

City of Solana Beach

Solana Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2010

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

City of Solana Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2010

Table of Contents

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Table of Contents.....	i
Letter of Transmittal	v
Principal Officials	xiii
Organization Chart.....	xiv
Certificate of Achievement for Excellence in Financial Reporting - GFOA	xvi
 <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, 2010

Table of Contents, Continued

	<u>Page</u>
Required Supplementary Information:	
Budgetary Information.....	72
Budgetary Comparison Schedules:	
General Fund.....	73
Schedules of Funding Progress:	
PERS	75
Other Postemployment Benefits.....	75
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet.....	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	84
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Schedules:	
Gas Tax Special Revenue Fund	94
Municipal Improvements District Special Revenue Fund	95
SEEG Special Revenue Fund	96
Lighting District Special Revenue Fund	97
TransNet Special Revenue Fund.....	98
Proposition A Special Revenue Fund	99
TEA 21 & TEA Special Revenue Fund	100
COPS Special Revenue Fund.....	101
Public Safety Special Revenue Fund	102
Fire Mitigation Special Revenue Fund.....	103
Transportation Development Act Special Revenue Fund.....	104
CDBG Special Revenue Fund.....	105
Caltrans Special Revenue Fund	106
Coastal/Business Visitors Special Revenue Fund.....	107
Dept. of Boating & Waterways Special Revenue Fund	108
Miscellaneous Grants Special Revenue Fund	109
Redevelopment Agency Low & Moderate Income Housing Special Revenue Fund	110
Housing Special Revenue Fund.....	111
City Debt Service Fund	112
Redevelopment Agency Debt Service Fund	113
City Capital Projects Fund.....	114
Assessment Districts Capital Projects Fund.....	115
Redevelopment Agency Capital Projects Fund	116
Sand Replenishment & Retention Capital Projects Fund.....	117

City of Solana Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2010

Table of Contents, Continued

	<u>Page</u>
Supplementary Information, Continued:	
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets.....	120
Combining Statement of Changes in Assets and Liabilities.....	121

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CITY OF SOLANA BEACH

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March 8, 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, 2010.

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, 2010, 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, 2010, provided two instances of material weaknesses in the internal control structure and no violations of applicable laws and regulations. The report restated the capital and net assets to remove the value of \$471 million which was recorded as part of the Governmental Accounting Standards Board (GASB) Statement No. 34 implementation. The previous auditors believed that this value should have been recorded while the current auditors believe that this value should not be included. The auditors also found a material asset that the City failed to capitalize in the previous year. This added approximately \$756,000 to the City's net assets.

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, an affluent 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 2009-10 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

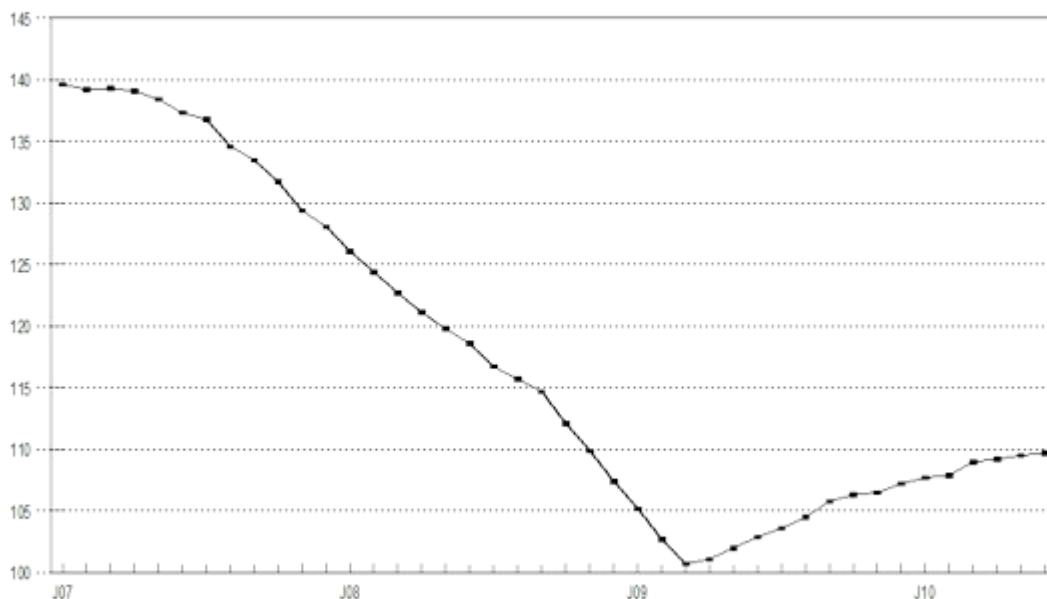
Solana Beach is home to citizens who enjoy the benefits of a coastal community atmosphere as well as a close proximity to the City of San Diego. The local beaches are a big attraction to both residents and non-residents. The City is comprised mainly of single-family homes and condominiums with some retail, 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, predicts that the local economy remains for continued growth but at a slow pace. He believes that it will 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. The Index has now climbed for 15 straight months after declining for 35 straight months, beginning in April 2006 at 143.8 and declining to 100.7 by March 2009, and rising to 109.7 in June 2010. The USD Index for the period January 2007 to June 2010 is charted below.

Index of Leading Economic Indicators
San Diego County, 2007 - 2010



Source: Burnham-Moores Center for Real Estate, University of San Diego

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.

The State's financial woes are continuing. Governor Brown has introduced his proposed budget for FY 2011-12 which has projected a \$25.4 billion shortfall.

The projected shortfall is based upon a projected deficit of \$4.1 billion in the current fiscal year and a projected \$22.3 billion shortfall in FY 2011-12.

The governor proposes \$26.4 billion in actions so that the State would end the FY 2011-12 with \$1 billion in reserves. The proposed measures are as follows:

State of California Proposed Budget Solutions (Dollars in Millions)			
	2010-11	2011-12	Total
Expenditure Reductions	\$ 422	\$ 12,075	\$ 12,497
Revenues	3,163	8,864	12,027
Other	506	1,376	1,885
Total	\$ 4,091	\$ 22,315	\$ 26,409

One of the governor's proposals in the new budget is the elimination of redevelopment agencies in California. The proposal is to use \$1.7 billion from the eliminated redevelopment agencies in addressing the State's shortfall in FY 2011-12 with no savings to the State's budget in the future years.

If this occurs it would severely affect the City in providing the funding for \$35.4 million infrastructure projects of and \$ 15.5 million of affordable housing programs over the life of the redevelopment project area.

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 2009-10, actual dollars received in General Fund property taxes increased from 2008-09 by \$13,057, while sales tax decreased for the third fiscal year in a row by \$85,263 or 3.6%. Overall, the City's General Fund revenues decreased \$523,097 in FY 2009-10 from FY 2008-09 or 3.7%.

For Fiscal Year 2010-11, budgeted property and sales taxes are expected to increase slightly as compared to actual for the prior fiscal year. Total General Fund revenues, including transfers in, are budgeted at \$13,063,700. It is the City's goal not to rely on General Fund reserves to operate the City annually. However, due to the current economic downturn, the General Fund will use \$595,860 of reserve balances to support expenditures, including transfers out, of \$14,101,971 for Fiscal Year 2009-10.

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

- 1) signing a five year contract beginning July 2004 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 a 17% of operating expenditures, including debt service, 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 2009-10 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 2009-10 budget process, 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 0.651% as compared to 2.18% 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 \$249,293.

Major Projects and Financial Planning

Highway 101 Streetscape/Traffic Calming Project

At the October 4, 2010 City Council meeting, 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, reverse-angle parking, drainage improvements and modifications to the existing median to make room for these improvements.

The City Council 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 at the October 4, 2010 City Council meeting. The advance will be repaid by a portion of the City's annual Transnet funding allocations From FY 2010-11 through FY 2047-48.

The City Council meeting approved a contract with Nasland Engineering for the design of the Highway 101 West Side Improvements in the amount of \$455,008. The west side improvement project will be compatible with any future improvement work performed on Highway 101, including the installation of roundabouts.

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 recently 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, skate park, basketball court, picnic areas, gazebo, 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.

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 is partially funded and has been 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.

A separate staff report on the project detailing the scope of each phase, the estimated cost and schedule for the work plan was provided as a separate item for Council consideration and direction on the July 14, 2010 Council Agenda. In summary, the following phasing is proposed:

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 and Private fund raising efforts are underway to fund this phase of the project. The City Council approved a construction contract with Delta Builders for \$279,450 for the Phase II construction on January 26, 2011.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Solana Beach for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the ninth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

The preparation of the Comprehensive Annual Financial Report in accordance with the GASB 34 financial reporting model was made possible by the dedicated work of the Finance Department staff. Each member of the staff, Marie Marron Berkuti, 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,



David Ott
City Manager/Director of Public Safety

Respectfully submitted,



Dennis M. Coleman
Finance Director/City Treasurer

**CITY OF SOLANA BEACH
FISCAL YEAR 2009-10
DIRECTORY OF OFFICIALS AND ADVISORY BODIES**

CITY COUNCIL

TERM EXPIRES

Thomas M. Campbell, Mayor	November 2014
Lesa Heebner, Deputy Mayor	November 2012
Joe G. Kellejian, Council Member	November 2012
David W. Roberts, Council Member	November 2012
Mike Nichols, Council Member	November 2014

