

CITY OF SOLANA BEACH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year

July 1, 2011 – June 30, 2012



**CITY OF SOLANA BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL PERIOD ENDED JUNE 30, 2012**

**PREPARED BY THE FINANCE DEPARTMENT
OF THE CITY OF SOLANA BEACH**

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CITY OF SOLANA BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
GFOA Certificate of Achievement	xii
Principal Officials	xiii
Organizational Chart.....	xiv
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets.....	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet - Governmental Funds	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	29
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Net Assets - Proprietary Funds.....	34
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	35
Statement of Cash Flows - Proprietary Funds	36
Statement of Fiduciary Net Assets - Fiduciary Funds	40
Statement of Changes in Fiduciary Net Assets.....	41
Notes to Financial Statements.....	45

CITY OF SOLANA BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Information.....	86
Budgetary Comparison Schedules	
General Fund	87
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	96
Budgetary Comparison Schedules:	
Special Revenue Funds:	
Gas Tax	113
Municipal Improvement Districts.....	114
Lighting District	115
TransNet.....	116
COPS.....	117
Public Safety.....	118
Fire Mitigation	119
Caltrans	120
Coastal Area Business/Visitors Assistance and Enhancement	121
Boating & Waterways	122
Miscellaneous Grants	123
Developer Pass-Thru.....	124
Housing.....	125
Affordable Housing Grant.....	126
Redevelopment Agency Low & Moderate Income Housing	127
Capital Projects Funds:	
City Capital Projects	128
Assessment Districts Capital Projects	129
Sand Replenishment/Retention and Coastal Access Capital Projects	130
Public Improvement Grant.....	131
Redevelopment Agency Capital Projects	132
Debt Service Funds:	
City Debt Service.....	133
Redevelopment Agency Debt Service.....	134

CITY OF SOLANA BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (Continued)	
Combining Balance Sheet - All Agency Funds.....	136
Combining Statement of Changes in Assets and Liabilities - All Agency Funds.....	137
STATISTICAL SECTION	
Net Assets by Component.....	144
Changes in Net Assets	146
Fund Balances – Governmental Funds.....	148
Changes in Fund Balances – Governmental Funds.....	150
Assessed Value and Estimated Actual Value of Taxable Property.....	154
Direct and Overlapping Property Tax Rates.....	156
Principal Property Tax Payers	158
Property Tax Levies and Collections	159
Ratio of Outstanding Debt by Type	162
Direct and Overlapping Governmental Activities Debt	163
Legal Debt Margin Information	164
Pledged Revenue Coverage	165
Demographic and Economic Statistics	168
Top 25 Employers – San Diego County	169
Full-Time Equivalent City Employees by Function/Program	172
Operating Indicators by Function/Program.....	174
Capital Asset Statistics by Function/Program	176

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March 19, 2013

To the Honorable Mayor, Members of the City Council, and Citizens of Solana Beach:

It is with great pleasure that we present to you the City of Solana Beach (City) Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2012.

This year's report was prepared by the Finance Department in conformity with Generally Accepted Accounting Principles (GAAP) and has been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed Certified Public Accountants. The report consists of management representations concerning the finances of the City. Consequently, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report includes the financial activity for all funds of the City. The City provides a wide range of services including planning; building; public works; engineering; maintenance of streets, parks and public facilities; community services and recreation; fire and marine safety; sanitation; and general administrative activities. Contracted services include law enforcement and animal control with the County of San Diego.

Internal Controls

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

As a recipient of State, County, and Federal financial resources, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by the management of the City.

Annual Audit

Lance, Sol and Lunghard, LLC., appointed by the City Council, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year end June 30, 2012, are free of material misstatement. As part of the City's annual audit, reviews are made to determine the adequacy of the internal control structure as well as to determine that the City has complied with applicable laws and regulations.

The results of the City's annual audit for the fiscal year ended June 30, 2012, provided no instances of material weaknesses in the internal control structure and no violations of applicable laws and regulations. The independent auditor concluded there was a basis for rendering an unqualified opinion and the City's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MDA)

This letter of transmittal is designed to complement the MDA and should be read in conjunction with it. The MDA provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variances in the financial data. In addition, the MDA is intended to disclose any known significant events or decisions that affect the financial condition of the City. The City's MDA can be found immediately following the report of the independent auditors.

Government Profile

The City of Solana Beach was incorporated July 1, 1986 under the general laws of the State of California and is home to a population of 13,547 per the State of California Department of Finance. Included within the City's financial statements is the financial information of the Solana Beach Redevelopment Agency (the Agency), for the period July 1, 2011 to January 31, 2012, and the Solana Beach Public Facilities Corporation. The City is considered the primary government and the Agency and Public Facilities Corporation are component units. Additionally, since the governing boards of the City and the component unit are the same, the financial statements of the City and the component units are blended.

The Agency was created and activated by the City of Solana Beach on December 2, 2003 by Ordinance No. 318 pursuant to the State of California Health and Safety Code Section 33200. On July 13, 2004, the City of Solana Beach adopted Ordinance No. 326 that formed the Solana Beach Redevelopment Project Area. The Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. Separate

audited financial statements were not issued for the Agency. The purpose of the Agency was to prepare and carryout plans for improvement, rehabilitation, and redevelopment in the blighted areas of the Solana Beach Redevelopment Project Area.

The Solana Beach Public Facilities Corporation was incorporated on July 25, 1990 as a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law. Its purpose is to benefit the City by providing financing for the planning, development, acquisition, construction, improvement, extension, repair, and renovation of public works projects, public facilities, furnishings, and equipment for use by the City.

The City of Solana Beach, a coastal community, encompasses approximately 3.4 square miles and is located twenty-one miles north of the City of San Diego. It is bordered to the North, South, and East by the cities of Encinitas, Del Mar, and San Diego respectively, and the Pacific Ocean to the West.

The City is a general law city that operates under the Council-Manager form of government. The City Council is comprised of five members elected at large for staggered four-year terms of office. The Mayor and Deputy Mayor are selected by the Council from among its members to serve one-year terms. The Council acts as the legislative and policy-making body of the City, enacting all laws and directing such actions as required providing for the general welfare of the community.

The City Manager, appointed by the Council, serves as the Chief Executive Officer and is responsible to the Council for the proper administration of all City affairs and the implementation of all policies established by Council. The City Attorney is the only other position appointed by the Council. All other department heads and employees are appointed by the City Manager.

Commissions play an important role in the governmental structure of Solana Beach. They provide many opportunities for citizens to participate in the affairs of the City. These Advisory Commissions assist in the performance of studies and the issuance of recommendations on various matters of concern to the Council.

The Advisory Commissions are the following:

- Budget & Finance Commission
- Public Safety Commission
- Parks & Recreation Committee
- Public Arts Advisory Committee
- View Assessment Committee

Budgetary Process and Controls

The process of adopting a budget at the City of Solana Beach is generally a six-month process beginning in late December and ending in June when the City Council adopts the budget and appropriates funds necessary for the City to provide services to its residents.

The process is all-inclusive as department directors work with the City Manager and representatives of the Finance Department to discuss departmental requests relative to the City's available resources.

The City's overall objectives and goals, along with the economic outlook, serve as a platform for the proposed budget that is distributed to the City Council, and the Budget and Finance Commission for preliminary review and analysis in preparation of public workshops and hearings. The public workshops and hearings are held to facilitate discussions of items contained within the proposed budget and allow the citizenry to participate in the budget process.

In addition to internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General, Special Revenue, Debt Service, and Capital Projects Funds are included in the annual appropriated budget.

The budget is arranged by fund, function, and department and is presented to the Council by the City Manager. The budget is then adopted annually by the Council prior to the beginning of the financial year and serves as the foundation for the City's financial planning and control. Department directors may make transfers of appropriations within their own departments with City Manager approval. The City budget is reviewed and has periodic adjustments at the middle of the fiscal year and at the end of the fiscal year. These adjustments are approved by the City Council.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. The adopted budget for Fiscal Year 2011-12 was prepared in accordance with Generally Accepted Accounting Principles.

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

Economic Condition and Outlook

Solana Beach is home to citizens who enjoy the benefits of a coastal community atmosphere as well as a close proximity to the City of San Diego. The local beaches are a big attraction to both residents and non-residents. The City is comprised mainly of single-family homes and condominiums with some retail, light industrial, and service entities providing a tax base for the City.

As a suburban community, Solana Beach's economic base is linked primarily to the economy of the greater San Diego region. In particular, the greater San Diego economic base sustains the City's residential and industrial facilities. The local economy is primarily based on small to medium sized retail establishments and specialty stores selling general merchandise, furniture, art and crafts, clothing, food, and gasoline. Such local economic generators as vacation tourism support a significant portion of the City's commercial base.

Professor Alan Gin of the School of Business at the University of San Diego, and the author of the University of San Diego's Index of Leading Economic Indicators (Index), predicts that the local economy will continue to experience growth into 2013 with an increase in housing prices, positive growth in employment, and a rebound in the construction industry. Consumer confidence is also improving.

However, the ongoing issues in Washington D.C. regarding the fiscal cliff, \$85 billion in across-the-board spending cuts better known as the sequester, and the increase in the debt ceiling that will be needed in the next few months, all will have an unknown impact on the national, state, and local San Diego County economy. Our local economy is dependent on the service industry, defense industry, military, and scientific research, and the deadlock in Congress may have a negative effect on these four economic drivers.

In regards to San Diego's local economy, the University of San Diego's Index of Leading Economic Indicators has continued to increase since March 2009 when it bottomed out from its peak in April 2006. The Index reports on local economic components such as building permits issued, initial claims for unemployment, stock prices on the San Diego Stock Exchange Index, consumer confidence, and help wanted advertising. After declining for 35 straight months, beginning in April 2006 at 143.8 and declining to 100.7 by March 2009, the Index has climbed overall since that time, rising to 122.8 in November 2012.

The USD Index for the period January 2008 to November 2012 is charted on the following page:



In addition to the effects of the national economy, the State of California's fiscal problems continue to threaten the stability of the City's fiscal outlook. The State has been in a critical fiscal crisis for the past few years and its budget has been balanced utilizing one-time revenues, borrowings between state funds, bond issues, and raids of local government revenues.

In June 2012, Governor Jerry Brown signed a budget for Fiscal Year 2012-13 that closed a \$15.7 billion dollar shortfall by cutting social services including reductions in welfare programs, college scholarships, and healthcare. It also depended on passage of Proposition 30, a measure that would temporarily increase income taxes on the state's highest earners for seven years and raise the sales tax by one penny for every \$4 spent for four years. The measure passed in November 2012 and is expected to generate about \$6 billion per year in new revenue.

As of February 1, 2012, pursuant to Health & Safety Code Section 34172, the Solana Beach Redevelopment Agency was dissolved under Assembly Bill No. X1 26 (AB 26), or the Dissolution Act, that was found to be constitutional by the California Supreme Court in its decision in the *California Redevelopment Association v. Matosantos* case. On January 11, 2012, the City Council of the City of Solana Beach (City) adopted Resolution 2012-011, electing to become the successor agency (SA) to the Agency and the Solana Beach Redevelopment Agency transferred all its assets and obligations to the SA on February 1, 2012.

On June 27, 2012, as part of the FY 2012-13 state budget package, the Legislature passed and the Governor signed Assembly Bill No. 1484 (AB 1484), the primary purpose of which was to make technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing that act. As a budget "trailer bill," AB 1484 took immediate effect upon signature by the Governor. AB 1484 made several changes to the process and timing for preparation and approval of a SA's Recognized Obligation Payment Schedule (ROPS) and required the SA to prepare Due Diligence Reviews for its related low and moderate income housing funds and other redevelopment funds.

Long-Term Financial Planning

Solana Beach's conservative fiscal policies have helped the City build and maintain a strong reserve for times such as now and management will continue to hold costs in line with available resources.

General Fund property taxes have been, and are expected to be, the highest revenue generator for the City. Sales tax is the City's second largest revenue source. During Fiscal Year 2011-12, actual dollars received in General Fund property taxes increased \$81,742, or 1.5%, as compared to 2010-11, while sales tax increased by \$150,280, or 5.3%,. Overall, the City's General Fund revenues increased \$301,955 in FY 2011-12 from FY 2010-11 or 1.5%.

For Fiscal Year 2012-13, budgeted property and sales taxes are expected to increase slightly as compared to actual for the prior fiscal year. Total General Fund revenues are budgeted at \$14,069,100. It is the City's goal not to rely on General Fund reserves to operate the City annually. The General Fund budget for FY 2012-13 was adopted on June 27, 2012, with a projected \$123,500 surplus.

The City has taken steps to help maintain its fiscal sustainability over the next years by:

- 1) negotiating a five year contract beginning in July 2012 with the San Diego Sheriff's Department to provide law enforcement services with increases from year to year projected to be approximately 3.25 %;
- 2) approving a Fire Department Management Services Cooperative Agreement with the Cities of Del Mar, Encinitas, and the Rancho Santa Fe Fire Protection District that provides a cost effective option to eliminate redundancy and increased levels of service by sharing common functions of organizational direction and control, and supervision of operations, training, fire prevention, administrative and fiscal management, and disaster preparedness;
- 3) maintaining 17% of operating expenditures, including debt service, as a reserve in the General Fund to be used in the case of significant financial or other emergency.

Relevant Financial Policies

The City of Solana Beach has financial policies that help guide it during the preparation of the annual budget.

One such policy is the 17% reserve requirement discussed in the previous section. This policy, as in the adoption of the FY 2011-12 Budget, is one that has been continuously adhered to by Council.

The Asset Replacement Reserve Fund is used to provide for the replacement of the City's existing equipment, vehicles, computers, and furnishings and the City's financial policy is to annually budget funds to this Reserve. Despite the economic factors facing the City during the Fiscal Year 2011-12 budget process, the Council again ensured that funds were appropriated to maintain adequate reserves in the Asset Replacement Fund.

Cash Management Policies and Practices

Cash resources of the individual funds are combined to form a pool of cash and investments. Cash temporarily idle during the year was invested in the Local Agency Investment Fund consistent with the City's Investment Policy.

The City's Investment Policy is designed to maximize the productive use of assets entrusted to its care and to invest and manage those funds wisely and prudently. Criteria for selecting investments and the order of priority are: (1) safety (2) liquidity and (3) yield. The basic premise underlying the City's Investment Policy is to ensure that money is safe, always available, and earning the highest and best returns. Accordingly, deposits were either insured by the Federal Depository Insurance Corporation or collateralized.

The average yield on funds invested was 0.37% as compared to 0.478% for the previous year. Investment income includes appreciation/depreciation in the fair value of investments. The total investment income for all funds for the year was \$213,822.

Major Projects and Financial Planning

Highway 101 Streetscape/Traffic Calming Project

In October 2010, the City Council authorized Staff to move forward with a separate, stand-alone project on Highway 101 from Dahlia Drive to Cliff Street. This project will construct west side improvements such as curb, gutter, sidewalks, diagonal parking, drainage improvements and modifications to the existing median to make room for these improvements. On December 12, 2011, the Council approved the final design and authorized the release of the project plans for the purpose of soliciting construction bids.

The Highway 101 West Side Improvement construction project construction bid was awarded by the City Council on May 23, 2012. Construction of the project started on July 9, 2012 and is due to be completed by the summer of 2013.

The City Council has also approved a Memorandum of Agreement with the San Diego Association of Governments (SANDAG) to receive advanced funding of \$5.5 million to fund this project. The advance will be repaid by a portion of the City's annual Transnet funding allocations From FY 2010-11 through FY 2047-48.

Highland Drive Traffic Calming Improvements

The Highland Drive Traffic Calming improvements were completed in December 2012. The improvements include constructing a sidewalk on the west side of Highland between Sun Valley Road and Lomas Santa Fe Drive; constructing a raised median island, curb ramp pop-outs and restriping on Lomas Santa Fe, adjacent to Highland; and restriping Highland Drive from Lomas Santa Fe to Via La Senda to add painted medians and bike lanes. After a trial period, some painted medians may be converted to raised medians with drought tolerant landscaping. The improvements are designed to slow down traffic and provide a better walking and bicycling environment.

Del Mar Shores Staircase Replacement

The preliminary design of the stairway was approved by the City Council at the November 18, 2009 City Council meeting. After City Council's approval, Staff applied for a Coastal Development Permit (CDP) which was approved by the California Coastal Commission in February 2011.

Due to safety concerns associated with the existing stairway structure, the City Council at the November 14, 2012 meeting, directed Staff to take any and all necessary actions to close the Del Mar Shores Beach Access Stairway until such time that the condition of the stairs no longer poses a safety threat. In addition, the Council appropriated \$4,000 for costs associated with closing the stairs and \$100,000 to complete the final design and construction documents for replacement stairs.

Based on the preliminary plans prepared for this project, Staff's estimate for this project, including preparation of PS&E, construction, and any unforeseen contingencies is approximately \$1.5 to \$1.7 million. Staff applied for a grant from the State of California Coastal Conservancy in 2008 for construction of the replacement stairs. Although that grant application was not funded, Staff will be applying again for a grant from the Coastal Conservancy, as well as any other grants that becomes available.

SANDAG is holding funds that have been collected on behalf of the City by the California Coastal Commission for beach recreation opportunities and sand mitigation. There is approximately \$275,000 in beach recreation fees that may be used for construction of the new access stairway. In addition, there is approximately \$650,000 in sand mitigation fees; however, these funds may not be allowed to be used for this purpose. Staff is checking with SANDAG on this revenue source.

Another possible source of funding for this project is the City's 2% portion of Transient Occupancy Tax (TOT) which is designated for sand replenishment and beach access. Staff is currently researching bonding opportunities based on this revenue stream.

There is also approximately \$275,000 in Recreation/Land Lease fee deposits collected from applications for bluff retention devices.

Additionally, the City Council Ad Hoc Committee, in collaboration with a non-profit organization called Beach Improvement Group (BIG), is working on private fund raising events.

Solana Beach Pump Station Rehabilitation

This project is to make recommended upgrades and repairs to the Solana Beach Pump Station per the 2000 Sanitary Sewer Master Plan, along with recommendations from the San Elijo Joint Powers Association (SEJPA). Dudek, the City's consultant, completed a preliminary design study recommending equipment replacements and upgrades to the existing pump station, while maintaining the existing buildings. Before proceeding with the final design of all recommended improvements to the pump station, a feasibility study is being conducted that analyzes conveying a portion of the City of San Diego's sewage near Flower Hill Mall and the City of Del Mar's sewage to the SEJPA. Increasing flows to SEJPA would improve its efficiency and provide increased revenue. Final pump station design recommendations will be presented to City Council for approval before proceeding.

At the November 28, 2012 City Council meeting, the Council approved a consultant agreement to design and prepare construction documents limited to just the electrical upgrades to the pump station, as these upgrades are the highest priority improvements identified by the Design Team. The Design Team is recommending accomplishing the electrical system upgrade at this time because the electrical equipment is outdated and nearing the end of its service life.

Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Solana Beach for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the tenth year in the past eleven years that the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements.

The preparation of the Comprehensive Annual Financial Report in accordance with the GASB 34 financial reporting model was made possible by the dedicated work of the Finance Department staff. Each member of the staff, David Kloz, Sandra Lewis, Aina Grant, and Catherine Wong has our sincere appreciation for their contributions made in the preparation of this report. We would also like to thank the Mayor and Council for their continued support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



David Ott
City Manager/Director of Public Safety

Respectfully submitted,



Marie Marron Berkuti
Finance Manager/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Solana Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Christopher P. Morrell
President

Jeffrey R. Emer
Executive Director

**CITY OF SOLANA BEACH
FISCAL YEAR 2011-12
DIRECTORY OF OFFICIALS AND ADVISORY BODIES**

CITY COUNCIL

Joe G. Kellejian, Mayor
David W. Roberts, Deputy Mayor
Lesa Heebner, Council Member
Mike Nichols, Council Member
Thomas M. Campbell, Council Member

TERM EXPIRES

November 2012
November 2012
November 2012
November 2014
November 2014

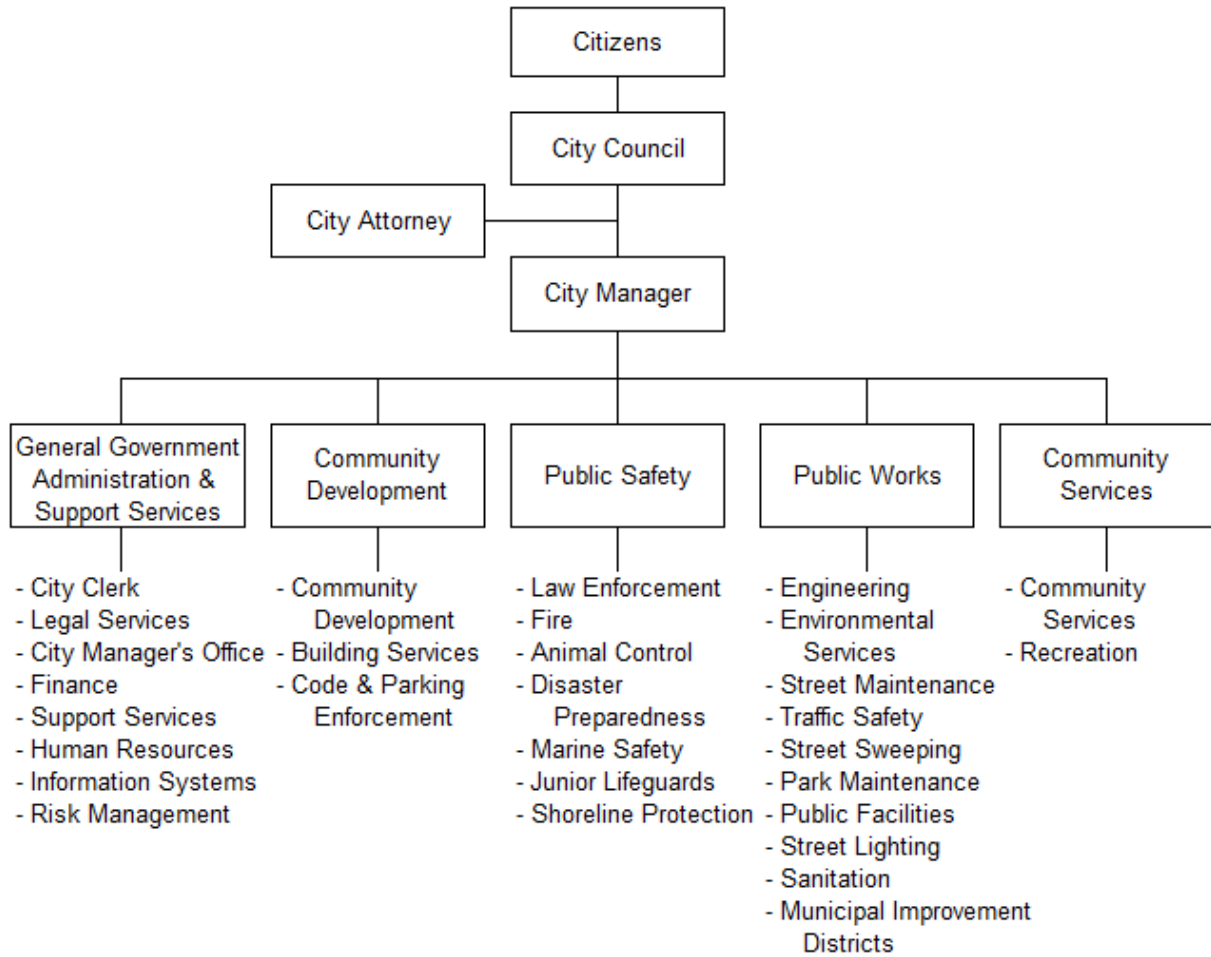
COMMITTEES AND COMMISSIONS

Budget & Finance Commission
Public Safety Commission
Parks & Recreation Committee
Public Arts Advisory Committee
View Assessment Committee

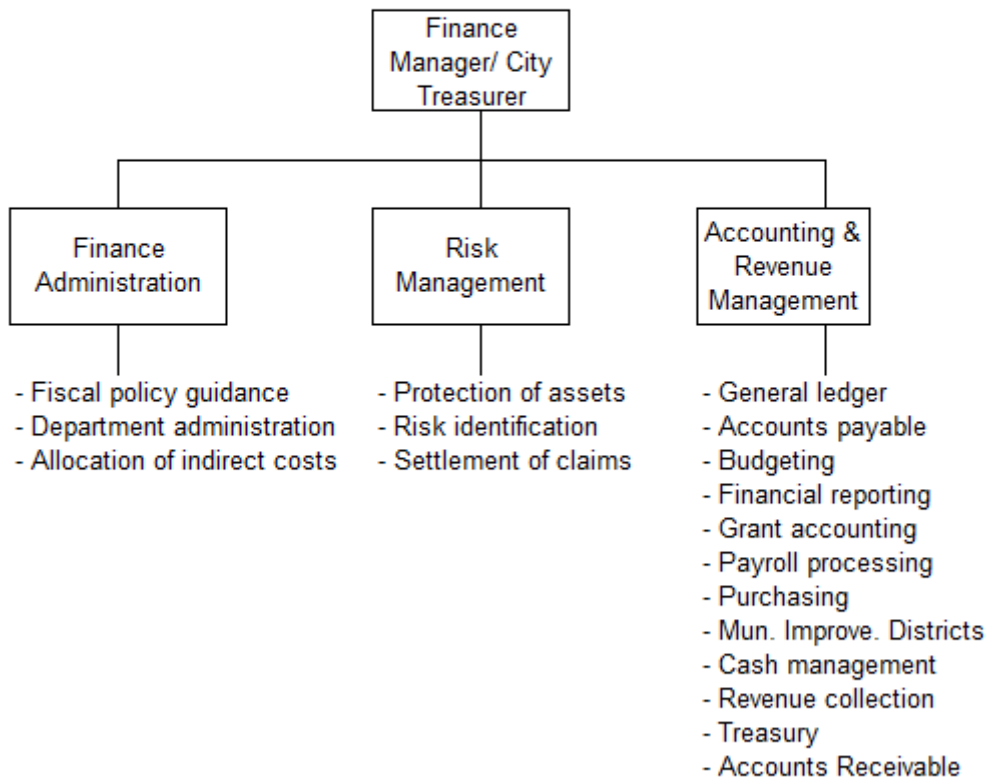
APPOINTED OFFICIALS AND DEPARTMENT DIRECTORS

David Ott	City Manager/Director of Public Safety
Wendé Protzman	Deputy City Manager/Director of Community Development
Mohammed Sammak	Director of Public Works/City Engineer
Angela Ivey	City Clerk
Johanna Canlas	City Attorney
Marie Marron Berkuti	Finance Manager/Treasurer

CITY OF SOLANA BEACH
CITY GOVERNMENT
ORGANIZATIONAL CHART
FISCAL YEAR 2011/2012



CITY OF SOLANA BEACH
FINANCE DEPARTMENT
ORGANIZATIONAL CHART
FISCAL YEAR 2011/2012



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CERTIFIED PUBLIC ACCOUNTANTS

- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Solana Beach, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solana Beach, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Elijo Joint Powers Authority (the "Authority"), which represent \$18,773,724 of investment in joint venture at June 30, 2012 and \$255,556 of net gain on investment in joint venture for the year then ended of the business-type activities in the government-wide financial statement and in the Sanitation major fund of the fund financial statements. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the basic financial statements of the City, insofar as it relates to those amounts included for the Authority in the accompanying financial statements of the City, is based solely on the reports of the other auditors. The prior year summarized comparative information has been derived from the City's June 30, 2011, financial statements and was audited by other auditors whose report has been furnished to us. Our opinion on the basic financial statements of the City as it relates to the comparative information at June 30, 2011 and for the year then ended, is based solely on the reports of the other auditors.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 16 – "Successor Agency Trust for Assets of Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the new formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



To the Honorable Mayor and Members of City Council
City of Solana Beach, California

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Soll & Lughard, LLP

Brea, California
March 19, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Solana Beach (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. It should be read in conjunction with the accompanying transmittal letter beginning on page i and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The City's net assets increased to \$76,212, or by \$3,483, as a result of this year's operations.
- During the year, the City's taxes, other governmental revenues, and business activity revenues exceed expenses by \$3,368.
- Governmental net assets were \$45,947.
- The total revenues from all sources were \$24,877.
- The total cost of all City programs was \$21,509.
- The General Fund reported an excess of revenues over expenditures and other financing uses by \$798.
- The General Fund's actual resources received exceeded the final revenue budget by \$218 while actual expenditures were \$628 less than final budget before other financing uses.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are:

- (1) Government-wide financial statements, which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the City as a whole.
- (2) Fund financial statements describe how City services are financed in the short term as well as what resources are available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the

accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are accounted for regardless of when cash is received or paid.

