

CITY OF SOLANA BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL PERIOD ENDED JUNE 30, 2018

PREPARED BY THE FINANCE DEPARTMENT
OF THE CITY OF SOLANA BEACH

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CITY OF SOLANA BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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CITY OF SOLANA BEACH

FAX (858) 792-6513 / (858) 755-1782

635 SOUTH HIGHWAY 101 • SOLANA BEACH • CALIFORNIA 92075-2215 • (858) 720-2400

January 16, 2019

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, 2018.

This year's report was prepared by the City's 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 CAFR includes the financial activity for all funds of the City. The City provides a wide range of services including planning; public works; engineering; maintenance of streets, parks and public facilities; community services and recreation; fire and marine safety; sanitation; community choice aggregation; and general administrative activities. Contracted services include building services through a third-party consultant, law enforcement with the San Diego County Sheriff and animal control with the County of San Diego, the final year of contracting with the County for animal control services.

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, Soll 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 ended June 30, 2018, 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, 2018, 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 Management's Discussion and Analysis (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 on July 1, 1986, under the general laws of the State of California and is home to a population of 13,938 residents per the State of California Department of Finance. Included within the City's financial statements is the financial information of the Solana Beach Public Facilities Corporation. The City is considered the primary government and the Public Facilities Corporation is a component unit. Additionally, since the governing boards of the City and the component unit are the same, the financial statements of the City and the component unit are blended.

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 is a coastal community encompassing approximately 3.4 square miles and is located twenty-one miles north of the City of San Diego's downtown district. It is bordered to the North and South by the cities of Encinitas and Del Mar, respectively; to the East by the County San Diego; to the southeast by the City of San Diego; and by 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 (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 for the implementation of all policies established by the 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
- Climate Action Commission
- Parks & Recreation Commission
- Public Arts Commission
- View Assessment Commission

Budgetary Process and Controls

The process of adopting a budget for the City is generally a six-month process beginning in late December and ending in June when the 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 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 to allow the citizenry to participate in the budget process.

In June 2017, the City Council approved the City's first two year budget for Fiscal Years (FY) 2017/18 and 2018/19. The same process was followed in developing the two-year budget and as part of amendments for the second year of the adopted budget. As is the City's practice, budget adjustments during FY 2018/19 will be brought to the City Council for review and approval.

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 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 budget units' departments with City Manager approval. The City budget is reviewed and is periodically adjusted at the middle of the fiscal year and at the end of the fiscal year. These adjustments are approved by the Council.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. The adopted budget for Fiscal Year 2017/18 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.

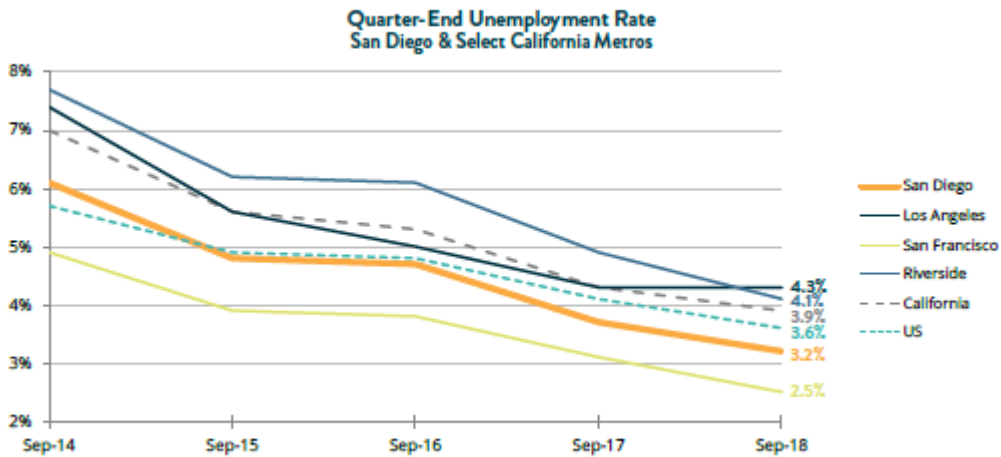
Economic Condition and Outlook

Solana Beach is home to citizens who enjoy the benefits of a coastal community that is within 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 retail, office and light industrial uses and service entities providing a tax base for the City.

As a somewhat 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, arts and crafts, clothing, food, and gasoline. Local economic generators such as vacation tourism support a significant portion of the City's commercial base.

In regard to San Diego's local economy, the San Diego Regional Economic Development Corporation in its report on key economic indicators for the San Diego area shows that the area's unemployment rate is 3.2 percent for the third quarter 2018, which is a reduction from the previous quarter of 0.5 percent, and is lower than the state rate of 3.9 percent and the national rate of 3.6 percent. Out of the 25 most populous metropolitan areas in the United States, San Diego's unemployment rate ranks the 10th lowest. Unemployment rate trends for San Diego as compared to national, state and its regional neighbors have been on a downward trend as shown in the table on the following page.

UNEMPLOYMENT TRENDS

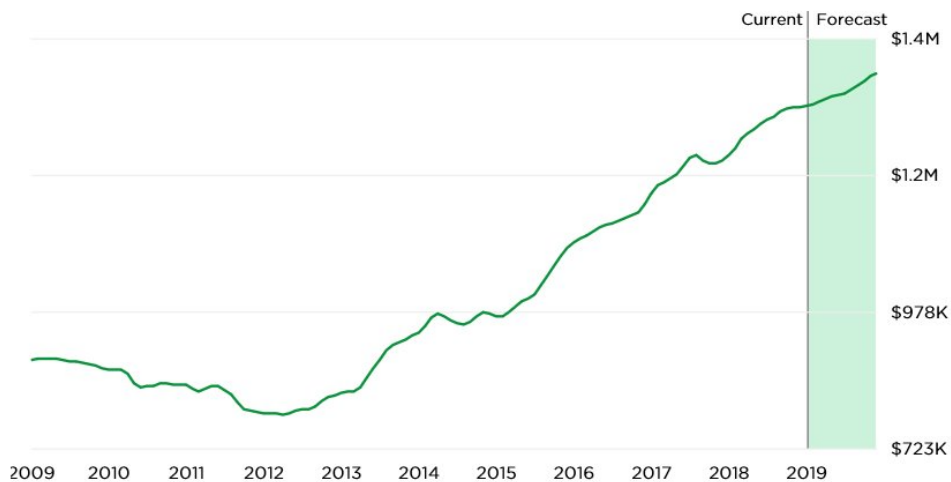


Source: Bureau of Labor Statistics
Note: Data not seasonally adjusted. Quarter-end monthly data.

The strongest area in new hiring is in professional and business services and educational and health services. Healthcare has an especially strong demand, especially in hiring for registered nurses, followed closely by a demand for applications software developers.

Housing prices continue to place the San Diego region as the second highest median home price chart, just below San Francisco, as compared to the 25 most populous metropolitan areas in the United States. San Diego's median home price was \$650,000 in the third quarter 2018, an increase of 7.1 percent as compared to the same quarter in 2017 and as compared to the national average of \$266,900.

Solana Beach's home values follow this trend. Since the 2008 recession, the City's median home value has steadily risen and in November 2018 was \$1,360,600 according to the Zillow home value index. Over the past year, home values in the City have increased by 7.8 percent and Zillow expects that they will increase another 4.7 percent over the next year as illustrated in the following graph.



The median list price per square foot in Solana Beach is \$799, which is higher than the San Diego-Carlsbad Metro average of \$372. Rental costs for the City follow the same pattern - the median rent price in Solana Beach is \$3,800, which is higher than the San Diego-Carlsbad Metro median of \$2,650.

Housing sales may be affected in the coming year by the rise in mortgage rates and housing affordability. Additionally, the new tax law limits interest that can be deducted to \$750,000 in mortgage debt and limits state and local tax deductions to \$10,000.

The Consumer Confidence Index (Index) remained strong through the third quarter 2018 at 138.4 (1985=100). However, by December 2018, the Index had declined to 128.1 due to consumer concerns about job prospects and business conditions. An increasing concern was that the pace of economic growth would begin slowing in the first half of 2019.



The UCLA Anderson Forecast’s (Forecast) report for the fourth quarter 2018 indicates that the economy is in the process of downshifting from 3 percent growth in real Gross Domestic Product (GDP) in 2018 to 2 percent in 2019, and 1 percent in 2020.

Both the nation and California are experiencing full employment, and the Forecast maintains that 3 percent quarterly growth is not sustainable. Financial markets will likely experience increased turbulence with the Federal Reserve raising interest rates, trade tensions rising, and a decline in the impact of the fiscal stimulus from tax cuts and spending increases.

On June 27, 2018, Governor Brown signed a \$201.4 billion budget for the 2018/19 fiscal year. The state budget includes a \$138.7-billion general fund, an \$11.6 billion or 9.2 percent increase, as compared to the revised FY 2017/18 budget appropriations. General Fund revenues are estimated at \$137.7 billion for FY 2018/19, which is \$5.2 billion or 3.9 percent more than the revised FY 2017/18 revenues.

The new budget allocates \$55.9-billion for K-12 and preschool, and increases higher education to \$16.1 billion. Healthcare spending is the largest portion of the budget, with a total cost of \$160 billion, \$39 billion from the general fund and \$121 billion from other sources including federal funds. The spending is focused on Medi-Cal, the healthcare program for low-income residents. It is estimated that more than one in three state residents, are now enrolled. Other provisions were made for spending on infrastructure, climate change, and affordable housing.

When Governor Brown assumed office in 2011, the state was facing a \$27 billion deficit. The FY 2018/19 total budget projects a \$9 billion surplus and the budget invests the surplus in a variety of reserves to help the state in case of an economic downturn.

Proposition 2, passed by the voters in 2014, requires the state to set aside at least 1.5% of its revenues each year to pay down debts and build a rainy-day fund. This budget allocates \$3.5-billion to the reserve, with half going to the state's rainy-day fund and half to pay down debts. With the addition of monies to the reserves, the state is expected to have on hand almost \$16 billion by the end of FY 2018/19.

Gavin Newsom, elected in November as the state's new governor, has already proposed changes to the budget based on his goals when he campaigned for office, including expanded access to health care and increased funding for preschool.

Long-Term Financial Planning

Solana Beach's conservative fiscal policies have helped the City build and maintain a healthy reserve 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 FY 2017/18, property taxes increased by \$459,178, or 6.5%, to \$7,500,418 as compared to FY 2016/17, while sales tax increased by \$63,607, or 2.0%, to \$3,191,410.

Overall, the City's General Fund revenues increased by \$393,016, or 2.2%, from \$18,038,489 in FY 2016/17 to \$18,431,505 in FY 2017/18.

For FY 2018/19, budgeted property taxes are expected to increase as compared to actual amounts received for the prior fiscal year and sales tax is also projected to increase slightly. Property tax is expected to increase to \$7,657,000, or by 2.1%, and sales tax is projected to increase to \$3,231,100, or by 1.2%.

Total General Fund revenues, net of internal service charges, are budgeted at \$18,050,460. It is the City's goal not to rely on General Fund reserves to operate the City annually. The General Fund budget for FY 2018/19 was adopted on June 14, 2017 as the second year of the City's two-year budget cycle and amended on June 13, 2018 with a projected \$262,600 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 2017 with the San Diego Sheriff's Department to provide law enforcement services with increases from year to year projected to average approximately 5.4% over the five years.
2. Amending a Fire Department Management Services Cooperative Agreement with the Cities of Del Mar and Encinitas that continues to provide a cost-effective option to eliminate redundancy and increase levels of service by sharing common functions of organizational direction and control, 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.
4. Implementing additional cost sharing of the employer's share of retirement costs with its employee associations. The goal of the increased cost share is to try to reach a 50% normal cost share between the employee and employer for retirement costs. This allows the City to reduce its pension costs.

All Classic Members (Tier 1 and Tier 2) currently pick-up a portion of the Employer Share of CalPERS retirement costs. The Miscellaneous employee groups pick-up 1.04% and 0.19% for Tier 1 and Tier 2, respectively; the Fire employee groups pick-up 3.00% for both Tier 1 and Tier 2; and the Marine Safety employee groups pick-up 2.00% for Tier 1 and Tier 2.

5. Establishing an irrevocable Section 115 trust with Public Agency Retirement Services (PARS) in a "Post-Employment Benefits Trust Program" (Trust). The Trust is a combination trust that allows pre-funding of both unfunded Pension and Other Post Employment Benefit (OPEB) obligations. The City's estimated total obligation at June 30, 2018 is \$14,011,833 for pension and \$4,454,874 for OPEB for a total of \$18,466,707.

Through June 30, 2018, the Pension and OPEB trusts have been funded in the amounts of \$1,653,035 and \$447,698, respectively, for a combined total of \$2,100,733.

6. Adopting a comprehensive user fee update effective January 1, 2019 with expected ongoing cost of living increases not to exceed 2.5% per fiscal year. The last comprehensive user fee update had been done in 2006.

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 FYs 2017/18 and 2018/19 Budgets, 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. During the FY 2018/19 budget process, the Council again ensured that funds were appropriated to maintain adequate reserves in the Asset Replacement Fund.

Additionally, beginning with the budget cycle for Fiscal Year 2014/15, the City established an infrastructure replacement reserve to ensure that funds are available in the future for the replacement of buildings and improvements. Through Fiscal Year 2018/19, the Council has approved \$700,000 to this reserve 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 primarily with Chandler Asset Management and also with the Local Agency Investment Fund (LAIF) consistent with the City's Investment Policy.

The City's longstanding Investment Policy was amended by the Council on February 10, 2016, and provides the City more flexibility to invest its excess funds to provide safety to ensure the preservation of capital in the portfolio, provide sufficient liquidity for cash needs, and to realize a market rate of return consistent with the investment program while staying within the requirements of California Government Code Section 53601.

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.

Investment income includes appreciation/depreciation in the fair market value of investments (FMV). The total investment income for all funds for the fiscal year was \$296,444 (\$601,495 investment income received less \$305,051 loss on the FMV), an increase of \$28,663 over the prior fiscal year's amount of \$267,781 (\$473,772 investment income received less \$205,991 loss on the FMV).

Major Projects and Financial Planning

Solana Energy Alliance

Community Choice Aggregation (CCA), authorized by Assembly Bill 117, is a state law that allows cities, counties and other authorized entities to aggregate electricity demand within their jurisdictions in order to purchase and/or generate alternative energy supplies for residents and businesses within their jurisdiction while maintaining the existing electricity provider for transmission and distribution services. The goal of a CCA is to provide a higher percentage of renewable energy electricity at competitive and potentially cheaper rates than existing Investor Owned Utilities (IOUs), while giving consumers local choices and promoting the development of renewable power sources and programs and local job growth.

The City's CCA, Solana Energy Alliance (SEA), was established by the City Council through adoption of Ordinance 483 on December 13, 2017 and began serving customers in June 2018. SEA is the first CCA to launch in San Diego Gas & Electric (SDG&E) territory.

The City Council established SEA with the goal of offering cleaner energy, local control, rate savings compared to SDG&E and supporting its Climate Action Plan's aggressive goal of 100% renewable energy by 2035. SEA launched with its default product, SEA Choice, sourced from 50% renewable and 75% greenhouse gas free sources. In addition, SEA offers SEA Green, it's 100% renewable energy product.

Solana Beach Pump Station Rehabilitation

This project is to make recommended upgrades, replacements and add emergency overflow storage to the Solana Beach Pump Station per the 2000 Sanitary Sewer Master Plan, along with recommendations from the San Elijo Joint Powers Authority (SEJPA). This station pumps approximately 92% of the City's sewage through a force main under the San Elijo Lagoon to the SEJPA water reclamation facility on Manchester Avenue. The SEJPA maintains the pump station, which was originally constructed in 1966. Since then, the pump station was upgraded in 1982 when significant improvements were made. The City has recently entered into an agreement with the City of Del Mar to transport the majority of their flows through the City's sewer infrastructure, including this pump station, to the SEJPA water reclamation facility.

City Council awarded the sewer pump station upgrades project to PCL Construction on August 22, 2018. The City issued a notice to proceed to the contractor on November 13, 2018. Construction completion is anticipated December 2019.

La Colonia Skate Park

In 2010, Van Dyke Landscape Architects developed preliminary design plans for redevelopment of La Colonia Park, including the community center and surrounding park. Due to public requests and support from the community, the skate park was designed, and a construction contract was awarded in April 2018. The skate park is currently under construction and anticipated to open by Memorial Day 2019.

La Colonia Tot Lot Improvement

In 2010, Van Dyke Landscape Architects developed preliminary design plans for La Colonia Park. This plan included an expansion of the existing Tot Lot and addition of a new picnic area in the general vicinity of the existing Tot Lot. The City Council, as part of the FY 2017/18 work-plan directed Staff to upgrade the existing Tot Lot. Staff is in the process of developing design plans for the renovation and upgrade of the existing Tot Lot so that the proposed project remains in substantial conformance of the La Colonia Park Master Plan.

Lomas Santa Fe Drive Corridor Improvements

A recently completed transportation needs study identified several segments along the Lomas Santa Fe Drive corridor as high priority improvements. The first phase of the Lomas Santa Fe Corridor Study started in November 2016 and was intended to provide an assessment of the existing conditions which consisted of base mapping, data collection, identification of deficiencies and identification of proposed solutions to the deficiencies. The first phase has been completed. The second phase included additional technical and design analyses of the data collected in Phase I of the Feasibility Study and preparation of 30% preliminary engineering plans and cost estimates. Phase II was completed in the Fall 2018. Phase III will perform preliminary and final design of the proposed improvements. Phase III is expected to be completed in Fall 2020. The City received a grant from SANDAG for the work included in Phase III.

Marine Safety Center Renovations

The Marine Safety Center (MSC) at Fletcher Cove was constructed in or around the 1940s and is showing signs of its age. As part of the Fiscal Year 2015/2016 Adopted Budget, funding was allocated to perform a needs assessment and feasibility study to determine the best course of action for the renovation/replacement of the existing facility.

To accomplish this task, a Professional Services Agreement with Stephen Dalton Architects (SDA) was approved at the March 23, 2016 City Council meeting. During FY 2016/17, Staff worked with SDA on the preparation of the Fletcher Cove MSC Feasibility/Needs Assessment Study. The results of the Study indicate that nearly all building components are degraded and are past their useful lifespan. Spatially, the current building layout does not meet the functional needs of the Lifeguards.

In May 2017, the Study was presented to the City Council at which time the Council directed Staff to proceed with preparing a Request for Qualifications and Proposals (RFQ/P) for the complete removal and replacement of the existing facility. As a result of the RFP, an agreement for preliminary design was approved by the City Council in October 2018.

La Colonia Park Expansion

In July 2018, the City Council approved the purchase of a vacant 28,978 square foot lot located immediately north of and adjacent to La Colonia Park. The purchase price was \$2.8 million and will be financed by a loan from the Sanitation Fund payable over seven years at an annual interest rate of 2.78%.

During the upcoming months, City Staff will be working with the City Council and the community to integrate the property into the existing park and consider and develop additional recreational opportunities for Solana Beach residents.

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 CAFR for the fiscal year ended June 30, 2017. This was the fifteenth year in the past sixteen 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 consisting of Catherine Wong, Kyle Koszewnik, Jill Thayer, and Amanda Sither has our sincerest 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,



Gregory Wade
City Manager

Respectfully submitted,



Marie Marron Berkuti
Finance Manager/Treasurer



Government Finance Officers Association

**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, 2017

Christopher P. Morrill

Executive Director/CEO

**CITY OF SOLANA BEACH
FISCAL YEAR 2017/18
DIRECTORY OF OFFICIALS AND ADVISORY BODIES**

CITY COUNCIL

David A. Zito, Mayor
Jewel Edson, Deputy Mayor
Judy Hegenauer, Council Member
Lesia Heebner, Council Member
Peter Zahn, Council Member

TERM EXPIRES

December 2020
December 2020
December 2020
December 2018
December 2018

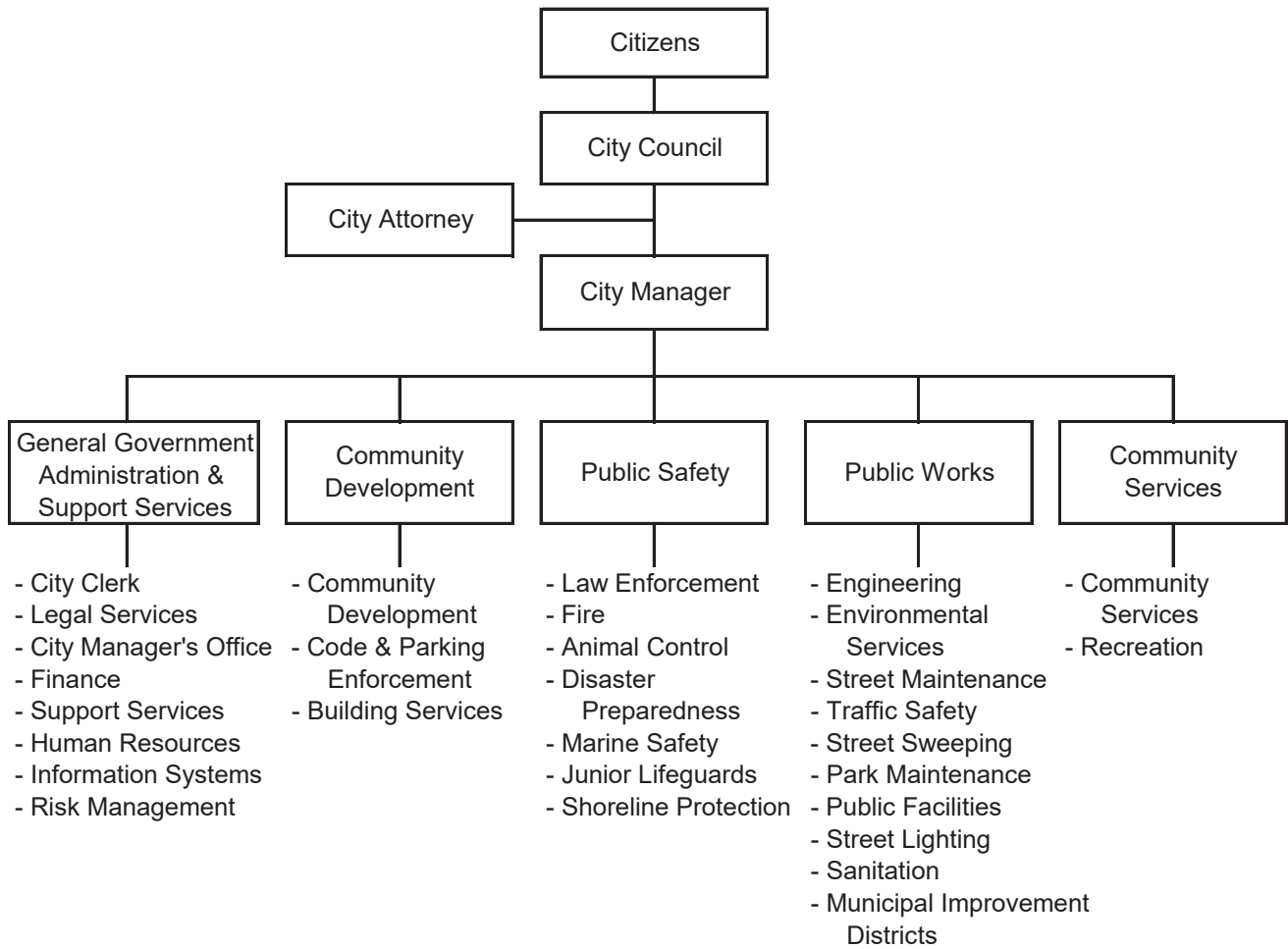
ADVISORY COMMISSIONS

Budget & Finance Commission
Climate Action Commission
Parks & Recreation Commission
Public Arts Commission
View Assessment Commission

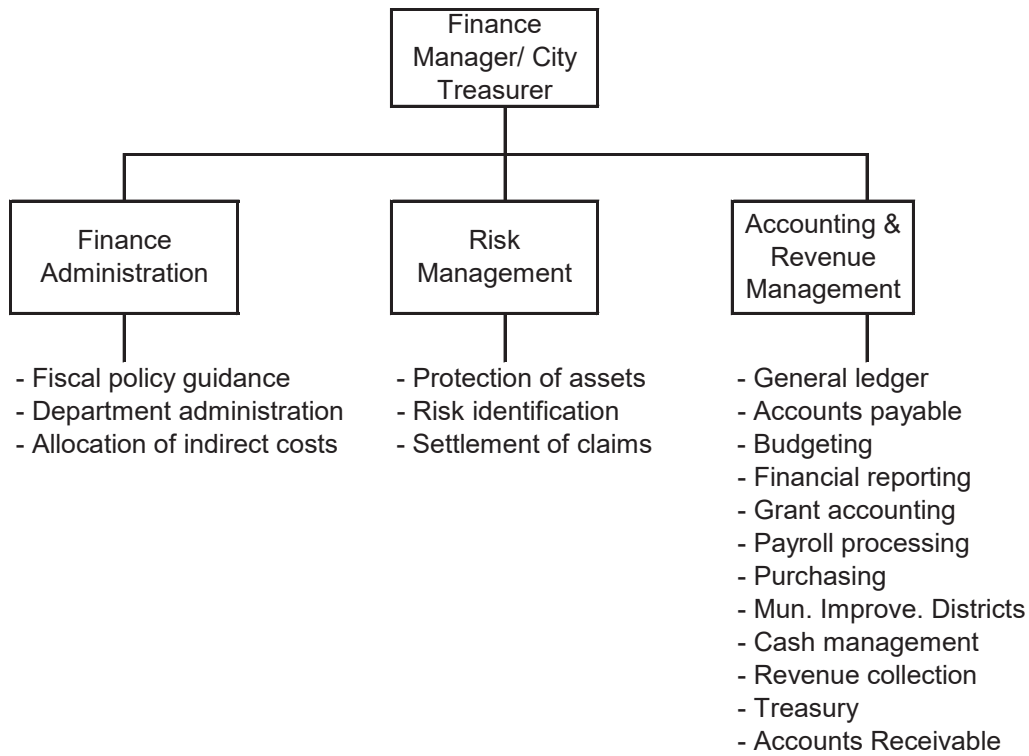
APPOINTED OFFICIALS AND DEPARTMENT DIRECTORS

Gregory Wade	City Manager
Dan King	Assistant City Manager
Mohammed Sammak	Director of Public Works/City Engineer
Joseph Lim	Director of Community Development
Angela Ivey	City Clerk
Johanna Canlas	City Attorney
Marie Marron Berkuti	Finance Manager/Treasurer

CITY OF SOLANA BEACH
 CITY GOVERNMENT
 ORGANIZATIONAL CHART
 FISCAL YEAR 2017/2018



CITY OF SOLANA BEACH
FINANCE DEPARTMENT
ORGANIZATIONAL CHART
FISCAL YEAR 2017/2018





INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Opinions

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 of Solana Beach, California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 the City adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedules for the general fund and the TransNet fund; the schedules of proportionate share of the net pension liabilities; the schedule of changes in net OPEB liability/(asset) and related ratios; the schedules of plan contributions; and the schedule of investment returns 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.

