 million are \$425,000 lower than prior year spending. This combined budgeted improvement totals \$804,000.

The City's fiscal management policy is to maintain contingency reserves at 10% of operating expenditures and emergency reserves at 5%. Fiscal 2008-09 ended with these reserves at 10.3% and 5.2% respectively. This is a particularly important accomplishment in a year in which the economy caught many municipalities, corporations, and experts by surprise with its negative spiral. For fiscal 2009-10, the City anticipates funding levels of \$1,266,100 for the contingency reserve and \$627,100 for the emergency reserve, increasing their coverage of operating expenditures to 10.9% and 5.4%.

In late 2009, an agreement to redevelop the Rispin Mansion site within the Capitola Redevelopment Area with a hotel expired. Originally anticipated to create a new facility, improve site infrastructure, attract visitors, add jobs, and increase sales and hotel tax, the RDA will now be exploring the feasibility of new

projects for the site and at the same time, alternative productive uses for the funds originally slated for this project.

The City and RDA are participating in the Bay Avenue Senior Housing Project, a \$28 million senior housing rehabilitation project in Capitola being developed by a non-profit agency. The RDA's participation in this project is a \$1.4 million residual receipts loan and the City is facilitating a \$1.9 million grant through the California Department of Housing and Community Development (HCD). The final \$600,000 of the RDA predevelopment and acquisition residual receipts loan was funded in 2008-09. The City was awarded and accepted the \$1.9 million grant for the Bay Avenue project in fiscal 2007-08. While there was no activity related to the HCD funds in fiscal 2008-09, there has been a subsequent draw of \$570,000 year-to-date in fiscal 2009-10.

Under the American Recovery and Reinvestment Act, Capitola was awarded and accepted a \$230,000 grant for a Street Rehabilitation Project in February, 2009. The project which totaled \$355,000 was started and completed in fiscal 2009-10 with additional funding from the Capitola Redevelopment Agency.

Capitola prides itself on and continues to be a fiscally conservative City with an enterprising spirit toward civic evolution and economic development.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

City of Capitola
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 10,935,566
Accounts Receivable (Net of Allowance for Uncollectibles)	112,516
Due from Other Governments	922,267
Loans Receivable	2,886,119
Debt Issuance Costs	100,160
Prepays	20,853
Capital Assets:	
Non-depreciable:	
Land	4,883,789
Construction in Progress	1,238,186
Depreciable:	
Equipment	2,645,251
Buildings and Improvements	3,251,481
Infrastructure	22,425,610
Accumulated Depreciation	<u>(17,715,513)</u>
Total Assets	<u>31,706,285</u>
LIABILITIES	
Accounts Payable	488,304
Accrued Liabilities	611,877
Interest Payable	116,945
Deposits Payable	284,613
Unearned Revenue	1,671,447
Noncurrent Liabilities:	
Due Within One Year	680,875
Due in More Than One Year	<u>7,578,187</u>
Total Liabilities	<u>11,432,248</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	15,659,423
Restricted for:	
Community Development	1,106,642
Transportation	73,158
Unrestricted	<u>3,434,814</u>
Total Net Assets	<u><u>\$ 20,274,037</u></u>

The accompanying notes are an integral part of this statement.

**City of Capitola
Statement of Activities
Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 4,482,326	\$ 658,366	\$ 14,630	\$	\$ (3,809,330)
Public Safety	5,926,915	905,263	130,660		(4,890,992)
Community Development	2,217,702	1,616,500	140,676		(460,526)
Culture and Recreation	1,035,537	708,426			(327,111)
Transportation	2,529,717	33,696		527,390	(1,968,631)
Interest on Long-Term Debt	532,701				(532,701)
Total Governmental Activities	<u>\$ 16,724,898</u>	<u>\$ 3,922,251</u>	<u>\$ 285,966</u>	<u>\$ 527,390</u>	<u>(11,989,291)</u>
General Revenues:					
Taxes:					
					4,147,459
					459,042
					2,857,549
					787,706
					605,365
					277,959
					1,213,841
					203,424
					304,533
					394,135
					<u>11,251,013</u>
					(738,278)
					<u>21,012,315</u>
					<u>\$ 20,274,037</u>

The accompanying notes are an integral part of this statement.

**City of Capitola
Balance Sheet
Governmental Funds
June 30, 2009**

	General	Federal Home Loan Reuse	RDA Low Income Housing	RDA Debt Service
ASSETS				
Cash and Investments	\$ 4,451,697	\$	\$ 703,907	\$ 3,532,929
Accounts Receivable	66,842	214	2,446	14,592
Due from Other Governments	641,353			125,808
Due from Other Funds	153,759			
Advances to Other Funds	1,968,028			
Loans Receivable		727,546	2,028,358	
Prepays	19,353			
	<u>19,353</u>	<u>727,546</u>	<u>2,028,358</u>	<u>125,808</u>
Total Assets	<u>\$ 7,301,032</u>	<u>\$ 727,760</u>	<u>\$ 2,734,711</u>	<u>\$ 3,673,329</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 275,458	\$ 3,999	\$ 31,961	\$ 81,904
Accrued Liabilities	599,830		490	1,961
Deferred Revenue	245,541	727,546	2,028,358	
Due to Other Funds		1,436		
Advances from Other Funds				1,968,028
Deposits Payable	183,613			100,000
	<u>183,613</u>	<u>727,546</u>	<u>2,028,358</u>	<u>1,968,028</u>
Total Liabilities	<u>1,304,442</u>	<u>732,981</u>	<u>2,060,809</u>	<u>2,151,893</u>
Fund Balances:				
Reserved for:				
Reserved for Prepays	19,353			
Advances to Other Funds	1,968,028			
Unreserved, Reported In:				
General Fund	4,009,209			
Special Revenue Funds		(5,221)	673,902	1,521,436
Capital Projects Funds				
	<u>4,009,209</u>	<u>(5,221)</u>	<u>673,902</u>	<u>1,521,436</u>
Total Fund Balances	<u>5,996,590</u>	<u>(5,221)</u>	<u>673,902</u>	<u>1,521,436</u>
Total Liabilities and Fund Balances	<u>\$ 7,301,032</u>	<u>\$ 727,760</u>	<u>\$ 2,734,711</u>	<u>\$ 3,673,329</u>

The accompanying notes are an integral part of this statement.

2007 POB Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 522,675	\$ 885,892	\$ 838,466	\$ 10,935,566
	1,410	27,012	112,516
	64,577	90,529	922,267
			153,759
			1,968,028
		130,215	2,886,119
	1,500		20,853
<u>\$ 522,675</u>	<u>\$ 953,379</u>	<u>\$ 1,086,222</u>	<u>\$ 16,999,108</u>
\$ 2,297	\$ 86,453	\$ 8,529	\$ 488,304
		7,299	611,877
	133,071	131,630	3,266,146
		152,323	153,759
			1,968,028
		1,000	284,613
<u>2,297</u>	<u>219,524</u>	<u>300,781</u>	<u>6,772,727</u>
	1,500		20,853
			1,968,028
			4,009,209
		785,441	2,975,558
<u>520,378</u>	<u>732,355</u>	<u>785,441</u>	<u>1,252,733</u>
<u>520,378</u>	<u>733,855</u>	<u>785,441</u>	<u>10,226,381</u>
<u>\$ 522,675</u>	<u>\$ 953,379</u>	<u>\$ 1,086,222</u>	<u>\$ 16,999,108</u>

The accompanying notes are an integral part of this statement.

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City of Capitola
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Fund balances of governmental funds \$ 10,226,381

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital Assets at Historical Cost	34,444,317
Accumulated Deprecation	<u>(17,715,513)</u>

Net 16,728,804

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. This amount represents interest payable at year-end. (116,945)

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 1,594,699

Long term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Notes Payable	(1,016,602)
RDA Obligations	(1,774,787)
Compensated Absences Payable	(696,243)
Pension Obligation Bonds	(4,670,000)
Capital Leases Payable	<u>(101,430)</u>

Total (8,259,062)

Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds. 100,160

Net assets of governmental activities \$ 20,274,037

City of Capitola
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	General	Federal Home Loan Reuse	RDA Low Income Housing
REVENUES			
Taxes	\$ 7,574,595	\$	\$
Licenses & Permits	643,861		
Fines & Forfeitures	701,767		
Intergovernmental	834,319		
Charges for Services	1,469,765		
Use of Money and Property	541,322	43,424	37,338
Other Revenue	176,745		
	<u>11,942,374</u>	<u>43,424</u>	<u>37,338</u>
Total Revenues	<u>11,942,374</u>	<u>43,424</u>	<u>37,338</u>
EXPENDITURES			
Current:			
General Government	2,224,809		
Public Safety	5,695,525		
Community Development	879,669	260,888	1,046,141
Culture and Recreation	901,505		
Transportation	2,367,447		
Capital Outlay			
Debt Service:			
Principal			
Interest & Fiscal Charges			
	<u>12,068,955</u>	<u>260,888</u>	<u>1,046,141</u>
Total Expenditures	<u>12,068,955</u>	<u>260,888</u>	<u>1,046,141</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(126,581)</u>	<u>(217,464)</u>	<u>(1,008,803)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	447,957		499,274
Transfer Out	(828,164)		
	<u>(380,207)</u>	<u>-</u>	<u>499,274</u>
Total Other Financing Sources (Uses)	<u>(380,207)</u>	<u>-</u>	<u>499,274</u>
Net Change in Fund Balances	(506,788)	(217,464)	(509,529)
Fund Balances - Beginning	<u>6,503,378</u>	<u>212,243</u>	<u>1,183,431</u>
Fund Balances, Ending	<u>\$ 5,996,590</u>	<u>\$ (5,221)</u>	<u>\$ 673,902</u>

The accompanying notes are an integral part of this statement.

<u>RDA Debt Service</u>	<u>2007 POB Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,496,367	\$	\$	\$ 168,556 20,653	\$ 10,239,518 664,514 701,767
		527,390	383,826	1,745,535
		118,423	155,544	1,743,732
91,970		8,630	88,927	811,611
			1,075	177,820
<u>2,588,337</u>	<u>-</u>	<u>654,443</u>	<u>818,581</u>	<u>16,084,497</u>
1,343,333			23,072	3,591,214
			173,857	5,869,382
			174,835	2,361,533
		3,404	103,818	1,008,727
			207,285	2,574,732
		985,565	238,385	1,223,950
91,026	370,000		38,085	499,111
233,340	295,184		922	529,446
<u>1,667,699</u>	<u>665,184</u>	<u>988,969</u>	<u>960,259</u>	<u>17,658,095</u>
<u>920,638</u>	<u>(665,184)</u>	<u>(334,526)</u>	<u>(141,678)</u>	<u>(1,573,598)</u>
(499,274)	661,818	166,346		1,775,395
		(447,957)		(1,775,395)
(499,274)	661,818	(281,611)	-	-
421,364	(3,366)	(616,137)	(141,678)	(1,573,598)
<u>1,100,072</u>	<u>523,744</u>	<u>1,349,992</u>	<u>927,119</u>	<u>11,799,979</u>
<u>\$ 1,521,436</u>	<u>\$ 520,378</u>	<u>\$ 733,855</u>	<u>\$ 785,441</u>	<u>\$ 10,226,381</u>

The accompanying notes are an integral part of this statement.

City of Capitola
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2009

Net change in fund balances-total governmental funds	\$ (1,573,598)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$1,220,359 exceeded depreciation expense of \$943,159 in the period.	277,200
The net effect of disposals of capital assets is to decrease net assets.	(184,642)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	499,111
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. This is the change in accrued interest payable.	9,265
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This represents the change in compensated absences during the year.	21,285
In governmental funds, notes receivable are offset by deferred revenue as they are not available to pay for current period expenditures. This represents the net change in deferred revenue and unearned revenue from the prior year.	306,655
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of Costs of Issuance	(12,520)
Other Long-term Debt Issuance	(81,034)
	(93,554)
Change in net assets of governmental activities	\$ (738,278)

The accompanying notes are an integral part of this statement.

City of Capitola
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

ASSETS

Cash and Investments	\$ 195,704
Cash with Fiscal Agent	401,543
Accounts Receivable	<u>11,063</u>
 Total Assets	 <u><u>608,310</u></u>

LIABILITIES

Due to Bondholders	359,628
Bond Reserve	<u>248,682</u>
 Total Liabilities	 <u><u>\$ 608,310</u></u>

The accompanying notes are an integral part of this statement.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
I	Summary of Significant Accounting Policies	19 - 24
II	Reconciliation of Government-Wide and Fund Financial Statements	24
III	Detailed Notes on All Funds	25 - 36
IV	Other Information	36 - 43

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

The accompanying financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's basic financial statements. The City's component units which are described below are all blended.

The City Council serves in separate session as the governing bodies of the Capitola Redevelopment Agency and the Capitola Financing Authority, although these agencies are legal entities apart from the City.

The Capitola Redevelopment Agency and Capitola Financing Authority are included as component units in the accompanying financial statements. The financial activities of the foregoing entities have been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as each meets the criteria for inclusion as set forth in Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB Statement No. 39.

