

City of Solana Beach

Solana Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2011

Prepared by the Finance Department
of the City of Solana Beach

City of Solana Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2011

Table of Contents

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Table of Contents.....	i
Letter of Transmittal	v
Principal Officials	xiii
Organization Chart.....	xiv
 <u>FINANCIAL SECTION</u>	
Independent Auditors’ Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information)	3
 Basic Financial Statements:	
 Government-Wide Financial Statements:	
Statement of Net Assets.....	16
Statement of Activities and Changes in Net Assets.....	18
 Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	24
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	27
Proprietary Fund Financial Statements:	
Statement of Net Assets	31
Statement of Revenues, Expenses and Changes in Net Assets	32
Statement of Cash Flows.....	33
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	36
 Notes to Basic Financial Statements.....	 37

City of Solana Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2011

Table of Contents, Continued

	<u>Page</u>
Required Supplementary Information:	
Budgetary Information.....	74
Budgetary Comparison Schedules:	
General Fund.....	75
Schedules of Funding Progress:	
PERS	77
Other Postemployment Benefits.....	77
 Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet.....	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	86
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Schedules:	
Gas Tax Special Revenue Fund	100
Municipal Improvements District Special Revenue Fund	101
SEEG Special Revenue Fund	102
Lighting District Special Revenue Fund	103
TransNet Special Revenue Fund.....	104
Proposition A Special Revenue Fund	105
TEA 21 & TEA Special Revenue Fund	106
COPS Special Revenue Fund.....	107
Public Safety Special Revenue Fund	108
Fire Mitigation Special Revenue Fund.....	109
Transportation Development Act Special Revenue Fund.....	110
CDBG Special Revenue Fund.....	111
Caltrans Special Revenue Fund	112
Coastal/Business Visitors Special Revenue Fund.....	113
Dept. of Boating & Waterways Special Revenue Fund	114
Miscellaneous Grants Special Revenue Fund	115
Redevelopment Agency Low & Moderate Income Housing Special Revenue Fund	116
Housing Special Revenue Fund.....	117
Developer Pass-Thru Fund.....	118
City Debt Service Fund	119
Redevelopment Agency Debt Service Fund	120
City Capital Projects Fund.....	121
Assessment Districts Capital Projects Fund.....	122
Redevelopment Agency Capital Projects Fund	123
Sand Replenishment & Retention Capital Projects Fund.....	124

City of Solana Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2011

Table of Contents, Continued

	<u>Page</u>
Supplementary Information, Continued:	
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets.....	126
Combining Statement of Changes in Assets and Liabilities.....	127
Independent Auditors’ Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
	129
<u>STATISTICAL SECTION</u>	
Net Assets by Component.....	132
Changes in Net Assets	135
Fund Balances of Governmental Funds	136
Changes in Fund Balances of Governmental Funds	138
Assessed Value and Estimated Actual Value of Taxable Property	140
Direct and Overlapping Property Tax Rates	142
Principal Property Tax Payers	145
Property Tax Levies and Collections	146
Ratios of Outstanding Debt by Type	148
Direct and Overlapping Debt	149
Legal Debt Margin Information	150
Pledged-Revenue Coverage.....	151
Demographic and Economic Statistics	152
Principal Employers.....	153
Full-time Equivalent City Government Employees by Function/Program	154
Operating Indicators by Function/Program	156
Capital Assets Statistics by Function/Program	158

This page intentionally left blank.



CITY OF SOLANA BEACH

635 SOUTH HIGHWAY 101 • SOLANA BEACH, CALIFORNIA 92075-2215 • (858) 720-2400
www.ci.solana-beach.ca.us FAX (858) 792-6513 / (858) 755-1782

December 22, 2011

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, 2011.

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

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

Internal Controls

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

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

Annual Audit

Caporicci and Larson, Inc. appointed by the City Council, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year end June 30, 2011, 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, 2011, provided no instances of material weaknesses in the internal control structure and no violations of applicable laws and regulations. The independent auditor concluded there was a basis for rendering an unqualified opinion and the City's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MDA)

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

Government Profile

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

The Solana Beach Redevelopment Agency was created and activated by the City of Solana Beach on December 2, 2003 by Ordinance No. 318 pursuant to the State of California Health and Safety Code Section 33200. On July 13, 2004, the City of Solana Beach adopted Ordinance No. 326 that formed the Solana Beach Redevelopment Project Area. The purpose of the Agency is to prepare and carryout plans for improvement, rehabilitation, and redevelopment in the blighted areas of the Solana Beach Redevelopment Project Area.

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

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

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

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

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

Budgetary Process and Controls

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

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

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

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

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

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. The adopted budget for Fiscal Year 2010-11 was prepared in accordance with Generally Accepted Accounting Principles.

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

Economic Condition and Outlook

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

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

Professor Alan Gin of the School of Business at the University of San Diego, and the author of the University of San Diego's Index of Leading Economic Indicators (Index), predicts that the local economy will experience growth but at a slow pace through the first half of 2012. He believes that it will continue to take much longer to recover from the "Great Recession" than it took to get in to it. In 2009, the local economy lost nearly 80,000 jobs. The projection is that it may take between three to five years to regain all of the lost jobs.

In regards to San Diego's local economy, the University of San Diego's Index of Leading Economic Indicators has continued to increase since March 2009 when it bottomed out from its peak in April 2006. The Index reports on local economic components such as building permits issued, initial claims for unemployment, stock prices on the San Diego Stock Exchange Index, consumer confidence, and help wanted advertising. After declining for 35 straight months, beginning in April 2006 at 143.8 and declining to 100.7 by March 2009, the Index climbed for 26 straight months, rising to 117.2 in May 2011. The Index has had alternating declines and advances for the six months ending October 2011, when it was 115.9.

The USD Index for the period January 2008 to October 2011 is charted below.



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

This month, Governor Jerry Brown announced nearly \$1 billion in new state budget cuts, slashing spending on higher education and eliminating funding for free school-bus service. Most of the cuts will take effect at the beginning of 2012.

The reductions were built into the budget that Brown and lawmakers approved in June, and they are set to kick in if revenues do not reach the level they had forecasted. Brown has warned that more cuts are anticipated in the spending plan for 2012-13 that he will present in January. Next year's projected state deficit is \$13 billion. Brown is planning to place a initiative on the election ballot in November 2012 asking voters to approve a \$6.8-billion tax hike. He has said that even if such an increase passes, the State would have to still make reductions. Brown added that whatever reductions he proposes next would double if voters rejected higher taxes.

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to limit its activities to implementing existing contracts, meeting already-incurred obligations, preserving its assets, utilizing existing bond proceeds, and winding down the affairs of the agency. Assembly Bill X1 27 provided a means for redevelopment agencies to continue to exist and operate without the limitations of ABx1 26 by means of a Voluntary Alternative Redevelopment Program. Under this program, any city may adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution and on other grounds.

On September 14, 2011, City Ordinance No. 432 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and 27 are upheld as constitutional. The initial payment by the City is estimated to be \$267,019 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$63,280 would be due in 2012-13. The amounts to be paid after fiscal year 2012-13 are determined by a formula adopted by the State Legislature and would be similar to the amount due in 2012-13

Long-Term Financial Planning

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

General Fund property taxes have been, and are expected to be, the highest revenue generator for the City. Sales tax is the City's second largest revenue source. During Fiscal Year 2010-11, actual dollars received in General Fund property taxes decreased \$30,191, or less than 1%, as compared to 2009-10, while sales tax increased by \$113,227, or 12%, after decreasing for three straight fiscal years. Overall, the City's General Fund revenues increased \$515,040 in FY 2010-11 from FY 2009-10 or 3.9%.

For Fiscal Year 2011-12, budgeted property and sales taxes are expected to increase slightly as compared to actual for the prior fiscal year. Total General Fund revenues are budgeted at \$13,719,700. It is the City's goal not to rely on General Fund reserves to operate the City annually. The General Fund budget for FY 2011-12 was adopted on August 24, 2011, with a projected \$124,100 surplus.

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

- 1) signing a five year contract beginning July 2007 with the San Diego Sheriff's Department to provide law enforcement services with increases from year to year capped at no more than 5.5 %;
- 2) approving a Fire Department Management Services Cooperative Agreement with the Cities of Del Mar, Encinitas, and the Rancho Santa Fe Fire Protection District that provides a cost effective option to eliminate redundancy and increased levels of service by sharing common functions of organizational direction and control, and supervision of operations, training, fire prevention, administrative and fiscal management, and disaster preparedness;
- 3) maintaining 17% of operating expenditures, including debt service, as a reserve in the General Fund to be used in the case of significant financial or other emergency.

Relevant Financial Policies

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

One such policy is the 17% reserve requirement discussed in the previous section. This policy, as in the adoption of the FY 2010-11 Budget, is one that has been continuously adhered to by Council.

The Asset Replacement Reserve Fund is used to provide for the replacement of the City's existing equipment, vehicles, computers, and furnishings and the City's financial policy is to annually budget funds to this Reserve. Despite the economic factors facing the City during the Fiscal Year 2010-11 budget process, the Council again ensured that funds were appropriated to maintain adequate reserves in the Asset Replacement Fund.

Cash Management Policies and Practices

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

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

The average yield on funds invested was 0.478% as compared to 0.651% for the previous year. Investment income includes appreciation/depreciation in the fair value of investments. The total investment income for all funds for the year was \$212,995.

Major Projects and Financial Planning

Highway 101 Streetscape/Traffic Calming Project

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

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

La Colonia Needs Park Improvements

After completing a Request for Qualifications (RFQ) process, the City retained Van Dyke Landscape Architects (Van Dyke) to prepare design concepts for improvements to La Colonia Park (LCP). After soliciting input through a series of community/public workshops, Van Dyke developed three design options that were presented to the Council in December 2008 at which time the Council selected a preferred option. At the City's request, minor modifications were made to the preferred option. The modified design was approved at the March 11, 2009 Council meeting. A design contract was approved at the October 28, 2009 City Council meeting.

A meeting of the La Colonia Park Ad-Hoc Committee was held in April 2010 at which the consultant presented the preliminary design of the park. The 35 percent design level drawings were presented at the September 8, 2010 Council meeting. At this meeting, Van Dyke presented the major items that will be contained as part of the project such as the upgrades to the community center, relocation of the Stevens House Museum, a skate park, a basketball court, increased picnic areas, a gazebo, a amphitheater and other miscellaneous landscape and hardscape features. The next step for this project is to submit a Coastal Development Permit application to the California Coastal Commission when sufficient funds for construction of the improvements are identified.

Fletcher Cove Community Center

On July 9, 2009 the City Council approved, in concept, a scope of work for the project. This work included refurbishment of the building and disabled access improvements as shown in the building plans and elevations prepared pro-bono by Stephen Dalton, Architects. The project was designed to be completed in three phases as adequate funds are identified in the budget from public funds, private donated funds, qualified volunteer labor or donated materials or a combination of all of these for each phase. In addition, a Coastal Development Permit was issued by the California Coastal Commission in August 2010 for the project. Phases I and II have been completed.

Phase I: Accessible parking lot improvements. Final Construction Costs - \$83,209. This project was completed in November 2010.

Phase II: Fletcher Cove Community Center Building accessibility improvements and refurbishment. Public funds and private donations were used to fund this phase of the project. As detailed in a Staff Report that went to City Council on September 14, 2011, the total of revenue sources was \$430,205 and the total of expenditures was \$431,368, leaving a gap of \$1,163. This amount will be paid from the Public Works/Engineering budget.

Phase III: Includes improvements to the community center site for final grading and development of an accessible path from the public right of way to the building site, and installation of benches and landscaping. The final design and consideration for funding for Phase III will be scheduled when adequate funding has been identified. At this time funds have not been appropriated and a budget has not been prepared for this phase.

Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. Ott', with a large, sweeping flourish above the name.

David Ott
City Manager/Director of Public Safety

Respectfully submitted,

A handwritten signature in blue ink, reading 'Marie Marron Berkuti', written in a cursive style.

Marie Marron Berkuti
Finance Manager

**CITY OF SOLANA BEACH
FISCAL YEAR 2010-11
DIRECTORY OF OFFICIALS AND ADVISORY BODIES**

CITY COUNCIL

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

TERM EXPIRES

November 2012
November 2012
November 2012
November 2014
November 2014

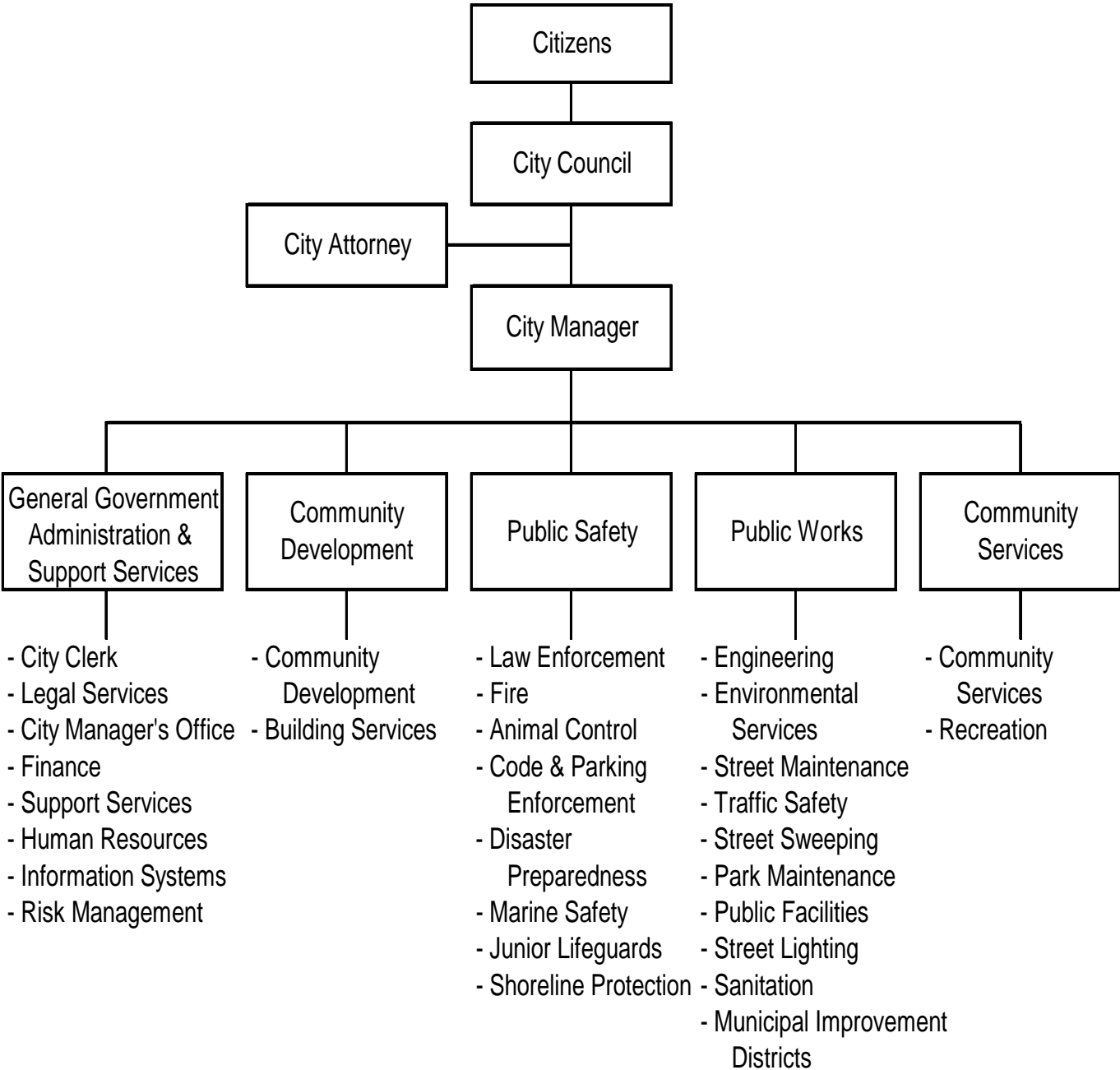
COMMITTEES AND COMMISSIONS

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

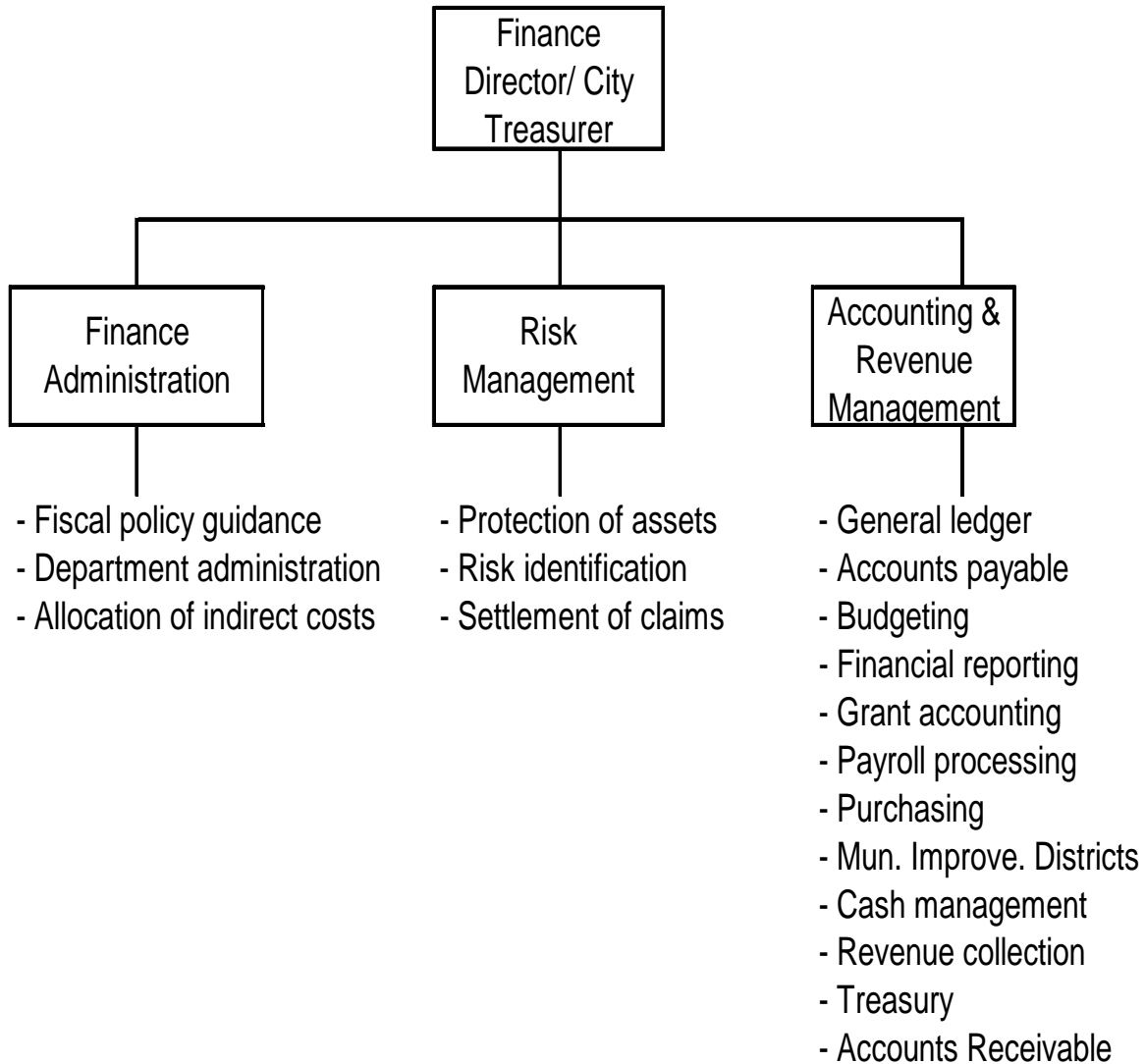
APPOINTED OFFICIALS AND DEPARTMENT DIRECTORS

David Ott	City Manager/Director of Public Safety
Wendé Protzman	Director of Administrative Services/Deputy City Manager
Tina Christiansen	Director of Community Development
Dennis M. Coleman	Director of Finance/City Treasurer
Mohammed Sammak	Director of Public Works/City Engineer
Angela Ivey	City Clerk
Johanna Canlas	City Attorney

CITY OF SOLANA BEACH
 CITY GOVERNMENT
 ORGANIZATIONAL CHART
 FISCAL YEAR 2010/2011



**CITY OF SOLANA BEACH
FINANCE DEPARTMENT
ORGANIZATIONAL CHART
FISCAL YEAR 2010/2011**



This page intentionally left blank



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solana Beach, California (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Elijo Joint Powers Authority (the "Authority"), which represent \$18,143,406 of investment in joint venture at June 30, 2011 and \$159,319 of net gain on investment in joint venture for the year then ended of the business-type activities in the government-wide financial statements and in the Sanitation major fund of the fund financial statements. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements of the City, insofar as it related to those amounts included for the Authority in the accompanying basic financial statements of the City, is based solely on the reports of the other auditors. The prior year partial comparative information has been derived from the financial statements of the City of Solana Beach for the year ended June 30, 2010, and in our report dated March 8, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 13 to the Basic Financial Statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

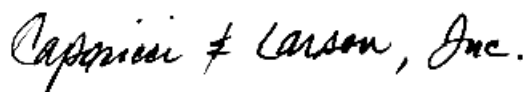
To the Honorable Mayor and Members of the City Council
of the City of Solana Beach
Solana Beach, California
Page 2

The City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
December 21, 2011

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, 2011. It should be read in conjunction with the accompanying transmittal letter beginning on page i and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The City's net assets decreased to \$72,730, or by \$3,744, as a result of this year's operations.
- During the year, the City's expenses exceeded taxes, other governmental revenues, and business activity revenues by \$3,744.
- Governmental net assets were \$43,365.
- The total revenues from all sources were \$21,272.
- The total cost of all City programs was \$25,016.
- The General Fund reported an excess of expenditures and other financing uses over revenue of \$2,894.
- The General Fund's actual resources received exceeded the final revenue budget by \$285 while actual expenditures were \$336 less than final budget before other financing uses.