Prior Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2017, from which such partial information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.



CPAs AND ADVISORS

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

The combining and individual 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Brea California
January 16, 2019

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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, 2018 (Fiscal Year (FY) 2018). 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 position increased to \$76,711, or by \$822, as a result of FY2018 operations and the net position being restated due to the inclusion of the City's net Other Post-Employment Benefits (OPEB) liability from the implementation of Government Accounting Standards Board Statement No. 75 (GASB 75).
- During the year, the City's taxes, other governmental revenues, and business activity revenues exceed expenses by \$3,502.
- Governmental net position equaled \$34,060.
- The total revenues from all sources were \$29,446.
- The total cost of all City programs was \$25,944.
- The General Fund reported an excess of revenues over expenditures and other financing sources and uses by \$1,251.
- The General Fund's actual resources received exceeded the final revenue budget by \$258 while actual expenditures were \$1,190 less than final budget before other financing sources and 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 Position 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 Position 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 City's overall financial well-being. The Statement of Net Position 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 position and changes thereto. Net position, 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 position 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 Position 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 and Solana Energy Alliance, which provides clean energy services to the general public, are reported in this category.
- Component units - The City's governmental activities include the blending of the City of Solana Beach Public Facilities Corporation, a separate legal entity. Although legally separate, this "component unit" is important because the City is financially accountable for the corporation. A separate component unit financial statement was 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 Position 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 Position 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 Position 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 Solana Beach Redevelopment Agency (RDA) on February 1, 2012, the assets and liabilities of the former redevelopment agency were transferred to the Successor Agency to the former Solana Beach RDA (Successor Agency) and are reported in a fiduciary fund (private-purpose trust fund).

THE CITY AS A WHOLE

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

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

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 29,135	\$ 26,146	\$ 48,906	\$ 35,516	\$ 78,041	\$ 61,662
Capital assets, net	34,370	35,837	13,813	13,240	48,183	49,077
Total assets	63,505	61,983	62,719	48,756	126,224	110,739
Deferred Outflows	4,122	3,185	288	430	4,410	3,615
Liabilities:						
Long-term debt outstanding	8,522	8,999	19,194	9,412	27,716	18,411
Other liabilities	24,173	18,635	1,146	682	25,319	19,317
Total liabilities	32,695	27,634	20,340	10,094	53,035	37,728
Deferred Inflows	872	707	16	30	888	737
Net position:						
Net investment in capital assets	27,241	28,412	5,929	6,195	33,170	34,607
Restricted	9,139	6,620	-	-	9,139	6,620
Unrestricted	(2,320)	1,795	36,722	32,867	34,402	34,662
Total net position	\$ 34,060	\$ 36,827	\$ 42,651	\$ 39,062	\$ 76,711	\$ 75,889

The City's combined net position for the fiscal year ended June 30, 2018 was \$76,711. The City has chosen to account for its sanitation and community choice aggregation operations in an enterprise fund, which is shown as Business Activities on Table 1. The City's net position for governmental activities decreased from \$36,827 to \$34,060. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets increased \$2,989 or 11.4% primarily because of the increased cash position for governmental funds due to increased revenues as compared to the previous fiscal year and to the lower than anticipated spending in capital outlay. An irrevocable trust for pension liabilities that was established in FY2016 was increased by \$402 bringing the total in the trust to \$1,295.

Additionally, monies borrowed from the Sanitation Fund of \$3,133 used to pay off the City's PERS Side Fund in FY2011 had been reported as a negative Internal Balance amount in the asset section of the balance sheet for government activities and this amount decreased by \$665 for the payment to the Sanitation Fund for FY2018. The term for repayment of the loan amount to the Sanitation Fund was through FY2019, however, the City Council decided to pay off the loan a year earlier, therefore, the amount owed to the Sanitation Fund was zero at the end of FY2018.

- Deferred outflows of \$4,122 are a result of the implementation of GASB 68 and are related to contributions made after the actuarial measurement date for the net pension liability.
- Capital assets decreased \$1,467 (net of \$3,973 depreciation and disposition) as detailed in Table 4. Ongoing projects include La Colonia Skate Park and Marine Safety Center Renovations. The completion of the Stevens/Valley Avenues improvement project resulted in an increase to Infrastructure of \$1,408. The City also had construction activities for the annual street pavement program and ongoing storm drain repairs totaling \$658.
- Governmental long-term debt decreased \$477 due to routine principal payments made on existing debt principal and a reduction in claims payable. See Table 5 for additional detail.
- Deferred inflows of \$872 are a result of the implementation of GASB 68 and GASB 75 and are related to unrecognized actuarial gains and losses for the net pension and OPEB liabilities.
- Other liabilities increased \$5,538 primarily due to increases in net OPEB liability of \$2,512 and in net pension liability of \$2,126. The City began recording its net OPEB liability in FY 2018 as a result of implementing GASB 75 and had previously implemented GASB 68 in FY 2015 to record its net pension liability. Increases were also recorded in accounts payable and deposits payable of \$307 and \$593, respectively
- Net investment in capital assets decreased \$1,171 primarily due to the addition of depreciable assets totaling \$3,005 less depreciation and disposition costs of \$3,973.
- Restricted net position increased \$2,519 due to an increase in ongoing capital improvement projects of \$1,632 and increasing the irrevocable trust for pension liabilities by contributions and interest equaling \$402.
- As a result of the above activities, unrestricted net position, the part of net position that excludes the net investment in capital assets and net position with restrictions established by debt covenants or other legal requirements, decreased \$4,115 from \$1,795 to \$(2,320) at June 30, 2018 primarily due to the increase in net OPEB liability of \$2,680 and net pension liability of \$2,126.

Governmental Activities

The cost of all Governmental activities in FY2018 was \$23,453 as shown on Tables 2 and 2.1. Of this cost, \$2,913 was paid for by those who directly benefited from the programs; \$1,944 was subsidized by grants received from other governmental organizations for both capital and operating activities; and \$18,509 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$4,857. Items of significance within Table 2 are:

Revenues:

- Charges for services increased by 6.9% as compared to FY2017 primarily as a result of increased revenues received for development related activities.
- Operating and Capital grants and contributions increased by a net \$217 over the prior fiscal year amount due to an increase in various public safety and public works grants and contributions received or recognized in FY2018 as compared to FY2017.
- Property taxes and other taxes increased by approximately 5.6% or \$935 due to improved property valuations as a result of real estate sales in the City and increased transient occupancy tax revenue.
- Other general revenues decreased by \$61 as compared to the prior fiscal year primarily due to a final dividend payment received by the City in FY2017 due to the dissolution of the San Diego County Pooled Insurance Program Authority (SANDPIPA), a joint powers authority (JPA) of which the City was a member and that was dissolved on June 30, 2015.

Expenses:

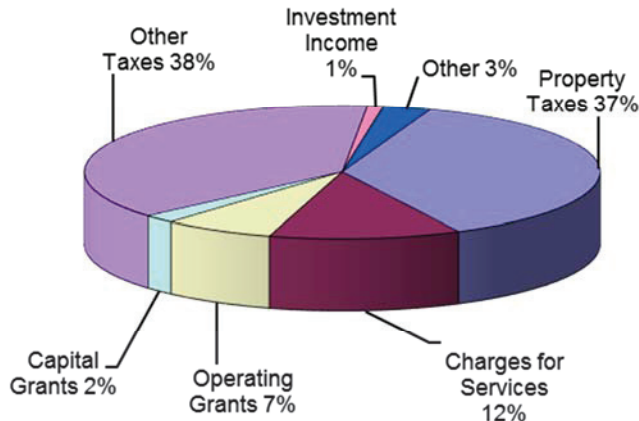
- General Government expenditures decreased in FY2018 by 5% or \$209 from the prior fiscal year primarily due to decreased costs in self-insurance claim payments reported in Support Services, and salary and benefits for Personnel due to vacancies in the City Clerk and Finance departments.
- Public Safety increased by 9% or \$912 as a result of a \$223 or 6% increase in the City's contract with the County of San Diego Sheriff's Department for law enforcement services, a \$212 increase for firefighter overtime due to strike team coverage, and a \$434 increase in public safety's share of the increase in net pension liability as reported per GASB 68.
- Community Services decreased by 35% or \$391 due to a payment made in FY2017 to the San Elijo Lagoon Conservancy for the acquisition, rezoning, permitting and construction of improvements proposed for the Harbaugh Trails property located at the northern end of the City from a grant that was received from the State of California Department of Transportation.

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

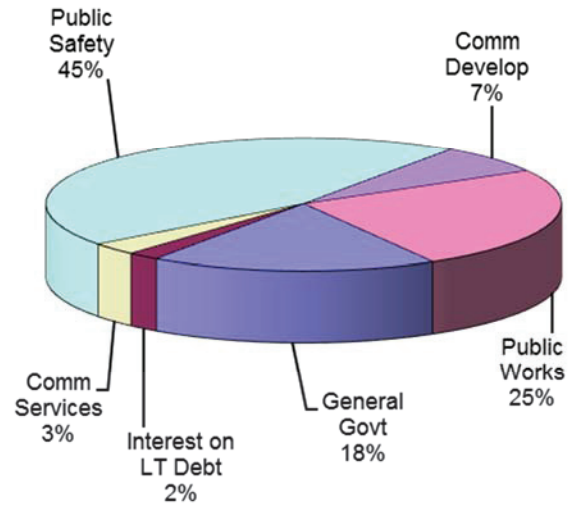
	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,913	\$ 2,724	\$ 5,910	\$ 5,256	\$ 8,823	\$ 7,980
Operating grants and contributions	1,524	1,569	-	-	1,524	1,569
Capital grants and contributions	420	158	-	-	420	158
General revenues:						
Property taxes	8,587	8,095	-	-	8,587	8,095
Other taxes	8,913	8,470	-	-	8,913	8,470
Other	1,009	1,070	170	103	1,179	1,173
Total revenues	<u>23,366</u>	<u>22,086</u>	<u>6,080</u>	<u>5,359</u>	<u>29,446</u>	<u>27,445</u>
Expenses:						
General government	4,101	4,310	-	-	4,101	4,310
Public safety	10,540	9,628	-	-	10,540	9,628
Public works	5,944	5,487	-	-	5,944	5,487
Community development	1,755	1,745	-	-	1,755	1,745
Community services	731	1,122	-	-	731	1,122
Interest and fiscal charges	382	389	-	-	382	389
Sanitation	-	-	2,491	1,602	2,491	1,602
Total expenses	<u>23,453</u>	<u>22,681</u>	<u>2,491</u>	<u>1,602</u>	<u>25,944</u>	<u>24,283</u>
Increase/(decrease) in net position	(87)	(595)	3,589	3,757	3,502	3,162
Net position - July 1	36,827	37,422	39,062	35,305	75,889	72,727
Net position restatement	(2,680)				(2,680)	-
Net position - June 30	<u>\$ 34,060</u>	<u>\$ 36,827</u>	<u>\$ 42,651</u>	<u>\$ 39,062</u>	<u>\$ 76,711</u>	<u>\$ 75,889</u>

**Fiscal Year 2018
Governmental Activities**
(Graphic representation of Table 2 in percentages)

Sources of Revenue



Program Expenses



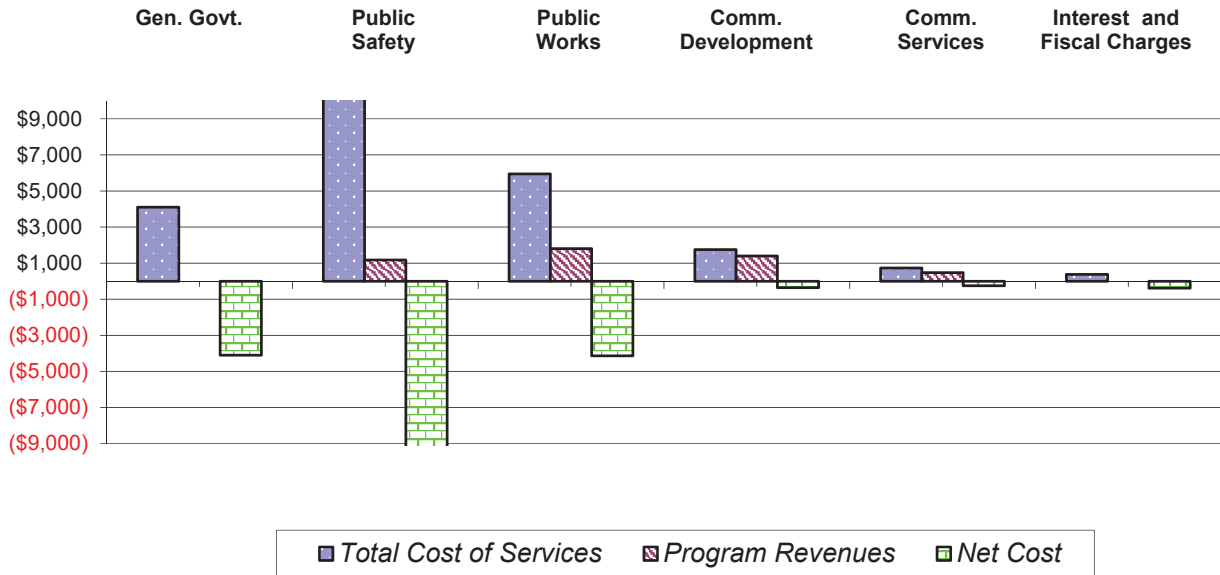
Net Cost of Governmental Activities

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	
	2018	2017	2018	2017	2018	2017
General government	\$ 4,101	\$ 4,310	\$ -	\$ -	\$ (4,101)	\$ (4,310)
Public safety	10,540	9,628	1,175	978	(9,365)	(8,650)
Public works	5,944	5,487	1,806	1,691	(4,138)	(3,796)
Community development	1,755	1,745	1,400	1,252	(355)	(493)
Community services	731	1,122	476	530	(255)	(592)
Interest on long-term debt	382	389	-	-	(382)	(389)
Totals	\$ 23,453	\$ 22,681	\$ 4,857	\$ 4,451	\$ (18,596)	\$ (18,230)

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



Total resources available during the year to finance governmental operations were \$57,513 consisting of a net position at July 1, 2017 of \$36,827, a net position restatement of \$(2,680) due to the implementation of GASB 75, program revenues of \$4,857, and general revenues of \$18,509. Total governmental activities during the year were \$23,453, and as a result, net position decreased by \$2,767 to \$34,060.

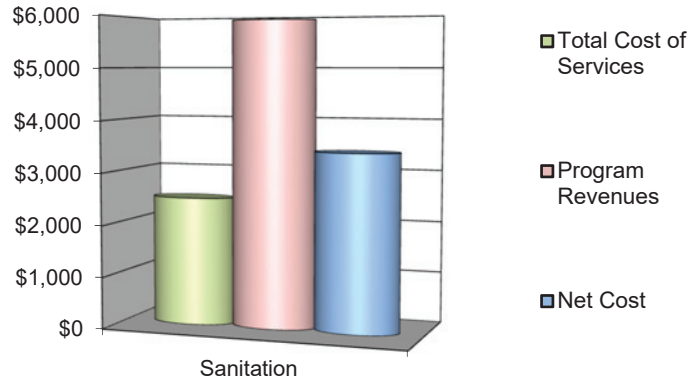
Business Type Activities

Net position of the Proprietary Fund (Business Type activities) at June 30, 2018 as reflected in Table 1 was \$42,651. As shown in Table 3, amounts paid by users of the Sanitation system and other operating revenue were \$5,910 while the cost of providing all Proprietary (Business Type) activities in FY2018 was \$2,491 resulting in a net gain of \$3,419. With the addition of non-operating revenues of \$170, as shown on Table 2, assets increased by \$3,589 or 9.2%.

Table 3
Net Cost of Business Activities
(in Thousands)

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2018	2017	2018	2017	2018	2017
Sanitation	\$ 2,101	\$ 1,602	\$ 5,416	\$ 5,256	\$ 3,315	\$ 3,654
Solana Energy Alliance	390	-	494	-	104	-
Total Business Activities	\$ 2,491	\$ 1,602	\$ 5,910	\$ 5,256	\$ 3,419	\$ 3,654

**Fiscal Year 2018
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 \$1,190 less than actual appropriations prior to other financing uses. The budget to actual variance in appropriations was principally due to 1) conservative estimates at quarter-year and mid-year by management; 2) expenditures for asset replacement appropriations being delayed to next fiscal year; and 3) lower than expected professional service costs across departments.

Actual revenues were \$258 greater than the final budget. 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:

- \$420 for transfers out to the City CIP fund for various CIP projects.
- \$407 to add funds to trusts established for Pension and Other Post-Employment Benefits (OPEB) liabilities in the amounts of \$320 and \$87, respectively, with Public Agency Retirement Services (PARS).
- \$140 for increased employee salaries and flex credit allowances per the FY2018 salary and compensation plan approved by the City Council after the annual budget had been adopted.
- \$96.5 in building services for increased payments paid to the City’s on-call building plan check consultant as a result of increased plan-check fees, 75% of which go to the consultant.
- \$52 increase in professional services in the Planning department’s budget to cover staff vacancies.
- \$50 for Fire department overtime.

- \$28.6 for increased stormwater consultant costs and minor equipment purchases.
- \$21.6 increase in the Community Services budget to pay for a new city entry sign and street banners for the Breeder Cup event held at the Del Mar Fairgrounds

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

- Manager: costs for the City Manager's professional services and contingency expenditure accounts were \$41 lower than anticipated in FY2018.
- Personnel: regular salaries, retirement, and flex credit benefits were under spent by a combined total of \$411 due in part to vacancies in the City Clerk, Finance, Human Resources, Planning, Fire, Code Enforcement, Marine Safety, and Community Services departments.
- Human Resources: unemployment benefit payments were lower than expected and professional services contracts were moved to the following fiscal year.
- Support Services: payments for damage claims and professional services from the City's workers compensation fund and insurance premiums and professional services from the City's self-insurance fund were lower than expected.
- Code and Parking Enforcement: a number of staff vacancies occurred in this department resulting in lower than anticipated salaries and benefit costs.
- Street and other public works: savings were realized in professional services due to lower than anticipated use for outside contractors in environmental services, street maintenance, traffic safety, and park maintenance.
- Community Services: public arts and professional services expenditures were lower than expected.
- Capital Outlay: amounts were budgeted for Finance department software and Public Safety vehicles and equipment that was to be purchased in FY2018. These expenditures were delayed until the following fiscal year.

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, 2018, net capital assets of the governmental activities totaled \$34,370 and the net capital assets of the business-type activities totaled \$13,813. Depreciation on capital assets is recognized in the government-wide financial statements. (See Table 4 and Note 5 to the financial statements.)

The City's five-year Capital Improvement Plan projects to spend \$23,013 through FY2023. Over the next five years, funding will come from current fund balances and revenues such as Gas Tax and TransNet. Significant projects are rebuilding the Solana Beach Pump Station, La Colonia Park Skate Park, the Marine Safety Building, and ongoing pavement management, traffic calming, and storm drain and sewer pipeline improvements and replacement projects.

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

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,538	\$ 2,538	\$ 112	\$ 112	\$ 2,650	\$ 2,650
Buildings & Improvements	10,552	10,599	12,426	10,817	22,978	21,798
Equipment & Vehicles	1,309	1,216	331	331	1,640	1,443
Infrastructure	18,675	19,600	-	-	18,675	22,058
Work in Progress	1,296	1,884	944	1,980	2,240	3,005
	<u>\$ 34,370</u>	<u>\$ 35,837</u>	<u>\$ 13,813</u>	<u>\$ 13,240</u>	<u>\$ 48,183</u>	<u>\$ 50,954</u>

Debt

At year-end, the City had \$8,522 in governmental type debt and \$19,194 in proprietary debt (including premium on debt issuance) totaling \$17,203. This debt is a liability of the government and amounts to \$1,988 per capita.

See Table 5 and Note 6 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	
	2018	2017	2018	2017	2018	2017
Refunding lease	\$ 690	\$ 817	\$ -	\$ -	\$ 690	\$ 817
Capital leases	944	1,113	-	-	944	1,113
SEJPA Loan Payable-2011			869	1,593	869	1,593
SEJPA Loan Payable-2017			11,057		11,057	-
Sewer Revenue Bond-2006	-	-	-	7,780	-	7,780
2017 Wastewater						
Refunding Bond	-	-	6,655	-	6,655	-
TransNet Bond	5,500	5,500	-	-	5,500	5,500
Bond premiums	-	-	566	-	566	-
Bond discounts	(5)	(6)	-	-	(5)	(6)
Claims and judgements	1,026	1,208			1,026	1,208
Compensated absences	367	367	47	39	414	406
	<u>\$ 8,522</u>	<u>\$ 8,999</u>	<u>\$ 19,194</u>	<u>\$ 9,412</u>	<u>\$ 27,716</u>	<u>\$ 18,411</u>

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In June 2018, the City Council adopted a budget modification to the second year of the two-year budget for fiscal years ending June 30, 2018 and June 30, 2019 that was adopted in June 2017.

In considering the City Budget for FY2019, the focus of the City Council and management was to adopt balanced budgets and promote fiscal sustainability. Budget decisions were made with the understanding that, although the current economic climate was markedly improved, the City's growth rate for certain revenues was still uneven and uncertain 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 held costs in line while continuing to provide high quality services and to move forward implementing the City's five-year capital improvement plan.

The result at the time of the budget adoption was that no new programs or services were added to the FY2019 budget with the exception of adding the City's community choice aggregation (CCA) program and fund, Solana Energy Alliance. In May 2018, the City Council adopted the addition of the new enterprise fund and a budget for the two months ended June 30, 2018 and for the year ended June 30, 2019.

For remaining City programs and services, 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.