The Capitola Redevelopment Agency was established in 1980 by the City Council to eliminate blight within the defined project areas by encouraging and assisting planned development of low income housing and commercial projects. The Capitola Financing Authority is a joint powers authority whose board of directors comprises the City's elected council. Both the Redevelopment Agency and the Capitola Financing Authority exist for the purpose of facilitating the City's capital financing program. Separate financial statements are prepared by the Capitola Redevelopment Agency and are available at City Hall. The Capitola Financing Authority does not prepare separate financial statements.

B) Government-Wide and Fund Financial Statements

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Government-Wide and Fund Financial Statements - Continued

Fund Financial Statements: Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The Agency funds are reporting only assets and liabilities under the accrual basis of accounting and have no measurement focus.

The City reports the following major governmental funds:

General Fund

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

Federal Home Loan Reuse Fund

This fund accounts for housing loan principal and interest payments that will be available for a similar future federal program.

RDA Low Income Housing Fund

This fund accounts for 20% of the Redevelopment Agency tax increment revenues that are set aside by state law, and the use of those revenues.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

RDA Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs in the RDA.

2007 POB Debt Service Fund

This fund is used to account for the accumulation of resources for, and payment of long-term debt principal and interest related to the 2007 Pension Obligation Bonds.

Capital Projects Fund

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

The City also reports the following fund type:

Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units, and/or other funds. The City maintains two Agency funds - Tradewinds Assessment District and Refinancing Assessment District - as an agent for bondholders.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as they are needed.

D) Assets, Liabilities, and Net Assets or Equity

1) Cash and Investments

Investments are reported in the accompanying balance sheet at fair market value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair market value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair market value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities, and Net Assets or Equity - Continued

1) Cash and Investments - Continued

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

The City pools idle cash from all funds in order to increase income earned through its investment program. Investment income from pooled investments is allocated to those funds that are required by law or administrative action to receive interest. Investment income is allocated on a monthly basis based on the cash balance in each fund.

2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Noncurrent portions of long-term interfund loan receivables are reported as advances and such amounts are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

California Constitution Article XIII A, limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Date(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (Nov.) April 10 (Feb.)	August 31

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

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities, and Net Assets or Equity - Continued

3) Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. City policy is to capitalize all tangible property with a useful life of two or more years and a cost or assigned value exceeding \$5,000, with the exception of infrastructure valued at \$50,000 or more.

With the implementation of GASB Statement No. 34, the City recorded all its public domain (infrastructure) capital assets placed in service after June 30, 1980, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over the estimated useful lives. Depreciation is provided using the straight line method which means the cost of the assets is divided by its expected useful life in years and the result is charged to expense each fiscal year until the assets are fully depreciated. The City has assigned the useful lives listed below to capital assets.

Structures and Improvements	50 years
Equipment	5 - 25 years
Infrastructure	15 - 50 years

4) Deferred Revenue

Revenues received, but not yet earned, are deferred until such time as those monies meet the revenue recognition criteria. In the case of intergovernmental revenues in the fund financial statements, e.g., grants, entitlements and shared revenue, the basis of accounting for such revenue is determined according to the procedures common to each fund type in which the grant, entitlement, or shared revenue is recorded. Grants, entitlements, and shared revenues received earlier than the time established by the revenue recognition criteria are reported as deferred revenues.

Revenues earned, but not yet received, may not be available in a timely manner to pay current expenditures or obligations. Such receivables, not meeting the availability criteria necessary for accrual under modified accrual basis accounting principles, are classified as deferred revenues for that period in the fund financial statements. In the government-wide financial statements, however, availability criteria are not considered. Instead, revenues are recognized at the point in time when revenue is earned through performance or similar recognition standards.

5) Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental fund types, the current liability appears in the respective funds and the long-term liability appears in the government-wide financial statements.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities, and Net Assets or Equity - Continued

5) Compensated Absences - Continued

This liability is set up for the current employees at the current rates of pay. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

E) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

II) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balances of total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains "Other long-term assets are not available to pay for current period expenditures and are deferred in the funds." The details of this \$1,594,699 difference are as follows:

Loans Receivable	\$ 1,521,119
Grants Receivable	72,165
Developer Fees	1,415
	<hr/>
	\$ 1,594,699

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

The composition of cash and investments as of June 30, 2009, by fund type is as follows:

	Available For Operations	Restricted	Total
General Fund	\$ 4,451,697	\$ -	\$ 4,451,697
Special Revenue Funds	1,542,373	-	1,542,373
Capital Projects Funds	885,892	-	885,892
Debt Service Funds	-	4,055,604	4,055,604
Fiduciary Funds	-	597,247	597,247
	<u>\$ 6,879,962</u>	<u>\$ 4,652,851</u>	<u>\$ 11,532,813</u>

Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements:

Cash and Investments	<u>\$ 10,935,566</u>
Total City Cash and Investments	<u>10,935,566</u>
Cash and Investments	195,704
Cash and Investments with Fiscal Agent	401,543
Total Cash and Investments in Fiduciary Fund (separate statement)	<u>597,247</u>
Total Cash and Investments	<u>\$ 11,532,813</u>

Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills	5 years	60%	None
Negotiable Certificates of Deposit	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Guaranteed Investment Contracts	15 months	None	None

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool – LAIF	\$ 9,854,809	\$ 9,854,809	\$ -	\$ -	\$ -
Held by Bond Trustees:					
State Investment Pool – LAIF	248,482	248,482	-	-	-
Money Market Funds	153,061	153,061	-	-	-
Total	\$ 10,256,352	\$ 10,256,352	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
State Investment Pool - LAIF	\$ 10,103,291	N/A	\$ -	\$ -	\$ -	\$ 10,103,291
Money Market Funds	153,061	N/A	-	-	-	153,061
Total	\$ 10,256,352		\$ -	\$ -	\$ -	\$ 10,256,352

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the City's deposits with financial institutions in excess of the Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

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

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables and Transfers

Due to/from other funds at June 30, 2009 is as follows:

		DUE FROM		
		Federal Home Loan Reuse	Non-Major Funds	Total
DUE TO	General Fund	\$ 1,436	\$ 152,323	\$ 153,759
	Total	\$ 1,436	\$ 152,323	\$ 153,759

The interfund payable balances represent routine and temporary cash flow assistance from and to the General Fund until the amounts receivable from other agencies are collected to reimburse eligible expenditures.

Advances to/from other funds at June 30, 2009 are as follows:

		ADVANCES TO	
		Debt Service Fund	Total
ADVANCES FROM	General Fund	\$ 1,968,028	\$ 1,968,028
	Total	\$ 1,968,028	\$ 1,968,028

The Redevelopment Agency has incurred substantial costs for a proposed expansion of the redevelopment area and amendment of the redevelopment plan. The City has been providing staff and administrative services without compensation to the Agency since the fiscal year 1997/1998. The City and the Agency entered into an agreement to identify the staff and administrative costs due to the City since the fiscal year 1997/1998. The parties agreed that the Agency will pay the City for its past administrative services, plus interest calculated at the Local Agency Investment Fund (LAIF) rate published for the quarter ending March. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability, b) the true interest cost of any obligation bond sold by the City, c) the State of California LAIF rate, or d) 5%. The parties further agreed that the amount owed has been calculated at an overhead rate of fifteen percent of net tax increment, with simple interest. The principal amount of this reimbursement shall be paid as Agency funds become available, but in no event later than twenty-five years. As of June 30, 2009, the Agency owes the City \$618,028.

In July 2003, the City of Capitola sold the Rispin Mansion property to the Redevelopment Agency of Capitola in exchange for a \$1,350,000 note. The parties agreed to calculate interest on the advance at 5% per annum. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability; b) the true interest cost of any pension obligation bond sold by the City; c) the State of California LAIF rate; or d) 5%. The outstanding principal sum of this Note shall be due and payable in full on June 24, 2017 ("Maturity Date"), provided, however, that if the Redevelopment Plan for the Capitola Redevelopment Project is amended to extend the time limit on receipt of tax

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables and Transfers - Continued

increment revenues, then the Maturity Date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended. Payment of interest is due on a quarterly basis. As of June 30, 2009, the Agency owes the City \$1,350,000. In April 2007, the RDA Board of Directors passed a resolution that credited the RDA cap with \$629,059 as a result of state legislation regarding previous Educational Relief Augmentation Fund (ERAF) payments made by the Capitola Redevelopment Agency.

Interfund transfers for the year ended June 30, 2009 are as follows:

		TRANSFERS IN				
		General Fund	RDA Low Income Fund	2007 POB Debt Service	Capital Projects	Total
TRANSFERS OUT	General Fund	\$ -	\$ -	\$ 661,818	\$ 166,346	\$ 828,164
	RDA Debt Service	-	499,274	-	-	499,274
	Capital Projects Funds	447,957	-	-	-	447,957
	Total	<u>\$ 447,957</u>	<u>\$ 499,274</u>	<u>\$ 661,818</u>	<u>\$ 166,346</u>	<u>\$ 1,775,395</u>

Transfers to the General Fund totaled \$447,957 and were made from the Capital Projects Fund for repayment of prior year's transfers. The City had been making transfers to the Capital Projects Fund in anticipation of future projects. However, the City decided not to move forward with any projects, and therefore, the original funds are being transferred back to the General Fund.

Transfers to the RDA Low Income Housing Fund totaled \$499,274 and were made from the RDA Debt Service Fund. The California Health and Safety Code requires the Agency project area to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of incremental revenues in excess of debt service payments on the bonds) into a Low/Moderate Income Housing Project Fund. This money is restricted for the purpose of increasing and improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

Transfers to the 2007 POB Debt Service Fund totaled \$661,818 and were transferred from the General Fund. The transfer was made to pay for the debt service on the Pension Obligation Bonds.

Transfers to the Capital Projects Fund totaled \$166,346 and were made from the General Fund for the acquisition or construction of major capital facilities and equipment by the City.

C) Housing and Community Development Loan Program

The City uses Federal Home Loan Reuse and Housing and Community Development Block Grant funds to provide housing rehabilitation loans to eligible applicants. Such loans are made to low and moderate income persons to improve or rehabilitate residences. The City accounts for this program in the Special Revenue Funds. Rehabilitation loans receivable of \$2,755,904 at June 30, 2009 have been reflected in the accompanying financial statements as loans receivable with an offsetting deferred revenue in the fund financial statements.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS - Continued

D) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 4,883,789	\$ -	\$ -	\$ 4,883,789
Construction in Progress	419,309	999,543	(180,666)	1,238,186
Total Capital Assets Not Depreciated	<u>5,303,098</u>	<u>999,543</u>	<u>(180,666)</u>	<u>6,121,975</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,563,295		(311,814)	3,251,481
Equipment	3,079,041	89,248	(523,038)	2,645,251
Infrastructure	22,120,876	312,234	(7,500)	22,425,610
Total Capital Assets Being Depreciated	<u>28,763,212</u>	<u>401,482</u>	<u>(842,352)</u>	<u>28,322,342</u>
Less Accumulated Depreciation	<u>(17,430,064)</u>	<u>(943,159)</u>	<u>657,710</u>	<u>(17,715,513)</u>
Net Capital Assets Being Depreciated	<u>11,333,148</u>	<u>(541,677)</u>	<u>(184,642)</u>	<u>10,606,829</u>
Net Capital Assets	<u>\$ 16,636,246</u>	<u>\$ 457,866</u>	<u>\$ (365,308)</u>	<u>\$ 16,728,804</u>

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:	
General Government	\$ 801,419
Public Safety	67,171
Cultural and Recreation	29,715
Transportation	<u>44,854</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 943,159</u>

E) Long-Term Debt

2007 Pension Obligation Bonds

In July of 2007, the City issued \$5,040,000 of Pension Obligation Bonds in order to pre-fund a portion of the PERS Side Fund liability as determined by PERS for the City's Safety and Miscellaneous Plans. Payments of interest are payable semi-annually on August 1 and February 1 of each year with a stated interest rate of 6.010%. The Bonds mature through August 1, 2017. The bonds are payable from any source of legally available funds of the City, including amounts on deposit in the General Fund.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

2007 Pension Obligation Bonds - Continued

The debt-service maturity schedule for the Pension Obligation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 405,000	\$ 268,497	\$ 673,497
2011	435,000	243,255	678,255
2012	455,000	216,510	671,510
2013	485,000	188,263	673,263
2014	515,000	158,213	673,213
2015	545,000	126,360	671,360
2016	575,000	92,704	667,704
2017	610,000	57,095	667,095
2018	645,000	19,382	664,382
Total	<u>\$ 4,670,000</u>	<u>\$ 1,370,279</u>	<u>\$ 6,040,279</u>

Capital Leases Payable

In the 2007-08 fiscal year, the City entered into a Lease Purchase Agreement to lease a Street Sweeper from First Municipal Leasing Corporation for \$165,450. Principal and interest payments with a rate of 4.20% are due annually on October 10 until maturity in 2011.