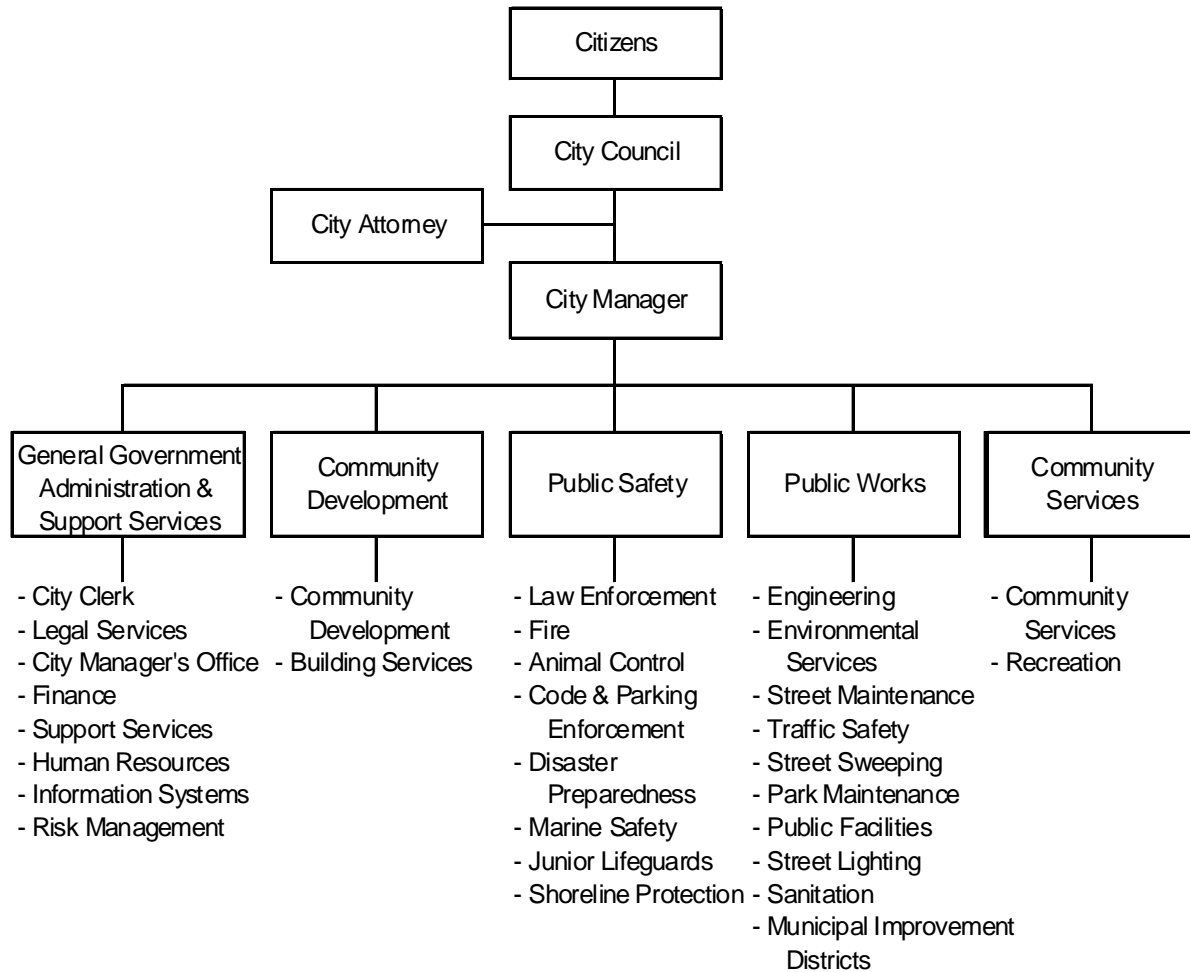
COMMITTEES AND COMMISSIONS

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

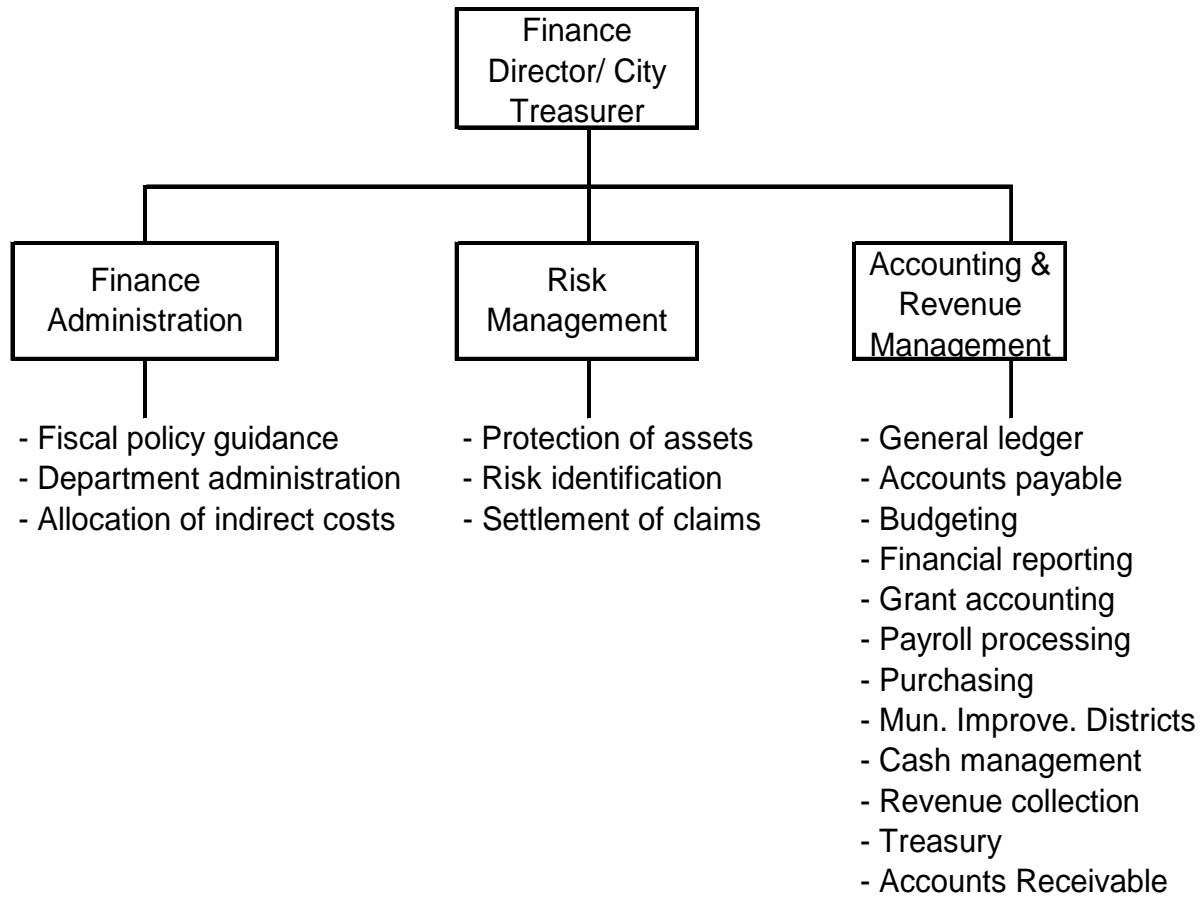
APPOINTED OFFICIALS AND DEPARTMENT DIRECTORS

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 2008/2009



**CITY OF SOLANA BEACH
FINANCE DEPARTMENT
ORGANIZATIONAL CHART
FISCAL YEAR 2009/2010**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Solana Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director



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 (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Elijo Joint Powers Authority (Authority), which represent \$17,995,032 of investment in joint venture at June 30, 2010 and \$203,963 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, 2009 dated November 23, 2009 which were also audited by other auditors whose report has been furnished to us. We did not audit the prior year comparative information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 City'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 basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, such basic financial statements referred to above present fairly, in all material respects, the 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, 2010, 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.

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

As described in Note 12 to the basic financial statements, the City recorded prior period adjustments due to misapplication of GASB 34 in recording right-of-way totaling \$471,913,798 and unrecorded capital assets related to a capital lease totaling \$765,599. Accordingly, net assets at July 1, 2009 have been restated from \$521,780,671 to \$51,632,472.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the Introductory Section.

Caporicci & Larson, Inc.

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San Diego, California
March 8, 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, 2010. 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 Governmental Net Assets were restated for July 1, 2009 from \$521,781 to \$51,632 to remove the value of \$470,914 recorded as non-depreciable capital assets, right-of-way for the value of land under the residential streets and roads and to add \$766 of previously non-recorded assets.
- The City's Total Net Assets were restated for July 1, 2009 from \$549,022 to \$78,874 for the removal of the value of \$470,914 recorded as non-depreciable capital assets, right-of-way for the value of land under the residential streets and roads and to add \$766 of previously non-recorded assets.
- The City's net assets decreased to \$76,474, or by \$1,636, 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 \$2,401.
- Governmental net assets were \$47,893.
- The total revenues from all sources were \$20,468.
- The total cost of all City programs was \$22,867.
- The General Fund reported an excess of expenditures and other financing uses over revenue of \$567.
- The General Fund's final revenue budget exceeded actual resources received by \$402 while actual expenditures were \$39 more than final budget before other financing uses.
- At the end of the fiscal year, the undesignated fund balance for the General Fund was \$2,310 or 16.8% of total General Fund expenditures of \$13,720 (excluding 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.

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 19,555	\$ 20,205	\$ 33,625	\$ 35,377	\$ 53,180	\$ 55,582
Capital assets, net	38,948	40,145	11,938	9,452	50,886	49,597
Total assets	58,503	60,350	45,563	44,829	104,066	105,179
Liabilities:						
Long-term debt outstanding	5,235	6,110	15,435	15,932	20,670	22,042
Other liabilities	5,376	3,373	1,547	1,656	6,923	5,029
Total liabilities	10,611	9,483	16,982	17,588	27,593	27,071
Net assets:						
Invested in capital assets, net of debt	33,269	35,470	10,073	7,397	43,342	42,867
Restricted	7,086	6,228	-	-	7,086	6,228
Unrestricted	7,538	9,169	18,508	19,844	26,046	29,013
Total net assets	\$ 47,893	\$ 50,867	\$ 28,581	\$ 27,241	\$ 76,474	\$ 78,108

The City's combined net assets for the fiscal year ended June 30, 2010 were \$76,474. 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 \$50,867 to \$47,893. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets decreased \$650 or 3.2% because of reduced fiscal year end balances for cash and investments, cash with fiscal agent and due from other governments as compared to the prior fiscal year due to decreases in intergovernmental revenue.

- Capital assets, net of prior period adjustment, decreased \$1,961 (net of \$37,258 depreciation and disposition) as detailed in Table 4. During fiscal year 2009-10, ongoing budgeted capital projects were 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 \$1,911 less than the previous fiscal year, after the fiscal year's 2009-10 expense for depreciation. The major capital project construction projects were the designs for Highway 101 Streetscaping and La Colonia Park. The City also had construction activities for the annual street pavement project and the City Hall Parking Lot reconfiguration.
- Governmental long-term debt decreased \$159 due to routine principle payments made on existing debt principle plus increase to Claims Payable. See Table 5 for additional detail.
- Other liabilities increased \$964 primarily due to an increase in claims payable due to new actuarial studies. In addition, the amount for the City's Other Postemployment Benefits Other than Pension liability increase as well.
- Investment in capital assets net of debt (net of prior period adjustment) decreased \$2,968 from an increase in accumulated depreciation over the prior fiscal year.
- Restricted net assets increased \$593 primarily due to revenues related to budgeted capital projects that were put on hold during the current fiscal year remained unspent.
- 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 \$9,169 at June 30, 2009 to \$7,538 at the end of this fiscal year. This net decrease of \$1,631 is due principally to lower sales tax, franchise taxes, charges for services, and interest income revenue received in fiscal year 2009-10 as compared to the prior fiscal year, and an increase over the same period in costs associated with law enforcement and fire services.

Governmental Activities

The cost of all Governmental activities this year was \$19,366 as shown on Tables 2 and 2.1. \$1,666 of this cost was paid for by those who directly benefited from the programs; \$284 was subsidized by grants received from other governmental organizations for both capital and operating activities; and \$13,727 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$1,950. Items of significance within Table 2 are:

Revenues:

- Charges for services decreased by 29% as a result of Community Development, Public Safety and Public Works revenue, such as fees for planning applications, building plan checks, building permits, engineering permits, and mitigation fees, being lower than the previous fiscal year.
- Grants and contributions decreased 98% due to the receipt in the last fiscal year of monies received from the Marsolan Undergrounding Assessment District, Transnet, CALTRANS and Community Development Block Grants. Additionally, there is the inherent nature of timing differences between actual project expenditures and when reimbursements are received. The City makes every effort to request reimbursement from granting agencies shortly after project expenditures are known and paid.
- The general revenue categories decreased \$113 (less than 1%) predominantly because of decreased Intergovernmental revenue received as compared to the previous fiscal year.

Expenses:

- General Government expenses increased 33% due to the increased claims payables for the new liability and Workers Compensation actuarial studies reflecting the storm events in January 2010 and the recent previous years Worker's Compensation Expenses respectively.

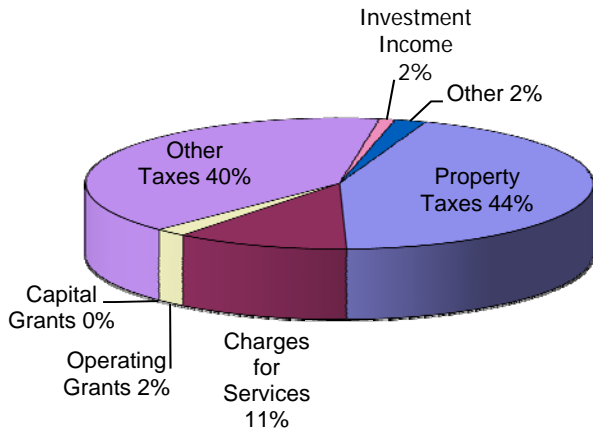
- The Public Safety line item increased 6% due to the increases in law enforcement and other public safety costs.
- Public Works experienced a 30% decrease in expenses primarily due to the completion of smaller capital works projects in FY 2010 as compared to the previous fiscal year that included the undergrounding of utilities paid for by assessment districts and the Cliff Street Pedestrian Bridge funded by the Solana Beach Redevelopment District.
- There was a 5% decrease in Community Development costs. The Planning Department decreased its expenses slightly from the prior fiscal year. Decreases in the Building department resulted from a decrease in private construction building permit processing and professional services costs.
- Community Services decreased 39% as compared to last fiscal year due to the addition of the decrease in capital projects.
- Interest on Long-term Debt increased by 41% due to the increase in pass through payments by the Redevelopment Agency to the Supplemental ERAF payment to the State of California of \$210.

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

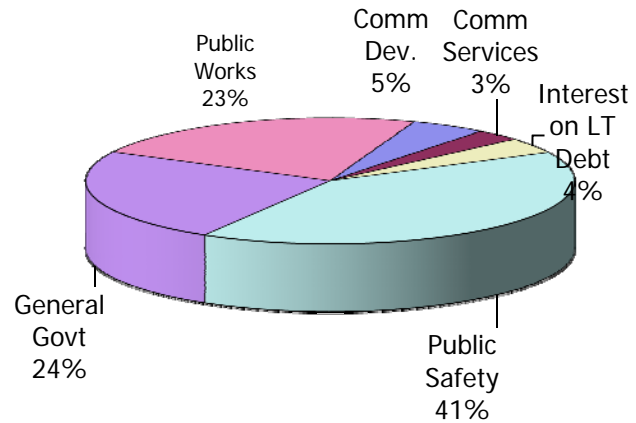
	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,666	\$ 2,342	\$ 4,498	\$ 4,297	\$ 6,164	\$ 6,639
Operating grants and contributions	258	350			258	350
Capital grants and contributions	26	1,149			26	1,149
General revenues:						
Property taxes	6,880	6,291			6,880	6,291
Other taxes	6,326	6,366			6,326	6,366
Other	521	983	292	261	813	1,244
Total revenues	15,677	17,481	4,790	4,558	20,467	22,039
Expenses:						
General government	4,680	3,518			4,680	3,518
Public safety	8,066	7,544			8,066	7,544
Public works	4,351	6,254			4,351	6,254
Community development	1,056	1,116			1,056	1,116
Community services	526	863			526	863
Interest on long-term debt	738	523			738	523
Sanitation			3,450	3,599	3,450	3,599
Total expenses	19,417	19,818	3,450	3,599	22,867	23,417
Increase/(decrease) in net assets	(3,740)	(2,337)	1,340	959	(2,400)	(1,378)
Net assets - 07/01/09	51,632	53,204	27,241	26,282	78,873	79,486
Net assets - 06/30/10	\$ 47,892	\$ 50,867	\$ 28,581	\$ 27,241	\$ 76,473	\$ 78,108