USING THIS ANNUAL REPORT

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

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

Reporting the City as a Whole

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

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are accounted for regardless of when cash is received or paid.

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

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

- Governmental activities - All of the City's basic services are considered governmental activities, including general government, community development, public safety, public works, and community services. Property taxes, transient occupancy taxes, sales taxes, and franchise fees finance most of these activities.
- Proprietary activities/Business type activities - The City charges a fee to customers to cover all or most of the cost of the services provided. The City's Sanitation system is reported in this category.
- Component units - The City's governmental activities include the blending of two separate legal entities: the City of Solana Beach Public Facilities Corporation and the Solana Beach Redevelopment Agency. Although legally separate, these "component units" are important because the City is financially accountable for them. Separate component unit financial statements are issued for the Solana Beach Redevelopment Agency but are 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 as explained below.

- *Governmental funds* - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* through a reconciliation in Note 1 in the Notes To Basic Financial Statements.
- *Proprietary funds* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain amounts held on behalf of developers, property owners, and others. These fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. 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.

THE CITY AS A WHOLE

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

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

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 16,667	\$ 19,555	\$ 33,312	\$ 33,625	\$ 49,979	\$ 53,180
Capital assets, net	37,373	38,948	11,762	11,938	49,135	50,886
Total assets	54,040	58,503	45,074	45,563	99,114	104,066
Liabilities:						
Long-term debt outstanding	8,727	8,825	14,619	15,435	23,346	24,260
Other liabilities	1,948	1,786	1,091	1,547	3,039	3,333
Total liabilities	10,675	10,611	15,710	16,982	26,385	27,593
Net assets:						
Invested in capital assets, net of debt	32,138	33,268	6,390	10,679	38,528	43,947
Restricted	6,747	7,086	-	-	6,747	7,086
Unrestricted	4,480	7,538	22,974	17,902	27,454	25,440
Total net assets	<u>\$ 43,365</u>	<u>\$ 47,892</u>	<u>\$ 29,364</u>	<u>\$ 28,581</u>	<u>\$ 72,729</u>	<u>\$ 76,473</u>

The City's combined net assets for the fiscal year ended June 30, 2011 were \$72,729. The City has chosen to account for its sanitation operations in an enterprise fund, which is shown as Business Activities on Table 1. The City's net assets for governmental activities decreased from \$47,892 to \$43,365. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets decreased \$2,888 or 15% because monies borrowed from the Sanitation Fund of \$3,133 used to pay off the City's PERS Side Fund is reported as a negative Internal Balance amount in the asset section of the balance sheet for government activities.

- Capital assets decreased \$1,575 (net of \$40,162 depreciation and disposition) as detailed in Table 4. During fiscal year 2011, ongoing budgeted capital projects were continued to be reduced in scope or delayed to future years due to the downturn in the City's economic situation. This change resulted in capital asset additions, less deletions, being \$319, more than the previous fiscal year, after the fiscal year's 2010-11 expense for depreciation. The major capital project construction projects were the Fletcher Cove Community Center, designs for Highway 101 Streetscaping, Phase III of the Eden Gardens/Castro Street project, and the Cliff Street/Cedros Storm Drain project. The City also had construction activities for the annual street pavement project.
- Governmental long-term debt decreased \$98 due to routine principle payments made on existing debt principle. See Table 5 for additional detail.
- Other liabilities increased \$162 primarily due to an increase in accounts payables, accrued liabilities, and deferred revenue as compared to the previous fiscal year.
- Investment in capital assets net of debt decreased \$1,130 from an increase in accumulated depreciation over the prior fiscal year.
- Restricted net assets decreased \$339 primarily due to expenditures related to budgeted capital projects used revenues that had been received but had remained unspent in prior fiscal years.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, decreased from \$7,538 at June 30, 2010 to \$4,480 at the end of this fiscal year. This net decrease of \$3,058 is due principally to the \$3,133 payment made to PERS to pay off the City's pension side fund.

Governmental Activities

The cost of all Governmental activities this year was \$21,073 as shown on Tables 2 and 2.1. \$1,819 of this cost was paid for by those who directly benefited from the programs; \$781 was subsidized by grants received from other governmental organizations for both capital and operating activities; and \$13,946 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$2,600. Items of significance within Table 2 are:

Revenues:

- Charges for services increased by 9% primarily as a result of the establishment of the Developer Pass-Thru special revenue fund that captures monies received from developers or property owners who need certain EIR or other permit work expedited by the City and will pay the City's third-party consultants to provide the services needed,
- Capital grants and contributions increased by \$475 over the prior fiscal year amount of \$26 primarily due to the donations received for the Fletcher Cove Community Center project. Additionally, various public safety grants and contributions were received or recognized in FY2011 as compared to FY2010.
- Other general revenues decreased by 39% due to a decrease in miscellaneous income of \$127 as compared to FY2010 and the loss on sale of property of \$57 reported in FY2011.

Expenses:

- General Government expenses increased 5% due to the payment made to CALPERS for the pay off of the miscellaneous employees group's share of the pension side fund which was \$1,031, and a decrease in general government capital outlay as compared to FY2010.
- The CALPERS side fund payoff also resulted in an increase in Public Safety expenses of 20%. Both the Fire and Marine Safety portion of the payoff amount, or \$2,102, were included in this category.
- Public Works experienced a 4% decrease in expenses primarily due to the completion of smaller capital works projects in FY 2011 as compared to the previous fiscal year. Projects completed in

FY2011 included the Fletcher Cove Community Center, and various storm drain and street improvements.

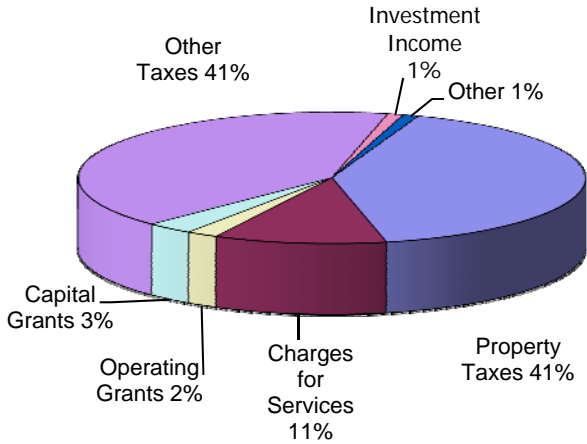
- There was a 2% increase in Community Development costs due to increased cost in the Redevelopment Agency Low/Mod Housing fund expenditures as compared to the last fiscal year.
- Community Services increased 8% as compared to last fiscal year due to expenses related to the City's 25th Anniversary celebration and the installation of the Eden Gardens entry sign.
- Interest and fiscal charges decreased due to a reduction from \$210 in FY2010 to \$43 in FY2011 for the payment due to the State of California legislature was enacted in 2009 authorizing a two-year takeaway of Redevelopment Agency funds.

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

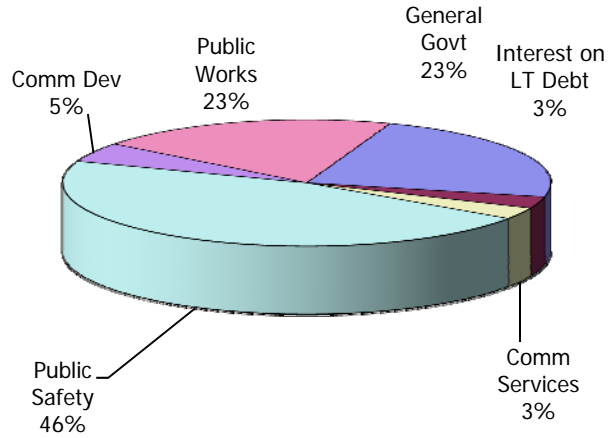
	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,819	\$ 1,666	\$ 4,501	\$ 4,498	\$ 6,320	\$ 6,164
Operating grants and contributions	280	258			280	258
Capital grants and contributions	501	26			501	26
General revenues:						
Property taxes	6,813	6,880			6,813	6,880
Other taxes	6,810	6,326			6,810	6,326
Other	323	521	224	292	547	813
Total revenues	16,546	15,677	4,725	4,790	21,271	20,467
Expenses:						
General government	4,943	4,680			4,943	4,680
Public safety	9,730	8,066			9,730	8,066
Public works	4,208	4,351			4,208	4,351
Community development	1,078	1,056			1,078	1,056
Community services	570	526			570	526
Interest and fiscal charges	544	738			544	738
Sanitation			3,942	3,450	3,942	3,450
Total expenses	21,073	19,417	3,942	3,450	25,015	22,867
Increase/(decrease) in net assets	(4,527)	(3,740)	783	1,340	(3,744)	(2,400)
Net assets - 07/01/10	47,892	51,632	28,581	27,241	76,473	78,873
Net assets - 06/30/11	\$ 43,365	\$ 47,892	\$ 29,364	\$ 28,581	\$ 72,729	\$ 76,473

**Fiscal Year 2011
Governmental Activities**
(Graphic representation of Table 2 in percentages)

Sources of Revenue



Program Expenses



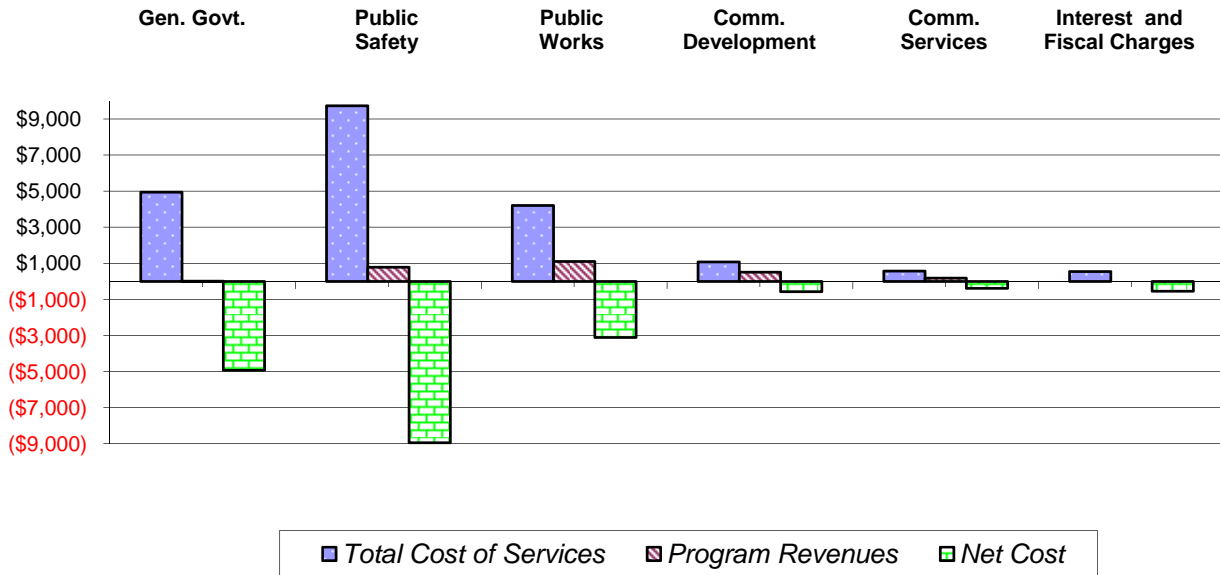
Net Cost of Governmental Activities

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	
	2011	2010	2011	2010	2011	2010
General government	\$ 4,943	\$ 4,680	\$ 14	\$ -	\$ (4,929)	\$ (4,680)
Public safety	9,730	8,066	788	579	(8,942)	(7,487)
Public works	4,208	4,351	1,105	598	(3,103)	(3,753)
Community development	1,078	1,056	507	448	(571)	(608)
Community services	570	526	186	325	(384)	(201)
Interest on long-term debt	544	738	-	-	(544)	(738)
Totals	\$ 21,073	\$ 19,417	\$ 2,600	\$ 1,950	\$ (18,473)	\$ (17,467)

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



Total resources available during the year to finance governmental operations were \$64,438 consisting of net assets at July 1, 2010 of \$47,892, program revenues of \$2,600, and general revenues of \$13,946. Total governmental activities during the year were \$21,073; thus net assets decreased by \$4,527 to \$43,365.

Business Type Activities

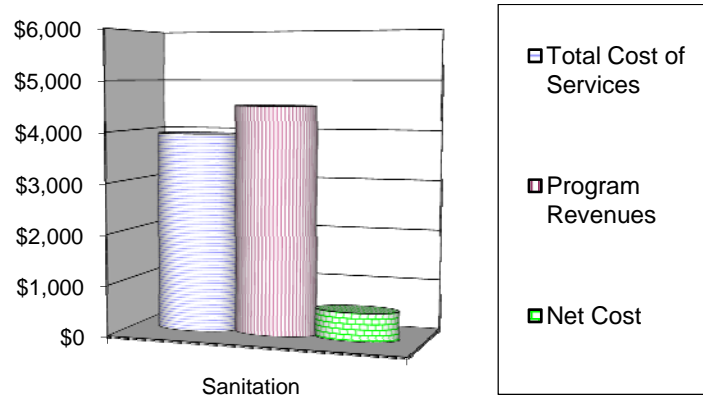
Net assets of the Proprietary Fund (Business Type activities) at June 30, 2011 as reflected in Table 1 were \$29,364. As shown in Table 3, amounts paid by users of the system were \$4,501 while the cost of providing all Proprietary (Business Type) activities this year was \$3,942 resulting in a net gain of \$559. With the addition of non-operating revenues of \$224, assets increased by \$783 or 5%, primarily due to holding expenses in line with revenues.

Table 3
Net Cost of Business Activities
(in Thousands)

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2011	2010	2011	2010	2011	2010
Sanitation	\$ 3,942	\$ 3,450	\$ 4,501	\$ 4,498	\$ 559	\$ 1,048

Fiscal Year 2011

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 \$336 less than actual appropriations prior to other financing uses. The budget to actual variance in appropriations was principally due to conservative estimates at mid-year by management. Actual revenues were \$285 greater than the final budget (excluding other financing sources). Budget amendments and supplemental appropriations were made during the normal course of business to increase appropriations for unanticipated expenditures after adoption of the original budget. Significant supplemental appropriations were:

- \$3,133 to pay off the City's pension side fund with CalPERS,
- \$146 for increased overtime in the Fire department budget, and
- \$101 to cover increased engineering professional services.

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

- Support services: savings occurred in a lower than expected costs for damage claims and insurance premiums.
- Streets and other public works: professional service expense was lower than budgeted in environmental services, street maintenance, traffic safety, and park maintenance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include equipment, buildings, land, park facilities, and roads. GASB Statement No. 34 allows four years after the year of original implementation to have a complete inventory of infrastructure related capital assets. The City implemented GASB 34 in fiscal year 2001.

At June 30, 2011, net capital assets of the governmental activities totaled \$37,373 and the net capital assets of the business-type activities totaled \$11,762. Depreciation on capital assets is recognized in the government-wide financial statements. (See Table 4 and Note 4 to the financial statements.)

The City's five-year Capital Improvement Plan projects to spend \$15,603 through fiscal 2015-16. Over the next five years, funding will come from current fund balances, projected revenues, and the Transnet Extension Program. Significant projects are the Shoreline Management and Local Coastal Plan, the General Plan update, rebuilding the Solana Beach Pump Station, the Highway 101 Streetscape and Traffic Calming project, and replacement of the Del Mar Shores Staircase.

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

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,538	\$ 2,538	\$ 112	\$ 112	\$ 2,650	\$ 2,650
Buildings & Improvements	10,395	10,725	11,536	6,619	21,931	17,344
Equipment & Vehicles	1,098	1,280	12	14	1,110	1,294
Infrastructure	21,419	23,270	-	-	21,419	23,270
Work in Progress	1,923	1,135	102	5,193	2,025	6,328
	<u>\$ 37,373</u>	<u>\$ 38,948</u>	<u>\$ 11,762</u>	<u>\$ 11,938</u>	<u>\$ 49,135</u>	<u>\$ 50,886</u>

Debt

At year-end, the City had \$7,237 in governmental type debt and \$15,424 in proprietary debt (including premium on debt issuance) totaling \$22,661. This debt is a liability of the government and amounts to \$1,670 per capita. Increases in the debt schedule included increases to claims payable and the City's Other Post Employment Benefits Other than Pension liability as a result of the City implementing GASB 45. (See Table 5 and Note 5 to the financial statements for detailed descriptions).

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

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Lease revenue bonds	\$ 1,640	\$ 1,875	\$ -	\$ -	\$ 1,640	\$ 1,875
Tax allocation bonds	3,300	3,370	-	-	3,300	3,370
Capital lease	296	435	-	-	296	435
JPA loan payable	-	-	6,060	6,595	6,060	6,595
Sewer revenue bond	-	-	9,120	9,320	9,120	9,320
Bond premiums	-	-	229	255	229	255
Compensated absences	297	325	15	22	312	347
Claims payable	1,244	1,203	-	-	1,244	1,203
Other post employment benefits	460	306	-	-	460	306
	<u>\$ 7,237</u>	<u>\$ 7,514</u>	<u>\$ 15,424</u>	<u>\$ 16,192</u>	<u>\$ 22,661</u>	<u>\$ 23,706</u>

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2011-12, the focus of the City Council and management was to adopt a balanced budget and promote fiscal sustainability. Budget decisions were made with the understanding that given the current economic downturn, the City's growth rate for revenues had slowed and that the rate of any expenditure cost increase needed to be closely evaluated and monitored. The challenge given these circumstances was to prepare a budget that reduced costs while continuing to provide high quality services and to move forward implementing the City's five-year capital improvement plan.

The result was that no new programs or services were added; a reorganization was done among departments with the Community Development and Finance director positions being vacated and not filled; a further enhancement of the Fire Management agreement among the City, cities of Encinitas and Del Mar, and the Rancho Santa Fe Fire District resulting in additional savings; and a reevaluation of some capital projects that moved completion dates a few years into the future. Departments were asked to prepare budgets with no change in their materials, supplies, and services categories and any requests for new monies needed to be justified.