Salary increases of 2.5% and cafeteria benefits increases of 5% were provided to marine safety and miscellaneous regular employees as called for in their memorandum of understandings (MOU) with the City. Unrepresented regular employees received the same increases. Subsequent to the budget's adoption, negotiations were successfully completed with the City's fire department employees (SBFA) and the SBFA received salary increases of 2.75% for Firefighter/Paramedics and Fire Engineers and 3.25% for Fire Captains. Cafeteria benefit increased to \$1,500 per month with provisions for reduced payments for new fire employees who take cash in lieu for their cafeteria benefit allowance.

The adopted budget for FY2019 reflected a projected surplus in the General Fund of \$262,600.

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 increase based upon the economic activity in the California economy, including property taxes, which are projected to increase in FY2019 by 4.5%. Transient occupancy tax and sales tax are expected to remain flat as compared to the previous fiscal year's actual receipts. Overall, the General Fund adopted operating expenditures for FY2019 are budgeted to increase approximately 2% as compared to the previous fiscal year's adopted budget. The CIP budget was set to be \$8,697 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>.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF NET POSITION

JUNE 30, 2018

(With comparative totals for June 30, 2017)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
			2018	2017
Assets:				
Cash and investments	\$ 26,087,810	\$ 14,041,034	\$ 40,128,844	\$ 37,136,258
Receivables:				
Accounts, net	315,153	594,021	909,174	375,330
Taxes	913,841	42,934	956,775	899,295
Interest	100,138	51,364	151,502	121,692
Prepaid costs	72,779	29,137	101,916	50,146
Due from other governments	208,815	-	208,815	339,725
Internal balances	141,304	(141,304)	-	-
Restricted assets:				
Cash and investments	-	54	54	-
Cash and investments with fiscal agent	1,294,957	-	1,294,957	1,487,509
Capital assets not being depreciated	3,833,550	1,055,830	4,889,380	6,513,234
Capital assets, net of depreciation	30,536,756	12,756,729	43,293,485	42,563,622
Investment in joint venture	-	34,289,455	34,289,455	21,251,840
Total Assets	63,505,103	62,719,254	126,224,357	110,738,651
Deferred Outflows of Resources:				
Deferred charge on refunding	-	205,941	205,941	274,588
Deferred outflows related to pensions	4,122,245	81,669	4,203,914	3,340,538
Total Deferred Outflows of Resources	4,122,245	287,610	4,409,855	3,615,126
Liabilities:				
Accounts payable	1,686,814	639,680	2,326,494	1,553,976
Accrued liabilities	189,219	9,389	198,608	119,353
Accrued interest	12,853	239,242	252,095	148,358
Unearned revenue	460,202	-	460,202	403,182
Deposits payable	3,614,311	-	3,614,311	3,021,195
Noncurrent liabilities:				
Due within one year	713,345	1,049,530	1,762,875	1,889,829
Due in more than one year	7,809,052	18,144,841	25,953,893	16,521,449
Net pension liability	13,754,714	257,119	14,011,833	12,127,041
Net other post-employment benefit liability	4,454,874	-	4,454,874	1,943,024
Total Liabilities	32,695,384	20,339,801	53,035,185	37,727,407
Deferred Inflows of Resources:				
Deferred inflows related to pensions	663,181	15,906	679,087	736,859
Deferred inflows related to other post-employment benefits	208,696	-	208,696	-
Total Deferred Inflows of Resources	871,877	15,906	887,783	736,859
Net Position:				
Net investment in capital assets	27,241,251	5,929,088	33,170,339	34,607,473
Restricted:				
Redevelopment activities	972,507	-	972,507	871,665
Public safety	479,924	-	479,924	361,891
Parks and recreation	71,128	-	71,128	175,631
Public works	3,143,823	-	3,143,823	2,772,815
Capital projects	3,151,863	-	3,151,863	1,519,739
Debt service	24,979	54	25,033	24,927
Pensions	1,294,957	-	1,294,957	893,185
Unrestricted	(2,320,345)	36,722,015	34,401,670	34,662,185
Total Net Position	\$ 34,060,087	\$ 42,651,157	\$ 76,711,244	\$ 75,889,511

The notes to financial statements are an integral part of this statement.

CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018
 (With comparative totals for June 30, 2017)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ 4,101,140	\$ -	\$ -	\$ -
Public safety	10,539,671	577,351	177,936	420,005
Community development	1,754,910	1,300,411	100,000	-
Community services	730,645	336,079	139,416	-
Public works	5,944,432	698,999	1,106,636	-
Interest on long-term debt	381,634	-	-	-
Total Governmental Activities	23,452,432	2,912,840	1,523,988	420,005
Business-Type Activities:				
Sanitation Fund	2,100,256	5,415,690	-	-
Solana Energy Alliance Fund	390,533	494,307	-	-
Total Business-Type Activities	2,490,789	5,909,997	-	-
Total Primary Government	\$ 25,943,221	\$ 8,822,837	\$ 1,523,988	\$ 420,005

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Sales taxes
- Transient occupancy taxes
- Franchise taxes
- Other taxes
- Use of money and property
- Other

Total General Revenues

Change in Net Position

Net Position at the Beginning of the Year,
as Originally Reported

Restatement

Net Position at the Beginning of the Year,
as Restated

Net Position at the End of the Year

Net (Expenses) Revenues and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total	
		2018	2017
\$ (4,101,140)	\$ -	\$ (4,101,140)	\$ (4,309,372)
(9,364,379)	-	(9,364,379)	(8,650,165)
(354,499)	-	(354,499)	(492,975)
(255,150)	-	(255,150)	(592,451)
(4,138,797)	-	(4,138,797)	(3,795,842)
(381,634)	-	(381,634)	(389,077)
<u>(18,595,599)</u>	<u>-</u>	<u>(18,595,599)</u>	<u>(18,229,882)</u>
-	3,315,434	3,315,434	3,653,124
-	103,774	103,774	-
-	<u>3,419,208</u>	<u>3,419,208</u>	<u>3,653,124</u>
<u>(18,595,599)</u>	<u>3,419,208</u>	<u>(15,176,391)</u>	<u>(14,576,758)</u>
8,586,838	-	8,586,838	8,095,383
3,191,410	-	3,191,410	3,127,803
1,827,753	-	1,827,753	1,740,208
723,164	-	723,164	733,354
3,170,331	-	3,170,331	2,868,629
286,867	81,629	368,496	372,768
722,186	88,239	810,425	800,345
<u>18,508,549</u>	<u>169,868</u>	<u>18,678,417</u>	<u>17,738,490</u>
(87,050)	3,589,076	3,502,026	3,161,732
36,827,430	39,062,081	75,889,511	72,727,779
<u>(2,680,293)</u>	<u>-</u>	<u>(2,680,293)</u>	<u>-</u>
<u>34,147,137</u>	<u>39,062,081</u>	<u>73,209,218</u>	<u>72,727,779</u>
<u>\$ 34,060,087</u>	<u>\$ 42,651,157</u>	<u>\$ 76,711,244</u>	<u>\$ 75,889,511</u>

The notes to financial statements are an integral part of this statement.

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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, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(With comparative totals for June 30, 2017)**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
		<u>TransNet</u>	<u>City CIP</u>
Assets:			
Cash and investments	\$ 16,823,094	\$ -	\$ 2,582,369
Receivables:			
Accounts	290,547	-	-
Taxes	891,758	-	-
Accrued interest	69,464	8	8,697
Prepaid costs	72,579	-	-
Due from other governments	117,880	-	-
Due from other funds	344,743	-	31,171
Restricted cash and investments with fiscal agents	1,294,957	-	-
Total Assets	<u>\$ 19,905,022</u>	<u>\$ 8</u>	<u>\$ 2,622,237</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,174,784	\$ -	\$ 225,418
Accrued liabilities	147,544	-	15,960
Unearned revenues	8,700	-	-
Deposits payable	2,999,478	-	545,607
Due to other funds	-	37,014	-
Advances from other funds	-	-	-
Total Liabilities	<u>4,330,506</u>	<u>37,014</u>	<u>786,985</u>
Fund Balances (Deficits):			
Nonspendable	72,579	-	-
Restricted	1,294,957	-	1,835,252
Committed	1,015,354	-	-
Assigned	5,805,890	-	-
Unassigned	7,385,736	(37,006)	-
Total Fund Balances (Deficits)	<u>15,574,516</u>	<u>(37,006)</u>	<u>1,835,252</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 19,905,022</u>	<u>\$ 8</u>	<u>\$ 2,622,237</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLANA BEACH, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

(With comparative totals for June 30, 2017)

	Other Governmental Funds	Total Governmental Funds	
		2018	2017
Assets:			
Cash and investments	\$ 6,682,347	\$ 26,087,810	\$ 24,256,552
Receivables:			
Accounts	24,606	315,153	318,418
Taxes	22,083	913,841	899,295
Accrued interest	21,969	100,138	84,594
Prepaid costs	200	72,779	20,164
Due from other governments	90,935	208,815	339,725
Due from other funds	-	375,914	384,793
Restricted cash and investments with fiscal agents	-	1,294,957	893,185
Total Assets	\$ 6,842,140	\$ 29,369,407	\$ 27,196,726
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 286,612	\$ 1,686,814	\$ 1,511,719
Accrued liabilities	25,715	189,219	111,304
Unearned revenues	451,502	460,202	403,182
Deposits payable	69,226	3,614,311	3,021,195
Due to other funds	197,596	234,610	384,793
Advances from other funds	-	-	665,464
Total Liabilities	1,030,651	6,185,156	6,097,657
Fund Balances (Deficits):			
Nonspendable	200	72,779	20,164
Restricted	6,008,972	9,139,181	6,619,853
Committed	-	1,015,354	914,846
Assigned	-	5,805,890	7,075,480
Unassigned	(197,683)	7,151,047	6,468,726
Total Fund Balances (Deficits)	5,811,489	23,184,251	21,099,069
Total Liabilities and Fund Balances (Deficits)	\$ 6,842,140	\$ 29,369,407	\$ 27,196,726

The notes to financial statements are an integral part of this statement.

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CITY OF SOLANA BEACH, CALIFORNIA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total fund balances - governmental funds		\$ 23,184,251
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		34,370,306
Compensated absences and long-term debt are not due and payable in the current period, and therefore, are not reported in the funds.		
Notes payable	\$ (5,500,000)	
Lease revenue bond - ABAG	(690,400)	
Unamortized bond discount - ABAG	4,841	
Capital lease obligations	(943,496)	
Claims and judgments	(1,026,000)	
Compensated absences	<u>(367,342)</u>	(8,522,397)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(12,853)
Governmental funds report all pension contributions as expenditures; however, in the statement of activities, the excess of the total pension liability over the plan fiduciary net position is reported as a net pension liability.		(13,754,714)
Pension-related deferred outflows of resources that have not been included as financial uses in the governmental fund activity are as follows:		
Contributions made after the actuarial measurement date	1,155,987	
Changes in assumptions	2,112,666	
Difference between expected and actual experiences	98,025	
Net difference between projected and actual earnings on plan investments	466,998	
Adjustments due to differences in proportions	<u>288,539</u>	4,122,215
Pension-related deferred inflows of resources that have not been included as financial resources in the governmental fund activity are as follows:		
Changes in assumptions	(161,720)	
Difference between expected and actual experiences	(114,268)	
Adjustments due to differences in proportions	(60,178)	
Difference in proportionate share	<u>(327,015)</u>	(663,181)
Governmental funds report all other post-employment benefits contributions as expenditures; however, in the statement of net position, the excess of the total other post-employment benefits liability over the plan fiduciary net position is reported as a net other post-employment benefits liability.		(4,454,874)
Pension-related deferred inflows of resources that have not been included as financial resources in the governmental fund activity are as follows:		
Changes in assumptions	(204,330)	
Net difference between projected and actual earnings on plan investments	<u>(4,366)</u>	<u>(208,696)</u>
Net Position of Governmental Activities		<u>\$ 34,060,057</u>

CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

		Special Revenue Fund	Capital Projects Fund
	General	TransNet	City CIP
Revenues:			
Taxes and assessments	\$ 13,963,901	\$ -	\$ -
Licenses, permits and fees	508,549	-	-
Intergovernmental	1,842,035	648,535	100,000
Charges for services	784,373	-	47,144
Use of money and property	243,298	47	11,885
Fines and forfeitures	479,933	-	-
Other revenues	609,427	36,233	408,168
Total Revenues	18,431,516	684,815	567,197
Expenditures:			
Current:			
General government	3,817,144	-	2,053
Public safety	8,847,587	-	46,012
Public works	1,828,243	-	1,604
Community development	1,106,619	-	13,623
Community services	258,742	-	6,208
Capital outlay	395,542	435,234	690,044
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	325,105	-
Total Expenditures	16,253,877	760,339	759,544
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,177,639	(75,524)	(192,347)
Other Financing Sources (Uses):			
Transfers in	-	-	642,500
Transfers out	(926,900)	-	-
Total Other Financing Sources (Uses)	(926,900)	-	642,500
Net Change in Fund Balances	1,250,739	(75,524)	450,153
Fund Balances at the Beginning of the Year	14,323,777	38,518	1,385,099
Fund Balances (Deficits) at the End of the Year	\$ 15,574,516	\$ (37,006)	\$ 1,835,252

The notes to financial statements are an integral part of this statement.

CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	Other Governmental Funds	Total Governmental Funds	
		2018	2017
Revenues:			
Taxes and assessments	\$ 1,981,322	\$ 15,945,223	\$ 15,109,053
Licenses, permits and fees	-	508,549	527,146
Intergovernmental	907,696	3,498,266	3,185,272
Charges for services	753,044	1,584,561	1,699,140
Use of money and property	31,637	286,867	283,828
Fines and forfeitures	-	479,933	495,885
Other revenues	8,155	1,061,983	785,872
Total Revenues	3,681,854	23,365,382	22,086,196
Expenditures:			
Current:			
General government	832	3,820,029	3,777,819
Public safety	937,471	9,831,070	9,070,746
Public works	798,930	2,628,777	2,509,194
Community development	454,091	1,574,333	1,721,715
Community services	63,805	328,755	760,475
Capital outlay	896,563	2,417,383	1,473,835
Debt service:			
Principal retirement	296,366	296,366	288,487
Interest and fiscal charges	58,382	383,487	392,219
Total Expenditures	3,506,440	21,280,200	19,994,490
Excess (Deficiency) of Revenues Over (Under) Expenditures	175,414	2,085,182	2,091,706
Other Financing Sources (Uses):			
Transfers in	354,800	997,300	1,576,800
Transfers out	(70,400)	(997,300)	(1,576,800)
Total Other Financing Sources (Uses)	284,400	-	-
Net Change in Fund Balances	459,814	2,085,182	2,091,706
Fund Balances at the Beginning of the Year	5,351,675	21,099,069	19,007,363
Fund Balances (Deficits) at the End of the Year	\$ 5,811,489	\$ 23,184,251	\$ 21,099,069

The notes to financial statements are an integral part of this statement.

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CITY OF SOLANA BEACH, CALIFORNIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds		\$	2,085,182
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>			
Capital outlay		\$	2,417,384
Depreciation			(3,883,652)
			<u>(1,466,268)</u>
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>			
Lease revenue bond - ABAG principal payments			126,800
Capital leases - principal payments			169,566
Amortization of lease revenue bond - ABAG discount			(968)
Change in compensated absences			(842)
Change in claims and judgments			182,202
			<u>476,758</u>
Net change in accrued interest on long-term debt for the current period reported on the statement of activities.			2,821
Pension obligation 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.			(1,145,320)
Other post-employment benefits obligation 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.			<u>(40,253)</u>
Change in Net Position of Governmental Activities		\$	<u>(87,080)</u>

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**PROPRIETARY FUND
FINANCIAL STATEMENTS**

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CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2018

(With comparative totals for June 30, 2017)

	Sanitation Fund	Solana Energy Alliance Fund	Total Proprietary Funds	
			2018	2017
Assets:				
Current Assets:				
Cash and investments	\$ 14,040,815	\$ 219	\$ 14,041,034	\$ 12,879,706
Receivables:				
Accounts	100,090	493,931	594,021	56,912
Taxes	42,934	-	42,934	-
Interest	51,364	-	51,364	37,098
Prepaid costs	29,137	-	29,137	29,982
Restricted cash and investments	54	-	54	-
Total Current Assets	<u>14,264,394</u>	<u>494,150</u>	<u>14,758,544</u>	<u>13,003,698</u>
Noncurrent Assets:				
Cash and investments with fiscal agent	-	-	-	594,324
Advances to other funds	-	-	-	665,464
Investment in joint venture	34,289,455	-	34,289,455	21,251,840
Capital assets, not being depreciated	1,055,830	-	1,055,830	2,091,911
Capital assets, net of accumulated depreciation	12,756,729	-	12,756,729	11,148,371
Total Noncurrent Assets	<u>48,102,014</u>	<u>-</u>	<u>48,102,014</u>	<u>35,751,910</u>
Total Assets	<u>62,366,408</u>	<u>494,150</u>	<u>62,860,558</u>	<u>48,755,608</u>
Deferred Outflows of Resources:				
Deferred charge on refunding	205,941	-	205,941	274,588
Deferred outflows related to pensions	81,669	-	81,669	155,655
Total Deferred Outflows of Resources	<u>287,610</u>	<u>-</u>	<u>287,610</u>	<u>430,243</u>
Liabilities:				
Current Liabilities:				
Accounts payable	390,827	248,853	639,680	42,257
Accrued liabilities	9,170	219	9,389	8,049
Interest payable	239,242	-	239,242	132,684
Due to other funds	-	141,304	141,304	-
Compensated absences, due within one year	28,376	-	28,376	24,572
Long-term debt, due within one year	1,021,154	-	1,021,154	979,648
Total Current Liabilities	<u>1,688,769</u>	<u>390,376</u>	<u>2,079,145</u>	<u>1,187,210</u>
Noncurrent Liabilities:				
Compensated absences, due in more than one year	19,083	-	19,083	13,964
Long-term debt, due in more than one year	18,125,758	-	18,125,758	8,393,939
Net pension liability	257,119	-	257,119	498,843
Total Noncurrent Liabilities	<u>18,401,960</u>	<u>-</u>	<u>18,401,960</u>	<u>8,906,746</u>
Total Liabilities	<u>20,090,729</u>	<u>390,376</u>	<u>20,481,105</u>	<u>10,093,956</u>
Deferred Inflows of Resources:				
Deferred inflows relating to pensions	15,906	-	15,906	29,814
Total Deferred Inflows of Resources	<u>15,906</u>	<u>-</u>	<u>15,906</u>	<u>29,814</u>
Net Position:				
Net investment in capital assets	5,929,088	-	5,929,088	6,195,352
Restricted for debt service	54	-	54	-
Unrestricted	36,618,241	103,774	36,722,015	32,866,729
Total Net Position	<u>\$ 42,547,383</u>	<u>\$ 103,774</u>	<u>\$ 42,651,157</u>	<u>\$ 39,062,081</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for June 30, 2017)

	Sanitation Fund	Solana Energy Alliance Fund	Total Proprietary Funds	
			2018	2017
Operating Revenues:				
Charges for services	\$ 5,415,690	\$ 494,307	\$ 5,909,997	\$ 5,255,483
Other	88,239	-	88,239	14,473
Total Operating Revenues	5,503,929	494,307	5,998,236	5,269,956
Operating Expenses:				
Cost of sales and services	2,246,891	390,314	2,637,205	1,928,205
Administration	380,934	219	381,153	452,598
Depreciation	383,902	-	383,902	359,195
Total Operating Expenses	3,011,727	390,533	3,402,260	2,739,998
Operating Income (Loss)	2,492,202	103,774	2,595,976	2,529,958
Nonoperating Revenues (Expenses):				
Interest income	81,629	-	81,629	88,940
Interest expense	(776,017)	-	(776,017)	(423,061)
Amortization of bond premium/discount & refunding charge	(292,627)	-	(292,627)	(42,853)
Amortization of investment premium	(10,945)	-	(10,945)	(10,945)
Share in joint venture net gain/(loss)	1,991,060	-	1,991,060	1,614,498
Total Nonoperating Revenues (Expenses)	993,100	-	993,100	1,226,579
Changes in Net Position	3,485,302	103,774	3,589,076	3,756,537
Net Position at the Beginning of the Year	39,062,081	-	39,062,081	35,305,544
Net Position at the End of the Year	\$ 42,547,383	\$ 103,774	\$ 42,651,157	\$ 39,062,081

The notes to financial statements are an integral part of this statement.

CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for June 30, 2017)

	Sanitation Fund	Solana Energy Alliance Fund	Total Proprietary Funds	
			2018	2017
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 5,417,817	\$ 376	\$ 5,418,193	\$ 5,466,891
Cash paid to suppliers for goods and services	(1,897,476)	(141,461)	(2,038,937)	(1,899,229)
Cash paid to employees for services	(552,536)	-	(552,536)	(472,936)
Other	-	-	-	14,473
Net Cash Provided by (Used for) Operating Activities	2,967,805	(141,085)	2,826,720	3,109,199
Cash Flows from Noncapital Financing Activities:				
Proceeds from short-term interfund borrowings	665,464	141,304	806,768	473,581
Net Cash Provided by Noncapital Financing Activities	665,464	141,304	806,768	473,581
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(956,179)	-	(956,179)	(723,057)
Principal paid on capital debt	(1,084,159)	-	(1,084,159)	(937,808)
Interest paid on capital debt	(904,384)	-	(904,384)	(437,778)
Proceeds from capital debt	7,324,984	-	7,324,984	-
Defeasance on debt	(7,525,000)	-	(7,525,000)	-
Net Cash Used for Capital and Related Financing Activities	(3,144,738)	-	(3,144,738)	(2,098,643)
Cash Flows from Investing Activities:				
Interest received	67,363	-	67,363	(391,074)
Investment in joint venture	10,945	-	10,945	-
Net Cash Provided by Investing Activities	78,308	-	78,308	(391,074)
Net Increases in Cash and Cash Equivalents	566,839	219	567,058	1,093,063
Cash and Cash Equivalents, July 1 (including \$594,324 for the Sanitation Fund Reported for Restricted Accounts)	13,474,030	-	13,474,030	12,380,967
Cash and Cash Equivalents, June 30 (Including \$54 for the Sanitation Fund Reported in Restricted Accounts)	\$ 14,040,869	\$ 219	\$ 14,041,088	\$ 13,474,030
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating income	\$ 2,492,202	\$ 103,774	\$ 2,595,976	\$ 2,529,958
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	383,902	-	383,902	359,195
(Increase) decrease in accounts receivable	(86,112)	(493,931)	(580,043)	211,408
Decrease in prepaid expense	845	-	845	2,215
(Increase) in deferred outflows from pensions	73,986	-	73,986	(67,142)
Increase in accounts payable	348,570	248,853	597,423	26,761
(Decrease) in accrued liabilities	1,121	219	1,340	(8,661)
Increase in net pension liability	(241,724)	-	(241,724)	69,616
Increase (decrease) in compensated absences	8,923	-	8,923	9,221
Increase (decrease) in deferred inflows from pensions	(13,908)	-	(13,908)	(23,372)
Total Adjustments	475,603	(244,859)	230,744	579,241
Net Cash Provided by (Used for) Operating Activities	\$ 2,967,805	\$ (141,085)	\$ 2,826,720	\$ 3,109,199
Schedule of Non-Cash Investing, Capital, and Financing Activities:				
Amortization of bonds premium/discount	\$ 68,647	\$ -	\$ -	\$ (79,430)
Gain/(loss) on investment in joint venture	1,991,060	-	1,991,060	1,614,498

The notes to financial statements are an integral part of this statement.