Fiscal Year 2009
Governmental Activities
 (Graphic representation of Table 2 in percentages)

Sources of Revenue



Program Expenses



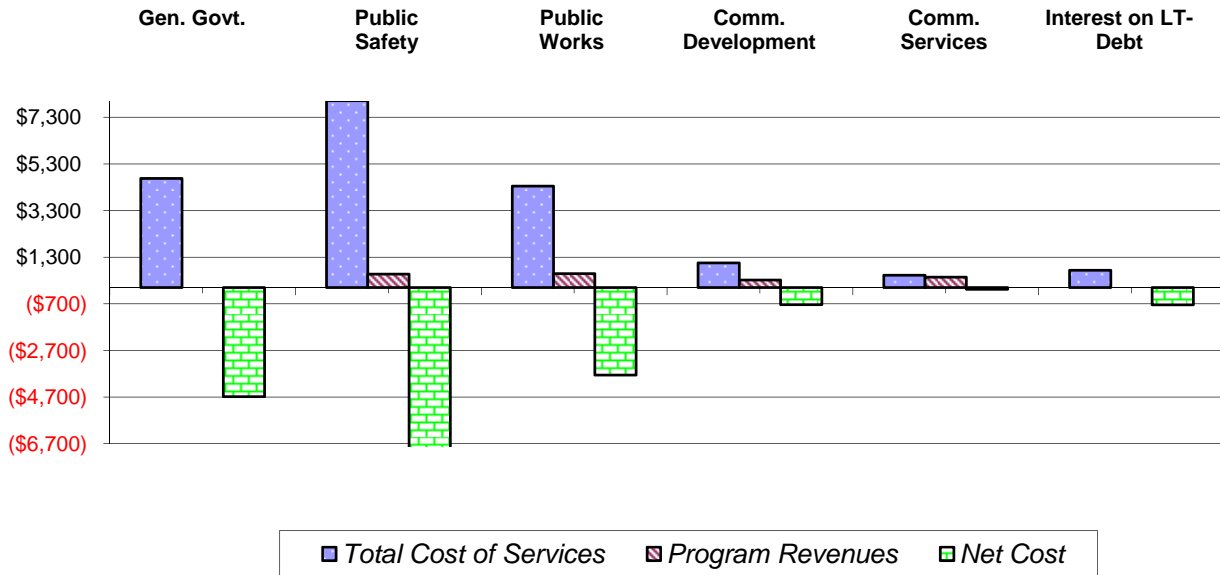
Net Cost of Governmental Activities

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	
	2010	2009	2010	2009	2010	2009
General government	\$ 4,680	\$ 3,518	\$ -	\$ -	\$ (4,680)	\$ (3,518)
Public safety	8,066	7,544	579	914	(7,487)	(6,630)
Public works	4,351	6,254	598	2,281	(3,753)	(3,973)
Community development	1,056	1,116	325	540	(731)	(576)
Community services	526	863	448	106	(78)	(757)
Interest on long-term debt	738	523	-	-	(738)	(523)
Totals	\$ 19,417	\$ 19,818	\$ 1,950	\$ 3,841	\$ (17,467)	\$ (15,977)

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



Total resources available during the year to finance governmental operations were \$66,544 consisting of net assets at July 1, 2009 of \$51,632, program revenues of \$1,950, and general revenues of \$13,727. Total governmental activities during the year were \$19,366; thus net assets decreased by \$3,740 to \$47,892.

Business Type Activities

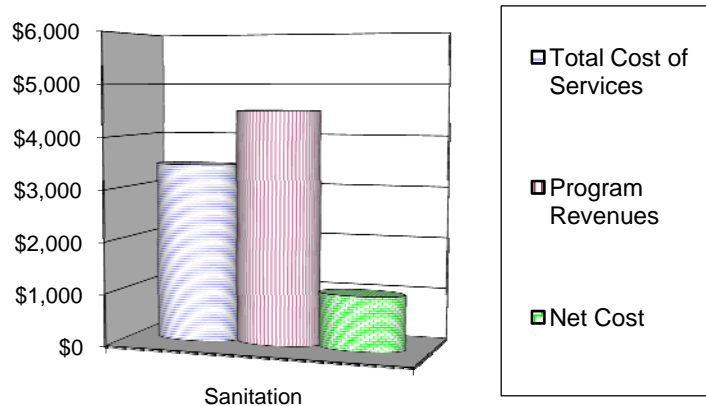
Net assets of the Proprietary Fund (Business Type activities) at June 30, 2010 as reflected in Table 1 were \$28,581. As shown in Table 3, amounts paid by users of the system were \$4,498 while the cost of providing all Proprietary (Business Type) activities this year was \$3,450 resulting in a net gain of \$1,048. With the addition of non-operating revenues of \$291, assets increased by \$1,339 or 4%, 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	
	2010	2009	2010	2009	2010	2009
Sanitation	\$ 3,654	\$ 3,599	\$ 4,498	\$ 4,297	\$ 844	\$ 698

Fiscal Year 2010

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 \$39 more 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 \$402 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:

- \$152 for increased overtime in the Fire department budget, and
- \$75 to cover increased legal costs associated with litigation

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.
- Environmental Services (Shoreline) expenditures experience savings due to shared lobbying expenses with Sanitation
- Community Services experience savings from reduced costs associated with the recreation programs.
- 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. The City implemented GASB 34 in fiscal year 2001. The City restated the capital assets for the prior fiscal year

At June 30, 2010, net capital assets of the governmental activities totaled \$38,234 and the net capital assets of the business-type activities totaled \$11,938. 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 \$15,806 through fiscal 2014-15. 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 and Prior Period Adjustment)
(In Thousands)

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,538	\$ 2,538	\$ 112	\$ 112	\$ 2,650	\$ 2,650
Buildings & Improvements	10,725	10,998	6,619	6,719	17,344	17,717
Equipment & Vehicles	1,281	698	14	17	1,295	715
Infrastructure	23,270	25,091	-	-	23,270	25,091
Work in Progress	1,135	820	5,193	2,604	6,328	3,424
	<u>\$ 38,949</u>	<u>\$ 40,145</u>	<u>\$ 11,938</u>	<u>\$ 9,452</u>	<u>\$ 50,887</u>	<u>\$ 49,597</u>

Debt

At year-end, the City had \$7,514 in governmental type debt and \$15,937 in proprietary debt (including premium on debt issuance) totaling \$23,451. This debt is a liability of the government and amounts to \$1,731 per capita. Additions to debt schedule increases to the 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	
	2010	2009	2010	2009	2010	2009
Lease revenue bonds	\$ 1,875	\$ 2,100	\$ -	\$ -	\$ 1,875	\$ 2,100
Tax allocation bonds	3,370	3,435	-	-	3,370	3,435
Capital lease	435	569	-	-	435	569
JPA loan payable	-	-	6,595	7,110	6,595	7,110
Sewer revenue bond	-	-	9,320	9,510	9,320	9,510
Compensated absences	325	323	22	19	347	342
Claims payable	1,203	393	-	-	1,203	393
Other post employment benefits	306	151	-	-	306	151
	<u>\$ 7,514</u>	<u>\$ 6,971</u>	<u>\$ 15,937</u>	<u>\$ 16,639</u>	<u>\$ 23,451</u>	<u>\$ 23,610</u>

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2010-11, the focus of the City Council and management was 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 and there was a decrease in staffing by 1.0 FTE position in the Fire Department and 1.0 FTE position in the Public Works Department. Departments were asked to prepare budgets with at least a 5% decrease 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 continue to decrease based upon the economic activity in the California economy, including property taxes, where the assessed valuations are projected to decrease by 1.5% in FY 2010-11. The City's assessed valuations have increased over the past year while the City's sales tax is expected to increase by about 11% in FY 2010-11. Overall General Fund expenditures for fiscal year 2010-11 are budgeted 1% less than the previous fiscal year. The CIP budget was set to be \$4,256 for the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Solana Beach
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 17,566,814	\$ 5,766,100	\$ 23,332,914
Receivables:			
Accounts, net	323,727	701,643	1,025,370
Taxes	219,286	-	219,286
Interest	20,892	6,320	27,212
Prepaid items	5,195	-	5,195
Due from other governments	50,328	-	50,328
Total current assets	18,186,242	6,474,063	24,660,305
Noncurrent assets:			
Cash and investments with fiscal agents	1,368,702	8,316,287	9,684,989
Investment in joint venture	-	17,995,032	17,995,032
Deferred charges, net	-	839,806	839,806
Capital assets:			
Non-depreciable assets	3,672,316	5,304,744	8,977,060
Depreciable assets, net	35,276,166	6,633,023	41,909,189
Total capital assets, net	38,948,482	11,937,767	50,886,249
Total noncurrent assets	40,317,184	39,088,892	79,406,076
Total assets	58,503,426	45,562,955	104,066,381

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	930,895	545,194	1,476,089
Accrued salaries and benefits	228,869	10,320	239,189
Interest payable	26,500	235,164	261,664
Unearned revenue	143,305	-	143,305
Compensated absences - due in one year	12,049	1,806	13,855
Long-term debt - due within one year	444,385	735,000	1,179,385
Total current liabilities	1,786,003	1,527,484	3,313,487
Noncurrent liabilities:			
Deposits payable	1,767,414	-	1,767,414
Net other postemployment benefits liability	305,900	-	305,900
Claims payable	1,203,000	-	1,203,000
Compensated absences - due in more than one year	313,285	19,861	333,146
Long-term debt - due in more than one year	5,235,535	15,434,752	20,670,287
Total noncurrent liabilities	8,825,134	15,454,613	24,279,747
Total liabilities	10,611,137	16,982,097	27,593,234
NET ASSETS			
Investments in capital assets, net of related debt	33,268,562	10,679,302	43,947,864
Restricted for:			
Redevelopment activities	4,554,789	-	4,554,789
Debt service	957,153	-	957,153
Capital projects	1,574,203	-	1,574,203
Total restricted	7,086,145	-	7,086,145
Unrestricted	7,537,582	17,901,556	25,439,138
Total net assets	\$ 47,892,289	\$ 28,580,858	\$ 76,473,147

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, 2010

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	\$ 4,680,495	\$ -	\$ -	\$ -	\$ -
Public safety	8,066,129	397,971	181,174	-	579,145
Public works	4,350,781	571,933	1,000	25,500	598,433
Community development	1,055,575	447,581	-	-	447,581
Community services	526,188	248,803	76,250	-	325,053
Interest and fiscal charges	738,430	-	-	-	-
Total governmental activities	19,417,598	1,666,288	258,424	25,500	1,950,212
Business-type activities:					
Sanitation	3,654,076	4,498,181	-	-	4,498,181
Total business-type activities	3,654,076	4,498,181	-	-	4,498,181
Total primary government	\$ 23,071,674	\$ 6,164,469	\$ 258,424	\$ 25,500	\$ 6,448,393

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (4,680,495)	\$ -	\$ (4,680,495)
Public safety	(7,486,984)	-	(7,486,984)
Public works	(3,752,348)	-	(3,752,348)
Community development	(607,994)	-	(607,994)
Community services	(201,135)	-	(201,135)
Interest and fiscal charges	(738,430)	-	(738,430)
Total governmental activities	(17,467,386)	-	(17,467,386)
Business-type activities:			
Sanitation	-	844,105	844,105
Total business-type activities	-	844,105	844,105
Total primary government	(17,467,386)	844,105	(16,623,281)
General revenues:			
Taxes:			
Property taxes	6,880,563	-	6,880,563
Sales taxes	2,515,183	-	2,515,183
Transit occupancy taxes	929,836	-	929,836
Intergovernmental (unrestricted)	51,731	-	51,731
Franchise taxes	652,485	-	652,485
Motor vehicle in lieu tax	1,166,461	-	1,166,461
Other taxes	1,010,187	-	1,010,187
Total taxes	13,206,446	-	13,206,446
Investment earnings	175,659	73,634	249,293
Miscellaneous	345,098	421,515	766,613
Total general revenues	13,727,203	495,149	14,222,352
Change in net assets	(3,740,183)	1,339,254	(2,400,929)
Net assets:			
Beginning of year as restated (Note 12)	51,632,472	27,241,604	78,874,076
End of year	\$ 47,892,289	\$ 28,580,858	\$ 76,473,147

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

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

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**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

City of Solana Beach

Balance Sheet

Governmental Funds

June 30, 2010

(With comparative totals for June 30, 2009)

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2010	2009
ASSETS				
Cash and investments	\$ 11,223,207	\$ 6,343,607	\$ 17,566,814	\$ 18,085,389
Cash and investments with fiscal agents	-	1,368,702	1,368,702	1,430,029
Receivables:				
Accounts	232,598	91,129	323,727	223,019
Taxes	213,628	5,658	219,286	156,443
Interest	15,456	5,436	20,892	69,089
Prepaid items	5,195	-	5,195	5,784
Due from other governments	49,529	799	50,328	235,529
Due from other funds	184,540	669,707	854,247	756,832
Total assets	\$ 11,924,153	\$ 8,485,038	\$ 20,409,191	\$ 20,962,114
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 576,243	\$ 354,652	\$ 930,895	\$ 1,067,301
Accrued liabilities	222,551	6,318	228,869	67,888
Deposits payable	1,698,188	69,226	1,767,414	1,204,563
Due to other funds	-	854,247	854,247	756,832
Deferred revenue	-	114,450	114,450	123,037
Total liabilities	2,496,982	1,398,893	3,895,875	3,219,621
Fund Balances:				
Reserved for:				
Encumbrances	266,905	-	266,905	1,436,421
Debt service	-	1,368,702	1,368,702	1,265,468
Housing	-	671,027	671,027	952,564
Developer fees	323,490	-	323,490	321,701
Unreserved:				
Designated for:				
General fund projects and programs	6,526,649	-	6,526,649	6,780,336
Special revenue funds	-	-	-	289,367
Undesignated, reported in:				
General fund	2,310,127	-	2,310,127	2,535,309
Special revenue funds	-	3,883,762	3,883,762	2,495,790
Debt service funds	-	531,690	531,690	-
Capital projects funds	-	630,964	630,964	1,662,537
Total fund balances	9,427,171	7,086,145	16,513,316	17,739,493
Total liabilities and fund balances	\$ 11,924,153	\$ 8,485,038	\$ 20,409,191	\$ 20,959,114

See accompanying Notes to Basic Financial Statements.