These two statements report the City's net assets and changes thereto. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to assess accurately the overall health of the City.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Governmental activities - All of the City's basic services are considered governmental activities, including general government, community development, public safety, public works, and community services. Property taxes, transient occupancy taxes, sales taxes, and franchise fees finance most of these activities.
- Proprietary activities/Business type activities - The City charges a fee to customers to cover all or most of the cost of the services provided. The City's Sanitation system is reported in this category.
- Component units - The City's governmental activities include the blending of two separate legal entities: the City of Solana Beach Public Facilities Corporation and the Solana Beach Redevelopment Agency (RDA). Although legally separate, these "component units" are important because the City is financially accountable for them. Separate component unit financial statements were not issued for the RDA since all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012 pursuant to AB 1X 26. Prior to that date, the final seven months of the activity of the RDA continued to be reported in the governmental funds of the City. Separate financial statements were also not issued for the Solana Beach Public Facilities Corporation since it has had no transactions, nor any assets, liabilities or equity over the past three fiscal years.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds that aid in the administration of resources for particular purposes or to meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches:

- *Governmental funds* - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* through the Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements.
- *Proprietary funds* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain amounts held on behalf of developers, property owners, and others. These fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Assets and Liabilities. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations.

After the date of the dissolution of the RDA on February 1, 2012, the assets and liabilities of the former redevelopment agency were transferred to the Successor Agency of the former Solana Beach RDA and are reported in a fiduciary fund (private-purpose trust fund).

THE CITY AS A WHOLE

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business activities.

Table 1
City of Solana Beach Net Assets
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 17,630	\$ 16,667	\$ 33,379	\$ 33,312	\$ 51,009	\$ 49,979
Capital assets, net	36,624	37,373	11,480	11,762	48,104	49,135
Total assets	54,254	54,040	44,859	45,074	99,113	99,114
Liabilities:						
Long-term debt outstanding	2,665	5,533	13,809	14,619	16,474	20,152
Other liabilities	5,642	5,142	785	1,091	6,427	6,233
Total liabilities	8,307	10,675	14,594	15,710	22,901	26,385
Net assets:						
Invested in capital assets, net of debt	34,301	32,138	5,471	6,390	39,772	38,528
Restricted	6,371	6,747	-	-	6,371	6,747
Unrestricted	5,275	4,480	24,794	22,974	30,069	27,454
Total net assets	<u>\$ 45,947</u>	<u>\$ 43,365</u>	<u>\$ 30,265</u>	<u>\$ 29,364</u>	<u>\$ 76,212</u>	<u>\$ 72,729</u>

The City's combined net assets for the fiscal year ended June 30, 2012 were \$76,212. The City has chosen to account for its sanitation operations in an enterprise fund, which is shown as Business Activities on Table 1. The City's net assets for governmental activities increased from \$43,365 to \$45,947. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets increased \$963 or 5.8% because 1) monies borrowed from the Sanitation Fund of \$3,133 used to pay off the City's PERS Side Fund is reported as a negative Internal Balance amount in the asset section of the balance sheet for government activities and this amount decreased by \$352 for the payment to the Sanitation Fund for FY2012, 2) \$278 was loaned by the City to the Successor Agency (SA) to cover the SA's cash flow needs, and 3) \$500 cash was provided by operating activities due to an increase in accounts payable from FY2011 to FY2012.
- Capital assets decreased \$749 (net of \$ 2,850 depreciation and disposition) as detailed in Table 4. During FY 2012, ongoing budgeted capital projects that were delayed in previous fiscal years due to the downturn in the City's economic situation were begun. This change resulted in capital asset additions, less deletions, being \$2,100 more than the previous fiscal year, not including the fiscal year's 2011-12 expense for

depreciation. The major capital project construction projects were the street lighting, City Hall cool roof upgrade, and efficiency/conservation upgrades at City facilities done in conjunction with Chevron Energy Solutions (ES), the completion of the landscaping portion of the Fletcher Cove Community Center, completion of the design for the Highway 101 Streetscaping project, and the Marine View Slope Repair project. The City also had construction activities for the annual street pavement project and ongoing storm drain repairs.

- Governmental long-term debt decreased \$2,868 due to 1) the transfer of the RDA's 2006 Tax Allocation Bonds outstanding principle balance of \$3,300 to the SA as of February 1, 2012 as a result of the dissolution of the RDA, 2) the refunding of the Lease Revenue Bond – ABAG in the amount of \$1,640 by entering into a refunding lease agreement with Municipal Finance Corporation for \$1,388, and 2) entering into a capital lease with Municipal Finance Corporation for \$819 to fund for the Chevron ES project. Other reductions in long-term debt were due to routine principle payments made on existing debt principle. See Table 5 for additional detail.
- Other liabilities increased \$500 primarily due to an increase in accounts payables and net other post employment benefit liability as compared to the previous fiscal year.
- Investment in capital assets net of debt increased \$2,163 from a decrease in the debt related to the acquisition of capital asset acquisitions as compared to the prior fiscal year.
- Restricted net assets decreased \$376 primarily due to the transfer of the RDA debt service and capital improvement funds to the SA as of February 1, 2012.
- As a result of the above activities, unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, increased \$795 from \$4,480 at June 30, 2011 to \$5,275 at the end of this fiscal year.

Governmental Activities

The cost of all Governmental activities this year was \$17,470 as shown on Tables 2 and 2.1. \$1,739 of this cost was paid for by those who directly benefited from the programs; \$581 was subsidized by grants received from other governmental organizations for both capital and operating activities; and \$17,618 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$2,320. Items of significance within Table 2 are:

Revenues:

- Charges for services decreased by 4% primarily as a result of lower revenues in FY2012 for monies received from reimbursement agreements with other governmental agencies for public work capital project work done on behalf of the agencies by the City
- Operating and Capital grants and contributions increased by \$197 over the prior fiscal year amount due to various public safety and public works grants and contributions were received or recognized in FY2012 as compared to FY2011.

- Other taxes increased \$680 or 10% due to increases in sales tax, transient occupancy tax, and other taxes receipts in FY2012 and other general revenues increased \$3,207 due to the recognition of an extraordinary gain of \$2,933 upon the dissolution of the RDA.

Expenses:

- General Government expenses decreased by \$1,433 from FY2011 to FY2012 due to the payment made in FY2011 to CALPERS for the pay off of the miscellaneous employees group's share of the pension side fund which was \$1,031, a decrease in legal expenditures, and a decrease in City Manager department expenditures due to the Deputy City Manager moving to the Community Development Department to replace that department's director who retired in June 2011.
- The CALPERS side fund payoff in FY2011 also resulted in a decrease increase in Public Safety expenses of 20% as compared to FY2012. Both the Fire and Marine Safety portion of the payoff amount, or \$2,102, were included in this category.
- Public Works experienced a 7% increase in expenses primarily due to the completion of more capital works projects in FY 2012 as compared to the previous fiscal year. Projects completed in FY2012 included the Chevron ES efficiency/conservation upgrades at City facilities, the landscaping portion of the Fletcher Cove Community Center, the design for the Highway 101 Streetscaping project, and the Marine View Slope Repair project, and various storm drain and street improvements.
- There was an 11% decrease in Community Development costs due to dissolution of the RDA on February 1, 2012, which resulted in decreased low/mod housing costs as compared to the last fiscal year.
- Community Services decreased 1% as compared to last fiscal year due to onetime expenses related to the City's 25th Anniversary celebration and the installation of the Eden Gardens entry sign being reflected in FY2011.
- Interest and fiscal charges decreased due to the transfer of the RDA debt service fund to the SA as of February 1, 2012, whereby the SA made the debt service payment for the 2006 Tax Allocation Bonds in the later part of FY2012 instead of the City as in previous fiscal years. Additionally, pass-thru payments were reported by the City in FY2011 but not in FY2012 since the County of San Diego assumed responsibility for these payments on February 1, 2012.

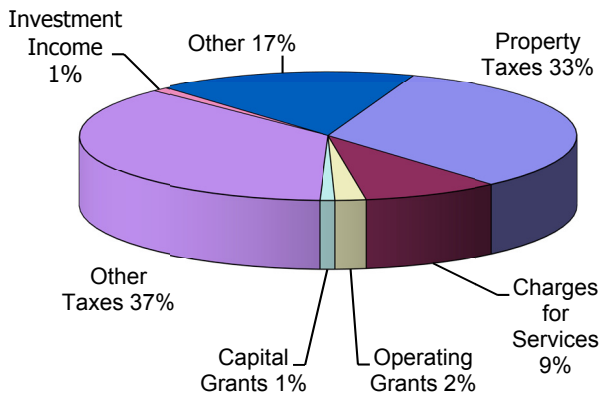
Table 2
City of Solana Beach Changes in Net Assets
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,739	\$ 1,819	\$ 4,517	\$ 4,501	\$ 6,256	\$ 6,320
Operating grants and contributions	477	280	-	-	477	280
Capital grants and contributions	104	501	-	-	104	501
General revenues:						
Property taxes	6,598	6,813	-	-	6,598	6,813
Other taxes	7,490	6,810	-	-	7,490	6,810
Other	3,530	323	422	224	3,952	547
Total revenues	<u>19,938</u>	<u>16,546</u>	<u>4,939</u>	<u>4,725</u>	<u>24,877</u>	<u>21,271</u>
Expenses:						
General government	3,510	4,943	-	-	3,510	4,943
Public safety	7,802	9,730	-	-	7,802	9,730
Public works	4,500	4,208	-	-	4,500	4,208
Community development	958	1,078	-	-	958	1,078
Community services	562	570	-	-	562	570
Interest and fiscal charges	139	544	-	-	139	544
Sanitation	-	-	4,038	3,942	4,038	3,942
Total expenses	<u>17,471</u>	<u>21,073</u>	<u>4,038</u>	<u>3,942</u>	<u>21,509</u>	<u>25,015</u>
Increase/(decrease) in net assets	2,467	(4,527)	901	783	3,368	(3,744)
Net assets - July 1	43,365	47,892	29,364	28,581	72,729	76,473
Net assets restatement	115	-	-	-	115	-
Net assets - June 30	<u>\$ 45,947</u>	<u>\$ 43,365</u>	<u>\$ 30,265</u>	<u>\$ 29,364</u>	<u>\$ 76,212</u>	<u>\$ 72,729</u>

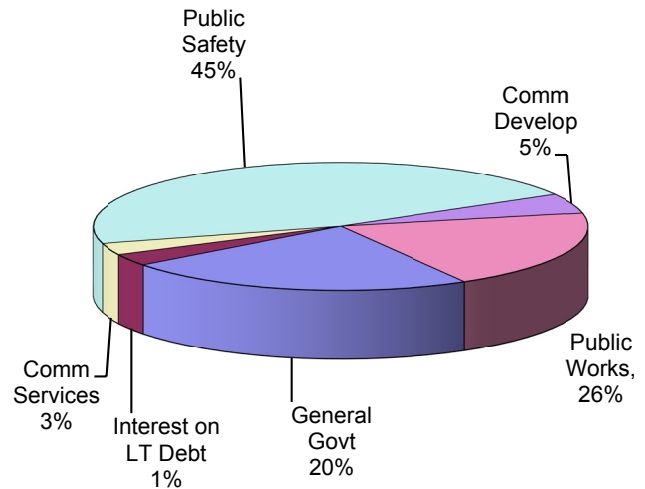
Fiscal Year 2012 Governmental Activities

(Graphic representation of Table 2 in percentages)

Sources of Revenue



Program Expenses



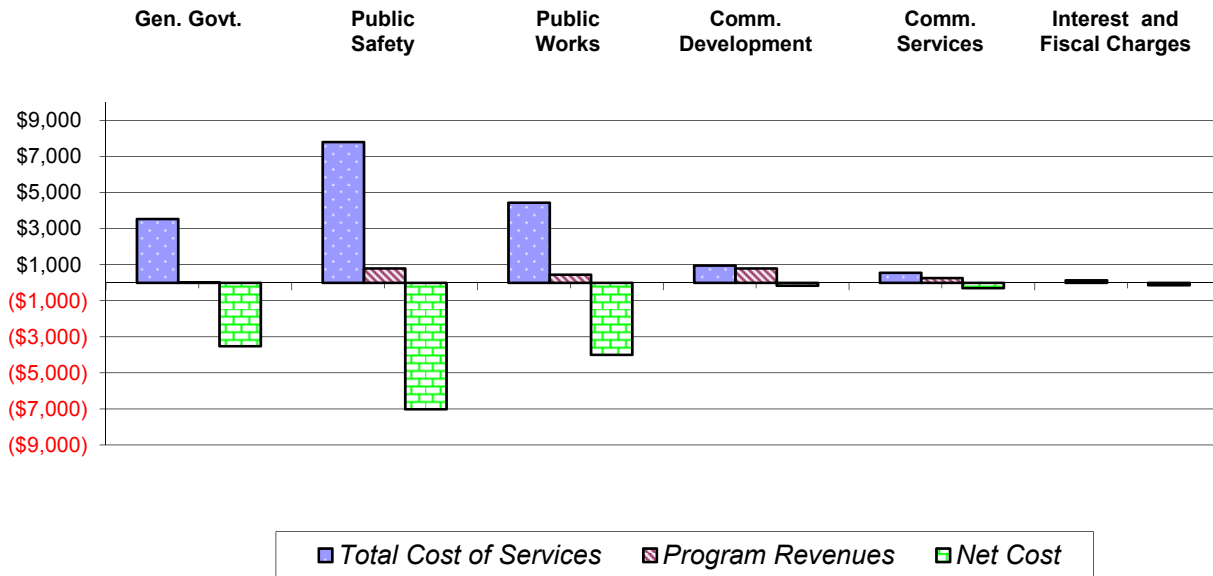
Net Cost of Governmental Activities

The City's programs include General Government, Public Safety, Public Works, Community Development, and Community Services. Each programs' net cost (total cost less revenues generated by the activities) is presented on Table 2.1. The net cost shows the extent to which the City's general taxes support each of the City's programs.

Table 2.1
Net Cost of Governmental Activities
(in Thousands)

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2012	2011	2012	2011	2012	2011
General government	\$ 3,510	\$ 4,943	\$ 21	\$ 14	\$ (3,489)	\$ (4,929)
Public safety	7,802	9,730	791	788	(7,011)	(8,942)
Public works	4,500	4,208	451	1,105	(4,049)	(3,103)
Community development	958	1,078	797	507	(161)	(571)
Community services	562	570	260	186	(302)	(384)
Interest on long-term debt	139	544	-	-	(139)	(544)
Totals	\$ 17,471	\$ 21,073	\$ 2,320	\$ 2,600	\$ (15,151)	\$ (18,473)

Total Cost of Services, Program Revenues & Net Cost
Governmental Activities
(in Thousands)



Total resources available during the year to finance governmental operations were \$63,303 consisting of net assets at July 1, 2011 of \$43,365, program revenues of \$2,320, and general revenues of \$17,618. Total governmental activities during the year were \$17,471, and with a net assets restatement of \$115, net assets increased by \$2,582 to \$45,947.

Business Type Activities

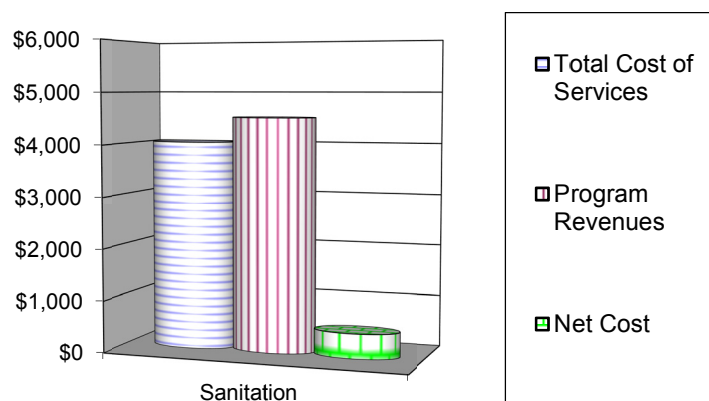
Net assets of the Proprietary Fund (Business Type activities) at June 30, 2012 as reflected in Table 1 were \$30,265. As shown in Table 3, amounts paid by users of the system were \$4,517 while the cost of providing all Proprietary (Business Type) activities this year was \$4,038 resulting in a net gain of \$479. With the addition of non-operating revenues of \$422, assets increased by \$901 or 3%, primarily due to holding expenses in line with revenues.

Table 3
Net Cost of Business Activities
(in Thousands)

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2012	2011	2012	2011	2012	2011
Sanitation	\$ 4,038	\$ 3,942	\$ 4,517	\$ 4,501	\$ 479	\$ 559

Fiscal Year 2012

Total Cost of Services, Program Revenues & Net Cost – Business Activities (in thousands)



General Fund Budgetary Highlights

The final expenditures for the City's General Fund at year-end were \$628 less than actual appropriations prior to other financing uses. The budget to actual variance in appropriations was principally due to conservative estimates at mid-year by management. Actual revenues were \$218 greater than the final budget (excluding other financing sources). Budget amendments and supplemental appropriations were made during the normal course of business to increase appropriations for unanticipated expenditures after adoption of the original budget. Significant supplemental appropriations were:

- \$264 transfers from the General Fund to pay \$91 in additional City CIP projects, \$36 for debt service, and \$137 to the Affordable Housing Grant fund. side fund with CalPERS,
- \$98 in asset replacement expenditures to purchase an emergency response vehicle for the Fire Department at \$58 and an emergency generator for City Hall at \$40.

Significant budgetary variations between certain departments' final amended budget versus actual for the General Fund was:

- Legal services: costs for attorney services were lower than anticipated in FY2012.
- Fire and Marine safety: these public safety departments had their portions of the General Fund's payment to the Sanitation Fund for the PERS Side Fund repayment included in their retirement budgets instead of in City's internal service fund, the PERS Side Fund Prepayment fund, where the payment is recorded. Consequently, the budget surpluses in these two departments were greater than expected.
- Support services: payouts for workers compensation and liability claims were greater than expected.
- Building services: the cost for building services is 75% of permit and inspection revenue that is collected by the City. This amount is paid to the City's third party contractor and greater than expected revenues were received for the fiscal year, consequently, the expenditure for this category also increased.
- Streets and other public works,: professional service expense was lower than budgeted in environmental services, street maintenance, traffic safety, and park maintenance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include equipment, buildings, land, park facilities, and roads.

At June 30, 2012, net capital assets of the governmental activities totaled \$36,624 and the net capital assets of the business-type activities totaled \$11,480. Depreciation on capital assets is

recognized in the government-wide financial statements. (See Table 4 and Note 4 to the financial statements.)

The City's five-year Capital Improvement Plan projects to spend \$18,061 through fiscal 2016-17. Over the next five years, funding will come from current fund balances, projected revenues, and the Transnet Extension Program. Significant projects are the Shoreline Management and Local Coastal Plan, the General Plan update, rebuilding the Solana Beach Pump Station, the Highway 101 Streetscape and Traffic Calming project, and replacement of the Del Mar Shores Staircase.

Table 4
City of Solana Beach Capital Assets at Year-End
(Net of Depreciation)
(In Thousands)

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,538	\$ 2,538	\$ 112	\$ 112	\$ 2,650	\$ 2,650
Buildings & Improvements	10,551	10,395	11,199	11,536	21,750	21,931
Equipment & Vehicles	960	1,098	10	12	970	1,110
Infrastructure	19,570	21,419	-	-	19,570	21,419
Work in Progress	3,005	1,923	159	102	3,164	2,025
	<u>\$ 36,624</u>	<u>\$ 37,373</u>	<u>\$ 11,480</u>	<u>\$ 11,762</u>	<u>\$ 48,104</u>	<u>\$ 49,135</u>

Debt

At year-end, the City had \$2,654 in governmental type debt and \$14,158 in proprietary debt (including premium on debt issuance) totaling \$16,812. This debt is a liability of the government and amounts to \$1,293 per capita.

Due to the dissolution of the RDA, the RDA's 2006 Tax Allocation Bonds outstanding principle balance of \$3,300 was transferred to the SA as of February 1, 2012. The City realized two refundings during FY2012. The Lease Revenue Bond – ABAG in the amount of \$1,640 was refunded by entering into a lease agreement with Municipal Finance Corporation for \$1,388. Additionally, JPA loan payable 2003 was refunded when the JPA issued the 2012 Refunding Revenue Bonds to refund the 2003 Refunding Revenue Bonds and prepay a note to the California Energy Commission. As a result the City and the JPA amended the 2003 loan agreement.

To fund the Chevron ES project, the City entered into a capital lease with Municipal Finance Corporation for \$819.

(See Table 5 and Note 5 to the financial statements for detailed descriptions).

Table 5
City of Solana Beach Outstanding Debt at Year-End
(In Thousands)

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Lease revenue bonds	\$ -	\$ 1,640	\$ -	\$ -	\$ -	\$ 1,640
Refunding lease	1,388	-	-	-	1,388	-
Tax allocation bonds	-	3,300	-	-	-	3,300
Capital lease	969	296	-	-	969	296
JPA loan payable-2003	-	-	-	6,060	-	6,060
JPA loan payable-2011	-	-	4,869	-	4,869	-
Sewer revenue bond	-	-	8,915	9,120	8,915	9,120
Bond premiums	-	-	349	229	349	229
Bond discounts	(10)	-	-	-	(10)	-
Compensated absences	307	297	25	15	332	312
	<u>\$ 2,654</u>	<u>\$ 5,533</u>	<u>\$ 14,158</u>	<u>\$ 15,424</u>	<u>\$ 16,812</u>	<u>\$ 20,957</u>

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2012-13, the focus of the City Council and management was to adopt a balanced budget and promote fiscal sustainability. Budget decisions were made with the understanding that given the current economic downturn, the City's growth rate for revenues had slowed and that the rate of any expenditure cost increase needed to be closely evaluated and monitored. The challenge given these circumstances was to prepare a budget that reduced costs while continuing to provide high quality services and to move forward implementing the City's five-year capital improvement plan.

The result was that no new programs or services were added; a further enhancement of the Fire Management agreement among the City, cities of Encinitas and Del Mar, and the Rancho Santa Fe Fire District resulting in additional savings; and a reevaluation of some capital projects that moved completion dates a few years into the future. Departments were asked to prepare budgets with no change in their materials, supplies, and services categories and any requests for new monies needed to be justified.

While fiscal sustainability included focusing on the expenditure side of the budget, in the coming fiscal year, City staff will be tasked with developing increased revenue sources to help broaden the revenue base needed by the City for its short and long-term needs.

Overall, the budget anticipates that local tax revenues to the City next year will remain flat or rise slightly based upon the economic activity in the California economy, including property taxes, which are projected to increase by 0.6% in FY 2013, and sales tax which is expected to increase by about 3% in FY 2013. Overall General Fund operating expenditures for fiscal year 2013 are budgeted slightly more than the previous fiscal year. The CIP budget was set to be \$9,510 for the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's fiduciary responsibility for the funds it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, at the City of Solana Beach, 635 South Highway 101, Solana Beach, California 92075 or online: [.http://www.ci.solana-beach.ca.us](http://www.ci.solana-beach.ca.us).

BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

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CITY OF SOLANA BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets:			
Cash and investments	\$ 18,452,307	\$ 8,101,942	\$ 26,554,249
Receivables:			
Accounts, net	279,194	75,887	355,081
Taxes	331,420	-	331,420
Interest	13,236	5,115	18,351
Prepaid costs	6,482	-	6,482
Due from other governments	206,799	-	206,799
Total Current Assets	<u>19,289,438</u>	<u>8,182,944</u>	<u>27,472,382</u>
Noncurrent Assets:			
Cash and investments with fiscal agent	818,696	2,585,169	3,403,865
Deferred charges, net	24,062	1,057,283	1,081,345
Investment in joint venture	-	18,773,724	18,773,724
Internal balances	(2,780,338)	2,780,338	-
Due from Successor Agency	278,215	-	278,215
Capital assets not being depreciated	5,542,543	270,596	5,813,139
Capital assets, net of depreciation	<u>31,081,425</u>	<u>11,208,959</u>	<u>42,290,384</u>
Total Noncurrent Assets	<u>34,964,603</u>	<u>36,676,069</u>	<u>71,640,672</u>
Total Assets	<u>54,254,041</u>	<u>44,859,013</u>	<u>99,113,054</u>
Liabilities:			
Current Liabilities:			
Accounts payable	1,585,442	241,169	1,826,611
Accrued liabilities	255,760	12,928	268,688
Accrued interest	7,431	182,568	189,999
Unearned revenue	83,779	-	83,779
Compensated absences - due within one year	211,401	17,649	229,050
Long-term debt - due within one year	<u>302,128</u>	<u>828,460</u>	<u>1,130,588</u>
Total Current Liabilities	<u>2,445,941</u>	<u>1,282,774</u>	<u>3,728,715</u>
Noncurrent liabilities:			
Deposits payable	1,846,150	-	1,846,150
Net other post employment benefit liability	727,100	-	727,100
Claims payable	1,147,000	-	1,147,000
Compensated absences - due in more than one year	96,003	7,338	103,341
Long-term debt - due in more than one year	<u>2,044,853</u>	<u>13,304,311</u>	<u>15,349,164</u>
Total Noncurrent Liabilities	<u>5,861,106</u>	<u>13,311,649</u>	<u>19,172,755</u>
Total Liabilities	<u>8,307,047</u>	<u>14,594,423</u>	<u>22,901,470</u>
Net Assets:			
Invested in capital assets, net of related debt	34,301,049	5,470,469	39,771,518
Restricted for:			
Redevelopment activities	5,105,777	-	5,105,777
Capital projects	1,225,836	-	1,225,836
Debt service	39,320	-	39,320
Unrestricted	<u>5,275,012</u>	<u>24,794,121</u>	<u>30,069,133</u>
Total Net Assets	<u>\$ 45,946,994</u>	<u>\$ 30,264,590</u>	<u>\$ 76,211,584</u>

CITY OF SOLANA BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 3,509,970	\$ 21,370	\$ -	\$ -
Public safety	7,801,875	439,523	273,048	78,590
Public works	4,499,601	251,766	173,664	25,000
Community development	957,995	796,475	-	-
Community services	561,563	229,571	30,331	-
Interest on long-term debt	139,345	-	-	-
Total Governmental Activities	17,470,349	1,738,705	477,043	103,590
Business-Type Activities:				
Sanitation	4,038,404	4,517,005	-	-
Total Business-Type Activities	4,038,404	4,517,005	-	-
Total Primary Government	\$ 21,508,753	\$ 6,255,710	\$ 477,043	\$ 103,590

General Revenues:

Taxes:

Property taxes, levied for general purpose

Sales taxes

Transient occupancy taxes

Intergovernmental - unrestricted

Franchise taxes

Other taxes

Use of money and property

Other revenues

**Extraordinary gain/(loss) on dissolution
of redevelopment agency (Note 16)**

Total General Revenues and Extraordinary Items

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

**Net (Expenses) Revenues and
Changes in Net Assets
Primary Government**

Governmental Activities	Business-Type Activities	Total
\$ (3,488,600)	\$ -	\$ (3,488,600)
(7,010,714)	-	(7,010,714)
(4,049,171)	-	(4,049,171)
(161,520)	-	(161,520)
(301,661)	-	(301,661)
(139,345)	-	(139,345)
(15,151,011)	-	(15,151,011)
-	478,601	478,601
-	478,601	478,601
(15,151,011)	478,601	(14,672,410)
6,597,393	-	6,597,393
2,963,507	-	2,963,507
1,118,592	-	1,118,592
52,084	-	52,084
685,336	-	685,336
2,670,333	-	2,670,333
102,469	152,477	254,946
494,008	269,358	763,366
2,933,995	-	2,933,995
17,617,717	421,835	18,039,552
2,466,706	900,436	3,367,142
43,365,476	29,364,154	72,729,630
114,812	-	114,812
\$ 45,946,994	\$ 30,264,590	\$ 76,211,584

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

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**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

CITY OF SOLANA BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

(With comparative totals for June 30, 2011)

	<u>Debt Service Fund</u>			<u>Total Governmental Funds</u>	
	<u>General</u>	<u>City Debt Service</u>	<u>Other Governmental Funds</u>	<u>2012</u>	<u>2011</u>
Assets:					
Cash and investments	\$ 11,341,673	\$ -	\$ 7,110,634	\$ 18,452,307	\$ 17,579,202
Cash and investments with fiscal agents	-	818,696	-	818,696	1,374,896
Receivables:					
Accounts	248,111	-	31,083	279,194	302,130
Taxes	325,891	-	5,529	331,420	275,045
Interest	9,408	-	3,828	13,236	20,456
Prepaid costs	6,482	-	-	6,482	4,982
Due from other governments	38,423	-	168,376	206,799	243,158
Due from other funds	1,016,265	-	-	1,016,265	1,106,522
Due from Successor Agency	-	-	278,215	278,215	-
Total Assets	<u>\$ 12,986,253</u>	<u>\$ 818,696</u>	<u>\$ 7,597,665</u>	<u>\$ 21,402,614</u>	<u>\$ 20,906,391</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 768,422	\$ -	\$ 817,020	\$ 1,585,442	\$ 1,085,384
Accrued liabilities	246,580	-	9,180	255,760	266,301
Deferred revenues	-	-	-	-	223,593
Unearned revenues	83,779	-	-	83,779	-
Deposits payable	1,776,349	-	69,801	1,846,150	1,811,638
Due to other funds	-	779,376	236,889	1,016,265	1,106,522
Advances from other funds	2,780,338	-	-	2,780,338	3,132,587
Total Liabilities	<u>5,655,468</u>	<u>779,376</u>	<u>1,132,890</u>	<u>7,567,734</u>	<u>7,626,025</u>
Fund Balances:					
Nonspendable	6,482	-	-	6,482	32,550
Restricted	-	39,320	6,241,182	6,280,502	6,238,581
Committed	264,534	-	-	264,534	346,990
Assigned	4,486,177	-	539,450	5,025,627	5,335,153
Unassigned	2,573,592	-	(315,857)	2,257,735	1,327,092
Total Fund Balances	<u>7,330,785</u>	<u>39,320</u>	<u>6,464,775</u>	<u>13,834,880</u>	<u>13,280,366</u>
Total Liabilities and Fund Balances	<u>\$ 12,986,253</u>	<u>\$ 818,696</u>	<u>\$ 7,597,665</u>	<u>\$ 21,402,614</u>	<u>\$ 20,906,391</u>

CITY OF SOLANA BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances of governmental funds		\$ 13,834,880
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		
Capital assets	\$ 79,591,500	
Accumulated depreciation	<u>(42,967,532)</u>	36,623,968
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets.		
		24,062
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Lease revenue bond - ABAG	(1,378,700)	
Unamortized bond discount	1,050	
Capital lease obligation	(969,331)	
Claims and judgments	(1,147,000)	
Compensated absences	<u>(307,404)</u>	(3,801,385)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		
		(727,100)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		
		<u>(7,431)</u>
Net assets of governmental activities		<u><u>\$ 45,946,994</u></u>

CITY OF SOLANA BEACH

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012
(With comparative totals for the year ended June 30, 2011)**

	Debt Service Fund			Total Governmental Funds	
	General	City Debt Service	Other Governmental Funds	2012	2011
Revenues:					
Taxes and assessments	\$ 10,790,593	\$ -	\$ 2,091,174	\$ 12,881,767	\$ 12,700,086
Licenses, permits and fees	420,339	-	-	420,339	323,091
Intergovernmental	1,457,131	-	365,574	1,822,705	1,623,918
Charges for services	796,759	-	3,077	799,836	607,354
Use of money and property	81,207	4,122	17,140	102,469	162,086
Fines and forfeitures	342,136	-	-	342,136	385,394
Other revenues	435,714	-	169,239	604,953	1,132,388
Total Revenues	14,323,879	4,122	2,646,204	16,974,205	16,934,317
Expenditures:					
Current:					
General government	3,118,659	-	111,703	3,230,362	4,363,499
Public safety	7,302,490	-	311,772	7,614,262	9,531,715
Public works	1,378,045	-	923,908	2,301,953	2,263,950
Community development	822,804	-	130,579	953,383	1,103,618
Community services	244,955	-	-	244,955	268,603
Capital outlay	-	-	2,048,301	2,048,301	1,644,750
Debt service:					
Principal retirement	-	239,900	-	239,900	444,385
Interest and fiscal charges	-	74,840	80,679	155,519	265,360
Bond issuance cost	-	-	-	-	281,387
Payment to refunded bond escrow agent	-	1,545,000	-	1,545,000	-
Pass-through agreement payments	-	-	7,147	7,147	-
Total Expenditures	12,866,953	1,859,740	3,614,089	18,340,782	20,167,267
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,456,926	(1,855,618)	(967,885)	(1,366,577)	(3,232,950)
Other Financing Sources (Uses):					
Transfers in	-	342,800	2,218,170	2,560,970	857,227
Transfers out	(659,167)	-	(1,901,803)	(2,560,970)	(857,227)
Refunding bonds issued	-	1,388,300	-	1,388,300	-
Other debts issued	-	-	818,696	818,696	-
Bond discount	-	(10,650)	-	(10,650)	-
Debt issuance costs	-	(24,062)	-	(24,062)	-
Total Other Financing Sources (Uses)	(659,167)	1,696,388	1,135,063	2,172,284	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	-	-	(366,005)	(366,005)	-
Net Change in Fund Balances	\$ 797,759	\$ (159,230)	\$ (198,827)	\$ 439,702	\$ (3,232,950)
Fund Balances:					
Beginning of year, as originally reported	\$ 6,533,026	\$ 198,550	\$ 6,548,790	\$ 13,280,366	\$ 16,513,316
Restatements	-	-	114,812	114,812	-
Beginning of year, as restated	6,533,026	198,550	6,663,602	13,395,178	16,513,316
Net change in fund balances	797,759	198,550	(198,827)	439,702	(3,232,950)
End of Year	\$ 7,330,785	\$ 39,320	\$ 6,464,775	\$ 13,834,880	\$ 13,280,366

See Notes to Financial Statements

CITY OF SOLANA BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ 439,702

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 2,055,611	
Depreciation	<u>(2,805,356)</u>	(749,745)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Long term debt issued:		
Lease revenue bond - ABAG	(1,388,300)	
Bond discount	10,650	
Capital lease	(818,696)	
Long term debt refunded:		
Lease revenue bond - ABAG	1,545,000	
Principal repayments:		
Lease revenue bond - ABAG	95,000	
Capital lease	144,900	
Changes in claims and judgments liabilities	<u>96,570</u>	(314,876)

Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets. 24,062

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 16,174

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (10,266)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (267,200)

Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 28,855

Extraordinary gains and losses relating to capital assets and long term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Long-term liabilities	<u>3,300,000</u>	<u>3,300,000</u>
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Change in net assets of governmental activities \$ 2,466,706

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**PROPRIETARY FUND
FINANCIAL STATEMENTS**

CITY OF SOLANA BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012
 (With comparative totals for June 30, 2011)

	<u>Sanitation Fund</u>	
	<u>2012</u>	<u>2011</u>
Assets:		
Current:		
Cash and investments	\$ 8,101,942	\$ 7,310,687
Receivables:		
Accounts	75,887	500,364
Interest	5,115	5,164
Total Current Assets	<u>8,182,944</u>	<u>7,816,215</u>
Noncurrent:		
Cash investments with fiscal agent	2,585,169	3,442,147
Advances to other funds	2,780,338	3,132,587
Deferred charges	1,057,283	777,710
Investment in joint venture	18,773,724	18,143,406
Capital assets:		
Non-depreciable	270,596	213,861
Depreciable, net	11,208,959	11,548,113
Total Noncurrent Assets	<u>36,676,069</u>	<u>37,257,824</u>
Total Assets	<u>44,859,013</u>	<u>45,074,039</u>
Liabilities:		
Current:		
Accounts payable	241,169	49,038
Accrued liabilities	12,928	10,716
Interest payable	182,568	225,698
Compensated absences, due within one year	17,649	6,511
Long-term debt, due within one year	828,460	790,475
Total Current Liabilities	<u>1,282,774</u>	<u>1,082,438</u>
Noncurrent:		
Compensated absences, due in more than one year	7,338	8,645
Long-term debt, due in more than one year	13,304,311	14,618,802
Total Noncurrent Liabilities	<u>13,311,649</u>	<u>14,627,447</u>
Total Liabilities	<u>14,594,423</u>	<u>15,709,885</u>
Net Assets:		
Invested in capital assets, net of related debt	5,470,469	6,389,844
Unrestricted	24,794,121	22,974,310
Total Net Assets	<u>\$ 30,264,590</u>	<u>\$ 29,364,154</u>

CITY OF SOLANA BEACH

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012
(With comparative totals for the year ended June 30, 2011)**

	Sanitation Fund	
	2012	2011
Operating Revenues:		
Charges for services	\$ 4,517,005	\$ 4,501,364
Other	13,802	13,803
Total Operating Revenues	4,530,807	4,515,167
Operating Expenses:		
Cost of sales and services	2,587,591	2,524,870
Administration	348,568	328,919
Depreciation	344,362	345,103
Total Operating Expenses	3,280,521	3,198,892
Operating Income (Loss)	1,250,286	1,316,275
Nonoperating Revenues (Expenses):		
Interest income	152,477	51,294
Interest expense	(666,620)	(696,026)
Amortization of bond issuance costs	(91,263)	(36,621)
Amortization of investment premium	-	(10,945)
Share in joint venture net gain/capital contribution	255,556	159,319
Total Nonoperating Revenues (Expenses)	(349,850)	(532,979)
Changes in Net Assets	900,436	783,296
Net Assets:		
Beginning of Year	29,364,154	28,580,858
End of Fiscal Year	\$ 30,264,590	\$ 29,364,154

CITY OF SOLANA BEACH

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012
 (With comparative totals for the year ended June 30, 2011)**

	Sanitation Fund	
	2012	2011
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 4,941,482	\$ 4,702,643
Cash received from/(paid to) interfund service provided		
Cash paid to suppliers for goods and services	(2,395,460)	(3,021,026)
Cash paid to employees for services	(336,525)	(335,034)
Other	13,802	13,803
Net Cash Provided (Used) by Operating Activities	<u>2,223,299</u>	<u>1,360,386</u>
Cash Flows from Non-Capital Financing Activities:		
Repayment received from other funds	352,249	-
Advance to other funds	-	(3,132,587)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>352,249</u>	<u>(3,132,587)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(61,943)	(169,310)
Principal paid on capital debt	(230,000)	(735,000)
Interest paid on capital debt	(895,130)	(705,493)
Proceeds from capital debt	5,188,664	-
Payment to refunding escrow	(6,795,387)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,793,796)</u>	<u>(1,609,803)</u>
Cash Flows from Investing Activities:		
Interest received	152,525	52,131
Net Cash Provided (Used) by Investing Activities	<u>152,525</u>	<u>52,131</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(65,723)</u>	<u>(3,329,873)</u>
Cash and Cash Equivalents at Beginning of Year	10,752,834	13,221,067
Cash and Cash Equivalents at End of Year	<u>\$ 10,687,111</u>	<u>\$ 9,891,194</u>

CITY OF SOLANA BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2012

(With comparative totals for the year ended June 30, 2011)

	Sanitation Fund	
	2012	2011
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:		
Cash and investments	\$ 8,101,942	\$ 7,310,687
Cash and investments with fiscal agents	2,585,169	3,442,147
Less: investments that do not qualify as cash equivalents	-	(861,640)
Total Cash and Cash Equivalents	\$ 10,687,111	\$ 9,891,194
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 1,250,286	\$ 1,316,275
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	344,362	345,103
(Increase) decrease in accounts receivable	424,477	201,279
Increase (decrease) in accounts payable	192,131	(496,156)
Increase (decrease) in accrued liabilities	2,212	396
Increase (decrease) in compensated absences	9,831	(6,511)
Total Adjustments	973,013	44,111
Net Cash Provided (Used) by Operating Activities	\$ 2,223,299	\$ 1,360,386
Non-Cash Investing, Capital, and Financing Activities:		
Amortization of deferred charges and bonds premium/discount	\$ (91,263)	\$ (36,621)
Amortization of investment premium	-	(10,945)
Gain/(loss) on investment in joint venture	255,556	159,319

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**FIDUCIARY FUND
FINANCIAL STATEMENTS**

CITY OF SOLANA BEACH

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012
 (With comparative totals for June 30, 2011)

	Agency Funds		Private-Purpose Trust Fund Successor Agency of the Former RDA	
	2012	2011	2012	2011
Assets:				
Cash and investments	\$ 449,575	\$ 443,414	\$ 285,399	\$ -
Cash and investments with fiscal agents	-	-	235,815	-
Receivables:				
Taxes	1,314	1,507	-	-
Total Assets	\$ 450,889	\$ 444,921	521,214	-
Liabilities:				
Accounts payable	\$ -	\$ -	12,307	-
Accrued liabilities	-	-	3,765	-
Interest payable	-	-	13,194	-
Due to City	-	-	278,215	-
Due to bondholders	450,889	444,921	-	-
Long-term liabilities:				
Due in one year	-	-	75,000	-
Due in more than one year	-	-	3,155,000	-
Total Liabilities	\$ 450,889	\$ 444,921	3,537,481	-
Net Assets:				
Held in trust for other purposes			(3,016,267)	-
Total Net Assets			\$ (3,016,267)	\$ -

CITY OF SOLANA BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012
 (With comparative totals for June 30, 2011)

	<u>Private-Purpose Trust Fund</u> <u>Successor Agency of</u> <u>the Former RDA</u>	
	<u>2012</u>	<u>2011</u>
Additions:		
Taxes	\$ 88,018	\$ -
Interest and change in fair value of investments	17	-
Total Additions	<u>88,035</u>	<u>-</u>
Deductions:		
Administrative expenses	76,434	-
Interest expense	93,873	-
Total Deductions	<u>170,307</u>	<u>-</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	<u>(2,933,995)</u>	<u>-</u>
Changes in Net Assets	(3,016,267)	-
Net Assets - Beginning of the Year	<u>-</u>	<u>-</u>
Net Assets - End of the Year	<u>\$ (3,016,267)</u>	<u>\$ -</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

The basic financial statements of the City of Solana Beach, California (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. Financial Reporting Entity

The City was formed July 1, 1986 after an election held June 3, 1986 in the proposed incorporated area. The City's incorporation involved a reorganization consisting primarily of the incorporation of the City of Solana Beach; the detachment of territory from the Cardiff Sanitation District and annexation of the same territory to the Solana Beach Sanitation District; the establishment of the Solana Fire Protection District and Solana Beach Sanitation District as subsidiary districts of the City; and the establishment of five improvement districts of the City, which coincided with five previously existing county service areas (CSAs). The City merged the Fire District into the City by dissolving the District and creating a separate Fire Department within the City's General Fund effective January 1, 1988. Effective July 1, 1990, the Solana Beach Sanitation District was dissolved and is now a department of the City.

Solana Beach Redevelopment Agency (Agency) – The Agency was created and activated by the City of Solana Beach on December 2, 2003 by Ordinance No. 318 pursuant to the State of California Health and Safety Code Section 33200. On July 13, 2004, the City adopted Ordinance No. 326 which formed the Solana Beach Redevelopment Project Area. The Agency's purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the Solana Beach Redevelopment Project Area. The Redevelopment Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 15 for more information on the dissolution. Separate audited financial statements were not issued for the Redevelopment Agency.

Solana Beach Public Facilities Corporation (Corporation) – The Corporation was incorporated on July 25, 1990 as a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law. Its purpose is to benefit the City by providing financing for the planning, development, acquisition, construction, improvement, extension, repair, and renovation of public works projects, public facilities, furnishings, and equipment for use by the City. The Corporation does not issue separate financial statements.

The above component units are included in the City's basic financial statements using the blended method since the governing bodies of the component units are substantially the same as the governing body of the City and the component units provide services entirely to the City. The activities of the component units are included in the special revenue, debt service, and capital projects funds.

Note 1: Summary of Significant Accounting Policies (Continued)

b. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

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

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to, Due from other funds
- Advances to, Advances from other funds
- Transfers in, Transfers out

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, franchise taxes, gas taxes, transient occupancy taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

The City reports the following major governmental fund:

General Fund - This fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In Solana Beach, these services include general government, public safety, public works, community development, and community services.

City Debt Service Fund - This fund accounts for the accumulation of resources for the payment of interest and principal on the City’s debt.

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

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

Operating revenues, such as charges for services, in the proprietary funds are those revenues that are generated from exchange transactions as the primary operations of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. All other revenues, such as subsidies, taxes, and investment earnings, which result from non-exchange transactions or ancillary activities are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary fund:

Sanitation Fund - The Sanitation Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing sewage and wastewater treatment services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets and a Statement of Changes in Net Assets. The City’s fiduciary funds include agency funds and one private-purpose trust fund. Agency funds are used to account for collections received from special assessment districts and their disbursement to bondholders. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Spending of agency fund resources is controlled primarily through legal agreements and applicable State and Federal laws. Agency funds are reported using the accrual basis of accounting.

The private-purpose trust fund is used to account for the assets and liabilities of the former redevelopment agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former redevelopment agency are paid in full and assets have been liquidated. Private purpose trust fund funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

c. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

The cash flow statements require presentation of “cash and cash equivalents”. For the purpose of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents”, as such funds are available to the various funds as needed.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

d. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

e. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair value on the date donated. City policy has set the capitalization threshold for reporting infrastructure and all other capital assets at \$1,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and improvements	20-50 years
Equipment	3-25 years
Infrastructure - sewer lines	40-50 years
Infrastructure - other	20-60 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include roads and streets, curbs, gutters and sidewalks, street lights, signs and signals, park equipment, and storm drains. The appropriate operating department maintains information regarding the infrastructure assets.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

Note 1: Summary of Significant Accounting Policies (Continued)

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property that determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition.

Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

f. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

g. Compensated Absences

Government-Wide Financial Statements

For governmental activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources, rather than currently available financial resources. Accordingly, the entire unpaid liability for the governmental funds is recorded in the government-wide financial statements, as these amounts will be liquidated from future resources. In the proprietary fund, compensated absences are expensed in the period they are earned, and the unpaid liability is recorded as a long-term liability of the fund.

Note 1: Summary of Significant Accounting Policies (Continued)

h. Net Assets

In the Government-Wide and Proprietary Fund Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that was issued for the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City’s policy is to apply restricted net assets first.

i. Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager and the Director of Finance for that purpose.

Unassigned – This category is for any balances that have no restrictions placed upon them.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City’s policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

When expenditures are incurred for purposes where only unrestricted fund balances are available, the Agency uses the unrestricted resources in the following order: committed, assigned, and unassigned.

j. Property Taxes

Property taxes are levied on July 1 and are payable in two installments: December 10 and February 10 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Diego, California (County) bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when received in cash except at year end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes as revenues at June 30 available taxes or those collected within 60 days. The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic levy.

k. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2012:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 18,452,307	\$ 8,101,942	\$ 26,554,249	\$ 734,974	\$ 27,289,223
Cash and investments with fiscal agent held by fiscal agents	818,696	2,585,169	3,403,865	235,815	3,639,680
Total	\$ 19,271,003	\$ 10,687,111	\$ 29,958,114	\$ 970,789	\$ 30,928,903

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 2: Cash and Investments (Continued)

Cash and investments consisted of the following at June 30, 2012:

Cash:	
Cash on hand	\$ 700
Demand deposits	1,401,710
Total cash	<u>1,402,410</u>
Investments:	
Local Agency Investment Fund	25,886,813
Investments held by fiscal agent:	
Money market fund	2,820,984
Federal agency securities (FNMA)	818,696
Total investments	<u>29,526,493</u>
Total cash and investments	<u>\$ 30,928,903</u>

a. Cash Deposits

The carrying amounts of the City's cash deposits were \$1,401,710 at June 30, 2012. Bank balances were \$6,631,902 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name is discussed below. The \$5,230,192 difference represents outstanding checks and other reconciling items.

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 or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental 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.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 2: Cash and Investments (Continued)

As of June 30, 2012, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For investments identified herein as held by fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

b. Investments

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

The following table identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. The City has no investments held by bond trustee.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local agency bonds	Yes	5 years	None	None
U.S. Treasury bills	Yes	None	60%	None
U.S. Treasury notes	Yes	5 years	40%	None
U.S. agency securities	Yes	5 years	20%	None
Banker's acceptances	Yes	180 days	10%	None
Commercial paper	Yes	180 days	10%	10%
Negotiable certificates of deposit	No	5 years	10%	None
Repurchase agreements	No	1 year	None	None
Passbook savings demand deposits	Yes	5 years	None	None
Reverse-repurchase agreements	No	92 days	20% of base value	None
Medium-term notes	No	5 years	30%	None
Mutual funds	No	5 years	None	None
Money market mutual funds	No	5 years	None	None
Local Agency Investment Fund (LAIF)	Yes	5 years	\$ 40,000,000	None

* Based on state law or investment policy requirements, whichever is more restrictive.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 2: Cash and Investments (Continued)**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Banker's acceptances	360 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	90 days	None	None
Investment contracts	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
State or municipal obligations	None	None	None

c. External Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

The fair value of the City's investment in LAIF is reported 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. LAIF is not rated.

The City's investments with LAIF at June 30, 2012, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2012, the City had \$25,886,813 invested in LAIF which had invested 5.01% of the pool investment funds in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 2: Cash and Investments (Continued)**d. Risk Disclosures**

Interest Rate Risk

Interest rate risk is the risk that the market value of investments in the portfolio will fall due to changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates is. The City manages this risk by investing its operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools to ensure liquidity 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.

	<u>Fair Value</u>	<u>1 year or less</u>
Held by City:		
LAIF	\$ 25,886,813	\$ 25,886,813
Held by Fiscal Agent		
Money market funds	2,820,984	2,820,984
Federal agency (FNMA)	<u>818,696</u>	<u>818,696</u>
Total	<u><u>\$ 29,526,493</u></u>	<u><u>\$ 29,526,493</u></u>

Credit Risk

Credit Risk is the risk of loss due to failure of the security issuer. The risk can be identified through the rating assigned by a nationally recognized statistical rating organization to the issuers of securities. The City minimizes this risk by investing only in investment types allowed for municipalities by the Government Code as listed on the City's investment policy and investing only in instruments that are most credit worthy. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of June 30, 2012, for each investment type.