The lease payments for the Street Sweeper Capital Lease are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 32,429	\$ 4,260	\$ 36,689
2011	33,791	2,898	36,689
2012	35,210	1,479	36,689
Total	<u>\$ 101,430</u>	<u>\$ 8,637</u>	<u>\$ 110,067</u>

Notes Payable

On September 29, 2000, the Agency borrowed \$1,000,000 to provide temporary, short-term financing for various capital projects included in the five year plan. The loan allowed for the principal to be fully prepaid without premium by the Agency upon 30 day written notice to the lender at any time after September 29, 2001. On March 30, 2006, Chase NYC took over the WestAmerica note and established a new expiration date of September 29, 2014. Interest is 4.75% (\$47,500/year) payable semiannually on March 29 and September 29.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Notes Payable - Continued

During the 2005-06 fiscal year, the City entered into an energy conservation assistance account loan agreement with the California Energy Resources Conservation and Development Commission (the "Commission"), which provided for a maximum loan of \$40,000, at an interest rate of 4.5 percent per annum. Principal, together with interest thereon, is due and payable in semiannual installments of \$3,548 beginning December 2006. The balance at June 30, 2009 was \$16,602.

The following is a summary of principal and interest to be paid on the notes payable in future years:

Fiscal Year Ending June 30,	Principal	Interest
2010	\$ 6,420	\$ 48,176
2011	6,712	47,884
2012	3,470	47,578
2013	-	47,500
2014	1,000,000	47,500
	\$ 1,016,602	\$ 238,638

Compensated Absences

Governmental Accounting Standards Board Statement No. 16 identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, totals \$696,243 as of June 30, 2009.

Redevelopment Agency Pass-Through Agreements

Previous California redevelopment law permitted redevelopment agencies to negotiate agreements with overlapping taxing jurisdictions, whereby the Agency pays a portion of its tax increment revenues to other jurisdictions whose revenue and function(s) may be adversely impacted by the Agency. The terms of such agreements were negotiable in accordance with the needs of the Agency and the jurisdictions. Accordingly, the Agency negotiated agreements with certain overlapping jurisdictions which called for deferred payment of portions of the Agency's tax increment revenues. A summary of these deferred liabilities is as follows:

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Redevelopment Agency Pass-Through Agreements - Continued

County Library Fund and County Special District Funds

The Agency entered into an agreement in 1984 with the County of Santa Cruz which provided that the Agency would not be required to pass through to the County Library Fund or Special District Funds any tax increments during years one through twenty of the Capitola Redevelopment Project. Instead, the Agency is required to pay these funds over a ten-year period beginning in year twenty-one (fiscal year ended June 30, 2002). The deferred pass-through payments are \$45,910/year for the County Library Fund and \$20,116/year for the County Special District Funds, for ten years ending June 30, 2012. There is no provision for interest in the agreement.

Principal balance at June 30, 2009	<u>\$ 198,078</u>
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County Library Building Fund

In August 2004, the Agency entered into an Implementation Agreement with the County of Santa Cruz to clarify and confirm provisions in the original Pass-Through Agreement, and First and Second Library Agreements. The Implementation Agreement requires that the Agency design and commence construction of a library building and related on-site improvements no later than June 30, 2018. The Agency's maximum obligation for this project, beginning with the 2004-05 fiscal year, is \$1,400,000, which is increased 5% per annum (compounded annually) until the fiscal year in which the library construction is completed or the full amount of the Agency assistance has been paid to the County.

Beginning February 1, 2005, and February 1st of each fiscal year thereafter through February 1, 2018, or until the total amount of the Agency assistance is funded or the Library construction is completed, the Agency is required to pay minimum scheduled payments into a County trust account, which earns interest at a rate equivalent to the County's pooled investment fund rate.

The Agency may prefund any portion of the obligation at any time. "Prefund" means to provide the total amount of funding needed in a particular year to achieve the total Agency obligation as of that fiscal year. The maximum obligation of the Agency through the fiscal year ending June 30, 2018 is \$2,640,000. The Agency has recorded the initial debt of \$1,400,000 as of the 2004-05 fiscal year, which is increased by 5% each year and reduced by the minimum scheduled payment each year. The principal balance at June 30, 2009 is \$1,576,709.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Redevelopment Agency Pass-Through Agreements - Continued

A schedule of the Agency assistance obligation (increased by 5% per year) and the minimum scheduled payments is as follows:

Fiscal Year	Total Amount of Agency Assistance Obligation	Minimum Scheduled Payment Amount
2004-05	\$ 1,400,000	\$ 25,000
2005-06	1,470,000	25,000
2006-07	1,543,000	25,000
2007-08	1,620,675	25,000
2008-09	1,701,709	25,000
2009-10	1,786,794	25,000
2010-11	1,876,134	162,900
2011-12	1,969,941	179,502
2012-13	2,068,438	211,720
2013-14	2,171,860	250,243
2014-15	2,280,452	287,116
2015-16	2,394,475	325,579
2016-17	2,514,199	366,577
2017-18	2,639,909	417,640

Special Assessment Bonds

The City is not liable for repayment of special assessment debt, but acts only as an agent for the property owners in collecting assessments, forwarding collections to the paying agent for payment of principal and interest to the bondholders, and initiating foreclosure proceedings, if necessary. The total outstanding special assessment debt at June 30, 2009 was \$380,000 for the 1998 Reassessment bonds.

Debt service payments for debt existing at fiscal year end are generally made from the following sources:

Pension Obligation Bonds - General fund revenues.

Notes Payable - General fund revenues and RDA tax increment.

Redevelopment Agency Pass-Throughs - Tax increment revenues of the Redevelopment Agency.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Changes in Long-Term Debt

Following is a summary changes in long-term debt during the 2008-2009 fiscal year:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2007 POB	\$ 5,040,000	\$ -	\$ 370,000	\$ 4,670,000	\$ 405,000
Capital Leases Payable	133,374	-	31,944	101,430	32,429
Notes Payable	1,022,743	-	6,141	1,016,602	6,420
Compensated Absences	717,528	-	21,285	696,243	146,000
RDA Pass-Throughs	<u>1,784,779</u>	<u>81,034</u>	<u>91,026</u>	<u>1,774,787</u>	<u>91,026</u>
Totals	<u>\$ 8,698,424</u>	<u>\$ 81,034</u>	<u>\$ 520,396</u>	<u>\$ 8,259,062</u>	<u>\$ 680,875</u>

F) Net Assets and Fund Balances

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

1) Net Assets

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which is determined only at the government-wide level and for fiduciary funds and are described below:

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of net assets which is not restricted to use.

2) Fund Balances, Reserves, and Designations

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables less liabilities. Portions of fund balances may be reserved or designated for future expenditures.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

III) DETAILED NOTES ON ALL FUNDS - Continued

F) Net Assets and Fund Balances - Continued

Designations:

Included within the fund balance of the General Fund are the fiscal year-end designations associated with the City Council Designated Reserves, which total \$3,738,864 at June 30, 2009. The Designations are as follows:

Council Designations	June 30, 2009
Public Employee Retirement Reserve	\$ 369,663
Contingency Reserve	1,247,152
Information Technology	113,198
Self Insurance Liability	198,117
Workers Compensation	175,150
Stores	13,743
Equipment Replacement	255,759
Compensated Absences	193,475
Emergency Reserves	627,083
Public Space	256
Disabled Parking	12,622
General Plan Update	532,646
Total General Government	\$ 3,738,864

Reserves:

Portions of fund balances have been reserved for specific purposes as follows:

Reserved for Prepaids - This reserve is established for prepaid expenditures.

Reserved for Advances to Other Funds - This reserve is established for Redevelopment Agency Advances.

IV) OTHER INFORMATION

A) Risk Management

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

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

IV) OTHER INFORMATION - Continued

A) Risk Management - Continued

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years.

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

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Monterey Bay Area Self-Insurance Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member.

B) Joint Ventures

Santa Cruz Consolidated Emergency Communications Center

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

In addition, the Authority and member agencies have entered into a Use Agreement relating to the issuance of the Authority's Santa Cruz County Public Financing Authority 2002 Lease Revenue Refunding Bonds, Series A, in the aggregate principal amount of \$5,760,000. The Agreement obligates the member agencies to pay use payments each year as rental for the use and occupancy of the related facilities.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

IV) OTHER INFORMATION - Continued

B) Joint Ventures - Continued

The following represents the City of Capitola's obligation for future use payments:

<u>Fiscal Year Ending June 30.</u>	<u>Annual Use Payment</u>
2010	\$ 52,117
2011	51,068
2012	36,822
2013	37,348
2014	36,879
2015-2019	186,728
2020-2024	183,647

Other Activities

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

C) City's Employees' Retirement Plan

Public Employee's Retirement System

Plan Description

The City of Capitola contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The contract offers a "2.5% at 55" plan for Miscellaneous Plan members and "3% at 50" plan for Safety Plan Members. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814. The City of Capitola Miscellaneous Plan converted to 2.5% at 55, effective December 30, 2007.

Funding Policy

Active plan members are required to contribute a percentage of their annual covered salary. The City of Capitola pays the member contributions for both the Miscellaneous Plan and the Safety Plan: 7% and 9% respectively. The actual rate for the Miscellaneous Plan is 8%, of which the City pays for 7%, and the employees pay for 1%. The City of Capitola is required to make an additional contribution at an actuarially determined rate. The required employer contribution rates for the fiscal year 2008-09 were 10.577% for the Miscellaneous Plan members and 18.651% for

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

IV) OTHER INFORMATION - Continued

C) City's Employees' Retirement Plan - Continued

Public Employee's Retirement System - Continued

Safety Plan members. The contribution requirements for plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Three Year Trend Information for the City of Capitola Miscellaneous Employees' Retirement Plan

Fiscal Year	Required Contributions	Percentage Contributed
06/30/07	\$ 540,177	100%
06/30/08	\$ 248,258	100%
06/30/09	\$ 286,734	100%

Three Year Trend Information for the City of Capitola Safety Employees' Retirement Plan

Fiscal Year	Required Contributions	Percentage Contributed
06/30/07	\$ 588,602	100%
06/30/08	\$ 359,196	100%
06/30/09	\$ 392,074	100%

Public Agency Retirement System

Overview

The Federal Omnibus Budget Reconciliation Act of 1990 (FOBRA 90), mandated that all public sector employees not covered by their employers' existing retirement system(s) as of January 1, 1992, be covered by Social Security or an alternate plan. The City has provided these employees with a plan called The Public Agency Retirement System, which qualifies under Internal Revenue Code Sections 401(a) and 501.

Plan Description

The Public Agency Retirement System (PARS) is a defined contribution plan covering part-time, temporary or seasonal employees and all employees not covered by another retirement plan. The Plan is sponsored and paid for by employees and employer contributions. Members are 100% vested. Benefits are paid to the members in lump sum payments at termination, or if payment is in excess of \$3,500, the employee has the option of a lump sum payment at termination or at normal retirement age (60).

The City has the right to terminate or amend the Plan at any time.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009**

IV) OTHER INFORMATION - Continued

C) City's Employees' Retirement Plan - Continued

Public Agency Retirement System - Continued

Contributions

A total annual contribution of 7.5% of covered earnings is contributed to the PARS account for each eligible employee. The City of Capitola contributes 1.3% and the employee contributes 6.2%. During the fiscal year 2008-09 contributions totaled \$24,076: \$4,208 by the City and \$19,868 by employees. The City acts as administrator with a trustee managing the investments and accounts. Fees are charged by the trustee and are paid from member earnings. Employer liabilities under the Plan are limited to the amount of the current contributions.

The City's contribution for fiscal year 2008-09 differs from the contribution totals provided by PARS in the following table because PARS reports on a calendar year, rather than a fiscal year basis.

Plan Net Assets and Changes in Net Assets

Balance 1/1/08	\$	52,221
Contributions		21,932
Earnings		468
Subtotal		74,621
Less: Expenses		(2,718)
Disbursements		(13,290)
Balance 12/31/08	\$	58,613

D) Post Employment Benefits

Plan Description

The City's defined benefit postemployment healthcare plan, (City of Capitola Retiree Healthcare Plan, CRHP), provides medical benefits to eligible retired City employees and spouses. CRHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. CRHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City contributes the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

IV) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

The City is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 1.7% of the annual covered payroll. The City Council, through resolution, determined the City will make contributions on the “Pay-as-you-go” method, making contributions to the plan at about the same time and in about the same amount as benefit payments and expenses become due.

Annual OPEB Cost

For 2009, the City’s annual OPEB cost (expense) of \$87,219 for CRHP was equal to the ARC. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

THREE-YEAR TREND INFORMATION FOR CERBT					
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation		
6/30/09	\$ 87,219	16.3%	\$ 72,996		
6/30/08	*	*	*		
6/30/07	*	*	*		

* The information for the two preceding years is unavailable. GASB 45 was implemented prospectively in fiscal year 2009.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

Actuarial Accrued Liability (AAL)	\$ 967,186
Actuarial Value of Plan Assets	\$ 0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 967,186
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 3,125,748
UAAL as a Percentage of Covered Payroll	0.30942%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

IV) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

Valuation Date	July 1, 2008
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years as of the Valuation Date
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increase	3.25%
Health Care Trend Rate	10.00%

E) Commitments and Contingent Liabilities

Claims and lawsuits have been filed against the City in the normal course of business. The outcome of these matters is not presently determinable. However, in the opinion of management, the resolution of these matters is not expected to have a significant impact on the financial condition of the City.