City of Solana Beach
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds \$ 16,513,316

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	3,672,316
Depreciable, net of accumulated depreciation	<u>35,276,166</u>
Total capital assets	<u>38,948,482</u>

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

Claims payable	(1,203,000)
Compensated absences - due within one year	(12,049)
Compensated absences - due in more than one year	(313,285)
Long-term liabilities - due within one year	(444,385)
Long-term liabilities - due in more than one year	<u>(5,235,535)</u>
Total long-term liabilities	<u>(7,208,254)</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. (26,500)

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. (305,900)

Net Assets of Governmental Activities \$ 47,892,289

City of Solana Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010
(With comparative totals for the year ended June 30, 2009)

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2010	2009
REVENUES:				
Taxes and assessments	\$ 10,137,032	\$ 2,162,469	\$ 12,299,501	\$ 12,299,829
Licenses, permits and fees	308,284	-	308,284	329,118
Intergovernmental	1,376,714	324,204	1,700,918	2,310,147
Charges for services	675,474	2,714	678,188	573,179
Contributions from property owners	-	-	-	732,846
Fines and forfeitures	349,291	-	349,291	322,777
Use of money and property	126,887	49,433	176,320	491,502
Other revenues	396,095	25,500	421,595	593,334
Total revenues	13,369,777	2,564,320	15,934,097	17,652,732
EXPENDITURES:				
Current:				
General government	3,277,422	155,932	3,433,354	3,373,964
Public safety	7,684,765	163,812	7,848,577	8,236,116
Public works	1,517,561	761,315	2,278,876	2,471,621
Community development	1,015,686	63,965	1,079,651	1,108,727
Community services	224,884	-	224,884	295,651
Capital outlay	-	1,134,878	1,134,878	1,751,802
Debt service:				
Principal	-	424,079	424,079	415,000
Interest and fiscal charges	-	282,725	282,725	292,415
Pass-through payments	-	453,250	453,250	256,033
Total expenditures	13,720,318	3,439,956	17,160,274	18,201,329
REVENUES OVER (UNDER) EXPENDITURES	(350,541)	(875,636)	(1,226,177)	(548,597)
OTHER FINANCING SOURCES (USES):				
Capital lease proceeds	-	-	-	703,999
Transfers in	165,541	691,686	857,227	946,080
Transfers out	(381,653)	(475,574)	(857,227)	(946,080)
Total other financing sources (uses)	(216,112)	216,112	-	703,999
Change in fund balances	(566,653)	(659,524)	(1,226,177)	155,402
FUND BALANCES:				
Beginning of year	9,993,824	7,745,669	17,739,493	17,584,091
End of year	\$ 9,427,171	\$ 7,086,145	\$ 16,513,316	\$ 17,739,493

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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (1,226,177)
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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.	963,854
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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.	(2,925,493)
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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.	(2,597)
--	---------

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	290,000
Capital lease payment	134,079
	<u>424,079</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. The following amount represents the change in accrued interest from the prior year.	(2,455)
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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.	(809,479)
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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.	(154,800)
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Business license revenues collected in January of the fiscal year pertained to a license period extending six months into the following fiscal year were recorded as deferred revenues on the Government-Wide Statement of Net Assets.	<u>(7,115)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (3,740,183)</u></u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

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City of Solana Beach
Statement of Net Assets
Proprietary Funds
June 30, 2010
(With comparative totals for June 30, 2009)

	Sanitation Fund	
	2010	2009
ASSETS		
Current assets:		
Cash and investments	\$ 5,766,100	\$ 7,523,590
Receivables:		
Accounts	701,643	809,948
Interest	6,320	26,367
Total current assets	<u>6,474,063</u>	<u>8,359,905</u>
Noncurrent assets:		
Cash and investments with fiscal agents	8,316,287	8,313,612
Deferred issuance costs, net	839,806	901,901
Investment in joint venture	17,995,032	17,802,014
Capital assets:		
Non-depreciable	5,304,744	2,716,351
Depreciable, net	<u>6,633,023</u>	<u>6,735,219</u>
Total net capital assets	<u>11,937,767</u>	<u>9,451,570</u>
Total noncurrent assets	<u>39,088,892</u>	<u>36,469,097</u>
Total assets	<u>45,562,955</u>	<u>44,829,002</u>
LIABILITIES		
Current liabilities:		
Accounts payable	545,194	417,955
Accrued salaries and benefits	10,320	6,130
Interest payable	235,164	244,248
Compensated absences, due within one year	1,806	1,570
Long-term debt, due within one year	<u>735,000</u>	<u>705,000</u>
Total current liabilities	<u>1,527,484</u>	<u>1,374,903</u>
Noncurrent liabilities:		
Compensated absences, due in more than one year	19,861	17,268
Long-term debt, net of premium, due in more than one year	<u>15,434,752</u>	<u>16,195,227</u>
Total noncurrent liabilities	<u>15,454,613</u>	<u>16,212,495</u>
Total liabilities	<u>16,982,097</u>	<u>17,587,398</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,679,302	7,974,955
Unrestricted	<u>17,901,556</u>	<u>19,266,649</u>
Total net assets	<u>\$ 28,580,858</u>	<u>\$ 27,241,604</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, 2010
(With comparative totals for the year ended June 30, 2009)

	Sanitation Fund	
	2010	2009
OPERATING REVENUES:		
Charges for services	\$ 4,498,181	\$ 4,283,087
Other	217,552	13,803
Total operating revenues	4,715,733	4,296,890
OPERATING EXPENSES:		
Costs of sales and services	2,269,659	2,472,042
Administration	372,779	285,836
Depreciation	240,413	237,649
Total operating expenses	2,882,851	2,995,527
OPERATING INCOME (LOSS)	1,832,882	1,301,363
NONOPERATING REVENUES (EXPENSES):		
Interest income	73,634	261,554
Interest expense	(723,659)	(748,726)
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	203,963	192,323
Total nonoperating revenues (expenses)	(493,628)	(342,415)
Change in net assets	1,339,254	958,948
NET ASSETS:		
Beginning of year	27,241,604	26,282,656
End of year	\$ 28,580,858	\$ 27,241,604

City of Solana Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010
(With comparative totals for the year ended June 30, 2009)

	Sanitation Fund	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 4,606,486	\$ 4,169,706
Cash payments to suppliers for goods and services	(2,142,420)	(2,045,693)
Cash payments to employees for services	(365,760)	(279,815)
Other	217,552	13,801
Net cash provided (used) by operating activities	2,315,858	1,857,999
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Intergovernmental revenue	-	530,028
Net cash provided (used) by noncapital financing activities	-	530,028
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(2,726,610)	(2,212,801)
Principal paid on capital-related debt	(705,000)	(685,000)
Interest paid on capital-related debt	(732,744)	(756,717)
Net cash provided (used) by capital and related financing activities	(4,164,354)	(3,654,518)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	82,300	284,378
Net cash provided (used) by investing activities	82,300	284,378
Net increase (decrease) in cash and investments	(1,766,196)	(982,113)
CASH AND INVESTMENTS:		
Beginning of year	14,987,263	15,969,376
End of year	\$ 13,221,067	\$ 14,987,263
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:		
Cash and investments	\$ 5,766,100	\$ 7,523,590
Cash and investments with fiscal agents	8,316,287	8,313,612
Less: investments that do not qualify as cash equivalents	(861,320)	(849,939)
Total cash and cash equivalents	\$ 13,221,067	\$ 14,987,263

See accompanying Notes to Basic Financial Statements.

City of Solana Beach
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2010
(With comparative totals for the year ended June 30, 2009)

	Sanitation Fund	
	2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,832,882	\$ 1,301,363
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	240,413	237,649
Changes in operating assets and liabilities:		
Accounts receivable	108,305	(113,381)
Due from joint venture	-	50,791
Accounts payable and accrued liabilities	127,239	376,587
Accrued salaries and benefits	4,190	-
Compensated absences	2,829	4,990
Total adjustments	<u>482,976</u>	<u>556,636</u>
Net cash provided (used) by operating activities	<u>\$ 2,315,858</u>	<u>\$ 1,857,999</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During the year ended June 30, 2010, there were noncash investment activities of \$203,963 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, 2010
(With comparative totals for June 30, 2009)

	Agency Funds	
	2010	2009
ASSETS		
Cash and investments	\$ 415,605	\$ 399,339
Taxes receivable	405	3,138
Interest receivable	-	964
Total assets	\$ 416,010	\$ 403,441
LIABILITIES		
Due to bondholders	\$ 416,010	\$ 403,441
Total liabilities	\$ 416,010	\$ 403,441

City of Solana Beach
Notes to Basic Financial Statements
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Solana Beach, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (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, 2010

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 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

For its business-type activities and enterprise funds, the City has elected under Governmental Accounting Standard Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that, along with subsequent GASB pronouncements (Statement of Interpretations), constitutes accounting principles generally accepted in the United States of America.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010

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. Use of Restricted and Unrestricted 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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year end are reported as reservations of fund balances. Unexpended appropriations lapse at year end.

E. Cash, Cash Equivalents and Investments

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

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

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

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

F. 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.

G. 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 market 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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

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.

H. 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 effective interest 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.

I. Compensated Absences

Government-Wide Financial Statements

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Compensated Absences, Continued

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.

J. Net Assets

Government-Wide Financial Statements

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."

Fund Financial Statements

Reserved for encumbrances - Amounts reserved for encumbrances are commitments for materials and services on purchase orders and contracts that are not yet performed.

Reserved for debt service - The amount reserved for debt service is for future principal and interest payments on long-term debt.

Reserved for housing - The amount reserved for expenditures on low and moderate income housing in accordance with the California Health and Safety Code.

Reserved for developer fees - Amounts reserved for developer fees represent amounts from various developers that are restricted to specific uses related to their projects to ensure city code compliance.

Designated for specific projects and programs - This classification was established to reflect funds earmarked by the City Council or City administration for specific projects or programs in future years.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. 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.

L. 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, 2010:

	Government-Wide Statement of Net Assets		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Assets	
Cash and investments	\$ 17,566,814	\$ 5,766,100	\$ 415,605	\$ 23,748,519
Cash and investments with fiscal agent	1,368,702	8,316,287	-	9,684,989
Total	\$ 18,935,516	\$ 14,082,387	\$ 415,605	\$ 33,433,508

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

Cash and investments consisted of the following at June 30, 2010:

Cash:	
Cash on hand	\$ 800
Demand deposits	351,108
Total cash	<u>351,908</u>
Investments:	
Local Agency Investment Fund	23,396,611
Investments held by fiscal agent:	
Money market fund	8,832,834
Federal agency securities (FNMA)	852,155
Total investments	<u>33,081,600</u>
Total cash and investments	<u>\$ 33,433,508</u>

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$351,108 at June 30, 2010. Bank balances were \$848,145 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, 2010

2. CASH AND INVESTMENTS, Continued

B. Investments

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

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

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity	* Maximum Percentage of Portfolio	* Maximum Investment in One Issuer
Local agency bonds	Yes	5 years	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, 2010

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

Investments Authorized by Debt Agreements

Investment 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 agent. 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, 2010, 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, 2010, the City had \$23,396,611 invested in LAIF which had invested 5.42% 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, 2010

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

At June 30, 2010, the City had the following deposits and investments:

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	\$ 23,396,611	\$ 23,396,611
Held by Fiscal Agent		
Money market funds	8,832,834	8,832,834
Federal agency (FNMA)	852,155	852,155
Total	<u>\$ 33,081,600</u>	<u>\$ 33,081,600</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, 2010 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	\$ 23,396,611	N/A	\$ -	\$ 23,396,611
Held by fiscal agent:				
Money market funds	8,832,834	A	8,832,834	-
Federal agency (FNMA)	852,155	N/A	852,155	-
Total	<u>\$ 33,081,600</u>		<u>\$ 9,684,989</u>	<u>\$ 23,396,611</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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.