	<u>Fair Value</u>	Minimum Legal Rating	<u>Ratings as of Year End</u>		
			<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
Held by City:					
Local Agency Investment Fund	\$ 25,886,813	N/A	\$ -	\$ -	\$ 25,886,813
Held by fiscal agent:					
Money market funds	2,820,984	A	2,820,984	-	-
Federal agency (FNMA)	<u>818,696</u>	N/A	<u>-</u>	<u>818,696</u>	<u>-</u>
Total	<u><u>\$ 29,526,493</u></u>		<u><u>\$ 2,820,984</u></u>	<u><u>\$ 818,696</u></u>	<u><u>\$ 25,886,813</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 2: Cash and Investments (Continued)

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 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.

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. The City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

Note 3: Interfund Transactions

a. Fund Financial Statements

Due from and to other funds

At June 30, 2012, the City had the following short-term interfund receivables and payables:

	Due from other funds
	<u>General Fund</u>
<u>Due to other funds</u>	
City Debt Service Fund	\$ 779,376
Non-major Governmental Funds	<u>236,889</u>
Total	<u>\$ 1,016,265</u>

Due from/to other funds balances arise from the advance payments by the City's General Fund for debt service payments and projects expenditures which are reimbursable through various Federal and State Grant Programs.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 3: Interfund Transactions (Continued)

Advances from and to other funds

At June 30, 2012, the City had the following long-term interfund receivables and payables:

	Advance from other funds
	General Fund
<u>Advance to other funds</u>	
Sanitation Fund	<u>\$ 2,780,338</u>

The Sanitation Fund advanced funds to the General Fund for payment of the PERS side-fund. For further information see Note 10.

Interfund Transfers

At June 30, 2012, the City had the following transfers:

	Transfers In		Total
	City Debt Service	Non-Major Governmental Funds	
<u>Transfers Out</u>			
General Fund	\$ 342,800	\$ 316,367	\$ 659,167
Non-major governmental funds	-	1,901,803	1,901,803
	<u>\$ 342,800</u>	<u>\$ 2,218,170</u>	<u>\$ 2,560,970</u>

The most significant interfund transfers were from the General Fund to the City Debt Service Fund for the City's principal and interest payments. With the non-major funds, transfers were made to the capital projects funds to fund capital projects.

During the fiscal year ended June 30, 2012, there were no significant interfund transfers that were not expected, budgeted for, unusual nor of a non-routine nature.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Governmental Activities:					
<i>Non-Depreciable Assets:</i>					
Land	\$ 2,537,440	\$ -	\$ -	\$ -	\$ 2,537,440
Construction in progress	1,922,763	2,048,300	-	(965,960)	3,005,103
Total non-depreciable assets	<u>4,460,203</u>	<u>2,048,300</u>	<u>-</u>	<u>(965,960)</u>	<u>5,542,543</u>
<i>Depreciable Assets:</i>					
Buildings	5,434,448	-	-	582,467	6,016,915
Improvements	9,198,467	-	-	-	9,198,467
Equipment	2,070,679	48,638	-	-	2,119,317
Vehicles	1,850,986	-	-	-	1,850,986
Infrastructure	54,476,566	3,213	-	383,493	54,863,272
Total depreciable assets	<u>73,031,146</u>	<u>51,851</u>	<u>-</u>	<u>965,960</u>	<u>74,048,957</u>
<i>Less accumulated depreciation:</i>					
Buildings	(2,033,150)	(120,792)	-	-	(2,153,942)
Improvements	(2,203,944)	(305,894)	-	-	(2,509,838)
Equipment	(1,925,784)	(75,379)	-	-	(2,001,163)
Vehicles	(897,960)	(111,396)	-	-	(1,009,356)
Infrastructure	(33,056,798)	(2,236,435)	-	-	(35,293,233)
Total accumulated depreciation	<u>(40,117,636)</u>	<u>(2,849,896)</u>	<u>-</u>	<u>-</u>	<u>(42,967,532)</u>
Total depreciable assets, net	<u>32,913,510</u>	<u>(2,798,045)</u>	<u>-</u>	<u>965,960</u>	<u>31,081,425</u>
Total capital assets, net	<u>\$ 37,373,713</u>	<u>\$ (749,745)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,623,968</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2012, is as follows:

General government	\$ 91,565
Public safety	187,613
Public works	2,249,498
Community and development	4,612
Community services	<u>316,608</u>
Total depreciation expenses	<u>\$ 2,849,896</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets (Continued)

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Business-Type Activities					
<i>Non-Depreciable Assets:</i>					
Land	\$ 111,706	\$ -	\$ -	\$ -	\$ 111,706
Construction in progress	102,155	61,943	-	(5,208)	158,890
Total non-depreciable assets	<u>213,861</u>	<u>61,943</u>	<u>-</u>	<u>(5,208)</u>	<u>270,596</u>
<i>Depreciable Assets:</i>					
Building and improvements	15,587,439	-	-	5,208	15,592,647
Equipment	529,739	-	-	-	529,739
Total depreciable assets	<u>16,117,178</u>	<u>-</u>	<u>-</u>	<u>5,208</u>	<u>16,122,386</u>
<i>Less accumulated depreciation:</i>					
Building and improvements	(4,051,040)	(342,020)	-	-	(4,393,060)
Equipment	(518,025)	(2,342)	-	-	(520,367)
Total accumulated depreciation	<u>(4,569,065)</u>	<u>(344,362)</u>	<u>-</u>	<u>-</u>	<u>(4,913,427)</u>
Total depreciable assets, net	<u>11,548,113</u>	<u>(344,362)</u>	<u>-</u>	<u>5,208</u>	<u>11,208,959</u>
Total capital assets, net	<u>\$ 11,761,974</u>	<u>\$ (282,419)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,479,555</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2012, is as follows:

Sanitation	<u>\$ 344,362</u>
Total depreciation expenses	<u>\$ 344,362</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 5: Long-Term Obligations

Governmental Activities Long-Term Debt

The following is a summary of changes in governmental activities long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Transferred to the Successor Agency	Balance June 30, 2012	Due Within One Year
2006 Tax Allocation Bond	\$ 3,300,000	\$ -	\$ -	\$ 3,300,000	\$ -	\$ -
Lease Revenue Bond - ABAG	1,640,000	-	1,640,000	-	-	-
Refunding Lease - ABAG	-	1,388,300	-	-	1,388,300	109,000
Capital Lease						
Fire truck	295,535	-	144,900	-	150,635	150,635
Energy Efficiency/ Conservation Upgrades	-	818,696	-	-	818,696	42,493
Compensated Absences	297,138	214,607	204,341	-	307,404	211,401
	<u>\$ 5,532,673</u>	<u>\$ 2,421,603</u>	<u>\$ 1,989,241</u>	<u>\$ 3,300,000</u>	<u>\$ 2,665,035</u>	<u>\$ 513,529</u>
				unamortized discount	(10,650)	
				Total	<u>\$ 2,654,385</u>	

Lease Revenue Bonds – ABAG

On January 10, 2002, the City issued \$3,465,000 of Series 2002 ABAG Lease Revenue Bonds to advance refund \$2,185,000 of the outstanding Certificates of Participation, Series 1992, and \$1,125,000 of the outstanding Certificates of Participation, Series 1995, establish a reserve account for the bonds, and to pay the cost of issuing the bonds. \$3,504,499 of the 2002 series proceeds were used to purchase U.S. Government securities to advance refund the 1992 and 1995 series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1995 series. As a result, the 1992 and 1995 series certificates of participation are considered to be defeased and the liability for the 1992 and 1995 series has been removed from the Government-wide Statement of Net Assets.

On November 1, 2011, the City entered into a refunding lease agreement with Municipal Financial Corporation in the amount of \$1,388,300 to current refund the outstanding balance of the ABAG Lease Revenue Bonds, Series 2002 and to take advantage of historically low interest rates. The average savings are approximately \$21,258 per fiscal year with the net present value savings equal to \$185,245. The lease matures on December 1, 2022. Principal payments are due December 1st of each year with semi-annual interest rate at 3.40%. The debt requirements due under the terms of the lease as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 109,000	\$ 45,349	\$ 154,349
2014	112,700	41,580	154,280
2015	111,200	37,774	148,974
2016	114,800	33,932	148,732
2017	123,400	29,883	153,283
2018-2022	672,200	83,055	755,255
2023	145,000	2,465	147,465
Total	<u>\$ 1,388,300</u>	<u>\$ 274,038</u>	<u>\$ 1,662,338</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 5: Long-Term Obligations (Continued)

Capital Lease Obligations

Fire Truck

On October 27, 2008, the City entered into a capital lease for the purchase of a fire truck. The annual interest rate is 3.9% and lease payments are due quarterly in the amount of \$38,581. The debt requirements due under the terms of the lease as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 150,635	\$ 3,690	\$ 154,325
Total	<u>\$ 150,635</u>	<u>\$ 3,690</u>	<u>\$ 154,325</u>

At June 30, 2012, the fire truck had a book value of \$612,479.

Energy Efficiency/Conservation Upgrades

On May 9, 2012, the City entered into a capital lease with Municipal Finance Corporation for various energy efficiency/conservation upgrades at City facilities. The lease was executed in the amount of \$818,696. Rental payments are due in thirty-one semi-annual payments of \$35,187 and include interest at the rate of 3.45%. The City also executed an acquisition fund agreement with Deutsche Bank National Trust Company for distribution of the funds. The debt requirements due under the terms of the lease as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 42,493	\$ 27,882	\$ 70,375
2014	43,971	26,403	70,374
2015	45,501	24,873	70,374
2016	47,084	23,290	70,374
2017	48,723	21,651	70,374
2018-2022	270,257	81,613	351,870
2023-2027	320,667	31,203	351,870
Total	<u>\$ 818,696</u>	<u>\$ 236,915</u>	<u>\$ 1,055,611</u>

Compensated Absences

Compensated absences at June 30, 2012, amounted to \$307,404. This liability is expected to be paid from future resources from the General Fund.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 5: Long-Term Obligations (Continued)

Business-type Activities Long-Term Debt

The following is a summary of changes in business-type activities long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
JPA Loan Payable - 2003	\$ 6,060,000	\$ -	\$ 6,060,000	\$ -	\$ -
JPA Loan Payable - 2011	-	4,893,638	25,000	4,868,638	618,460
Sewer Revenue Bond- 2006	9,120,000	-	205,000	8,915,000	210,000
Compensated Absences	15,156	20,536	10,705	24,987	17,649
	<u>\$ 15,195,156</u>	<u>\$ 4,914,174</u>	<u>\$ 6,300,705</u>	13,808,625	<u>\$ 846,109</u>
			Unamortized premium	349,133	
			Total	<u>\$ 14,157,758</u>	

San Elijo JPA Loan Payable - 2003

On April 16, 2003, the City of Solana Beach and the San Elijo Joint Powers Authority (JPA) amended a loan agreement whereby the JPA loaned \$9,905,000 to the City to refund the 1993 Refunding Revenue Bonds. The 1993 Bonds were originally issued to refinance the cost of acquiring and constructing certain improvements to the San Elijo Wastewater Treatment Facilities owned by the JPA. Funding for the loan was provided through the issuance of Revenue Bonds by the JPA in the amount of \$18,640,000. \$10,282,918 of the 2003 Series proceeds were used to purchase U.S. Government Securities to advance refund the 1993 Series. As a result, the 1993 Series is considered defeased and the related liability has been removed from the Government-wide Statement of Net Assets.

The amended loan matures on March 1, 2020. The 2003 bonds ranging from 2.00% to 5.00% and annual principal installments ranging from \$430,000 to \$810,000 are due annually on March 1. Interest payments are due semi-annually on September 1 and March 1. As of June 30, 2012, this loan has been refunded through the issuance of the San Elijo JPA Loan Payable - 2011.

San Elijo JPA Loan Payable - 2011

On March 1, 2012, the San Elijo Joint Powers Authority issued the 2012 Refunding Revenue Bonds to refund on a current basis the 2003 Refunding Revenue Bonds and prepaid a note to the California Energy Commission. Each local agency entered into a Third Amended and Restated Loan Agreement as of January 1, 2012 to assist in the financing of the Local Agencies' respective share of the Bonds. The City of Encinitas and the City of Solana Beach will be paying approximately 52% and 48% of total debt service on the bonds respectively.

The amended loan matures on March 1, 2021. The interest rates on the bonds range from 2.00% to 4.00% per year. The City of Solana Beach's portion of annual principal installments range from \$25,000 to \$751,154.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 5: Long-Term Obligations (Continued)

The annual debt service requirements for the City of Solana Beach are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 618,460	\$ 167,454	\$ 785,914
2014	636,963	148,900	785,863
2015	655,634	129,792	785,426
2016	671,470	110,122	781,592
2017	692,808	89,978	782,786
2018-2021	<u>1,593,303</u>	<u>100,490</u>	<u>1,693,793</u>
Total	<u>\$ 4,868,638</u>	<u>\$ 746,736</u>	<u>\$ 5,615,374</u>

In compliance with bond issuance covenants, specifically Appendix F Section 4(c) of the \$18,640,000 San Elijo Joint Powers Authority, 2011 Refunding Revenue Bonds, the City is including this table showing debt service coverage for the fiscal year of at least 1.10 times (i) the loan installments coming due and payable during the fiscal year, (ii) all payments required with respect to parity debt, and (iii) amount required to replenish the Reserve Fund as required by the indenture.

	<u>Fiscal Year 2011-12</u>
Revenues:	
Operating revenues	\$ 4,517,005
Other operating	13,802
Non-operating	408,033
Gross revenues	<u>4,938,840</u>
Expenses	<u>4,037,265</u>
Net Income	<u>\$ 901,575</u>
Add back:	
Interest expense	\$ 666,620
Depreciation	344,362
Amortization of bond issuance costs	91,263
Net revenues available for debt service	<u>\$ 2,003,820</u>
2011 Refunding Revenue bonds debt service:	
Principal repayment	\$ 25,000
Interest charges	32,658
Total debt service	<u>\$ 57,658</u>
Coverage ratio	<u>34.8</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 5: Long-Term Obligations (Continued)

2006 Subordinate Wastewater Revenue Bonds

On January 18, 2007, the City, acting as the Solana Beach Public Financing Authority, issued \$9,825,000 of Series 2006 Subordinate Wastewater Revenue Bonds to finance certain capital improvements to the Wastewater System. These bonds have a 30 year maturity with principal payments ranging from \$130,000 to \$565,000 with the final maturity paid on March 1, 2037. Interest on the bonds is payable semi-annually March 1 and September 1 commencing on September 1, 2007. Interest rates range from 3.42% to 4.45%. Total principal and interest remaining on the bonds was \$14,758,671 at June 30, 2012.

The Bonds are paid solely from, and secured by a pledge of, installment payments and moneys in the funds and account held under the indenture. The installment payments are special limited obligations of the City payable solely from and secured by a pledge of and first lien on residual net revenues of the Wastewater System. Residual net revenues consist of revenues derived from the Wastewater System and remaining after the payment of operating and maintenance expense and debt service on the JPA Loan Payable.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 210,000	\$ 378,318	\$ 588,318
2014	220,000	370,758	590,758
2015	225,000	362,838	587,838
2016	235,000	354,400	589,400
2017	245,000	345,588	590,588
2018-2022	1,380,000	1,572,031	2,952,031
2023-2027	1,700,000	1,256,613	2,956,613
2028-2032	2,100,000	852,250	2,952,250
2033-2037	2,600,000	350,875	2,950,875
Total	<u>\$ 8,915,000</u>	<u>\$ 5,843,671</u>	<u>\$ 14,758,671</u>

The City covenants under the 2006 Subordinate Wastewater Revenue Bond Installment Sale Agreement require while the Bonds remain outstanding and to the extent permitted by law, the City will fix, prescribe and collect rates and charges which will be at least sufficient to yield during each fiscal year Residual Net Revenues equal to one hundred twenty percent (120%) of Debt Service.

This bond issue is subordinate to the San Elijo JPA Refunding Revenue Bonds Issue.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 5: Long-Term Obligations (Continued)

Using net revenues available for debt service of \$2,003,820, the 2006 Subordinate Wastewater Revenue bonds debt service coverage requirement for fiscal year ended June 30, 2012 is calculated as follows:

	Fiscal Year 2011-12
Net revenues available for debt service	\$ 2,003,820
Less: 2003 Refunding Revenue bonds debt service	(291,600)
Less: 2011 Refunding Revenue bonds debt service	<u>(57,658)</u>
Net revenues available for 2006 Sewer Revenue Bonds debt service	<u>\$ 1,654,562</u>
2006 Sewer Revenue bonds debt service	
Principal repayment	\$ 205,000
Interest charges	<u>385,493</u>
Total debt service	<u>\$ 590,493</u>
Coverage ratio	<u>2.8</u>

Compensated Absences

Business-type activities compensated absences at June 30, 2012, amounted to \$24,987. This liability is expected to be paid from future resources from the Sanitation Fund.

Non-City Obligations – Special Assessment Debt

Bonds issued to finance public improvement projects in certain assessment districts are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders.

The City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith, credit, nor the taxing power of the City is pledged to the payment of the bonds. Therefore, none of the following obligations are included in the accompanying basic financial statements.

Undergrounding Districts

During July 2006, the Solana Beach Public Financing Authority issued Assessment District Revenue Bonds totaling \$2,112,000 (less bond issuance costs of \$244,393) to finance the undergrounding of utility lines for the Barbara/Granados Avenue Utility Undergrounding District and the Pacific Avenue/East and West Circle Drive Utility Underground Assessment District. In July 2008, the City of Solana Beach issued \$480,000 (less bond issuance costs of \$87,775) to finance the undergrounding of utility lines on Marsolan Avenue. The outstanding bonds at June 30, 2012, were \$2,355,000.

Note 5: Long-Term Obligations (Continued)

South Solana Sewer District

In November 2006, the Solana Beach Public Financing Authority issued Limited Obligation Improvement Bonds totalizing \$570,000 (less bond issuance costs of \$5,742) to finance the construction of sewer improvements to connect 51 properties of the South Solana Beach Sewer District assessment district to the City's sewer system. The outstanding bonds at June 30, 2012, were \$530,000.

Note 6: Risk Management

The City is a member of the San Diego Pooled Insurance Program Authority ("SANDPIPA"), a consortium of twelve governmental entities in San Diego County who have joined together to achieve savings on insurance premiums through volume purchasing and risk management consulting. Each member pays for its proportionate share of its individually contracted insurance coverage and consulting services.

SANDPIPA is governed by a Board of Directors consisting of one member appointed by each member city. The Board elects a President, Vice-President, and Treasurer and meets quarterly to supervise and conduct Authority affairs. The day-to-day business of SANDPIPA is handled by a full-time manager employed by the Authority.

Lawsuits in the nature of claims for damages to persons and/or property have been filed against the City. The City Attorney directs and the Risk Manager assists in the disposition of these claims. In addition, claims management is provided by Carl Warren and Company. The City notifies all appropriate parties, including Carl Warren and Company, SANDPIPA and the excess insurance carriers of claims/suits that have been filed when appropriate.

SANDPIPA monitors the progress of claims/suits that are reported. The City records a liability up to the amount of its self-insurance retention. The City has no knowledge of any material liability in excess of insurance coverage for known suits or claims.

General Liability Insurance

Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$125,000 and pays 100% of all losses incurred under \$125,000. The City does not share or pay for losses of other cities under their self-insured retention. Losses of \$125,000 to \$2,000,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$2,000,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$45,000,000. This cost is also prorated on a payroll basis.

The City maintains insurance coverage in the following specific areas: real and personal property damage with loss of revenue and increased expenses, auto physical damage, machinery damage and faithful performance bonds.

Workers' Compensation

Beginning October 1, 2004, the City became fully self-insured with respect to Workers' Compensation. The City has a Self-Insured Retention (SIR) of \$125,000 per claim and additional coverage above its SIR with CSAC Excess Insurance Authority (EIA) to \$4 million per claim; there is an additional \$45 million of reinsurance above CSAC-EIA

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 6: Risk Management (Continued)

coverage bringing the total coverage to over \$49 million per claim, up to the statutory workers' compensation limits set by the State of California. The CSAC-EIA is ranked as the second largest public entity risk pool and the largest property and casualty pool in the nation.

The workers' compensation and general liability claims payable of \$1,147,000 reported at June 30, 2012 includes all claims for which information prior to the issuance of the financial statements indicates that it was probable that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the prior year. Changes in the claims liability amounts were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2009-2010	\$ 393,521	\$ 1,156,139	\$ (346,660)	\$ 1,203,000
2010-2011	1,203,000	194,013	(153,443)	1,243,570
2011-2012	1,243,570	339,900	(436,470)	1,147,000

The latest financial information of the CSAC Excess Insurance Authority for fiscal year ended June 30, 2012, is as follows:

Total assets	<u>\$ 573,863,822</u>
Total liabilities	<u>\$ 468,312,002</u>
Total net assets	<u>\$ 105,551,820</u>
Total revenues	<u>\$ 515,514,668</u>
Total expenses	<u>\$ 514,277,487</u>
Expenses over revenues	<u>\$ 1,237,181</u>

Note 7: Public Employee Retirement System

Plan Description

The City contributes to the California Public Employees Retirement System ("PERS"), a cost-sharing agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 7: Public Employee Retirement System (Continued)**Funding Policy**

City employees are required by State statute to contribute 8% for miscellaneous employees ("tier 1"), 7% for miscellaneous employees (tier 2), 9% for fire safety employees, and 9% for marine safety employees of their annual covered salary. The City employer is required to contribute for fiscal year 2011-2012 at an actuarially determined rate; the current rate as a percentage of annual covered payroll is 13.353% for miscellaneous employees (tier 1), 7.733% for miscellaneous employees (tier 2), 24.112% for fire safety employees (tier 1), 19.169% for fire safety employees (tier 2), 24.112% for marine safety employees (tier 1), and 19.169% for marine safety employees (tier 2). Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

Annual Pension Cost

For fiscal year ended June 30, 2012, the City's annual pension cost of \$757,339 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuations using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases range from 3.55% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year individual salary growth. Each item (a), (b), and (c) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2009, was 30 years for prior and current service unfunded liability.

The City's covered payroll for PERS was \$2,156,825 for miscellaneous employees - tier 1, \$106,254 for miscellaneous employees – tier 2, \$1,623,427 for fire safety – tier 1, \$19,919 for fire safety employee – tier 2, \$272,970 for marine safety tier 1 and \$0 for marine safety tier 2. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

Three-Year Trend Information for PERS**Miscellaneous Employees-Tier 1**

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	14.089%	\$ 424,941	100%	\$ -
6/30/2011	14.007%	348,568	100%	-
6/30/2012	13.353%	288,001	100%	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7: Public Employee Retirement System (Continued)

Three-Year Trend Information for PERS (Continued)

Miscellaneous Employees-Tier 2				
Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	6.755%	\$ 385	100%	\$ -
6/30/2012	7.733%	8,259	100%	-

Fire Safety Employees-Tier 1				
Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	32.255%	\$ 519,719	100%	\$ -
6/30/2011	32.856%	536,133	100%	-
6/30/2012	24.112%	391,441	100%	-

Fire Safety Employees-Tier 2				
Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	19.169%	3,818	100%	-

Marine Safety Employees-Tier 1				
Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	30.432%	\$ 70,954	100%	\$ -
6/30/2011	29.815%	80,188	100%	-
6/30/2012	24.112%	65,820	100%	-

Marine Safety Employees - Tier 2				
Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	19.169%	n/a	n/a	\$ -

Note 7: Public Employee Retirement System (Continued)

Funded Status of Plan – Miscellaneous and Safety Employees

As of the actuarial valuation date of June 30, 2009, the City's plans were part of the CalPERS Risk Pool for employers with fewer than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

Note 8: Other Post Employment Benefits

Plan Description

The City of Solana Beach Retiree Healthcare Plan ("Plan") is a single-employer defined benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System healthcare program (PEMHCA). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees and the unions representing City employees. The Retiree Healthcare Plan does not issue an audited, GAAP-basis financial report.

The City provides a retiree healthcare contribution for medical coverage up to dollar caps that vary by bargaining group.

Funding Policy

The contribution requirements of the Plan participants and the City are established by and may be amended by the City pursuant to agreements with its non-represented employees and the unions representing City employees.

The City contributed \$101,900 during the 2012 fiscal year on a pay-as-you-go basis for current benefit payments. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8: Other Post Employment Benefits (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's Net OPEB obligation:

Annual Required Contribution (ARC)	\$ 380,000
Interest on Net OPEB Obligation	19,500
Adjustment to ARC	<u>(30,400)</u>
Annual OPEB Cost (Expenses)	369,100
Contribution Made	<u>(101,900)</u>
Increase in Net OPEB Obligation	267,200
Net OPEB Obligation	
Beginning of year	<u>459,900</u>
End of year	<u>\$ 727,100</u>

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage Contribution	Increase in Net OPEB Obligation	Net OPEB Obligation
2009-2010	\$ 235,400	\$ 80,600	34.2%	\$ 151,100	\$ 305,900
2010-2011	250,100	96,100	38.4%	154,800	459,900
2011-2012	369,100	101,900	27.6%	267,200	727,100

Funded Status and Funding Progress

The most recent schedule of funding progress is presented below:

Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll [(B-A)/C]
6/30/2006	\$ -	\$ 1,706,000	\$ 1,706,000	0.0%	\$ 3,348,000	51.0%
6/30/2009	-	2,330,000	2,330,000	0.0%	4,243,000	54.9%

Most Recent Actuarial Valuation

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 8: Other 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 the plan participants) 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 participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the June 30, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. The City's benefit cap for active employees hired before January 1, 2007 was assumed to remain at its current level. The PEMHCA minimum was assumed to increase with a medical cost increase rate of 4.5% beginning 2013 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll over a fixed 20-year period as of June 30, 2006. There were 17 years remaining in this amortization period for the 2011/12 Annual Required Contribution.