Other Contingencies

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Subsequent to June 30, 2009, the State of California passed legislation to divert approximately \$2.05 billion of local redevelopment funds to use for State purposes, as part of the 2009/10 State budget. This includes \$1.7 billion in fiscal year 2009-10 and another \$350 million in fiscal year 2010-11. The California Redevelopment Association (CRA) has filed a lawsuit in Sacramento Superior Court to challenge the constitutionality of this legislation. Currently, the effect that this legislation and resulting lawsuit will have on the Agency's future revenues is unknown.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2009

IV) OTHER INFORMATION - Continued

F) Termination Benefits

In March of 2009 the City came to an agreement to provide early termination benefits to four employees in exchange for their retirement from the City. The City paid early retirement benefits of \$166,945. Of this amount, \$72,000 will be paid out at a rate of \$7,000 per month from July 2009 to December 2009 and the remaining \$33,000 balance to be paid as a lump sum in January 2010.

REQUIRED SUPPLEMENTARY INFORMATION

City of Capitola
Schedule of Funding Progress for CRHP
Year Ended June 30, 2009

BUDGETS AND BUDGETARY ACCOUNTING

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

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

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

Excess of expenditures over appropriations in individual funds are as follows:

<u>Major Funds</u>	<u>Excess Expenditures</u>
Federal Home Loan Reuse Fund	\$ 20,988

The above excess expenditures were funded by available fund balances and revenues in excess of budgeted amounts.

City of Capitola
Schedule of Funding Progress for CRHP
Year Ended June 30, 2009

Schedule of Funding Progress for CRHP

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
06/30/08	\$ -	\$ 967,000	\$ 967,186	0%	\$ 3,125,748	0.30942%

*GASB 45 was implemented prospectively in fiscal year 2009. There were no previous actuarial valuations.

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,131,200	\$ 7,493,000	\$ 7,574,595	\$ 81,595
Licenses & Permits	551,400	600,000	643,861	43,861
Fines & Forfeitures	752,000	758,000	701,767	(56,233)
Intergovernmental	362,300	313,327	834,319	520,992
Charges for Services	1,334,700	1,362,200	1,469,765	107,565
Use of Money and Property	521,900	503,200	541,322	38,122
Other Revenue	142,900	145,600	176,745	31,145
Total Revenues	<u>11,796,400</u>	<u>11,175,327</u>	<u>11,942,374</u>	<u>767,047</u>
EXPENDITURES				
Current:				
General Government	2,652,800	2,663,500	2,224,809	438,691
Public Safety	5,944,300	5,835,377	5,695,525	139,852
Community Development	904,800	918,300	879,669	38,631
Culture and Recreation	969,400	958,400	901,505	56,895
Transportation	2,348,000	2,425,800	2,367,447	58,353
Total Expenditures	<u>12,819,300</u>	<u>12,801,377</u>	<u>12,068,955</u>	<u>732,422</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,022,900)</u>	<u>(1,626,050)</u>	<u>(126,581)</u>	<u>1,499,469</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	191,700	837,877	447,957	(389,920)
Transfers Out	(1,029,846)	(1,218,846)	(828,164)	390,682
Total Other Financing Sources (Uses)	<u>(838,146)</u>	<u>(380,969)</u>	<u>(380,207)</u>	<u>762</u>
Net Change in Fund Balances	(1,861,046)	(2,007,019)	(506,788)	1,500,231
Fund Balances, Beginning	<u>6,503,378</u>	<u>6,503,378</u>	<u>6,503,378</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 4,642,332</u>	<u>\$ 4,496,359</u>	<u>\$ 5,996,590</u>	<u>\$ 1,500,231</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Federal Home Loan Reuse Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 32,700	\$ 32,700	\$ 43,424	\$ 10,724
Total Revenues	<u>32,700</u>	<u>32,700</u>	<u>43,424</u>	<u>10,724</u>
EXPENDITURES				
Current:				
Community Development	239,900	239,900	260,888	(20,988)
Total Expenditures	<u>239,900</u>	<u>239,900</u>	<u>260,888</u>	<u>(20,988)</u>
Excess (Deficiency) of Revenues over Expenditures	(207,200)	(207,200)	(217,464)	(10,264)
Fund Balances, Beginning	<u>212,243</u>	<u>212,243</u>	<u>212,243</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 5,043</u></u>	<u><u>\$ 5,043</u></u>	<u><u>\$ (5,221)</u></u>	<u><u>\$ (10,264)</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Low Income Housing Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 29,700	\$ 29,700	\$ 37,338	\$ 7,638
Total Revenues	29,700	29,700	37,338	7,638
EXPENDITURES				
Current:				
Community and Development	1,169,200	1,172,900	1,046,141	126,759
Total Expenditures	1,169,200	1,172,900	1,046,141	126,759
Excess (Deficiency) of Revenues over Expenditures	(1,139,500)	(1,143,200)	(1,008,803)	134,397
OTHER FINANCING SOURCES (USES)				
Transfers In	464,400	-	499,274	499,274
Total Other Financing Sources (Uses)	464,400	-	499,274	499,274
Net Change in Fund Balance	(675,100)	(1,143,200)	(509,529)	633,671
Fund Balance, Beginning	1,183,431	1,183,431	1,183,431	-
Fund Balance, Ending	\$ 508,331	\$ 40,231	\$ 673,902	\$ 633,671

SUPPLEMENTARY INFORMATION

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,322,200	\$ 2,322,200	\$ 2,496,367	\$ 174,167
Use of Money and Property	60,000	60,000	91,970	31,970
Total Revenues	<u>2,382,200</u>	<u>2,382,200</u>	<u>2,588,337</u>	<u>206,137</u>
EXPENDITURES				
Current:				
General Government	2,279,400	1,496,332	1,343,333	152,999
Debt Service:				
Principal	91,000	91,000	91,026	(26)
Interest and Fiscal Charges	233,300	233,300	233,340	(40)
Capital Outlay		1,000,000		1,000,000
Total Expenditures	<u>2,603,700</u>	<u>2,820,632</u>	<u>1,667,699</u>	<u>1,152,933</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(221,500)</u>	<u>(438,432)</u>	<u>920,638</u>	<u>1,359,070</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(464,400)</u>	<u>(464,400)</u>	<u>(499,274)</u>	<u>(34,874)</u>
Total Other Financing Sources (Uses)	<u>(464,400)</u>	<u>(464,400)</u>	<u>(499,274)</u>	<u>(34,874)</u>
Net Change in Fund Balance	(685,900)	(902,832)	421,364	1,324,196
Fund Balance, Beginning	<u>1,100,072</u>	<u>1,100,072</u>	<u>1,100,072</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 414,172</u>	<u>\$ 197,240</u>	<u>\$ 1,521,436</u>	<u>\$ 1,324,196</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2007 POB Debt Service Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	2,000	2,000		2,000
Debt Service:				
Principal	370,000	370,000	370,000	-
Interest and Fiscal Charges	291,800	291,800	295,184	(3,384)
Total Expenditures	663,800	663,800	665,184	(1,384)
Excess (Deficiency) of Revenues over Expenditures	(663,800)	(663,800)	(665,184)	(1,384)
OTHER FINANCING SOURCES (USES)				
Tranfers In	661,800	661,800	661,818	18
Total Other Financing Sources (Uses)	661,800	661,800	661,818	18
Net Change in Fund Balance	(2,000)	(2,000)	(3,366)	(1,366)
Fund Balance, Beginning	523,744	523,744	523,744	-
Fund Balance, Ending	\$ 521,744	\$ 521,744	\$ 520,378	\$ (1,366)

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,710,757	\$ 1,647,257	\$ 527,390	\$ (1,119,867)
Charges for Services	15,000	15,000	118,423	103,423
Use of Money and Property	5,000		8,630	8,630
Total Revenues	<u>1,730,757</u>	<u>1,662,257</u>	<u>654,443</u>	<u>(1,007,814)</u>
EXPENDITURES				
Current:				
Culture and Recreation	16,700	9,700	3,404	6,296
Capital Outlay	2,193,046	2,094,046	985,565	1,108,481
Total Expenditures	<u>2,209,746</u>	<u>2,103,746</u>	<u>988,969</u>	<u>1,114,777</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(478,989)</u>	<u>(441,489)</u>	<u>(334,526)</u>	<u>106,963</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	413,087	434,832	166,346	(268,486)
Transfers Out	(187,936)	(722,147)	(447,957)	274,190
Total Other Financing Sources (Uses)	<u>225,151</u>	<u>(287,315)</u>	<u>(281,611)</u>	<u>5,704</u>
Net Change in Fund Balances	(253,838)	(728,804)	(616,137)	112,667
Fund Balance, Beginning	<u>1,349,992</u>	<u>1,349,992</u>	<u>1,349,992</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,096,154</u>	<u>\$ 621,188</u>	<u>\$ 733,855</u>	<u>\$ 112,667</u>

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City of Capitola Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenue derived from specific taxes or other dedicated revenue sources (other than for major capital projects) that are restricted by law or administrative action for expenditures for specified purposes.

Supplemental Law Enforcement Fund - This fund account for the receipt and expenditure of Supplemental Law Enforcement revenues provided by the State of California.

Gas Tax Fund - Accounts for receipts and expenditures of gasoline tax revenues as provided by State law.

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

Development Fees Fund - Account for receipts and expenditures of fees assessed on development to alleviate the impact of traffic problems due to that development.

PEG Cable TV Access Fee Fund - Accounts for Public Education and Government (PEG) Cable TV access fees.

Capitola Village and Wharf BIA Fund - Accounts for the receipt and expenditure of assessments for the Business Improvement Area.

Community Development Block Grants Fund - Accounts for housing loans receivable under federal housing programs.

CDBG Program Income - Accounts for housing loan principal and interest repayments for the Community Development Block Grant (CDBG) Program.

Affordable Housing Fund - Accounts for the creation of new affordable housing and rehabilitation of existing affordable housing.

BEGIN Grant Fund - Accounts for receipts and expenditures of the Building Equity and Growth in Neighborhoods (BEGIN) grant.

City of Capitola
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Special Revenue				
	Supplemental Law Enforcement	Gas Tax	Wharf	Development Fees	PEG Cable TV Access
ASSETS					
Cash and Investments	\$	\$ 124,767	\$ 134,376	\$	\$ 81,631
Accounts Receivable	10,165	370	662		310
Due from Other Governments	49,621	35,858			5,050
Loans Receivable					
Total Assets	\$ 59,786	\$ 160,995	\$ 135,038	\$ -	\$ 86,991
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 28	\$ 3,437	\$ 376	\$	\$ 256
Accrued Liabilities	7,299				
Deferred Revenue				1,415	
Due to Other Funds	67,923	84,400			
Deposits Payable			1,000		
Total Liabilities	75,250	87,837	1,376	1,415	256
Fund Balances:					
Reserved:					
Reserved for Debt Service					
Unreserved:					
Undesignated	(15,464)	73,158	133,662	(1,415)	86,735
Total Fund Balances	(15,464)	73,158	133,662	(1,415)	86,735
Total Liabilities and Fund Balances	\$ 59,786	\$ 160,995	\$ 135,038	\$ -	\$ 86,991

Capitola Village and Wharf BIA	CDBG	CDBG Program Income	Affordable Housing	BEGIN Grant	Total Nonmajor Governmental Funds
\$ 16,058 88	\$ 14,052 15,300	\$ 7,392 117	\$ 400,190	\$ 60,000	\$ 838,466 27,012 90,529 130,215
<u>\$ 16,146</u>	<u>\$ 29,352</u>	<u>\$ 137,724</u>	<u>\$ 400,190</u>	<u>\$ 60,000</u>	<u>\$ 1,086,222</u>
\$ 1,536	\$ 1,726	\$ 130,215	\$ 1,170	\$	\$ 8,529 7,299 131,630 152,323 1,000
<u>1,536</u>	<u>1,726</u>	<u>130,215</u>	<u>1,170</u>	<u>-</u>	<u>300,781</u>
14,610	27,626	7,509	399,020	60,000	785,441
<u>14,610</u>	<u>27,626</u>	<u>7,509</u>	<u>399,020</u>	<u>60,000</u>	<u>785,441</u>
<u>\$ 16,146</u>	<u>\$ 29,352</u>	<u>\$ 137,724</u>	<u>\$ 400,190</u>	<u>\$ 60,000</u>	<u>\$ 1,086,222</u>