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

Overall, the budget anticipates that local tax revenues to the City next year will remain flat or rise slightly based upon the economic activity in the California economy, including property taxes, which are projected to increase by 2% in FY 2012, and sales tax which is expected to increase by about 6% in FY 2012. Overall General Fund operating expenditures for fiscal year 2012 are budgeted slightly less than the previous fiscal year. The CIP budget was set to be \$4,615 for the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Solana Beach
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 17,579,202	\$ 7,310,687	\$ 24,889,889
Receivables:			
Accounts, net	302,130	500,364	802,494
Taxes	275,045	-	275,045
Interest	20,456	5,164	25,620
Prepaid items	4,982	-	4,982
Due from other governments	243,158	-	243,158
Total current assets	18,424,973	7,816,215	26,241,188
Noncurrent assets:			
Cash and investments with fiscal agents	1,374,896	3,442,147	4,817,043
Deferred charges, net	-	777,710	777,710
Investment in joint venture	-	18,143,406	18,143,406
Internal Balance	(3,132,587)	3,132,587	-
Capital assets:			
Non-depreciable assets	4,460,203	213,861	4,674,064
Depreciable assets, net	32,913,510	11,548,113	44,461,623
Total capital assets, net	37,373,713	11,761,974	49,135,687
Total noncurrent assets	35,616,022	37,257,824	72,096,136
Total assets	54,040,995	45,074,039	98,337,324

City of Solana Beach
Statement of Net Assets, Continued
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,085,384	49,038	1,134,422
Accrued salaries and benefits	266,301	10,716	277,017
Interest payable	23,605	225,698	249,303
Unearned revenue	252,448	-	252,448
Compensated absences - due in one year	11,005	6,511	17,516
Long-term debt - due within one year	309,900	790,475	1,100,375
Total current liabilities	1,948,643	1,082,438	3,031,081
Noncurrent liabilities:			
Deposits payable	1,811,638	-	1,811,638
Net other postemployment benefits liability	459,900	-	459,900
Claims payable	1,243,570	-	1,243,570
Compensated absences - due in more than one year	286,133	8,645	294,778
Long-term debt - due in more than one year	4,925,635	14,618,802	19,544,437
Total noncurrent liabilities	8,726,876	14,627,447	23,354,323
Total liabilities	10,675,519	15,709,885	26,385,404
NET ASSETS			
Investments in capital assets, net of related debt	32,138,178	6,389,844	38,528,022
Restricted for:			
Redevelopment activities	4,470,909	-	4,470,909
Debt service	922,289	-	922,289
Capital projects	1,354,142	-	1,354,142
Total restricted	6,747,340	-	6,747,340
Unrestricted	4,479,958	22,974,310	27,454,268
Total net assets	\$ 43,365,476	\$ 29,364,154	\$ 72,729,630

See accompanying Notes to Basic Financial Statements.

City of Solana Beach
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 4,943,119	\$ -	\$ 14,213	\$ -	\$ 14,213
Public safety	9,730,398	471,722	251,237	65,696	788,655
Public works	4,207,981	689,658	1,351	414,003	1,105,012
Community development	1,078,141	506,927	-	-	506,927
Community services	569,907	151,189	13,500	21,001	185,690
Interest and fiscal charges	543,852	-	-	-	-
Total governmental activities	21,073,398	1,819,495	280,301	500,700	2,600,496
Business-type activities:					
Sanitation	3,942,484	4,501,364	-	-	4,501,364
Total business-type activities	3,942,484	4,501,364	-	-	4,501,364
Total primary government	\$ 25,015,882	\$ 6,320,859	\$ 280,301	\$ 500,700	\$ 7,101,860

City of Solana Beach
Statement of Activities and Changes in Net Assets, Continued
For the year ended June 30, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (4,928,906)	\$ -	\$ (4,928,906)
Public safety	(8,941,743)	-	(8,941,743)
Public works	(3,102,969)	-	(3,102,969)
Community development	(571,214)	-	(571,214)
Community services	(384,217)	-	(384,217)
Interest and fiscal charges	(543,852)	-	(543,852)
Total governmental activities	(18,472,901)	-	(18,472,901)
Business-type activities:			
Sanitation	-	558,880	558,880
Total business-type activities	-	558,880	558,880
Total primary government	(18,472,901)	558,880	(17,914,021)
General revenues:			
Taxes:			
Property taxes	6,813,559	-	6,813,559
Sales taxes	2,813,228	-	2,813,228
Transit occupancy taxes	978,840	-	978,840
Intergovernmental (unrestricted)	51,658	-	51,658
Franchise taxes	663,660	-	663,660
Other taxes	2,302,225	-	2,302,225
Total taxes	13,623,169	-	13,623,169
Investment earnings	161,701	51,294	212,995
Miscellaneous	218,377	173,122	391,499
Loss on sale of property	(57,159)	-	(57,159)
Total general revenues	13,946,089	224,416	14,170,505
Change in net assets	(4,526,813)	783,296	(3,743,517)
Net assets:			
Beginning of year	47,892,289	28,580,858	76,473,147
End of year	\$ 43,365,476	\$ 29,364,154	\$ 72,729,630

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

This page intentionally left blank.

**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

City of Solana Beach

Balance Sheet

Governmental Funds

June 30, 2011

(With comparative totals for June 30, 2010)

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2011	2010
ASSETS				
Cash and investments	\$ 11,417,912	\$ 6,161,290	\$ 17,579,202	\$ 17,566,814
Cash and investments with fiscal agents	-	1,374,896	1,374,896	1,368,702
Receivables:				
Accounts	245,957	56,173	302,130	323,727
Taxes	258,050	16,995	275,045	219,286
Interest	15,021	5,435	20,456	20,892
Prepaid items	4,982	-	4,982	5,195
Due from other governments	114,160	128,998	243,158	50,328
Due from other funds	280,231	826,281	1,106,512	854,247
Total assets	\$ 12,336,313	\$ 8,570,068	\$ 20,906,381	\$ 20,409,191
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 559,392	\$ 525,992	\$ 1,085,384	\$ 930,895
Accrued liabilities	260,581	5,720	266,301	228,869
Deposits payable	1,741,837	69,801	1,811,638	1,767,414
Due to other funds	-	1,106,522	1,106,522	854,247
Advance from other funds	3,132,587	-	3,132,587	-
Deferred revenue	108,900	114,693	223,593	114,450
Total liabilities	5,803,297	1,822,728	7,626,025	3,895,875
Fund Balances:				
Nonspendable	1,744,619	69,226	1,813,845	1,770,109
Restricted	-	6,169,355	6,169,355	6,371,311
Committed	109,097	-	109,097	157,654
Assigned	4,992,762	782,116	5,774,878	5,235,906
Unassigned	(313,452)	(273,357)	(586,809)	2,978,336
Total fund balances	6,533,026	6,747,340	13,280,366	16,513,316
Total liabilities and fund balances	\$ 12,336,323	\$ 8,570,068	\$ 20,906,391	\$ 20,409,191

City of Solana Beach
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2011

Total Fund Balances - Total Governmental Funds \$ 13,280,366

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not financial resources and therefore were not reported in the governmental funds.

Nondepreciable	4,460,203
Depreciable, net of accumulated depreciation	<u>32,913,510</u>
Total capital assets	<u>37,373,713</u>

Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.

Claims payable	(1,243,570)
Compensated absences - due within one year	(11,005)
Compensated absences - due in more than one year	(286,133)
Long-term liabilities - due within one year	(309,900)
Long-term liabilities - due in more than one year	<u>(4,925,635)</u>
Total long-term liabilities	<u>(6,776,243)</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds. (23,605)

The annual business license revenue collected in January each fiscal year pertains to a license period extending six months into the following fiscal year; therefore, six months revenue was recorded as deferred revenue. (28,855)

Net other postemployment benefits liability was not due and payable in the current period and therefore was not reported in the governmental funds. (459,900)

Net Assets of Governmental Activities \$ 43,365,476

City of Solana Beach

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2011	2010
REVENUES:				
Taxes and assessments	\$ 10,431,009	\$ 2,269,077	\$ 12,700,086	\$ 12,299,501
Licenses, permits and fees	323,091	-	323,091	308,284
Intergovernmental	1,442,110	181,808	1,623,918	1,700,918
Charges for services	603,497	3,857	607,354	678,188
Fines and forfeitures	385,394	-	385,394	349,291
Use of money and property	124,463	37,623	162,086	176,320
Other revenues	575,253	557,135	1,132,388	421,595
Total revenues	13,884,817	3,049,500	16,934,317	15,934,097
EXPENDITURES:				
Current:				
General government	4,203,218	160,281	4,363,499	3,433,354
Public safety	9,368,021	163,694	9,531,715	7,848,577
Public works	1,532,076	731,874	2,263,950	2,278,876
Community development	963,125	140,493	1,103,618	1,079,651
Community services	268,603	-	268,603	224,884
Capital outlay	-	1,644,750	1,644,750	1,134,878
Debt service:				
Principal	-	444,385	444,385	424,079
Interest and fiscal charges	-	265,360	265,360	282,725
Pass-through payments	-	281,387	281,387	453,250
Total expenditures	16,335,043	3,832,224	20,167,267	17,160,274
REVENUES OVER (UNDER) EXPENDITURES	(2,450,226)	(782,724)	(3,232,950)	(1,226,177)
OTHER FINANCING SOURCES (USES):				
Transfers in	137,107	737,889	874,996	857,227
Transfers out	(581,026)	(293,970)	(874,996)	(857,227)
Total other financing sources (uses)	(443,919)	443,919	-	-
Change in fund balances	(2,894,145)	(338,805)	(3,232,950)	(1,226,177)
FUND BALANCES:				
Beginning of year	9,427,171	7,086,145	16,513,316	17,739,493
End of year	\$ 6,533,026	\$ 6,747,340	\$ 13,280,366	\$ 16,513,316

See accompanying Notes to Basic Financial Statements.

City of Solana Beach

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (3,232,950)
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenues, Expenditures, and Changes in Fund Balances. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over the estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	1,364,025
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in governmental funds.	(2,881,635)
Compensated absences were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in governmental funds.	28,196
Repayment of debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	
Bond principal payment	305,000
Capital lease payment	139,385
	<u>444,385</u>
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. This amount represented the change in accrued interest from prior year.	2,895
Claims payable were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, the change in claim liability was not reported as an expenditure in the governmental funds.	(40,570)
Net other postemployment benefits liability was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, the change in the net other postemployment liability was not reported as an expenditure in governmental funds.	<u>(154,000)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (4,526,813)</u></u>

This page intentionally left blank.

PROPRIETARY FUND FINANCIAL STATEMENTS

This page intentionally left blank.

City of Solana Beach
Statement of Net Assets
Proprietary Funds
June 30, 2011
(With comparative totals for June 30, 2010)

	Sanitation Fund	
	2011	2010
ASSETS		
Current assets:		
Cash and investments	\$ 7,310,687	\$ 5,766,100
Receivables:		
Accounts	500,364	701,643
Interest	5,164	6,320
Total current assets	<u>7,816,215</u>	<u>6,474,063</u>
Noncurrent assets:		
Cash and investments with fiscal agents	3,442,147	8,316,287
Deferred issuance costs, net	777,710	839,806
Advances to other funds	3,132,587	-
Investment in joint venture	18,143,406	17,995,032
Capital assets:		
Non-depreciable	213,861	5,304,744
Depreciable, net	<u>11,548,113</u>	<u>6,633,023</u>
Total net capital assets	<u>11,761,974</u>	<u>11,937,767</u>
Total noncurrent assets	<u>37,257,824</u>	<u>39,088,892</u>
Total assets	<u>45,074,039</u>	<u>45,562,955</u>
LIABILITIES		
Current liabilities:		
Accounts payable	49,038	545,194
Accrued salaries and benefits	10,716	10,320
Interest payable	225,698	235,164
Compensated absences, due within one year	6,511	1,806
Long-term debt, due within one year	<u>790,475</u>	<u>735,000</u>
Total current liabilities	<u>1,082,438</u>	<u>1,527,484</u>
Noncurrent liabilities:		
Compensated absences, due in more than one year	8,645	19,861
Long-term debt, net of premium, due in more than one year	<u>14,618,802</u>	<u>15,434,752</u>
Total noncurrent liabilities	<u>14,627,447</u>	<u>15,454,613</u>
Total liabilities	<u>15,709,885</u>	<u>16,982,097</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,389,844	10,679,302
Unrestricted	<u>22,974,310</u>	<u>17,901,556</u>
Total net assets	<u>\$ 29,364,154</u>	<u>\$ 28,580,858</u>

See accompanying Notes to Basic Financial Statements.

City of Solana Beach
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Sanitation Fund	
	2011	2010
OPERATING REVENUES:		
Charges for services	\$ 4,501,364	\$ 4,498,181
Other	13,803	217,552
Total operating revenues	4,515,167	4,715,733
OPERATING EXPENSES:		
Costs of sales and services	2,524,870	2,269,659
Administration	328,919	372,779
Depreciation	345,103	240,413
Total operating expenses	3,198,892	2,882,851
OPERATING INCOME (LOSS)	1,316,275	1,832,882
NONOPERATING REVENUES (EXPENSES):		
Interest income	51,294	73,634
Interest expense	(696,026)	(723,659)
Amortization of bond issuance costs	(36,621)	(36,621)
Amortization of investment premium	(10,945)	(10,945)
Share in joint venture net gain/capital contribution	159,319	203,963
Total nonoperating revenues (expenses)	(532,979)	(493,628)
INCOME (LOSS)	783,296	1,339,254
Change in net assets	783,296	1,339,254
NET ASSETS:		
Beginning of year	28,580,858	27,241,604
End of year	\$ 29,364,154	\$ 28,580,858

See accompanying Notes to Basic Financial Statements.

City of Solana Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Sanitation Fund	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 4,702,643	\$ 4,606,486
Cash payments to suppliers for goods and services	(3,021,026)	(2,142,420)
Cash payments to employees for services	(335,034)	(365,760)
Other	13,803	217,552
Net cash provided (used) by operating activities	1,360,386	2,315,858
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash advances to other funds	(3,132,587)	-
Net cash provided (used) by noncapital financing activities	(3,132,587)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(169,310)	(2,726,610)
Principal paid on capital-related debt	(735,000)	(705,000)
Interest paid on capital-related debt	(705,493)	(732,744)
Net cash provided (used) by capital and related financing activities	(1,609,803)	(4,164,354)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	52,131	82,300
Net cash provided (used) by investing activities	52,131	82,300
Net increase (decrease) in cash and investments	(3,329,873)	(1,766,196)
CASH AND INVESTMENTS:		
Beginning of year	13,221,067	14,987,263
End of year	\$ 9,891,194	\$ 13,221,067
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:		
Cash and investments	\$ 7,310,687	\$ 5,766,100
Cash and investments with fiscal agents	3,442,147	8,316,287
Less: investments that do not qualify as cash equivalents	(861,640)	(861,320)
Total cash and cash equivalents	\$ 9,891,194	\$ 13,221,067

City of Solana Beach
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Sanitation Fund	
	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,316,275	\$ 1,832,882
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	345,103	240,413
Changes in operating assets and liabilities:		
Accounts receivable	201,279	108,305
Accounts payable and accrued liabilities	(496,156)	127,239
Accrued salaries and benefits	396	4,190
Compensated absences	(6,511)	2,829
Total adjustments	<u>44,111</u>	<u>482,976</u>
Net cash provided (used) by operating activities	<u>\$ 1,360,386</u>	<u>\$ 2,315,858</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During the year ended June 30, 2011, there were noncash investment activities of \$159,319 which related to the increase in share of joint venture equity and \$10,945 which related to the amortization of investment premium. There was also \$36,621 which related to amortization of deferred issuance costs and bond premium.

**FIDUCIARY FUND
FINANCIAL STATEMENTS**

City of Solana Beach
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(With comparative totals for June 30, 2010)

	Agency Funds	
	2011	2010
ASSETS		
Cash and investments	\$ 443,414	\$ 415,605
Receivables	1,507	405
Total assets	\$ 444,921	\$ 416,010
LIABILITIES		
Due to bondholders	\$ 444,921	\$ 416,010
Total liabilities	\$ 444,921	\$ 416,010

City of Solana Beach
Notes to Basic Financial Statements
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Solana Beach Redevelopment Agency (Agency) - The Agency was created and activated by the City of Solana Beach on December 2, 2003 by Ordinance No. 318 pursuant to the State of California Health and Safety Code Section 33200. On July 13, 2004, the City adopted Ordinance No. 326 which formed the Solana Beach Redevelopment Project Area. The Agency's purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the Solana Beach Redevelopment Project Area. Audited financial statements can be obtained from the City's Finance Department.

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

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

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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements

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

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

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

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

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

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

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

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

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

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

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

The City reports the following major governmental fund:

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements

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

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

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

The City reports the following major proprietary fund:

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The City’s fiduciary funds represent agency funds. 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.

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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

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 a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Capital Assets

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

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

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

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

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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Long-Term Liabilities

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

G. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

H. Net Assets

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

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

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

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

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Fund Balances

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

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

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

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

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

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

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

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

J. Property Taxes

Property taxes are levied on July 1 and are payable in two installments: December 10 and February 10 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Diego, California (County) bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when received in cash except at year end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes as revenues at June 30 available taxes or those collected within 60 days.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic levy.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Use of Estimates

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

2. CASH AND INVESTMENTS

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2011:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 17,579,202	\$ 7,310,687	\$ 24,889,889	\$ 443,414	\$ 25,333,303
Cash and investments with fiscal agent held by fiscal agents	1,374,896	3,442,147	4,817,043	-	4,817,043
Total	\$ 18,954,098	\$ 10,752,834	\$ 29,706,932	\$ 443,414	\$ 30,150,346

Cash and investments consisted of the following at June 30, 2011:

Cash:	
Cash on hand	\$ 800
Demand deposits	326,370
Total cash	327,170
Investments:	
Local Agency Investment Fund	25,006,133
Investments held by fiscal agent:	
Money market fund	3,759,693
Federal agency securities (FNMA)	1,057,350
Total investments	29,823,176
Total cash and investments	\$ 30,150,346

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$326,370 at June 30, 2011. Bank balances were \$737,910 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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

A. Cash Deposits

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, 2011, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For investments identified herein as held by fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

B. Investments

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

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

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

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

Investments Authorized by Debt Agreements

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

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

C. External Investment Pool

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

The fair value of the City's investment in LAIF is reported at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

The City's investments with LAIF at June 30, 2011, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

As of June 30, 2011, the City had \$25,006,133 invested in LAIF which had invested 5.01% of the pool investment funds in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

Disclosure Relating to Interest Rate Risk

Interest Rate Risk is the risk that the market value of investments in the portfolio will fall due to changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates is. The City manages this risk by investing its operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools to ensure liquidity and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

	<u>Fair Value</u>	<u>1 year or less</u>
Held by City:		
LAIF	\$ 25,006,133	\$ 25,006,133
Held by Fiscal Agent		
Money market funds	3,759,693	3,759,693
Federal agency (FNMA)	1,057,350	1,057,350
Total	<u>\$ 29,823,176</u>	<u>\$ 29,823,176</u>

Disclosure Relating to 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, 2011 for each investment type.

	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Ratings as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Held by City:				
Local Agency Investment Fund	\$ 25,006,133	N/A	\$ -	\$ 25,006,133
Held by fiscal agent:				
Money market funds	3,759,693	A	3,759,693	-
Federal agency (FNMA)	1,057,350	N/A	1,057,350	-
Total	<u>\$ 29,823,176</u>		<u>\$ 4,817,043</u>	<u>\$ 25,006,133</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Disclosures Relating to 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.

Disclosure Relating to 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.

3. INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due from and to other funds

At June 30, 2011, the City had the following short-term interfund receivables and payables:

		Due from other funds		
		General Fund	Non-Major Governmental Funds	Total
Due to other funds	Non-Major Governmental Funds	280,241	826,281	1,106,522
	Total	\$ 280,241	\$ 826,281	\$ 1,106,522

Due from/to other funds balances arise from the advance payments by 1) the City's General Fund for projects, which are reimbursable through various Federal and State Grant Programs and 2) the City's Redevelopment Agency Debt Service fund for projects in the City's redevelopment area. In accordance with the requirements of the Grant Programs, the above expenditures have been incurred and reimbursement is expected to be received within the next fiscal year.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. INTERFUND TRANSACTIONS, Continued

A. Fund Financial Statements, Continued

Advances from and to other funds

At June 30, 2011, the City had the following short-term interfund receivables and payables:

		Advance from other fund	
		General Fund	Total
Advance to other fund	Sanitation Fund	\$ 3,132,587	\$ 3,132,587
		<u>\$ 3,132,587</u>	<u>\$ 3,132,587</u>
		<u>\$ 3,132,587</u>	<u>\$ 3,132,587</u>

Advances from/to other funds balances arise from the advance of funds from the sanitation fund to the General Fund for payment of the PERS side-fund. For further information see note 10.

Transfers

At June 30, 2011, the City had the following transfers:

		Transfers In		
		General Fund	Non-Major Governmental Funds	Total
Transfers Out	General Fund	\$ -	\$ 581,026	\$ 581,026
	Non-major governmental funds	137,107	156,863	293,970
		<u>\$ 137,107</u>	<u>\$ 737,889</u>	<u>\$ 874,996</u>

The most significant interfund transfers were from 1) the General Fund and the Solana Beach Redevelopment Agency Debt Service fund to the City Capital Projects and Solana Beach Redevelopment Agency Capital Improvement Project funds in order to provide available funds for capital projects, and 2) the General Fund to the City Debt Service Fund for the City's principal and interest payments.

During the fiscal year ended June 30, 2011, there were no significant interfund transfers that were not expected, budgeted for, unusual nor of a non-routine nature.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of changes in capital assets for governmental activities for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Reclassification	Balance June 30, 2011
Governmental Activities:					
<i>Non-Depreciable Assets:</i>					
Land	\$ 2,537,440	\$ -	\$ -	\$ -	\$ 2,537,440
Construction in progress	1,134,876	1,106,888	(57,159)	(261,842)	1,922,763
Total non-depreciable assets	<u>3,672,316</u>	<u>1,106,888</u>	<u>(57,159)</u>	<u>(261,842)</u>	<u>4,460,203</u>
<i>Depreciable Assets:</i>					
Buildings	5,434,448	-	-	-	5,434,448
Improvements	9,109,846	-	-	88,621	9,198,467
Equipment	2,010,614	60,065	-	-	2,070,679
Vehicles	1,868,524	4,732	(22,270)	-	1,850,986
Infrastructure	54,111,005	192,340	-	173,221	54,476,566
Total depreciable assets	<u>72,534,437</u>	<u>257,137</u>	<u>(22,270)</u>	<u>261,842</u>	<u>73,031,146</u>
<i>Less accumulated depreciation:</i>					
Buildings	(1,924,007)	(109,143)	-	-	(2,033,150)
Improvements	(1,894,834)	(309,110)	-	-	(2,203,944)
Equipment	(1,795,352)	(130,432)	-	-	(1,925,784)
Vehicles	(804,381)	(115,849)	(22,270)	-	(942,500)
Infrastructure	(30,839,697)	(2,217,101)	-	-	(33,056,798)
Total accumulated depreciation	<u>(37,258,271)</u>	<u>(2,881,635)</u>	<u>(22,270)</u>	<u>-</u>	<u>(40,162,176)</u>
Total depreciable assets, net	<u>35,276,166</u>	<u>(2,624,498)</u>	<u>-</u>	<u>261,842</u>	<u>32,913,510</u>
Total capital assets, net	<u>\$ 38,948,482</u>	<u>\$ (1,517,610)</u>	<u>\$ (57,159)</u>	<u>\$ -</u>	<u>\$ 37,373,713</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2011 is as follows:

General government	\$ 152,421
Public safety	198,683
Public works	2,225,031
Community and development	4,196
Community services	301,304
Total depreciation expenses	<u>\$ 2,881,635</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2011:

	Balance				Balance
	July 1, 2010	Additions	Deletions	Reclassifications	June 30, 2011
Business-Type Activities:					
<i>Non-Depreciable Assets:</i>					
Land	\$ 111,706	\$ -	\$ -	\$ -	\$ 111,706
Construction in progress	5,193,038	169,310	-	(5,260,193)	102,155
Total non-depreciable assets	5,304,744	169,310	-	(5,260,193)	213,861
<i>Depreciable Assets:</i>					
Building and improvements	10,327,246	-	-	5,260,193	15,587,439
Equipment	529,739	-	-	-	529,739
Total depreciable assets	10,856,985	-	-	5,260,193	16,117,178
<i>Less accumulated depreciation:</i>					
Building and improvements	(3,708,279)	(342,761)	-	-	(4,051,040)
Equipment	(515,683)	(2,342)	-	-	(518,025)
Total accumulated depreciation	(4,223,962)	(345,103)	-	-	(4,569,065)
Total depreciable assets, net	6,633,023	(345,103)	-	5,260,193	11,548,113
Total capital assets, net	\$ 11,937,767	\$ (175,793)	\$ -	\$ -	\$ 11,761,974

Business-type activities depreciation expense for capital assets for the year ended June 30, 2011 is as follows:

Sanitation	\$ 345,103
Total depreciation expenses	\$ 345,103

B. Fund Financial Statements

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS

Governmental Activities Long-Term Debt

The following is a summary of changes in governmental activities long-term debt for the year ended June 30, 2011:

	Balance			Balance June 30, 2011	Classification	
	July 1, 2010	Additions	Deletions		Due Within One Year	Due In More Than One Year
2006 Tax Allocation Bonds	\$ 3,370,000	\$ -	\$ (70,000)	\$ 3,300,000	\$ 70,000	\$ 3,230,000
Lease Revenue Bond - ABAG	1,875,000	-	(235,000)	1,640,000	95,000	1,545,000
Capital Lease Obligations	434,920	-	(139,385)	295,535	144,900	150,635
Total long-term debt	5,679,920	-	(444,385)	5,235,535	309,900	4,925,635
Compensated Absences	325,334	-	(28,196)	297,138	11,005	286,133
Total	\$ 6,005,254	\$ -	\$ (472,581)	\$ 5,532,673	\$ 320,905	\$ 5,211,768

2006 Tax Allocation Bonds

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

The amount on deposit in the Reserve Fund is maintained at the reserve requirement at all times prior to the payment in full of the Bonds, except to the extent required for the purposes set forth in the Indenture. As defined in the Indenture, "reserve requirement" means, excluding therefrom in the case of the Bonds an amount equal to the amount then on deposit in the Escrow Fund and in the case of any Parity Bonds an amount equal to the amount then on deposit in any escrow fund created with respect to such Parity Bonds created pursuant to the Indenture, as of the date of calculation an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of such Bonds; ii) Maximum Annual Debt Service on such Bonds; or (iii) 125% of average Annual Debt Service on such Bonds. As of June 30, 2011, \$235,828 was held in reserve.

The Agency has pledged a portion of future property tax revenue to repay the 2006 Tax Allocation Bonds. Annual debt service payments of the bonds require approximately 30% of the Agency's property tax increments. Total principal and interest remaining on the bond is \$5,831,410 payable through 2036.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, Continued

Governmental Activities Long-Term Debt, Continued

2006 Tax Allocation Bonds, Continued

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 70,000	\$ 161,358	\$ 231,358
2013	75,000	158,330	233,330
2014	80,000	155,043	235,043
2015	80,000	151,503	231,503
2016	85,000	147,923	232,923
2017-2021	495,000	676,040	1,171,040
2022-2026	625,000	545,863	1,170,863
2027-2031	790,000	377,250	1,167,250
2032-2036	1,000,000	158,100	1,158,100
Total	<u>\$ 3,300,000</u>	<u>\$ 2,531,410</u>	<u>\$ 5,831,410</u>

Lease Revenue Bonds - ABAG

On January 10, 2002, the City issued \$3,465,000 of Series 2002 ABAG Lease Revenue Bonds to advance refund \$2,185,000 of the outstanding Certificates of Participation, Series 1992, and \$1,125,000 of the outstanding Certificates of Participation, Series 1995, establish a reserve account for the bonds, and to pay the cost of issuing the bonds. \$3,504,499 of the 2002 series proceeds were used to purchase U.S. Government securities to advance refund the 1992 and 1995 series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1995 series. As a result, the 1992 and 1995 series certificates of participation are considered to be defeased and the liability for the 1992 and 1995 series has been removed from the Government-wide Statement of Net Assets. The 2002 bonds have annual interest ranging from 3.00% to 5.00% and annual principal installments ranging from \$95,000 to \$235,000 through December 1, 2023. Total principal and interest remaining on the bond is \$2,221,598, payable through fiscal year 2024.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 95,000	\$ 78,894	\$ 173,894
2013	100,000	74,019	174,019
2014	105,000	68,894	173,894
2015	105,000	63,644	168,644
2016	110,000	58,406	168,406
2017-2021	655,000	201,741	856,741
2022-2024	470,000	36,000	506,000
	<u>\$ 1,640,000</u>	<u>\$ 581,598</u>	<u>\$ 2,221,598</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, Continued

Governmental Activities Long-Term Debt, Continued

Capital Lease Obligations

On October 27, 2008, the City entered into a capital lease for the purchase of a fire truck. The annual interest rate is 3.9% and lease payments are due quarterly in the amount of \$38,581. The debt requirements due under the terms of the lease as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 144,900	\$ 9,424	\$ 154,324
2013	150,635	3,690	154,325
	<u>\$ 295,535</u>	<u>\$ 13,114</u>	<u>\$ 308,649</u>

At June 30, 2011, the fire truck had a book value of \$663,519.

Compensated Absences

Compensated absences at June 30, 2011, amounted to \$297,138. This liability is expected to be paid from future resources from the General Fund.

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, 2011:

	Balance			Balance	Classification	
					Due Within	Due In More
	July 1, 2010	Additions	Deletions	June 30, 2011	One Year	Than One Year
JPA Loan Payable - 2003	\$ 6,595,000	\$ -	\$ (535,000)	\$ 6,060,000	\$ 560,000	\$ 5,500,000
Sewer Revenue Bond - 2006	9,320,000	-	(200,000)	9,120,000	205,000	8,915,000
Bond premiums	254,752	-	(25,475)	229,277	25,475	203,802
Total long-term debt	<u>16,169,752</u>	<u>-</u>	<u>(760,475)</u>	<u>15,409,277</u>	<u>790,475</u>	<u>14,618,802</u>
Compensated Absences	21,667	-	(6,511)	15,156	6,511	8,645
Total	<u>\$16,191,419</u>	<u>\$ -</u>	<u>\$ (766,986)</u>	<u>\$15,424,433</u>	<u>\$ 796,986</u>	<u>\$14,627,447</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, Continued

Business-type Activities Long-Term Debt, Continued

San Elijo JPA Loan Payable - 2003

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

The amended loan matures on March 1, 2020. The 2003 bonds ranging from 2.00% to 5.00% and annual principal installments ranging from \$430,000 to \$810,000 are due annually on March 1. Interest payments are due semi-annually on September 1 and March 1. Total interest and principal remaining on the bonds is \$7,652,550 at June 30, 2011.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 560,000	\$ 291,600	\$ 851,600
2013	580,000	269,200	849,200
2014	605,000	246,000	851,000
2015	635,000	215,750	850,750
2016	665,000	184,000	849,000
2017-2019	3,015,000	386,000	3,401,000
Total	<u>\$ 6,060,000</u>	<u>\$ 1,592,550</u>	<u>\$ 7,652,550</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, Continued

Business-type Activities Long-Term Debt, Continued

San Elijo JPA Loan Payable – 2003, Continued

In compliance with bond issuance covenants, specifically Appendix F Section 4(c) of the \$18,640,000 San Elijo Joint Powers Authority, 2003 Refunding Revenue Bonds, the City is including this table showing debt service coverage for the fiscal year of at least 1.10 times (i) the loan installments coming due and payable during the fiscal year, (ii) all payments required with respect to parity debt, and (iii) amount required to replenish the Reserve Fund as required by the indenture.

	Fiscal Year
	2010-11
Revenues:	
Operating revenues	\$ 4,501,364
Other operating	13,803
Non-operating	210,613
Gross revenues	<u>4,725,780</u>
Expenses	<u>3,942,484</u>
Net Income	<u>\$ 783,296</u>
Add back:	
Interest expense	\$ 696,026
Depreciation	345,103
Amortization of bond issuance costs	36,621
Amortization of investment in JPA	<u>10,945</u>
Net revenues available for debt service	<u>\$ 1,871,991</u>
2003 Refunding Revenue bonds debt service:	
Principal repayment	\$ 535,000
Interest charges	313,000
Total debt service	<u>\$ 848,000</u>
Coverage ratio	<u>2.21</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, Continued

Business-type Activities Long-Term Debt, Continued

2006 Subordinate Wastewater Revenue Bonds

On January 18, 2007, the City, acting as the Solana Beach Public Financing Authority, issued \$9,825,000 of Series 2006 Subordinate Wastewater Revenue Bonds to finance certain capital improvements to the Wastewater System. These bonds have a 30 year maturity with principal payments ranging from \$130,000 to \$565,000 with the final maturity paid on March 1, 2037. Interest on the bonds is payable semi-annually March 1 and September 1 commencing on September 1, 2007. Interest rates range from 3.42% to 4.45%. Total principal and interest remaining on the bonds was \$15,349,164 at June 30, 2011.

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 – 2003.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 205,000	\$ 385,493	\$ 590,493
2013	210,000	378,318	588,318
2014	220,000	370,758	590,758
2015	225,000	362,838	587,838
2016	235,000	354,400	589,400
2017-2021	1,325,000	1,625,663	2,950,663
2022-2026	1,630,000	1,326,756	2,956,756
2027-2031	2,015,000	940,406	2,955,406
2032-2036	2,490,000	459,813	2,949,813
2037	565,000	24,719	589,719
Total	<u>\$ 9,120,000</u>	<u>\$ 6,229,164</u>	<u>\$15,349,164</u>

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

This bond issue is subordinate to the 2003 San Elijo JPA Refunding Revenue Bonds Issue.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, Continued

Business-type Activities Long-Term Debt, Continued

2006 Subordinate Wastewater Revenue Bonds, Continued

Using net revenues available for debt service of \$1,871,991, the 2006 Subordinate Wastewater Revenue bonds debt service coverage requirement for fiscal year ended June 30, 2011 is calculated as follows:

	Fiscal Year
	2010-11
Net revenues available for debt service	\$ 1,871,991
Less: 2003 Refunding Revenue bonds debt service	(848,000)
Net revenues available for 2006 Sewer Revenue Bonds debt service	<u>\$ 1,023,991</u>
2006 Sewer Revenue bonds debt service:	
Principal repayment	\$ 200,000
Interest charges	392,492
Total debt service	<u>\$ 592,492</u>
Coverage ratio	<u>1.73</u>

Compensated Absences

Business-type activities compensated absences at June 30, 2011, amounted to \$15,156. This liability is expected to be paid from future resources from the Sanitation Fund.

Non-City Obligations - Special Assessment Debt

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

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

Undergrounding Districts

During July 2006, the Solana Beach Public Financing Authority issued Assessment District Revenue Bonds totaling \$2,112,000 (less bond issuance costs of \$244,393) to finance the undergrounding of utility lines for the Barbara/Granados Avenue Utility Undergrounding District and the Pacific Avenue/East and West Circle Drive Utility Underground Assessment District. In July 2008, the City of Solana Beach issued \$480,000 (less bond issuance costs of \$87,775) to finance the undergrounding of utility lines on Marsolan Avenue. The outstanding bonds at June 30, 2011 were \$2,405,000.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, Continued

Non-City Obligations – Special Assessment Debt, Continued

South Solana Sewer District

In November 2006, the Solana Beach Public Financing Authority issued Limited Obligation Improvement Bonds totalizing \$570,000 (less bond issuance costs of \$5,742) to finance the construction of sewer improvements to connect 51 properties of the South Solana Beach Sewer District assessment district to the City's sewer system. The outstanding bonds at June 30, 2011 were \$540,000.

6. RISK MANAGEMENT

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

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

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

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

General Liability Insurance

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

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. RISK MANAGEMENT, Continued

Workers' Compensation

Beginning October 1, 2004, the City became fully self-insured with respect to Workers' Compensation. The City has a Self-Insured Retention (SIR) of \$125,000 per claim and additional coverage above its SIR with CSAC Excess Insurance Authority (EIA) to \$4 million per claim; there is an additional \$45 million of reinsurance above CSAC-EIA coverage bringing the total coverage to over \$49 million per claim, up to the statutory workers' compensation limits set by the State of California. The CSAC-EIA is ranked as the second largest public entity risk pool and the largest property and casualty pool in the nation.

The workers' compensation and general liability claims payable of \$1,243,570 reported at June 30, 2011 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
2008-2009	\$ 459,588	\$ 583,152	\$ (649,219)	\$ 393,521
2009-2010	393,521	1,156,139	(346,660)	1,203,000
2010-2011	1,203,000	194,013	(153,443)	1,243,570

The latest financial information of the CSAC Excess Insurance Authority for fiscal year ended June 30, 2010, is as follows:

Total assets	\$ 546,764,817
Total liabilities	\$ 428,407,212
Total net assets	\$ 118,357,605
Total revenues	\$ 416,173,553
Total expenses	\$ 443,609,321
Expenses over revenues	\$ 27,435,768

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

The City contributes to the California Public Employees Retirement System ("PERS"), a cost-sharing agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

City employees are required by State statute to contribute 3.5% for miscellaneous employees ("tier 1"), 7% for miscellaneous employees (tier 2), 9% for fire safety employees, and 9% for marine safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account which amounted to \$795,733 for the year ended June 30, 2011. The City employer is required to contribute for fiscal year 2010-2011 at an actuarially determined rate; the current rate as a percentage of annual covered payroll is 14.007% for miscellaneous employees (tier 1), 6.755% for miscellaneous employees (tier 2), 32.856% for fire safety employees, and 29.815% for marine safety employees. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

Annual Pension Cost

For fiscal year ended June 30, 2011, the City's annual pension cost of \$965,274 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuations using the entry age normal actuarial cost method.

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

The City's covered payroll for PERS was \$1,631,766 for fire safety, \$268,950 for marine safety, \$2,488,530 for miscellaneous employees tier 1 and \$5,700 for miscellaneous employees tier 2 for the year ended June 30, 2011, while the City's total payroll during the same period was \$2,006,317 for fire safety employees, \$546,487 for marine safety employees, \$2,801,412 for tier 1 miscellaneous employees and \$6,057 for tier 2 miscellaneous employees. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2010 to June 30, 2011.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

THREE-YEAR TREND INFORMATION FOR PERS

Miscellaneous Employees - Tier 1

Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	14.418%	\$ 408,066	100%	\$ -
6/30/2010	14.089%	\$ 424,941	100%	\$ -
6/30/2011	14.007%	\$ 348,568	100%	\$ -

Miscellaneous Employees - Tier 2

Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	6.755%	\$ 385	100%	\$ -

Fire Safety Employees

Fiscal Year	Annual Pension Cost (APC)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	33.045%	\$ 510,192	100%	\$ -
6/30/2010	32.255%	\$ 519,719	100%	\$ -
6/30/2011	32.856%	\$ 536,133	100%	\$ -

Marine Safety Employees

Fiscal Year	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	29.999%	\$ 68,761	100%	\$ -
6/30/2010	30.432%	\$ 70,954	100%	\$ -
6/30/2011	29.815%	\$ 80,188	100%	\$ -

Funded Status of Plan - Miscellaneous and Safety Employees

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

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

Funding Policy

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

The City contributed \$96,100 during the 2011 fiscal year on a pay-as-you-go basis for current benefit payments. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual Required Contribution (ARC)	\$ 259,800
Interest on Net OPEB Obligation	13,000
Adjustment to ARC	(22,700)
	<hr/>
Annual OPEB Cost (Expense)	250,100
Contribution Made	(96,100)
	<hr/>
Increase in Net OPEB Obligation	154,000
Net OPEB Obligation	
Beginning of year	305,900
	<hr/>
End of Year	<u>\$ 459,900</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. OTHER POST EMPLOYMENT BENEFITS, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage Contribution</u>	<u>Increase in Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
2008-2009	\$ 221,000	\$ 69,900	31.6%	\$ 151,100	\$ 151,100
2009-2010	\$ 235,400	\$ 80,600	34.2%	\$ 154,800	\$ 305,900
2010-2011	\$ 250,100	\$ 96,100	38.4%	\$ 154,000	\$ 459,900

Funded Status and Funding Progress

The most recent schedule of funding progress is presented below:

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

Most Recent Actuarial Valuation

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

Actuarial Methods and Assumptions

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. OTHER POST EMPLOYMENT BENEFITS, Continued

Actuarial Methods and Assumptions, Continued

For the June 30, 2006 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. The City benefit caps for active employees, the basis of determining the City's retiree contribution, were assumed to remain at their current level. Premiums were assumed to increase with a medical cost increase rate of 11.0% for HMOs and 12.0% for PPOs for 2007, both grading down to 4.0% for HMOs and 5.0% for PPOs for 2017 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll over a fixed 20-year period as of June 30, 2006. Gains and losses after the valuation date are amortized over a closed 15-year period.