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**FIDUCIARY FUND
FINANCIAL STATEMENTS**

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CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	Agency Funds		OPEB Trust Fund		Private-Purpose Trust Successor Agency of the Former RDA	
	2018	2017	2018	2017	2018	2017
	Assets:					
Cash and investments	\$ 506,663	\$ 501,621	\$ -	\$ -	\$ 472,600	\$ 372,514
Receivables:						
Accounts	1,248	459	-	-	-	-
Taxes	2,771	4	-	-	-	-
Restricted assets:						
Cash and investments	-	-	10,538	7,235	-	-
Mutual funds	-	-	340,743	233,926	-	-
Cash and investments with fiscal agents	-	-	-	-	60	235,840
Total Assets	\$ 510,682	\$ 502,084	351,281	241,161	472,660	608,354
Liabilities:						
Accounts payable	\$ 7	\$ -	-	107	660	4,618
Accrued liabilities	-	-	-	-	2,981	9,673
Accrued interest	-	-	-	-	7,391	12,008
Due to bondholders	510,675	502,084	-	-	-	-
Long-term liabilities:						
Bonds payable, due in one year	-	-	-	-	112,000	90,000
Bonds payable, due in more than one year	-	-	-	-	2,527,700	2,820,000
Total Liabilities	\$ 510,682	\$ 502,084	-	107	2,650,732	2,936,299
Net Position:						
Restricted for other post-employment benefits			351,281	241,054	-	-
Held in trust for other purposes			-	-	(2,178,072)	(2,327,945)
Total Net Position			\$ 351,281	\$ 241,054	\$(2,178,072)	\$(2,327,945)

CITY OF SOLANA BEACH, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	OPEB Trust Fund		Private-Purpose Trust Fund	
			Successor Agency of the Former RDA	
	2018	2017	2018	2017
Additions:				
Contributions:				
Employer contributions	\$ 92,434	\$ 85,376	\$ -	\$ -
Total contributions	92,434	85,376	-	-
Investment earnings:				
Interest	13,513	10,498	709	28
Net increase in the fair value of investments	6,892	8,836	-	-
Net investment earnings	20,405	19,334	709	28
Taxes	-	-	411,790	521,503
Total Additions	112,839	104,710	412,499	521,531
Deductions:				
Administrative expenses	2,612	1,058	159,672	250,001
Contractual services	-	-	4,778	5,804
Interest expense	-	-	222,036	148,534
Total Deductions	2,612	1,058	386,486	404,339
Changes in Net Position	110,227	103,652	26,013	117,192
Net Position at the Beginning of the Year	241,054	137,402	(2,204,085)	(2,445,137)
Net Position at the End of the Year	\$ 351,281	\$ 241,054	\$ (2,178,072)	\$ (2,327,945)

The notes to financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

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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.

The Solana Beach Public Facilities Corporation (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 City's basic financial statements have the Corporation included using the blended method since the governing bodies of the component unit is substantially the same as the governing body of the City. The Corporation provides services entirely to the City.

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 Position and a Statement of Activities and Changes in Net Position. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 Position. The Statement of Activities presents changes in Net Position. 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 regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position 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

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 position as presented in these statements to the net position 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Unavailable revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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 unavailable 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 - 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.

TransNet Special Revenue 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).

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

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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)

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 - 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.

Solana Energy Alliance 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 the cost of providing clean energy 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 Position and a Statement of Changes in Net Position. The City's fiduciary funds include agency funds, an OPEB trust fund 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.

The Pension and 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value at the time of acquisition by the City. City policy has set the capitalization threshold for reporting infrastructure and all other capital assets at \$5,000. 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred outflows relating to the net pension obligation reported in the government-wide statement of net position and proprietary statement of net position. These outflows are the results of contributions made after the measurement period, which are recognized in the following year, and of adjustments due to difference in proportions, differences between expected and actual experiences, changes in assumptions, and the net difference between expected and actual earnings on plan investments. These amounts are deferred and amortized over the expected average remaining service life time or five years.

In addition to liabilities, the statement of financial position or governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category which are deferred inflows related to the pensions and deferred inflows relating to other post-employment benefits reported in the government-wide statement of net position and proprietary statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments, differences between employer's contributions and proportionate share of contributions, adjustment due to differences in proportions, differences between expected and actual experiences, and changes in assumptions. These amounts are deferred and amortized straight-line over a 5-year or the expected average remaining service life time.

Note 1: Summary of Significant Accounting Policies (Continued)

g. 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 Position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

h. 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.

i. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1: Summary of Significant Accounting Policies (Continued)

j. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan), the assets of which are held by Public Agency Retirement Services (PARS), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss with the net difference between projected and actual earnings on OPEB plan investments being recognized over 5 years and all other amounts being recognized over the expected average remaining service lifetime (EARSL) of 6.3 years at June 30, 2018.

k. Net Position

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

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

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

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

Note 1: Summary of Significant Accounting Policies (Continued)

I. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

m. 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. The formal action required to establish, modify, or rescind a fund balance commitment is through a resolution.

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 through a resolution the City Manager and the Director of Finance for that purpose.

Unassigned – This is the residual classification that includes all spendable amounts not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

n. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

o. 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.

p. 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.

q. Change in Accounting Principle

During the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting for Financial Reporting by Employers for Post-Employment Benefits other than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

As a result of this change in accounting principle, beginning net position as reported in the government-wide statement of net position as been restated (see Note 15 for more information).

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 2: Stewardship, Compliance, and Accountability

a. Budgets

The Tea 21/Tea Fund, CDBG Fund, Caltrans Fund, Boating and Waterways Fund, Miscellaneous Grants Fund, and SB1 Streets & Roads Fund did not adopt a budget. Therefore, no budgetary comparison schedule is presented as supplementary information.

b. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, the Transnet Special Revenue Fund's expenditures exceeded its appropriations by \$325,083.

c. Deficit Fund Balances

At June 30, 2018, the following funds had deficit fund balances:

Fund	Deficit
Special Revenue Funds:	
Transnet	\$ 37,006
TEA 21/TEA	168,970
Fire Mitigation	13,053
CDBG	15,573
Developer Pass-Thru	87

The deficits will be resolved through future fund revenue sources.

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 3: Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2018:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 26,087,810	\$ 14,041,034	\$ 40,128,844	\$ 979,263	\$ 41,108,107
Restricted cash and investments	-	54	54	351,281	351,335
Cash and investments with fiscal agent held by fiscal agents	1,294,957	-	1,294,957	60	1,295,017
Total	\$ 27,382,767	\$ 14,041,088	\$ 41,423,855	\$ 1,330,604	\$ 42,754,459

Cash and investments consisted of the following at June 30, 2018:

Cash:	
Cash on hand	\$ 900
Demand deposits	2,014,796
Total cash	2,015,696
Investments:	
Local Agency Investment Fund	4,180,418
Investments	34,912,107
Cash and investments held in PARS OPEB Trust	1,646,238
Total investments	40,738,763
Total cash and investments	\$ 42,754,459

a. Cash Deposits

The carrying amounts of the City's cash deposits were \$2,014,796 at June 30, 2018. Bank balances were \$2,307,003 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 \$292,207 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.

As of June 30, 2018, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 3: Cash and Investments (Continued)**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	30%	5%
U.S. Treasury bills	Yes	5 years	None	25%
U.S. Treasury notes	Yes	5 years	None	25%
U.S. agency securities	Yes	5 years	None	25%
Banker's acceptances	Yes	180 days	40%	5%
Commercial paper	Yes	270 days	25%	10%
Non-Negotiable certificates of deposit	Yes	5 years	30%	5%
Negotiable certificates of deposit	Yes	5 years	20%	None
Certificate of Deposit Placement Services	Yes	5 years	20%	None
Collateralized Bank Deposits	Yes	1 year	None	None
Repurchase agreements	Yes	1 year	None	None
Medium-term notes	Yes	5 years	30%	5%
Mutual funds	Yes	5 years	20%	None
Money market mutual funds	Yes	5 years	20%	None
Asset backed security	Yes	5 years	20%	5%
Supranational	Yes	5 years	30%	10%
Local Agency Investment Fund (LAIF)	Yes	5 years	\$65,000,000	None

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 3: Cash and Investments (Continued)**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. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value. Accordingly, the City's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2, or 3.

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. 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.

	Fair Value	Remaining Investment Maturities		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
Investments:				
Local Agency Investment Fund	\$ 4,180,418	\$ 4,180,418	\$ -	\$ -
US Treasury	9,156,748	1,462,366	2,213,542	5,480,840
U.S Government Agency Securities				
Federal Farm Credit Bank	4,553,820	3,092,938	1,460,882	-
Federal Home Loan Bank	1,179,639	497,475	-	682,164
Federal Home Loan Mortgage Corp	2,376,575	753,942	1,622,633	-
Federal National Mortgage Association	3,812,278	1,263,139	1,214,967	1,334,172
Medium Term Notes	8,928,007	1,812,957	2,784,050	4,331,000
Commercial Paper	998,140	998,140	-	-
Asset Backed Security	1,011,130	23,393	546,066	441,671
Money Market	1,162	1,162	-	-
Mutual Funds	-	-	-	-
Negotiable CDs	1,198,617	1,198,617	-	-
Supranational	1,695,991	-	1,108,082	587,909
Investments with fiscal agents:				
Money Market Mutual Funds	1,646,238	1,646,238	-	-
Total Investments	\$ 40,738,763	\$ 16,930,786	\$ 10,950,222	\$ 12,857,755

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 3: Cash and Investments (Continued)

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, 2018, for each investment type.

Investment Type	Total as of June 30, 2018	Minimum Legal Rating						Not Rated
			AAA	AA + - AA-	A - A-	A-1	A-1+	
Investments:								
Local Agency Investment Fund	\$ 4,180,418	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,180,418
US Treasury	9,156,748	N/A	-	9,156,748	-	-	-	-
U.S Government Agency Securities								
Federal Farm Credit Bank	4,553,820	N/A	-	4,553,820	-	-	-	-
Federal Home Loan Bank	1,179,639	N/A	-	1,179,639	-	-	-	-
Federal Home Loan Mortgage Corp.	2,376,575	N/A	-	2,376,575	-	-	-	-
Federal National Mortgage Association	3,812,278	N/A	-	3,812,278	-	-	-	-
Medium Term Notes	8,928,007	A	300,215	2,578,584	6,049,209	-	-	-
Commercial Paper	998,140	A-1	-	-	-	748,555	249,585	-
Asset Backed Security	1,011,130	AA	540,000	-	-	-	-	471,130
Money Market	1,162	AAA	1,162	-	-	-	-	-
Negotiable CD	1,198,617	AAA	-	-	-	-	1,198,617	-
Supranational	1,695,991	AA	1,695,991	-	-	-	-	-
Investments with Fiscal Agent								
Money Market Mutual Fund	1,646,238	N/A	1,646,238	-	-	-	-	-
Total Investments	<u>\$ 40,738,763</u>		<u>\$ 4,183,605</u>	<u>\$ 23,657,644</u>	<u>\$ 6,049,209</u>	<u>\$ 748,555</u>	<u>\$ 1,448,202</u>	<u>\$ 4,651,548</u>

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.

Issuer	Investment Type	Reported Amount	
Federal Farm Credit Bank	Federal agency securities	\$ 4,453,139	11%
Federal Home Loan Mortgage Association	Federal agency securities	3,812,278	9%
Federal National Mortgage Corp	Federal agency securities	2,376,575	6%

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 3: Cash and Investments (Continued)

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2018:

Investment Type	<u>Totals</u>	<u>Level 2</u>	<u>Uncategorized</u>
Local Agency Investment Fund	\$ 4,180,418	\$ -	\$ 4,180,418
US Treasury	9,156,748	9,156,748	-
Federal Agencies	11,922,312	11,922,312	-
Medium Term Notes	8,928,007	8,928,007	-
Commercial Paper	998,140	998,140	-
Asset Backed Security	1,011,130	1,011,130	-
Money Market	1,162	1,162	-
Negotiable	1,198,617	1,198,617	-
Supranational	1,695,991	1,695,991	-
Investments with fiscal agents:			
Money Market Mutual Funds	<u>1,646,238</u>	<u>1,646,238</u>	<u>-</u>
Total Investments	<u><u>\$ 40,738,763</u></u>	<u><u>\$ 36,558,345</u></u>	<u><u>\$ 4,180,418</u></u>

Deposits and Federal Agency Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Local Agency Investment Funds, Certificates of Deposit, any local agency, and Registered Treasury Notes or Bonds of any other 49 States are classified in Level 2 of the fair value hierarchy are value using specified fair market value factors.

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 4: Interfund Transactions

Due From and To Other Funds

At June 30, 2018, the City had the following short-term interfund receivables and payables:

	Due from other funds		
	General Fund	City CIP	Total
<u>Due to other funds</u>			
TransNet	\$ 37,014	\$ -	\$ 37,014
Non-major Governmental Funds	197,596	-	197,596
Solana Energy Alliance	110,133	31,171	141,304
Total	<u>\$ 344,743</u>	<u>\$ 31,171</u>	<u>\$ 375,914</u>

Due from/to other funds balances arise from the short-term borrowing made from the City's General Fund to various other funds to cover cash shortages during the year. The General Fund and City CIP fund also provided a short-term borrowing of \$107,494 to the Solana Energy Alliance fund as part of the process of starting up the activities of that fund that will be paid back to the General Fund and City CIP fund by August 2019. The remaining amount due to the General Fund by Solana Energy Alliance of \$33,810 will be paid back to the General Fund in the fiscal year ended June 30, 2019.

Interfund Transfers

For the year ended June 30, 2018, the City had the following transfers:

	Transfers In		
	City CIP Fund	Non-Major Governmental Funds	Total
<u>Transfers Out</u>			
General Fund	\$ 642,500	\$ 284,400	\$ 926,900
Non-major governmental funds	-	70,400	70,400
	<u>\$ 642,500</u>	<u>\$ 354,800</u>	<u>\$ 997,300</u>

The most significant interfund transfers were from the General Fund to the City Capital Projects Fund for the City's construction project costs. With the non-major funds, transfers were made to various special revenue funds to public service and public works related costs, as well as debt service principal and interest payments on capital leases. During the fiscal year ended June 30, 2018, there were no significant interfund transfers that were not expected, budgeted for, unusual, nor of a non-routine nature.

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5: Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Governmental Activities:					
<i>Non-Depreciable Assets:</i>					
Land	\$ 2,537,440	\$ -	\$ -	\$ -	\$ 2,537,440
Construction in progress	1,883,883	1,990,933	-	(2,578,706)	1,296,110
Total non-depreciable assets	<u>4,421,323</u>	<u>1,990,933</u>	<u>-</u>	<u>(2,578,706)</u>	<u>3,833,550</u>
<i>Depreciable Assets:</i>					
Buildings	6,016,915	-	-	-	6,016,915
Improvements	11,686,853	-	-	489,685	12,176,538
Equipment	1,971,583	264,435	26,417	-	2,209,601
Vehicles	2,344,885	162,016	63,356	-	2,443,545
Infrastructure	68,642,812	-	-	2,089,021	70,731,833
Total depreciable assets	<u>90,663,048</u>	<u>426,451</u>	<u>89,773</u>	<u>2,578,706</u>	<u>93,578,432</u>
<i>Less accumulated depreciation:</i>					
Buildings	(2,757,902)	(120,792)	-	-	(2,878,694)
Improvements	(4,346,631)	(415,737)	-	-	(4,762,368)
Equipment	(1,784,806)	(111,789)	26,417	-	(1,870,178)
Vehicles	(1,315,242)	(221,930)	63,356	-	(1,473,816)
Infrastructure	(49,043,216)	(3,013,404)	-	-	(52,056,620)
Total accumulated depreciation	<u>(59,247,797)</u>	<u>(3,883,652)</u>	<u>89,773</u>	<u>-</u>	<u>(63,041,676)</u>
Total depreciable assets, net	<u>31,415,251</u>	<u>(3,457,201)</u>	<u>-</u>	<u>2,578,706</u>	<u>30,536,756</u>
Total capital assets, net	<u>\$ 35,836,574</u>	<u>\$ (1,466,268)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,370,306</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2018, is as follows:

General Government	\$ 134,225
Public Safety	251,267
Public Works	3,080,670
Community Development	37,528
Community Services	379,962
Total depreciation expenses	<u>\$ 3,883,652</u>

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 5: Capital Assets (Continued)

	Balance June 30, 2017	Transfers	Additions	Deletions	Balance June 30, 2018
Business-Type Activities					
<i>Non-Depreciable Assets:</i>					
Land	\$ 111,706	\$ -	\$ -	\$ -	\$ 111,706
Construction in progress	1,980,205	(1,992,260)	956,179	-	944,124
Total non-depreciable assets	<u>2,091,911</u>	<u>(1,992,260)</u>	<u>956,179</u>	<u>-</u>	<u>1,055,830</u>
<i>Depreciable Assets:</i>					
Building and improvements	16,972,368	1,992,260	-	-	18,964,628
Equipment	828,705	-	-	-	828,705
Total depreciable assets	<u>17,801,073</u>	<u>1,992,260</u>	<u>-</u>	<u>-</u>	<u>19,793,333</u>
<i>Less accumulated depreciation:</i>					
Building and improvements	(6,154,641)	-	(383,902)	-	(6,538,543)
Equipment	(498,061)	-	-	-	(498,061)
Total accumulated depreciation	<u>(6,652,702)</u>	<u>-</u>	<u>(383,902)</u>	<u>-</u>	<u>(7,036,604)</u>
Total depreciable assets, net	<u>11,148,371</u>	<u>1,992,260</u>	<u>(383,902)</u>	<u>-</u>	<u>12,756,729</u>
Total capital assets, net	<u>\$ 13,240,282</u>	<u>\$ -</u>	<u>\$ 572,277</u>	<u>\$ -</u>	<u>\$ 13,812,559</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2018, is \$383,902.

Note 6: 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, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Refunding Lease- ABAG	\$ 817,200	\$ -	\$ 126,800	\$ 690,400	\$ 129,800
Municipal Finance Capital Lease	615,493	-	49,563	565,930	51,288
2016 Municipal Finance Fire Truck Lease	497,569	-	120,003	377,566	122,883
Limited Tax Bonds 2010A Series	5,500,000	-	-	5,500,000	-
Claims and judgments	1,208,202	86,226	268,428	1,026,000	129,614
Compensated Absences	366,500	279,961	279,119	367,342	279,760
	<u>\$ 9,004,964</u>	<u>\$ 366,187</u>	<u>\$ 843,913</u>	<u>8,527,238</u>	<u>\$ 713,345</u>
			Unamortized premium/(discount)	<u>(4,841)</u>	
			Total	<u>\$ 8,522,397</u>	

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6: Long-Term Obligations (Continued)

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 Position.

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, 2018, are as follows:

<u>Year Ending June ,30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 129,800	\$ 21,267	\$ 151,067
2020	137,600	16,721	154,321
2021	135,300	12,082	147,382
2022	142,700	7,356	150,056
2023	145,000	2,465	147,465
Total	<u>\$ 690,400</u>	<u>\$ 59,891</u>	<u>\$ 750,291</u>

Capital Lease Obligations

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, 2018, are as follows:

<u>Year Ending June ,30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 51,288	\$ 19,086	\$ 70,374
2020	53,073	17,301	70,374
2021	54,920	15,454	70,374
2022	56,831	13,543	70,374
2023	58,808	11,566	70,374
2024-2028	291,010	25,672	316,682
Total	<u>\$ 565,930</u>	<u>\$ 102,622</u>	<u>\$ 668,552</u>

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6: Long-Term Obligations (Continued)

Fire Truck Lease

In 2016, the City entered into a capital lease with Municipal Finance Corporation for for a fire truck at the cost of \$614,759. Rental payments are due in annual installments of \$131,944 which includes interest at the rate of 2.40% per annum. Payments are due July of each year. The debt requirements due under the terms of the lease as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 122,883	\$ 9,061	\$ 131,944
2020	125,831	6,113	131,944
2021	128,852	3,092	131,944
Total	<u>\$ 377,566</u>	<u>\$ 18,266</u>	<u>\$ 395,832</u>

San Diego County Regional Transportation Commission Sales Tax Revenue Bonds

On October 28, 2010, the San Diego Association of Governments (SANDAG), acting as the San Diego County Regional Transportation Commission, issued \$338,960,000 Taxable Build America Bonds 2010 Series A (Limited Tax Bonds). SANDAG is responsible for the administration of programs under the TransNet Extension ordinance, Proposition A, which sets forth the permitted uses for revenues from a half cent transaction and use tax in San Diego County (TransNet Extension Program). In fiscal year ended June 2010, the City borrowed \$5,500,000 from the TransNet debt financing program for the Highway 101 Streetscaping/Traffic Calming Project and other projects eligible under the terms of the debt financing and applicable SANDAG policies and approved projects. The debt requirements due under the terms of the bonds as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 325,105	\$ 325,105
2020	-	325,105	325,105
2021	-	325,105	325,105
2022	-	325,105	325,105
2023	-	325,105	325,105
2024 - 2028	-	1,625,525	1,625,525
2029 - 2033	-	1,625,525	1,625,525
2034 - 2038	115,368	1,625,525	1,740,893
2039 - 2043	2,515,518	1,305,245	3,820,763
2044 - 2048	2,869,114	502,415	3,371,529
Total	<u>\$ 5,500,000</u>	<u>\$ 8,309,760</u>	<u>\$ 13,809,760</u>

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6: Long-Term Obligations (Continued)

Compensated Absences

Compensated absences at June 30, 2018, amounted to \$367,342. This liability is expected to be paid from future resources from the General Fund.

Claims and Judgments

Claims and judgments at June 30, 2018, amounted to \$1,026,000. This liability is expected to be paid from future resources from the General Fund. Refer to Note 7 for more information on the risk management and claims activities of the City.

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, 2018:

	Balance June 30, 2017	Additions	Deletions	Refunding	Balance June 30, 2018	Due Within One Year
SEJPA Loan Payable - 2011	\$ 1,593,303	\$ -	\$ 724,648	\$ -	\$ 868,655	\$ 751,154
SEJPA Loan Payable - 2017	-	11,057,500	-	-	11,057,500	-
Sewer Revenue Bond- 2006	7,780,000	-	255,000	7,525,000	-	-
2017 Waste Water Refunding Bond	-	6,865,000	210,000	-	6,655,000	270,000
Compensated Absences	38,536	31,964	23,041	-	47,459	28,376
	<u>\$ 9,411,839</u>	<u>\$ 17,954,464</u>	<u>\$ 1,212,689</u>	<u>\$ 7,525,000</u>	<u>18,628,614</u>	<u>\$ 1,049,530</u>
			Unamortized premium/(discount)		565,757	
			Total		<u>\$ 19,194,371</u>	

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 \$751,155.

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

Year Ending June ,30	Principal	Interest	Total
2019	\$ 751,154	\$ 33,280	\$ 784,434
2020	57,501	3,234	60,735
2021	60,000	1,710	61,710
Total	<u>\$ 868,655</u>	<u>\$ 38,224</u>	<u>\$ 906,879</u>

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6: Long-Term Obligations (Continued)

San Elijo JPA Loan Payable - 2017

On June 1, 2017, the San Elijo Joint Powers Authority issued the 2017 Revenue Bonds for the purpose of funding facilities and improvements as part of the Authority's capital improvement plan. Each local agency entered into a "Series 2017 Loan Agreement" on June 1, 2017 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 each be paying 50 percent of total debt service on the bonds, respectively.

The loan matures on March 1, 2047. The interest rates on the bonds range from 3.00% to 5.00% per year. The City of Solana Beach's portion of annual principal installments range from \$217,500 to \$642,500.

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>
2019	\$ -	\$ 451,388	\$ 451,388
2020	217,500	451,388	668,888
2021	225,000	444,863	669,863
2022	230,000	438,113	668,113
2023	237,500	431,213	668,713
2024-2028	1,342,500	2,002,238	3,344,738
2029-2033	1,707,500	1,634,438	3,341,938
2034-2038	2,125,000	1,220,400	3,345,400
2039-2043	2,545,000	795,156	3,340,156
2044-2048	2,427,500	247,400	2,674,900
Total	<u>\$ 11,057,500</u>	<u>\$ 8,116,597</u>	<u>\$ 19,174,097</u>

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6: Long-Term Obligations (Continued)

Debt Covenant Compliance for JPA Loans

In Compliance with bond issuance covenants, specifically, the 2011 and 2017 San Elijo JPA Bonds, the City is including this table showing debt service coverage for the fiscal year of at least 1.30 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.

	Fiscal Year 2017-18
Revenues:	
Operating revenues	\$ 5,415,690
Other operating	88,239
Non-operating	81,629
Gross revenues	<u>5,585,558</u>
Expenses	<u>15,013,989</u>
Net Income	<u>(9,428,431)</u>
Add back:	
Interest expense	776,017
Depreciation	383,902
Contribution to JPA	11,057,500
Amortization of bond premium/discount & refunding	292,627
Amortization of investment in JPA	10,945
Net revenues available for debt service	<u>\$ 3,092,560</u>
2011 Refunding Revenue Bonds debt service	
Principal repayment	\$ 724,648
Interest charges	62,266
2017 Refunding Revenue Bonds debt service	
Principal repayment	-
Interest charges	294,656
Total debt service	<u>\$ 1,081,570</u>
Coverage ratio	<u>2.9</u>

Note 6: 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%.