City of Capitola
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2009

	Special Revenue				
	Supplemental Law Enforcement	Gas Tax	Wharf	Development Fees	PEG Cable TV Access
REVENUES					
Taxes	\$	\$ 168,556	\$	\$	\$
Licenses and Permits					20,653
Intergovernmental	158,294	84,856			
Charges for Services					
Use of Money and Property		2,677	74,822	1,351	1,790
Other Revenue			1,075		
Total Revenues	158,294	256,089	75,897	1,351	22,443
EXPENDITURES					
Current:					
General Government					23,072
Public Safety	173,857				
Community Development				140	
Culture and Recreation			103,818		
Transportation		207,285			
Capital Outlay	4,221		60,175	173,989	
Debt Service:					
Principal		38,085			
Interest & Fiscal Charges		922			
Total Expenditures	178,078	246,292	163,993	174,129	23,072
Excess (Deficiency) of Revenues Over Expenditur	(19,784)	9,797	(88,096)	(172,778)	(629)
OTHER FINANCING SOURCES (USES)					
Transfers In					
Transfers Out					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(19,784)	9,797	(88,096)	(172,778)	(629)
Fund Balances - Beginning	4,320	63,361	221,758	171,363	87,364
Fund Balances - Ending	<u>\$ (15,464)</u>	<u>\$ 73,158</u>	<u>\$ 133,662</u>	<u>\$ (1,415)</u>	<u>\$ 86,735</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Supplemental Law Enforcement Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 173,200	\$ 163,200	\$ 158,294	\$ (4,906)
Total Revenues	<u>173,200</u>	<u>163,200</u>	<u>158,294</u>	<u>(4,906)</u>
EXPENDITURES				
Current:				
Public Safety	173,100	168,900	173,857	(4,957)
Capital Outlay		<u>4,200</u>	<u>4,221</u>	<u>(21)</u>
Total Expenditures	<u>173,100</u>	<u>173,100</u>	<u>178,078</u>	<u>(4,978)</u>
Excess (Deficiency) of Revenues over Expenditures	100	(9,900)	(19,784)	(9,884)
Fund Balance, Beginning	<u>4,320</u>	<u>4,320</u>	<u>4,320</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 4,420</u></u>	<u><u>\$ (5,580)</u></u>	<u><u>\$ (15,464)</u></u>	<u><u>\$ (9,884)</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Gas Tax Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 178,400	\$ 178,400	\$ 168,556	\$ (9,844)
Intergovernmental	95,900	95,900	84,856	(11,044)
Use of Money and Property			2,677	2,677
Total Revenues	<u>274,300</u>	<u>274,300</u>	<u>256,089</u>	<u>(18,211)</u>
EXPENDITURES				
Current:				
Transportation	257,100	250,000	207,285	42,715
Debt Service:				
Principal	37,000	38,100	38,085	15
Interest & Fiscal Charges		6,000	922	5,078
Total Expenditures	<u>294,100</u>	<u>294,100</u>	<u>246,292</u>	<u>47,808</u>
Excess (Deficiency) of Revenues over Expenditures	(19,800)	(19,800)	9,797	29,597
Fund Balance, Beginning	<u>63,361</u>	<u>63,361</u>	<u>63,361</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 43,561</u>	<u>\$ 43,561</u>	<u>\$ 73,158</u>	<u>\$ 29,597</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Wharf Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 75,000	\$ 75,000	\$ 74,822	\$ (178)
Other Revenue			1,075	1,075
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>75,897</u>	<u>897</u>
EXPENDITURES				
Current:				
Culture and Recreation	105,800	117,189	103,818	13,371
Capital Outlay	<u>95,000</u>		<u>60,175</u>	<u>(60,175)</u>
Total Expenditures	<u>200,800</u>	<u>117,189</u>	<u>163,993</u>	<u>(46,804)</u>
Excess (Deficiency) of Revenues over Expenditures	(125,800)	(42,189)	(88,096)	(45,907)
Fund Balance, Beginning	<u>221,758</u>	<u>221,758</u>	<u>221,758</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 95,958</u></u>	<u><u>\$ 179,569</u></u>	<u><u>\$ 133,662</u></u>	<u><u>\$ (45,907)</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Fees Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 67,000	\$ 67,000	\$	\$ (67,000)
Use of Money and Property	900	900	1,351	451
Total Revenues	<u>67,900</u>	<u>67,900</u>	<u>1,351</u>	<u>(66,549)</u>
EXPENDITURES				
Current:				
Community Development			140	(140)
Capital Outlay			<u>173,989</u>	<u>(173,989)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>174,129</u>	<u>(174,129)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>67,900</u>	<u>67,900</u>	<u>(172,778)</u>	<u>(240,678)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(67,000)</u>	<u>(67,000)</u>		<u>67,000</u>
Total Other Financing Sources (Uses)	<u>(67,000)</u>	<u>(67,000)</u>	<u>-</u>	<u>67,000</u>
Net Change in Fund Balances	900	900	(172,778)	(173,678)
Fund Balance, Beginning	<u>171,363</u>	<u>171,363</u>	<u>171,363</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 172,263</u>	<u>\$ 172,263</u>	<u>\$ (1,415)</u>	<u>\$ (173,678)</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - PEG Cable TV Access Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 22,400	\$ 22,400	\$ 20,653	\$ (1,747)
Use of Money and Property	2,800	2,800	1,790	(1,010)
Total Revenues	<u>25,200</u>	<u>25,200</u>	<u>22,443</u>	<u>(2,757)</u>
EXPENDITURES				
Current:				
General Government	<u>22,400</u>	<u>22,400</u>	<u>23,072</u>	<u>(672)</u>
Total Expenditures	<u>22,400</u>	<u>22,400</u>	<u>23,072</u>	<u>(672)</u>
Excess (Deficiency) of Revenues over Expenditures	2,800	2,800	(629)	(3,429)
Fund Balance, Beginning	<u>87,364</u>	<u>87,364</u>	<u>87,364</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 90,164</u></u>	<u><u>\$ 90,164</u></u>	<u><u>\$ 86,735</u></u>	<u><u>\$ (3,429)</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capitola Village and Wharf BIA Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 74,000	\$ 74,000	\$ 73,705	\$ (295)
Use of Money and Property			1,038	1,038
Total Revenues	<u>74,000</u>	<u>74,000</u>	<u>74,743</u>	<u>743</u>
EXPENDITURES				
Current:				
Community Development	<u>84,600</u>	<u>84,600</u>	<u>76,530</u>	<u>8,070</u>
Total Expenditures	<u>84,600</u>	<u>84,600</u>	<u>76,530</u>	<u>8,070</u>
Excess (Deficiency) of Revenues over Expenditures	(10,600)	(10,600)	(1,787)	8,813
Fund Balance, Beginning	<u>16,397</u>	<u>16,397</u>	<u>16,397</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 5,797</u></u>	<u><u>\$ 5,797</u></u>	<u><u>\$ 14,610</u></u>	<u><u>\$ 8,813</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 700,000	\$ 768,900	\$ 80,676	\$ (688,224)
Total Revenues	<u>700,000</u>	<u>768,900</u>	<u>80,676</u>	<u>(688,224)</u>
EXPENDITURES				
Current:				
Community Development	<u>750,000</u>	<u>752,300</u>	<u>32,991</u>	<u>719,309</u>
Total Expenditures	<u>750,000</u>	<u>752,300</u>	<u>32,991</u>	<u>719,309</u>
Excess (Deficiency) of Revenues over Expenditures	(50,000)	16,600	47,685	31,085
Fund Balance, Beginning	<u>(20,059)</u>	<u>(20,059)</u>	<u>(20,059)</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ (70,059)</u></u>	<u><u>\$ (3,459)</u></u>	<u><u>\$ 27,626</u></u>	<u><u>\$ 31,085</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG Program Income Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 6,600	\$ 6,600	\$ 7,249	\$ 649
Total Revenues	<u>6,600</u>	<u>6,600</u>	<u>7,249</u>	<u>649</u>
EXPENDITURES				
Current:				
Community Development	55,400	54,800	56,898	(2,098)
Total Expenditures	<u>55,400</u>	<u>54,800</u>	<u>56,898</u>	<u>(2,098)</u>
Excess (Deficiency) of Revenues over Expenditures	(48,800)	(48,200)	(49,649)	(1,449)
Fund Balance, Beginning	<u>57,158</u>	<u>57,158</u>	<u>57,158</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 8,358</u></u>	<u><u>\$ 8,958</u></u>	<u><u>\$ 7,509</u></u>	<u><u>\$ (1,449)</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Affordable Housing Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 100,000	\$ 100,000	\$ 81,839	\$ (18,161)
Use of Money and Property	9,200	9,200		(9,200)
Total Revenues	<u>109,200</u>	<u>109,200</u>	<u>81,839</u>	<u>(27,361)</u>
EXPENDITURES				
Current:				
Community Development	<u>105,000</u>	<u>105,000</u>	<u>8,276</u>	<u>96,724</u>
Total Expenditures	<u>105,000</u>	<u>105,000</u>	<u>8,276</u>	<u>96,724</u>
Excess (Deficiency) of Revenues over Expenditures	4,200	4,200	73,563	69,363
Fund Balance, Beginning	<u>325,457</u>	<u>325,457</u>	<u>325,457</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 329,657</u></u>	<u><u>\$ 329,657</u></u>	<u><u>399,020</u></u>	<u><u>\$ 69,363</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - BEGIN Grant Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$ 240,000	\$ 60,000	\$ (180,000)
Total Revenues	-	240,000	60,000	(180,000)
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	240,000	60,000	(180,000)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$	\$ 240,000	\$ 60,000	\$ (180,000)

City of Capitola
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

	Refinance Assessment District	Tradewinds Assessment District	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 195,704	\$	\$ 195,704
Cash with Fiscal Agent	401,543		401,543
Accounts Receivable	11,063		11,063
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 608,310</u>	<u>\$ -</u>	<u>\$ 608,310</u>
LIABILITIES			
Due to Bond Holders	\$ 359,628	\$	\$ 359,628
Bond Reserve	248,682		248,682
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 608,310</u>	<u>\$ -</u>	<u>\$ 608,310</u>

City of Capitola
Statement of Changes in Fiduciary Net Assets
Agency Funds
Year Ended June 30, 2009

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
<u>REFINANCE ASSESSMENT DISTRICT</u>				
ASSETS				
Cash and Investments	\$ 439,378	\$	\$ 243,674	\$ 195,704
Cash with Fiscal Agent	387,520	14,023		401,543
Accounts Receivable	14,397		3,334	11,063
Total Assets	<u>\$ 841,295</u>	<u>\$ 14,023</u>	<u>\$ 247,008</u>	<u>\$ 608,310</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$ -
Due to Bond Holders	575,101		215,473	359,628
Bond Reserve	266,194		17,512	248,682
Total Liabilities	<u>\$ 841,295</u>	<u>\$ -</u>	<u>\$ 232,985</u>	<u>\$ 608,310</u>
<u>TRADEWINDS ASSESSMENT DISTRICT</u>				
ASSETS				
Cash and Investments	\$ 13,312	\$	\$ 13,312	\$ -
Accounts Receivable	103		103	-
Total Assets	<u>\$ 13,415</u>	<u>\$ -</u>	<u>\$ 13,415</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$ -
Due to Bond Holders	13,415		13,415	-
Bond Reserve				-
Total Liabilities	<u>\$ 13,415</u>	<u>\$ -</u>	<u>\$ 13,415</u>	<u>\$ -</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 452,690	\$	\$ 256,986	\$ 195,704
Cash with Fiscal Agent	387,520	14,023		401,543
Accounts Receivable	14,500		3,437	11,063
Total Assets	<u>\$ 854,710</u>	<u>\$ 14,023</u>	<u>\$ 260,423</u>	<u>\$ 608,310</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$ -
Due to Bond Holders	588,516		228,888	359,628
Bond Reserve	266,194		17,512	248,682
Total Liabilities	<u>\$ 854,710</u>	<u>\$ -</u>	<u>\$ 246,400</u>	<u>\$ 608,310</u>

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CITY OF CAPITOLA
Comprehensive Annual Financial Report
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Fiscal year ended June 30, 2009

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CITY OF CAPITOLA, CALIFORNIA
 Net Assets by Component
 Last Seven Fiscal Years
 (accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Primary government activities	\$	\$	\$	\$	\$	\$	\$
Invested in capital assets net of related debt	14,533,052	15,551,194	15,006,404	14,571,522	15,650,094	15,636,246	15,659,423
Restricted for							
Debt service	1,379,324	436,491	-	-	-	-	-
Community Development	1,590,217	1,742,349	2,156,616	3,310,474	3,633,337	1,717,350	1,106,642
Transportation	-	-	-	41,836	601,540	463,361	73,158
Public Safety	-	-	-	-	13,818	4,320	-
Total Restricted	2,969,541	2,178,840	2,156,616	3,352,310	4,248,695	2,185,031	1,179,800
Unrestricted	3,227,150	3,546,948	1,943,983	4,731,976	5,135,202	3,191,038	3,434,814
Total Primary govt net assets	20,729,743	21,276,982	19,107,003	22,655,808	25,033,991	21,012,315	20,274,037

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same
 The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Capitola Finance Department

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CITY OF CAPITOLA, CALIFORNIA
 Changes in Net Assets
 Last Seven Fiscal Years
 (accrual basis of accounting)