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, 2010, 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.

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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due from and to other funds

At June 30, 2010, 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	\$ 184,540	\$ 669,707	\$ 854,247
	Total	<u>\$ 184,540</u>	<u>\$ 669,707</u>	<u>\$ 854,247</u>

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.

Transfers

At June 30, 2010, the City had the following transfers:

		Transfers In		
		General Fund	Non-major Governmental Funds	Total
Transfers Out	General Fund	\$ -	\$ 381,653	\$ 381,653
	Non-major Governmental Funds	165,541	310,033	475,574
	Total	<u>\$ 165,541</u>	<u>\$ 691,686</u>	<u>\$ 857,227</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, 2010, 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, 2010

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2009	Prior Period Adjustments (Note 12)	Additions	Deletions	Reclassification	Balance June 30, 2010
<i>Non-Depreciable Assets:</i>						
Land	\$ 473,451,238	\$ (470,913,798)	\$ -	\$ -	\$ -	\$ 2,537,440
Construction in progress	819,742	765,599	500,637	-	(951,102)	1,134,876
Total non-depreciable assets	474,270,980	(470,148,199)	500,637	-	(951,102)	3,672,316
<i>Depreciable Assets:</i>						
Buildings	5,434,448	-	-	-	-	5,434,448
Improvements	8,964,193	-	145,653	-	-	9,109,846
Equipment	1,953,344	-	65,962	(8,692)	-	2,010,614
Vehicles	1,059,775	-	43,150	-	765,599	1,868,524
Infrastructure	53,717,050	-	208,452	-	185,503	54,111,005
Total depreciable assets	71,128,810	-	463,217	(8,692)	951,102	72,534,437
<i>Less accumulated depreciation:</i>						
Buildings	(1,814,864)	-	(109,143)	-	-	(1,924,007)
Improvements	(1,585,724)	-	(309,110)	-	-	(1,894,834)
Equipment	(1,647,448)	-	(156,596)	8,692	-	(1,795,352)
Vehicles	(667,790)	-	(136,591)	-	-	(804,381)
Infrastructure	(28,625,644)	-	(2,214,053)	-	-	(30,839,697)
Total accumulated depreciation	(34,341,470)	-	(2,925,493)	8,692	-	(37,258,271)
Total depreciable assets, net	36,787,340	-	(2,462,276)	-	951,102	35,276,166
Total governmental activities	\$ 511,058,320	\$ (470,148,199)	\$ (1,961,639)	\$ -	\$ -	\$ 38,948,482

Governmental activities depreciation expense for capital assets for the year ended June 30, 2010 is as follows:

General government	\$ 163,941
Public safety	217,552
Public works	2,236,805
Community development	5,891
Community services	301,304
Total depreciation expense	\$ 2,925,493

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2009	Additions	Reclassification	Balance June 30, 2010
<i>Non-Depreciable Assets:</i>				
Land	\$ 111,706	\$ -	\$ -	\$ 111,706
Construction in progress	2,604,645	2,726,610	(138,217)	5,193,038
Total non-depreciable assets	<u>2,716,351</u>	<u>2,726,610</u>	<u>(138,217)</u>	<u>5,304,744</u>
<i>Depreciable Assets:</i>				
Buildings and improvements	10,189,029	-	138,217	10,327,246
Equipment	529,739	-	-	529,739
Total depreciable assets	<u>10,718,768</u>	<u>-</u>	<u>138,217</u>	<u>10,856,985</u>
<i>Less accumulated depreciation:</i>				
Buildings and improvements	(3,470,208)	(238,071)	-	(3,708,279)
Equipment	(513,341)	(2,342)	-	(515,683)
Total accumulated depreciation	<u>(3,983,549)</u>	<u>(240,413)</u>	<u>-</u>	<u>(4,223,962)</u>
Total depreciable assets, net	<u>6,735,219</u>	<u>(240,413)</u>	<u>138,217</u>	<u>6,633,023</u>
Total business-type activities	<u>\$ 9,451,570</u>	<u>\$ 2,486,197</u>	<u>\$ -</u>	<u>\$ 11,937,767</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2010 is as follows:

Sanitation	<u>\$ 240,413</u>
Total depreciation expense	<u>\$ 240,413</u>

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, 2010

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, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within one year	Due in more than one year
Long-Term Debt:						
2006 Tax Allocation Bonds	\$ 3,435,000	\$ -	\$ (65,000)	\$ 3,370,000	\$ 70,000	\$ 3,300,000
Lease Revenue Bond - ABAG	2,100,000	-	(225,000)	1,875,000	235,000	1,640,000
Capital Lease Obligations	568,999	-	(134,079)	434,920	139,385	295,535
Total long-term debt	6,103,999	-	(424,079)	5,679,920	444,385	5,235,535
Compensated Absences	322,737	2,597	-	325,334	12,049	313,285
Total	\$ 6,426,736	\$ 2,597	\$ (424,079)	\$ 6,005,254	\$ 456,434	\$ 5,548,820

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, 2010, \$235,813 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 \$6,065,564 payable through 2036.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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
2011	\$ 70,000	\$ 164,158	\$ 234,158
2012	70,000	161,357	231,357
2013	75,000	158,330	233,330
2014	80,000	155,043	235,043
2015	80,000	151,503	231,503
2016 - 2020	475,000	698,163	1,173,163
2021 - 2025	595,000	574,614	1,169,614
2026-2030	750,000	414,547	1,164,547
2031-2035	955,000	206,629	1,161,629
2036	220,000	11,220	231,220
Total	\$ 3,370,000	\$ 2,695,564	\$ 6,065,564

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 \$2,542,860, payable through fiscal year 2024.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 235,000	\$ 86,263	\$ 321,263
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
2016-2020	625,000	233,146	858,146
2021-2024	610,000	63,000	673,000
Total	\$ 1,875,000	\$ 667,860	\$ 2,542,860

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010 are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 139,385	\$ 14,939	\$ 154,324
2012	144,900	9,424	154,324
2013	150,635	3,689	154,324
Total	\$ 434,920	\$ 28,052	\$ 462,972

At June 30, 2010, the fire truck had a book value of \$714,559.

Compensated Absences

Compensated absences at June 30, 2010, amounted to \$325,334. 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, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within one year	Due in more than one year
Long-Term Debt:						
JPA Loan Payable - 2003	\$ 7,110,000	\$ -	\$ (515,000)	\$ 6,595,000	\$ 535,000	\$ 6,060,000
Sewer Revenue Bond - 2006	9,510,000	-	(190,000)	9,320,000	200,000	9,120,000
Bond Premium	280,227	-	(25,475)	254,752	-	254,752
Total long-term debt	16,900,227	-	(730,475)	15,915,000	735,000	15,434,752
Compensated Absences	18,838	2,829	-	21,667	1,806	19,861
Total	\$ 16,919,065	\$ 2,829	\$ (730,475)	\$ 15,936,667	\$ 736,806	\$ 15,454,613

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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. Principal payments 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 \$8,500,550 at June 30, 2010.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 535,000	\$ 313,000	\$ 848,000
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 - 2020	3,680,000	570,000	4,250,000
Total	\$ 6,595,000	\$ 1,905,550	\$ 8,500,550

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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
	2009-10
Revenues:	
Operating revenues	\$ 4,498,181
Other operating	217,552
Non-operating	277,597
Gross revenues	<u>4,993,330</u>
Expenses	<u>3,654,075</u>
Net Income	<u>\$ 1,339,255</u>
Add back:	
Interest expense	\$ 723,659
Depreciation	240,413
Amortization of bond issuance costs	36,621
Amortization of investment in JPA	10,945
Net revenues available for debt service	<u>\$ 2,350,893</u>
2003 Refunding Revenue bonds debt service:	
Principal repayment	\$ 515,000
Interest charges	333,600
Total debt service	<u>\$ 848,600</u>
Coverage ratio	<u>2.77</u>

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 \$15,941,654 at June 30, 2010.

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
2011	\$ 200,000	\$ 392,492	\$ 592,492
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 - 2020	1,275,000	1,676,350	2,951,350
2021 - 2125	1,560,000	1,393,125	2,953,125
2126-2030	1,930,000	1,024,844	2,954,844
2031-2035	2,390,000	564,375	2,954,375
2036-2037	1,105,000	73,061	1,178,061
Total	\$ 9,320,000	\$ 6,621,654	\$ 15,941,654

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, 2010

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 \$2,350,893, the 2006 Subordinate Wastewater Revenue bonds debt service coverage requirement for fiscal year ended June 30, 2009 is calculated as follows:

Net revenues available for debt service	\$ 2,350,893
Less: 2003 Refunding Revenue bonds debt service	<u>(848,600)</u>
Net revenues available for 2006 Sewer Revenue Bonds debt service	<u>\$ 1,502,293</u>
2006 Sewer Revenue bonds debt service:	
Principal repayment	\$ 190,000
Interest charges	<u>399,143</u>
Total debt service	<u>\$ 589,143</u>
Coverage ratio	<u>2.55</u>

Compensated Absences

Business-type activities compensated absences at June 30, 2010, amounted to \$21,667. 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.

Cedros Avenue Assessment District

During July 1989, the Cedros Avenue Assessment District No. 1 issued Improvement Bonds totaling \$216,939 (less bond issuance costs of \$19,807) to finance various capital improvements. The remaining balance of the bonds was paid in full at June 30, 2010.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM OBLIGATIONS, Continued

Non-City Obligations – Special Assessment Debt, Continued

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, 2010 were \$2,455,000.

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, 2010 were \$550,000.

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 bi-monthly 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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. RISK MANAGEMENT, Continued

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 \$100,000 and pays 100% of all losses incurred under \$100,000. The City does not share or pay for losses of other cities under \$100,000. Losses of \$100,000 to \$5,000,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$5,000,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$10,000,000. This cost is also prorated on a payroll basis. This coverage is limited to \$45,000,000 in aggregate claims per policy year.

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

Workers' Compensation

Beginning October 1, 2004, the City became fully self-insured with respect to Workers' Compensation. The City has a Self-Insured Retention (SIR) of \$125,000 per claim and additional coverage above its SIR with CSAC Excess Insurance Authority (EIA) to \$4 million per claim; there is an additional \$45 million of reinsurance above CSAC-EIA 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 \$1,203,000 reported at June 30, 2010 were based on the requirements of Governmental Accounting Standards Board Statement No. 10, which required that a liability for claims be reported if 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
2007-2008	\$ 125,977	\$ 382,677	\$ (49,066)	\$ 459,588
2008-2009	459,588	583,152	(649,219)	393,521
2009-2010	393,521	1,156,139	(346,660)	1,203,000

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. RISK MANAGEMENT, Continued

Workers' Compensation, Continued

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	<u>\$ 428,407,212</u>
Total equities	<u>\$ 118,357,605</u>
Total revenues	<u>\$ 416,173,553</u>
Total expenses	<u>\$ 443,609,321</u>
Expenses over revenues	<u>\$ 27,435,768</u>

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 1.3% for miscellaneous employees and 2.0% for 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 \$1,015,614 for the year ended June 30, 2010. The City employer is required to contribute for fiscal year 2009-2010 at an actuarially determined rate; the current rate as a percentage of annual covered payroll is 14.089% for miscellaneous employees, 32.255% for fire safety employees, and 30.432% 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, 2010, the City's annual pension cost of \$1,015,614 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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Annual Pension Cost, Continued

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 \$1,611,281 for fire safety, \$233,157 for marine safety and \$3,016,117 for miscellaneous employees for the year ended June 30, 2010, while the City's total payroll during the same period was \$1,994,821 for fire safety employees, \$449,590 for marine safety employees and \$2,910,550 for miscellaneous employees. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2009 to June 30, 2010.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Miscellaneous Employees			
	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/2008	15.484%	\$ 401,098	100%
6/30/2009	14.418%	408,066	100%	-
6/30/2010	14.089%	424,941	100%	-

Fiscal Year	Fire Safety Employees			
	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/2008	32.510%	\$ 496,585	100%
6/30/2009	33.045%	510,192	100%	-
6/30/2010	32.255%	519,719	100%	-

Fiscal Year	Marine Safety Employees			
	Employer Contribution Rate	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	6/30/2008	31.999%	\$ 71,305	100%
6/30/2009	29.999%	68,761	100%	-
6/30/2010	30.432%	70,954	100%	-

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Funded Status of Plan - Miscellaneous and Safety Employees

As of the actuarial valuation date of June 30, 2009, the City's miscellaneous and safety plans was 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.

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 \$80,600 during the 2010 fiscal year on a pay-as-you-go basis for current benefit payments. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

Annual OPEB Cost and Net OPEB Obligation

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

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. OTHER POST EMPLOYMENT BENEFITS

Annual OPEB Cost and Net OPEB Obligation, Continued

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

Annual required contribution	\$ 240,200
Interest on net OPEB obligation	6,400
Adjustment to annual required contribution	<u>(11,200)</u>
Annual OPEB cost (expense)	235,400
Contributions made	<u>(80,600)</u>
Increase in net OPEB obligation	154,800
Net OPEB obligation - beginning of year	<u>151,100</u>
Net OPEB obligation - end of year	<u><u>\$ 305,900</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2010 and the two preceding fiscal years were as follows:

	<u>Annual OPEB Cost (ARC)</u>	<u>Actual Contributions</u>	<u>Percentage Contribution</u>	<u>Increase in Net OPEB Asset</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

Funded Status and Funding Progress

The most recent schedule of funding progress is presented below:

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u>
7/1/2009	\$ -	\$ 1,706,000	\$ 1,706,000	0.0%	\$ 3,348,000	51.0%

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. OTHER POST EMPLOYMENT BENEFITS, Continued

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.