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 bonds were defeased on August 1, 2017, with the issuance of the 2017 Wastewater Revenue Refunding Bonds; as such there is no amount outstanding at June 30, 2018, for the 2006 Subordinate Wastewater Revenue Bonds.

2017 Wastewater Revenue Refunding Bonds

On August 1, 2017, the City, issued \$6,865,000 of 2017 Wastewater Revenue Refunding Bonds to refund, on a current basis, the outstanding Solana Beach Public Financing Authority Subordinate Wastewater Revenue Bonds, Series 2006, which were issued to finance the improvement, betterment, renovation and expansion of certain facilities within the City's municipal wastewater enterprise. These bonds have a 19-year maturity with principal payments ranging from \$210,000 to \$485,000 with the final maturity paid on March 1, 2036. Interest on the bonds is payable semi-annually March 1 and September 1 commencing on March 1, 2018. Interest rates range from 4.00% to 4.375%.

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 loan amount outstanding at June 30, 2018 is \$6,655,000.

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6: Long-Term Obligations (Continued)

The annual debt service requirements are as follows:

Year Ending June ,30	Principal	Interest	Total
2019	\$ 270,000	\$ 233,056	\$ 503,056
2020	280,000	224,956	504,956
2021	285,000	216,556	501,556
2022	300,000	208,006	508,006
2023	305,000	199,006	504,006
2024-2028	1,710,000	748,631	2,458,631
2029-2033	2,080,000	336,525	2,416,525
2034-2038	1,425,000	89,106	1,514,106
Total	<u>\$ 6,655,000</u>	<u>\$ 2,255,842</u>	<u>\$ 8,910,842</u>

The City covenants under the 2017 Wastewater Revenue Refunding Bond 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 thirty percent (130%) of Debt Service.

Using net revenues of \$3,092,560, the 2017 Wastewater Revenue Refunding Bonds debt service coverage requirement for fiscal year ended June 30, 2018, is calculated as follows:

	Fiscal Year 2017-18
Net revenues available for debt service	\$ 3,092,560
Less:	
2011 Refunding Revenue Bonds debt service	786,914
2017 Refunding Revenue Bonds debt service	294,656
Net revenues available for 2017 Wastewater Revenue Refunding Bonds debt service	<u>\$ 2,010,990</u>
2017 Wastewater Revenue Refunding Bonds debt service	
Principal repayment	\$ 210,000
Interest charges	127,855
Total debt service	<u>\$ 337,855</u>
Coverage ratio	<u>6.0</u>

Compensated Absences

Compensated absences for business-type activities as of June 30, 2018, amounted to \$47,459. This liability is expected to be paid from future resources from the Sanitation Fund.

Note 6: Long-Term Obligations (Continued)

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 as of June 30, 2018, were \$2,020,000.

South Solana Sewer District

In November 2006, the Solana Beach Public Financing Authority issued Limited Obligation Improvement Bonds totaling \$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 as of June 30, 2018, were \$450,000.

Note 7: Risk Management

General Liability Insurance

On June 30, 2015, the San Diego County Pooled Insurance Program Authority (SANDPIPA), a joint-powers authority (JPA) that provided liability, property and casualty coverage, of which the City was a member, was dissolved. As of July 1, 2015, the City acquired excess liability insurance directly from CSAC Excess Insurance Authority (EIA).

The City has a Self-Insured (SIR) of \$100,000 per claim and additional coverage above its SIR with CSAC - EIA to \$5 million per claim; there is an additional \$45 million of reinsurance above CSAC – EIA coverage bringing the total coverage to over \$50 million per claim. The CSAC – EIA is ranked as the second largest public entity risk pool and the largest property and casualty pool in the nation.

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 \$5 million per claim; there is an additional \$45 million of reinsurance above CSAC-EIA coverage bringing the total coverage to over \$50 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.

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 7: Risk Management (Continued)

The workers' compensation and general liability claims payable of \$1,026,000 reported at June 30, 2018, 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
2015-2016	\$ 1,201,742	\$ 169,050	\$ (148,050)	\$ 1,222,742
2016-2017	1,222,742	328,311	(342,851)	1,208,202
2017-2018	1,208,202	(29,570)	(152,632)	1,026,000

The City also maintains insurance coverage in the following specific areas: real and personal property damage, boiler and machinery, special events, cyber liability, and pollution.

The latest financial information of the CSAC Excess Insurance Authority for fiscal year ended June 30, 2017, is as follows:

Total assets	\$ 792,900,586
Total liabilities	<u>652,379,324</u>
Total net position	<u>\$ 140,521,262</u>
Total revenues	\$ 771,637,716
Total expenses	<u>768,789,071</u>
Revenues over Expenses	<u>\$ 2,848,645</u>

Note 8: City Employees Retirement Plan - Pension Plans

a. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefits tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors eight rate plans (three miscellaneous and five safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8: City Employees Retirement Plan - Pension Plans (Continued)

Below is a summary of the plans' provisions and benefits in effect at June 30, 2018, for which the City of Solana Beach has contracted:

Major Benefit Options	Miscellaneous*	Miscellaneous Second Tier	Miscellaneous PEPRA	Safety Fire First Tier*	Safety Fire Second Tier	Safety PEPRA	Safety Lifeguard First Tier*	Safety Lifeguard Second Tier*	PEPRA Other Safety
Hire Date	Prior to January 1, 2010	January 1, 2010 but prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2010	January 1, 2010 but prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2010	January 1, 2010 but prior to January 1, 2013	On or after January 1, 2013
Benefit Provision									
Benefit Formula	2.5% @ 55	2.0% @ 60	2.0% @ 62	3.0% @ 50	2.0% @ 50	2.7% @ 57	3.0% @ 50	2.0% @ 50	2.7% @ 57
Social Security	no	no	no	no	no	no	no	no	no
Full/ Modified	full	full	full	full	full	full	full	full	full
Benefit vesting schedule	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67	50	50-55	50-57	50-55	50-55	52-67
Monthly benefits, as a % of eligible	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.5%	3%	2.4% to 3.0%	2% to 2.7%	1.423% to 2.0%	1.423% to 2.0%	2.0% to 2.7%
Required employer contribution rates	10.110	7.20	6.533	19.723	14.971	11.990	19.723	14.971	11.99
Required employee contribution rates	8.000%	7.000%	6.250%	9.000%	9.000%	11.500%	9.000%	9.000%	11.500%

*closed to new member entrants

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions recognized as a reduction to the net pension liability was \$1,090,530.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8: City Employees Retirement Plan - Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City of Solana Beach reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 5,268,836
Safety	<u>8,742,997</u>
Total	<u>\$ 14,011,833</u>

The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017, was as follows:

Proportions as a percentage of the CalPERS Miscellaneous risk pool:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.05241%
Proportion - June 30, 2017	0.05313%
Change - Increase (Decrease)	1.37378%

Proportions as a percentage of the CalPERS Safety risk pool:

	<u>Safety</u>
Proportion - June 30, 2016	0.08774%
Proportion - June 30, 2017	0.08816%
Change - Increase (Decrease)	0.47869%

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 8: City Employees Retirement Plan - Pension Plans (Continued)

For the year ended June 30, 2018, the City of Solana Beach recognized pension expense as follows:

Miscellaneous	Safety	Total Plans
\$ 990,519	\$ 1,151,600	\$ 2,142,119

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan		
Pension contributions subsequent to measurement date	\$ 460,816	\$ -
Adjustment due to differences in proportions	197,991	-
Difference between expected and actual experience	6,630	94,990
Difference between actual contributions and the proportionate share of contributions	-	168,222
Changes in assumptions	822,655	62,728
Net difference between projected and actual earnings on plan investments	186,051	-
Total Miscellaneous Plan	1,674,143	325,940
Safety Plan		
Pension contributions subsequent to measurement date	717,659	-
Adjustment due to differences in proportions	100,210	60,178
Difference between expected and actual experience	91,719	23,914
Difference between actual contributions and the proportionate share of contributions	-	167,002
Changes in assumptions	1,330,157	102,053
Net difference between projected and actual earnings on plan investments	290,026	-
Total Safety Plan	2,529,771	353,147
Total All Plans	\$ 4,203,914	\$ 679,087

The \$1,178,475 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous		Safety	
Year Ended June 30	Deferred Outflows/ (Inflows) of Resources	Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2019	\$ 207,339	2019	\$ 338,705
2020	488,086	2020	819,884
2021	296,156	2021	496,813
2022	(104,194)	2022	(196,437)
	<u>\$ 887,387</u>		<u>\$ 1,458,965</u>

Note 8: City Employees Retirement Plan - Pension Plans (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS' website.

All other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

For the measurement date June 30, 2017, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2016 valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8: City Employees Retirement Plan - Pension Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability/ (asset) of the Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15 percent) or 1% point higher (8.15 percent) than the current rate:

Plan Type	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Miscellaneous	\$ 7,980,541	\$ 5,268,836	\$ 3,022,953
Safety	13,137,284	8,742,997	5,150,886
Total	<u>\$ 21,117,825</u>	<u>\$ 14,011,833</u>	<u>\$ 8,173,839</u>

Note 8: City Employees Retirement Plan - Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

Note 9: 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 a financial report.

The City provides the PEMHCA minimum benefit (\$133 per month for 2018) but no less than \$325 per month for employees retired before January 1, 2007 and \$290 per month for employees hired before January 1, 2007.

Plan Membership

At June 30, 2018, membership consisted of:

Inactive plan members or beneficiaries currently receiving benefit payments	44
Inactive plan members entitled to but not yet receiving benefit payments	11
Active plan members	60
	<u>115</u>

Contributions

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 pays cash and implied subsidy benefit payments and PEMHCA administrative fees directly from City assets. Contributions made to the trust are on an ad-hoc basis. On average over the past 5 years, 0.98 percent of payroll was contributed to the trust each year.

The City contributed \$159,621 during the 2018 fiscal year on a pay-as-you-go basis for current benefit payments and contributed \$92,434 to an irrevocable trust. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9: Other Post-Employment Benefits (Continued)

Net OPEB Liability of the City

	Fiscal Year Ending	
	June 30, 2018	June 30, 2017
Total OPEB Liability (TOL)	\$ 4,806,155	\$ 4,864,468
Fiduciary Net Position (FNP)	351,281	241,151
Net OPEB Liability (NOL)	<u>\$ 4,454,874</u>	<u>\$ 4,623,317</u>
Funded Status (FNP/TOL)	7.3%	5.0%

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Payroll increases	3.00 percent
Investment rate of return	6.00 percent
Healthcare cost trend rates	7.50 percent for 2019, decreasing to an ultimate rate of 4.00 percent in 2076 for Non-Medicare. 6.50 percent for 2019, decreasing to an ultimate rate of 4.00 percent in 2076, for Medicare
Municipal Bond Rate	3.56 percent, Fidelity 20-Year (AAA) Index

Mortality rates were based on the MP-2016 mortality improvement scale.

The expected long-term net rate of return is expected nominal long-term net rate of return for the OPEB trust based on stochastic projections of expected long-term real rates of return net of assumed investment expenses under various economic scenarios using expected long-term geometric real rates of return and correlations for fund asset classes plus inflation. The long-term expected geometric real rate of return are summarized in the following table:

Asset Class	Asset Allocation	Expected Real Rate of Return
Cash and money market	5%	0.06%
Equity	50%	4.82%
Fixed Income	45%	1.47%
Assumed Long-Term Rate of Return		2.75%
Expected Long-Term Net Rate of Return, rounded to the nearest quarter percent		6.00%

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9: Other Post-Employment Benefits (Continued)

Change in Assumptions

The discount rate increased from 3.45 percent at June 30, 2017 to 3.82 percent at June 30, 2018, resulting in a change in assumption of \$242,883.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.82%. The City currently pays benefits directly and has no current plans to further prefund the plan. The OPEB trust is projected to not have sufficient assets to pay all benefits under the City's current funding policy starting in 2029-2030.

Changes in the OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 4,864,468	\$ 241,151	\$ 4,623,317
Changes for the year			
Service Cost	231,577	-	231,577
Interest	172,035	-	172,035
Assumption changes	(242,883)	-	(242,883)
Contributions - employer	-	307,582	(307,582)
Net investment income	-	23,652	(23,652)
Benefit payments*	(219,042)	(219,042)	-
Administrative Expenses	-	(2,062)	2,062
Net changes	(58,313)	110,130	(168,443)
Balance at June 30, 2018	\$ 4,806,155	\$ 351,281	\$ 4,454,874

*Benefit payments include an implied subsidy of \$59,421 for the measurement date June 30, 2018

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.82%)	Current Rate (3.82%)	1% Increase (4.82%)
Net OPEB liability	\$ 5,161,603	\$ 4,454,874	\$ 3,888,796

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability	\$ 3,990,769	\$ 4,454,874	\$ 5,133,809

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 9: Other Post-Employment Benefits (Continued)

OPEB Plan Fiduciary Net Position

PARS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the Public Agency Retirement Services, 4350 Von Karman Ave, Newport Beach, California 92660.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$347,835. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 204,330
Net difference between projected and actual earnings on plan investments	-	4,366
Total	<u>\$ -</u>	<u>\$ 208,696</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (39,644)
2020	(39,644)
2021	(39,644)
2022	(39,644)
2023	(38,554)
Thereafter	(11,566)

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 10: 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, 2018, is as follows:

Operating revenues	\$ 11,421,002
Operating expenses	(8,350,733)
Net non-operating income	279,592
Capital contributions	<u>22,747,258</u>
Change in net position	<u>\$ 26,097,119</u>
Total assets and deferred outflows of resources	\$ 105,402,695
Total liabilities and deferred inflows of resources	<u>(37,060,891)</u>
Net position- total fund equity	<u>\$ 68,341,804</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 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, 2018, is as follows:

Investment at June 30, 2017	\$ 21,251,840
Capital contribution	11,373,629
Current year share in the joint venture net income	1,674,931
Amortization of JPA	<u>(10,945)</u>
Investment at June 30, 2018	<u>\$ 34,289,455</u>

At June 30, 2018, the SEJPA had \$1,789,732 in 2012 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 11: 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.

A repayment in the amount of \$681,269 was made for the fiscal year ended June 30, 2018 reducing the loan balance to \$0.

Note 12: 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, 2018, with an estimated cost to complete of approximately \$313,421 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 Build American 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, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 13: 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.

Fund Name	General	TransNet	City CIP	Other Governmental Funds	Total
Nonspendable:					
Prepays	\$ 72,579	\$ -	\$ -	\$ 200	\$ 72,779
Total Nonspendable	<u>72,579</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>72,779</u>
Restricted:					
Pensions	1,294,957	-	-	-	1,294,957
Gas tax	-	-	-	391,349	391,349
Municipal Improvement Districts	-	-	-	945,378	945,378
Lighting District	-	-	-	2,198,445	2,198,445
COPS	-	-	-	205,071	205,071
Public Safety	-	-	-	214,484	214,484
Caltrans	-	-	-	60,289	60,289
Coastal area business/ Visitor assistance & Enhancement	-	-	-	618,894	618,894
Boating and Waterways	-	-	-	60,369	60,369
Miscellaneous grants	-	-	-	6,098	6,098
Housing	-	-	-	353,613	353,613
Camp programs	-	-	-	71,128	71,128
SB1 streets & roads	-	-	-	79,262	79,262
Capital projects	-	-	1,835,252	779,613	2,614,865
Debt Service	-	-	-	24,979	24,979
Total Restricted	<u>1,294,957</u>	<u>-</u>	<u>1,835,252</u>	<u>6,008,972</u>	<u>9,139,181</u>
Committed:					
Parks and recreation	26,699	-	-	-	26,699
Public facilities	402,318	-	-	-	402,318
OPEB	96,417	-	-	-	96,417
Pensions	358,078	-	-	-	358,078
Public art	31,056	-	-	-	31,056
In-lieu housing	100,786	-	-	-	100,786
Total Committed	<u>1,015,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,015,354</u>
Assigned:					
Housing	1,499,500	-	-	-	1,499,500
Community TV	83,281	-	-	-	83,281
Street Sweeping	137,601	-	-	-	137,601
Park fees	36,903	-	-	-	36,903
Asset replacement	2,076,745	-	-	-	2,076,745
Self-insurance	820,198	-	-	-	820,198
Workers' comp	642,947	-	-	-	642,947
Public facilities	508,715	-	-	-	508,715
Total Assigned	<u>5,805,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,805,890</u>
Unassigned	<u>7,385,736</u>	<u>(37,006)</u>	<u>-</u>	<u>(197,683)</u>	<u>7,151,047</u>
Total Fund Balances	<u>\$ 15,574,516</u>	<u>\$ (37,006)</u>	<u>\$ 1,835,252</u>	<u>\$ 5,811,489</u>	<u>\$ 23,184,251</u>

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 13: Classification of Fund Balances (Continued)

	General Fund	Self Insurance	Worker's Compensation	Asset Replacement	Facilities Replacement	PARS - OPEB	PARS - Pension	Total Classification
Non-Spendable								
Prepays	\$ 72,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,579
Total Non-Spendable	72,579	-	-	-	-	-	-	72,579
Restricted								
Pensions	-	-	-	-	-	-	1,294,957	1,294,957
Total Restricted	-	-	-	-	-	-	1,294,957	1,294,957
Committed								
Public Facilities	402,318	-	-	-	-	-	-	402,318
Public Art	31,056	-	-	-	-	-	-	31,056
OPEB	-	-	-	-	-	96,417	-	96,417
Pensions	-	-	-	-	-	-	358,078	358,078
In-Lieu Housing	100,786	-	-	-	-	-	-	100,786
Parks & Recreation	26,699	-	-	-	-	-	-	26,699
Total Committed	560,859	-	-	-	-	96,417	358,078	1,015,354
Assigned								
Park Fee	36,903	-	-	-	-	-	-	36,903
Community Television	83,281	-	-	-	-	-	-	83,281
Street Sweeping	137,601	-	-	-	-	-	-	137,601
Housing	1,499,500	-	-	-	-	-	-	1,499,500
Self-Insurance	-	820,198	-	-	-	-	-	820,198
Worker's Comp	-	-	642,947	-	-	-	-	642,947
Asset Replacement	-	-	-	2,076,745	-	-	-	2,076,745
Facilities Replacement	-	-	-	-	508,715	-	-	508,715
Total Assigned	1,757,285	820,198	642,947	2,076,745	508,715	-	-	5,805,890
Unassigned								
	7,385,736	-	-	-	-	-	-	7,385,736
Total Fund Balances	\$ 9,776,459	\$ 820,198	\$ 642,947	\$ 2,076,745	\$ 508,715	\$ 96,417	\$ 1,653,035	\$ 15,574,516

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, Facilities Replacement, and OPEB/Pensions.

The fund balances for the internal service funds are classified as Assigned.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018
Note 14: 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.

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).

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.

a. Cash and Investments

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

Cash and investments pooled with the City	\$ 472,600
Cash and investments with fiscal agent	<u>60</u>
	<u>\$ 472,660</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, 2018, follows:

	Balance June 30, 2017	Additions	Defeased	Deletions	Balance June 30, 2018	Due Within One Year
Fiduciary Funds:						
2006 Tax Allocation Bonds	\$ 2,820,000	\$ -	\$ 2,725,000	\$ 95,000	\$ -	\$ -
2017 Tax Allocation Refunding Bonds	-	2,694,100	-	54,400	2,639,700	112,000
Total Fiduciary Funds	<u>\$ 2,820,000</u>	<u>\$ 2,694,100</u>	<u>\$ 2,725,000</u>	<u>\$ 95,000</u>	<u>\$ 2,639,700</u>	<u>\$ 112,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018
Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)
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 bond was defeased on November 10, 2017, with the issuance of the 2017 Tax Allocation Refunding Bonds; as such there is no amount outstanding at June 30, 2018, for the 2006 Tax Allocation Bonds.

2017 Tax Allocation Refunding Bonds

On November 10, 2017, the Agency issued the 2017 Tax Allocation Bonds to be used for the purpose of providing funds to the Successor Agency to refund, on a current basis, the Solana Beach Redevelopment Agency, Solana Beach Redevelopment Project, Tax Allocation Bonds, Series and pay the costs of issuing the Bonds. These bonds have an 18-year maturity with the final maturity paid on December 1, 2035 and interest rate of 3.360% Interest on the bonds is payable semi-annually on June 1 and December 1, commencing December 1, 2035.

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 112,000	\$ 87,777	\$ 199,777
2020	116,900	83,965	200,865
2021	120,900	80,005	200,905
2022	124,900	75,909	200,809
2023	129,100	71,677	200,777
2024-2028	714,600	289,701	1,004,301
2029-2033	844,300	160,161	1,004,461
2034-2036	477,000	24,308	501,308
Total	<u>\$ 2,639,700</u>	<u>\$ 873,503</u>	<u>\$ 3,513,203</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 \$3,513,203 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 \$411,790 and the debt service obligation on the bonds was \$336,679.

CITY OF SOLANA BEACH, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

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.

Note 15: Prior Period Adjustments

Beginning net position in the Statement of Activities was reduced by \$2,680,293 to reflect the change in accounting principle by the City in the implementation of GASB Statement No. 75. The table below describes the restatement in detail:

To remove the OPEB liability previously reported, under GASB 45	\$	1,943,024
To record the beginning OPEB liability as of June 30, 2017, in accordance with GASB 75		<u>(4,623,317)</u>
Total Restatement of Net Position due to GASB 75	\$	<u>(2,680,293)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Note 1: 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 is adopted for the General Fund, special revenue funds, capital projects funds and debt service funds.

The City Council may amend the budget by motion during the fiscal year. The appropriations constitute the budget for the 2017-2018 fiscal year and the City Manager is authorized to transfer monies between accounts within a department, provided that the total budget for the department is not exceeded. Transfer of monies from one department of the City to another, or from one fund to another, shall be approved by the City Council. However, any revisions that alter total expenditures of any fund must be approved by the City Council.

Expenditures 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, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)**

	2018			Variance with Final Budget Positive (Negative)	2017
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Fund Balance, July 1	\$ 14,323,777	\$ 14,323,777	\$ 14,323,777	\$ -	\$ 13,025,292
Resources (Inflows):					
Taxes:					
Property	7,332,000	7,427,000	7,500,419	73,419	7,041,240
Transient occupancy	1,380,000	1,380,000	1,405,964	25,964	1,339,453
Sales	3,233,100	3,233,100	3,191,410	(41,690)	3,127,803
Franchise and other	1,720,000	1,720,000	1,866,108	146,108	1,790,265
Licenses and permits	476,400	526,400	508,549	(17,851)	527,146
Intergovernmental	1,809,000	1,846,100	1,842,035	(4,065)	1,771,840
Charges for services	780,000	780,000	784,373	4,373	944,111
Use of money and property	259,500	259,500	243,298	(16,202)	262,094
Fines and forfeitures	487,000	487,000	479,933	(7,067)	495,885
Miscellaneous	429,500	514,835	609,427	94,592	738,652
Amounts Available for Appropriations	32,230,277	32,497,712	32,755,293	257,581	31,063,781
Charges to Appropriations (Outflows):					
General Government:					
City Council	289,100	313,300	300,146	13,154	288,831
City Clerk	409,100	424,700	347,854	76,846	355,581
Legal Services	522,500	523,400	517,766	5,634	501,423
City Manager	357,100	358,300	319,198	39,102	261,906
Finance	821,100	832,589	770,007	62,582	694,375
Personnel	436,200	439,900	342,335	97,565	311,846
Information Systems	302,200	355,600	355,450	150	325,164
Support Services	1,027,000	1,126,143	864,388	261,755	1,037,543
Total General Government	4,164,300	4,373,932	3,817,144	556,788	3,776,669
Public Safety:					
Marine safety	718,500	753,089	680,397	72,692	719,889
Law enforcement	3,857,100	3,857,100	3,854,756	2,344	3,631,835
Code & parking enforcement	221,900	227,000	165,925	61,075	167,626
Fire department	3,936,300	3,991,854	4,008,908	(17,054)	3,731,811
Animal regulation	107,200	107,200	108,826	(1,626)	93,530
Civil defense	30,700	30,700	28,775	1,925	27,878
Environmental services	1,100	1,100	-	1,100	1,000
Total Public Safety	8,872,800	8,968,043	8,847,587	120,456	8,373,569
Public Works:					
Street and other	1,318,100	1,369,500	1,244,863	124,637	1,107,287
Engineering	349,800	366,000	347,958	18,042	327,657
Public Facilities	285,300	285,300	235,422	49,878	237,122
Total Public Works	1,953,200	2,020,800	1,828,243	192,557	1,672,066
Community Development:					
Planning	680,300	756,100	695,910	60,190	607,461
Building services	315,100	411,600	410,709	891	473,795
Total Community Development	995,400	1,167,700	1,106,619	61,081	1,081,256
Community Services:					
Community services	108,600	134,700	112,552	22,148	92,239
Recreation programs	158,600	165,050	146,190	18,860	171,558
Total Community Services	267,200	299,750	258,742	41,008	263,797
Capital Outlay	502,900	613,777	395,542	218,235	66,247
Total Charges to Appropriations	16,755,800	17,444,002	16,253,877	1,190,125	15,233,604
Other Financing Uses:					
Transfers out	(504,400)	(926,900)	(926,900)	-	(1,506,400)
Total Financing Uses	(504,400)	(926,900)	(926,900)	-	(1,506,400)
Budgetary Fund Balance, June 30	\$ 14,970,077	\$ 14,126,810	\$ 15,574,516	\$ 1,447,706	\$ 14,323,777

The notes to required supplementary information are an integral part of this schedule.