EXPENSES	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Primary government activities	\$	\$	\$	\$	\$	\$	\$
General government	4,566,816	4,654,130	4,206,288	3,963,341	4,343,363	4,398,218	4,482,326
Public safety	4,297,742	4,253,893	4,541,764	5,350,140	5,733,164	5,297,536	5,926,915
Community development	957,882	1,051,726	4,176,740	1,227,338	1,549,716	2,192,786	2,217,702
Cultural and Leisure	1,518,293	1,385,415	1,475,701	1,510,595	1,596,235	1,658,276	1,035,537
Transportation	1,494,765	1,432,259	1,397,287	1,500,389	1,697,195	1,521,834	2,529,717
Interest on long-term debt	184,529	170,608	171,091	152,089	189,871	589,508	532,701
Total primary government expenses	13,020,027	12,948,031	15,968,871	13,703,892	15,109,544	15,658,158	16,724,898
PROGRAM REVENUES							
Primary government activities							
Charges for services:							
General government	698,716	1,217,689	1,046,335	724,337	704,859	793,429	658,366
Public safety	569,094	616,649	608,554	555,527	688,362	736,410	905,263
Community development	353,420	428,732	510,031	1,477,704	1,468,596	1,153,116	1,616,500
Cultural and Leisure	699,505	704,702	769,023	685,472	749,249	726,006	708,426
Transportation	41,231	32,040	34,447	11,170	17,738	13,135	33,696
Operating grants and contributions	338,739	301,600	290,607	812,227	1,010,467	1,420,068	285,966
Capital grants and contributions	582,866	496,587	323,840	160,510	514,150	-	527,390
Total primary govt program revenues	3,283,571	3,797,999	3,582,837	4,426,947	5,153,421	4,842,164	4,735,607
NET PRIMARY GOVT REV/(EXP):	(9,736,456)	(9,150,032)	(12,386,034)	(9,276,945)	(9,956,123)	(10,815,994)	(11,989,291)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:							
Primary government activities							
Taxes:							
Sec and Unsec Property taxes	2,396,806	2,656,740	2,902,999	3,464,933	3,915,955	4,033,686	4,147,459
Transaction and Use tax	-	-	208,858	975,377	1,047,714	1,015,944	787,706
Sales and Use tax	5,300,068	5,394,876	5,234,955	4,132,287	4,174,104	3,939,085	2,857,549
Transient occupancy taxes	492,539	493,364	515,578	543,438	603,997	643,541	605,365
Franchise taxes	321,027	363,655	390,908	417,451	438,412	437,065	459,042
Business license tax	274,871	-	-	302,890	325,946	299,394	277,959
Other taxes	60,717	-	-	-	-	-	-
Intergovernmental	593,959	501,686	261,377	1,414,629	1,421,057	1,507,201	1,417,265
Investment income	365,690	281,245	509,839	225,995	287,069	379,439	394,135
Other general revenues	11,702	23,992	191,541	108,750	120,052	451,939	304,533
Transfers	-	-	-	-	-	-	-
Total primary government activities	9,817,379	9,715,558	10,216,055	11,585,750	12,334,306	12,707,294	11,251,013
CHANGES IN NET ASSETS:							
Total primary government activities	80,923	565,526	(2,169,979)	2,308,805	2,378,183	1,891,300	(738,278)
NET ASSETS:							
07/01 prior year	20,648,820	20,711,456	21,276,982	19,107,003	22,655,808	25,033,991	21,012,315
06/30/200x	20,729,743	21,276,982	19,107,003	22,655,808	25,033,991	21,012,315	20,274,037
Prior period adjustment	-	-	-	1,240,000	-	(5,912,976)	-

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same.
 The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.
 Prior period adjustment is Library Fund for 2005-06 and Pension Obligation Bond for 2007-08

Source: City of Capitola Finance Department

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CITY OF CAPITOLA, CALIFORNIA
Fund Balances of Government Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
	\$	\$	\$	\$	\$	\$	\$
GENERAL FUND							
Reserved							
Prepaid	-	-	1,196	-	-	-	20,853
Advances	618,028	1,968,028	1,968,028	1,968,028	1,968,028	1,968,028	1,968,028
Total Reserved	618,028	1,968,028	1,969,224	1,968,028	1,968,028	1,968,028	1,988,881
Unreserved							
Designated	954,769	1,421,163	2,059,809	3,175,075	3,467,381	3,185,350	2,659,209
Unrestricted	578,170	682,198	886,059	1,339,240	1,342,000	1,350,000	1,350,000
Total Unreserved	1,532,939	2,103,361	2,945,868	4,514,315	4,809,381	4,535,350	4,009,209
Total General Fund	2,150,967	4,071,389	4,915,092	6,482,343	6,777,409	6,503,378	5,998,090
ALL OTHER GOVERNMENT FUNDS							
Reserved							
Low income housing	1,590,217	1,742,349	1,655,280	1,790,164	1,807,669	-	-
Debt service	1,379,324	457,941	6,321	38,291	608,444	-	-
Total Reserved	2,969,541	2,200,290	1,661,601	1,828,455	2,416,113	-	-
Unreserved, reported in:							
Unrestricted	1,820,029	-	-	-	-	-	-
Special revenue funds	-	612,680	611,586	713,936	937,554	3,422,865	2,975,558
Capital project funds	-	839,755	194,188	474,807	440,345	1,873,736	1,322,114
Debt service funds	-	(397,433)	(301,731)	-	-	-	-
Total Unreserved	1,820,029	1,055,002	504,043	1,188,743	1,377,899	5,296,601	4,297,672
Total All Other Govt Funds	4,789,570	3,255,292	2,165,644	3,017,198	3,794,012	5,296,601	4,297,672
TOTAL	6,940,537	7,326,681	7,080,736	9,499,541	10,571,421	11,799,979	10,295,762

NOTE: The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Capitola Finance Department

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CITY OF CAPITOLA
 Changes in Fund Balances of Governmental Funds
 Last Seven Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
REVENUES:	\$	\$	\$	\$	\$	\$	\$
Taxes	8,846,028	8,908,635	9,253,298	11,375,438	12,047,049	12,008,557	10,239,518
Licenses, permits, and fees	199,589	746,009	834,819	357,259	255,435	269,903	664,514
Intergovernmental	1,531,972	1,206,150	918,167	750,310	1,224,583	1,121,274	1,745,535
Charges for services	1,503,110	1,405,002	1,577,491	2,091,960	2,263,383	2,466,957	1,743,732
Fines and forfeitures	533,631	575,401	571,264	511,705	639,058	671,668	701,767
Use of money and property	365,690	440,327	509,839	777,472	971,428	1,045,753	811,611
Other	208,139	192,602	299,119	85,746	88,687	434,315	177,820
Total revenues	13,188,159	13,474,126	13,963,997	15,949,890	17,489,623	18,018,427	16,084,497
EXPENSES:							
Current:							
General government	3,711,558	3,698,985	3,437,489	3,265,855	3,582,565	3,671,896	3,591,214
Public safety	4,079,761	4,086,832	4,726,001	5,260,696	5,630,694	5,246,604	5,869,382
Community development	949,508	1,074,691	1,547,188	1,358,540	1,831,423	2,324,254	2,361,533
Cultural and leisure	1,477,379	1,345,556	1,446,014	1,477,705	1,563,949	1,630,039	1,008,727
Transportation	1,312,281	1,325,546	1,435,550	1,493,339	1,690,172	1,476,103	2,574,732
Capital outlay	630,518	1,640,404	884,584	413,272	1,857,835	1,014,575	1,154,569
Subtotal	12,161,005	13,172,014	13,476,826	13,269,407	16,156,638	15,363,471	16,560,157
Debt service:							
Principal retirement	1,020,362	958,639	559,138	91,026	91,026	123,102	499,111
Interest and agent fees	192,446	196,046	173,978	170,652	170,079	470,570	529,446
Cost of Issuance	-	-	-	-	-	125,200	-
Subtotal	1,212,808	1,154,685	733,116	261,678	261,105	718,872	1,028,557
Total expenditures	13,373,813	14,326,699	14,209,942	13,531,085	16,417,743	16,082,343	17,588,714
Excess/(deficiency) of revenues over/(under) expenditures	(185,654)	(852,573)	(245,945)	2,418,805	1,071,880	1,936,084	(1,504,217)
OTHER FINANCING SOURCES/(USES)							
Transfers in	1,979,910	1,624,478	469,414	1,052,862	1,764,355	2,753,600	1,775,395
Transfers out	(1,979,910)	(1,624,478)	(469,414)	(1,052,862)	(1,764,355)	(2,753,600)	(1,775,395)
Sale of capital assets	-	1,238,717	-	-	-	165,450	-
Issuance of bonds	-	-	-	-	-	5,040,000	-
Payment to bond escrow agent	-	-	-	-	-	-	-
Total other financing sources/(uses)	-	1,238,717	-	-	-	5,205,450	-
Special Items							
Prefunding of PERS liability	-	-	-	-	-	(5,912,976)	-
Net change in fund balances	(185,654)	386,144	(245,945)	2,418,805	1,071,880	1,228,558	(1,504,217)
Beginning Fund balance	7,126,191	6,940,537	7,326,681	7,080,736	9,499,541	10,571,421	11,799,979
Changes	(185,654)	386,144	(245,945)	2,418,805	1,071,880	1,228,558	(1,504,217)
Ending Fund balance	6,940,537	7,326,681	7,080,736	9,499,541	10,571,421	11,799,979	10,295,762
Debt service as a percentage of noncapital expenditures	9.97%	8.77%	5.44%	1.97%	1.62%	4.68%	6.21%

NOTE: The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF CAPITOLA, CALIFORNIA
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Twelve Fiscal Years
 (\$000)

Fiscal Year	City of Capitola					City of Capitola Redevelopment Agency				
	Secured (\$000)	Unsecured (\$000)	Less Exemptions (\$000)	Plus Reimbursed Homeowners Exemption (\$000)	Taxable Assessed Value (\$000)	Secured (\$000)	Unsecured (\$000)	Less Exemptions (\$000)	Plus Reimbursed Homeowners Exemption (\$000)	Taxable Assessed Value (\$000)
1998	850,104	(2)	24,742	10,803	836,165					-
1999	850,024	56,732	17,882	10,946	899,820					-
2000	916,373	59,420	17,089	11,132	969,836					-
2001	979,304	59,888	17,142	11,110	1,033,160					-
2002	1,062,124	62,487	20,825	12,144	1,115,930					-
2003	1,136,170	63,858	32,853	12,279	1,179,454					-
2004	1,222,957	63,534	24,504	11,691	1,273,678					-
2005	1,409,131	62,603	32,012	10,878	1,450,600	207,571	32,157	3,850	448	236,326
2006	1,531,428	68,903	29,922	10,725	1,581,134	216,849	35,131	3,917	447	248,510
2007	1,643,540	71,369	30,385	10,728	1,695,252	228,497	35,405	3,994	448	260,356
2008	1,708,219	73,545	36,208	10,710	1,756,266	235,447	36,450	4,087	476	268,286
2009	1,706,927	68,288	28,067	10,500	1,757,648	245,860	33,375	4,412	482	275,305

Separate RDA figures are not available

NOTES: Secured and unsecured values were combined for 1998.
 RDA figures were included in City figures for 1998-2004.

Source: Santa Cruz County Assessor's District Valuation by Fund

2009-5

CITY OF CAPITOLA
 Direct and Overlapping Property Tax Rates
 Last Twelve Fiscal Years
 (Rate per \$100 of assessed value)

	Fiscal Year											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Direct Rates												
City basic rate									0.250000%	0.250000%	0.250000%	0.250000%
Redevelopment Agency									0.000000%	0.000000%	0.000000%	0.000000%
Total City Direct Rate									0.250000%	0.250000%	0.250000%	0.250000%
Overlapping Rates												
<u>General Fund</u>												
Santa Cruz County General Fund									1.000000%	1.000000%	1.000000%	1.000000%
<u>Board Governed Districts</u>												
<u>Autonomous Districts</u>												
<u>City</u>												
<u>School Districts</u>												
Soquel Elementary School GO DS 2002 Series A									0.011936%	0.011416%	0.011416%	0.011222%
Soquel Elementary School GO DS 2002 Series B									0.009208%	0.009186%	0.009186%	0.008852%
Soquel Elementary School GO DS 2002 Series C									n/a	0.007113%	0.007113%	0.003123%
Santa Cruz High School GO DS 1998 A&B/2005REF									0.005190%	0.016340%	0.016340%	0.017417%
Santa Cruz High School GO DS 1998 Series C									0.008477%	0.002895%	0.002895%	0.005321%
Cabrillo College GO DS 1998 Series A									0.000214%	0.001075%	0.001075%	n/a
Cabrillo College GO DS 1998 Series B									0.006081%	0.006259%	0.006259%	0.006463%
Cabrillo College GO DS 1998 Series C									0.001910%	0.002316%	0.002316%	0.002518%
Cabrillo College GO DS 1998 Series D									0.000731%	0.001332%	0.001332%	0.001529%
Cabrillo College GO DS 2004 Series A									0.012362%	0.008221%	0.008221%	0.009212%
Cabrillo College GO DS 2004 Series B									n/a	0.003965%	0.003965%	0.005218%
Cabrillo College GO DS 1998A REF 2004									0.005398%	0.006835%	0.006835%	0.008296%
Total overlapping debt repaid with property taxes									0.061507%	0.076953%	0.076953%	0.079171%
Total Direct Rate									1.061507%	1.076953%	1.076953%	1.079171%

NOTE: In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies within which the subject property resides. In addition to the 1.00% fixed amount, property tax owners are charged taxes as a percent of assessed property values for the payment of local school district bonds.