9. INVESTMENT IN JOINT VENTURE

On June 17, 1987, the Cardiff Sanitation District and the City of Solana Beach established the San Elijo Joint Powers Authority (SEJPA), a separate legal entity, whose function is to manage, operate, maintain and expand a plant for the treatment and disposal of sewage or wastewater and to determine the joint and separate obligations of the members concerning the transmission, treatment, disposal and reclamation of sewage and wastewater within the respective service territories. The SEJPA's governing board consists of two members from each entity. The City of Solana Beach's investment in the SEJPA has been recorded using the equity method of accounting and is shown as an investment in joint venture in the City's financial statements. Summarized audited information of the SEJPA for the fiscal year ended June 30, 2011 is as follows:

Operating revenues	\$ 5,532,177
Operating expenses	(5,705,292)
Non-operating expenses (net of revenues)	(157,862)
Capital grants	649,616
Change in net assets	<u>\$ 318,639</u>
Total assets	\$ 58,262,670
Total liabilities	22,366,192
Net assets - total fund equity	<u>\$ 35,896,478</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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. INVESTMENT IN JOINT VENTURE, Continued

A summary of the changes in the City's investment in the San Elijo Joint Powers Authority for the year ended June 30, 2011 is as follows:

June 30, 2010 balance	\$ 17,995,032
Add: unamortized premium	195,188
	<u>18,190,220</u>
FYE June 30, 2011 activity:	
Increase (decrease) in investment in joint venture	159,319
Less: amortization of premium	<u>(10,945)</u>
Total investment at June 30, 2011	<u><u>\$ 18,338,594</u></u>

At June 30, 2011 the SEJPA had \$11,360,000 in 2003 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.

10. SANITATION LOAN TO GENERAL FUND

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 would save the City \$970,462 in total interest over a twelve year period as compared to the current PERS amortization schedule.

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

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

11. COMMITMENTS AND CONTINGENCIES

A. *Litigation*

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

B. *Construction Commitments*

Various construction projects were in progress at June 30, 2011 with an estimated cost to complete of approximately \$576,094 in all fund types.

C. *Sales Tax - Transnet Debt Commitment*

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

D. *State Budget Crisis*

In 2009, the State enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The fiscal year 2009-2010 payment was \$209,741 and the fiscal year 2010-2011 payment was \$43,223. This action was litigated by the California Redevelopment Association and other parties. This lawsuit challenges the constitutionality of ABX 4-26 and seeks to prevent the State from taking redevelopment funds for non-development purposes. As of the date of this report, the court's decision is currently being appealed and the results have not yet been determined.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

12. CLASSIFICATION OF FUND BALANCES

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

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Prepays	\$ 4,981	\$ -	\$ 4,981
Deposits	1,712,069	69,266	1,781,335
Pearl Settlement	27,569	-	27,569
Total nonspendable	1,744,619	69,266	1,813,885
Restricted			
Gas Tax	-	577,749	577,749
Municipal Improvement Districts	-	325,713	325,713
SEEG	-	693	693
Lighting District	-	1,500,603	1,500,603
TransNet	-	932,448	932,448
Public Safety	-	12,359	12,359
Fire Mitigation	-	49,449	49,449
CALTRANS	-	59,636	59,636
Coastal Area Business/Visitor Assistance & Enhancement	-	160,414	160,414
Boating & Waterways	-	16,133	16,133
Miscellaneous Grants	-	8,027	8,027
RDA Low/Mod Housing	-	592,500	592,500
Housing	-	425,193	425,193
City Debt Service	-	198,549	198,549
RDA Debt Service	-	723,739	723,739
Assessment Districts CIP	-	135,847	135,847
RDA CIP	-	112,829	112,829
Sand Replenish/Retention and Coastal Access CIP	-	337,468	337,468
Total restricted	-	6,169,349	6,169,349
Committed			
Public Facilities	73,524	-	73,524
Public Art	14,336	-	14,336
Parks & Recreation	21,237	-	21,237
Total assigned	109,097	-	109,097
Assigned			
General Fund	4,992,762	-	4,992,762
Developer Pass-Thru	-	83,343	83,343
City CIP	-	698,772	698,772
Total assigned	4,992,762	782,115	5,774,877
Unassigned	(313,452)	(273,357)	(586,809)
Total fund balances	\$ 6,423,929	\$ 6,747,373	\$ 13,171,302

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

13. DEFICIT FUND BALANCES

At June 30, 2011, the following funds had deficit fund balances or deficit net assets:

Fund	Fund Type	Deficit
Prop A	Special Revenue Fund	\$ 596
TEA 21/TEA	Special Revenue Fund	168,970
Transportation Development Act	Special Revenue Fund	25,000
CDBG	Special Revenue Fund	78,791

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

14. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2011, expenditures exceeded appropriations in the following funds:

Transportation Development Act	(10)
Developer Pass-Thru	(54,409)

For the Transportation Development Act (TDA) fund an adjustment was done subsequent to the closing of the books to fully expend a project's remaining available funding. For Developer Pass-Thru fund it is a new fund set up in FY2011 and expenditures were underestimated

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to limit its activities to implementing existing contracts, meeting already-incurred obligations, preserving its assets, utilizing existing bond proceeds, and winding down the affairs of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate without the limitations of ABx1 26 by means of a Voluntary Alternative Redevelopment Program. Under this program, any city may adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 27 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Solana Beach intends to use primarily available monies of its redevelopment agency for this purpose, and the City and Agency have approved a reimbursement agreement to accomplish that objective. A formula has been established in ABx1 27 to determine the amounts to be paid in fiscal year 2012-13 and each fiscal year thereafter.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and the city that created the agency that occurred after January 1, 2011. If the city that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26. However, ABx1 27 provides that these provisions have no effect in communities that choose to participate in the Voluntary Alternative Redevelopment Program authorized by ABx1 27.

In the event that Assembly Bill X1 26 is upheld and ABx1 27 is found to be unconstitutional the City might be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution and on other grounds. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds; loans for any lawful purpose; payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments; judgments or settlements; legally binding and enforceable agreements or contracts; contracts or agreements necessary for the continued administration or operation of the agency; and amounts owing to the Low and Moderate Income Housing Fund.

On September 14, 2011, City Ordinance No. 432 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and 27 are upheld as constitutional. The initial payment by the City is estimated to be \$267,019 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$63,280 would be due in 2012-13. The amounts to be paid after fiscal year 2012-13 are determined by a formula adopted by the State Legislature and would be similar to the amount due in 2012-13. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" as defined in ABx1 27 is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its 2011-12 payment. Failure to make these payments would subject agencies to the provisions of ABX1 26.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to reduce the funding to California redevelopment agencies.

16. SUBSEQUENT EVENTS

Issuance of 2001 Refunding Revenue Bonds

On December 21, 2011 the San Elijo Joint Powers Authority (Authority) refinanced the San Elijo JPA Loan Payable-2003 and prepaid a note to the California Energy Commission via issuance of the 2011 Refunding Revenue Bonds. The new bonds have a principal amount due of \$9,235,000 with the first payment due on March 1, 2012 and the final payment due on September 1, 2021. The bonds have coupon rates ranging from 2.0% to 4.0%.

The Authority is a joint exercise of powers authority between the City of Solana Beach and the City of Encinitas (Local Agencies). The cities entered into a Third Amended and Restated Loan Agreement, each dated as of December 1, 2011, to assist in the financing of the Local Agencies' respective share of the Bonds. Each Loan Agreement is an obligation of Solana Beach and Encinitas, respectively, and Loan Installments payable are secured by a pledge of Net Revenues and other funds of each respective Local Agency.

Loan Installments from Encinitas are calculated to pay approximately 48% of total debt service on the Bonds, and Loan Installments from Solana Beach are calculated to pay approximately 52% of total debt service on the Bonds.

Issuance of Refunding Lease Agreement, Refunding Revenue Bonds

On November 22, 2011, the City refinanced its ABAG Lease Revenue Bonds by doing a private placement with City National Bank. The refunding lease was issued in the amount of \$1,388,300 and the interest rate is 3.4%. The first payment is due June 1, 2012 and the final payment is due December 1, 2022. The net present value savings is approximately \$185,246 or 13.34% of the refunding lease.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

City of Solana Beach
Required Supplementary Information
For the year ended June 30, 2010

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 budgets are adopted for the General, special revenue, debt service and capital projects (with the exception of the Assessment District capital project funds). Certain funds did not have original budgets adopted; however, these funds did have budgets adopted before fiscal year end.

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

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
Required Supplementary Information, Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule - General Fund

	2011			Variance with Final Budget	2010
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
REVENUES:					
Taxes and assessments:					
Property	\$ 5,244,800	\$ 5,312,700	\$ 5,302,265	\$ (10,435)	\$ 5,332,456
Sales	2,626,400	2,700,000	2,813,227	113,227	2,515,183
Franchise and other	2,265,700	2,417,900	2,315,517	(102,383)	2,289,393
Intergovernmental	1,437,900	1,389,086	1,442,110	53,024	1,376,714
Licenses and permits	297,300	333,500	323,091	(10,409)	308,284
Charges for services	524,000	575,000	603,497	28,497	675,474
Fines and forfeitures	319,000	343,200	385,394	42,194	349,291
Investment income	83,500	52,500	60,641	8,141	88,407
Revenue from use of money and property	45,600	62,600	63,822	1,222	38,480
Other revenues	408,700	413,200	575,253	162,053	396,095
Total revenues	13,252,900	13,599,686	13,884,817	285,131	13,369,777
EXPENDITURES:					
General government:					
City Council	222,040	221,487	214,409	7,078	209,542
City Clerk	310,845	307,243	292,735	14,508	339,041
Legal services	442,200	497,540	499,504	(1,964)	471,076
City Manager	382,420	369,479	372,529	(3,050)	421,518
Finance	617,050	682,408	687,770	(5,362)	672,661
Personnel	253,305	272,817	272,729	88	238,360
Information systems	274,100	294,678	286,797	7,881	310,965
Support services	667,730	1,701,027	1,576,745	124,282	614,259
Total general government	3,169,690	4,346,679	4,203,218	143,461	3,277,422
Public safety:					
Junior lifeguard	140,900	187,192	185,905	1,287	187,713
Marine safety	596,400	780,033	779,399	634	672,396
Law enforcement	2,943,700	2,916,700	2,912,712	3,988	2,999,138
Code & parking enforcement	234,180	208,526	207,470	1,056	331,761
Fire department	3,214,300	5,151,056	5,137,837	13,219	3,354,891
Animal regulation	84,700	84,700	83,705	995	79,900
Civil defense	25,800	18,165	17,954	211	17,560
Environmental services	50,900	48,600	43,039	5,561	41,406
Total public safety	7,290,880	9,394,972	9,368,021	26,951	7,684,765

(Continued)

City of Solana Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule - General Fund, Continued

	2011			Variance with Final Budget	2010
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Public works:					
Street and other	1,109,000	1,086,852	985,614	101,238	1,028,253
Public facility	155,000	156,613	118,194	38,419	140,366
Engineering	353,200	430,836	428,268	2,568	348,942
Total public works	1,617,200	1,674,301	1,532,076	142,225	1,517,561
Community development:					
Planning	639,375	671,231	670,364	867	751,274
Building services	237,600	293,800	292,761	1,039	264,412
Total community development	876,975	965,031	963,125	1,906	1,015,686
Community services:					
Community services	89,340	122,005	121,876	129	80,622
Recreation programs	165,275	168,009	146,727	21,282	144,262
Total community services	254,615	290,014	268,603	21,411	224,884
	-				
Total expenditures	13,209,360	16,670,997	16,335,043	335,954	13,720,318
REVENUE OVER (UNDER) EXPENDITURES	43,540	(3,071,311)	(2,450,226)	(50,823)	(350,541)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	137,100	137,107	7	165,541
Transfers out	(394,400)	(581,026)	(581,026)	-	(381,653)
Total financing sources (uses)	(394,400)	(443,926)	(443,919)	7	(216,112)
Net change in fund balance	<u>\$ (350,860)</u>	<u>\$ (3,515,237)</u>	(2,894,145)	<u>\$ (50,816)</u>	(566,653)
FUND BALANCE:					
Beginning of year			9,427,171		9,993,824
End of year			<u>\$ 6,533,026</u>		<u>\$ 9,427,171</u>

(Concluded)

City of Solana Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

2. SCHEDULE OF FUNDING PROGRESS

A. Defined Benefits Pension Plan

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

B. Other Post-Employment Benefits Plan

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

OPEB information is not available in earlier years as the City adopted GASB Statement No. 45 in 2009.

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

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 - used to account for receipts and expenditures related to landscape maintenance within the various improvement districts. Budgets for the maintenance costs are determined by the property owners who are then assessed on a per parcel basis. The assessments are collected via the County tax roll.

SEEG Fund - used to account for the State Environment Enhancement Grant.

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

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 governments 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 Visitors' Bureau, special events such as the Fiesta Del Sol, public art projects, and visitor enhancements to the Highway 101 business corridor or the Cedros Design District

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

Miscellaneous Grants Fund - used to account for grants received to fund various ongoing capital projects.

Redevelopment Agency Low/Mod Housing Fund - used to account for low and moderate housing set aside funds and projects.

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

Developer Pass-Thru - used to account for resources reserved to developer deposits

City Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on the City's debt.

Redevelopment Agency Debt Service Fund - used to account for the collection of tax increment that is used to pay for principal and interest on long-term obligations issued by the Redevelopment Agency.

City CIP Fund - Capital Improvement Fund is used to account for the acquisition, construction, and improvement of capital facilities and infrastructure. The projects are funded by transfers from the General Fund.

Assessment Districts CIP Fund - used to account for capital projects in the assessment districts.

Redevelopment Agency CIP Fund - used to account for administration and capital projects in the redevelopment project area.

Sand Replenishment/Retention and Coastal Access CIP Fund - is limited to sand replenishment, sand retention, and coastal access capital projects. Seawall expenditures are excluded from this CIP fund.

This page intentionally left blank.

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011
(With comparative totals for June 30, 2010)

	Special Revenue Funds		Debt Service Funds	
	2011	2010	2011	2010
ASSETS				
Cash and investments	\$ 4,797,823	\$ 4,847,452	\$ 2,840	\$ 66,644
Cash and investments with fiscal agents	-	-	431,538	425,463
Receivables:				
Accounts	-	79,198	-	11,931
Taxes	8,821	5,658	8,174	-
Interest	3,306	3,508	688	-
Due from other governments	128,998	-	-	799
Due from other funds	138,741	-	687,540	669,707
Total assets	\$ 5,077,689	\$ 4,935,816	\$ 1,130,780	\$ 1,174,544
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 207,309	\$ 78,510	\$ 208,491	\$ 217,391
Accrued liabilities	3,962	3,527	-	-
Due to other funds	280,241	184,540	-	-
Deposits payable	575	-	-	-
Deferred revenue	114,693	114,450	-	-
Total liabilities	606,780	381,027	208,491	217,391
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	4,660,923	4,739,809	922,289	957,153
Committed	-	-	-	-
Assigned	83,343	-	-	-
Unassigned	(273,357)	(185,020)	-	-
Total fund balances	4,470,909	4,554,789	922,289	957,153
Total liabilities and fund balances	\$ 5,077,689	\$ 4,935,816	\$ 1,130,780	\$ 1,174,544

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011
(With comparative totals for June 30, 2010)

	Capital Projects Funds		Total Non-Major Funds	
	2011	2010	2011	2010
ASSETS				
Cash and investments	\$ 1,360,627	\$ 1,429,511	\$ 6,161,290	\$ 6,343,607
Cash and investments with fiscal agents	943,358	943,239	1,374,896	1,368,702
Receivables:				
Accounts	56,173	-	56,173	91,129
Taxes	-	-	16,995	5,658
Interest	1,441	1,928	5,435	5,436
Due from other governments	-	-	128,998	799
Due from other funds	-	-	826,281	669,707
Total assets	\$ 2,361,599	\$ 2,374,678	\$ 8,570,068	\$ 8,485,038
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 110,192	\$ 58,751	\$ 525,992	\$ 354,652
Accrued liabilities	1,758	2,791	5,720	6,318
Due to other funds	826,281	669,707	1,106,522	854,247
Deposits payable	69,226	69,226	69,801	69,226
Deferred revenue	-	-	114,693	114,450
Total liabilities	1,007,457	800,475	1,822,728	1,398,893
Fund Balances:				
Nonspendable	69,226	69,226	69,226	69,226
Restricted	586,143	674,349	6,169,355	6,371,311
Committed	-	-	-	-
Assigned	698,773	830,628	782,116	830,628
Unassigned	-	-	(273,357)	(185,020)
Total fund balances	1,354,142	1,574,203	6,747,340	7,086,145
Total liabilities and fund balances	\$ 2,361,599	\$ 2,374,678	\$ 8,570,068	\$ 8,485,038

City of Solana Beach

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Special Revenue Funds		Debt Service Funds	
	2011	2010	2011	2010
REVENUES:				
Taxes and assessments	\$ 1,488,149	\$ 1,223,154	\$ 630,337	\$ 796,263
Use of money and property	20,597	27,608	11,021	11,683
Intergovernmental	181,808	324,204	-	-
Charges for services	3,857	2,714	-	-
Contributions from property owners	-	-	-	-
Other revenues	167,400	-	-	-
Total revenues	1,861,811	1,577,680	641,358	807,946
EXPENDITURES:				
Current:				
General government	1,791	-	1,627	5,726
Public safety	163,694	163,812	-	-
Public works	731,874	761,315	-	-
Community services	-	-	-	-
Community development	140,493	63,965	-	-
Capital outlay	791,122	648,023	-	-
Debt service:				
Principal	-	-	444,385	424,079
Interest and fiscal charges	-	-	265,360	282,725
Pass-through payments	-	-	281,387	453,250
Total expenditures	1,828,974	1,637,115	992,759	1,165,780
REVENUES OVER (UNDER) EXPENDITURES	32,837	(59,435)	(351,401)	(357,834)
OTHER FINANCING SOURCES (USES):				
Transfers in	20,390	159,253	473,400	359,552
Transfers out	(137,107)	-	(156,863)	(310,033)
Total other financing sources (uses)	(116,717)	159,253	316,537	49,519
Net changes in fund balances	(83,880)	99,818	(34,864)	(308,315)
FUND BALANCES:				
Beginning of year	4,554,789	4,454,971	957,153	1,265,468
End of year	\$ 4,470,909	\$ 4,554,789	\$ 922,289	\$ 957,153