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
TRANSNET FUND

FOR THE YEAR ENDED JUNE 30, 2018

(With comparative totals for the year ended June 30, 2017)

	2018			Variance with Final Budget Positive (Negative)	2017
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Fund Balance, July 1	\$ 38,518	\$ 38,518	\$ 38,518	\$ -	\$ 43,917
Resources (Inflows):					
Intergovernmental	150,000	150,000	648,535	498,535	429,525
Use of money and property	-	-	47	47	115
Miscellaneous	-	-	36,233	36,233	29,714
Amounts Available for Appropriations	188,518	188,518	723,333	534,815	503,271
Charges to Appropriations (Outflows):					
Public works	-	-	-	-	874
Capital outlay	150,000	435,256	435,234	22	138,774
Debt service:					
Interest and fiscal charges	-	-	325,105	(325,105)	325,105
Total Charges to Appropriations	150,000	435,256	760,339	(325,083)	464,753
Budgetary Fund Balance (Deficit), June 30	\$ 38,518	\$ (246,738)	\$ (37,006)	\$ 209,732	\$ 38,518

The notes to required supplementary information are an integral part of this schedule.

CITY OF SOLANA BEACH, CALIFORNIA

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MISCELLANEOUS AND SAFETY PENSION PLANS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Miscellaneous Plan</u>				
Proportion of the Net Pension Liability	0.05313%	0.05241%	0.05706%	0.04245%
Proportionate Share of the Net Pension Liability	\$ 5,268,836	\$ 4,534,940	\$ 3,550,604	\$ 2,651,591
Covered Payroll	\$ 2,716,098	\$ 2,589,500	\$ 2,973,891	\$ 2,601,948
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	193.99%	175.13%	119.39%	101.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.27%	75.87%	79.82%	78.40%
<u>Safety Plan</u>				
Proportion of the Net Pension Liability	0.08816%	0.08774%	0.09490%	0.07208%
Proportionate Share of the Net Pension Liability	\$ 8,742,997	\$ 7,592,101	\$ 5,905,301	\$ 4,940,589
Covered Payroll	\$ 2,114,766	\$ 1,296,346	\$ 1,402,991	\$ 1,469,495
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	413.43%	585.65%	420.91%	336.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.16%	75.87%	79.82%	78.40%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date.

Changes of Assumptions: In 2018, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

CITY OF SOLANA BEACH, CALIFORNIA

**SCHEDULE OF PLAN CONTRIBUTIONS
MISCELLANEOUS AND SAFETY PENSION PLANS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Miscellaneous Plan</u>				
Actuarially Determined Contribution	\$ 460,816	\$ 417,318	\$ 385,634	\$ 330,415
Contribution in Relation to the Actuarially Determined Contribution	<u>(460,816)</u>	<u>(417,318)</u>	<u>(385,634)</u>	<u>(330,415)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,874,075	\$ 2,716,098	\$ 2,589,500	\$ 2,411,476
Contributions as a Percentage of Covered Payroll	16.03%	15.36%	14.89%	13.70%
<u>Safety Plan</u>				
Actuarially Determined Contribution	\$ 717,659	\$ 673,212	\$ 619,022	\$ 519,933
Contribution in Relation to the Actuarially Determined Contribution	<u>(717,659)</u>	<u>(673,212)</u>	<u>(619,022)</u>	<u>(519,933)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,099,543	\$ 2,114,766	\$ 1,296,346	\$ 1,402,991
Contributions as a Percentage of Covered Payroll	34.18%	31.83%	47.75%	37.06%

Notes to Schedule of Plan Contributions:

Valuation Date:	June 30, 2015
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	21 Years as of the Valuation Date
Assets valuation method	Market Value
Inflation	2.75% compounded annually
Salary Increases	3.40% to 20.00% depending on age, service, and
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement age	50 and 57 years
Mortality	RP-2000 Heath Annuitant Mortality Table

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal year 2015 was the first year of implementation; therefore only four years are shown.

CITY OF SOLANA BEACH, CALIFORNIA

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
OTHER POST-EMPLOYMENT BENEFITS PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2018	2017
Total OPEB Liability:		
Service Cost	\$ 231,577	\$ 225,000
Interest	172,035	164,000
Assumption changes	(242,883)	-
Benefit payments	(219,042)	(148,000)
Net Changes	(58,313)	241,000
Total OPEB Liability (beginning of year)	4,864,468	4,623,000
Total OPEB Liability (end of year) (a)	\$ 4,806,155	\$ 4,864,000
Plan Fiduciary Net Position:		
Contributions - employer (2)	\$ 307,582	\$ 233,000
Net investment income	23,652	17,000
Benefit payments	(219,042)	(148,000)
Administrative expenses	(2,062)	-
Net Changes	110,130	102,000
Plan Fiduciary Net Position (beginning of year)	241,151	139,000
Plan Fiduciary Net Position (end of year) (b)	351,281	241,000
Plan Net OPEB Liability/(Assets) - Ending (a) - (b)	\$ 4,454,874	\$ 4,623,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.3%	5.0%
Covered Payroll	\$ 4,729,364	\$ 3,885,846
Plan Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	94.20%	118.97%

Notes to Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios:

Benefit Changes: There were no benefit changes.

Changes of Assumptions: In 2018, the accounting discount rate increased from 3.45 percent to 3.82 percent.

(1) Historical information is required only for years for which GASB 74/75 are applicable. Fiscal Year 2017 was the first year of implementation; therefore, only two years are shown.

(2) \$87,689 contributions to the trust, \$159,621 cash subsidy benefit payments paid directly by the City, \$59,421 implied subsidy benefit payments paid directly by the City, and \$851 administrative expenses paid directly by the City.

CITY OF SOLANA BEACH, CALIFORNIA

**SCHEDULE OF PLAN CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 220,491	\$ 531,000
Contribution in Relation to the Actuarially Determined Contribution	<u>(252,055)</u>	<u>(233,000)</u>
Contribution Deficiency (Excess)	<u>\$ (31,564)</u>	<u>\$ 298,000</u>
Covered Payroll	\$ 4,729,364	\$ 3,885,846
Contributions as a Percentage of Covered Payroll	5.33%	6.00%

Notes to Schedule of Plan Contributions:

Valuation Date:	June 30, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method/period	Level percentage of payroll, closed
Assets valuation method	Market Value
Inflation	2.75%
Merit payroll increases	CalPERS 1997-2011
Payroll increases	3.00%
Investment rate of return	6.00%
Retirement age	The probabilities of retirement are based on the 2011 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Based on the MP-2016 mortality improvement scale.

(1) Historical information is required only for years for which GASB 74/75 are applicable. Fiscal Year 2017 was the first year of implementation; therefore, only two years are shown.

CITY OF SOLANA BEACH, CALIFORNIA

SCHEDULE OF INVESTMENT RETURNS
OTHER POST-EMPLOYMENT BENEFITS PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

<u>Fiscal Year Ending June 30</u>	<u>Net Money-Weighted Rate of Return</u>
2018	5.62%
2017	10.55%

Notes to Schedule of Investment Returns:

(1): GASB Statement No. 74, which requires ten years of history for this schedule, was implemented during Fiscal Year 2016/17. Additional years will be added as they become available in the future.

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SUPPLEMENTARY INFORMATION

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.

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.

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 - accounts for the revenues and expenditures of the Transportation Development Act.

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.

Camp Programs Fund - accounts for camp programs in the City

SB1 Streets & Roads - 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 SB1 taxes pursuant.

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 for public improvements in the City

City Debt Service Fund - accounts for debt service in the City

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	Special Revenue Funds		Capital Projects Funds	
	2018	2017	2018	2017
Assets:				
Cash and investments	\$ 5,765,993	\$ 5,167,769	\$ 891,375	\$ 1,015,832
Receivables:				
Accounts	24,606	55,359	-	-
Taxes	22,083	7,721	-	-
Interest	19,001	10,552	2,968	2,068
Prepaid costs	200	-	-	-
Due from other governments	90,935	215,863	-	-
Total Assets	\$ 5,922,818	\$ 5,457,264	\$ 894,343	\$ 1,017,900
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 241,108	\$ 249,875	\$ 45,504	\$ 32,081
Accrued liabilities	25,715	17,959	-	-
Unearned revenues	451,502	394,482	-	-
Deposits payable	-	-	69,226	69,226
Due to other funds	197,596	384,793	-	-
Total Liabilities	915,921	1,047,109	114,730	101,307
Fund Balances:				
Nonspendable	200	-	-	-
Restricted	5,204,380	4,746,630	779,613	916,593
Unassigned	(197,683)	(336,475)	-	-
Total Fund Balances	5,006,897	4,410,155	779,613	916,593
Total Liabilities and Fund Balances	\$ 5,922,818	\$ 5,457,264	\$ 894,343	\$ 1,017,900

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	Debt Service Funds		Total Nonmajor Governmental Funds	
	2018	2017	2018	2017
Assets:				
Cash and investments	\$ 24,979	\$ 24,927	\$ 6,682,347	\$ 6,208,528
Receivables:				
Accounts	-	-	24,606	55,359
Taxes	-	-	22,083	7,721
Interest	-	-	21,969	12,620
Prepaid costs	-	-	200	-
Due from other governments	-	-	90,935	215,863
Total Assets	\$ 24,979	\$ 24,927	\$ 6,842,140	\$ 6,500,091
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 286,612	\$ 281,956
Accrued liabilities	-	-	25,715	17,959
Unearned revenues	-	-	451,502	394,482
Deposits payable	-	-	69,226	69,226
Due to other funds	-	-	197,596	384,793
Total Liabilities	-	-	1,030,651	1,148,416
Fund Balances:				
Nonspendable	-	-	200	-
Restricted	24,979	24,927	6,008,972	5,688,150
Unassigned	-	-	(197,683)	(336,475)
Total Fund Balances	24,979	24,927	5,811,489	5,351,675
Total Liabilities and Fund Balances	\$ 24,979	\$ 24,927	\$ 6,842,140	\$ 6,500,091

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	Special Revenue Funds			
	Gas Tax	Municipal Improvement Districts	Lighting District	TEA 21 / TEA
Assets:				
Cash and investments	\$ 451,692	\$ 988,488	\$ 2,194,386	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	5,227	5,093	-
Interest	2,025	3,557	8,535	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	\$ 453,717	\$ 997,272	\$ 2,208,014	\$ -
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ 62,368	\$ 51,531	\$ 7,617	\$ -
Accrued liabilities	-	363	1,952	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	168,970
Total Liabilities	62,368	51,894	9,569	168,970
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	391,349	945,378	2,198,445	-
Unassigned	-	-	-	(168,970)
Total Fund Balances (Deficits)	391,349	945,378	2,198,445	(168,970)
Total Liabilities and Fund Balances	\$ 453,717	\$ 997,272	\$ 2,208,014	\$ -

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

(CONTINUED)

	Special Revenue Funds			
	COPS	Public Safety	Fire Mitigation	Transportation Development Act
Assets:				
Cash and investments	\$ 201,036	\$ 177,134	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	717	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	20,000	48,482	-	-
Total Assets	\$ 221,753	\$ 225,616	\$ -	\$ -
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ 16,682	\$ 1,791	\$ -	\$ -
Accrued liabilities	-	9,341	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	13,053	-
Total Liabilities	16,682	11,132	13,053	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	205,071	214,484	-	-
Unassigned	-	-	(13,053)	-
Total Fund Balances (Deficits)	205,071	214,484	(13,053)	-
Total Liabilities and Fund Balances	\$ 221,753	\$ 225,616	\$ -	\$ -

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	Special Revenue Funds			
	CDBG	CALTRANS	Coastal Area Business / Visitor Assistance &	Boating & Waterways
Assets:				
Cash and investments	\$ -	\$ 54,533	\$ 620,574	\$ 60,173
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	-	210	2,112	196
Prepaid costs	-	-	200	-
Due from other governments	-	5,546	-	-
Total Assets	\$ -	\$ 60,289	\$ 622,886	\$ 60,369
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 3,792	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	15,573	-	-	-
Total Liabilities	15,573	-	3,792	-
Fund Balances:				
Nonspendable	-	-	200	-
Restricted	-	60,289	618,894	60,369
Unassigned	(15,573)	-	-	-
Total Fund Balances (Deficits)	(15,573)	60,289	619,094	60,369
Total Liabilities and Fund Balances	\$ -	\$ 60,289	\$ 622,886	\$ 60,369

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

(CONTINUED)

	Special Revenue Funds			
	Miscellaneous Grants	Developer Pass- Thru	Housing	Camp Programs
Assets:				
Cash and investments	\$ 6,098	\$ 540,736	\$ 352,338	\$ 68,213
Receivables:				
Accounts	-	-	-	24,606
Taxes	-	-	-	-
Interest	-	-	1,302	347
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	\$ 6,098	\$ 540,736	\$ 353,640	\$ 93,166
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 89,321	\$ 27	\$ 7,979
Accrued liabilities	-	-	-	14,059
Unearned revenues	-	451,502	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	540,823	27	22,038
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	6,098	-	353,613	71,128
Unassigned	-	(87)	-	-
Total Fund Balances (Deficits)	6,098	(87)	353,613	71,128
Total Liabilities and Fund Balances	\$ 6,098	\$ 540,736	\$ 353,640	\$ 93,166

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	Special Revenue Funds		Capital Projects Funds	
	SB1 Streets & Roads	Assessment Districts CIP	Sand Replenish/ Retention and Coastal Access CIP	Public Improvement Grant
Assets:				
Cash and investments	\$ 50,592	\$ 246,226	\$ 645,149	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	11,763	-	-	-
Interest	-	837	2,131	-
Prepaid costs	-	-	-	-
Due from other governments	16,907	-	-	-
Total Assets	\$ 79,262	\$ 247,063	\$ 647,280	\$ -
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 16,661	\$ 28,843	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	69,226	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	85,887	28,843	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	79,262	161,176	618,437	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	79,262	161,176	618,437	-
Total Liabilities and Fund Balances	\$ 79,262	\$ 247,063	\$ 647,280	\$ -

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>	
	<u>City Debt Service</u>	<u>2018</u>	<u>2017</u>
Assets:			
Cash and investments	\$ 24,979	\$ 6,682,347	\$ 6,208,528
Receivables:			
Accounts	-	24,606	55,359
Taxes	-	22,083	7,721
Interest	-	21,969	12,620
Prepaid costs	-	200	-
Due from other governments	-	90,935	215,863
Total Assets	\$ 24,979	\$ 6,842,140	\$ 6,500,091
Liabilities and Fund Balances (Deficits)			
Liabilities:			
Accounts payable	\$ -	\$ 286,612	\$ 281,956
Accrued liabilities	-	25,715	17,959
Unearned revenues	-	451,502	394,482
Deposits payable	-	69,226	69,226
Due to other funds	-	197,596	384,793
Total Liabilities	-	1,030,651	1,148,416
Fund Balances:			
Nonspendable	-	200	-
Restricted	24,979	6,008,972	5,688,150
Unassigned	-	(197,683)	(336,475)
Total Fund Balances (Deficits)	24,979	5,811,489	5,351,675
Total Liabilities and Fund Balances	\$ 24,979	\$ 6,842,140	\$ 6,500,091

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(With comparative totals for the year ended June 30, 2017)

	Special Revenue Funds		Capital Projects Funds	
	2018	2017	2018	2017
Revenues:				
Taxes and assessments	\$ 1,700,129	\$ 1,543,122	\$ 281,193	\$ 267,170
Intergovernmental	907,696	513,907	-	-
Charges for services	753,044	696,646	-	-
Use of money and property	25,309	12,275	6,328	2,538
Other revenues	8,155	8,458	-	2,600
Total Revenues	3,394,333	2,774,408	287,521	272,308
Expenditures:				
Current:				
General government	-	50	832	529
Public safety	800,937	550,415	136,534	95,688
Public works	796,876	813,285	2,054	-
Community development	454,091	391,737	-	-
Community services	63,805	26,678	-	-
Capital outlay	611,482	587,747	285,081	86,160
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	2,727,191	2,369,912	424,501	182,377
Excess (Deficiency) of Revenues Over (Under) Expenditures	667,142	404,496	(136,980)	89,931
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(70,400)	(70,400)	-	-
Total Other Financing Sources (Uses)	(70,400)	(70,400)	-	-
Net Change in Fund Balance	596,742	334,096	(136,980)	89,931
Fund Balance at the Beginning of the Year	4,410,155	4,076,059	916,593	826,662
Fund Balance at the End of the Year	\$ 5,006,897	\$ 4,410,155	\$ 779,613	\$ 916,593

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(With comparative totals for the year ended June 30, 2017)

	Debt Service Funds		Total Nonmajor Governmental Funds	
	2018	2017	2018	2017
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ 1,981,322	\$ 1,810,292
Intergovernmental	-	-	907,696	513,907
Charges for services	-	-	753,044	696,646
Use of money and property	-	-	31,637	14,813
Other revenues	-	-	8,155	11,058
Total Revenues	-	-	3,681,854	3,046,716
Expenditures:				
Current:				
General government	-	-	832	579
Public safety	-	-	937,471	646,103
Public works	-	-	798,930	813,285
Community development	-	-	454,091	391,737
Community services	-	-	63,805	26,678
Capital outlay	-	-	896,563	673,907
Debt service:				
Principal retirement	296,366	288,487	296,366	288,487
Interest and fiscal charges	58,382	67,114	58,382	67,114
Total Expenditures	354,748	355,601	3,506,440	2,907,890
Excess (Deficiency) of Revenues Over (Under) Expenditures	(354,748)	(355,601)	175,414	138,826
Other Financing Sources (Uses):				
Transfers in	354,800	355,700	354,800	355,700
Transfers out	-	-	(70,400)	(70,400)
Total Other Financing Sources (Uses)	354,800	355,700	284,400	285,300
Net Change in Fund Balance	52	99	459,814	424,126
Fund Balance at the Beginning of the Year	24,927	24,828	5,351,675	4,927,549
Fund Balance at the End of the Year	\$ 24,979	\$ 24,927	\$ 5,811,489	\$ 5,351,675

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(With comparative totals for the year ended June 30, 2017)

	Special Revenue Funds			
	Gas Tax	Municipal Improvement Districts	Lighting District	TEA 21 / TEA
Revenues:				
Taxes and assessments	\$ 278,645	\$ 633,019	\$ 568,607	\$ -
Intergovernmental	15,378	2,743	3,256	-
Charges for services	-	-	-	-
Use of money and property	3,881	4,412	7,569	-
Other revenues	-	-	-	-
Total Revenues	297,904	640,174	579,432	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,740	532,291	245,907	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	402,726	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	405,466	532,291	245,907	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,562)	107,883	333,525	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(70,400)	-
Total Other Financing Sources (Uses)	-	-	(70,400)	-
Net Change in Fund Balance	(107,562)	107,883	263,125	-
Fund Balance (Deficit) at the Beginning of the Year	498,911	837,495	1,935,320	(168,970)
Fund Balance (Deficit) at the End of the Year	\$ 391,349	\$ 945,378	\$ 2,198,445	\$ (168,970)

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(With comparative totals for the year ended June 30, 2017)

(CONTINUED)

	Special Revenue Funds			
	COPS	Public Safety	Fire Mitigation	Transportation Development Act
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	139,416	420,005	-	323,860
Charges for services	-	-	1,891	-
Use of money and property	948	-	-	-
Other revenues	-	4,617	-	-
Total Revenues	140,364	424,622	1,891	323,860
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	100,159	316,344	12,063	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	30,909	-	177,847
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	100,159	347,253	12,063	177,847
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,205	77,369	(10,172)	146,013
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	40,205	77,369	(10,172)	146,013
Fund Balance (Deficit) at the Beginning of the Year	164,866	137,115	(2,881)	(146,013)
Fund Balance (Deficit) at the End of the Year	\$ 205,071	\$ 214,484	\$ (13,053)	\$ -

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(With comparative totals for the year ended June 30, 2017)

	Special Revenue Funds			
	CDBG	CALTRANS	Coastal Area Business / Visitor Assistance & Enhancement	Boating & Waterways
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ 140,596	\$ -
Intergovernmental	3,038	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	670	3,457	459
Other revenues	-	-	3,538	-
Total Revenues	3,038	670	147,591	459
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	41,735	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	41,735	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,038	670	105,856	459
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	3,038	670	105,856	459
Fund Balance (Deficit) at the Beginning of the Year	(18,611)	59,619	513,238	59,910
Fund Balance (Deficit) at the End of the Year	\$ (15,573)	\$ 60,289	\$ 619,094	\$ 60,369

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(With comparative totals for the year ended June 30, 2017)

(CONTINUED)

	Special Revenue Funds			
	Miscellaneous Grants	Developer Pass- Thru	Housing	Camp Programs
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	409,362	9,792	331,999
Use of money and property	-	1,347	2,892	(326)
Other revenues	-	-	-	-
Total Revenues	-	410,709	12,684	331,673
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	372,371
Public works	-	15,938	-	-
Community development	-	394,858	17,498	-
Community services	-	-	-	63,805
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	410,796	17,498	436,176
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(87)	(4,814)	(104,503)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	(87)	(4,814)	(104,503)
Fund Balance (Deficit) at the Beginning of the Year	6,098	-	358,427	175,631
Fund Balance (Deficit) at the End of the Year	\$ 6,098	\$ (87)	\$ 353,613	\$ 71,128

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(With comparative totals for the year ended June 30, 2017)

	Special Revenue Funds	Capital Projects Funds		
	SB1 Streets & Roads	Assessment Districts CIP	Sand Replenish/ Retention and Coastal Access CIP	Public Improvement Grant
Revenues:				
Taxes and assessments	\$ 79,262	\$ -	\$ 281,193	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	1,807	4,135	386
Other revenues	-	-	-	-
Total Revenues	79,262	1,807	285,328	386
Expenditures:				
Current:				
General government	-	218	603	11
Public safety	-	-	136,534	-
Public works	-	-	2,054	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	233,473	51,608
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	218	372,664	51,619
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,262	1,589	(87,336)	(51,233)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ 79,262	1,589	(87,336)	(51,233)
Fund Balance (Deficit) at the Beginning of the Year	-	159,587	705,773	51,233
Fund Balance (Deficit) at the End of the Year	\$ 79,262	\$ 161,176	\$ 618,437	\$ -

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>	
	<u>City Debt Service</u>	<u>2018</u>	<u>2017</u>
Revenues:			
Taxes and assessments	\$ -	\$ 1,981,322	\$ 1,810,292
Intergovernmental	-	907,696	513,907
Charges for services	-	753,044	696,646
Use of money and property	-	31,637	14,813
Other revenues	-	8,155	11,058
Total Revenues	-	3,681,854	3,046,716
Expenditures:			
Current:			
General government	-	832	579
Public safety	-	937,471	646,103
Public works	-	798,930	813,285
Community development	-	454,091	391,737
Community services	-	63,805	26,678
Capital outlay	-	896,563	673,907
Debt service:			
Principal retirement	296,366	296,366	288,487
Interest and fiscal charges	58,382	58,382	67,114
Total Expenditures	354,748	3,506,440	2,907,890
Excess (Deficiency) of Revenues Over (Under) Expenditures	(354,748)	175,414	138,826
Other Financing Sources (Uses):			
Transfers in	354,800	354,800	355,700
Transfers out	-	(70,400)	(70,400)
Total Other Financing Sources (Uses)	354,800	284,400	285,300
Net Change in Fund Balance	52	459,814	424,126
Fund Balance (Deficit) at the Beginning of the Year	24,927	5,351,675	4,927,549
Fund Balance (Deficit) at the End of the Year	\$ 24,979	\$ 5,811,489	\$ 5,351,675