CITY OF CAPITOLA, CALIFORNIA
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2009		2000	
	2009 Gross Assessed Valuation	Percent of Total City Gross Assessed Valuation	2000 Gross Assessed Valuation	Percent of Total City Gross Assessed Valuation
	\$	%	\$	%
Macerich Partnership LP	67,325,765	3.79	55,615,160	4.42
Baskin Properties LLC	15,130,781	0.85	12,677,291	1.01
KLA Capitola LLC	14,661,444	0.83	-	0.00
George Ow, Jr. Trustees et al	11,695,110	0.66	8,798,195	0.70
Seaside Company Properties LLC	9,282,000	0.52	-	0.00
Sea Ridge Limited Partnership	7,408,365	0.42	-	0.00
1100 41st Avenue LLC	7,247,185	0.41	-	0.00
Macy's West Inc.	7,200,734	0.41	-	0.00
Brown Ranch Properties	6,358,699	0.36	8,856,744	0.70
Crossroads Associates	6,116,277	0.34	-	0.00
Bay Avenue Senior Housing LP	6,087,884	0.34	-	0.00
Sears Roebuck & Company	5,686,169	0.32	6,453,520	0.51
Loma Vista Estates Owners Assoc	5,654,814	0.32	-	0.00
Cristina Properties LLC	5,558,126	0.31	-	0.00
Baycreek LLC	5,487,538	0.31	-	0.00
Bochner, Dan Zw/m Jt Etal	-	0.00	10,584,320	0.84
J.C. Penney Properties	-	0.00	8,397,542	0.67
Salvation Army Corporation	-	0.00	8,186,267	0.65
Redtree Properties LP	-	0.00	6,386,002	0.51
	<u>180,900,891</u>	<u>10.19</u>	<u>125,955,041</u>	<u>10.00</u>
Memo: Gross Assessed Value	1,775,214,949	100.00	1,259,550,410	100.00

NOTES: Macerich Partnership was identified as two separate entities for the 2000 CAFR. Therefore, only nine taxpayers are identified for 2000.
Salvation Army applied for and received a property tax exemption after 2000.
Macy's West Inc. is former J.C. Penney property, Bay Avenue Senior Housing is former Salvation Army property.

Source: Santa Cruz County Assessor's Office Recapitulation of Assessment Rolls and Parcels with Gross Value over \$2,000,000; Residential over \$4,000,000 (2000,2009).

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CITY OF CAPITOLA, CALIFORNIA
Property Tax Levies and Collections
Last Twelve Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
	\$	\$			\$	%
1998	1,659,088	1,659,088	100.00	-	1,659,088	100.00
1999	1,654,149	1,654,149	100.00	-	1,654,149	100.00
2000	1,614,781	1,614,781	100.00	-	1,614,781	100.00
2001	1,786,246	1,786,246	100.00	-	1,786,246	100.00
2002	2,618,311	2,618,311	100.00	-	2,618,311	100.00
2003	2,039,535	2,039,535	100.00	-	2,039,535	100.00
2004	2,200,889	2,200,889	100.00	-	2,200,889	100.00
2005	2,268,012	2,268,012	100.00	-	2,268,012	100.00
2006	2,412,712	2,412,712	100.00	-	2,412,712	100.00
2007	2,605,158	2,605,158	100.00	-	2,605,158	100.00
2008	2,715,388	2,715,388	100.00	-	2,715,388	100.00
2009	2,851,724	2,851,724	100.00	-	2,851,724	100.00

NOTES: Figures presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that are pass throughs for other agencies. In fiscal year 1993-94, Santa Cruz County adopted the Teeter Plan under which the City of Capitola receives its entire tax levy, regardless of delinquencies as long as it qualifies for the Teeter Plan.

Source: Santa Cruz County Auditor-Controller Summary of Revenues and City of Capitola
Finance Department

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CITY OF CAPITOLA, CALIFORNIA
 Gann Appropriation Limit
 Last Twelve Fiscal Years and Current Fiscal Year

Fiscal Year Ended June 30:	Inflation Factor	Population Factor	Ratio of Change	Appropriation Limit	% Change from Prior Year	Appropriation Subject to Limit	% of Limit Appropriated
				\$	%	\$	%
1998	1.2138	1.0125	1.2290	6,917,267	22.90	5,992,644	86.63
1999	1.0467	1.0126	1.0599	7,331,531	5.99	5,119,375	69.83
2000	1.0415	1.0223	1.0647	7,806,068	6.47	5,281,165	67.65
2001	1.0453	1.0152	1.0612	8,283,710	6.12	5,785,772	69.85
2002	1.0782	1.0095	1.0884	8,925,610	7.75	6,668,189	74.71
2003	1.0396	1.0105	1.0505	10,206,170	14.35	7,089,747	69.47
2004	1.0236	1.0057	1.0294	10,506,892	2.95	7,182,700	68.36
2005	1.0328	1.0050	1.0380	10,905,776	3.80	7,580,600	69.51
2006	1.0526	1.0053	1.0582	11,540,261	5.82	9,100,600	78.86
2007	1.0396	1.0075	1.0474	12,121,418	5.04	9,329,300	76.97
2008	1.0442	1.0105	1.0552	12,790,085	5.52	9,439,100	73.80
2009	1.0496	1.0115	1.0616	13,578,208	6.16	9,268,400	68.26
2010	1.07718	1.0107	1.0887	14,782,595	8.87	8,463,700	57.25

SOURCE: State of California Department of Finance, Santa Cruz County Auditor-Controller, City of Capitola Finance Department,

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CITY OF CAPITOLA, CALIFORNIA
 Top 25 Sales Tax Taxpayers
 Alphabetical, as of June 30, 2009

AT&T Wireless	New to Top 25
Bed Bath & Beyond	
Big 5 Sporting Goods	New to Top 25
Chevron Service Stations	
Chili's Grill & Bar	
Gayle's Bakery & Rosticceria	New to Top 25
Gottschalks Department Store	Business closed 7/12/09
Longs Drug Stores	Business name changed to CVS subsequent to June 30, 2009
Macy's Department Store	
Mervyn's Department Store	Business closed 3/31/09
Nob Hill General Stores	
Ocean Chevrolet-Honda	Business relocated out of City March 15, 2009
O'Neill Surf Shop	
Orchard Supply Hardware	
Outdoor World	Missed Top 25 in 2008
Rite Aid Drug Stores	
Ross Stores	
Save Mart Supermarkets	
Sears Roebuck & Company	
Shadowbrook Restaurant	
Toyota of Santa Cruz	
Trader Joe's	
Union 76 Service Stations	
Verizon Wireless	
Zelda's Restaurant	

NOTE: Information presented is as of June, 2009. It is alphabetical and is not indicative of relative nor total sales volume.

Source: California State Board of Equalization

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CITY OF CAPITOLA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Twelve Fiscal Years
(\$ unless otherwise noted)

Year Ended	Government/Total Primary Government Activities (1)			\$ of Debt per \$ of per capita personal income (4)		
	General Obligation Bonds (2)	Lease Revenue Bonds	Other debt (3)	Tot. Gov't./ Primary Gov't. Activities	Debt per Capita (4)	
	\$	\$	\$	\$	\$	
1998	-	4,975,000	-	4,975,000	163	450
1999	-	4,300,000	-	4,300,000	130	386
2000	-	3,595,000	1,000,000	4,595,000	117	458
2001	-	2,860,000	1,000,000	3,860,000	100	383
2002	-	2,090,000	1,711,005	3,801,005	100	377
2003	-	1,280,000	1,738,856	3,018,856	81	299
2004	-	440,000	1,703,322	2,143,322	54	214
2005	-	-	2,928,408	2,928,408	70	295
2006	-	-	2,886,924	2,886,924	63	292
2007	-	-	2,845,020	2,845,020	59	287
2008	5,040,000	-	2,807,848	7,847,848	162	786
2009	4,670,000	-	2,775,079	7,445,079	154	739

(1) The City of Capitola has no business-type activities; governmental and total primary government figures are the same.

(2) In July, 2008, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB) which was used to pay down the City's CalPERS pension liability.

(3) Other debt figures are composed of the following:

	\$1 Million Loan (a)	County Library	RDA Deferred Pass Throughs	Notes Payable	Capital Leases	Total Other Debt
1998	-	-	-	-	-	-
1999	-	-	-	-	-	-
2000	1,000,000	-	-	-	-	1,000,000
2001	1,000,000	-	-	-	-	1,000,000
2002	1,000,000	-	516,225	105,965	88,815	1,711,005
2003	1,000,000	-	594,234	80,545	64,077	1,738,856
2004	1,000,000	-	528,208	137,261	37,853	1,703,322
2005	1,000,000	1,375,000	462,184	81,483	9,741	2,928,408
2006	1,000,000	1,420,000	396,158	70,766	-	2,886,924
2007	1,000,000	1,468,000	330,130	46,890	-	2,845,020
2008	1,000,000	1,521,000	264,105	22,743	-	2,807,848
2009	1,000,000	1,577,000	198,079	-	-	2,775,079

(a) In September, 2000, the Capitola Redevelopment Agency borrowed \$1 million from WestAmerica Bank, entering into an interest only loan agreement that was extended to 2007. The Agency also entered into a Lease and Development Agreement in September, 2005. If certain performance criteria are met, the agreement requires the Agency to contribute a maximum of \$3 million to the project. In order to have cash available without issuing new debt, the \$1 million loan was taken by Bank of New York with an extended due date of September, 2014, a 4.75% interest rate paid semi-annually, and a prepayment option without penalty.

(4) Santa Cruz County figures are used for per capita income because it is not available for the City of Capitola as a separate entity. Figures for the County are not available so 2005 is used for 2005 and beyond. Population figures are for the City of Capitola.

	Santa Cruz County per capita personal income	City of Capitola population
1998	30,600	11,050
1999	33,000	11,136
2000	39,200	10,033
2001	38,600	10,091
2002	37,900	10,089
2003	37,500	10,084
2004	39,800	10,011
2005	41,917	9,914
2006	45,925	9,901
2007	48,337	9,921
2008	48,337	9,988
2009	48,337	10,073

NOTE: U.S. Department of Commerce Bureau of Economic Analysis provided data as of April, 2009 for 2005-2007 by county. The 2007 figure is used for 2008 and 2009.

CITY OF CAPITOLA, CALIFORNIA
Ratios of General Bonded Debt Outstanding
Last Twelve Fiscal Years

Fiscal Year Ended June 30:	Government/Total Primary Government Activities			\$ of Debt per \$ of per capita personal income (1)	Debt per Capita (1)
	General Obligation Bonds	Lease Revenue Bonds	Total Governmental / Primary Government Activities		
	\$	\$	\$	\$	\$
1998	-	4,975,000	4,975,000	163	450
1999	-	4,300,000	4,300,000	130	386
2000	-	3,595,000	3,595,000	92	358
2001	-	2,860,000	2,860,000	74	283
2002	-	2,090,000	2,090,000	55	207
2003	-	1,280,000	1,280,000	34	127
2004	-	440,000	440,000	11	44
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	5,040,000	-	5,040,000	104	505
2009	4,670,000	-	4,670,000	97	464

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

In July, 2008, the City of Capitola issued a \$5,040,000 Pension Obligation Bond which was used to pay down the CalPERS pension liability.

U.S. Department of Commerce Bureau of Economic Analysis provided data as of april, 2009 for 2005-2007 by county. The 2007 figure is used for 2008 and 2009.