Note 9: Investment in Joint Venture

On June 17, 1987, the Cardiff Sanitation District and the City of Solana Beach established the San Elijo Joint Powers Authority (SEJPA), a separate legal entity, whose function is to manage, operate, maintain and expand a plant for the treatment and disposal of sewage or wastewater and to determine the joint and separate obligations of the members concerning the transmission, treatment, disposal and reclamation of sewage and wastewater within the respective service territories. The SEJPA's governing board consists of two members from each entity. The City of Solana Beach's investment in the SEJPA has been recorded using the equity method of accounting and is shown as an investment in joint venture in the City's financial statements. Summarized audited information of the SEJPA for the fiscal year ended June 30, 2012 is as follows:

Operating revenues	\$ 5,609,467
Operating expenses	(5,845,478)
Non-operating expenses (net of revenues)	(262,197)
Capital grants	<u>1,758,844</u>
Change in net assets	<u>\$ 1,260,636</u>
Total assets	\$ 56,515,042
Total liabilities	<u>(19,357,928)</u>
Net assets- total fund equity	<u>\$ 37,157,114</u>

Prior to the formation of the San Elijo Joint Powers Authority, the Cardiff Sanitation District and the City of Solana Beach operated the San Elijo water pollution control facility under an agreement whereby operating costs were shared based on usage and capital expansions were funded 56% by Cardiff and 44% by Solana Beach. Upon formation of the SEJPA in

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Investment in Joint Venture (Continued)

June 1987 the members continued funding SEJPA activities in this manner until May 1989, when the equity interests in the joint venture were revised to 50% Cardiff and 50% Solana Beach. To effect the change in equity interests, the City of Solana Beach agreed to pay Cardiff Sanitation District \$750,680, which included a premium on the value of the equity interest in the amount of \$437,782. This premium is being amortized over the estimated useful life of the facility of forty years.

A summary of the changes in the City's investment in the San Elijo Joint Powers Authority for the year ended June 30, 2012 is as follows:

Investment at June 30, 2011	\$ 18,148,406
Capital contribution	380,707
Current year share in the joint venture net gain	255,556
Amortization of premium	<u>(10,945)</u>
Investment at June 30, 2012	<u>\$ 18,773,724</u>

At June 30, 2012 the SEJPA had \$9,235,000 in 2011 Refunding Revenue Bonds outstanding. The financial statements of the SEJPA can be obtained from the Solana Beach Finance Department located at Solana Beach City Hall, 635 S. Highway 101, Solana Beach, California 92075.

Note 10: Sanitation Loan to General Fund

On June 22, 2011, the City Council adopted Resolution 2011-101 transferring funds from the Sanitation unrestricted reserves to an internal General Fund account, PERS Side Fund Prepayment fund, to pay off the City's CalPERS Side Fund obligation in the amount of \$3,132,587. The transfer of funds was characterized as a loan from the Sanitation Fund at an annual interest rate of 2.375% for 8 years. The funds transfer and the prepayment of the CalPERS Side Fund will save the City \$970,462 in total interest over a twelve year period as compared to the current PERS amortization schedule.

The City has the ability to make this kind of transfer from one fund to another so long as there is no prohibition on the use of the funds. In this case, the Sanitation funds are not specifically prohibited for other uses (except for connection fees, which cannot be used for any other purpose). See Health & Safety Code §§ 5473 et seq. While the transaction was fiscally and legally sound, the City Council determined that the timely repayment of the Sanitation Fund is a priority.

To ensure prudent, responsible fiscal oversight of the Sanitation fund, the Council adopted Council Policy No. 22 establishing procedures to guarantee that the Sanitation Fund is repaid for the transfer of funds in the amount of \$3,132,587 in a timely manner. The Policy requires a 4/5 vote of the City Council to delay and/or release the commitment to pay the Sanitation Fund loan as set forth in Resolution 2011-101. Additionally, a 4/5 vote of the City Council is required to amend or abolish this Council policy. The 4/5 vote requirement is not necessary if the proposed change would expedite the repayment of the Sanitation Fund loan.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 10: Sanitation Loan to General Fund (Continued)

The City elected to borrow funds from its Sanitation Fund to pay CalPERS Side fund obligation in full. Repayment to the Sanitation Fund over eight years will be as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 374,481	\$ 66,033	\$ 440,514
2014	397,692	57,139	454,831
2015	421,918	47,694	469,612
2016	447,202	37,673	484,875
2017	473,581	27,052	500,633
2018-2019	665,464	19,709	685,173
Total	<u>\$ 2,780,338</u>	<u>\$ 255,300</u>	<u>\$ 3,035,638</u>

Since the PERS Side Fund Prepayment fund made the payment to CalPERS in the amount of \$3,132,587, the fund reported a deficit fund balance of \$2,780,338 for FY2012 and the deficit fund balance was reported as an unassigned fund balance per the requirements of GASB 54. In each succeeding fiscal year, as the Sanitation Fund is repaid, the deficit fund balance will be reduced by that fiscal year's principle payment, and the fund balance will be increased to zero by FY2019. Note 12 provides additional information regarding the fund balance classification for the PERS Side Fund Prepayment fund.

Note 11: Commitments and Contingencies

a. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. The accompanying basic financial statements reflect a liability for the probable amounts of loss associated with these claims.

b. Construction Commitments

Various construction projects were in progress at June 30, 2012, with an estimated cost to complete of approximately \$1,459,525 in all fund types.

c. Sales Tax – Transnet Debt Commitment

On November 10, 2010 Solana Beach executed an agreement with The San Diego Association of Governments (SANDAG) relating to the 2010 Series A Bonds (BABs) for the completion of several projects including the Highway 101 streetscape and traffic calming project and other eligible projects. In the agreement, SANDAG withholds one-sixth of the interest due each month when Sales Tax is sent from the Board of Equalization (BOE) in an effort to have the full amount with the Trustee by the 1st of April and 1st of October.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 12: Classification of Fund Balances

The City has adopted the provisions of GASB Statement No. 54 Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

	General Fund	City Debt Service	Non-Major Governmental Funds	Total
Nonspendable				
Prepays	\$ 6,482	\$ -	\$ -	\$ 6,482
Total nonspendable	<u>6,482</u>	<u>-</u>	<u>-</u>	<u>6,482</u>
Restricted				
Gas Tax	-	-	1,010,851	1,010,851
Municipal Improvement Districts	-	-	387,435	387,435
SEEG	-	-	693	693
Lighting District	-	-	1,746,010	1,746,010
TransNet	-	-	219,863	219,863
COPS	-	-	114,812	114,812
Public Safety	-	-	39,538	39,538
Fire Mitigation	-	-	42,472	42,472
CALTRANS	-	-	59,634	59,634
Coastal Area Business/ Visitor Assistance & Enhancement	-	-	214,295	214,295
Miscellaneous Grants	-	-	25,598	25,598
Housing	-	-	426,564	426,564
Affordable Housing Grant	-	-	727,581	727,581
Assessment Districts CIP	-	-	205,752	205,752
Sand Replenish/ Retention and Coastal Access CIP	-	-	376,829	376,829
Public Improvement Grant	-	-	643,255	643,255
City Debt Service	-	39,320	-	39,320
Total restricted	<u>-</u>	<u>39,320</u>	<u>6,241,182</u>	<u>6,280,502</u>
Committed				
Public Facilities	124,782	-	-	124,782
Public Art	16,869	-	-	16,869
In-Lieu Housing	100,786	-	-	100,786
Parks & Recreation	22,097	-	-	22,097
Total assigned	<u>264,534</u>	<u>-</u>	<u>-</u>	<u>264,534</u>
Assigned				
General Fund	4,486,177	-	-	4,486,177
Developer Pass-Thru	-	-	90,431	90,431
City CIP	-	-	449,019	449,019
Total assigned	<u>4,486,177</u>	<u>-</u>	<u>539,450</u>	<u>5,025,627</u>
Unassigned	<u>2,573,592</u>	<u>-</u>	<u>(315,857)</u>	<u>2,257,735</u>
Total fund balances	<u>\$ 7,330,785</u>	<u>\$ 39,320</u>	<u>\$ 6,464,775</u>	<u>\$ 13,834,880</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 12: Classification of Fund Balances (Continued)

Fund Name	General Fund					Total Classification
	General Fund	Self Insurance	Worker's Compensation	Asset Replacement	PERS Side Fund Prepayment	
Non-Spendable						
Prepays	\$ 6,482	\$ -	\$ -	\$ -	\$ -	\$ 6,482
Total Non-Spendable	<u>6,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,482</u>
Committed						
Public Facilities	124,782	-	-	-	-	124,782
Public Art	16,869	-	-	-	-	16,869
In-Lieu Housing	100,786	-	-	-	-	100,786
Parks & Recreation	22,097	-	-	-	-	22,097
Total Committed	<u>264,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,534</u>
Assigned						
Park Fee	28,503	-	-	-	-	28,503
Community Television	12,417	-	-	-	-	12,417
Street Sweeping	110,024	-	-	-	-	110,024
Housing	1,499,500	-	-	-	-	1,499,500
Self-Insurance	-	575,546	-	-	-	575,546
Worker's Comp	-	-	358,894	-	-	358,894
Asset Replacement	-	-	-	1,901,293	-	1,901,293
Total Assigned	<u>1,650,444</u>	<u>575,546</u>	<u>358,894</u>	<u>1,901,293</u>	<u>-</u>	<u>4,486,177</u>
Unassigned	<u>5,353,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,780,338)</u>	<u>2,573,592</u>
Total fund balances (deficit)	<u>\$ 5,624,946</u>	<u>\$ 575,546</u>	<u>\$ 358,894</u>	<u>\$ 1,901,293</u>	<u>\$ (2,780,338)</u>	<u>\$ 7,330,785</u>

The General Fund for financial reporting purposes consists of the General Fund and the following funds that act as internal funds: Self Insurance Liability, Worker's Compensation, Asset Replacement, and the PERS Side Fund Prepayment (Prepayment).

The fund balances for the internal service funds are classified as Assigned with the exception of the Prepayment fund. This fund has a deficit fund balance of \$2,780,338 and because the fund balance amount is a deficit, GASB 54 requires this amount to be classified as Unassigned instead of Assigned.

As described in Note 10, the City made a decision to borrow \$3,132,587 funds from its Sanitation Fund to pay in full the City's pension side fund obligation. This will save the City \$970,462 in interest costs over twelve years. The Sanitation funds were transferred to the Prepayment fund, and since the issuance of a long-term interfund loan is recorded as a balance sheet item (advances payable) rather than in the operating statement (other financing sources), the transfer was reported as an Advance to other funds (Prepayment fund) on the Sanitation fund's balance sheet, and as an Advance from other funds (Sanitation fund) on the Prepayment fund's balance sheet. When the payment was made to CalPERS to pay the City's pension side fund obligation, the payment was recorded as an expense in the Prepayment fund for FY 2011.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 12: Classification of Fund Balances (Continued)

The loan from the Sanitation Fund will be repaid over eight years. In each succeeding fiscal year, the deficit fund balance will be reduced by that fiscal year's principle payment made to the Sanitation Fund, and the fund balance for the Prepayment fund will be increased to zero by FY 2019.

Note 10 provides additional information regarding the loan made by the Sanitation Fund to the General Fund, the terms of the repayment, and the amortization schedule that lists for each fiscal year the principle amount that will reduce deficit fund balance for PERS Side Fund Prepayment fund.

Note 13: Deficit Fund Balances

At June 30, 2012, the following funds had deficit fund balances:

Fund	Deficit
Special Revenue Funds:	
TEA 21/TEA	\$ 168,970
CDBG	15,454
Boatings & Waterways	131,433

The City is in the process of implementing plans to eliminate these deficits.

Note 14: Excess Expenditures Over Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the following funds:

	Appropriations	Expenditures	Excess
Public Safety	\$ 35,500	\$ 54,252	\$ 18,752
Costal Area Business/Visitor Assistance and Enhancement	34,500	36,733	2,233
City Debt Service	330,300	1,894,452	1,564,152

Expenditures exceed appropriations in the City Debt Service Fund due to the refinancing of the ABAG Lease Revenue bond in FY 2012.

Note 15: California Redevelopment Agency Dissolution

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB 1X 26 and 27 (*California Redevelopment Association v. Matosantos*). AB 1X 26 dissolves redevelopment agencies effective October 1, 2011. AB 1X 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county's share of these payments was determined based on its proportionate share of state-wide tax increment.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 15: California Redevelopment Agency Dissolution (Continued)

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB 1X 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB 1X 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in *California Redevelopment Association v. Matosantos*. The court upheld AB 1X 26 which eliminates redevelopment agencies, but invalidated in its entirety AB 1X 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB 1 X 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The Court extended certain deadlines of AB 1X 26 in its ruling by four months. The full text of AB 1X 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

Note 16: Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Solana Beach that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 11, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-011.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 16: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in the governmental funds - increase to net assets of the Successory Agency Trust Fund	\$ (366,005)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>3,300,000</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$ 2,933,995</u></u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 16: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 285,399
Cash and investments with fiscal agent	<u>235,815</u>
	<u>\$ 521,214</u>

b. Long-Term Debt

The following debt was transferred from the Redevelopment Agency to the Successor Agency as of February 1, 2012 as a result of the dissolution. A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2012, follows:

	Balance July 1, 2011	Transferred from the former RDA *	Additions	Repayments	Balance June 30, 2012	Due Within One Year
Fiduciary Funds:						
2006 Tax Allocation Bonds	\$ -	\$ 3,300,000	\$ -	\$ 70,000	\$ 3,230,000	\$ 75,000
Total Fiduciary Funds	<u>\$ -</u>	<u>\$ 3,300,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 3,230,000</u>	<u>\$ 75,000</u>

*As a result of the dissolution of the Redevelopment Agency, long term debts of the former Redevelopment Agency were transferred to the Successor Agency.

2006 Tax Allocation Bonds

On June 8, 2006, the Agency issued the Solana Beach Redevelopment Project 2006 Tax Allocation Bonds to be used for capital projects to alleviate blight in the project area. These bonds have a 30 year maturity with the final maturity paid on June 1, 2036 and interest rates ranging from 3.6% to 5.1 %. Interest on the bonds is payable semi-annually on June 1 and December 1, commencing December 1, 2007.

The amount on deposit in the Reserve Fund is maintained at the reserve requirement at all times prior to the payment in full of the Bonds, except to the extent required for the purposes set forth in the Indenture. As defined in the Indenture, "reserve requirement" means, excluding there from in the case of the Bonds an amount equal to the amount then on deposit in the Escrow Fund and in the case of any Parity Bonds an amount equal to the amount then on deposit in any escrow fund created with respect to such Parity Bonds created pursuant to the Indenture, as of the date of calculation an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of such Bonds; (ii) Maximum Annual Debt Service on such Bonds; or (iii) 125% of average Annual Debt Service on such Bonds. As of June 30, 2012, \$235,815 was held in reserve.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 16: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 75,000	\$ 157,903	\$ 232,903
2014	80,000	154,715	234,715
2015	80,000	151,235	231,235
2016	85,000	147,675	232,675
2017	90,000	143,850	233,850
2018-2022	520,000	652,488	1,172,488
2023-2027	655,000	515,550	1,170,550
2028-2032	825,000	337,750	1,162,750
2033-2037	820,000	107,100	927,100
Total	<u>\$ 3,230,000</u>	<u>\$ 2,368,266</u>	<u>\$ 5,598,266</u>

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$5,598,266 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City for the payment of indebtedness incurred by the dissolved redevelopment agency was \$371,147 and the debt service obligation on the bonds was \$231,358.

c. Insurance

The Successor Agency is covered under the City of Solana Beach's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 6.

d. Commitments and Contingencies

At June 30, 2012, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

Note 16: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

e. Subsequent Events

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. The Low-Moderate Income Housing Due Diligence Review resulted in an amount due of \$0 and the other Redevelopment Funds Due Diligence Review resulted in an amount due of \$0. The other Redevelopment Funds Review has not been confirmed by the Department of Finance yet, although a determination was issued for the Low-Moderating Income Housing Review and resulted in an amount due of \$195,699 which was paid under protest on December 24, 2012.

Note 17: Restatement of Fund Balance and Net Assets

The COPS fund restated fund balance by \$114,812 to recognized earned revenue which was reflected as unearned revenue in the prior year. Governmental activities net assets were adjusted for the same purpose.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOLANA BEACH

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

Budgetary Information

The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. From the effective date of the budget adoption, the amounts budgeted become the "annual appropriated budget." Annual appropriated budget are adopted for the General Fund, special revenue funds, capital projects funds (with the exception of Assessment District capital project fund) and debt service funds. The following special revenue funds did not have original budgets adopted; however, these funds did have budget adopted before fiscal year end:

SEEG
Prop A
TEA 21 / TEA
Transportation Development Act
CDBG

The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budget amounts within any department and any fund during the budget year. However, any revisions that alter total expenditures of any fund must be approved by the City Council.

Expenditure may not legally exceed appropriations at the fund level. Appropriations lapse at the end of the fiscal year. Selected appropriations are carried over. Project-length financial plans are adopted for the City capital projects. Supplemental appropriations, which increase appropriations, may be made during the fiscal year.

CITY OF SOLANA BEACH

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

Budgetary Information

Budgetary Comparison schedule - General Fund

	2012			Variance with Final Budget Positive (Negative)	2011
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Fund Balance, July 1	\$ 6,533,026	\$ 6,533,026	\$ 6,533,026	\$ -	\$ 6,533,026
Resources (Inflows):					
Taxes					
Property	5,327,600	5,482,300	5,384,007	(98,293)	5,302,265
Sales	2,794,000	2,803,900	2,963,507	159,607	2,813,227
Franchise and other	2,335,000	2,335,000	2,443,079	108,079	2,315,517
Licenses and permits	300,000	375,000	420,339	45,339	323,091
Intergovernmental	1,603,500	1,462,500	1,457,131	(5,369)	1,442,110
Charges for services	644,600	746,980	796,759	49,779	603,497
Use of money and property	116,500	105,300	81,207	(24,093)	124,463
Fines and forfeitures	340,300	340,300	342,136	1,836	385,394
Other revenues	434,200	454,200	435,714	(18,486)	575,253
Transfers in	-	-	-	-	137,107
Amounts Available for Appropriations	20,428,726	20,638,506	20,856,905	218,399	20,554,950
Charges to Appropriation (Outflow):					
General government					
City Council	216,500	216,500	209,268	7,232	214,409
City Clerk	305,800	348,800	284,574	64,226	292,735
Legal services	522,100	522,100	377,392	144,708	499,504
City Manager	311,100	292,100	268,362	23,738	372,529
Finance	546,700	590,972	553,377	37,595	687,770
Personnel	260,900	260,900	248,858	12,042	272,729
Information systems	274,300	274,300	255,856	18,444	286,797
Support services	658,100	661,075	920,972	(259,897)	1,576,745
Total general government	3,095,500	3,166,747	3,118,659	48,088	4,203,218
Public safety					
Junior lifeguard	199,600	199,600	185,478	14,122	185,905
Marine safety	615,300	615,300	566,892	48,408	779,399
Law enforcement	3,025,500	3,025,500	2,994,108	31,392	2,912,712
Code & parking enforcement	216,300	216,300	198,128	18,172	207,470
Fire department	3,376,800	3,453,700	3,207,094	246,606	5,137,837
Animal regulation	86,800	94,400	89,006	5,394	83,705
Civil defense	25,600	25,600	22,424	3,176	17,954
Environmental services	51,800	51,800	39,360	12,440	43,039
Total public safety	7,597,700	7,682,200	7,302,490	379,710	9,368,021
Public works					
Street and other	1,061,500	1,084,960	965,178	119,782	985,614
Public facilities	150,500	155,000	129,371	25,629	118,194
Engineering	279,400	312,400	283,496	28,904	428,268
Total public works	1,491,400	1,552,360	1,378,045	174,315	1,532,076
Community development					
Planning	522,600	508,740	483,740	25,000	670,364
Building Services	333,800	316,300	339,064	(22,764)	292,761
Total community development	856,400	825,040	822,804	2,236	963,125

CITY OF SOLANA BEACH

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 YEAR ENDED JUNE 30, 2012

Budgetary Information (Continued)

Budgetary Comparison schedule - General Fund

	2012			Variance with Final Budget Positive (Negative)	2011
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Parks and recreation					
Community Services	99,200	99,200	95,897	3,303	121,876
Recreation Programs	169,600	169,600	149,058	20,542	146,727
Total park and recreation	268,800	268,800	244,955	23,845	268,603
Transfers out	395,000	659,167	659,167	-	581,026
Total Charges to Appropriations	13,704,800	14,154,314	13,526,120	628,194	16,916,069
Budgetary Fund Balance, June 30	\$ 6,723,926	\$ 6,484,192	\$ 7,330,785	\$ 846,593	\$ 3,638,881

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Gas Tax Fund - accounts for revenues received and expenditures made for street related activities. Revenues are received from the State of California for the City's share of gasoline taxes pursuant to California Streets and Highways Code Sections 2105, 2106, 2107 and 2107.5.

Municipal Improvement Districts Fund - accounts for receipts and expenditure related to landscape maintenance within the various improvement districts. Budgets for maintenance cost are determined by property owners who are then assessed on a per parcel basis. The assessments are collected via the County tax roll.

SEEG Fund - accounts for the State Environment Enhancement Grant.

Lighting District Fund - accounts for the revenues received and expenditures made related to street lights on the City's streets. The City determines the yearly budget and property owners are charged their proportionate share based on a per unit basis. The assessments are collected via the County tax roll.

TransNet Fund - accounts for revenues received and expenditures made related to transportation development, transit and related studies. Funding is provided to the City as a secondary recipient under agreement with the County of San Diego and with San Diego Association of Governments (SANDAG).

Proposition A Fund - accounts for the San Diego County Proposition A one half (1/2) cents transportation sales tax which went into effect on July 1, 1988. All revenues in this fund must be expensed for transportation related purposes.

TEA 21 / TEA Fund - the Intermodal Surface Transportation Enhancement Act (ISTEA) and Transportation Enhancement Act (TEA) fund accounts for the transportation grant related receipts and expenditures.

COPS Fund - accounts for federal and state grants received for police services.

Public Safety Fund - accounts for federal and state grants received for public safety.

Fire Mitigation Fund - accounts for fire mitigation fees collected during new structural development based on construction type and size. The fees are restricted to equipment purchases only.

Transportation Development Act Fund - accounts for revenues and expenditures made for transportation development, transit and related studies. Funding is provided to the City as a secondary recipient under agreements with the County of San Diego and with the San Diego Association of Governments (SANDAG)

CDBG Fund - accounts for the revenues and expenditures of the Community Development Block Grant program.

CALTRANS Fund - these monies are derived from Congestion Mitigation and Air Quality funds. CALTRANS is responsible for distributing these funds as well as Intermodal Surface Transportation Efficiency Act (ISTEA) funds from the federal government to local agencies.

Coastal Area Business/Visitor Assistance and Enhancement Fund - this fund is for expenditures that include local visitor and business promotion such as assistance to the Chamber of Commerce and North County Convention and Visitor's Bureau, special events such as the Fiesta Del Sol, public art, and visitor enhancements to the Highway 101 business corridor or the Cedros Design District.

NON-MAJOR GOVERNMENTAL FUNDS

Boating and Waterways Fund - accounts for grants received from the Department of Boating and Waterways. These funds are being used to fund the US Army Corps of Engineers beach replenishment study.

Miscellaneous Grants Fund - accounts for grant received to fund various ongoing capital projects.

Developer Pass-Thru Fund - accounts for resources reserved to developer deposits.

Housing Fund - accounts for resources reserved to provide for low and moderate income housing.

Affordable Housing Grant - accounts for resources related to affordable housing grant.

Redevelopment Agency Low/Mod Housing Fund - used to account for low and moderate housing set aside funds and projects. The Redevelopment Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 15 for more information on the dissolution.

City CIP Fund - This capital improvement fund accounts for the acquisition, construction and improvement of capital facilities and infrastructure. Projects are funded by transfers from the General Fund.

Assessment Districts CIP Fund - accounts for capital projects in the assessment districts.

Sand Replenish / Retention and Coastal CIP - is limited to sand replenishment, sand retention, and coastal improvement project. Seewall expenditures are excluded from this CIP fund.

Public Improvement Grant - accounts...

Redevelopment Agency Capital Project Fund - accounts for administration and capital projects in the redevelopment project area. The Redevelopment Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 15 for more information on the dissolution.

Redevelopment Agency Debt Service Fund - accounts for collection of tax increment that is used to pay principal and interest on long term obligations issued by the Redevelopment Agency. The Redevelopment Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 15 for more information on the dissolution.