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 GAS TAX FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 498,911	\$ 498,911	\$ 498,911	\$ -
Resources (Inflows):				
Taxes	304,400	304,400	278,645	(25,755)
Intergovernmental	-	-	15,378	15,378
Use of money and property	2,000	2,000	3,881	1,881
Amounts Available for Appropriations	805,311	805,311	796,815	(8,496)
Charges to Appropriations (Outflows):				
Public works	2,600	2,600	2,740	(140)
Capital outlay	480,000	597,800	402,726	195,074
Total Charges to Appropriations	482,600	600,400	405,466	194,934
Budgetary Fund Balance, June 30	\$ 322,711	\$ 204,911	\$ 391,349	\$ 186,438

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
MUNICIPAL IMPROVEMENT DISTRICTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 837,495	\$ 837,495	\$ 837,495	\$ -
Resources (Inflows):				
Taxes	608,100	608,100	633,019	24,919
Intergovernmental	2,500	2,500	2,743	243
Use of money and property	600	600	4,412	3,812
Amounts Available for Appropriations	1,448,695	1,448,695	1,477,669	28,974
Charges to Appropriations (Outflows):				
Public works	529,000	552,004	532,291	19,713
Total Charges to Appropriations	529,000	552,004	532,291	19,713
Budgetary Fund Balance, June 30	\$ 919,695	\$ 896,691	\$ 945,378	\$ 48,687

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 LIGHTING DISTRICT FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,935,320	\$ 1,935,320	\$ 1,935,320	\$ -
Resources (Inflows):				
Taxes	542,000	542,000	568,607	26,607
Intergovernmental	3,200	3,200	3,256	56
Use of money and property	15,000	15,000	7,569	(7,431)
Amounts Available for Appropriations	2,495,520	2,495,520	2,514,752	19,232
Charges to Appropriations (Outflows):				
Public works	286,500	300,074	245,907	54,167
Capital outlay	-	33,745	-	33,745
Transfers out	70,400	70,400	70,400	-
Total Charges to Appropriations	356,900	404,219	316,307	87,912
Budgetary Fund Balance, June 30	\$ 2,138,620	\$ 2,091,301	\$ 2,198,445	\$ 107,144

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 COPS FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 164,866	\$ 164,866	\$ 164,866	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	139,416	39,416
Use of money and property	400	400	948	548
Amounts Available for Appropriations	265,266	265,266	305,230	39,964
Charges to Appropriations (Outflows):				
Public safety	100,000	100,200	100,159	41
Total Charges to Appropriations	100,000	100,200	100,159	41
Budgetary Fund Balance, June 30	\$ 165,266	\$ 165,066	\$ 205,071	\$ 40,005

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 137,115	\$ 137,115	\$ 137,115	\$ -
Resources (Inflows):				
Intergovernmental	49,500	75,743	420,005	344,262
Miscellaneous	-	-	4,617	4,617
Amounts Available for Appropriations	186,615	212,858	561,737	348,879
Charges to Appropriations (Outflows):				
Public safety	95,000	317,000	316,344	656
Capital outlay	-	31,028	30,909	119
Total Charges to Appropriations	95,000	348,028	347,253	775
Budgetary Fund Balance, June 30	\$ 91,615	\$ (135,170)	\$ 214,484	\$ 349,654

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 FIRE MITIGATION FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Deficit, July 1	\$ (2,881)	\$ (2,881)	\$ (2,881)	\$ -
Resources (Inflows):				
Charges for services	5,000	5,000	1,891	(3,109)
Amounts Available for Appropriations	2,119	2,119	(990)	(3,109)
Charges to Appropriations (Outflows):				
Public safety	5,000	12,100	12,063	37
Total Charges to Appropriations	5,000	12,100	12,063	37
Budgetary Fund Deficit, June 30	\$ (2,881)	\$ (9,981)	\$ (13,053)	\$ (3,072)

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION DEVELOPMENT ACT FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Deficit, July 1	\$ (146,013)	\$ (146,013)	\$ (146,013)	\$ -
Resources (Inflows):				
Intergovernmental	-	-	323,860	323,860
Amounts Available for Appropriations	(146,013)	(146,013)	177,847	323,860
Charges to Appropriations (Outflows):				
Capital outlay	-	178,288	177,847	441
Total Charges to Appropriations	-	178,288	177,847	441
Budgetary Fund Balance (Deficit), June 30	\$ (146,013)	\$ (324,301)	\$ -	\$ 324,301

CITY OF SOLANA BEACH, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
COASTAL AREA BUSINESS / VISITOR ASSISTANCE AND ENHANCEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<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	\$ 513,238	\$ 513,238	\$ 513,238	\$ -
Resources (Inflows):				
Taxes	138,000	138,000	140,596	2,596
Use of money and property	2,500	2,500	3,457	957
Miscellaneous	-	-	3,538	3,538
Amounts Available for Appropriations	653,738	653,738	660,829	7,091
Charges to Appropriations (Outflows):				
Community development	118,600	123,600	41,735	81,865
Total Charges to Appropriations	118,600	123,600	41,735	81,865
Budgetary Fund Balance, June 30	\$ 535,138	\$ 530,138	\$ 619,094	\$ 88,956

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 DEVELOPER PASS-THRU FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Charges for services	100,000	100,000	409,362	309,362
Use of money and property	-	-	1,347	1,347
Amounts Available for Appropriations	100,000	100,000	410,709	310,709
Charges to Appropriations (Outflows):				
Community development	100,000	357,662	394,858	(37,196)
Public works	-	47,558	15,938	31,620
Total Charges to Appropriations	100,000	405,220	410,796	(5,576)
Budgetary Fund Balance (Deficit), June 30	\$ -	\$ (305,220)	\$ (87)	\$ 305,133

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 HOUSING FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 358,427	\$ 358,427	\$ 358,427	\$ -
Resources (Inflows):				
Charges for services	-	-	9,792	9,792
Use of money and property	2,500	2,500	2,892	392
Amounts Available for Appropriations	360,927	360,927	371,111	10,184
Charges to Appropriations (Outflows):				
Community development	10,000	79,575	17,498	62,077
Total Charges to Appropriations	10,000	79,575	17,498	62,077
Budgetary Fund Balance, June 30	\$ 350,927	\$ 281,352	\$ 353,613	\$ 72,261

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 CAMP PROGRAMS FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 175,631	\$ 175,631	\$ 175,631	\$ -
Resources (Inflows):				
Charges for services	433,000	433,000	331,999	(101,001)
Use of money and property	-	-	(326)	(326)
Amounts Available for Appropriations	608,631	608,631	507,304	(101,327)
Charges to Appropriations (Outflows):				
Public safety	372,200	395,918	372,371	23,547
Parks and recreation	59,700	62,587	63,805	(1,218)
Total Charges to Appropriations	431,900	458,505	436,176	22,329
Budgetary Fund Balance, June 30	\$ 176,731	\$ 150,126	\$ 71,128	\$ (78,998)

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 CITY CIP CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,385,099	\$ 1,385,099	\$ 1,385,099	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	100,000	-
Charges for services	-	-	47,144	47,144
Use of money and property	10,000	10,000	11,885	1,885
Miscellaneous	21,000	97,750	408,168	310,418
Transfers in	220,000	642,500	642,500	-
Amounts Available for Appropriations	1,636,099	2,235,349	2,594,796	359,447
Charges to Appropriations (Outflows):				
General government	-	-	2,053	(2,053)
Public safety	63,400	90,720	46,012	44,708
Community development	15,000	17,045	13,623	3,422
Parks and recreation	-	5,500	6,208	(708)
Public works	-	1,386	1,604	(218)
Capital outlay	845,400	1,765,840	690,044	1,075,796
Total Charges to Appropriations	923,800	1,880,491	759,544	1,120,947
Budgetary Fund Balance (Deficit), June 30	\$ 712,299	\$ 354,858	\$ 1,835,252	\$ 1,480,394

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 ASSESSMENT DISTRICT CIP CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 159,587	\$ 159,587	\$ 159,587	\$ -
Resources (Inflows):				
Use of money and property	100	100	1,807	1,707
Amounts Available for Appropriations	159,687	159,687	161,394	1,707
Charges to Appropriations (Outflows):				
General government	-	-	218	(218)
Total Charges to Appropriations	-	-	218	(218)
Budgetary Fund Balance, June 30	\$ 159,687	\$ 159,687	\$ 161,176	\$ 1,489

CITY OF SOLANA BEACH, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
SAND REPLENISHMENT / RETENTION AND COASTAL ACCESS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<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	\$ 705,773	\$ 705,773	\$ 705,773	\$ -
Resources (Inflows):				
Taxes	276,000	276,000	281,193	5,193
Use of money and property	400	400	4,135	3,735
Amounts Available for Appropriations	982,173	982,173	991,101	8,928
Charges to Appropriations (Outflows):				
General government	-	-	603	(603)
Public safety	149,200	151,825	136,534	15,291
Public works	24,000	24,000	2,054	21,946
Capital outlay	450,000	466,573	233,473	233,100
Total Charges to Appropriations	623,200	642,398	372,664	269,734
Budgetary Fund Balance, June 30	\$ 358,973	\$ 339,775	\$ 618,437	\$ 278,662

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 PUBLIC IMPROVEMENT GRANT CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 51,233	\$ 51,233	\$ 51,233	\$ -
Resources (Inflows):				
Use of money and property	-	-	386	386
Amounts Available for Appropriations	51,233	51,233	51,619	386
Charges to Appropriations (Outflows):				
General government	-	-	11	(11)
Capital outlay	-	52,978	51,608	1,370
Total Charges to Appropriations	-	52,978	51,619	1,359
Budgetary Fund Balance (Deficit), June 30	\$ 51,233	\$ (1,745)	\$ -	\$ 1,745

CITY OF SOLANA BEACH, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
 CITY DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,927	\$ 24,927	\$ 24,927	\$ -
Resources (Inflows):				
Transfers in	354,800	354,800	354,800	-
Amounts Available for Appropriations	379,727	379,727	379,727	-
Charges to Appropriations (Outflows):				
Debt service:				
Principal retirement	296,400	296,400	296,366	34
Interest and fiscal charges	58,400	58,400	58,382	18
Total Charges to Appropriations	354,800	354,800	354,748	52
Budgetary Fund Balance, June 30	\$ 24,927	\$ 24,927	\$ 24,979	\$ 52

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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 as 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.

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CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2018
 (With comparative totals for June 30, 2017)

	Cedros Avenue Assessment District	Undergrounding Districts	South Solana Sewer District	Total Agency Funds	
				2018	2017
Assets:					
Cash and investments	\$ 13,199	\$ 417,197	\$ 76,267	\$ 506,663	\$ 501,621
Receivables:					
Accounts	-	1,248	-	1,248	459
Taxes	-	1,579	1,192	2,771	4
Total Assets	\$ 13,199	\$ 420,024	\$ 77,459	\$ 510,682	\$ 502,084
Liabilities:					
Accounts payable	\$ -	\$ 4	\$ 3	\$ 7	\$ -
Due to bondholders	13,199	420,020	77,456	510,675	502,084
Total Liabilities	\$ 13,199	\$ 420,024	\$ 77,459	\$ 510,682	\$ 502,084

CITY OF SOLANA BEACH, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</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	\$ 411,542	\$ 845,445	\$ 839,790	\$ 417,197
Receivables:				
Accounts	459	4,049	3,260	1,248
Taxes	4	1,575	-	1,579
Total Assets	\$ 412,005	\$ 851,069	\$ 843,050	\$ 420,024
Liabilities:				
Accounts payable	\$ -	\$ 4	\$ -	\$ 4
Due to bondholders	412,005	851,065	843,050	420,020
Total Liabilities	\$ 412,005	\$ 851,069	\$ 843,050	\$ 420,024
<u>South Solana Sewer District</u>				
Assets:				
Cash and investments	\$ 76,880	\$ 119,084	\$ 119,697	\$ 76,267
Receivables:				
Taxes	-	2,598	1,406	1,192
Total Assets	\$ 76,880	\$ 121,682	\$ 121,103	\$ 77,459
Liabilities:				
Accounts payable	\$ -	\$ 3	\$ -	\$ 3
Due to bondholders	76,880	121,679	121,103	77,456
Total Liabilities	\$ 76,880	\$ 121,682	\$ 121,103	\$ 77,459
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 501,621	\$ 964,529	\$ 959,487	\$ 506,663
Receivables:				
Accounts	459	4,049	3,260	1,248
Taxes	4	4,173	1,406	2,771
Total Assets	\$ 502,084	\$ 972,751	\$ 964,153	\$ 510,682
Liabilities:				
Accounts payable	\$ -	\$ 7	\$ -	\$ 7
Due to bondholders	502,084	972,744	964,153	510,675
Total Liabilities	\$ 502,084	\$ 972,751	\$ 964,153	\$ 510,682

**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 Position by Component**
- * **Changes in Net Position**
- * **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 Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Government activities					
Net Investment in Capital Assets	\$ 506,384,350	\$ 33,268,562	\$ 32,138,178	\$ 34,301,049	\$ 39,384,623
Restricted	6,227,639	7,086,145	6,747,340	6,370,933	4,688,776
Unrestricted	9,168,682	7,537,582	4,479,958	5,275,012	1,418,151
Total governmental activities net position	\$ 521,780,671	\$ 47,892,289	\$ 43,365,476	\$ 45,946,994	\$ 45,491,550
Business-type activities					
Net Investment in Capital Assets	\$ 9,451,570	10,679,302	6,389,844	5,470,469	5,682,518
Restricted	1,021,293	-	-	-	-
Unrestricted	16,768,741	17,901,556	22,974,310	24,794,121	25,769,871
Total governmental activities net position	\$ 27,241,604	\$ 28,580,858	\$ 29,364,154	\$ 30,264,590	\$ 31,452,389
Primary government					
Net Investment in Capital Assets	\$ 515,835,920	\$ 43,947,864	\$ 38,528,022	\$ 39,771,518	\$ 45,067,141
Restricted	7,248,932	7,086,145	6,747,340	6,370,933	4,688,776
Unrestricted	25,937,423	25,439,138	27,454,268	30,069,133	27,188,022
Total governmental activities net position	\$ 549,022,275	\$ 76,473,147	\$ 72,729,630	\$ 76,211,584	\$ 76,943,939

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

		Fiscal Year							
		2014	2015	2016	2017	2018			
\$	34,095,894	\$	32,415,836	\$	30,365,711	\$	28,412,121	\$	27,241,251
	5,183,814		4,979,850		5,825,595		6,619,853		9,139,181
	6,871,872		(85,816)		1,230,929		1,795,456		(2,320,345)
	46,151,580		37,309,870		37,422,235		36,827,430		\$ 34,060,087
	6,324,862		6,798,584		5,594,350		6,195,352	\$	5,929,088
	-		-		-		-		54
	27,155,489		26,759,779		29,711,194		32,866,729		36,722,015
	33,480,351		33,558,363		35,305,544		39,062,081		\$ 42,651,157
\$	40,420,756	\$	39,214,420	\$	35,960,061	\$	34,607,473	\$	33,170,339
	5,183,814		4,979,850		5,825,595		6,619,853		9,139,235
	34,027,361		26,673,963		30,942,123		34,662,185		34,401,670
	79,631,931		70,868,233		72,727,779		75,889,511		\$ 76,711,244

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental Activities:					
General government	3,518,394	4,680,495	4,943,119	3,509,970	3,521,929
Public safety	7,543,706	8,066,129	9,730,398	7,801,875	8,177,235
Public works	6,254,133	4,350,781	4,207,981	4,499,601	5,070,916
Community development	1,115,746	1,055,575	1,078,141	957,995	957,303
Community services	862,778	526,188	569,907	561,563	604,445
Interest on long-term debt	523,536	738,430	543,852	139,345	78,156
Total Governmental Activities expenses	19,818,293	19,417,598	21,073,398	17,470,349	18,409,984
Business-Type Activities:					
Sanitation	3,599,496	3,654,076	3,942,484	4,038,404	3,456,455
Solana Energy Alliance Fund	-	-	-	-	-
Total Business-Type Activities Expenses	3,599,496	3,654,076	3,942,484	4,038,404	3,456,455
Total Primary Government Expenses	\$ 23,417,789	\$ 23,071,674	\$ 25,015,882	21,508,753	21,866,439
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ 21,370	\$ -
Public safety	804,810	397,971	471,722	439,523	376,156
Public works	923,315	571,933	689,658	251,766	511,843
Community development	508,514	447,581	506,927	796,475	648,280
Community services	105,511	248,803	151,189	229,571	357,877
Operating Contributions:					
General government	-	-	14,213	-	-
Public safety	-	181,174	251,237	273,048	270,428
Public works	318,590	1,000	1,351	173,664	583,136
Community development	31,725	-	-	-	-
Community services	-	76,250	13,500	30,331	-
Capital Contributions and Grants:					
Public safety	109,194	-	65,696	78,590	162,672
Public works	1,039,257	25,500	414,003	25,000	-
Community services	-	-	21,001	-	-
Total Governmental Activities Program Revenues	3,840,916	1,950,212	2,600,497	2,319,338	2,910,392
Business-Type Activities:					
Charges for services:					
Sanitation	4,296,890	4,498,181	4,501,364	4,517,005	4,708,765
Solana Energy Alliance Fund	-	-	-	-	-
Total Business-Type Activities Program Revenues	4,296,890	4,498,181	4,501,364	4,517,005	4,708,765
Total Primary Government Program Revenues	\$ 8,137,806	\$ 6,448,393	\$ 7,101,861	\$ 6,836,343	\$ 7,619,157
Net (Expense)/Revenue					
Governmental Activities	(15,977,377)	(17,467,386)	(18,472,901)	(15,151,011)	(15,499,592)
Business-Type Activities	697,394	844,105	558,880	478,601	1,252,310
Total primary Government Net Expense	(15,279,983)	(16,623,281)	(17,914,021)	(14,672,410)	(14,247,282)
General Revenues and Other Charges in Net Position					
Governmental Activities:					
Taxes:					
Property taxes, levied for general purpose	\$ 6,291,314	\$ 6,880,563	\$ 6,813,559	\$ 6,597,393	\$ 6,655,138
Transient occupancy taxes	1,015,007	929,836	978,840	1,118,592	1,186,197
Sales taxes	2,682,769	2,515,183	2,813,228	2,963,507	3,077,691
Intergovernmental, unrestricted:					
Franchise taxes	652,107	652,485	663,660	685,336	698,672
Other taxes	2,016,476	2,228,379	2,353,883	2,670,333	2,643,515
Investment income	401,668	175,659	161,701	-	-
Use of money and property	87,154	-	-	102,469	84,903
Other	493,665	345,098	218,377	494,008	722,094
Loss on sale of property	-	-	(57,159)	-	-
Extraordinary Gain/(Loss) on dissolution on redevelopment agency	-	-	-	2,933,995	-
Total Governmental Activities	13,640,160	13,727,203	13,946,089	17,617,717	15,068,210
Business-Type Activities:					
Investment income	261,554	73,634	51,294	-	-
Use of money and property	-	-	-	152,477	78,615
Share in joint venture net loss	-	-	-	-	-
Other	-	-	-	269,358	46,470
Miscellaneous	-	421,515	173,122	-	-
Total Business-Type Activities	261,554	495,149	224,416	421,835	125,085
Total Primary Government	13,901,714	14,222,352	14,170,505	18,039,552	15,193,295
Changes in Net Position					
Governmental Activities	(2,337,217)	(3,740,183)	(4,526,812)	2,466,706	(431,382)
Business-Type Activities	958,948	1,339,254	783,296	900,436	1,377,395
Total Primary Government	\$ (1,378,269)	\$ (2,400,929)	\$ (3,743,516)	\$ 3,367,142	\$ 946,013

Fiscal Year				
2014	2015	2016	2017	2018
3,712,734	3,344,429	3,944,303	4,309,372	4,101,140
8,416,330	8,441,144	9,162,345	9,628,140	10,539,671
5,008,665	5,181,223	5,438,407	5,487,183	5,944,432
1,361,588	1,281,059	1,378,130	1,745,101	1,754,910
579,088	622,608	627,748	1,122,128	730,645
439,918	388,144	398,408	389,077	381,634
19,518,323	19,258,607	20,949,341	22,681,001	23,452,432
2,855,368	4,566,357	3,568,901	1,602,359	2,100,256
-	-	-	-	390,533
2,855,368	4,566,357	3,568,901	1,602,359	2,490,789
22,373,691	23,824,964	24,518,242	24,283,360	25,943,221
\$ -	\$ -	\$ -	\$ -	\$ -
402,670	464,533	578,282	620,990	577,351
743,210	238,587	416,524	449,962	698,999
830,429	852,578	928,065	1,252,126	1,300,411
303,070	347,698	365,289	400,353	336,079
-	-	-	-	-
286,687	285,399	270,152	198,615	177,936
1,577,961	920,807	1,045,301	1,241,379	1,106,636
-	109,689	200,388	-	100,000
-	-	-	129,324	139,416
129,740	53,091	160,372	158,370	420,005
-	-	-	-	-
-	-	-	-	-
4,273,767	3,272,382	3,964,373	4,451,119	4,856,833
4,775,489	4,949,069	5,151,671	5,255,483	5,415,690
-	-	-	-	494,307
4,775,489	4,949,069	5,151,671	5,255,483	5,909,997
\$ 9,049,256	\$ 8,221,451	\$ 9,116,044	\$ 9,706,602	\$ 10,766,830
(15,244,556)	(15,986,225)	(16,984,968)	(18,229,882)	(18,595,599)
1,920,121	382,712	1,582,770	3,653,124	3,419,208
(13,324,435)	(15,603,513)	(15,402,198)	(14,576,758)	(15,176,391)
\$ 6,880,916	\$ 7,247,202	\$ 7,705,956	\$ 8,095,383	\$ 8,586,838
1,220,075	1,467,373	1,605,685	1,740,208	1,827,753
2,814,702	2,808,203	3,255,104	3,127,803	3,191,410
-	-	-	-	-
714,991	765,995	736,042	733,354	723,164
2,736,146	2,747,073	2,797,559	2,868,629	3,170,331
-	-	-	-	-
137,906	136,763	261,446	283,828	286,867
1,399,850	914,672	735,521	785,872	722,186
-	-	-	-	-
-	-	-	-	-
15,904,586	16,087,281	17,097,313	17,635,077	18,508,549
-	-	-	-	-
71,541	71,973	115,321	88,940	81,629
-	-	-	-	-
36,300	28,939	49,090	14,473	88,239
-	-	-	-	-
107,841	100,912	164,411	103,413	169,868
16,012,427	16,188,193	17,261,724	17,738,490	18,678,417
660,030	101,056	112,345	(594,805)	(87,050)
2,027,962	483,624	1,747,181	3,756,537	3,589,076
\$ 2,687,992	\$ 584,680	\$ 1,859,526	\$ 3,161,732	\$ 3,502,026

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Reserved	\$ 678,179	\$ 590,395	\$ -	\$ -	\$ -
Unreserved	9,315,645	8,836,776	-	-	-
Nonspendable	-	-	32,550	6,482	9,276
Restricted	-	-	-	-	-
Committed	-	-	346,990	264,534	278,377
Assigned	-	-	4,553,037	4,486,177	4,579,527
Unassigned	-	-	1,600,449	2,573,592	4,014,144
Total General Fund	<u>\$ 9,993,824</u>	<u>\$ 9,427,171</u>	<u>\$ 6,533,026</u>	<u>\$ 7,330,785</u>	<u>\$ 8,881,324</u>
All Other Governmental Funds					
Reserved	\$ 3,297,975	\$ 2,039,729	\$ -	\$ -	\$ -
Unreserved, reported in nonmajor,					
Special revenue funds	2,785,157	3,883,762	-	-	-
Capital Projects funds	1,662,537	630,964	-	-	-
Debt service funds	-	531,690	-	-	-
Nonspendable	-	-	69,226	-	-
Restricted	-	-	6,169,355	6,241,182	4,588,670
Committed	-	-	-	-	-
Assigned	-	-	782,116	539,450	525,735
Unassigned	-	-	(273,357)	(315,857)	(5,333,420)
Total all other Governmental Funds	<u>\$ 7,745,669</u>	<u>\$ 7,086,145</u>	<u>\$ 6,747,340</u>	<u>\$ 6,464,775</u>	<u>\$ (219,015)</u>