	Santa Cruz County per capita personal income	City of Capitola population
	\$	
1998	30,600	11,050
1999	33,000	11,136
2000	39,200	10,033
2001	38,600	10,091
2002	37,900	10,089
2003	37,500	10,084
2004	39,800	10,011
2005	41,917	9,914
2006	45,925	9,901
2007	48,337	9,921
2008	48,337	9,988
2009	48,337	10,073

CITY OF CAPITOLA, CALIFORNIA
 Direct & Overlapping Debt
 Fiscal Year end
 June 30, 2009

2008-09 Assessed Valuation		\$	1,757,013,904	
Redevelopment Incremental Valuation		\$	234,374,620	
Adjusted Assessed Valuation		\$	1,522,639,284	
OVERLAPPING TAX AND ASSESSMENT DEBT:				
	<u>% Applicable (1)</u>		<u>Total Debt 6/30/2009</u>	<u>City's Share of 6/30/2009</u>
Cabrillo Joint Community College District	5.359%		\$173,011,061	\$9,271,663
Santa Cruz City High School District	14.638		87,739,039	12,843,241
Live Oak School District	9.615		19,359,975	1,861,462
Soquel Union School District	55.575		13,365,000	7,427,599
City of Capitola 1915 Act Bonds	100.000		585,000	585,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$294,060,075</u>	<u>\$31,988,965</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:				
Santa Cruz County Certificates of Participation	5.421%		\$71,000,773	\$3,848,952
Santa Cruz County Office of Education Certificates of Participation	5.421		11,605,000	629,107
Cabrillo Joint Community College District Certificates of Participation	5.359		2,430,000	130,224
Live Oak School District Certificates of Participation	9.615		18,877,892	1,815,109
Soquel Union School District	55.575		2,565,000	1,425,499
Santa Cruz City Schools Certificates of Participation	14.638		4,910,000	718,726
City of Capitola General Fund Obligations	100.000		407,836	407,836
City of Capitola Pension Obligation Bond	100.000		4,670,000	4,670,000
Monterey Bay Unified Air Pollution Control Authority Certificates of Participation	1.879		2,740,000	51,485
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$119,206,501</u>	<u>\$13,696,938</u>
Less: Live Oak School District QZABs supported by investment fund				<u>\$300,845</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT				<u>\$13,396,093</u>
GROSS COMBINED TOTAL DEBT		\$	<u>413,266,576</u>	\$ <u>45,685,903 (2)</u>
NET COMBINED TOTAL DEBT		\$	<u>413,266,576</u>	\$ <u>45,685,903</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation	
Total Overlapping Tax and Assessment Debt	1.82%
Ratios to Adjusted Assessed Valuation	
Combined Direct Debt (\$5,077,836)	0.33%
Gross Combined Total Debt	3.01%
Net Combined Total Debt	2.98%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09	\$0

2009-13

CITY OF CAPITOLA
 Legal Debt Margin Information
 Last Twelve Fiscal Years
 (\$000)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assessed Valuation	850,103	906,756	975,793	1,039,192	1,124,611	1,200,028	1,286,491	1,471,735	1,600,330	1,714,909	1,781,764	1,775,215
RDA Base Valuation	147,099	145,036	156,563	160,978	173,198	188,349	194,534	202,415	214,599	226,445	234,306	241,324
Adj. assessed valuation	703,004	761,720	819,230	878,214	951,413	1,011,679	1,091,957	1,269,320	1,385,731	1,488,464	1,547,458	1,533,891
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	105,451	114,258	122,885	131,732	142,712	151,752	163,794	190,398	207,860	223,270	232,119	230,084
Net applicable debt												
Gen. obligation bonds	4,975	4,300	3,595	2,860	2,090	1,280	440	-	-	-	5,040	4,670
Legal debt margin	100,476	109,958	128,137	128,872	140,622	150,472	163,354	190,398	207,860	223,270	227,079	225,414
RATIO	4.95%	3.91%	2.81%	2.22%	1.49%	0.85%	0.27%	0.00%	0.00%	0.00%	2.22%	2.07%

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

2008 general obligation bond represents the July, 2007 Pension Obligation Bond issued by the City of Capitola.

Source: Santa Cruz County Auditor-Controller's Office District Valuation by Fund, Santa Cruz County Assessor's Office Recapitulation of Assessment Roll, and City of Capitola Comprehensive Annual Financial Statements.

2009-14

CITY OF CAPITOLA
Pledged-Revenue Coverage
Last Twelve Fiscal Years
(\$000)

Fiscal Year Ended June 30	Other Revenue Bonds				Tax Allocation Bonds				
	Available Revenue	Debt Service			Tax Increment	Debt Service			
		Principal	Interest	Coverage		Principal	Interest	Coverage	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1998	-	-	-	n/a	-	-	-	-	n/a
1999	-	-	-	n/a	-	-	-	-	n/a
2000	-	-	-	n/a	-	-	-	-	n/a
2001	-	-	-	n/a	-	-	-	-	n/a
2002	-	-	-	n/a	-	-	-	-	n/a
2003	-	-	-	n/a	-	-	-	-	n/a
2004	-	-	-	n/a	-	-	-	-	n/a
2005	-	-	-	n/a	-	-	-	-	n/a
2006	-	-	-	n/a	-	-	-	-	n/a
2007	-	-	-	n/a	-	-	-	-	n/a
2008	-	-	-	n/a	-	-	-	-	n/a
2009	-	-	-	n/a	-	-	-	-	n/a

NOTES: The City of Capitola was fiscal agent for \$1,585,721 Tradewinds Assessment District, formed in July, 1987 and maturing one year early in September, 2006. These bonds were issued under the provisions of the Bonds Act and are limited obligation bonds. The bonds were not a general obligation of the City of Capitola and the full faith and credit of the City was not pledged to the payment of either principal or interest on the bonds. The Assessment District was closed in fiscal 2008-09.

The Capitola Financing Authority, a joint powers authority between the City of Capitola and the Capitola Redevelopment Agency, issued \$5,935,000 in lease revenue bonds dated September, 1996 to refund Certificates of Participation issued in 1986. The proceeds were also used to establish a reserve fund and to pay the costs of issuance. The 1996 lease revenue bonds were payable solely from the revenues of the Authority, consisting of base rental payment received by the Authority from the City under a facilities sublease. Interest payments with coupon rates ranging from 3.9% to 4.95% were paid semi-annually from February, 1997 through August, 2004.

The Capitola Financing Authority, a joint powers authority between the City of Capitola and the Capitola Redevelopment Agency is fiscal agent for \$4,070,000 1998 Reassessment Revenue Bonds issued December, 1998 with final maturity in 2018. Neither the faith and credit nor the taxing power of the City of Capitola, the County of Santa Cruz, or any political subdivision thereof is pledged to the payment of the bonds. All remaining bonds have been subsequently called in fiscal 2009-10 and the Assessment District will be closed out in fiscal 2009-10.

SOURCE: City of Capitola financial statements

2009-15

CITY OF CAPITOLA
 Demographic and Economic Statistics
 Last Twelve Fiscal Years

Calendar Year	Population	Per Capita Personal Income	Median Age	Unemployment Rate
		\$		%
1998	11,050	30,600	35	5.7
1999	11,136	33,000	35	5.4
2000	10,033	39,200	35	4.7
2001	10,091	38,600	35	4.2
2002	10,089	37,900	35	4.6
2003	10,084	37,500	38	3.8
2004	10,011	39,800	38	3.4
2005	9,914	41,917	37	3.1
2006	9,901	45,925	37	2.7
2007	9,921	48,337	37	2.7
2008	9,988	48,337	38	3.8
2009	10,073	48,337	38	6.3

SOURCES: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2008, with 2000 Benchmark (Sacramento, California, May, 2008.); U.S. Department of Commerce, Bureau of Economic Analysis (2007 most current available data); City-data.com; U.S. Department of Labor, Bureau of Labor Statistics Database; 1998-2004 Santa Cruz County Community Assessment Project (CAP); State of California LaborMarket Info

2009-16

CITY OF CAPITOLA
 Principal Employers - Top Ten
 Current year and Nine years ago

Employer	2009				2000		
	Ranking	Number of Employees	% of Total Employment	Cumulative % of Top Ten	Ranking	Number of Employees	% of Total Employment
Bay Federal	1	167	Not Available	14.2%	Not ranked in Top Ten in 2000	Not Available	Not Available
Toyota of Santa Cruz	2	150		26.9%			
Gayle's	3	145		39.3%			
Macy's	4	145		51.6%			
Longs (2 locations)	(1) 5	109		60.8%			
Orchard Supply Hardware,	6	100		69.3%			
Gottschalks	(2) 7	100		77.8%			
Trader Joe's	8	96		86.0%			
Shadowbrook	9	90		93.6%			
Sears	10	75		100.0%			
Santa Cruz County Office of Education	(3)	Not ranked in Top Ten in 2009		1	300	Not Available	
Soquel Elementary School District				3	250		
Mervyn's	(4)			4	170		
Spa Fitness				5	160		
City of Capitola				6	160		
Pacific Coast Manor				7	140		
				8	138		
				9	122		
Memo: Total Top Ten 2009		1177	Not Available		1690	Not Available	
Memo: Total Employment		Not Available			Not Available		

SOURCE for 2009: 2009 telephone survey
 SOURCE for 2000: 2000 City of Capitola Comprehensive Annual Financial Report.

- (1) Longs Drug Stores was bought by CVS and changed names subsequent to June 30, 2009.
- (2) Gottschalks, Inc. went out of business and closed its Capitola store July 12, 2009, subsequent to June 30, 2009.
- (3) Santa Cruz County Office of Education vacated this site in October, 2009, subsequent to June 30, 2009.
- (4) Mervyn's LLC went out of business and closed its Capitola store in March, 2009.

CITY OF CAPITOLA
 Full-time and Part-time City Employees by Function
 Last Twelve Fiscal Years

Function	Full-time and Part-time Employees as of June 30:											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government												
City Manager	4.25	5.25	5.75	6.25	7.25	7.25	7.50	7.50	7.50	7.50	7.50	7.50
Finance	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.38	4.38
City Attorney	1.00	1.00	1.50	1.50	0.30	0.30	0.00	1.00	1.00	1.00	1.00	1.00
	10.25	11.50	12.50	13.00	12.80	12.80	12.75	13.75	13.75	13.75	13.88	12.88
Police												
Chief, Captain, Sgts.	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00
Officers	14.00	14.00	14.00	14.00	13.00	12.00	13.00	13.00	14.00	15.00	15.00	15.00
CSOs	1.00	1.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Code enforcement	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative	2.55	3.55	3.30	3.30	3.30	3.30	3.25	5.50	5.75	6.50	6.50	6.50
	27.55	28.55	29.30	29.30	28.30	27.30	28.25	31.50	32.75	34.50	34.50	33.50
Public Works												
Streets	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.00	8.33	8.33
Parks	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Fleet Maintenance	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	13.33	13.33	14.33	14.33	14.33	14.33	14.33	14.33	14.33	14.00	14.33	14.33
Recreation												
Supervisor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Other - full year	2.50	2.50	3.25	3.50	3.50	3.50	2.00	2.00	2.00	2.00	2.00	1.50
	3.50	3.50	4.25	4.50	4.50	4.50	3.00	3.00	3.00	3.00	3.00	2.50
Community Development	2.67	2.67	4.67	4.67	3.67	3.67	3.67	4.67	4.67	4.00	4.67	4.67
Building	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total City Employees	59.30	61.55	67.05	67.80	65.60	64.60	64.00	69.25	70.50	71.25	72.38	69.88

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

SOURCE: City of Capitola Adopted Budgets (1998 - 2008). 2009 source is June 30, 2009 payroll system data.

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CITY OF CAPITOLA
 Operating Indicators by Function
 Last Twelve Fiscal Years (except as noted)

INDICATOR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Police department (calendar years)</u>												
Adult arrests	Data not available			799	780	791	852	877	879	1,069	1,000	Date not available
Calls for service	Data not available			20,591	19,213	19,292	22,422	18,364	21,241	22,196	20,528	Date not available
<u>Public works</u>												
Miles paved	26	26	26	26	26	26	26	26	26	26	26	26
<u>New construction</u>												
Commercial units	-	1	-	-	-	1	2	-	2	3	1	1
Valuation (\$000)	-	\$2,915	-	-	-	\$ 500	\$ 1,175	-	\$ 4,250	\$ 4,980	\$ 800	\$ 750
Residential units (1)	13	20	11	23	16	9	7	10	17	18	69	122
Valuation (\$000) (1)	\$2,437	\$6,060	\$ 1,985	\$ 3,632	\$ 4,816	\$ 1,807	\$ 2,954	\$ 3,900	\$ 6,275	\$ 5,882	\$ 11,363	\$ 20,392
<u>Recreation Revenue</u>												
Classes	Data not available		\$ 265,400	\$ 254,500	\$ 313,900	\$ 296,000	\$ 329,600	\$ 320,800	\$ 335,300	\$ 356,000	\$ 378,400	\$ 336,100
Sports fees	Data not available		63,400	80,500	88,400	87,400	79,200	61,400	72,400	81,700	69,700	70,900
Junior Guard	Data not available		130,400	122,500	147,000	152,200	141,700	171,100	169,400	183,800	175,000	193,800
Camp Capitola	Data not available		68,700	89,100	83,700	61,300	54,200	70,600	66,700	75,800	80,000	79,700
Aquatics	Data not available		14,000	20,100	26,700	29,300	24,000	27,100	26,600	23,100	19,700	- (2)
Net Class Rev	Data not available		\$ 541,900	\$ 566,700	\$ 659,700	\$ 626,200	\$ 628,700	\$ 651,000	\$ 670,400	\$ 720,400	\$ 722,800	\$ 680,500
Jade St. Rental	Data not available		\$ 18,700	\$ 12,300	\$ 10,000	n/a	\$ 7,500	\$ 16,100	\$ 15,300	\$ 8,100	\$ 6,600	\$ 4,000
Net Recreation Rev	Data not available		\$ 560,600	\$ 579,000	\$ 669,700	\$ 626,200	\$ 636,200	\$ 667,100	\$ 685,700	\$ 728,500	\$ 729,400	\$ 684,500

(1) Residential units and associated valuations are total additional, new or substantially new (by code definition) units.
 (2) Aquatics was discontinued as a City of Capitola Recreation Department offering in late 2007 due to lack of access to the local Community College pool.

Source: City of Capitola Police Department, Public Work Director, Building Official, and City financial records.

CITY OF CAPITOLA
 Captial Asset Statistics by Function
 Last Twelve Fiscal Years

Indicator	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police												
Stations	1	1	1	1	1	1	1	1	1	1	1	1
Public works												
Streets (miles)	26	26	26	26	26	26	26	26	26	26	26	26
Streetlights	Data not available			71	71	71	71	71	71	71	71	71
Traffic signals	Data not available			8	8	8	8	8	8	8	8	8
Parks and recreation:												
Parks	7	7	7	7	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1	1	1
General												
Commercial buildings	2	2	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Director

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