City of Solana Beach

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Capital Projects Funds		Total Non-Major Funds	
	2011	2010	2011	2010
REVENUES:				
Taxes and assessments	\$ 150,591	\$ 143,052	\$ 2,269,077	\$ 2,162,469
Use of money and property	6,005	10,142	37,623	49,433
Intergovernmental	-	-	181,808	324,204
Charges for services	-	-	3,857	2,714
Contributions from property owners	-	-	-	-
Other revenues	389,735	25,500	557,135	25,500
Total revenues	546,331	178,694	3,049,500	2,564,320
EXPENDITURES:				
Current:				
General government	156,863	150,206	160,281	155,932
Public safety	-	-	163,694	163,812
Public works	-	-	731,874	761,315
Community services	-	-	-	-
Community development	-	-	140,493	63,965
Capital outlay	853,628	486,855	1,644,750	1,134,878
Debt service:				
Principal	-	-	444,385	424,079
Interest and fiscal charges	-	-	265,360	282,725
Pass-through payments	-	-	281,387	453,250
Total expenditures	1,010,491	637,061	3,832,224	3,439,956
REVENUES OVER (UNDER) EXPENDITURES	(464,160)	(458,367)	(782,724)	(875,636)
OTHER FINANCING SOURCES (USES):				
Transfers in	244,099	172,881	737,889	691,686
Transfers out	-	(165,541)	(293,970)	(475,574)
Total other financing sources (uses)	244,099	7,340	443,919	216,112
Net changes in fund balances	(220,061)	(451,027)	(338,805)	(659,524)
FUND BALANCES:				
Beginning of year	1,574,203	2,025,230	7,086,145	7,745,669
End of year	\$ 1,354,142	\$ 1,574,203	\$ 6,747,340	\$ 7,086,145

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue				
		Municipal		Lighting	
	Gas Tax	Improvement Districts	SEEG	District	TransNet
ASSETS					
Cash and investments	\$ 597,505	\$ 369,438	\$ 693	\$ 1,501,844	\$ 1,026,301
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	3,654	-	3,123	-
Interest	649	226	-	-	1,284
Due from other governments	-	-	-	1,647	-
Due from other funds	-	-	-	-	-
Total assets	\$ 598,154	\$ 373,318	\$ 693	\$ 1,506,614	\$ 1,027,585
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 20,405	\$ 47,028	\$ -	\$ 3,156	\$ 95,072
Accrued liabilities	-	568	-	2,855	66
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	20,405	47,596	-	6,011	95,138
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	577,749	325,722	693	1,500,603	932,447
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	577,749	325,722	693	1,500,603	932,447
Total liabilities and fund balances	\$ 598,154	\$ 373,318	\$ 693	\$ 1,506,614	\$ 1,027,585

(Continued)

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue				
	Prop A	TEA 21/ TEA	COPS	Public Safety	Fire Mitigation
ASSETS					
Cash and investments	\$ -	\$ -	\$ 25,578	\$ -	\$ 49,398
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	-	-	-	-
Interest	-	-	9	-	52
Due from other governments	-	-	100,000	21,805	-
Due from other funds	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 125,587	\$ 21,805	\$ 49,450
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 10,894	\$ 2,090	\$ -
Accrued liabilities	-	-	-	473	-
Due to other funds	596	168,970	-	6,884	-
Deposits payable	-	-	-	-	-
Deferred revenue	-	-	114,693	-	-
Total liabilities	596	168,970	125,587	9,447	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	12,358	49,450
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(596)	(168,970)	-	-	-
Total fund balances	(596)	(168,970)	-	12,358	49,450
Total liabilities and fund balances	\$ -	\$ -	\$ 125,587	\$ 21,805	\$ 49,450

(Continued)

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue				
	Transportation Development Act	CDBG	CALTRANS	Coastal Area Business/Visitor Assistance & Enhancement	Boating & Waterways
	Act	CDBG	CALTRANS	Enhancement	Waterways
ASSETS					
Cash and investments	\$ -	\$ -	\$ 54,038	\$ 164,030	\$ 16,132
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	-	-	-	-
Interest	-	-	52	133	-
Due from other governments	-	-	5,546	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 59,636	\$ 164,163	\$ 16,132
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,750	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	25,000	78,791	-	-	-
Deposits payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	25,000	78,791	-	3,750	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	59,636	160,413	16,132
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(25,000)	(78,791)	-	-	-
Total fund balances	(25,000)	(78,791)	59,636	160,413	16,132
Total liabilities and fund balances	\$ -	\$ -	\$ 59,636	\$ 164,163	\$ 16,132

(Continued)

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue			Debt Service	
	Miscellaneous Grants	RDA Low/Mod Housing	Housing	Developer Pass-Thru	City Debt Service
ASSETS					
Cash and investments	\$ 12,001	\$ 458,597	\$ 424,701	\$ 97,567	\$ 2,840
Cash and investments with fiscal agents	-	-	-	-	195,710
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	2,044	-	-	-
Interest	13	396	492	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	138,741	-	-	-
Total assets	\$ 12,014	\$ 599,778	\$ 425,193	\$ 97,567	\$ 198,550
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,988	\$ 7,277	\$ -	\$ 13,649	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	575	-
Deferred revenue	-	-	-	-	-
Total liabilities	3,988	7,277	-	14,224	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	8,026	592,501	425,193	-	198,550
Committed	-	-	-	-	-
Assigned	-	-	-	83,343	-
Unassigned	-	-	-	-	-
Total fund balances	8,026	592,501	425,193	83,343	198,550
Total liabilities and fund balances	\$ 12,014	\$ 599,778	\$ 425,193	\$ 97,567	\$ 198,550

(Continued)

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Debt Service		Capital Projects		
	RDA Debt Service	City CIP	Assessment Districts CIP	RDA CIP	Sand Replenish/ Retention and Coastal Access CIP
ASSETS					
Cash and investments	\$ -	\$ 723,956	290,628	\$ -	\$ 346,043
Cash and investments with fiscal agents	235,828	-	-	943,358	-
Receivables:					
Accounts	-	56,173	-	-	-
Taxes	8,174	-	-	-	-
Interest	688	801	315	-	325
Due from other governments	-	-	-	-	-
Due from other funds	687,540	-	-	-	-
Total assets	\$ 932,230	\$ 780,930	\$ 290,943	\$ 943,358	\$ 346,368
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 208,491	\$ 82,085	\$ 16,644	\$ 2,563	\$ 8,900
Accrued liabilities	-	72	-	1,686	-
Due to other funds	-	-	-	826,281	-
Deposits payable	-	-	69,226	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	208,491	82,157	85,870	830,530	8,900
Fund Balances:					
Nonspendable	-	-	69,226	-	-
Restricted	723,739	-	135,847	112,828	337,468
Committed	-	-	-	-	-
Assigned	-	698,773	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	723,739	698,773	205,073	112,828	337,468
Total liabilities and fund balances	\$ 932,230	\$ 780,930	\$ 290,943	\$ 943,358	\$ 346,368

(Continued)

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Total Other Governmental Funds <u>June 30, 2011</u>	Total Other Governmental Funds <u>June 30, 2010</u>
ASSETS		
Cash and investments	\$ 6,161,290	\$ 6,343,607
Cash and investments with fiscal agents	1,374,896	1,368,702
Receivables:		
Accounts	56,173	91,129
Taxes	16,995	5,658
Interest	5,435	5,436
Due from other governments	128,998	799
Due from other funds	826,281	669,707
Total assets	<u>\$ 8,570,068</u>	<u>\$ 8,485,038</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 525,992	\$ 354,652
Accrued liabilities	5,720	6,318
Due to other funds	1,106,522	854,247
Deposits payable	69,801	69,226
Deferred revenue	114,693	114,450
Total liabilities	<u>1,822,728</u>	<u>1,398,893</u>
Fund Balances:		
Nonspendable	69,226	69,226
Restricted	6,169,355	6,371,311
Committed	-	-
Assigned	782,116	830,628
Unassigned	(273,357)	(185,020)
Total fund balances	<u>6,747,340</u>	<u>7,086,145</u>
Total liabilities and fund balances	<u>\$ 8,570,068</u>	<u>\$ 8,485,038</u>

(Concluded)

City of Solana Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Special Revenue				
	Gas Tax	Municipal Improvement Districts	SEEG	Lighting District	TransNet
REVENUES:					
Taxes and assessments	\$ 330,287	\$ 511,865	\$ -	\$ 413,116	\$ -
Use of money and property	2,511	1,169	-	6,600	5,426
Intergovernmental	-	3,523	-	5,196	-
Charges for services	-	-	-	-	-
Other revenues	-	-	-	-	21,001
Total revenues	332,798	516,557	-	424,912	26,427
EXPENDITURES:					
Current:					
General government	1,639	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	497,619	-	234,255	-
Community services	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	192,340	-	-	-	312,741
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Pass-through payments	-	-	-	-	-
Total expenditures	193,979	497,619	-	234,255	312,741
REVENUES OVER (UNDER) EXPENDITURES	138,819	18,938	-	190,657	(286,314)
OTHER FINANCING SOURCES (USES):					
Transfers in	20,390	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	20,390	-	-	-	-
Net changes in fund balances	159,209	18,938	-	190,657	(286,314)
FUND BALANCES:					
Beginning of year	418,540	306,784	693	1,309,946	1,218,761
End of year	\$ 577,749	\$ 325,722	\$ 693	\$ 1,500,603	\$ 932,447

(Continued)

City of Solana Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Special Revenue				
	Prop A	TEA 21/ TEA	COPS	Public Safety	Fire Mitigation
REVENUES:					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	101	-	210
Intergovernmental	-	-	99,757	49,064	-
Charges for services	-	-	-	-	3,857
Other revenues	-	-	-	5,147	-
Total revenues	-	-	99,858	54,211	4,067
EXPENDITURES:					
Current:					
General government	-	-	-	152	-
Public safety	-	-	99,982	20,831	8,256
Public works	-	-	-	-	-
Community services	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	30,396	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Pass-through payments	-	-	-	-	-
Total expenditures	-	-	99,982	51,379	8,256
REVENUES OVER (UNDER) EXPENDITURES	-	-	(124)	2,832	(4,189)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net changes in fund balances	-	-	(124)	2,832	(4,189)
FUND BALANCES:					
Beginning of year	(596)	(168,970)	124	9,526	53,639
End of year	\$ (596)	\$ (168,970)	\$ -	\$ 12,358	\$ 49,450

(Continued)

City of Solana Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Special Revenue				
	Transportation Development	Coastal Area Business/Visitor			Boating & Waterways
	Act	CDBG	CALTRANS	Assistance & Enhancement	
REVENUES:					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 75,296	\$ -
Use of money and property	-	-	211	594	83
Intergovernmental	-	24,268	-	-	-
Charges for services	-	-	-	-	-
Other revenues	-	-	-	3,500	-
Total revenues	-	24,268	211	79,390	83
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	34,625
Public works	-	-	-	-	-
Community services	-	-	-	-	-
Community development	-	-	-	39,884	-
Capital outlay	25,010	87,605	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Pass-through payments	-	-	-	-	-
Total expenditures	25,010	87,605	-	39,884	34,625
REVENUES OVER (UNDER) EXPENDITURES	(25,010)	(63,337)	211	39,506	(34,542)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net changes in fund balances	(25,010)	(63,337)	211	39,506	(34,542)
FUND BALANCES:					
Beginning of year	10	(15,454)	59,425	120,907	50,674
End of year	\$ (25,000)	\$ (78,791)	\$ 59,636	\$ 160,413	\$ 16,132

(Continued)

City of Solana Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Special Project			Debt Service	
	Miscellaneous Grants	RDA Low/Mod Housing	Housing	Developer Pass-Thru	City Debt Service
REVENUES:					
Taxes and assessments	\$ -	\$ 157,585	\$ -	\$ -	\$ -
Use of money and property	96	1,605	1,991	-	8,210
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Other revenues	-	-	-	137,752	-
Total revenues	96	159,190	1,991	137,752	8,210
EXPENDITURES:					
Current:					
General government	-	-	-	-	1,627
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community services	-	-	-	-	-
Community development	-	100,609	-	-	-
Capital outlay	88,621	-	-	54,409	-
Debt service:					
Principal	-	-	-	-	374,385
Interest and fiscal charges	-	-	-	-	101,202
Pass-through payments	-	-	-	-	-
Total expenditures	88,621	100,609	-	54,409	477,214
REVENUES OVER (UNDER) EXPENDITURES	(88,525)	58,581	1,991	83,343	(469,004)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	473,400
Transfers out	-	(137,107)	-	-	-
Total other financing sources (uses)	-	(137,107)	-	-	473,400
Net changes in fund balances	(88,525)	(78,526)	1,991	83,343	4,396
FUND BALANCES:					
Beginning of year	96,551	671,027	423,202	-	194,154
End of year	\$ 8,026	\$ 592,501	\$ 425,193	\$ 83,343	\$ 198,550

(Continued)

City of Solana Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Debt Service		Capital Projects		
	RDA Debt Service	City CIP	Assessment Districts CIP	RDA CIP	Sand Replenish/ Retention and Coastal Access CIP
REVENUES:					
Taxes and assessments	\$ 630,337	\$ -	\$ -	\$ -	\$ 150,591
Use of money and property	2,811	3,254	1,277	95	1,379
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Other revenues	-	389,735	-	-	-
Total revenues	633,148	392,989	1,277	95	151,970
EXPENDITURES:					
Current:					
General government	-	-	-	156,863	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community services	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	612,080	-	123,045	118,503
Debt service:					
Principal	70,000	-	-	-	-
Interest and fiscal charges	164,158	-	-	-	-
Pass-through payments	281,387	-	-	-	-
Total expenditures	515,545	612,080	-	279,908	118,503
REVENUES OVER (UNDER) EXPENDITURES	117,603	(219,091)	1,277	(279,813)	33,467
OTHER FINANCING SOURCES (USES):					
Transfers in	-	87,236	-	156,863	-
Transfers out	(156,863)	-	-	-	-
Total other financing sources (uses)	(156,863)	87,236	-	156,863	-
Net changes in fund balances	(39,260)	(131,855)	1,277	(122,950)	33,467
FUND BALANCES:					
Beginning of year	762,999	830,628	203,796	235,778	304,001
End of year	\$ 723,739	\$ 698,773	\$ 205,073	\$ 112,828	\$ 337,468

(Continued)

City of Solana Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Total Other Governmental Funds <u>June 30, 2011</u>	Total Other Governmental Funds <u>June 30, 2010</u>
REVENUES:		
Taxes and assessments	\$ 2,269,077	\$ 2,162,469
Use of money and property	37,623	49,433
Intergovernmental	181,808	324,204
Charges for services	3,857	2,714
Other revenues	557,135	25,500
Total revenues	<u>3,049,500</u>	<u>2,564,320</u>
EXPENDITURES:		
Current:		
General government	160,281	155,932
Public safety	163,694	163,812
Public works	731,874	761,315
Community services	-	-
Community development	140,493	63,965
Capital outlay	1,644,750	1,134,878
Debt service:		
Principal	444,385	424,079
Interest and fiscal charges	265,360	282,725
Pass-through payments	281,387	453,250
Total expenditures	<u>3,832,224</u>	<u>3,439,956</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(782,724)</u>	<u>(875,636)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	737,889	691,686
Transfers out	(293,970)	(475,574)
Total other financing sources (uses)	<u>443,919</u>	<u>216,112</u>
Net changes in fund balances	(338,805)	(659,524)
FUND BALANCES:		
Beginning of year	7,086,145	7,745,669
End of year	<u>\$ 6,747,340</u>	<u>\$ 7,086,145</u>

(Concluded)

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Gas Tax Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 244,000	\$ 356,400	\$ 330,287	\$ (26,113)
Use of money and property	2,500	1,900	2,511	611
Intergovernmental	-	-	-	-
Total revenues	246,500	358,300	332,798	(25,502)
EXPENDITURES:				
Current:				
General government	-	2,000	1,639	361
Capital outlay	250,000	257,269	192,340	64,929
Total expenditures	250,000	259,269	193,979	65,290
REVENUES OVER (UNDER) EXPENDITURES	(3,500)	99,031	138,819	39,788
OTHER FINANCING SOURCES (USES):				
Transfers in	-	20,390	20,390	-
Total other financing sources (uses)	-	20,390	20,390	-
Net changes in fund balance	\$ (3,500)	\$ 119,421	159,209	\$ 39,788
FUND BALANCE:				
Beginning of year			418,540	
End of year			\$ 577,749	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Municipal Improvements District Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 507,700	\$ 507,700	\$ 511,865	\$ 4,165
Use of money and property	2,200	2,200	1,169	(1,031)
Intergovernmental	700	700	3,523	2,823
Total revenues	510,600	510,600	516,557	5,957
EXPENDITURES:				
Current:				
Public works	519,200	518,247	497,619	20,628
Total expenditures	519,200	518,247	497,619	20,628
REVENUES OVER (UNDER) EXPENDITURES				
	(8,600)	(7,647)	18,938	26,585
Net changes in fund balance	\$ (8,600)	\$ (7,647)	18,938	\$ 26,585
FUND BALANCE:				
Beginning of year			306,784	
End of year			\$ 325,722	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

SEEG Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Pass-through payments	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			693	
End of year			\$ 693	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Lighting District Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 413,100	\$ 413,100	\$ 413,116	\$ 16
Use of money and property	7,500	7,500	6,600	(900)
Intergovernmental	3,200	3,200	5,196	1,996
Total revenues	423,800	423,800	424,912	1,112
EXPENDITURES:				
Current:				
Public works	266,600	269,863	234,255	35,608
Capital outlay	178,500	178,500	-	178,500
Total expenditures	445,100	448,363	234,255	214,108
Net changes in fund balance	\$ (21,300)	\$ (24,563)	190,657	\$ 215,220
FUND BALANCE:				
Beginning of year			1,309,946	
End of year			\$ 1,500,603	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

TransNet Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 933,500	\$ 933,500	\$ -	\$ (933,500)
Use of money and property	7,800	7,800	5,426	(2,374)
Other revenues	-	-	21,001	21,001
Total revenues	<u>941,300</u>	<u>941,300</u>	<u>26,427</u>	<u>(914,873)</u>
EXPENDITURES:				
Current:				
Capital outlay	933,500	1,674,164	312,741	1,361,423
Total expenditures	<u>933,500</u>	<u>1,674,164</u>	<u>312,741</u>	<u>1,361,423</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7,800</u>	<u>(732,864)</u>	<u>(286,314)</u>	<u>446,550</u>
Net changes in fund balance	<u>\$ 7,800</u>	<u>\$ (732,864)</u>	<u>(286,314)</u>	<u>\$ 446,550</u>
FUND BALANCE:				
Beginning of year			<u>1,218,761</u>	
End of year			<u>\$ 932,447</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Proposition A Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>(596)</u>	
End of year			<u>\$ (596)</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

TEA 21/TEA Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Developer fees	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net changes in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			(168,970)	
End of year			<u>\$ (168,970)</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

COPS Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 300	\$ 300	\$ 101	\$ (199)
Intergovernmental	-	-	99,757	99,757
Total revenues	300	300	99,858	99,558
EXPENDITURES:				
Current:				
Public safety	100,000	111,489	99,982	11,507
Total expenditures	100,000	111,489	99,982	11,507
REVENUES OVER (UNDER) EXPENDITURES	(99,700)	(111,189)	(124)	111,065
Net changes in fund balance	\$ (99,700)	\$ (111,189)	(124)	\$ 111,065
FUND BALANCE:				
Beginning of year			124	
End of year			\$ -	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Public Safety

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 19,500	\$ 48,400	\$ 49,064	\$ 664
Other revenues	-	-	5,147	5,147
Total revenues	19,500	48,400	54,211	5,811
EXPENDITURES:				
Current:				
General government	-	-	152	(152)
Public safety	19,500	24,298	20,831	3,467
Capital outlay	-	27,438	30,396	(2,958)
Total expenditures	19,500	51,736	51,379	357
REVENUES OVER (UNDER) EXPENDITURES	-	(3,336)	2,832	6,168
Net changes in fund balance	\$ -	\$ (3,336)	2,832	\$ 6,168
FUND BALANCE:				
Beginning of year			9,526	
End of year			\$ 12,358	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Fire Mitigation

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 200	\$ 200	\$ 210	\$ 10
Charges for services	2,000	2,000	3,857	1,857
Total revenues	2,200	2,200	4,067	1,867
EXPENDITURES:				
Current:				
Public safety	15,000	25,325	8,256	17,069
Capital outlay	-	-	-	-
Total expenditures	15,000	25,325	8,256	17,069
Net changes in fund balance	\$ (12,800)	\$ (23,125)	(4,189)	\$ 18,936
FUND BALANCE:				
Beginning of year			53,639	
End of year			\$ 49,450	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