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CITY OF SOLANA BEACH

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012
(With comparative totals for June 30, 2011)**

	Special Revenue Funds		Capital Projects Funds	
	2012	2011	2012	2011
Assets:				
Cash and investments	\$ 5,156,476	\$ 4,800,663	\$ 1,954,158	\$ 1,360,627
Cash and investments with fiscal agents	-	195,710	-	943,358
Receivables:				
Accounts	138	-	30,945	56,173
Taxes	5,529	8,821	-	-
Interest	3,074	3,306	754	1,441
Due from other governments	98,011	128,998	70,365	-
Due from other funds	-	138,741	-	-
Due from Successor Agency	-	-	278,215	-
Total Assets	\$ 5,263,228	\$ 5,276,239	\$ 2,334,437	\$ 2,361,599
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 226,664	\$ 207,309	\$ 590,356	\$ 110,192
Accrued liabilities	9,180	3,962	-	1,758
Deferred revenues	-	114,693	-	-
Deposits payable	575	575	69,226	69,226
Due to other funds	236,889	280,241	-	826,281
Total Liabilities	473,308	606,780	659,582	1,007,457
Fund Balances:				
Restricted	5,015,346	4,859,473	1,225,836	655,369
Assigned	90,431	83,343	449,019	698,773
Unassigned	(315,857)	(273,357)	-	-
Total Fund Balances	4,789,920	4,669,459	1,674,855	1,354,142
Total Liabilities and Fund Balances	\$ 5,263,228	\$ 5,276,239	\$ 2,334,437	\$ 2,361,599

CITY OF SOLANA BEACH

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012
(With comparative totals for June 30, 2011)**

	Debt Service Funds			
	2012	2011	2012	2011
Assets:				
Cash and investments	\$ -	\$ -	\$ 7,110,634	\$ 6,161,290
Cash and investments with fiscal agents	-	235,828	-	1,374,896
Receivables:				
Accounts	-	-	31,083	56,173
Taxes	-	8,174	5,529	16,995
Interest	-	688	3,828	5,435
Due from other governments	-	-	168,376	128,998
Due from other funds	-	687,540	-	826,281
Due from Successor Agency	-	-	278,215	-
Total Assets	\$ -	\$ 932,230	\$ 7,597,665	\$ 8,570,068
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 208,491	\$ 817,020	\$ 525,992
Accrued liabilities	-	-	9,180	5,720
Deferred revenues	-	-	-	114,693
Deposits payable	-	-	69,801	69,801
Due to other funds	-	-	236,889	1,106,522
Total Liabilities	-	208,491	1,132,890	1,822,728
Fund Balances:				
Restricted	-	723,739	6,241,182	6,238,581
Assigned	-	-	539,450	782,116
Unassigned	-	-	(315,857)	(273,357)
Total Fund Balances	-	723,739	6,464,775	6,747,340
Total Liabilities and Fund Balances	\$ -	\$ 932,230	\$ 7,597,665	\$ 8,570,068

CITY OF SOLANA BEACH

**COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012
(With comparative totals for the year ended June 30, 2011)**

	Special Revenue Funds		Capital Projects Funds	
	2012	2011	2012	2011
Revenues:				
Taxes and assessments	\$ 1,547,820	\$ 1,488,149	\$ 172,207	\$ 150,591
Intergovernmental	295,209	181,808	70,365	-
Charges for services	3,077	3,857	-	-
Use of money and property	13,353	20,597	3,594	6,005
Other revenues	58,044	167,400	111,195	389,735
Total Revenues	1,917,503	1,861,811	357,361	546,331
Expenditures:				
Current:				
General government	3,938	1,791	107,765	156,863
Public safety	311,772	163,694	-	-
Public works	923,908	731,874	-	-
Community development	130,579	140,493	-	-
Capital outlay	760,066	791,122	1,288,235	853,628
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	2,130,263	1,828,974	1,396,000	1,010,491
Excess (Deficiency) of Revenues Over (Under) Expenditures	(212,760)	32,837	(1,038,639)	(464,160)
Other Financing Sources (Uses):				
Transfers in	747,417	20,390	1,470,753	244,099
Transfers out	(610,310)	(137,107)	(648,309)	-
Other debts issued	281,788	-	536,908	-
Total Other Financing Sources (Uses)	418,895	(116,717)	1,359,352	244,099
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	(1,936)	-	-	-
Net Change in Fund Balances	\$ 204,199	\$ (83,880)	\$ 320,713	\$ (220,061)
Fund Balances:				
Beginning of year, as originally reported	\$ 4,470,909	\$ 4,554,789	\$ 1,354,142	\$ 1,574,203
Restatements	114,812	-	-	-
Beginning of year, as restated	4,585,721	4,554,789	1,354,142	1,574,203
Net change in fund balances	204,199	(83,880)	320,713	(220,061)
Fund Balances, End of Year	\$ 4,789,920	\$ 4,470,909	\$ 1,674,855	\$ 1,354,142

CITY OF SOLANA BEACH

**COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012
(With comparative totals for the year ended June 30, 2011)**

	Debt Service Funds		Total Other Governmental Funds	
	2012	2011	2012	2011
Revenues:				
Taxes and assessments	\$ 371,147	\$ 630,337	\$ 2,091,174	\$ 2,269,077
Intergovernmental	-	-	365,574	181,808
Charges for services	-	-	3,077	3,857
Use of money and property	193	11,021	17,140	37,623
Other revenues	-	-	169,239	557,135
Total Revenues	371,340	641,358	2,646,204	3,049,500
Expenditures:				
Current:				
General government	-	1,627	111,703	160,281
Public safety	-	-	311,772	163,694
Public works	-	-	923,908	731,874
Community development	-	-	130,579	140,493
Capital outlay	-	-	2,048,301	1,644,750
Debt service:				
Principal retirement	-	444,385	-	444,385
Interest and fiscal charges	80,679	265,360	80,679	265,360
Pass-through agreement payments	7,147	281,387	7,147	281,387
Total Expenditures	87,826	992,759	3,614,089	3,832,224
Excess (Deficiency) of Revenues Over (Under) Expenditures	283,514	(351,401)	(967,885)	(782,724)
Other Financing Sources (Uses):				
Transfers in	-	473,400	2,218,170	737,889
Transfers out	(643,184)	(156,863)	(1,901,803)	(293,970)
Other debts issued	-	-	818,696	-
Total Other Financing Sources (Uses)	(643,184)	316,537	1,135,063	443,919
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	(364,069)	-	(366,005)	-
Net Change in Fund Balances	\$ (723,739)	\$ (34,864)	\$ (198,827)	\$ (338,805)
Fund Balances:				
Beginning of year, as originally reported	\$ 723,739	\$ 957,153	\$ 6,548,790	\$ 7,086,145
Restatements	-	-	114,812	-
Beginning of year, as restated	723,739	957,153	6,663,602	7,086,145
Net change in fund balances	(723,739)	(34,864)	(198,827)	(338,805)
Fund Balances, End of Year	\$ -	\$ 922,289	\$ 6,464,775	\$ 6,747,340

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012
 (With comparative totals for June 30, 2011)

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Municipal Improvement Districts</u>	<u>SEEG</u>	<u>Lighting District</u>
Assets:				
Cash and investments	\$ 971,641	\$ 415,220	\$ 693	\$ 1,758,850
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	2,827	-	2,702
Interest	522	165	-	1,269
Due from other governments	40,713	-	-	-
Due from other funds	-	-	-	-
Due from Successor Agency	-	-	-	-
Total Assets	<u>\$ 1,012,876</u>	<u>\$ 418,212</u>	<u>\$ 693</u>	<u>\$ 1,762,821</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,882	\$ 30,205	\$ -	\$ 13,071
Accrued liabilities	143	572	-	3,740
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>2,025</u>	<u>30,777</u>	<u>-</u>	<u>16,811</u>
Fund Balances:				
Restricted	1,010,851	387,435	693	1,746,010
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>1,010,851</u>	<u>387,435</u>	<u>693</u>	<u>1,746,010</u>
Total Liabilities and Fund Balances	<u>\$ 1,012,876</u>	<u>\$ 418,212</u>	<u>\$ 693</u>	<u>\$ 1,762,821</u>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(With comparative totals for June 30, 2011)

(Continued)

	<u>Special Revenue Funds</u>			
	<u>TransNet</u>	<u>Prop A</u>	<u>TEA 21 / TEA</u>	<u>COPS</u>
Assets:				
Cash and investments	\$ 283,842	\$ -	\$ -	\$ 106,479
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	653	-	-	-
Due from other governments	-	-	-	25,000
Due from other funds	-	-	-	-
Due from Successor Agency	-	-	-	-
Total Assets	<u>\$ 284,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,479</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 61,757	\$ -	\$ -	\$ 16,667
Accrued liabilities	2,875	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	168,970	-
Total Liabilities	<u>64,632</u>	<u>-</u>	<u>168,970</u>	<u>16,667</u>
Fund Balances:				
Restricted	219,863	-	-	114,812
Assigned	-	-	-	-
Unassigned	-	-	(168,970)	-
Total Fund Balances	<u>219,863</u>	<u>-</u>	<u>(168,970)</u>	<u>114,812</u>
Total Liabilities and Fund Balances	<u>\$ 284,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,479</u>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012
 (With comparative totals for June 30, 2011)

	<u>Special Revenue Funds</u>			
	<u>Public Safety</u>	<u>Fire Mitigation</u>	<u>Transportation Development Act</u>	<u>CDBG</u>
Assets:				
Cash and investments	\$ 14,636	\$ 50,732	\$ -	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	26,752	-	-	-
Due from other funds	-	-	-	-
Due from Successor Agency	-	-	-	-
Total Assets	<u>\$ 41,388</u>	<u>\$ 50,732</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 8,260	\$ -	\$ -
Accrued liabilities	1,850	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	15,454
Total Liabilities	<u>1,850</u>	<u>8,260</u>	<u>-</u>	<u>15,454</u>
Fund Balances:				
Restricted	39,538	42,472	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(15,454)
Total Fund Balances	<u>39,538</u>	<u>42,472</u>	<u>-</u>	<u>(15,454)</u>
Total Liabilities and Fund Balances	<u>\$ 41,388</u>	<u>\$ 50,732</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(With comparative totals for June 30, 2011)

(Continued)

	Special Revenue Funds			
	CALTRANS	Coastal Area Business / Visitor Assistance & Enhancement	Boating & Waterways	Miscellaneous Grants
Assets:				
Cash and investments	\$ 54,088	\$ 218,139	\$ -	\$ 25,598
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	138	-	-
Taxes	-	-	-	-
Interest	-	106	-	-
Due from other governments	5,546	-	-	-
Due from other funds	-	-	-	-
Due from Successor Agency	-	-	-	-
Total Assets	\$ 59,634	\$ 218,383	\$ -	\$ 25,598
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 4,088	\$ 78,968	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	52,465	-
Total Liabilities	-	4,088	131,433	-
Fund Balances:				
Restricted	59,634	214,295	-	25,598
Assigned	-	-	-	-
Unassigned	-	-	(131,433)	-
Total Fund Balances	59,634	214,295	(131,433)	25,598
Total Liabilities and Fund Balances	\$ 59,634	\$ 218,383	\$ -	\$ 25,598

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012
 (With comparative totals for June 30, 2011)

	<u>Special Revenue Funds</u>			
	<u>Developer Pass-Thru</u>	<u>Housing</u>	<u>Affordable Housing Grant</u>	<u>Redevelopment Agency Low Mod Fund</u>
Assets:				
Cash and investments	\$ 91,706	\$ 426,205	\$ 738,647	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	-	359	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Due from Successor Agency	-	-	-	-
Total Assets	<u>\$ 91,706</u>	<u>\$ 426,564</u>	<u>\$ 738,647</u>	<u>\$ -</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 700	\$ -	\$ 11,066	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	575	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>1,275</u>	<u>-</u>	<u>11,066</u>	<u>-</u>
Fund Balances:				
Restricted	-	426,564	727,581	-
Assigned	90,431	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>90,431</u>	<u>426,564</u>	<u>727,581</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 91,706</u>	<u>\$ 426,564</u>	<u>\$ 738,647</u>	<u>\$ -</u>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(With comparative totals for June 30, 2011)

(Continued)

	Capital Projects Funds			
	City CIP	Assessment Districts CIP	Sand Replenish / Retention and Coastal Access CIP	Public Improvement Grant
Assets:				
Cash and investments	\$ 909,854	\$ 291,442	\$ 387,822	\$ 365,040
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	30,945	-	-	-
Taxes	-	-	-	-
Interest	367	180	207	-
Due from other governments	70,365	-	-	-
Due from other funds	-	-	-	-
Due from Successor Agency	-	-	-	278,215
Total Assets	<u>\$ 1,011,531</u>	<u>\$ 291,622</u>	<u>\$ 388,029</u>	<u>\$ 643,255</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 562,512	\$ 16,644	\$ 11,200	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Deposits payable	-	69,226	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>562,512</u>	<u>85,870</u>	<u>11,200</u>	<u>-</u>
Fund Balances:				
Restricted	-	205,752	376,829	643,255
Assigned	449,019	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>449,019</u>	<u>205,752</u>	<u>376,829</u>	<u>643,255</u>
Total Liabilities and Fund Balances	<u>\$ 1,011,531</u>	<u>\$ 291,622</u>	<u>\$ 388,029</u>	<u>\$ 643,255</u>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012
 (With comparative totals for June 30, 2011)

	Capital Projects Funds		Debt Service Funds		Total Other Governmental Funds	
	Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	2012		2011	
Assets:						
Cash and investments	\$ -	\$ -	\$ 7,110,634	\$ -	\$ 6,161,290	\$ -
Cash and investments with fiscal agents	-	-	-	-	1,374,896	-
Receivables:						
Accounts	-	-	31,083	-	56,173	-
Taxes	-	-	5,529	-	16,995	-
Interest	-	-	3,828	-	5,435	-
Due from other governments	-	-	168,376	-	128,998	-
Due from other funds	-	-	-	-	826,281	-
Due from Successor Agency	-	-	278,215	-	-	-
Total Assets	\$ -	\$ -	\$ 7,597,665	\$ -	\$ 8,570,068	\$ -
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 817,020	\$ -	\$ 525,992	\$ -
Accrued liabilities	-	-	9,180	-	5,720	-
Deferred revenues	-	-	-	-	114,693	-
Deposits payable	-	-	69,801	-	69,801	-
Due to other funds	-	-	236,889	-	1,106,522	-
Total Liabilities	-	-	1,132,890	-	1,822,728	-
Fund Balances:						
Restricted	-	-	6,241,182	-	6,238,581	-
Assigned	-	-	539,450	-	782,116	-
Unassigned	-	-	(315,857)	-	(273,357)	-
Total Fund Balances	-	-	6,464,775	-	6,747,340	-
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 7,597,665	\$ -	\$ 8,570,068	\$ -

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CITY OF SOLANA BEACH

COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

(With comparative totals for the year ended June 30, 2011)

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Municipal Improvement Districts</u>	<u>SEEG</u>	<u>Lighting District</u>
Revenues:				
Taxes and assessments	\$ 434,550	\$ 516,906	\$ -	\$ 417,474
Intergovernmental	-	3,588	-	5,306
Charges for services	-	-	-	-
Use of money and property	2,390	980	-	4,986
Other revenues	-	-	-	-
Total Revenues	436,940	521,474	-	427,766
Expenditures:				
Current:				
General government	3,838	-	-	-
Public safety	-	-	-	-
Public works	-	459,761	-	464,147
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	3,838	459,761	-	464,147
Excess (Deficiency) of Revenues Over (Under) Expenditures	433,102	61,713	-	(36,381)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Other debts issued	-	-	-	281,788
Total Other Financing Sources (Uses)	-	-	-	281,788
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	-	-	-	-
Net Change in Fund Balances	<u>\$ 433,102</u>	<u>\$ 61,713</u>	<u>\$ -</u>	<u>\$ 245,407</u>
Fund Balances:				
Beginning of year, as originally reported	\$ 577,749	\$ 325,722	\$ 693	\$ 1,500,603
Restatements	-	-	-	-
Beginning of year, as restated	577,749	325,722	693	1,500,603
Net change in fund balances	433,102	61,713	-	245,407
Fund Balances, End of Year	<u>\$ 1,010,851</u>	<u>\$ 387,435</u>	<u>\$ 693</u>	<u>\$ 1,746,010</u>

CITY OF SOLANA BEACH

COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

(With comparative totals for the year ended June 30, 2011)

(Continued)

	<u>Special Revenue Funds</u>			
	<u>TransNet</u>	<u>Prop A</u>	<u>TEA 21 / TEA</u>	<u>COPS</u>
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	99,880
Charges for services	-	-	-	-
Use of money and property	2,028	-	-	120
Other revenues	3,623	-	-	-
Total Revenues	5,651	-	-	100,000
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	100,000
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	717,639	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	717,639	-	-	100,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(711,988)	-	-	-
Other Financing Sources (Uses):				
Transfers in	-	596	-	-
Transfers out	(596)	-	-	-
Other debts issued	-	-	-	-
Total Other Financing Sources (Uses)	(596)	596	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	-	-	-	-
Net Change in Fund Balances	\$ (712,584)	\$ 596	\$ -	\$ -
Fund Balances:				
Beginning of year, as originally reported	\$ 932,447	\$ (596)	\$ (168,970)	\$ -
Restatements	-	-	-	114,812
Beginning of year, as restated	932,447	(596)	(168,970)	114,812
Net change in fund balances	(712,584)	596	-	-
Fund Balances, End of Year	\$ 219,863	\$ -	\$ (168,970)	\$ 114,812

CITY OF SOLANA BEACH

COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

(With comparative totals for the year ended June 30, 2011)

	<u>Special Revenue Funds</u>			
	<u>Public Safety</u>	<u>Fire Mitigation</u>	<u>Transportation Development Act</u>	<u>CDBG</u>
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	78,590	-	25,000	63,337
Charges for services	-	3,077	-	-
Use of money and property	-	-	-	-
Other revenues	2,842	-	-	-
Total Revenues	81,432	3,077	25,000	63,337
Expenditures:				
Current:				
General government	100	-	-	-
Public safety	54,152	10,055	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	54,252	10,055	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,180	(6,978)	25,000	63,337
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Other debts issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	-	-	-	-
Net Change in Fund Balances	\$ 27,180	\$ (6,978)	\$ 25,000	\$ 63,337
Fund Balances:				
Beginning of year, as originally reported	\$ 12,358	\$ 49,450	\$ (25,000)	\$ (78,791)
Restatements	-	-	-	-
Beginning of year, as restated	12,358	49,450	(25,000)	(78,791)
Net change in fund balances	27,180	(6,978)	25,000	63,337
Fund Balances, End of Year	\$ 39,538	\$ 42,472	\$ -	\$ (15,454)

CITY OF SOLANA BEACH

COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

(With comparative totals for the year ended June 30, 2011)

(Continued)

	Special Revenue Funds			
	CALTRANS	Coastal Area Business / Visitor Assistance & Enhancement	Boating & Waterways	Miscellaneous Grants
Revenues:				
Taxes and assessments	\$ -	\$ 86,103	\$ -	\$ -
Intergovernmental	-	-	-	19,508
Charges for services	-	-	-	-
Use of money and property	(2)	512	-	-
Other revenues	-	4,000	-	-
Total Revenues	(2)	90,615	-	19,508
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	147,565	-
Public works	-	-	-	-
Community development	-	36,733	-	-
Capital outlay	-	-	-	1,936
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	-	36,733	147,565	1,936
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2)	53,882	(147,565)	17,572
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Other debts issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	-	-	-	-
Net Change in Fund Balances	(2)	53,882	(147,565)	17,572
Fund Balances:				
Beginning of year, as originally reported	\$ 59,636	\$ 160,413	\$ 16,132	\$ 8,026
Restatements	-	-	-	-
Beginning of year, as restated	59,636	160,413	16,132	8,026
Net change in fund balances	(2)	53,882	(147,565)	17,572
Fund Balances, End of Year	\$ 59,634	\$ 214,295	\$ (131,433)	\$ 25,598

CITY OF SOLANA BEACH

COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

(With comparative totals for the year ended June 30, 2011)

	Special Revenue Funds			
	Developer Pass-Thru	Housing	Affordable Housing Grant	Redevelopment Agency Low Mod Fund
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 92,787
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	1,371	854	114
Other revenues	47,579	-	-	-
Total Revenues	47,579	1,371	854	92,901
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	20,094	73,752
Capital outlay	40,491	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	40,491	-	20,094	73,752
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,088	1,371	(19,240)	19,149
Other Financing Sources (Uses):				
Transfers in	-	-	746,821	-
Transfers out	-	-	-	(609,714)
Other debts issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	746,821	(609,714)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	-	-	-	(1,936)
Net Change in Fund Balances	\$ 7,088	\$ 1,371	\$ 727,581	\$ (592,501)
Fund Balances:				
Beginning of year, as originally reported	\$ 83,343	\$ 425,193	\$ -	\$ 592,501
Restatements	-	-	-	-
Beginning of year, as restated	83,343	425,193	-	592,501
Net change in fund balances	7,088	1,371	727,581	(592,501)
Fund Balances, End of Year	\$ 90,431	\$ 426,564	\$ 727,581	\$ -

CITY OF SOLANA BEACH

COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

(With comparative totals for the year ended June 30, 2011)

(Continued)

	Capital Projects Funds			
	City CIP	Assessment Districts CIP	Sand Replenish / Retention and Coastal Access CIP	Public Improvement Grant
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ 172,207	\$ -
Intergovernmental	70,365	-	-	-
Charges for services	-	-	-	-
Use of money and property	1,481	679	1,006	366
Other revenues	111,195	-	-	-
Total Revenues	183,041	679	173,213	366
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	1,148,963	-	133,852	5,420
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	1,148,963	-	133,852	5,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	(965,922)	679	39,361	(5,054)
Other Financing Sources (Uses):				
Transfers in	179,260	-	-	648,309
Transfers out	-	-	-	-
Other debts issued	536,908	-	-	-
Total Other Financing Sources (Uses)	716,168	-	-	648,309
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	-	-	-	-
Net Change in Fund Balances	\$ (249,754)	\$ 679	\$ 39,361	\$ 643,255
Fund Balances:				
Beginning of year, as originally reported	\$ 698,773	\$ 205,073	\$ 337,468	\$ -
Restatements	-	-	-	-
Beginning of year, as restated	698,773	205,073	337,468	-
Net change in fund balances	(249,754)	679	39,361	643,255
Fund Balances, End of Year	\$ 449,019	\$ 205,752	\$ 376,829	\$ 643,255

CITY OF SOLANA BEACH

**COMBINING STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012
(With comparative totals for the year ended June 30, 2011)**

	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total Other Governmental Funds</u>	
	<u>Redevelopment Agency Capital Projects</u>	<u>Redevelopment Agency Debt Service</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Taxes and assessments	\$ -	\$ 371,147	\$ 2,091,174	\$ 2,269,077
Intergovernmental	-	-	365,574	181,808
Charges for services	-	-	3,077	3,857
Use of money and property	62	193	17,140	37,623
Other revenues	-	-	169,239	557,135
Total Revenues	62	371,340	2,646,204	3,049,500
Expenditures:				
Current:				
General government	107,765	-	111,703	160,281
Public safety	-	-	311,772	163,694
Public works	-	-	923,908	731,874
Community development	-	-	130,579	140,493
Capital outlay	-	-	2,048,301	1,644,750
Debt service:				
Principal retirement	-	-	-	444,385
Interest and fiscal charges	-	80,679	80,679	265,360
Pass-through agreement payments	-	7,147	7,147	281,387
Total Expenditures	107,765	87,826	3,614,089	3,832,224
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,703)	283,514	(967,885)	(782,724)
Other Financing Sources (Uses):				
Transfers in	643,184	-	2,218,170	737,889
Transfers out	(648,309)	(643,184)	(1,901,803)	(293,970)
Other debts issued	-	-	818,696	-
Total Other Financing Sources (Uses)	(5,125)	(643,184)	1,135,063	443,919
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 16)	-	(364,069)	(366,005)	-
Net Change in Fund Balances	\$ (112,828)	\$ (723,739)	\$ (198,827)	\$ (338,805)
Fund Balances:				
Beginning of year, as originally reported	\$ 112,828	\$ 723,739	\$ 6,548,790	\$ 7,086,145
Restatements	-	-	114,812	-
Beginning of year, as restated	112,828	723,739	6,663,602	7,086,145
Net change in fund balances	(112,828)	(723,739)	(198,827)	(338,805)
Fund Balances, End of Year	\$ -	\$ -	\$ 6,464,775	\$ 6,747,340

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 GAS TAX FUND
 YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 577,749	\$ 577,749	\$ 577,749	\$ -
Resources (Inflows):				
Taxes	378,001	378,001	434,550	56,549
Use of money and property	2,100	2,100	2,390	290
Amounts Available for Appropriations	957,850	957,850	1,014,689	56,839
Charges to Appropriation (Outflow):				
General government	250,000	411,121	3,838	407,283
Total Charges to Appropriations	250,000	411,121	3,838	407,283
Budgetary Fund Balance, June 30	\$ 707,850	\$ 546,729	\$ 1,010,851	\$ 464,122

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
MUNICIPAL IMPROVEMENT DISTRICTS FUND
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 325,722	\$ 325,722	\$ 325,722	\$ -
Resources (Inflows):				
Taxes	515,400	515,400	516,906	1,506
Intergovernmental	2,500	2,500	3,588	1,088
Use of money and property	1,000	800	980	180
Amounts Available for Appropriations	844,622	844,422	847,196	2,774
Charges to Appropriation (Outflow):				
Public works	469,700	474,520	459,761	14,759
Total Charges to Appropriations	469,700	474,520	459,761	14,759
Budgetary Fund Balance, June 30	\$ 374,922	\$ 369,902	\$ 387,435	\$ 17,533

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 LIGHTING DISTRICT FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,500,603	\$ 1,500,603	\$ 1,500,603	\$ -
Resources (Inflows):				
Taxes	415,600	415,600	417,474	1,874
Intergovernmental	3,200	3,200	5,306	2,106
Use of money and property	6,500	6,500	4,986	(1,514)
Other debts issued	-	-	281,788	281,788
Amounts Available for Appropriations	1,925,903	1,925,903	2,210,157	284,254
Charges to Appropriation (Outflow):				
Public works	438,400	1,213,945	464,147	749,798
Total Charges to Appropriations	438,400	1,213,945	464,147	749,798
Budgetary Fund Balance, June 30	\$ 1,487,503	\$ 711,958	\$ 1,746,010	\$ 1,034,052

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 TRANSNET FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 932,447	\$ 932,447	\$ 932,447	\$ -
Resources (Inflows):				
Intergovernmental	1,373,000	-	-	-
Use of money and property	5,500	5,200	2,028	(3,172)
Miscellaneous	-	-	3,623	3,623
Amounts Available for Appropriations	2,310,947	937,647	938,098	451
Charges to Appropriation (Outflow):				
Capital outlay	2,023,150	2,701,576	717,639	1,983,937
Transfers out	-	-	596	(596)
Total Charges to Appropriations	2,023,150	2,701,576	718,235	1,983,341
Budgetary Fund Balance, June 30	\$ 287,797	\$ (1,763,929)	\$ 219,863	\$ 1,983,792

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 COPS FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 114,812	\$ 114,812	\$ 114,812	\$ -
Resources (Inflows):				
Intergovernmental	-	-	99,880	99,880
Use of money and property	300	-	120	120
Amounts Available for Appropriations	115,112	114,812	214,812	100,000
Charges to Appropriation (Outflow):				
Public safety	100,000	100,000	100,000	-
Total Charges to Appropriations	100,000	100,000	100,000	-
Budgetary Fund Balance, June 30	\$ 15,112	\$ 14,812	\$ 114,812	\$ 100,000

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 12,358	\$ 12,358	\$ 12,358	\$ -
Resources (Inflows):				
Intergovernmental	19,500	19,500	78,590	59,090
Miscellaneous	-	-	2,842	2,842
Amounts Available for Appropriations	31,858	31,858	93,790	61,932
Charges to Appropriation (Outflow):				
General government	-	-	100	(100)
Public safety	19,500	35,500	54,152	(18,652)
Total Charges to Appropriations	19,500	35,500	54,252	(18,752)
Budgetary Fund Balance, June 30	\$ 12,358	\$ (3,642)	\$ 39,538	\$ 43,180