Fiscal Year				
2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
7,523	9,382	7,471	20,164	72,579
-	-	508,897	893,185	1,294,957
324,083	454,048	787,790	914,846	1,015,354
5,102,543	5,324,048	5,520,890	5,690,381	5,805,890
4,369,152	5,580,686	6,200,244	6,805,201	7,385,736
<u>9,803,301</u>	<u>11,368,164</u>	<u>13,025,292</u>	<u>14,323,777</u>	<u>15,574,516</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	200
5,107,900	4,979,850	5,316,698	5,726,668	7,844,224
-	-	-	-	-
425,416	589,120	849,917	1,385,099	-
<u>(222,713)</u>	<u>(213,005)</u>	<u>(184,544)</u>	<u>(336,475)</u>	<u>(234,689)</u>
<u>5,310,603</u>	<u>5,355,965</u>	<u>5,982,071</u>	<u>6,775,292</u>	<u>7,609,735</u>

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues:					
Taxes and assessments	\$ 12,299,829	\$ 12,299,501	\$ 12,700,086	\$ 12,881,767	\$ 13,046,917
Intergovernmental	2,310,147	1,700,918	1,623,918	1,822,705	2,230,532
Licenses and permits	329,118	308,284	323,091	420,339	361,573
Charges for services	573,179	678,188	607,354	799,836	830,907
Fines and forfeitures	322,777	349,291	385,394	342,136	323,961
Contributions from property owners	732,846	-	-	-	-
Investment income	404,348	-	-	-	-
Use of money and property	87,154	176,320	162,086	102,469	84,903
Other	593,334	421,595	1,132,388	604,953	1,099,809
Total revenues	17,652,732	15,934,097	16,934,317	16,974,205	17,978,602
Expenditures:					
General government	3,373,964	3,433,354	4,363,499	3,230,362	3,057,761
Public safety	8,236,116	7,848,577	9,531,715	7,614,262	7,945,912
Public works	2,471,621	2,278,876	2,263,950	2,301,953	2,075,777
Community development	1,108,727	1,079,651	1,103,618	953,383	955,907
Community services	295,651	224,884	268,603	244,955	284,884
Capital outlay	1,751,802	1,134,878	1,644,750	2,048,301	7,638,942
Debt service:					
Principal retirement	415,000	424,079	444,385	239,900	280,700
Interest	292,415	282,725	265,360	155,519	77,283
Payment to refunded bond escrow agent	-	-	-	1,545,000	-
Pass-through payments	256,033	453,250	281,387	7,147	-
Total expenses	18,201,329	17,160,274	20,167,267	18,340,782	22,317,166
Excess (Deficiency) of Revenues Over (Under) Expenditures	(548,597)	(1,226,177)	(3,232,950)	(1,366,577)	(4,338,564)
Other financing sources (uses):					
Transfers in	946,080	857,227	874,996	2,560,970	742,322
Transfers out	(946,080)	(857,227)	(874,996)	(2,560,970)	(742,322)
Contributions to Successor Agency	-	-	-	-	(834,007)
Refunding Bonds issued	-	-	-	1,388,300	-
Other Debts Issued	-	-	-	818,696	-
Bond Discount	-	-	-	(10,650)	-
Contributions to OPEB Trust Fund	-	-	-	-	-
Long-term debt issued	-	-	-	(24,062)	-
Capital leases	703,999	-	-	-	-
Total other financing sources (uses)	703,999	-	-	2,172,284	(834,007)
Extraordinary Gain/(Loss) on dissolution of Redevelopment Agency (Note 16)	-	-	-	\$ (366,005)	\$ -
Net change in fund balances/ net position	\$ 155,402	\$ (1,226,177)	\$ (3,232,950)	\$ 439,702	\$ (5,172,571)
Capital assets used in debt service calculation*	\$ 390,039	\$ 963,854	\$ 1,364,025	\$ 2,055,611	\$ 7,859,585
Debt service as a percentage of noncapital expenditures	4.0%	4.4%	3.8%	2.4%	2.5%

* 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.

		Fiscal Year							
2014		2015		2016		2017		2018	
\$	13,135,199	\$	13,727,132	\$	14,719,229	\$	15,109,053	\$	15,945,223
	3,217,319		2,674,057		3,069,673		3,185,272		3,498,266
	429,464		461,687		471,581		527,146		508,549
	959,935		1,001,943		1,313,658		1,699,140		1,584,561
	348,337		392,683		502,921		495,885		479,933
	-		-		-		-		-
	-		-		-		-		-
	137,906		136,763		261,466		283,828		286,867
	1,941,493		961,755		735,521		785,872		1,061,983
	20,169,653		19,356,020		21,074,049		22,086,196		23,365,382
	3,085,499		3,222,933		3,500,443		3,777,819		3,820,029
	8,238,659		8,315,766		8,912,742		9,070,746		9,831,070
	2,215,596		2,322,090		2,463,442		2,509,194		2,628,777
	1,360,192		1,291,073		1,380,934		1,721,715		1,574,333
	259,809		275,790		278,481		760,475		328,755
	3,452,914		1,773,690		2,190,316		1,473,835		2,417,383
	155,925		155,930		161,086		288,487		296,366
	439,464		388,523		383,130		392,219		383,487
	-		-		-		-		-
	-		-		-		-		-
	19,208,058		17,745,795		19,270,574		19,994,490		21,280,200
	961,595		1,610,225		1,803,475		2,091,706		2,085,182
	1,319,473		446,865		743,400		1,576,800		997,300
	(1,319,473)		(446,865)		(743,400)		(1,576,800)		(997,300)
	(10,000)		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		(135,000)		-		-
	5,500,000		-		614,759		-		-
	-		-		-		-		-
	5,490,000		-		479,759		-		-
	-		-		-		-		-
	6,451,595		1,610,225		2,283,234		2,091,706		2,085,182
\$	3,527,607	\$	1,764,750	\$	2,194,361	\$	1,440,550	\$	2,432,556
	3.8%		3.4%		3.2%		3.7%		3.6%

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Revenue Capacity

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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	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value ^a	Taxable Assessed Value as a Percentage of Actual Taxable Value
2009	2,873,115	344,271	167,089	-	3,384,475	0.1802%	N/A	N/A
2010	2,919,582	352,525	168,139	-	3,440,246	0.1797%	N/A	N/A
2011	2,925,829	343,837	158,782	-	3,428,448	0.1780%	N/A	N/A
2012	2,990,970	352,417	158,210	-	3,501,597	0.1800%	N/A	N/A
2013	3,053,864	459,003	156,019	-	3,668,886	0.1800%	N/A	N/A
2014	3,150,064	457,092	154,207	-	3,761,363	0.1803%	N/A	N/A
2015	3,348,897	471,453	159,027	-	3,979,377	0.1779%	N/A	N/A
2016	3,549,149	490,565	161,797	-	4,201,511	0.1778%	N/A	N/A
2017	3,750,959	504,604	173,545	-	4,429,108	0.1779%	N/A	N/A
2018	3,974,035	567,922	182,779	-	4,724,736	0.1778%	N/A	N/A

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

N/A - Data not available

Source: San Diego County Assessor 2008/09 - 2017/18 Combined Tax Rolls
HdL Coren & Cone.
City of Solana Beach Finance Department

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	
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	
2013	0.1602	0.0037	0.0096	0.1735	
2014	0.1602	0.0037	0.0096	0.1735	
2015	0.1602	0.0037	0.0960	0.1735	
2016	0.1602	0.0037	0.0960	0.1735	
2017	0.1602	0.0037	0.0960	0.1735	
2018	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)
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
2013	0.167550	0.0004	0.402810	0.10486	0.025340
2014	0.167550	0.0004	0.402810	0.10486	0.025340
2015	0.167550	0.0004	0.402810	0.10486	0.025340
2016	0.167550	0.0004	0.402810	0.10486	0.025340
2017	0.167550	0.0004	0.402810	0.10486	0.025340
2018	0.167490	0.0004	0.402730	0.10490	0.025330

- (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 2008/09 - 2017/18 Tax Rate Table and HdL Coren and Cone.

Overlapping Rates

Educational Revenue Augmentation	Voter Approved (3)					Total Tax Rate
	Solana Beach School District Prop JJ Debt Service	Metropolitan Water District Debt Service	Santa Fe Irrigation Tax Rate Reduction	Mira Costa Comm College 2016A	San Dieguito Prop Aa 11/6/2013 2013A A1	
0.12551	-	0.0043	-	-	-	1.004290
0.12551	-	0.0043	-	-	-	1.004290
0.12551	-	0.0037	-	-	-	1.003690
0.12551	-	0.0037	-	-	-	1.003690
0.12551	-	0.0035	-	-	-	1.003490
0.12551	-	0.0035	-	-	0.0378	1.041300
0.12551	-	0.0035	-	-	0.0215	1.024970
0.12551	-	0.0035	-	-	0.0227	1.026220
0.12551	-	0.0035	-	-	0.0228	1.026250
0.12550	0.03093	0.0035	-	0.01443	0.0223	1.071030

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, 2018</u>		
S B T C Holdings LLC	\$ 120,282,421	2.57%
Pacific Solana Beach Holdings LP	67,717,381	1.45%
SB Coporate Centre III-IV LLC	33,582,571	0.72%
Sanyo Foods Corporation of America (Pending Appeals on Parcels)	31,973,387	0.68%
Fenton Solana Highlands LLC	30,429,063	0.65%
GRE Beachwalk LLC	23,000,000	0.49%
E R P Operating LP	19,510,821	0.42%
Lavida Delmar Asscs LP	17,412,847	0.37%
Showprop Monrovia II LLC	15,810,000	0.34%
Hankey Investment Company LP	14,960,671	0.32%
Total	<u>\$ 374,679,162</u>	<u>8.01%</u>
<u>For the Fiscal Year Ended June 30, 2009</u>		
SB Corporate Centre	\$ 36,337,611	1.09%
SB Towne Centre	31,091,230	0.93%
Sanyo Foods Corporation of America (Pending Appeals on Parcels)	28,950,254	0.87%
Muller-Beachwalk LLC	28,611,000	0.86%
Pacific Solana Beach Holdings LP	28,457,178	0.85%
Fenton Solana Highlands LLC	26,921,272	0.81%
445 Marine View LLC	20,070,000	0.60%
E R P Operating LP	17,293,554	0.52%
Lavida Delmar Asscs LP	15,230,354	0.46%
Urschel Laboratories Inc	12,527,105	0.37%
Total	<u>\$ 245,489,558</u>	<u>7.35%</u>

Source: HdL Coren & Cone and San Diego County Assessor
2008/09 & 2017/18 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
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%
2013	6,110,404	5,832,325	95.4%	258,145	6,090,470	100%
2014	6,303,038	6,033,082	95.7%	252,973	6,286,055	100%
2015	6,576,197	6,257,093	95.1%	215,422	6,472,515	98%
2016	6,931,466	6,635,180	95.7%	80,163	6,715,343	97%
2017	7,300,293	7,017,400	96.1%	27,141	7,044,541	96%
2018	7,741,663	7,444,166	96.2%	33,622	7,477,788	97%

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 Ten 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	Bonds	Capital Leases	Loans			
2009*	2,100,000	-	3,435,000	568,999	16,620,000	22,723,999	3.66%	0.0027
2010*	1,875,000	-	3,370,000	434,920	15,915,000	21,594,920	3.78%	0.0028
2011**	1,640,000	-	3,300,000	295,535	15,409,277	20,644,812	3.20%	0.0023
2012*	-	1,388,300	-	958,681	14,132,771	16,479,752	4.20%	0.0032
2013*	-	1,279,300	-	787,950	13,095,631	15,162,881	4.58%	0.0035
2014*	-	1,166,600	5,500,000	745,693	12,175,456	19,587,749	3.56%	0.0027
2015*	-	1,055,400	5,500,000	701,931	11,273,883	18,531,214	3.95%	0.0030
2016	-	940,600	5,500,000	1,271,372	10,339,405	18,051,377	4.05%	0.0031
2017	-	817,200	5,500,000	1,113,062	9,373,587	16,803,849	4.85%	0.0036
2018	-	690,400	5,500,000	943,496	19,146,912	26,280,808	3.10%	0.0023

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.

* Prior years adjusted to comply with GASB comment Q&A 9.24- Included the Premiums/Discounts and Bonds

** Prior year adjusted to comply with GFOA comment GASB-S44 23- included bonds to schedule

CITY OF SOLANA BEACH

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2018**

Fiscal Year 2017-18 Assessed Valuation : \$4,725,402,927

<u>Direct Debt:</u>	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable to City (1)</u>	<u>Net Bonded Debt</u>
City of Solana Beach Lease Agreement	\$ 690,400	100.000% (3)	\$ 690,400
City of Solana Beach Capital Lease			-
Total Direct Debt			<u>\$ 690,400</u>
 <u>Overlapping Debt:</u>			
Metropolitan Water District	\$ 60,600,000	0.172%	\$ 104,232
Mira Costa Community College District	\$ 100,000,000	4.653%	\$ 4,653,000
San Dieguito Union High School District	336,955,000	7.593%	\$ 25,584,993
San Dieguito Union High School District Community Facilites District No. 95-1	25,788,132	3.274%	\$ 844,303
Solana Beach School District School Facilities Improvement District No. 2016-1	50,000,000	31.363%	\$ 15,681,500
City of Solana Beach 1915 Act Bonds	2,470,000	100.000%	\$ 2,470,000
Olivenhain Municipal Water District, Assessment District No. 96-1	10,625,000	0.6%	\$ 63,750
San Diego County General Fund Obligations	273,220,000	0.953%	\$ 2,603,787
San Diego County Pension Obligations	558,525,000	0.953%	\$ 5,322,743
San Diego County Superintendent of Schools General Fund Obligations	10,785,000	0.953%	\$ 102,781
Mira Costa Community College District Certificates of Participation	555,000	4.653%	\$ 25,824
San Dieguito Union High School District Certificates of Participation	12,730,000	7.593%	\$ 966,589
Overlapping Tax Increment Debt	2,639,700	100.000%	<u>\$ 2,639,700</u>
Total Overlapping Debt			<u>\$ 61,063,202</u>
Total Direct and Overlapping Debt			(2) <u><u>\$ 61,753,602</u></u>

Debt to Assessed Valuation Ratios :

Direct Debt	0.01%
Overlapping Debt	1.29%
Total Debt	1.31%

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.
- (3) Includes the Unamortized Bond Discount

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 2018

Assessed value	\$ 4,725,403
Debt limit (15% of assessed value)	708,810
Debt applicable to limit:	
General obligation bonds	-
Total net debt applicable to limit	-
Legal debt margin	\$ 708,810

Fiscal Year	Debt Limit	Total net debt Applicable to Limit	Legal Debt Margin	Legal Debt Margin Percentage of Debt Limit
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%
2013	550,417	-	550,417	100.00%
2014	564,290	-	564,290	100.00%
2015	597,013	-	597,013	100.00%
2016	630,359	-	630,359	100.00%
2017	664,464	-	664,464	100.00%
2018	708,810	-	708,810	100.00%

CITY OF SOLANA BEACH

Pledged-Revenue Coverage
Last Ten Fiscal Years

2011 ABAG Refunded Lease Revenue Bonds

Fiscal Year	Use of Money & Property	Lease/Rents	Less: Expenditures	Net Available Revenue
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
2013*	-	154,280	-	154,280
2014*	-	148,974	-	148,974
2015*	-	148,732	-	148,732
2016*	-	153,283	-	153,283
2017*	-	152,429	-	152,429
2018*		151,067		151,067

Fiscal Year	Debt Service		Coverage
	Principal	Interest	
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
2013*	112,700	41,580	1.00
2014*	111,200	37,774	1.00
2015*	114,800	33,932	1.00
2016*	123,400	29,883	1.00
2017*	126,800	25,629	1.00
2018*	129,800	21,267	1.00

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.

* 2002 ABAG Lease Revenue Bonds

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Demographic and Economic Information

CITY OF SOLANA BEACH

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Unemployment Rate
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%
2012	12,987	695,142	53,526	4.7%
2013	13,099	697,561	53,253	4.1%
2014	13,059	731,200	55,992	6.0%
2015	13,494	778,568	57,697	4.8%
2016	13,527	815,210	60,265	4.3%
2017	13,938	830,408	59,578	1.7%

Sources: HdL Coren & Cone report prepared on 7/24/18

CITY OF SOLANA BEACH

25 MAJOR EMPLOYERS - SAN DIEGO COUNTY
AS OF 2018

Employer	Category	Business category
Barona Resort & Casino	1	Casinos
Cesar Entertainment	1	Amusement & Recreation NEC
Ferrellgas - Alpine	1	Gas-Propane-Refilling Stations
Ferrellgas - Escondido	1	Gas-Propane-Refilling Stations
Ferrellgas - San Diego	1	Gas-Propane-Refilling Stations
Ferrellgas - San Marcos	1	Gas-Propane-Refilling Stations
General Dynamics Nassco	1	Ship Builders & Repairers (Mfrs)
Kaiser Permanente Zion Med Ctr	1	Health Services
Merchants Building Maintenance	1	Janitor Service
Palomar Pomerado Health Rehab	1	Rehabilitation Services
Rady's Children's Hospital	1	Hospitals
Respiratory Support Prod Inc	1	Nonclassified Establishments
San Diego County Sheriff	1	Police Departments
Scripps Mercy Hospital	1	Hospitals
Sea World-San Diego	1	Amusement & Theme Parks
Sharp Memorial Hospital	1	Hospitals
Valley Center Propane	1	Propane (lp) Gas
DJO Finance LLC	2	Surgical Appliances-Manufacturers
Kaiser Permanente Vandever Med	2	Physicians & Surgeons
Naval Medical Center San Diego	2	Hospitals
UC San Diego Health	2	Hospitals
32nd St Naval Station	3	Federal Government-National Security
Mccs Mcrd	3	Military Bases
Scripps Clinic	3	Clinics
UCSD All Campus Dept Listings	3	College & University Placement Svc

Source:

State of California- Employee Development Department- Major Employers in San Diego for 2018

Categories

- 1 1,000-4,999 Employees
- 2 5,000-9,999 Employees
- 3 10,000+ Employees

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

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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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Function/Program</u>					
General government					
City Council	0.20	0.20	0.20	0.20	0.20
City Clerk	3.00	2.75	2.75	2.75	2.65
City Manager	1.99	2.24	1.92	1.92	1.84
Legal Services	0.25	0.25	0.25	0.25	0.25
Finance	4.25	4.25	3.40	3.40	3.35
Non Deptmental	-	-	-	-	-
Personnel	1.20	1.20	1.10	1.10	0.98
Info/Communication Systems	1.05	1.05	1.00	1.00	1.00
Community Development	6.25	6.00	5.50	5.50	5.50
Public Safety					
Fire	20.01	19.25	19.22	19.22	19.95
Code Enforcement	2.33	2.00	1.78	1.78	1.75
Marine Safety	8.67	8.39	8.08	8.08	8.06
Junior Lifeguards	1.84	1.84	3.73	3.73	3.73
Public Works					
Engineering	3.59	2.84	2.31	2.31	2.48
Environmental/Flood Control	1.65	1.13	1.10	1.10	1.10
Street Maintenance	2.95	2.93	2.90	2.90	2.90
Park Maintenance	1.40	1.38	1.35	1.35	1.35
Recreation & Community Services					
Community Services	0.88	0.88	0.95	0.95	0.95
Recreation	2.52	2.52	2.59	2.59	2.59
Sanitation	3.01	2.86	2.93	2.93	2.93
Improvement Districts	1.64	0.99	0.95	0.95	0.95
Redevelopment Agency	0.41	0.45	0.50	0.50	0.60
Total Personnel	<u>69.08</u>	<u>65.39</u>	<u>64.51</u>	<u>64.51</u>	<u>65.11</u>

N/A - Data Not Available

Notes: A full-time employee is scheduled to work 2,080 hours per year
Full-time equivalent employment is calculated by dividing total labor hours

Source: City of Solana Beach's Annual Budget

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
0.20	0.20	0.20	0.20	0.20
2.60	3.10	3.10	3.10	3.10
1.74	2.05	2.05	1.80	1.90
0.25	0.25	0.25	0.25	0.25
3.80	3.55	3.55	3.55	3.45
-	-	-	-	-
0.95	1.00	1.00	1.15	0.95
1.00	1.00	1.00	1.00	1.00
5.40	6.00	6.00	5.80	5.80
19.95	19.95	19.95	19.95	20.20
1.75	1.80	1.80	1.80	1.80
8.06	8.06	9.49	9.49	9.29
3.73	3.73	3.53	4.03	4.23
2.41	2.28	2.13	2.73	2.73
1.10	1.10	1.10	1.05	1.05
2.90	2.95	2.95	2.95	2.95
1.35	1.35	1.35	1.35	1.35
0.95	0.95	0.95	0.90	0.90
1.49	1.85	1.85	1.80	1.55
2.98	2.93	3.22	3.12	3.37
0.95	0.9	0.9	0.9	0.9
1.05	0.90	0.90	1.10	0.80
<u>64.61</u>	<u>65.90</u>	<u>67.27</u>	<u>68.02</u>	<u>67.77</u>

CITY OF SOLANA BEACH

Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Community development					
Number of:					
Business licenses (A)	1634	1641	1943	1877	2023
Plan checks (B)	391	322	125	211	225
Code violations (calendar basis)	821	510	1184	1277	1458
Police (Calendar basis)					
Number of calls for service (C):					
Priority 1	13	11	11	12	11
Priority 2	490	504	426	501	480
Priority 3	1879	1836	1777	1689	1711
Priority 4	1370	1259	1110	1199	1156
FBI Index Crimes	352	265	276	337	321
Fire					
Emergency Responses	1105	1438	1588	1093	1736
Training Hours	4102	2634	5304	n/a	5090
Plan Checks	89	101	62	161	335
Public works					
Miles of:					
Street resurfacing/repair	N/A	60000**	60000**	180000**	150000**
Street sweeping	900	900	900	900	900
Number of:					
Street signal maintained	180	168	168	168	168
Trees pruned per year	250	287	10	158	500
Recreation & community services					
Number of enrollees:					
Day camp (Calendar basis)	171	212	271	315	385
Classes (classes offered to san diego adult school)	161	78	48	35	35
Mira Costa College Community Education,					
# of students	N/A	N/A	N/A	N/A	N/A
Special events (attendees)	9452	8200	10200	11250	N/A

N/A - Data not available

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

(B) - Excludes temporary plan checks.

(C) - Numbers adjusted and updated on CAFR FY16-17 for FY08-FY17 numbers to count only complete calls for service.

Sources: Various city departments.

* Street Repair in Miles

** Street repair in Square Feet (SF)

*** Classes offered by Mira Costa College

Fiscal Year

2014	2015	2016	2017	2018
2147	1957	2068	2007	2055
276	275	304	284	319
1467	1016	1240	1124	2513
27	12	13	7	11
498	467	437	343	470
1624	1712	1740	1141	1825
1037	1225	1110	826	1181
210	305	240	173	227
1702	1798	1810	1883	1859
7079.67	6178	5997	4695.6	4687
92	289	380	390	375
150000**	550000**	5.3*	1.7*	1.9
900	900*	900*	900*	504
192	192	192	192	192
158	40	40	500	274
280	329	266	315	322
N/A	144	***N/A	***N/A	***N/A
N/A	N/A	N/A	N/A	720
7350	10600	7800	8300	7400

CITY OF SOLANA BEACH

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year				
	2009	2010	2011	2012	2013
Public Safety					
Code enforcement vehicles	2	2	2	2	2
Fire					
Stations	1	1	1	1	1
Fire Engines	4	4	4	4	4
Other vehicles	2	2	2	2	2
Public works					
Streets (miles)	46	46	46	46	46
Street lights (city-owned)	748	748	748	748	748
Traffic signals	13	13	13	13	16
Public works vehicles	7	7	7	7	7
Public works Corporation Yard	1	1	1	1	1
Recreation & community service					
Community centers	2	2	2	2	2
Parks	3	3	3	3	3
Marine Safety					
Lifeguard Stations*	3	3	3	3	3
Vehicles	5	5	5	5	5

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

Sources: Various city departments.

* Both Fixed and Portable Towers

Fiscal Year					
2014	2015	2016	2017	2018	
2	2	2	2	2	2
1	1	1	1	1	1
4	3	3	3	3	3
1	2	2	2	2	2
46	42	42	42	42	42
748	527	527	527	527	525
18	16	16	16	16	16
8	11	11	12	8	8
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	2
3	3	3	6	6	6
4	4	4	5	5	5

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