

City of Scotts Valley

Measure D Fund

Scotts Valley, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2023

City of Scotts Valley
Measure D Fund
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For the year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Measure D Fund (Measure D Fund) of the City of Scotts Valley, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Measure D's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Measure D Fund of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

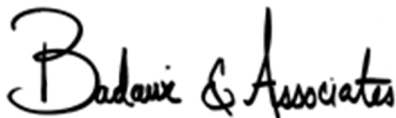
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure D's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 01, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



Badawi & Associates, CPAs
Berkeley, California
April 01, 2024

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City of Scotts Valley
Measure D Fund
Balance Sheet
June 30, 2023

ASSETS

Cash and Investments	\$ 671,317
Due from other governments	59,610
Total assets	<u>\$ 730,927</u>

FUND BALANCE AND LIABILITIES

Liabilities:

Accounts payable	\$ 17,781
Due to City of Scotts Valley	189,453
Total liabilities	<u>207,234</u>

Fund Balance:

Restricted	523,693
Total fund balance	<u>523,693</u>
Total liabilities and fund balance	<u>\$ 730,927</u>

See accompanying Notes to Financial Statements.

City of Scotts Valley

Measure D Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2023

REVENUES:

Taxes and assessments	\$	332,082
Investment earnings		<u>12,627</u>
Total Revenues		<u>344,709</u>

EXPENDITURES:

Current:

Public works		742
Capital outlay		<u>44,303</u>
Total Expenditures		<u>45,045</u>
Net change in fund balances		299,664

FUND BALANCES:

Beginning of year		<u>224,029</u>
End of year	\$	<u><u>523,693</u></u>

See accompanying Notes to Financial Statements.

City of Scotts Valley
Measure D Fund
Notes to Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

All transactions of the Santa Cruz County Regional Transportation Commission – Measure D Fund (Measure D Fund) of the City of Scotts Valley (the City) are included as a separate special revenue fund in the basic financial statements of the City. The accompanying financial statements are for Measure D Fund only and are not intended to fairly present the financial position or results of operations of the City.

B. Basis of Presentation

Fund Accounting

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting

The Measure D 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 the majority of revenues to be available if they are collected within 45-90 days of the end of the current fiscal period. Expenditures are recorded in the accounting period in which the related fund liability is incurred

D. Assets, Liabilities and Fund Balance

1) Cash and Investments

Investments are reported in the accompanying balance sheet at fair 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 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 value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

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 quarterly basis based on the cash balance in each fund.

City of Scotts Valley
Measure D Fund
Notes to Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities and Fund Balance, Continued

2) Receivables

Receivables include amounts due from other governments. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

3) 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.

4) Fund Balance

As of June 30, 2023, fund balance of the Measure D Fund was classified as restricted which is defined as amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

2. MEASURE D FUNDS

Under Measure D, approved by the voters of Santa Cruz County in 2016, the City receives a portion of the proceeds of an additional one-half cent sales tax to be used to improve children's safety around schools; repair potholes; repave streets; improve traffic flow on Highway 1; maintain senior/disabled transit; reduce global warming pollution by providing transportation options like sidewalks, buses, bike lanes, trails; and preserve rail options.

3. CASH AND INVESTMENTS

Cash and investments held by the Measure D Fund at June 30, 2023, consisted of \$671,317 in cash pooled with the City's Cash and Investments.

The City pools cash and investments of all funds, except amounts held by fiscal agents. The Council invests on behalf of most funds of the City in accordance with the California State Government Code and the City's investment policy. Investments are reported in the accompanying balance sheet at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

SUPPLEMENTARY INFORMATION

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City of Scotts Valley
Measure D Fund
Supplementary Information
For the year ended June 30, 2023

1. BUDGETARY INFORMATION

A. Budgets and budgetary accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. Appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function and department. The City manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds.

City of Scotts Valley

Budgetary Comparison Schedule - Measure D Fund

For the year ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 313,156	\$ 313,156	\$ 332,082	\$ 18,926
Investment earnings	153	153	12,627	12,474
Total revenues	313,309	313,309	344,709	31,400
EXPENDITURES:				
Current:				
Public works	40,000	40,000	742	39,258
Capital outlay	1,039,100	1,039,100	44,303	994,797
Total expenditures	1,079,100	1,079,100	45,045	1,034,055
Net change in fund balances	\$ (765,791)	\$ (765,791)	299,664	\$ 1,065,455
FUND BALANCES:				
Beginning of year			224,029	
End of year			\$ 523,693	

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of the Measure D Fund of the City of Scotts Valley, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 01, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

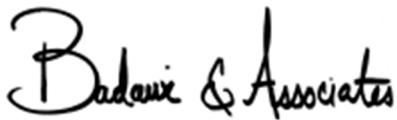
To the Honorable Mayor and Members of City Council
of the City of Scotts Valley
Scotts Valley, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure D Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including the applicable compliance requirements specified in the Measure D agreement between the City and Santa Cruz Regional Transportation Commission, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi and Associates, CPAs
Berkeley, California
April 01, 2024