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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010 is as follows:

Operating revenues	\$ 5,637,544
Operating expenses	(5,867,025)
Non-operating expenses (net of revenues)	(56,318)
Capital grants	693,725
Change in net assets	<u>\$ 407,926</u>
Total assets	\$ 59,788,013
Total liabilities	<u>24,210,174</u>
Net assets - total fund equity	<u>\$ 35,577,839</u>

Prior to the formation of the San Elijo Joint Powers Authority, the Cardiff Sanitation District and the City of Solana Beach operated the San Elijo water pollution control facility under an agreement whereby operating costs were shared based on usage and capital expansions were funded 56% by Cardiff and 44% by Solana Beach. Upon formation of the SEJPA in June 1987 the members continued funding SEJPA activities in this manner until May 1989, when the equity interests in the joint venture were revised to 50% Cardiff and 50% Solana Beach. To effect the change in equity interests, the City of Solana Beach agreed to pay Cardiff Sanitation District \$750,680, which included a premium on the value of the equity interest in the amount of \$437,782. This premium is being amortized over the estimated useful life of the facility of forty years.

A summary of the changes in the City's investment in the San Elijo Joint Powers Authority for the year ended June 30, 2010 is as follows:

June 30, 2009 balance	\$ 17,595,881
Add: unamortized premium	<u>206,133</u>
	17,802,014
FYE June 30, 2010 activity:	
Increase (decrease) in investment in joint venture	203,963
Less: amortization of premium	<u>(10,945)</u>
Total investment at June 30, 2010	<u>\$ 17,995,032</u>

At June 30, 2010 the SEJPA had \$12,365,000 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.

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. OTHER REQUIRED DISCLOSURES

At June 30, 2010, the following funds had deficit fund balances, which will be expected to be eliminated through future grant reimbursement:

Fund	Fund Type	Deficit
TEA 21 and TEA	Special Revenue Fund	\$ (168,970)
CDBG	Special Revenue Fund	(15,454)
Proposition A	Special Revenue Fund	(596)

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, 2010 with an estimated cost to complete of approximately \$1,063,420 in all fund types.

12. PRIOR PERIOD ADJUSTMENTS

During the implementation of GASB Statement No. 34, the City recorded right-of-way for the value of land underneath the City's residential streets and roads in the amount \$470,913,798 as a non-depreciable asset. After extensive research, management determined that the City had misapplied the implementation of GASB Statement No. 34 regarding the recording of capital assets. An adjustment was made to remove the right-of-way.

The City also failed to record an asset acquired during fiscal year 2009 in the amount of \$765,599.

Accordingly, the net assets as of July 1, 2009, have been restated as follows:

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets as Restated
Net assets	\$ 521,780,671	\$ (470,148,199)	\$ 51,632,472

City of Solana Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. SUBSEQUENT EVENTS

State Legislation

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 it is anticipated another \$43,182 will need to be submitted in fiscal year 2010-2011. 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.

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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.

In fiscal year 2009-10, no funds had expenditures that exceeded appropriations.

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

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule - General Fund

	2010			Variance with Final Budget	2009
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES:					
Taxes and assessments:					
Property	\$ 5,341,000	\$ 5,343,900	\$ 5,332,456	\$ (11,444)	\$ 5,319,399
Sales	2,700,000	2,369,000	2,515,183	146,183	2,682,769
Franchise and other	2,415,200	2,255,700	2,289,393	33,693	2,374,656
Intergovernmental	1,297,000	1,315,200	1,376,714	61,514	1,569,980
Licenses and permits	358,600	288,900	308,284	19,384	329,118
Charges for services	404,200	392,600	675,474	282,874	565,082
Fines and forfeitures	334,000	316,300	349,291	32,991	322,777
Investment income	254,500	69,000	88,407	19,407	261,590
Use of money and property	45,600	45,600	38,480	(7,120)	87,154
Other revenues	442,300	571,600	396,095	(175,505)	380,349
Total revenues	13,592,400	12,967,800	13,369,777	401,977	13,892,874
EXPENDITURES:					
General government:					
City Council	231,500	208,980	209,542	(562)	249,523
City Clerk	323,140	328,419	339,041	(10,622)	320,750
Legal services	354,600	468,077	471,076	(2,999)	504,060
City Manager	400,800	413,503	421,518	(8,015)	439,215
Finance	631,800	662,892	672,661	(9,769)	681,217
Personnel	242,100	235,280	238,360	(3,080)	231,197
Information systems	283,800	271,511	310,965	(39,454)	303,157
Support services	424,400	685,365	614,259	71,106	457,101
Total general government	2,892,140	3,274,027	3,277,422	(3,395)	3,186,220
Public safety:					
Junior lifeguard	123,500	187,775	187,713	62	151,732
Marine safety	659,500	620,611	672,396	(51,785)	656,102
Law enforcement	2,891,300	2,999,200	2,999,138	62	2,852,309
Code & parking enforcement	318,100	327,911	331,761	(3,850)	211,671
Fire department	3,083,900	3,306,763	3,354,891	(48,128)	4,000,804
Animal regulation	71,700	78,600	79,900	(1,300)	75,415
Civil defense	27,700	17,635	17,560	75	21,401
Environmental services	68,900	61,347	41,406	19,941	67,000
Total public safety	7,244,600	7,599,842	7,684,765	(84,923)	8,036,434

(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

	2010		Actual Amounts	Variance with Final Budget	2009
	Budgeted Amounts				Actual
	Original	Final			Amounts
Public works:					
Street and other	1,194,700	1,064,697	1,028,253	36,444	1,086,650
Public facility	160,200	157,796	140,366	17,430	134,796
Engineering	403,500	340,238	348,942	(8,704)	455,227
Total public works	1,758,400	1,562,731	1,517,561	45,170	1,676,673
Community development:					
Planning	679,100	737,968	751,274	(13,306)	766,229
Building services	331,700	264,725	264,412	313	287,292
Total community development	1,010,800	1,002,693	1,015,686	(12,993)	1,053,521
Community services:					
Community services	91,300	83,105	80,622	2,483	130,643
Recreation programs	170,100	159,332	144,262	15,070	165,008
Total community services	261,400	242,437	224,884	17,553	295,651
	-				
Total expenditures	13,167,340	13,681,730	13,720,318	(38,588)	14,248,499
REVENUE OVER					
(UNDER) EXPENDITURES	425,060	(713,930)	(350,541)	440,565	(355,625)
OTHER FINANCING SOURCES (USES):					
Transfers in	67,341	165,541	165,541	-	115,000
Transfers out	(475,400)	(381,652)	(381,653)	(1)	(521,400)
Capital lease	-	-	-	-	703,999
Total financing sources (uses)	(408,059)	(216,111)	(216,112)	(1)	297,599
Net change in fund balance	\$ 17,001	\$ (930,041)	(566,653)	\$ 440,564	(58,026)
FUND BALANCE:					
Beginning of year			9,993,824		10,051,850
End of year			\$ 9,427,171		\$ 9,993,824

(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
7/1/2009	\$ -	\$ 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.

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

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

Municipal Improvement Districts Fund - 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.

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.

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City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010
(With comparative totals for June 30, 2009)

	Special Revenue Funds		Debt Service Funds	
	2010	2009	2010	2009
ASSETS				
Cash and investments	\$ 4,847,452	\$ 4,858,503	\$ 66,644	\$ 797,344
Cash and investments with fiscal agents	-	-	425,463	481,886
Receivables:				
Accounts	79,198	3,976	11,931	15,905
Taxes	5,658	7,030	-	-
Interest	3,508	14,800	-	1,210
Due from other governments	-	72,115	799	-
Due from other funds	-	-	669,707	191,922
Total assets	\$ 4,935,816	\$ 4,956,424	\$ 1,174,544	\$ 1,488,267
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 78,510	\$ 187,361	\$ 217,391	\$ 222,799
Accrued liabilities	3,527	3,514	-	-
Due to other funds	184,540	184,541	-	-
Deposits payable	-	-	-	-
Deferred revenue	114,450	126,037	-	-
Total liabilities	381,027	501,453	217,391	222,799
Fund Balances:				
Reserved:				
For encumbrances	-	717,250	-	-
For debt service	-	-	425,463	1,265,468
For housing	671,027	952,564	-	-
Unreserved:				
Special revenue funds	3,883,762	2,785,157	-	-
Debt service funds	-	-	531,690	-
Capital projects funds	-	-	-	-
Total fund balances	4,554,789	4,454,971	957,153	1,265,468
Total liabilities and fund balances	\$ 4,935,816	\$ 4,956,424	\$ 1,174,544	\$ 1,488,267



Capital Projects Funds		Total Non-Major Funds	
2010	2009	2010	2009
\$ 1,429,511	\$ 1,789,484	\$ 6,343,607	\$ 7,445,331
943,239	948,143	1,368,702	1,430,029
-	-	91,129	19,881
-	-	5,658	7,030
1,928	6,395	5,436	22,405
-	-	799	72,115
-	-	669,707	191,922
<u>\$ 2,374,678</u>	<u>\$ 2,744,022</u>	<u>\$ 8,485,038</u>	<u>\$ 9,188,713</u>

\$ 58,751	\$ 75,361	\$ 354,652	\$ 485,521
2,791	1,914	6,318	5,428
669,707	572,291	854,247	756,832
69,226	69,226	69,226	69,226
-	-	114,450	126,037
<u>800,475</u>	<u>718,792</u>	<u>1,398,893</u>	<u>1,443,044</u>

-	362,693	-	1,079,943
943,239	-	1,368,702	1,265,468
-	-	671,027	952,564
-	-	3,883,762	2,785,157
-	-	531,690	-
630,964	1,662,537	630,964	1,662,537
<u>1,574,203</u>	<u>2,025,230</u>	<u>7,086,145</u>	<u>7,745,669</u>
<u>\$ 2,374,678</u>	<u>\$ 2,744,022</u>	<u>\$ 8,485,038</u>	<u>\$ 9,188,713</u>

City of Solana Beach

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Special Revenue Funds		Debt Service Funds	
	2010	2009	2010	2009
REVENUES:				
Taxes and assessments	\$ 1,223,154	\$ 911,571	\$ 796,263	\$ 882,281
Use of money and property	27,608	76,890	11,683	21,675
Intergovernmental	324,204	740,167	-	-
Charges for services	2,714	8,097	-	-
Contributions from property owners	-	-	-	-
Other revenues	-	31,725	-	-
Total revenues	1,577,680	1,768,450	807,946	903,956
EXPENDITURES:				
Current:				
General government	-	-	5,726	4,290
Public safety	163,812	199,682	-	-
Public works	761,315	794,948	-	-
Community services	-	-	-	-
Community development	63,965	55,206	-	-
Capital outlay	648,023	535,048	-	-
Debt service:				
Principal	-	-	424,079	415,000
Interest and fiscal charges	-	-	282,725	292,415
Pass-through payments	-	-	453,250	256,033
Total expenditures	1,637,115	1,584,884	1,165,780	967,738
REVENUES OVER (UNDER) EXPENDITURES	(59,435)	183,566	(357,834)	(63,782)
OTHER FINANCING SOURCES (USES):				
Transfers in	159,253	176,456	359,552	478,400
Transfers out	-	-	(310,033)	(309,680)
Total other financing sources (uses)	159,253	176,456	49,519	168,720
Net changes in fund balances	99,818	360,022	(308,315)	104,938
FUND BALANCES:				
Beginning of year	4,454,971	4,094,949	1,265,468	1,160,530
End of year	\$ 4,554,789	\$ 4,454,971	\$ 957,153	\$ 1,265,468

Capital Projects Funds		Total Non-Major Funds	
2010	2009	2010	2009
\$ 143,052	\$ 129,153	\$ 2,162,469	\$ 1,923,005
10,142	44,193	49,433	142,758
-	-	324,204	740,167
-	-	2,714	8,097
-	732,846	-	732,846
25,500	181,260	25,500	212,985
<u>178,694</u>	<u>1,087,452</u>	<u>2,564,320</u>	<u>3,759,858</u>
150,206	183,454	155,932	187,744
-	-	163,812	199,682
-	-	761,315	794,948
-	-	-	-
-	-	63,965	55,206
486,855	1,216,754	1,134,878	1,751,802
-	-	424,079	415,000
-	-	282,725	292,415
-	-	453,250	256,033
<u>637,061</u>	<u>1,400,208</u>	<u>3,439,956</u>	<u>3,952,830</u>
<u>(458,367)</u>	<u>(312,756)</u>	<u>(875,636)</u>	<u>(192,972)</u>
172,881	176,224	691,686	831,080
(165,541)	(115,000)	(475,574)	(424,680)
<u>7,340</u>	<u>61,224</u>	<u>216,112</u>	<u>406,400</u>
(451,027)	(251,532)	(659,524)	213,428
<u>2,025,230</u>	<u>2,276,762</u>	<u>7,745,669</u>	<u>7,532,241</u>
<u>\$ 1,574,203</u>	<u>\$ 2,025,230</u>	<u>\$ 7,086,145</u>	<u>\$ 7,745,669</u>