TDA Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Total revenues	25,000	25,000	-	(25,000)
EXPENDITURES:				
Capital outlay	25,000	25,000	25,010	(10)
Total expenditures	25,000	25,000	25,010	(10)
Net changes in fund balance	\$ -	\$ -	(25,010)	\$ (25,010)
FUND BALANCE:				
Beginning of year			10	
End of year			\$ (25,000)	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual CDBG Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 131,760	\$ 131,760	\$ 24,268	\$ (107,492)
Total revenues	<u>131,760</u>	<u>131,760</u>	<u>24,268</u>	<u>(107,492)</u>
EXPENDITURES:				
Capital outlay	-	101,890	87,605	14,285
Total expenditures	<u>-</u>	<u>101,890</u>	<u>87,605</u>	<u>14,285</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>131,760</u>	<u>29,870</u>	<u>(63,337)</u>	<u>(93,207)</u>
Net changes in fund balance	<u>\$ 131,760</u>	<u>\$ 29,870</u>	<u>(63,337)</u>	<u>\$ (93,207)</u>
FUND BALANCE:				
Beginning of year			<u>(15,454)</u>	
End of year			<u>\$ (78,791)</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Caltrans Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	211	211
Total revenues	-	-	211	211
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net changes in fund balance	\$ -	\$ -	211	\$ 211
FUND BALANCE:				
Beginning of year			59,425	
End of year			\$ 59,636	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Coastal Area Business/Visitor Assistance and Enhancement Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 75,000	\$ 75,000	\$ 75,296	\$ 296
Use of money and property	400	400	594	194
Other revenues	-	4,500	3,500	(1,000)
Total revenues	75,400	79,900	79,390	(510)
EXPENDITURES:				
Current:				
Community development	33,500	41,150	39,884	1,266
Total expenditures	33,500	41,150	39,884	1,266
REVENUES OVER (UNDER) EXPENDITURES	41,900	38,750	39,506	756
Net changes in fund balance	\$ 41,900	\$ 38,750	39,506	\$ 756
FUND BALANCE:				
Beginning of year			120,907	
End of year			\$ 160,413	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Boating and Waterways Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 83	\$ 83
Intergovernmental	54,800	208,300	-	(208,300)
Total revenues	54,800	208,300	83	(208,217)
EXPENDITURES:				
Current:				
Public safety	-	188,125	34,625	153,500
Total expenditures	-	188,125	34,625	153,500
REVENUES OVER (UNDER) EXPENDITURES	54,800	20,175	(34,542)	(54,717)
Net changes in fund balance	\$ 54,800	\$ 20,175	(34,542)	\$ (54,717)
FUND BALANCE:				
Beginning of year			50,674	
End of year			\$ 16,132	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Miscellaneous Grants Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 96	\$ (904)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>157,681</u>	<u>156,681</u>
EXPENDITURES:				
Capital outlay	<u>23,300</u>	<u>89,192</u>	<u>88,621</u>	<u>571</u>
Total expenditures	<u>23,300</u>	<u>89,192</u>	<u>88,621</u>	<u>571</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>(22,300)</u>	<u>(88,192)</u>	<u>69,060</u>	<u>157,252</u>
Net changes in fund balance	<u>\$ (22,300)</u>	<u>\$ (88,192)</u>	<u>69,060</u>	<u>\$ 157,252</u>
FUND BALANCE:				
Beginning of year			<u>96,551</u>	
End of year			<u>\$ 165,611</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Low and Moderate Housing Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	-	-	157,585	157,585
Use of money and property	\$ 1,100	\$ 1,100	\$ 1,605	\$ 505
Total revenues	1,100	1,100	159,190	158,090
EXPENDITURES:				
Current:				
Community development	19,500	122,052	100,609	21,443
Total expenditures	19,500	122,052	100,609	21,443
REVENUES OVER (UNDER) EXPENDITURES	(18,400)	(120,952)	58,581	179,533
OTHER FINANCING SOURCES (USES):				
Transfers in	166,600	166,600	-	(166,600)
Transfers out	-	(137,100)	(137,107)	(7)
Total other financing sources (uses)	166,600	29,500	(137,107)	(166,607)
Net changes in fund balance	\$ 148,200	\$ (91,452)	(78,526)	\$ 12,926
FUND BALANCE:				
Beginning of year			671,027	
End of year			\$ 592,501	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Housing Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,600	\$ 2,600	\$ 1,991	\$ (609)
Total revenues	<u>2,600</u>	<u>2,600</u>	<u>1,991</u>	<u>(609)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,600</u>	<u>2,600</u>	<u>1,991</u>	<u>(609)</u>
Net changes in fund balance	<u>\$ 2,600</u>	<u>\$ 2,600</u>	1,991	<u>\$ (609)</u>
FUND BALANCE:				
Beginning of year			<u>423,202</u>	
End of year			<u>\$ 425,193</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Developer Pass-Thru Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Other revenues	\$ -	\$ 137,800	\$ 137,752	\$ (48)
Total revenues	-	137,800	137,752	(48)
EXPENDITURES:				
Capital outlay	-	-	54,409	(54,409)
Total expenditures	-	-	54,409	(54,409)
REVENUES OVER (UNDER) EXPENDITURES				
	-	137,800	83,343	(54,457)
 Net changes in fund balance	 \$ -	 \$ 137,800	 83,343	 \$ (54,457)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 83,343	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

City Debt Service Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 6,000	\$ 6,000	\$ 8,210	\$ 2,210
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>8,210</u>	<u>2,210</u>
EXPENDITURES:				
Current:				
General government	-	1,700	1,627	73
Debt service:				
Principal	374,400	374,400	374,385	15
Interest and fiscal charges	101,300	101,300	101,202	98
Total expenditures	<u>475,700</u>	<u>477,400</u>	<u>477,214</u>	<u>186</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(469,700)</u>	<u>(471,400)</u>	<u>(469,004)</u>	<u>2,396</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	318,400	473,400	473,400	-
Total other financing sources (uses)	<u>318,400</u>	<u>473,400</u>	<u>473,400</u>	<u>-</u>
Net changes in fund balance	<u>\$ (151,300)</u>	<u>\$ 2,000</u>	<u>4,396</u>	<u>\$ 2,396</u>
FUND BALANCE:				
Beginning of year			<u>194,154</u>	
End of year			<u>\$ 198,550</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Agency Debt Service Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 833,000	\$ 833,000	\$ 630,337	\$ (202,663)
Use of money and property	2,700	2,700	2,811	111
Total revenues	835,700	835,700	633,148	(202,552)
EXPENDITURES:				
Current:				
General government	9,500	9,500	-	9,500
Debt service:				
Principal	70,000	70,000	70,000	-
Interest and fiscal charges	164,200	164,200	164,158	42
Pass-through payments	276,600	276,600	281,387	(4,787)
Total expenditures	520,300	520,300	515,545	4,755
REVENUES OVER (UNDER) EXPENDITURES	315,400	315,400	117,603	(197,797)
OTHER FINANCING SOURCES (USES):				
Transfers out	(379,700)	(379,700)	(156,863)	222,837
Total other financing sources (uses)	(379,700)	(379,700)	(156,863)	222,837
Net changes in fund balance	\$ (64,300)	\$ (64,300)	(39,260)	\$ 25,040
FUND BALANCE:				
Beginning of year			762,999	
End of year			\$ 723,739	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

City CIP Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,000	\$ 5,000	\$ 3,254	\$ (1,746)
Other revenues	-	308,982	389,735	80,753
Total revenues	5,000	313,982	392,989	79,007
EXPENDITURES:				
Current:				
Capital outlay	789,500	1,006,122	612,080	394,042
Total expenditures	789,500	1,006,122	612,080	394,042
REVENUES OVER (UNDER) EXPENDITURES	(784,500)	(692,140)	(219,091)	473,049
OTHER FINANCING SOURCES (USES):				
Transfers in	76,000	87,236	87,236	-
Transfers out	-	(165,541)	-	165,541
Total other financing sources (uses)	76,000	(78,305)	87,236	165,541
Net changes in fund balance	\$ (708,500)	\$ (770,445)	(131,855)	\$ 638,590
FUND BALANCE:				
Beginning of year			830,628	
End of year			<u>\$ 698,773</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Assessment District CIP Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,100	\$ 1,100	\$ 1,277	\$ 177
Total revenues	<u>1,100</u>	<u>1,100</u>	<u>1,277</u>	<u>177</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>1,100</u>	<u>1,100</u>	<u>1,277</u>	<u>177</u>
Net changes in fund balance	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>1,277</u>	<u>\$ 177</u>
FUND BALANCE:				
Beginning of year			<u>203,796</u>	
End of year			<u>\$ 205,073</u>	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Redevelopment Agency CIP Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 95	\$ 95
Total revenues	-	-	95	95
EXPENDITURES:				
Current:				
General government	156,100	150,408	156,863	(6,455)
Capital outlay	81,200	129,806	123,045	6,761
Total expenditures	237,300	280,214	279,908	306
REVENUES OVER (UNDER) EXPENDITURES	(237,300)	(280,214)	(279,813)	401
OTHER FINANCING SOURCES (USES):				
Transfers in	213,100	213,100	156,863	(56,237)
Total other financing sources (uses)	213,100	213,100	156,863	(56,237)
Net changes in fund balance	\$ (24,200)	\$ (67,114)	(122,950)	\$ (55,836)
FUND BALANCE:				
Beginning of year			235,778	
End of year			\$ 112,828	

City of Solana Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Sand Replenishment/Retention and Coastal Access CIP Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 150,000	\$ 150,000	\$ 150,591	\$ 591
Use of money and property	-	-	1,379	1,379
Total revenues	150,000	150,000	151,970	1,970
EXPENDITURES:				
Capital outlay	111,800	112,502	118,503	(6,001)
Total expenditures	111,800	112,502	118,503	(6,001)
REVENUES OVER (UNDER) EXPENDITURES	38,200	37,498	33,467	(4,031)
Net changes in fund balance	\$ 38,200	\$ 37,498	33,467	\$ (4,031)
FUND BALANCE:				
Beginning of year			304,001	
End of year			\$ 337,468	

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. These funds account for payments from property owners as well as debt service on bonds that were issued to pay for the sewer improvements. This is accounted for as an agency fund because the City has no responsibility for the debt service on the bonds.

City of Solana Beach
Combining Statement of Fiduciary Net Assets
All Agency Funds
June 30, 2011

	Cedros Avenue Assessment District	Undergrounding Districts	South Solana Sewer District	Total Agency Funds
ASSETS				
Cash and investments	\$ 13,199	\$ 357,974	\$ 72,241	\$ 443,414
Accounts receivable	-	1,507	-	1,507
Total assets	\$ 13,199	\$ 359,481	\$ 72,241	\$ 444,921
LIABILITIES				
Due to bondholders	\$ 13,199	\$ 359,481	\$ 72,241	\$ 444,921
Total liabilities	\$ 13,199	\$ 359,481	\$ 72,241	\$ 444,921

City of Solana Beach
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<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	\$ 332,445	\$ 200,646	\$ (175,117)	\$ 357,974
Accounts receivable	405	1,865	(763)	1,507
Total assets	\$ 332,850	\$ 202,511	\$ (175,880)	\$ 359,481
Liabilities:				
Due to bondholders	\$ 332,850	\$ 202,511	\$ (175,880)	\$ 359,481
Total liabilities	\$ 332,850	\$ 202,511	\$ (175,880)	\$ 359,481
<u>South Solana Sewer District</u>				
Assets:				
Cash and investments	\$ 69,961	\$ 39,079	\$ (36,799)	\$ 72,241
Accounts receivable	-	-	-	-
Total assets	\$ 69,961	\$ 39,079	\$ (36,799)	\$ 72,241
Liabilities:				
Due to bondholders	\$ 69,961	\$ 39,079	\$ (36,799)	\$ 72,241
Total liabilities	\$ 69,961	\$ 39,079	\$ (36,799)	\$ 72,241
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 415,605	\$ 239,725	\$ (211,916)	\$ 443,414
Accounts receivable	405	1,865	(763)	1,507
Total assets	\$ 416,010	\$ 241,590	\$ (212,679)	\$ 444,921
Liabilities:				
Due to bondholders	\$ 416,010	\$ 241,590	\$ (212,679)	\$ 444,921
Total liabilities	\$ 416,010	\$ 241,590	\$ (212,679)	\$ 444,921

This page intentionally left blank.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solana Beach, California (the "City"), as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated December 21, 2011. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

To the Honorable Mayor and Members of the City Council
of the City of Solana Beach
Solana Beach, California
Page 2

This report is intended solely for the information and use of management, City Council, others within the entity, and State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
December 21, 2011

Statistical Section

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

Contents

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

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

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

CITY OF SOLANA BEACH

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

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

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

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

(This page intentionally left blank)

CITY OF SOLANA BEACH

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental Activities:									
General government	\$ 1,175,182	\$ 1,869,797	\$ 2,657,830	\$ 2,773,232	\$ 3,528,936	\$ 3,937,478	3,518,394	4,680,495	4,943,119
Public safety	5,405,861	5,426,159	5,699,742	6,087,407	6,660,964	7,295,541	7,543,706	8,066,129	9,730,398
Public works	3,585,561	4,099,736	4,725,613	4,483,800	7,956,086	3,983,378	6,254,133	4,350,781	4,207,981
Community development	669,741	609,010	804,491	1,089,476	1,092,010	1,318,105	1,115,746	1,055,575	1,078,141
Community services	354,778	272,811	413,747	393,590	447,863	3,662,205	862,778	526,188	569,907
Interest on long-term debt	159,210	148,504	138,123	330,382	440,207	464,713	523,536	738,430	543,852
Total Governmental Activities expenses	11,350,333	12,426,017	14,439,546	15,157,887	20,126,066	20,661,420	19,818,293	19,417,598	21,073,398
Business-Type Activities:									
Sanitation	3,206,253	2,322,722	2,798,884	2,616,081	2,893,009	3,284,109	3,599,496	3,654,076	3,942,484
Total Business-Type Activities Expenses	3,206,253	2,322,722	2,798,884	2,616,081	2,893,009	3,284,109	3,599,496	3,654,076	3,942,484
Total Primary Government Expenses	\$ 14,556,586	\$ 14,748,739	\$ 17,238,430	\$ 17,773,968	\$ 23,019,075	\$ 23,945,529	\$ 23,417,789	\$ 23,071,674	\$ 25,015,882
Program Revenues									
Governmental Activities:									
Charges for services:									
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	448,726	322,410	528,680	612,036	673,678	685,091	804,810	397,971	471,722
Public works	794,497	841,104	809,414	892,979	933,500	992,150	923,315	571,933	689,658
Community development	431,434	402,152	549,425	723,716	696,403	718,504	508,514	447,581	506,927
Community services	57,568	59,007	58,192	59,245	65,554	102,620	105,511	248,803	151,189
Operating Contributions:									
General government	-	-	-	-	-	-	-	-	14,213
Public safety	-	-	-	2,460	-	-	-	181,174	251,237
Public works	291,059	255,956	257,689	312,172	393,644	267,943	318,590	1,000	1,351
Community development	-	-	-	-	-	-	31,725	-	-
Community services	-	-	-	-	14,944	48,393	-	76,250	13,500
Capital Contributions and Grants:									
Public safety	245,146	291,021	110,626	181,974	109,462	184,866	109,194	-	65,696
Public works	1,107,610	2,622,423	1,640,684	4,475,229	1,377,308	3,152,793	1,039,257	25,500	414,003
Community services	-	-	-	-	-	-	-	-	21,001
Total Governmental Activities Program Revenues	3,376,040	4,794,073	3,954,710	7,259,811	4,264,493	6,152,360	3,840,916	1,950,212	2,600,497
Business-Type Activities:									
Charges for services:									
Sanitation	3,055,575	3,559,721	3,530,427	3,741,212	3,860,416	5,920,865	4,296,890	4,498,181	4,501,364
Total Business-Type Activities Program Revenues	3,055,575	3,559,721	3,530,427	3,741,212	3,860,416	5,920,865	4,296,890	4,498,181	4,501,364
Total Primary Government Program Revenues	\$ 6,431,615	\$ 8,353,794	\$ 7,485,137	\$ 11,001,023	\$ 8,124,909	\$ 12,073,225	\$ 8,137,806	\$ 6,448,393	\$ 7,101,861
Net (Expense)/Revenue									
Governmental Activities	3,376,040	4,794,073	3,954,710	7,259,811	(15,861,573)	(14,509,060)	(15,977,377)	(17,467,386)	(18,472,901)
Business-Type Activities	(11,501,011)	(11,189,018)	(13,708,003)	(14,032,756)	967,407	2,636,756	697,394	844,105	558,880
Total primary Government Net Expense	(8,124,971)	(6,394,945)	(9,753,293)	(6,772,945)	(14,894,166)	(11,872,304)	(15,279,983)	(16,623,281)	(17,914,021)
General Revenues and Other Charges in Net Assets									
Governmental Activities:									
Taxes:									
Property taxes, levied for general purpose	\$ 3,646,279	\$ 3,956,173	\$ 4,031,269	\$ 4,478,992	\$ 5,565,440	\$ 5,954,582	\$ 6,291,314	\$ 6,880,563	\$ 6,813,559
Transient occupancy taxes	515,588	561,429	783,539	919,638	1,013,297	1,020,184	1,015,007	929,836	978,840
Sales taxes	2,482,421	2,691,127	2,661,448	2,943,359	3,070,730	3,041,726	2,682,769	2,515,183	2,813,228
Franchise taxes	402,079	477,870	521,996	569,936	613,222	624,153	652,107	652,485	663,660
Other taxes	1,439,466	1,240,834	1,756,042	2,191,678	1,821,978	1,905,408	2,016,476	2,228,379	2,353,883
Investment income	303,471	165,575	323,938	606,068	1,044,282	776,033	401,668	175,659	161,701
Use of money and property	28,342	30,653	34,902	26,227	31,304	56,849	87,154	-	-
Other	437,132	461,095	352,889	337,900	548,286	553,666	493,665	345,098	218,377
Loss on sale of property	-	-	-	-	-	-	-	-	(57,159)
Total Governmental Activities	9,254,778	9,584,756	10,466,023	12,073,798	13,708,539	13,932,601	13,640,160	13,727,203	13,946,089
Business-Type Activities:									
Investment income	149,442	98,406	164,044	271,140	477,002	488,749	261,554	73,634	51,294
Share in joint venture net loss	(466,575)	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	421,515	173,122
Total Business-Type Activities	(317,133)	98,406	164,044	271,140	477,002	488,749	261,554	495,149	224,416
Total Primary Government	8,937,645	9,683,162	10,630,067	12,344,938	14,185,541	14,421,350	13,901,714	14,222,352	14,170,505
Changes in Net Assets									
Governmental Activities	12,630,818	14,378,829	14,420,733	19,333,609	(2,153,034)	(576,459)	(2,337,217)	(3,740,183)	(4,526,812)
Business-Type Activities	(11,818,144)	(11,090,612)	(13,543,959)	(13,761,616)	1,444,409	3,125,505	958,948	1,339,254	783,296
Total Primary Government	\$ 812,674	\$ 3,288,217	\$ 876,774	\$ 5,571,993	\$ (708,625)	\$ 2,549,046	\$ (1,378,269)	\$ (2,400,929)	\$ (3,743,516)

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 974,342	\$ 565,386	\$ 544,362	\$ 634,006	\$ 519,306
Unreserved	9,581,261	10,514,035	10,150,168	10,573,702	9,406,448
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 10,555,603</u>	<u>\$ 11,079,421</u>	<u>\$ 10,694,530</u>	<u>\$ 11,207,708</u>	<u>\$ 9,925,754</u>
All Other Governmental Funds					
Reserved	\$ 2,316,972	\$ 4,786,874	\$ 1,205,408	\$ 3,297,818	672,468
Unreserved, reported in nonmajor,					
Special revenue funds	821,858	(747,926)	1,677,800	2,813,527	169,154
Capital Projects funds	831,336	319,560	652,688	4,697,594	1,289,006
Debt service funds	-	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 3,970,166</u>	<u>\$ 4,358,508</u>	<u>\$ 3,535,896</u>	<u>\$ 10,808,939</u>	<u>\$ 8,182,808</u>