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 FIRE MITIGATION FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 49,450	\$ 49,450	\$ 49,450	\$ -
Resources (Inflows):				
Charges for services	3,000	3,000	3,077	77
Use of money and property	200	200	-	(200)
Amounts Available for Appropriations	52,650	52,650	52,527	(123)
Charges to Appropriation (Outflow):				
Public safety	15,000	15,000	10,055	4,945
Total Charges to Appropriations	15,000	15,000	10,055	4,945
Budgetary Fund Balance, June 30	\$ 37,650	\$ 37,650	\$ 42,472	\$ 4,822

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 CALTRANS FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 59,636	\$ 59,636	\$ 59,636	\$ -
Resources (Inflows):				
Use of money and property	200	200	(2)	(202)
Amounts Available for Appropriations	59,836	59,836	59,634	(202)
Budgetary Fund Balance, June 30	\$ 59,836	\$ 59,836	\$ 59,634	\$ (202)

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 COSTAL AREA BUSINESS/VISITOR ASSISTANCE AND ENHANCEMENT FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 160,413	\$ 160,413	\$ 160,413	\$ -
Resources (Inflows):				
Taxes	81,000	81,000	86,103	5,103
Use of money and property	400	400	512	112
Miscellaneous	-	-	4,000	4,000
Amounts Available for Appropriations	241,813	241,813	251,028	9,215
Charges to Appropriation (Outflow):				
Community development	34,500	34,500	36,733	(2,233)
Total Charges to Appropriations	34,500	34,500	36,733	(2,233)
Budgetary Fund Balance, June 30	\$ 207,313	\$ 207,313	\$ 214,295	\$ 6,982

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 BOATING AND WATERWAYS FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 16,132	\$ 16,132	\$ 16,132	\$ -
Amounts Available for Appropriations	161,132	16,132	16,132	-
Charges to Appropriation (Outflow):				
Public safety	145,000	289,623	147,565	142,058
Total Charges to Appropriations	145,000	289,623	147,565	142,058
Budgetary Fund Balance, June 30	\$ 16,132	\$ (273,491)	\$ (131,433)	\$ 142,058

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 MISCELLANEOUS GRANTS FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,026	\$ 8,026	\$ 8,026	\$ -
Resources (Inflows):				
Intergovernmental	70,400	-	19,508	19,508
Amounts Available for Appropriations	78,426	8,026	27,534	19,508
Charges to Appropriation (Outflow):				
Capital outlay	70,400	72,184	1,936	70,248
Total Charges to Appropriations	70,400	72,184	1,936	70,248
Budgetary Fund Balance, June 30	\$ 8,026	\$ (64,158)	\$ 25,598	\$ 89,756

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 DEVELOPER PASS-THRU FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 83,343	\$ 83,343	\$ 83,343	\$ -
Resources (Inflows):				
Miscellaneous	100,000	100,000	47,579	(52,421)
Amounts Available for Appropriations	183,343	183,343	130,922	(52,421)
Charges to Appropriation (Outflow):				
Capital outlay	100,000	154,630	40,491	114,139
Total Charges to Appropriations	100,000	154,630	40,491	114,139
Budgetary Fund Balance, June 30	\$ 83,343	\$ 28,713	\$ 90,431	\$ 61,718

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 HOUSING FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 425,193	\$ 425,193	\$ 425,193	\$ -
Resources (Inflows):				
Use of money and property	2,000	2,000	1,371	(629)
Amounts Available for Appropriations	427,193	427,193	426,564	(629)
Budgetary Fund Balance, June 30	\$ 427,193	\$ 427,193	\$ 426,564	\$ (629)

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 AFFORDABLE HOUSING GRANT FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Use of money and property	-	-	854	854
Transfers in	-	746,821	746,821	-
Amounts Available for Appropriations	-	746,821	747,675	854
Charges to Appropriation (Outflow):				
Community development	-	536,132	20,094	516,038
Total Charges to Appropriations	-	536,132	20,094	516,038
Budgetary Fund Balance, June 30	\$ -	\$ 210,689	\$ 727,581	\$ 516,892

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY LOW & MODERATE INCOME HOUSING FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 592,501	\$ 592,501	\$ 592,501	\$ -
Resources (Inflows):				
Taxes	-	-	92,787	92,787
Use of money and property	1,100	1,100	114	(986)
Transfers in	156,000	-	-	-
Amounts Available for Appropriations	749,601	593,601	685,402	91,801
Charges to Appropriation (Outflow):				
Community development	25,000	592,549	73,752	518,797
Transfers out	-	609,714	609,714	-
Extraordinary loss on dissolution of redevelopment agency (Note 16)	-	-	1,936	(1,936)
Total Charges to Appropriations	25,000	1,202,263	685,402	516,861
Budgetary Fund Balance, June 30	\$ 724,601	\$ (608,662)	\$ -	\$ 608,662

CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE
CITY CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 698,773	\$ 698,773	\$ 698,773	\$ -
Resources (Inflows):				
Intergovernmental	-	116,138	70,365	(45,773)
Use of money and property	3,000	3,000	1,481	(1,519)
Miscellaneous	-	111,195	111,195	-
Transfers in	88,200	179,260	179,260	-
Other debts issued	-	-	536,908	536,908
Amounts Available for Appropriations	789,973	1,108,366	1,597,982	489,616
Charges to Appropriation (Outflow):				
Capital outlay	596,995	1,618,714	1,148,963	469,751
Total Charges to Appropriations	596,995	1,618,714	1,148,963	469,751
Budgetary Fund Balance, June 30	\$ 192,978	\$ (510,348)	\$ 449,019	\$ 959,367

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 ASSESSMENT DISTRICT CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 205,073	\$ 205,073	\$ 205,073	\$ -
Resources (Inflows):				
Use of money and property	1,200	1,200	679	(521)
Amounts Available for Appropriations	206,273	206,273	205,752	(521)
Charges to Appropriation (Outflow):				
Debt service:				
Interest and fiscal charges	-	2,500	-	2,500
Total Charges to Appropriations	-	2,500	-	2,500
Budgetary Fund Balance, June 30	\$ 206,273	\$ 203,773	\$ 205,752	\$ 1,979

CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE
SAND REPLENISHMENT/RETENTION AND COSTAL ASSESS CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 337,468	\$ 337,468	\$ 337,468	\$ -
Resources (Inflows):				
Taxes	162,000	162,000	172,207	10,207
Use of money and property	1,200	1,200	1,006	(194)
Amounts Available for Appropriations	500,668	500,668	510,681	10,013
Charges to Appropriation (Outflow):				
Capital outlay	110,400	134,182	133,852	330
Total Charges to Appropriations	110,400	134,182	133,852	330
Budgetary Fund Balance, June 30	\$ 390,268	\$ 366,486	\$ 376,829	\$ 10,343

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC IMPROVEMENT GRANT FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Use of money and property	-	-	366	366
Transfers in	-	648,309	648,309	-
Amounts Available for Appropriations	-	648,309	648,675	366
Charges to Appropriation (Outflow):				
Capital outlay	-	561,779	5,420	556,359
Total Charges to Appropriations	-	561,779	5,420	556,359
Budgetary Fund Balance, June 30	\$ -	\$ 86,530	\$ 643,255	\$ 556,725

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 112,828	\$ 112,828	\$ 112,828	\$ -
Resources (Inflows):				
Use of money and property	100	-	62	62
Transfers in	193,200	753,200	643,184	(110,016)
Amounts Available for Appropriations	306,128	866,028	756,074	(109,954)
Charges to Appropriation (Outflow):				
General government	170,062	369,369	107,765	261,604
Transfers out	-	648,309	648,309	-
Total Charges to Appropriations	170,062	1,017,678	756,074	261,604
Budgetary Fund Balance, June 30	\$ 136,066	\$ (151,650)	\$ -	\$ 151,650

CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE
CITY DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 198,550	\$ 198,550	\$ 198,550	\$ -
Resources (Inflows):				
Use of money and property	12,000	-	4,122	4,122
Transfers in	306,800	342,800	342,800	-
Refunding bonds issued	-	-	1,388,300	1,388,300
Amounts Available for Appropriations	517,350	541,350	1,933,772	1,392,422
Charges to Appropriation (Outflow):				
General government	1,900	1,900	-	1,900
Debt service:				
Principal retirement	239,900	239,900	239,900	-
Interest and fiscal charges	88,500	88,500	74,840	13,660
Cost of issuance	-	-	24,062	(24,062)
Payment to refunded bond escrow agent	-	-	1,545,000	(1,545,000)
Bond discount	-	-	10,650	(10,650)
Total Charges to Appropriations	330,300	330,300	1,894,452	(1,564,152)
Budgetary Fund Balance, June 30	\$ 187,050	\$ 211,050	\$ 39,320	\$ (171,730)

CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 723,739	\$ 723,739	\$ 723,739	\$ -
Resources (Inflows):				
Taxes	779,800	779,800	371,147	(408,653)
Use of money and property	3,000	-	193	193
Amounts Available for Appropriations	1,506,539	1,503,539	1,095,079	(408,460)
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	70,000	70,000	-	70,000
Interest and fiscal charges	161,400	161,400	80,679	80,721
Pass-through agreement payments	226,400	226,400	7,147	219,253
Transfers out	349,200	909,200	643,184	266,016
Extraordinary loss on dissolution of redevelopment agency (Note 16)	-	-	364,069	(364,069)
Total Charges to Appropriations	807,000	1,367,000	1,095,079	271,921
Budgetary Fund Balance, June 30	\$ 699,539	\$ 136,539	\$ -	\$ (136,539)

FIDUCIARY FUNDS

Cedros Avenue Assessment District Fund - accounts for payments from property owners as well as debt service on bonds which were issued to pay for the improvements within the assessment district. This is accounted for as an agency fund because the City has no responsibility for the debt service on the bonds.

Undergrounding district Funds - the Barbara/Granados Avenue, Pacific Avenue/East and West Circle Drive, and Marsalan Avenue Utility Underground Assessment Districts are utility districts created to finance the undergrounding of utility lines. These funds account for payments from property owners as well debt service on bonds that were issued to pay for the undergrounding improvements within the assessment districts. This is accounted for as an agency fund because the City has no responsibility for the debt service on the bonds.

South Solana Sewer District Fund - this fund was formed to finance the construction of sewer improvements to connect the 51 properties of the assessment district to the City's sewer system. This fund accounts for payments from property owners as well as debt service on the bonds that were issued to pay for the sewer improvements. This is accounted as an agency fund because the City has no responsibility for the debt service on the bonds.

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET

ALL AGENCY FUNDS

JUNE 30, 2012

(With comparative totals for June 30, 2011)

	Cedros Avenue Assessment District	Undergrounding Districts	South Solana Sewer District	Total Agency Funds	
				2012	2011
Assets:					
Cash and investments	\$ 13,199	\$ 368,672	\$ 67,704	\$ 449,575	\$ 443,414
Receivables:					
Taxes	-	1,314	-	1,314	1,507
Total Assets	\$ 13,199	\$ 369,986	\$ 67,704	\$ 450,889	\$ 444,921
Liabilities:					
Due to bondholders	\$ 13,199	\$ 369,986	\$ 67,704	\$ 450,889	\$ 444,921
Total Liabilities	\$ 13,199	\$ 369,986	\$ 67,704	\$ 450,889	\$ 444,921

CITY OF SOLANA BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Cedros Avenue Assessment District</u>				
Assets:				
Cash and investments	\$ 13,199	\$ -	\$ -	\$ 13,199
Total Assets	\$ 13,199	\$ -	\$ -	\$ 13,199
Liabilities:				
Due to bondholders	\$ 13,199	\$ -	\$ -	\$ 13,199
Total Liabilities	\$ 13,199	\$ -	\$ -	\$ 13,199
<u>Undergrounding Districts</u>				
Assets:				
Cash and investments	\$ 357,974	\$ 189,743	\$ 179,045	\$ 368,672
Receivables:				
Taxes	1,507	1,314	1,507	1,314
Total Assets	\$ 359,481	\$ 191,057	\$ 180,552	\$ 369,986
Liabilities:				
Due to bondholders	\$ 359,481	\$ 191,057	\$ 180,552	\$ 369,986
Total Liabilities	\$ 359,481	\$ 191,057	\$ 180,552	\$ 369,986
<u>South Solana Sewer District</u>				
Assets:				
Cash and investments	\$ 72,241	\$ 38,494	\$ 43,031	\$ 67,704
Total Assets	\$ 72,241	\$ 38,494	\$ 43,031	\$ 67,704
Liabilities:				
Due to bondholders	\$ 72,241	\$ 38,494	\$ 43,031	\$ 67,704
Total Liabilities	\$ 72,241	\$ 38,494	\$ 43,031	\$ 67,704
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 443,414	\$ 228,237	\$ 222,076	\$ 449,575
Receivables:				
Taxes	1,507	1,314	1,507	1,314
Total Assets	\$ 444,921	\$ 229,551	\$ 223,583	\$ 450,889
Liabilities:				
Due to bondholders	\$ 444,921	\$ 229,551	\$ 223,583	\$ 450,889
Total Liabilities	\$ 444,921	\$ 229,551	\$ 223,583	\$ 450,889

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**STATISTICAL SECTION
(UNAUDITED)**

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Statistical Section

This part of the City of Solana Beach's Statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

- * **Net Assets by Component**
- * **Changes in Net Assets**
- * **Fund Balances of Governmental Funds**
- * **Changes in Fund Balances of Governmental Funds**

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property taxes.

- * **Assessed Value and Estimated Actual Value of Taxable Property**
- * **Direct and Overlapping Property Tax Rates**
- * **Principal Property Tax Payers**
- * **Property Tax Levies and Collections**

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

- * **Ratios of Outstanding Debt by Type**
- * **Direct and Overlapping Debt**
- * **Legal Debt Margin Information**
- * **Pledged-Revenue Coverage**

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

- * **Demographic and Economic Statistics**
- * **Principal Employers**

Operating Information

These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

- * **Full-time Equivalent City Government Employees by Function/Program**
- * **Operating Indicators by Function/Program**
- * **Capital Assets Statistics by Function/Program**

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

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Financial Trends

CITY OF SOLANA BEACH

Net Assets by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
Government activities				
Invested in capital assets, net of related debt	\$ 36,655,805	\$ 37,489,188	\$ 509,150,966	\$ 508,883,573
Restricted	3,010,042	3,698,578	2,221,042	6,996,982
Unrestricted	11,214,960	11,645,853	11,309,650	10,976,825
Total governmental activities net assets	\$ 50,880,807	\$ 52,833,619	\$ 522,681,658	\$ 526,857,380
Business-type activities				
Invested in capital assets, net of related debt	\$ 3,971,593	\$ 4,979,576	\$ 4,258,382	\$ 4,485,446
Restricted	2,397,171	809,381	850,800	1,021,293
Unrestricted	11,776,896	13,692,108	15,243,909	16,242,623
Total business-type activities net assets	\$ 18,145,660	\$ 19,481,065	\$ 20,353,091	\$ 21,749,362
Primary government				
Invested in capital assets, net of related debt	\$ 40,627,398	\$ 42,468,764	\$ 513,409,348	\$ 513,369,019
Restricted	5,407,213	4,507,959	3,071,842	8,018,257
Unrestricted	22,991,856	25,337,961	26,553,559	27,219,448
Total primary government activities net assets	\$ 69,026,467	\$ 72,314,684	\$ 543,034,749	\$ 548,606,724

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 508,667,761	\$ 508,786,944	\$ 506,384,350	\$ 33,268,562	\$ 32,138,178	\$ 34,301,049
5,918,148	5,634,827	6,227,639	7,086,145	6,747,340	6,370,933
10,118,438	9,696,117	9,168,682	7,537,582	4,479,958	5,275,012
\$ 524,704,347	\$ 524,117,888	\$ 521,780,671	\$ 47,892,289	\$ 43,365,476	\$ 45,946,994
\$ 5,655,824	\$ 5,300,163	\$ 9,451,570	10,679,302	6,389,844	5,470,469
1,021,293	1,021,293	1,021,293	-	-	-
16,516,654	19,961,200	16,768,741	17,901,556	22,974,310	24,794,121
\$ 23,193,771	\$ 26,282,656	\$ 27,241,604	\$ 28,580,858	\$ 29,364,154	\$ 30,264,590
\$ 514,323,585	\$ 514,087,107	\$ 515,835,920	\$ 43,947,864	\$ 38,528,022	\$ 39,771,518
6,939,441	6,656,120	7,248,932	7,086,145	6,747,340	6,370,933
26,635,092	29,657,317	25,937,423	25,439,138	27,454,268	30,069,133
\$ 547,898,118	\$ 550,400,544	\$ 549,022,275	\$ 76,473,147	\$ 72,729,630	\$ 76,211,584

CITY OF SOLANA BEACH

Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General government	\$ 1,175,182	\$ 1,869,797	\$ 2,657,830	\$ 2,773,232	\$ 3,528,936
Public safety	5,405,861	5,426,159	5,699,742	6,087,407	6,660,964
Public works	3,585,561	4,099,736	4,725,613	4,483,800	7,956,086
Community development	669,741	609,010	804,491	1,089,476	1,092,010
Community services	354,778	272,811	413,747	393,590	447,863
Interest on long-term debt	159,210	148,504	138,123	330,382	440,207
Total Governmental Activities expenses	11,350,333	12,426,017	14,439,546	15,157,887	20,126,066
Business-Type Activities:					
Sanitation	3,206,253	2,322,722	2,798,884	2,616,081	2,893,009
Total Business-Type Activities Expenses	3,206,253	2,322,722	2,798,884	2,616,081	2,893,009
Total Primary Government Expenses	\$ 14,556,586	\$ 14,748,739	\$ 17,238,430	\$ 17,773,968	\$ 23,019,075
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	448,726	322,410	528,680	612,036	673,678
Public works	794,497	841,104	809,414	892,979	933,500
Community development	431,434	402,152	549,425	723,716	696,403
Community services	57,568	59,007	58,192	59,245	65,554
Operating Contributions:					
General government	-	-	-	-	-
Public safety	-	-	-	2,460	-
Public works	291,059	255,956	257,689	312,172	393,644
Community development	-	-	-	-	-
Community services	-	-	-	-	14,944
Capital Contributions and Grants:					
Public safety	245,146	291,021	110,626	181,974	109,462
Public works	1,107,610	2,622,423	1,640,684	4,475,229	1,377,308
Community services	-	-	-	-	-
Total Governmental Activities Program Revenues	3,376,040	4,794,073	3,954,710	7,259,811	4,264,493
Business-Type Activities:					
Charges for services:					
Sanitation	3,055,575	3,559,721	3,530,427	3,741,212	3,860,416
Total Business-Type Activities Program Revenues	3,055,575	3,559,721	3,530,427	3,741,212	3,860,416
Total Primary Government Program Revenues	\$ 6,431,615	\$ 8,353,794	\$ 7,485,137	\$ 11,001,023	\$ 8,124,909
Net (Expense)/Revenue					
Governmental Activities	\$ 3,376,040	\$ 4,794,073	\$ 3,954,710	\$ 7,259,811	\$ (15,861,573)
Business-Type Activities	(11,501,011)	(11,189,018)	(13,708,003)	(14,032,756)	967,407
Total primary Government Net Expense	\$ (8,124,971)	\$ (6,394,945)	\$ (9,753,293)	\$ (6,772,945)	\$ (14,894,166)
General Revenues and Other Charges in Net Assets					
Governmental Activities:					
Taxes:					
Property taxes, levied for general purpose	\$ 3,646,279	\$ 3,956,173	\$ 4,031,269	\$ 4,478,992	\$ 5,565,440
Transient occupancy taxes	515,588	561,429	783,539	919,638	1,013,297
Sales taxes	2,482,421	2,691,127	2,661,448	2,943,359	3,070,730
Intergovernmental, unrestricted:					
Franchise taxes	402,079	477,870	521,996	569,936	613,222
Other taxes	1,439,466	1,240,834	1,756,042	2,191,678	1,821,978
Investment income	303,471	165,575	323,938	606,068	1,044,282
Use of money and property	28,342	30,653	34,902	26,227	31,304
Other	437,132	461,095	352,889	337,900	548,286
Loss on sale of property	-	-	-	-	-
Extraordinary Gain/(Loss) on dissolution on redevelopment agency	-	-	-	-	-
Total Governmental Activities	9,254,778	9,584,756	10,466,023	12,073,798	13,708,539
Business-Type Activities:					
Investment income	149,442	98,406	164,044	271,140	477,002
Use of money and property	-	-	-	-	-
Share in joint venture net loss	(466,575)	-	-	-	-
Other	-	-	-	-	-
Total Business-Type Activities	(317,133)	98,406	164,044	271,140	477,002
Total Primary Government	\$ 8,937,645	\$ 9,683,162	\$ 10,630,067	\$ 12,344,938	\$ 14,185,541
Changes in Net Assets					
Governmental Activities	\$ 12,630,818	\$ 14,378,829	\$ 14,420,733	\$ 19,333,609	\$ (2,153,034)
Business-Type Activities	(11,818,144)	(11,090,612)	(13,543,959)	(13,761,616)	1,444,409
Total Primary Government	\$ 812,674	\$ 3,288,217	\$ 876,774	\$ 5,571,993	\$ (708,625)

	2008	2009	2010	2011	2012
\$	3,937,478	\$ 3,518,394	\$ 4,680,495	\$ 4,943,119	\$ 3,509,970
	7,295,541	7,543,706	8,066,129	9,730,398	7,801,875
	3,983,378	6,254,133	4,350,781	4,207,981	4,499,601
	1,318,105	1,115,746	1,055,575	1,078,141	957,995
	3,662,205	862,778	526,188	569,907	561,563
	464,713	523,536	738,430	543,852	139,345
	<u>20,661,420</u>	<u>19,818,293</u>	<u>19,417,598</u>	<u>21,073,398</u>	<u>17,470,349</u>
	<u>3,284,109</u>	<u>3,599,496</u>	<u>3,654,076</u>	<u>3,942,484</u>	<u>4,038,404</u>
	<u>3,284,109</u>	<u>3,599,496</u>	<u>3,654,076</u>	<u>3,942,484</u>	<u>4,038,404</u>
\$	<u>23,945,529</u>	<u>\$ 23,417,789</u>	<u>\$ 23,071,674</u>	<u>\$ 25,015,882</u>	<u>\$ 21,508,753</u>

\$	-	\$ -	\$ -	\$ -	\$ 21,370
	685,091	804,810	397,971	471,722	439,523
	992,150	923,315	571,933	689,658	251,766
	718,504	508,514	447,581	506,927	796,475
	102,620	105,511	248,803	151,189	229,571
	-	-	-	14,213	-
	-	-	181,174	251,237	273,048
	267,943	318,590	1,000	1,351	173,664
	-	31,725	-	-	-
	48,393	-	76,250	13,500	30,331
	184,866	109,194	-	65,696	78,590
	3,152,793	1,039,257	25,500	414,003	25,000
	-	-	-	21,001	-
	<u>6,152,360</u>	<u>3,840,916</u>	<u>1,950,212</u>	<u>2,600,497</u>	<u>2,319,338</u>

	<u>5,920,865</u>	<u>4,296,890</u>	<u>4,498,181</u>	<u>4,501,364</u>	<u>4,517,005</u>
	<u>5,920,865</u>	<u>4,296,890</u>	<u>4,498,181</u>	<u>4,501,364</u>	<u>4,517,005</u>
\$	<u>12,073,225</u>	<u>\$ 8,137,806</u>	<u>\$ 6,448,393</u>	<u>\$ 7,101,861</u>	<u>\$ 6,836,343</u>

\$	(14,509,060)	\$ (15,977,377)	\$ (17,467,386)	\$ (18,472,901)	\$ (15,151,011)
	2,636,756	697,394	844,105	558,880	478,601
\$	<u>(11,872,304)</u>	<u>\$ (15,279,983)</u>	<u>\$ (16,623,281)</u>	<u>\$ (17,914,021)</u>	<u>\$ (14,672,410)</u>

\$	5,954,582	\$ 6,291,314	\$ 6,880,563	\$ 6,813,559	\$ 6,597,393
	1,020,184	1,015,007	929,836	978,840	1,118,592
	3,041,726	2,682,769	2,515,183	2,813,228	2,963,507
	-	-	-	-	52,084
	624,153	652,107	652,485	663,660	685,336
	1,905,408	2,016,476	2,228,379	2,353,883	2,670,333
	776,033	401,668	175,659	161,701	-
	56,849	87,154	-	-	102,469
	553,666	493,665	345,098	218,377	494,008
	-	-	-	(57,159)	-
	-	-	-	-	2,933,995
	<u>13,932,601</u>	<u>13,640,160</u>	<u>13,727,203</u>	<u>13,946,089</u>	<u>17,617,717</u>

	488,749	261,554	73,634	51,294	-
	-	-	-	-	152,477
	-	-	-	-	-
	-	-	-	-	269,358
	<u>488,749</u>	<u>261,554</u>	<u>495,149</u>	<u>224,416</u>	<u>421,835</u>
\$	<u>14,421,350</u>	<u>\$ 13,901,714</u>	<u>\$ 14,222,352</u>	<u>\$ 14,170,505</u>	<u>\$ 18,039,552</u>

\$	(576,459)	\$ (2,337,217)	\$ (3,740,183)	\$ (4,526,812)	\$ 2,466,706
	3,125,505	958,948	1,339,254	783,296	900,436
\$	<u>2,549,046</u>	<u>\$ (1,378,269)</u>	<u>\$ (2,400,929)</u>	<u>\$ (3,743,516)</u>	<u>\$ 3,367,142</u>

CITY OF SOLANA BEACH

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis Of Accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 974,342	\$ 565,386	\$ 544,362	\$ 634,006	\$ 519,306
Unreserved	9,581,261	10,514,035	10,150,168	10,573,702	9,406,448
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 10,555,603</u>	<u>\$ 11,079,421</u>	<u>\$ 10,694,530</u>	<u>\$ 11,207,708</u>	<u>\$ 9,925,754</u>
All Other Governmental Funds					
Reserved	\$ 2,316,972	\$ 4,786,874	\$ 1,205,408	\$ 3,297,818	\$ 6,724,648
Unreserved, reported in nonmajor,					
Special revenue funds	821,858	(747,926)	1,677,800	2,813,527	169,154
Capital Projects funds	831,336	319,560	652,688	4,697,594	1,289,006
Debt service funds	-	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 3,970,166</u>	<u>\$ 4,358,508</u>	<u>\$ 3,535,896</u>	<u>\$ 10,808,939</u>	<u>\$ 8,182,808</u>