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue				
	Gas Tax	Municipal Improvement Districts	SEEG	Lighting District	TransNet
ASSETS					
Cash and investments	\$ 391,995	\$ 325,262	\$ 693	\$ 1,318,357	\$ 1,217,246
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Accounts	34,517	-	-	1,626	-
Taxes	-	2,804	-	2,854	-
Interest	447	184	-	-	1,515
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 426,959	\$ 328,250	\$ 693	\$ 1,322,837	\$ 1,218,761
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8,419	\$ 20,966	\$ -	\$ 9,864	\$ -
Accrued liabilities	-	500	-	3,027	-
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	8,419	21,466	-	12,891	-
Fund Balances:					
Reserved:					
For encumbrances	-	-	-	-	-
For debt service	-	-	-	-	-
For housing	-	-	-	-	-
Unreserved:					
Special revenue funds	418,540	306,784	693	1,309,946	1,218,761
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total fund balances	418,540	306,784	693	1,309,946	1,218,761
Total liabilities and fund balances	\$ 426,959	\$ 328,250	\$ 693	\$ 1,322,837	\$ 1,218,761

Special Revenue

Prop A	TEA 21/ TEA	COPS	Public Safety	Fire Mitigation	Transportation Development Act	CDBG	CALTRANS
\$ -	\$ -	\$ 95,840	\$ -	\$ 53,591	\$ 8,537	\$ -	\$ 53,839
-	-	-	-	-	-	-	-
-	-	25,000	9,526	-	-	-	5,546
-	-	-	-	-	-	-	-
-	-	36	-	48	-	-	40
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,876</u>	<u>\$ 9,526</u>	<u>\$ 53,639</u>	<u>\$ 8,537</u>	<u>\$ -</u>	<u>\$ 59,425</u>
\$ -	\$ -	\$ 6,302	\$ -	\$ -	\$ 8,527	\$ 480	\$ -
-	-	-	-	-	-	-	-
596	168,970	-	-	-	-	14,974	-
-	-	-	-	-	-	-	-
-	-	114,450	-	-	-	-	-
<u>596</u>	<u>168,970</u>	<u>120,752</u>	<u>-</u>	<u>-</u>	<u>8,527</u>	<u>15,454</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(596)	(168,970)	124	9,526	53,639	10	(15,454)	59,425
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(596)</u>	<u>(168,970)</u>	<u>124</u>	<u>9,526</u>	<u>53,639</u>	<u>10</u>	<u>(15,454)</u>	<u>59,425</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,876</u>	<u>\$ 9,526</u>	<u>\$ 53,639</u>	<u>\$ 8,537</u>	<u>\$ -</u>	<u>\$ 59,425</u>

(Continued)

City of Solana Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010

	Special Revenue				
	Coastal Area				RDA
	Business/Visitor Assistance & Enhancement	Boating & Waterways	Miscellaneous Grants	Low/Mod Housing	Housing
ASSETS					
Cash and investments	\$ 120,935	\$ 50,674	\$ 119,558	\$ 668,295	\$ 422,630
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Accounts	-	-	-	2,983	-
Taxes	-	-	-	-	-
Interest	56	-	149	461	572
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 120,991	\$ 50,674	\$ 119,707	\$ 671,739	\$ 423,202
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 84	\$ -	\$ 23,156	\$ 712	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	84	-	23,156	712	-
Fund Balances:					
Reserved	-	-	-	-	-
For debt service	-	-	-	-	-
For housing	-	-	-	671,027	-
Unreserved:					
Special revenue funds	120,907	50,674	96,551	-	423,202
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total fund balances	120,907	50,674	96,551	671,027	423,202
Total liabilities and fund balances	\$ 120,991	\$ 50,674	\$ 119,707	\$ 671,739	\$ 423,202

Debt Service		Capital Projects				Total	Total
City	RDA		Assessment	RDA	Sand Replenish/ Retention and	Other	Other
Debt Service	Debt Service	City CIP	Districts CIP	CIP	Coastal Access CIP	Governmental Funds	Governmental Funds
						June 30, 2010	June 30, 2010
\$ 4,528	\$ 62,116	\$ 836,453	\$ 289,300	\$ -	\$ 303,758	\$ 6,343,607	\$ 7,445,331
189,626	235,837	-	-	943,239	-	1,368,702	1,430,029
-	11,931	-	-	-	-	91,129	19,881
-	-	-	-	-	-	5,658	7,030
-	-	1,319	366	-	243	5,436	22,405
-	799	-	-	-	-	799	72,115
-	669,707	-	-	-	-	669,707	191,922
<u>\$ 194,154</u>	<u>\$ 980,390</u>	<u>\$ 837,772</u>	<u>\$ 289,666</u>	<u>\$ 943,239</u>	<u>\$ 304,001</u>	<u>\$ 8,485,038</u>	<u>\$ 9,188,713</u>
\$ -	\$ 217,391	\$ 7,144	\$ 16,644	\$ 34,963	\$ -	\$ 354,652	\$ 485,521
-	-	-	-	2,791	-	6,318	5,428
-	-	-	-	669,707	-	854,247	756,832
-	-	-	69,226	-	-	69,226	69,226
-	-	-	-	-	-	114,450	126,037
-	217,391	7,144	85,870	707,461	-	1,398,893	1,443,044
-	-	-	-	-	-	-	1,079,943
189,626	235,837	-	-	943,239	-	1,368,702	1,265,468
-	-	-	-	-	-	671,027	952,564
-	-	-	-	-	-	3,883,762	2,785,157
4,528	527,162	-	-	-	-	531,690	-
-	-	830,628	203,796	(707,461)	304,001	630,964	1,662,537
<u>194,154</u>	<u>762,999</u>	<u>830,628</u>	<u>203,796</u>	<u>235,778</u>	<u>304,001</u>	<u>7,086,145</u>	<u>7,745,669</u>
<u>\$ 194,154</u>	<u>\$ 980,390</u>	<u>\$ 837,772</u>	<u>\$ 289,666</u>	<u>\$ 943,239</u>	<u>\$ 304,001</u>	<u>\$ 8,485,038</u>	<u>\$ 9,188,713</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, 2010

	Special Revenue				
	Gas Tax	Municipal Improvement Districts	SEEG	Lighting District	TransNet
REVENUES:					
Taxes and assessments	\$ 226,405	\$ 511,181	\$ -	\$ 414,042	\$ -
Use of money and property	2,441	1,475	-	8,403	7,960
Intergovernmental	123,098	3,527	-	5,215	-
Charges for services	-	-	-	-	-
Contributions from property owners	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	351,944	516,183	-	427,660	7,960
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	502,802	-	258,513	-
Community services	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	363,342	-	-	32,483	6,986
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Pass-through payments	-	-	-	-	-
Total expenditures	363,342	502,802	-	290,996	6,986
REVENUES OVER (UNDER) EXPENDITURES	(11,398)	13,381	-	136,664	974
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net changes in fund balances	(11,398)	13,381	-	136,664	974
FUND BALANCES:					
Beginning of year	429,938	293,403	693	1,173,282	1,217,787
End of year	\$ 418,540	\$ 306,784	\$ 693	\$ 1,309,946	\$ 1,218,761

Special Revenue

Prop A	TEA 21/ TEA	COPS	Public Safety	Fire Mitigation	Transportation Development Act	CDBG	CALTRANS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	467	-	333	-	-	278
-	-	111,588	9,526	-	-	-	-
-	-	-	-	2,714	-	-	-
-	-	-	-	-	-	-	-
-	-	112,055	9,526	3,047	-	-	278
-	-	-	-	-	-	-	-
-	-	112,055	-	16,156	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,996	8,527	479	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	112,055	-	21,152	8,527	479	-
-	-	-	9,526	(18,105)	(8,527)	(479)	278
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	9,526	(18,105)	(8,527)	(479)	278
(596)	(168,970)	124	-	71,744	8,537	(14,975)	59,147
\$ (596)	\$ (168,970)	\$ 124	\$ 9,526	\$ 53,639	\$ 10	\$ (15,454)	\$ 59,425

(Continued)

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, 2010

	Special Revenue				
	Coastal Area		Miscellaneous Grants	RDA	
	Business/Visitor Assistance & Enhancement	Boating & Waterways		Low/Mod Housing	Housing
REVENUES:					
Taxes and assessments	\$ 71,526	\$ -	\$ -	\$ -	\$ -
Use of money and property	402	44	1,294	1,700	2,811
Intergovernmental	-	71,250	-	-	-
Charges for services	-	-	-	-	-
Contributions from property owners	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	71,928	71,294	1,294	1,700	2,811
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	35,601	-	-	-
Public works	-	-	-	-	-
Community services	-	-	-	-	-
Community development	41,866	-	-	22,099	-
Capital outlay	-	-	231,210	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Pass-through payments	-	-	-	-	-
Total expenditures	41,866	35,601	231,210	22,099	-
REVENUES OVER (UNDER) EXPENDITURES	30,062	35,693	(229,916)	(20,399)	2,811
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	159,253	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	159,253	-
Net changes in fund balances	30,062	35,693	(229,916)	138,854	2,811
FUND BALANCES:					
Beginning of year	90,845	14,981	326,467	532,173	420,391
End of year	\$ 120,907	\$ 50,674	\$ 96,551	\$ 671,027	\$ 423,202

Debt Service		Capital Projects				Total	Total
City	RDA		Assessment	RDA	Sand Replenish/ Retention and	Other	Other
Debt Service	Debt Service	City CIP	Districts CIP	CIP	Coastal Access CIP	Governmental Funds	Governmental Funds
						June 30, 2010	June 30, 2009
\$ -	\$ 796,263	\$ -	\$ -	\$ -	\$ 143,052	\$ 2,162,469	\$ 1,923,005
8,291	3,392	6,837	1,863	93	1,349	49,433	142,758
-	-	-	-	-	-	324,204	740,167
-	-	-	-	-	-	2,714	8,097
-	-	-	-	-	-	-	732,846
-	-	25,500	-	-	-	25,500	212,985
8,291	799,655	32,337	1,863	93	144,401	2,564,320	3,759,858
1,676	4,050	-	4,903	145,303	-	155,932	187,744
-	-	-	-	-	-	163,812	199,682
-	-	-	-	-	-	761,315	794,948
-	-	-	-	-	-	-	-
-	-	-	-	-	-	63,965	55,206
-	-	273,230	4,515	142,428	66,682	1,134,878	1,751,802
359,079	65,000	-	-	-	-	424,079	415,000
116,002	166,723	-	-	-	-	282,725	292,415
-	453,250	-	-	-	-	453,250	256,033
476,757	689,023	273,230	9,418	287,731	66,682	3,439,956	3,952,830
(468,466)	110,632	(240,893)	(7,555)	(287,638)	77,719	(875,636)	(192,972)
359,552	-	22,100	-	150,781	-	691,686	831,080
-	(310,033)	(165,541)	-	-	-	(475,574)	(424,680)
359,552	(310,033)	(143,441)	-	150,781	-	216,112	406,400
(108,914)	(199,401)	(384,334)	(7,555)	(136,857)	77,719	(659,524)	213,428
303,068	962,400	1,214,962	211,351	372,635	226,282	7,745,669	7,532,241
\$ 194,154	\$ 762,999	\$ 830,628	\$ 203,796	\$ 235,778	\$ 304,001	\$ 7,086,145	\$ 7,745,669

(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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 244,000	\$ 244,000	\$ 226,405	\$ (17,595)
Use of money and property	2,500	2,500	2,441	(59)
Intergovernmental	127,700	127,700	123,098	(4,602)
Total revenues	374,200	374,200	351,944	(22,256)
EXPENDITURES:				
Capital outlay	250,000	415,582	363,342	52,240
Total expenditures	250,000	415,582	363,342	52,240
REVENUES OVER (UNDER) EXPENDITURES				
	124,200	(41,382)	(11,398)	29,984
Net changes in fund balance	\$ 124,200	\$ (41,382)	(11,398)	\$ 29,984
FUND BALANCE:				
Beginning of year			429,938	
End of year			\$ 418,540	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 523,200	\$ 523,200	\$ 511,181	\$ (12,019)
Use of money and property	2,300	2,300	1,475	(825)
Intergovernmental	2,400	2,400	3,527	1,127
Total revenues	527,900	527,900	516,183	(11,717)
EXPENDITURES:				
Current:				
Public works	510,400	520,765	502,802	17,963
Total expenditures	510,400	520,765	502,802	17,963
REVENUES OVER (UNDER) EXPENDITURES	17,500	7,135	13,381	6,246
Net changes in fund balance	\$ 17,500	\$ 7,135	13,381	\$ 6,246
FUND BALANCE:				
Beginning of year			293,403	
End of year			\$ 306,784	