Fiscal Year

2008	2009	2010	2011
\$ 702,183	\$ 678,179	\$ 590,395	\$ -
9,349,667	9,315,645	8,836,776	-
-	-	-	1,744,619
-	-	-	109,097
-	-	-	4,992,762
-	-	-	(313,452)
<u>\$ 10,051,850</u>	<u>\$ 9,993,824</u>	<u>\$ 9,427,171</u>	<u>\$ 6,533,026</u>

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

CITY OF SOLANA BEACH

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

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

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

	2008	2009	2010	2011
\$	12,459,651	\$ 12,299,829	\$ 12,299,501	\$ 12,700,086
	4,945,419	2,310,147	1,700,918	1,623,918
	397,846	329,118	308,284	323,091
	673,668	573,179	678,188	607,354
	348,272	322,777	349,291	385,394
	-	732,846	-	-
	781,475	404,348	-	-
	46,849	87,154	176,320	162,086
	596,889	593,334	421,595	1,132,388
	20,250,069	17,652,732	15,934,097	16,934,317
	3,562,602	3,373,964	3,433,354	4,363,499
	7,126,476	8,236,116	7,848,577	9,531,715
	2,537,019	2,471,621	2,278,876	2,263,950
	1,312,496	1,108,727	1,079,651	1,103,618
	288,019	295,651	224,884	268,603
	5,208,933	1,751,802	1,134,878	1,644,750
	235,000	415,000	424,079	444,385
	289,795	292,415	282,725	265,360
	214,200	256,033	453,250	281,387
	20,774,540	18,201,329	17,160,274	20,167,267
	(524,471)	(548,597)	(1,226,177)	(3,232,950)
	905,588	946,080	857,227	874,996
	(905,588)	(946,080)	(857,227)	(874,996)
	-	-	-	-
	-	703,999	-	-
	-	703,999	-	-
\$	(524,471)	\$ 155,402	\$ (1,226,177)	\$ (3,232,950)
\$	2,730,022	\$ 390,039	\$ 963,854	\$ 1,364,025
	2.9%	4.0%	4.4%	3.8%

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
2002	1,681,838	202,768	130,772	-
2003	1,795,862	215,156	119,755	-
2004	1,916,873	223,024	131,368	-
2005	2,085,753	237,780	128,736	-
2006	2,298,209	255,260	162,600	-
2007	2,514,874	265,176	175,719	-
2008	2,724,080	299,804	155,109	-
2009	2,873,115	344,271	167,089	-
2010	2,919,582	352,525	168,139	-
2011	2,925,829	343,837	158,782	-

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

N/A - Data not available

Source: San Diego County Assessor 2001/02 - 2010/11 Combined Tax Rolls
HdL Coren & Cone.
City of Solana Beach Finance Department

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value^a	Taxable Assessed Value as a Percentage of Actual Taxable Value
2,015,378	0.1735%	N/A	N/A
2,130,773	0.1735%	N/A	N/A
2,271,265	0.1735%	N/A	N/A
2,452,269	0.1735%	N/A	N/A
2,716,069	0.1735%	N/A	N/A
2,955,769	0.1735%	N/A	N/A
3,178,993	0.1735%	N/A	N/A
3,384,475	0.1735%	N/A	N/A
3,440,246	0.1735%	N/A	N/A
3,428,448	0.1735%	N/A	N/A

CITY OF SOLANA BEACH

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

City Direct Rates

Fiscal Year	General Basic Tax Levy	Municipal Improvement District	Lighting District	Total Direct Rate
2002	0.1602	0.0037	0.0096	0.1735
2003	0.1602	0.0037	0.0096	0.1735
2004	0.1602	0.0037	0.0096	0.1735
2005	0.1602	0.0037	0.0096	0.1735
2006	0.1602	0.0037	0.0096	0.1735
2007	0.1602	0.0037	0.0096	0.1735
2008	0.1602	0.0037	0.0096	0.1735
2009	0.1602	0.0037	0.0096	0.1735
2010	0.1602	0.0037	0.0096	0.1735
2011	0.1602	0.0037	0.0096	0.1735

Overlapping Rates

Fiscal Year	San Diego County (1)	Carlsbad/Oceanside/Vista Projects	School Districts	Community College	Santa Fe Irrigation District (2)
2002	0.167550	0.0004	0.402810	0.10486	0.025340
2003	0.167550	0.0004	0.402810	0.10486	0.025340
2004	0.167550	0.0004	0.402810	0.10486	0.025340
2005	0.167550	0.0004	0.402810	0.10486	0.025340
2006	0.167550	0.0004	0.402810	0.10486	0.025340
2007	0.167550	0.0004	0.402810	0.10486	0.025340
2008	0.167550	0.0004	0.402810	0.10486	0.025340
2009	0.167550	0.0004	0.402810	0.10486	0.025340
2010	0.167550	0.0004	0.402810	0.10486	0.025340
2011	0.167550	0.0004	0.402810	0.10486	0.025340

(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 2001/02 - 2010/11 Tax Rate Table and HdL Coren and Cone.

Overlapping Rates

Overlapping Rates					
Voter Approved (3)					
Educational Revenue Augmentation	CWA Santa Fe Irrigation Debt Service	Metropolitan Water District Debt Service	Santa Fe Irrigation Tax Rate Reduction	Vista Project	Total Tax Rate
0.12551	0.00083	0.0077	-0.01009	-	0.998430
0.12551	0.00075	0.0067	-0.01048	-	0.996960
0.12551	0.00067	0.0061	-0.01099	-	0.995770
0.12551	-	0.0058	-0.01123	-	0.994560
0.12551	-	0.0052	-	-	1.005190
0.12551	-	0.0047	-	-	1.004690
0.12551	-	0.0045	-	-	1.004490
0.12551	-	0.0043	-	-	1.004290
0.12551	-	0.0043	-	-	1.004290
0.12551	-	0.0037	-	-	1.003690

(This page intentionally left blank)

CITY OF SOLANA BEACH

**Principal Property Tax Payers,
Current Year and Nine 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, 2011</u>		
SB Corporate Centre III-IV LLC	\$ 68,668,267	2.03%
Sanyo Foods Corporation of America	29,052,948	0.86%
Pacific Solana Beach Holdings LP	28,957,513	0.85%
Fenton Solana Highlands LLC	27,463,728	0.81%
Muller Beachwalk LLC	22,300,000	0.66%
E R P Operating Limited Partnership	17,580,179	0.52%
Lavida Delmar Associates Limited Partnership	15,524,069	0.46%
445 Marine View LLC	15,000,000	0.44%
Urschel Laboratories Inc.	12,727,852	0.38%
Price Self Storage Solana Beach LLC	12,401,224	0.37%
Total	<u>\$ 249,675,780</u>	<u>7.37%</u>

<u>For the Fiscal Year Ended June 30, 2002</u>		
SB Towne Centre LLC	\$ 29,359,550	1.48%
Pacific Solana Beach Holdings LP	24,383,970	1.23%
Sanyo Foods Corporation of America	23,463,882	1.18%
Fenton Solana Highlands LLC	23,433,985	1.18%
E R P Operating LP	14,981,760	0.76%
Lavida Delmar Associates	13,191,331	0.67%
Price Enterprises Inc	10,724,832	0.54%
Generation Venture Fund IV LLC	10,039,860	0.51%
Urschel Laboratories Inc	10,000,000	0.50%
Hibiscus Investments Inc	9,363,600	0.47%
Total	<u>\$ 168,942,770</u>	<u>8.53%</u>

Source: HdL Coren & Cone and San Diego County Assessor 2001/02 & 2010/11 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	
		Amount	Percentage of Levy
2002	4,002,562	3,941,924	98.5%
2003	4,203,037	4,144,738	98.6%
2004	4,454,612	4,398,480	98.7%
2005	4,630,963 (1)	4,584,653	99.0%
2006	5,071,474 (1)	4,829,420	95.2%
2007	5,151,898	4,996,716	97.0%
2008	5,209,273	4,900,178	94.1%
2009	5,380,394	5,109,936	95.0%
2010	5,781,014	5,407,172	93.5%
2011	5,741,547	5,440,612	94.8%

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

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

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
83,602	4,025,526	101%
76,910	4,221,648	100%
77,196	4,475,676	100%
49,173	4,633,826	100%
75,012	4,904,432	97%
240,429	5,237,145	102%
291,016	5,191,194	100%
221,201	5,331,137	99%
206,031	5,613,203	97%
-	5,440,612	95%

CITY OF SOLANA BEACH

**Ratios of Outstanding Debt by Type,
Last Five 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	Capital Leases	Loans			
2007	2,525,000	-	17,920,000	20,445,000	N/A	N/A
2008	2,320,000	-	17,305,000	19,625,000	N/A	N/A
2009	2,100,000	568,999	16,620,000	19,288,999	N/A	N/A
2010	1,875,000	434,920	16,169,752	18,479,672	N/A	N/A
2011	1,640,000	295,535	15,409,277	17,344,812	N/A	N/A

N/A - Data not available

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

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

CITY OF SOLANA BEACH

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2011**

Fiscal Year 2010-11 Assessed Valuation : \$3,350,515,018 (includes deduction of \$78,446,670 of Redevelopment Incremental Valuation)

	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable to City (1)</u>	<u>Net Bonded Debt</u>
<u>Direct Debt:</u>			
City of Solana Beach Certificates of Participation	\$ 1,640,000	100.000%	\$ 1,640,000
Total Direct Debt			\$ 1,640,000
<u>Overlapping Debt:</u>			
Metropolitan Water District	\$ 227,670,000	0.188%	\$ 428,020
San Dieguito Union High School District Community Facilities District No. 95-1	30,834,490	3.274%	1,009,521
San Dieguito Union High School District Combined Community Facilities District	16,299,685	1.256%	204,724
City of Solana Beach 1915 Act Bonds	2,945,000	100.000%	2,945,000
Olivenhain Municipal Water District, Assessment District No. 96-1	16,150,000	0.567%	91,571
San Diego County General Fund Obligations	385,650,000	0.977%	3,767,801
San Diego County Pension Obligations	820,288,160	0.977%	8,014,215
San Diego County Superintendent of Schools General Fund Obligations	19,992,500	0.977%	195,327
Mira Costa Community College District Certificates of Participation	3,065,000	4.396%	134,737
Solana Beach School District Certificates of Participation	325,000	25.401%	82,553
San Dieguito Union High School District Certificates of Participation	13,015,000	7.054%	918,078
Total Overlapping Debt			\$ 17,791,547
Total Direct and Overlapping Debt			(2) \$ 19,431,547

Debt to Assessed Valuation Ratios :

Direct Debt	0.05%
Overlapping Debt	0.53%
Total Debt	0.58%

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

Source: California Municipal Statistics, Inc.

CITY OF SOLANA BEACH

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

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 3,350,515
Debt limit (15% of assessed value)	502,577
Debt applicable to limit:	
General obligation bonds	<u> -</u>
Total net debt applicable to limit	<u> -</u>
Legal debt margin	<u><u>\$ 502,577</u></u>

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total net debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Legal Debt Margin Percentage of Debt Limit</u>
2002	298,866	-	298,866	100.00%
2003	316,259	-	316,259	100.00%
2004	337,323	-	337,323	100.00%
2005	367,897	-	367,897	100.00%
2006	407,487	-	407,487	100.00%
2007	443,421	-	443,421	100.00%
2008	476,921	-	476,921	100.00%
2009	495,650	-	495,650	100.00%
2010	504,121	-	504,121	100.00%
2011	502,577	-	502,577	100.00%

CITY OF SOLANA BEACH

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

2002 ABAG Lease Revenue Bonds

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

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

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.

CITY OF SOLANA BEACH

Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2001	13,215	654,378	49,518	2.5%
2002	13,300	660,835	49,687	3.1%
2003	13,404	681,145	50,817	3.1%
2004	13,421	713,592	53,170	2.8%
2005	13,396	742,663	55,439	2.9%
2006	13,360	785,716	58,811	2.6%
2007	13,426	819,685	61,052	3.0%
2008	13,492	830,704	61,570	4.0%
2009	13,600	815,227	59,947	6.6%
2010	13,783	659,875	47,876	7.2%

Sources: HdL Coren & Cone report prepared on 8/3/2011

CITY OF SOLANA BEACH

**TOP 25 EMPLOYERS - SAN DIEGO COUNTY
AS OF 2011**

<u>Employer</u>	<u>Number of Employees</u>	<u>Business category</u>
Federal Government	43,500	Federal Administration
North Island Naval Air Station/Naval Base Coronado	27,000	Defense
Sharp HealthCare	14,883	Health care
Kaiser Foundation Hospital	7,414	Health care
UCSD Medical Center Hillcrest	5,475	Hospital
Palomar Pomerado Health	4,668	Public Health System
General Atomics	4,200	Defense/Technology
National University	3,948	Higher Education
AT&T Inc.	3,545	Communications
Barona Resort and Casino	2,955	Gaming Casino
Bridgepoint Education, Inc.	2,947	Higher Education
Sycuan Resort and Casino	2,500	Gaming Casino
Grossmont Union High School District	2,300	Education
San Diego Police Department	2,100	Law Enforcement
Goodrich Aerostructures	2,050	Aerospace Components
Union Bank	2,039	Banking
San Diego Zoo	2,000	Conservation, theme park
Pala Casino and Resort	1,981	Gaming, Spa, Resort
University of San Diego	1,700	University
Grossmont College	1,689	Higher Education
California State University San Marcos	1,555	Public University
Viejas Enterprises (Casino)	1,536	Gaming
ViaSat, Inc. (VSAT)	1,190	Satellite and wireless
City of Escondido	1,092	City Government
Evans Hotels	1,090	Hospitality

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

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

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

Source:

The Daily Transcript Source Book - San Diego County Largest Employers as of July 1, 2011

CITY OF SOLANA BEACH

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

Fiscal Years:	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Function/Program</u>				
General government				
City Council	5.20	5.20	5.20	0.20
City Clerk	2.87	2.87	2.87	2.75
City Manager	2.14	2.14	2.14	2.05
Legal Services	1.00	1.00	1.00	0.25
Finance	4.00	4.00	3.70	3.60
Non Deptmental	-	-	-	-
Personnel	1.20	1.20	1.20	1.73
Info/Communication Systems	0.25	0.25	0.25	1.15
Community Development	5.00	5.00	5.00	5.50
Public Safety				
Fire	20.62	20.62	20.67	20.01
Code Enforcement	3.25	3.25	2.25	1.55
Marine Safety	7.96	8.30	8.31	8.45
Junior Lifeguards	2.45	2.46		1.84
Public Works				
Engineering	3.87	3.59	3.14	3.64
Environmental/Flood Control	0.44	0.69	1.49	1.69
Street Maintenance	2.77	2.77	2.77	2.96
Park Maintenance	0.75	0.75	0.75	0.94
Recreation & Community Services				
Community Services	1.75	1.75	1.05	0.62
Recreation	1.99	1.99	1.99	1.91
Sanitation	1.95	1.98	1.68	1.64
Improvement Districts	1.47	1.47	1.42	1.54
Redevelopment Agency	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>0.25</u>
Total Personnel	<u>70.93</u>	<u>71.28</u>	<u>66.88</u>	<u>64.27</u>

N/A - Data Not Available

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

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

Source: City of Solana Beach's Annual Budget

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
0.20	0.20	0.20	0.20	0.20	0.20
2.75	3.00	3.00	3.00	2.75	2.75
1.99	1.99	1.99	1.99	2.24	1.92
0.25	0.25	0.25	0.25	0.25	0.25
4.60	4.55	4.55	4.25	4.25	3.40
-	-	-	-	-	-
1.20	1.20	1.20	1.20	1.20	1.10
1.10	1.10	1.10	1.05	1.05	1.00
6.25	6.25	7.25	6.25	6.00	5.50
20.01	20.01	20.01	20.01	19.25	19.22
1.88	2.13	2.13	2.33	2.00	1.78
8.67	8.67	8.67	8.67	8.39	8.08
1.84	1.84	1.84	1.84	1.84	3.73
3.89	4.08	4.08	3.59	2.84	2.31
1.69	1.69	1.69	1.65	1.13	1.10
2.96	3.10	3.10	2.95	2.93	2.90
0.94	1.14	1.14	1.40	1.38	1.35
0.64	0.83	0.83	0.88	0.88	0.95
2.27	2.10	2.40	2.52	2.52	2.59
1.64	1.75	2.00	3.01	2.86	2.93
1.54	1.54	1.64	1.64	0.99	0.95
0.30	0.36	0.36	0.41	0.45	0.50
<u>66.61</u>	<u>67.78</u>	<u>69.43</u>	<u>69.08</u>	<u>65.39</u>	<u>64.51</u>

CITY OF SOLANA BEACH

Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Community development				
Number of:				
Business licenses (A)	N/A	N/A	N/A	1272
Plan checks (B)	N/A	N/A	328	420
Code violations (calendar basis)	N/A	489	1220	1496
Police (Calendar basis)				
Number of:				
Priority 1	N/A	23	18	19
Priority 2	N/A	593	711	755
Priority 3	N/A	3105	2128	2205
Priority 4	N/A	2133	1373	1473
FBI Index Crimes	N/A	401	328	346
Fire				
Emergency Responses	N/A	1128	1140	1377
Training Hours	N/A	3019	4197	4717
Plan Checks	N/A	118	109	188
Public works				
Miles of:				
Street resurfacing/repair	N/A	N/A	N/A	N/A
Street sweeping	N/A	N/A	N/A	N/A
Number of:				
Street signal maintained	N/A	N/A	N/A	N/A
Trees pruned per year	N/A	N/A	N/A	N/A
Recreation & community services				
Number of enrollees:				
Day camp (Calendar basis)	N/A	N/A	N/A	N/A
Classes	N/A	N/A	N/A	N/A
Special events	N/A	N/A	N/A	N/A

N/A - Data not available

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

(B) - Excludes temporary plan checks.

Sources: Various city departments.

* Complete figures were not available due to 2011 not being finished yet.

These were the figures as of 12/14/11.

Fiscal Year

2006	2007	2008	2009	2010	2011
1400	1507	1786	1634	1641	1943
457	376	380	391	322	125
1218	957	1142	821	510	1184
14	15	13	12	10	11*
718	684	648	716	1131	1083*
2035	1941	1879	1775	1903	1691*
1398	1228	1371	1309	1154	2759*
351	303	343	290	291	241*
1300	1458	1563	1105	1438	1588
4200	4644	3693	4102	2634	5304
125	185	159	89	101	62
N/A	4	8	N/A	60000	60000
N/A	900	900	900	900	900
N/A	180	180	180	168	168
N/A	20	40	250	287	10
N/A	181	192	171	212	271
N/A	158	217	161	78	48
N/A	4400	4300	9452	8200	10200

CITY OF SOLANA BEACH

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Public Safety				
Code enforcement vehicles	2	2	2	2
Fire				
Stations	1	1	1	1
Fire Engines	4	4	4	4
Other vehicles	2	2	2	2
Public works				
Streets (miles)	46	46	46	46
Street lights (city-owned)	748	748	748	748
Traffic signals	13	13	13	13
Public works vehicles	7	7	7	7
Public works Corporation Yard	1	1	1	1
Recreation & community service				
Community centers	2	2	2	2
Parks	1	1	1	2
Marine Safety				
Lifeguard Stations	3	3	3	3
Vehicles	5	5	5	5

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

Sources: Various city departments.

Fiscal Year

2006	2007	2008	2009	2010	2011
2	2	2	2	2	2
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
46	46	46	46	46	46
748	748	748	748	748	748
13	13	13	13	13	13
7	7	7	7	7	7
1	1	1	1	1	1
2	2	2	2	2	2
2	3	3	3	3	3
3	3	3	3	3	3
5	5	5	5	5	5

(This page intentionally left blank)