Fiscal Year				
2008	2009	2010	2011	2012
\$ 702,183	\$ 678,179	\$ 590,395	\$ -	\$ -
9,349,667	9,315,645	8,836,776	-	-
-	-	-	32,550	6,482
-	-	-	346,990	264,534
-	-	-	4,553,037	4,486,177
-	-	-	1,600,449	2,573,592
<u>\$ 10,051,850</u>	<u>\$ 9,993,824</u>	<u>\$ 9,427,171</u>	<u>\$ 6,533,026</u>	<u>\$ 7,330,785</u>

\$ 2,478,756	\$ 3,297,975	\$ 2,039,729	\$ -	\$ -
-	-	-	-	-
2,944,672	2,785,157	3,883,762	-	-
2,108,813	1,662,537	630,964	-	-
-	-	531,690	-	-
-	-	-	69,226	-
-	-	-	6,169,355	6,241,182
-	-	-	-	-
-	-	-	782,116	539,450
-	-	-	(273,357)	(315,857)
<u>\$ 7,532,241</u>	<u>\$ 7,745,669</u>	<u>\$ 7,086,145</u>	<u>\$ 6,747,340</u>	<u>\$ 6,464,775</u>

CITY OF SOLANA BEACH

Changes In Fund Balances Of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis Of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues:					
Taxes and assessments	\$ 8,265,139	\$ 10,462,543	\$ 9,268,752	\$ 10,688,064	\$ 11,919,786
Intergovernmental	2,699,782	2,187,223	3,901,446	3,592,052	2,414,327
Licenses and permits	246,346	266,716	305,807	359,960	329,903
Charges for services	440,699	379,462	421,033	668,977	634,068
Fines and forfeitures	160,572	175,062	336,224	381,016	395,038
Contributions from property owners	-	-	-	2,712,563	782,564
Investment income	246,621	121,059	228,238	611,383	1,050,776
Use of money and property	94,863	80,056	130,602	26,853	31,304
Other	637,904	360,489	422,028	487,211	577,485
Total revenues	12,791,926	14,032,610	15,014,130	19,528,079	18,135,251
Expenditures:					
General government	1,701,717	1,945,506	2,602,447	3,074,773	3,810,327
Public safety	5,267,668	5,415,657	5,913,793	6,022,168	6,529,740
Public works	2,000,241	2,623,014	2,157,684	2,394,504	2,569,705
Community development	668,761	608,030	792,434	1,088,025	1,090,559
Community services	319,170	237,370	236,705	203,341	257,687
Capital outlay	1,303,763	1,890,368	4,154,864	2,091,842	7,087,294
Debt service:					
Principal retirement	282,500	249,403	224,025	190,000	230,000
Interest	161,575	151,102	139,681	232,203	297,973
Payment to refunded bond escrow agent	-	-	-	-	-
Pass-through payments	-	-	-	-	170,053
Total expenses	11,705,395	13,120,450	16,221,633	15,296,856	22,043,338
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,086,531	912,160	(1,207,503)	4,231,223	(3,908,087)
Other financing sources (uses):					
Transfers in	411,715	706,947	1,248,917	3,282,360	3,866,836
Transfers out	(411,715)	(706,947)	(1,248,917)	(3,282,360)	(3,866,836)
Refunding Bonds issued	-	-	-	-	-
Other Debts Issued	-	-	-	-	-
Bond Discount	-	-	-	-	-
Long-term debt issued	-	-	-	3,555,000	-
Capital leases	-	-	-	-	-
Total other financing sources (uses)	-	-	-	3,555,000	-
Extraordinary Gain/(Loss) on dissolution of Redevelopment Agency (Note 16)	-	-	-	-	-
Net change in fund balances / net assets	\$ 1,086,531	\$ 912,160	\$ (1,207,503)	\$ 7,786,223	\$ (3,908,087)
Capital assets used in debt service calculation*	\$ 1,959,750	\$ 2,425,081	\$ 3,923,659	\$ 2,253,161	\$ 4,141,490
Debt service as a percentage of noncapital expenditures	4.6%	3.7%	3.0%	3.2%	2.9%

* The amount of capital outlay used to calculate the ratio of total debt service expenditures to noncapital expenditures is the same as the reconciling item for capital outlay in the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures and changes in fund balance.

	2008	2009	2010	2011	2012
\$	12,459,651	\$ 12,299,829	\$ 12,299,501	\$ 12,700,086	\$ 12,881,767
	4,945,419	2,310,147	1,700,918	1,623,918	1,822,705
	397,846	329,118	308,284	323,091	420,339
	673,668	573,179	678,188	607,354	799,836
	348,272	322,777	349,291	385,394	342,136
	-	732,846	-	-	-
	781,475	404,348	-	-	-
	46,849	87,154	176,320	162,086	102,469
	596,889	593,334	421,595	1,132,388	604,953
	20,250,069	17,652,732	15,934,097	16,934,317	16,974,205
	3,562,602	3,373,964	3,433,354	4,363,499	3,230,362
	7,126,476	8,236,116	7,848,577	9,531,715	7,614,262
	2,537,019	2,471,621	2,278,876	2,263,950	2,301,953
	1,312,496	1,108,727	1,079,651	1,103,618	953,383
	288,019	295,651	224,884	268,603	244,955
	5,208,933	1,751,802	1,134,878	1,644,750	2,048,301
	235,000	415,000	424,079	444,385	239,900
	289,795	292,415	282,725	265,360	155,519
	-	-	-	-	1,545,000
	214,200	256,033	453,250	281,387	7,147
	20,774,540	18,201,329	17,160,274	20,167,267	18,340,782
	(524,471)	(548,597)	(1,226,177)	(3,232,950)	(1,366,577)
	905,588	946,080	857,227	874,996	2,560,970
	(905,588)	(946,080)	(857,227)	(874,996)	(2,560,970)
	-	-	-	-	1,388,300
	-	-	-	-	818,696
	-	-	-	-	(10,650)
	-	-	-	-	(24,062)
	-	703,999	-	-	-
	-	703,999	-	-	2,172,284
	-	-	-	-	\$ (366,005)
\$	(524,471)	\$ 155,402	\$ (1,226,177)	\$ (3,232,950)	\$ 439,702
\$	2,730,022	\$ 390,039	\$ 963,854	\$ 1,364,025	\$ 2,055,611
	2.9%	4.0%	4.4%	3.8%	2.4%

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Revenue Capacity

CITY OF SOLANA BEACH

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)**

Fiscal Year	Residential Property	Commercial Property	Other Property	Less: Tax-Exempt Property
2003	\$ 1,795,862	\$ 215,156	\$ 119,755	\$ -
2004	1,916,873	223,024	131,368	-
2005	2,085,753	237,780	128,736	-
2006	2,298,209	255,260	162,600	-
2007	2,514,874	265,176	175,719	-
2008	2,724,080	299,804	155,109	-
2009	2,873,115	344,271	167,089	-
2010	2,919,582	352,525	168,139	-
2011	2,925,829	343,837	158,782	-
2012	2,990,970	352,417	158,210	-

(a) The County of San Diego does not compile Estimated Actual Valuations

N/A - Data not available

Source: San Diego County Assessor 2002/03 - 2011/12 Combined Tax Rolls
HdL Coren & Cone.
City of Solana Beach Finance Department

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value^a	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 2,130,773	0.1597%	N/A	N/A
2,271,265	0.1597%	N/A	N/A
2,452,269	0.1598%	N/A	N/A
2,716,069	0.1601%	N/A	N/A
2,955,769	0.1755%	N/A	N/A
3,178,993	0.1776%	N/A	N/A
3,384,475	0.1802%	N/A	N/A
3,440,246	0.1797%	N/A	N/A
3,428,448	0.1780%	N/A	N/A
3,501,597	0.1800%	N/A	N/A

CITY OF SOLANA BEACH

**Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of taxable value)**

City Direct Rates

Fiscal Year	General			
	Basic Tax Levy	Municipal Improvement District	Lighting District	Total Direct Rate
2003	0.1602	0.0037	0.0096	0.1735
2004	0.1602	0.0037	0.0096	0.1735
2005	0.1602	0.0037	0.0096	0.1735
2006	0.1602	0.0037	0.0096	0.1735
2007	0.1602	0.0037	0.0096	0.1735
2008	0.1602	0.0037	0.0096	0.1735
2009	0.1602	0.0037	0.0096	0.1735
2010	0.1602	0.0037	0.0096	0.1735
2011	0.1602	0.0037	0.0096	0.1735
2012	0.1602	0.0037	0.0096	0.1735

Overlapping Rates

Fiscal Year	San Diego County (1)	Carlsbad/ Oceanside/ Vista Projects	School Districts	Community College	Santa Fe Irrigation District (2)
2003	0.167550	0.0004	0.402810	0.10486	0.025340
2004	0.167550	0.0004	0.402810	0.10486	0.025340
2005	0.167550	0.0004	0.402810	0.10486	0.025340
2006	0.167550	0.0004	0.402810	0.10486	0.025340
2007	0.167550	0.0004	0.402810	0.10486	0.025340
2008	0.167550	0.0004	0.402810	0.10486	0.025340
2009	0.167550	0.0004	0.402810	0.10486	0.025340
2010	0.167550	0.0004	0.402810	0.10486	0.025340
2011	0.167550	0.0004	0.402810	0.10486	0.025340
2012	0.167550	0.0004	0.402810	0.10486	0.025340

(1) Includes County School Services, Library, Childrens Institution Tuition, and Regional Occupational Centers.

(2) Includes Cwa Santa Fe Irrigation District (.00423) and Santa Fe Irrigation (.02111)

(3) Includes only rate(s) from indebtedness adopted prior to 1989 per California State Statute

Source: San Diego County Assessor 2002/03 - 2011/12 Tax Rate Table and HdL Coren and Cone.

Overlapping Rates

Educational Revenue Augmentation	Voter Approved (3)				Total Tax Rate
	CWA Santa Fe Irrigation Debt Service	Metropolitan Water District Debt Service	Santa Fe Irrigation Tax Rate Reduction	Vista Project	
0.12551	0.00075	0.0067	-0.01048	-	0.996960
0.12551	0.00067	0.0061	-0.01099	-	0.995770
0.12551	-	0.0058	-0.01123	-	0.994560
0.12551	-	0.0052	-	-	1.005190
0.12551	-	0.0047	-	-	1.004690
0.12551	-	0.0045	-	-	1.004490
0.12551	-	0.0043	-	-	1.004290
0.12551	-	0.0043	-	-	1.004290
0.12551	-	0.0037	-	-	1.003690
0.12551	-	0.0037	-	-	1.003700

CITY OF SOLANA BEACH

**Principal Property Tax Payers,
Current Year and Ten Years Ago**

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
<u>For the Fiscal Year Ended June 30, 2012</u>		
SB Corporate Centre III-IV LLC	\$ 37,324,946	1.08%
Solana Beach Towne Centres Investments	31,930,384	0.92%
Sanyo Foods Corporation of America	29,241,915	0.85%
Pacific Solana Beach Holdings LP	29,235,554	0.85%
Fenton Solana Highlands LLC	27,669,189	0.80%
Muller-Beachwalk LLC	22,400,000	0.65%
E R P Operating LP	17,708,254	0.51%
Lavida Delmar Asscs LP	15,649,998	0.45%
445 Marine View LLC	15,000,000	0.43%
Urschel Laboratories INC	12,823,692	0.37%
 Total	 \$ 238,983,932	 6.91%
<u>For the Fiscal Year Ended June 30, 2003</u>		
SB Towne Centre LLC	\$ 38,599,600	1.84%
Pacific Solana Beach Holdings LP	24,973,642	1.19%
Sanyo Foods Corporation of America	24,772,911	1.18%
Fenton Solana Highlands LLC	23,899,105	1.14%
E R P Operating LP	15,281,394	0.73%
Lavida Delmar Associates	13,472,745	0.64%
Urschel Laboratories Inc	11,115,049	0.53%
Price Enterprise Inc	10,929,810	0.52%
Generation Venture Fund IV LLC	10,245,756	0.49%
Hibiscus Investments Inc	9,550,872	0.45%
 Total	 \$ 182,840,884	 8.70%

Source: HdL Coren & Cone and San Diego County Assessor 2002/03 & 2011/12 Combined Tax Rolls

CITY OF SOLANA BEACH

**Property Tax Levies and Collections,
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 4,203,037	\$ 4,144,738	98.6%	\$ 76,910	\$ 4,221,648	100%
2004	4,454,612	4,398,480	98.7%	77,196	4,475,676	100%
2005	4,630,963 (1)	4,584,653	99.0%	49,173	4,633,826	100%
2006	5,071,474 (1)	4,829,420	95.2%	75,012	4,904,432	97%
2007	5,151,898	4,996,716	97.0%	240,429	5,237,145	102%
2008	5,209,273	4,900,178	94.1%	291,016	5,191,194	100%
2009	5,380,394	5,109,936	95.0%	221,201	5,331,137	99%
2010	5,781,014	5,407,172	93.5%	206,031	5,613,203	97%
2011	5,741,547	5,440,612	94.8%	-	5,440,612	95%
2012	5,770,042	5,489,946	95.1%	-	5,489,946	95%

(1) City Finance Department Estimates including Educational Revenue Augmentation Fund (ERAF)

Sources: City of Solana Beach Finance Department, County of San Diego Office of Auditor-Controller.

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Debt Capacity

CITY OF SOLANA BEACH

**Ratios of Outstanding Debt by Type,
Last Six Fiscal Years
(dollars in thousands, except per capita)**

Fiscal Year	Government Activities			Business-type Activities	Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	2002 ABAG Lease Revenue Bonds	Refunding Lease ABAG	Capital Leases	Loans			
2007	2,525,000	-	-	17,920,000	20,445,000	N/A	N/A
2008	2,320,000	-	-	17,305,000	19,625,000	N/A	N/A
2009	2,100,000	-	568,999	16,620,000	19,288,999	N/A	N/A
2010	1,875,000	-	434,920	16,169,752	18,479,672	N/A	N/A
2011	1,640,000	-	295,535	15,409,277	17,344,812	N/A	N/A
2012	-	1,388,300	969,331	13,783,638	16,141,269	N/A	N/A

N/A - Data not available

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^a See Demographic and Economic Statistics schedule for personal income and population data.
These ratios are calculated using personal income and population for the prior calendar year.

CITY OF SOLANA BEACH

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2012**

Fiscal Year 2011-12 Assessed Valuation : \$3,421,936,720 (includes deduction of \$80,150,110 of Redevelopment Incremental Valuation)

	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable to City (1)</u>	<u>Net Bonded Debt</u>
<u>Direct Debt:</u>			
City of Solana Beach Certificates of Participation	\$ 1,545,000	100.000%	\$ 1,545,000
Total Direct Debt			<u>1,545,000</u>
<u>Overlapping Debt:</u>			
Metropolitan Water District	196,545,000	0.190%	373,436
San Dieguito Union High School District			
Community Facilities District No. 95-1	30,752,514	3.274%	1,006,837
City of Solana Beach 1915 Act Bonds	2,885,000	100.000%	2,885,000
Olivenhain Municipal Water District, Assessment District No. 96-1	15,460,000	0.566%	87,504
San Diego County General Fund Obligations	395,115,000	0.993%	3,923,492
San Diego County Pension Obligations	787,112,618	0.993%	7,816,028
San Diego County Superintendent of Schools General Fund Obligations	18,750,000	0.993%	186,188
Mira Costa Community College District Certificates of Participation	2,740,000	4.469%	122,451
Solana Beach School District Certificates of Participation	165,000	25.835%	42,628
San Dieguito Union High School District Certificates of Participation	15,515,000	7.143%	<u>1,108,236</u>
Total Overlapping Debt			<u>17,551,800</u>
Total Direct and Overlapping Debt		(2)	<u>\$ 19,096,800</u>

Debt to Assessed Valuation Ratios :

Direct Debt	0.05%
Overlapping Debt	0.51%
Total Debt	0.56%

Note:

- (1) - Percentage of overlapping agency's assess valuation located within the boundaries of the city.
- (2) - Excludes tax and revenue anticipation notes, enterprise revenues, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CITY OF SOLANA BEACH

**Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)**

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 3,421,937
Debt limit (15% of assessed value)	513,291
Debt applicable to limit:	
General obligation bonds	-
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 513,291</u></u>

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total net debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Legal Debt Margin Percentage of Debt Limit</u>
2003	\$ 316,259	\$ -	\$ 316,259	100.00%
2004	337,323	-	337,323	100.00%
2005	367,897	-	367,897	100.00%
2006	407,487	-	407,487	100.00%
2007	443,421	-	443,421	100.00%
2008	476,921	-	476,921	100.00%
2009	495,650	-	495,650	100.00%
2010	504,121	-	504,121	100.00%
2011	502,577	-	502,577	100.00%
2012	513,291	-	513,291	100.00%

CITY OF SOLANA BEACH

**Pledged-Revenue Coverage
Last Six Fiscal Years**

2002 ABAG Lease Revenue Bonds

<u>Fiscal Year</u>	<u>Use of Money & Property</u>	<u>Lease/Rents</u>	<u>Less: Expenditures</u>	<u>Net Available Revenue</u>
2007	\$ 12,037	\$ 323,556	\$ 1,805	\$ 333,788
2008	11,488	319,181	1,764	328,905
2009	9,362	324,656	240	333,778
2010	8,291	320,756	1,676	327,371
2011	8,210	321,263	1,627	327,846
2012	4,122	154,349	-	158,471

<u>Fiscal Year</u>	<u>Debt Service</u>		<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 200,000	\$ 123,556	1.03
2008	205,000	114,181	1.03
2009	220,000	104,656	1.03
2010	225,000	95,756	1.02
2011	235,000	86,263	1.00
2012	109,000	45,349	1.03

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Expenditures do not include interest, depreciation, or amortization expenses.

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Demographic and Economic Information

CITY OF SOLANA BEACH

**Demographic and Economic Statistics
Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2002	13,300	\$ 660,835	\$ 49,687	3.1%
2003	13,404	681,145	50,817	3.1%
2004	13,421	713,592	53,170	2.8%
2005	13,396	742,663	55,439	2.9%
2006	13,360	785,716	58,811	2.6%
2007	13,426	819,685	61,052	3.0%
2008	13,492	830,704	61,570	4.0%
2009	13,600	815,227	59,947	6.6%
2010	13,783	659,875	47,876	7.2%
2011	13,000	691,899	53,223	6.8%

Sources: HdL Coren & Cone report prepared on 7/26/12

CITY OF SOLANA BEACH

TOP 25 EMPLOYERS - SAN DIEGO COUNTY
AS OF 2012

<u>Employer</u>	<u>Number of Employees</u>	<u>Business category</u>
U.S. Department of Defense	136,664	Defense/government
Federal Government	46,300	Federal Administration
State of California	45,500	State Government
University of California, San Diego	27,393	University
North Island Naval Air Station/Naval Base Coronado	27,000	Defense
County of San Diego (CAO)	15,109	
Sharp HealthCare	14,969	Health care
Scripps Health	13,830	
San Diego Unified School District	13,730	
San Diego State University	11,000	State University
Qualcomm Inc.	10,509	Wireless Technologies
City of San Diego	10,211	
Kaiser Foundation Hospital	8,200	Health care
General Atomics	6,751	Defense/Technology
UCSD Medical Center Hillcrest	5,860	Hospital
U.S. Postal Service, San Diego District	5,795	Mail Delivery
Sempra Energy	5,299	
Rady Children's Hospital San Diego	4,700	Hospital
YMCA of San Diego County	4,594	
San Diego Community College District	4,310	
Pechanga Resort & Casino	4,300	Gaming Casino
Northrop Grumman Corp	4,217	IT systems and solutions
Chula Vista Elementary School District	4,177	
Palomar Pomerado Health	3,995	Public Health System
AT&T Inc.	3,885	Communications

Employer information specific to the City of Solana Beach is not readily available*

NA: The data for ten and five years ago is not available

* Due to unreliable data, the Top Employer Report is no longer offered by HdL Coren & Cone

Source:

The Daily Transcript Source Book - San Diego County Largest Employers as of April 20, 2012

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Operating Information

CITY OF SOLANA BEACH

**Full-time-Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years**

Fiscal Years:	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Function/Program</u>				
General government				
City Council	5.20	5.20	0.20	0.20
City Clerk	2.87	2.87	2.75	2.75
City Manager	2.14	2.14	2.05	1.99
Legal Services	1.00	1.00	0.25	0.25
Finance	4.00	3.70	3.60	4.60
Non Departmental	-	-	-	-
Personnel	1.20	1.20	1.73	1.20
Info/Communication Systems	0.25	0.25	1.15	1.10
Community Development	5.00	5.00	5.50	6.25
Public Safety				
Fire	20.62	20.67	20.01	20.01
Code Enforcement	3.25	2.25	1.55	1.88
Marine Safety	8.30	8.31	8.45	8.67
Junior Lifeguards	2.46		1.84	1.84
Public Works				
Engineering	3.59	3.14	3.64	3.89
Environmental/Flood Control	0.69	1.49	1.69	1.69
Street Maintenance	2.77	2.77	2.96	2.96
Park Maintenance	0.75	0.75	0.94	0.94
Recreation & Community Services				
Community Services	1.75	1.05	0.62	0.64
Recreation	1.99	1.99	1.91	2.27
Sanitation	1.98	1.68	1.64	1.64
Improvement Districts	1.47	1.42	1.54	1.54
Redevelopment Agency	<u>N/A</u>	<u>N/A</u>	<u>0.25</u>	<u>0.30</u>
Total Personnel	<u>71.28</u>	<u>66.88</u>	<u>64.27</u>	<u>66.61</u>

N/A - Data Not Available

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).

Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Source: City of Solana Beach's Annual Budget

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
0.20	0.20	0.20	0.20	0.20	0.20
3.00	3.00	3.00	2.75	2.75	2.75
1.99	1.99	1.99	2.24	1.92	1.92
0.25	0.25	0.25	0.25	0.25	0.25
4.55	4.55	4.25	4.25	3.40	3.40
-	-	-	-	-	-
1.20	1.20	1.20	1.20	1.10	1.10
1.10	1.10	1.05	1.05	1.00	1.00
6.25	7.25	6.25	6.00	5.50	5.50
20.01	20.01	20.01	19.25	19.22	19.22
2.13	2.13	2.33	2.00	1.78	1.78
8.67	8.67	8.67	8.39	8.08	8.08
1.84	1.84	1.84	1.84	3.73	3.73
4.08	4.08	3.59	2.84	2.31	2.31
1.69	1.69	1.65	1.13	1.10	1.10
3.10	3.10	2.95	2.93	2.90	2.90
1.14	1.14	1.40	1.38	1.35	1.35
0.83	0.83	0.88	0.88	0.95	0.95
2.10	2.40	2.52	2.52	2.59	2.59
1.75	2.00	3.01	2.86	2.93	2.93
1.54	1.64	1.64	0.99	0.95	0.95
0.36	0.36	0.41	0.45	0.50	0.50
<u>67.78</u>	<u>69.43</u>	<u>69.08</u>	<u>65.39</u>	<u>64.51</u>	<u>64.51</u>

CITY OF SOLANA BEACH

**Operating Indicators by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Community development				
Number of:				
Business licenses (A)	N/A	N/A	1272	1400
Plan checks (B)	N/A	328	420	457
Code violations (calendar basis)	489	1220	1496	1218
Police (Calendar basis)				
Number of:				
Priority 1	23	18	19	14
Priority 2	593	711	755	718
Priority 3	3105	2128	2205	2035
Priority 4	2133	1373	1473	1398
FBI Index Crimes	401	328	346	351
Fire				
Emergency Responses	1128	1140	1377	1300
Training Hours	3019	4197	4717	4200
Plan Checks	118	109	188	125
Public works				
Miles of:				
Street resurfacing/repair	N/A	N/A	N/A	N/A
Street sweeping	N/A	N/A	N/A	N/A
Number of:				
Street signal maintained	N/A	N/A	N/A	N/A
Trees pruned per year	N/A	N/A	N/A	N/A
Recreation & community services				
Number of enrollees:				
Day camp (Calendar basis)	N/A	N/A	N/A	N/A
Classes	N/A	N/A	N/A	N/A
Special events	N/A	N/A	N/A	N/A

N/A - Data not available

(A) - Includes new & renewal licenses, excludes temporary licenses

(B) - Excludes temporary plan checks.

Sources: Various city departments.

** Street repair in Square Feet (SF)

Fiscal Year

2007	2008	2009	2010	2011	2012
1507	1786	1634	1641	1943	1877
376	380	391	322	125	211
957	1142	821	510	1184	1277
15	13	12	10	11	12
684	648	716	1131	1127	1195
1941	1879	1775	1903	1778	1690
1228	1371	1309	1154	1110	1200
303	343	290	291	276	337
1458	1563	1105	1438	1588	1093
4644	3693	4102	2634	5304	n/a
185	159	89	101	62	161
4	8	N/A	60000**	60000**	180000**
900	900	900	900	900	900
180	180	180	168	168	168
20	40	250	287	10	158
181	192	171	212	271	315
158	217	161	78	48	35
4400	4300	9452	8200	10200	11250

CITY OF SOLANA BEACH

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public Safety				
Code enforcement vehicles	2	2	2	2
Fire				
Stations	1	1	1	1
Fire Engines	4	4	4	4
Other vehicles	2	2	2	2
Public works				
Streets (miles)	46	46	46	46
Street lights (city-owned)	748	748	748	748
Traffic signals	13	13	13	13
Public works vehicles	7	7	7	7
Public works Corporation Yard	1	1	1	1
Recreation & community service				
Community centers	2	2	2	2
Parks	1	1	2	2
Marine Safety				
Lifeguard Stations	3	3	3	3
Vehicles	5	5	5	5

Notes: No capital asset indicators are available for the general government.

Sources: Various city departments.

Fiscal Year

2007	2008	2009	2010	2011	2012
2	2	2	2	2	2
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
46	46	46	46	46	46
748	748	748	748	748	748
13	13	13	13	13	13
7	7	7	7	7	7
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
3	3	3	3	3	3
5	5	5	5	5	5

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