City of Solana Beach

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

SEEG Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Pass-through payments	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<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>693</u>	
End of year			<u>\$ 693</u>	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 420,500	\$ 420,500	\$ 414,042	\$ (6,458)
Use of money and property	17,000	17,000	8,403	(8,597)
Intergovernmental	2,800	2,800	5,215	2,415
Total revenues	440,300	440,300	427,660	(12,640)
EXPENDITURES:				
Current:				
Public works	269,200	-	258,513	(258,513)
Capital outlay	276,800	-	32,483	(32,483)
Total expenditures	546,000	-	290,996	(290,996)
Net changes in fund balance	\$ (105,700)	\$ 440,300	136,664	\$ (303,636)
FUND BALANCE:				
Beginning of year			1,173,282	
End of year			\$ 1,309,946	

City of Solana Beach

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

TransNet Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 10,600	\$ 10,600	\$ 7,960	\$ (2,640)
Total revenues	<u>10,600</u>	<u>10,600</u>	<u>7,960</u>	<u>(2,640)</u>
EXPENDITURES:				
Current:				
Capital outlay	<u>1,709,900</u>	<u>1,709,900</u>	<u>6,986</u>	<u>1,702,914</u>
Total expenditures	<u>1,709,900</u>	<u>1,709,900</u>	<u>6,986</u>	<u>1,702,914</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,699,300)</u>	<u>(1,699,300)</u>	<u>974</u>	<u>1,700,274</u>
Net changes in fund balance	<u>\$ (1,699,300)</u>	<u>\$ (1,699,300)</u>	<u>974</u>	<u>\$ 1,700,274</u>
FUND BALANCE:				
Beginning of year			<u>1,217,787</u>	
End of year			<u>\$ 1,218,761</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net changes in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			(596)	
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, 2010

	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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,200	\$ 1,200	\$ 467	\$ (733)
Intergovernmental	-	-	111,588	111,588
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>112,055</u>	<u>110,855</u>
EXPENDITURES:				
Current:				
Public safety	<u>100,000</u>	<u>112,112</u>	<u>112,055</u>	<u>57</u>
Total expenditures	<u>100,000</u>	<u>112,112</u>	<u>112,055</u>	<u>57</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(98,800)</u>	<u>(110,912)</u>	<u>-</u>	<u>110,912</u>
Net changes in fund balance	<u>\$ (98,800)</u>	<u>\$ (110,912)</u>	<u>-</u>	<u>\$ 110,912</u>
FUND BALANCE:				
Beginning of year			<u>124</u>	
End of year			<u>\$ 124</u>	

City of Solana Beach

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

Public Safety

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 9,526	\$ 9,526
Total revenues	<u>-</u>	<u>-</u>	<u>9,526</u>	<u>9,526</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>9,526</u>	<u>9,526</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>9,526</u>	<u>\$ 9,526</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ 9,526</u>	

City of Solana Beach

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

Fire Mitigation

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 900	\$ 900	\$ 333	\$ (567)
Charges for services	5,000	5,000	2,714	(2,286)
Total revenues	5,900	5,900	3,047	(2,853)
EXPENDITURES:				
Current:				
Public safety	15,000	20,638	16,156	4,482
Capital outlay	-	5,000	4,996	4
Total expenditures	15,000	25,638	21,152	4,486
Net changes in fund balance	\$ (9,100)	\$ (19,738)	(18,105)	\$ 1,633
FUND BALANCE:				
Beginning of year			71,744	
End of year			\$ 53,639	

City of Solana Beach

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

TDA Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital outlay	-	8,600	8,527	73
Total expenditures	-	8,600	8,527	73
Net changes in fund balance	\$ -	\$ (8,600)	(8,527)	\$ 73
FUND BALANCE:				
Beginning of year			8,537	
End of year			\$ 10	

City of Solana Beach

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

CDBG Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Capital outlay	-	500	479	21
Total expenditures	<u>-</u>	<u>500</u>	<u>479</u>	<u>21</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>-</u>	<u>(500)</u>	<u>(479)</u>	<u>21</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (500)</u>	<u>(479)</u>	<u>\$ 21</u>
FUND BALANCE:				
Beginning of year			<u>(14,975)</u>	
End of year			<u>\$ (15,454)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	278	278
Total revenues	-	-	278	278
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net changes in fund balance	\$ -	\$ -	278	\$ 278
FUND BALANCE:				
Beginning of year			59,147	
End of year			\$ 59,425	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 93,600	\$ 93,600	\$ 71,526	\$ (22,074)
Use of money and property	-	-	402	402
Other revenues	25	-	-	-
Total revenues	<u>93,625</u>	<u>93,600</u>	<u>71,928</u>	<u>(21,672)</u>
EXPENDITURES:				
Current:				
Community development	<u>33,500</u>	<u>41,950</u>	<u>41,866</u>	<u>84</u>
Total expenditures	<u>33,500</u>	<u>41,950</u>	<u>41,866</u>	<u>84</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>60,125</u>	<u>51,650</u>	<u>30,062</u>	<u>(21,588)</u>
Net changes in fund balance	<u>\$ 60,125</u>	<u>\$ 51,650</u>	<u>30,062</u>	<u>\$ (21,588)</u>
FUND BALANCE:				
Beginning of year			<u>90,845</u>	
End of year			<u>\$ 120,907</u>	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 44	\$ 44
Intergovernmental	224,800	224,800	71,250	(153,550)
Total revenues	224,800	224,800	71,294	(153,506)
EXPENDITURES:				
Current:				
Public safety	255,000	290,602	35,601	255,001
Total expenditures	255,000	290,602	35,601	255,001
REVENUES OVER (UNDER) EXPENDITURES	(30,200)	(65,802)	35,693	101,495
Net changes in fund balance	\$ (30,200)	\$ (65,802)	35,693	\$ 101,495
FUND BALANCE:				
Beginning of year			14,981	
End of year			\$ 50,674	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,294	\$ 1,294
Total revenues	-	-	1,294	1,294
EXPENDITURES:				
Capital outlay	52,800	254,520	231,210	23,310
Total expenditures	52,800	254,520	231,210	23,310
REVENUES OVER (UNDER) EXPENDITURES				
	(52,800)	(254,520)	(229,916)	24,604
Net changes in fund balance	\$ (52,800)	\$ (254,520)	(229,916)	\$ 24,604
FUND BALANCE:				
Beginning of year			326,467	
End of year			\$ 96,551	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 1,700	\$ 700
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>1,700</u>	<u>700</u>
EXPENDITURES:				
Current:				
Community development	<u>25,000</u>	<u>24,492</u>	<u>22,099</u>	<u>2,393</u>
Total expenditures	<u>25,000</u>	<u>24,492</u>	<u>22,099</u>	<u>2,393</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(24,000)</u>	<u>(23,492)</u>	<u>(20,399)</u>	<u>3,093</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>195,000</u>	<u>195,000</u>	<u>159,253</u>	<u>(35,747)</u>
Total other financing sources (uses)	<u>195,000</u>	<u>195,000</u>	<u>159,253</u>	<u>(35,747)</u>
Net changes in fund balance	<u>\$ 171,000</u>	<u>\$ 171,508</u>	<u>138,854</u>	<u>\$ (32,654)</u>
FUND BALANCE:				
Beginning of year			<u>532,173</u>	
End of year			<u>\$ 671,027</u>	

City of Solana Beach

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

Housing Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 6,000	\$ -	\$ 2,811	\$ 2,811
Total revenues	<u>6,000</u>	<u>-</u>	<u>2,811</u>	<u>2,811</u>
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>6,000</u>	<u>-</u>	<u>2,811</u>	<u>2,811</u>
Net changes in fund balance	<u>\$ 6,000</u>	<u>\$ -</u>	<u>2,811</u>	<u>\$ 2,811</u>
FUND BALANCE:				
Beginning of year			<u>420,391</u>	
End of year			<u>\$ 423,202</u>	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 6,500	\$ -	\$ 8,291	\$ 8,291
Total revenues	6,500	-	8,291	8,291
EXPENDITURES:				
Current:				
General government	-	1,800	1,676	124
Debt service:				
Principal	359,100	359,100	359,079	21
Interest and fiscal charges	116,000	116,000	116,002	(2)
Total expenditures	475,100	476,900	476,757	143
REVENUES OVER (UNDER) EXPENDITURES	(468,600)	(476,900)	(468,466)	8,434
OTHER FINANCING SOURCES (USES):				
Transfers in	475,400	359,552	359,552	-
Total other financing sources (uses)	475,400	359,552	359,552	-
Net changes in fund balance	\$ 6,800	\$ (117,348)	(108,914)	\$ 8,434
FUND BALANCE:				
Beginning of year			303,068	
End of year			\$ 194,154	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 975,000	\$ 975,000	\$ 796,263	\$ (178,737)
Use of money and property	10,000	10,000	3,392	(6,608)
Total revenues	985,000	985,000	799,655	(185,345)
EXPENDITURES:				
Current:				
General government	9,500	9,500	4,050	5,450
Debt service:				
Principal	65,000	65,000	65,000	-
Interest and fiscal charges	166,800	166,800	166,723	77
Pass-through payments	217,000	447,800	453,250	(5,450)
Total expenditures	458,300	689,100	689,023	77
REVENUES OVER (UNDER) EXPENDITURES	526,700	295,900	110,632	(185,268)
OTHER FINANCING SOURCES (USES):				
Transfers out	(360,000)	(360,000)	(310,033)	49,967
Total other financing sources (uses)	(360,000)	(360,000)	(310,033)	49,967
Net changes in fund balance	\$ 166,700	\$ (64,100)	(199,401)	\$ (135,301)
FUND BALANCE:				
Beginning of year			962,400	
End of year			\$ 762,999	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,000	\$ 5,000	\$ 6,837	\$ 1,837
Other revenues	-	-	25,500	25,500
Total revenues	5,000	5,000	32,337	27,337
EXPENDITURES:				
Current:				
Capital outlay	792,200	879,712	273,230	606,482
Total expenditures	792,200	879,712	273,230	606,482
REVENUES OVER (UNDER) EXPENDITURES	(787,200)	(874,712)	(240,893)	633,819
OTHER FINANCING SOURCES (USES):				
Transfers in	-	22,100	22,100	-
Transfers out	-	(165,541)	(165,541)	-
Total other financing sources (uses)	-	(143,441)	(143,441)	-
Net changes in fund balance	\$ (787,200)	\$ (1,018,153)	(384,334)	\$ 633,819
FUND BALANCE:				
Beginning of year			1,214,962	
End of year			\$ 830,628	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,863	\$ 1,863
Total revenues	-	-	1,863	1,863
EXPENDITURES:				
Current:				
General government	-	9,515	4,903	4,612
Capital outlay	-	-	4,515	(4,515)
Total expenditures	-	9,515	9,418	97
REVENUES OVER (UNDER) EXPENDITURES	-	(9,515)	(7,555)	1,960
Net changes in fund balance	\$ -	\$ (9,515)	(7,555)	\$ 1,960
FUND BALANCE:				
Beginning of year			211,351	
End of year			\$ 203,796	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,500	\$ 2,500	\$ 93	\$ (2,407)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>93</u>	<u>(2,407)</u>
EXPENDITURES:				
Current:				
General government	166,100	168,142	145,303	22,839
Capital outlay	225,200	220,739	142,428	78,311
Total expenditures	<u>391,300</u>	<u>388,881</u>	<u>287,731</u>	<u>101,150</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(388,800)</u>	<u>(386,381)</u>	<u>(287,638)</u>	<u>98,743</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	165,000	165,000	150,781	(14,219)
Total other financing sources (uses)	<u>165,000</u>	<u>165,000</u>	<u>150,781</u>	<u>(14,219)</u>
Net changes in fund balance	<u>\$ (223,800)</u>	<u>\$ (221,381)</u>	<u>(136,857)</u>	<u>\$ 84,524</u>
FUND BALANCE:				
Beginning of year			372,635	
End of year			<u>\$ 235,778</u>	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 187,200	\$ 187,200	\$ 143,052	\$ (44,148)
Use of money and property	-	-	1,349	1,349
Total revenues	187,200	187,200	144,401	(42,799)
EXPENDITURES:				
Capital outlay	50,000	68,691	66,682	2,009
Total expenditures	50,000	68,691	66,682	2,009
REVENUES OVER (UNDER) EXPENDITURES	137,200	118,509	77,719	(40,790)
Net changes in fund balance	\$ 137,200	\$ 118,509	77,719	\$ (40,790)
FUND BALANCE:				
Beginning of year			226,282	
End of year			\$ 304,001	

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FIDUCIARY FUNDS

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

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

South Solana Sewer District Fund - this fund was formed to finance the construction of sewer improvements to connect the 51 properties of the assessment district to the City's sewer system. 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, 2010

	Cedros Avenue Assessment District	Undergrounding District	South Solana Sewer District	Total Agency Funds
ASSETS				
Cash and investments	\$ 13,199	\$ 332,445	\$ 69,961	\$ 415,605
Accounts receivable	-	405	-	405
Total assets	\$ 13,199	\$ 332,850	\$ 69,961	\$ 416,010
LIABILITIES				
Due to bondholders	\$ 13,199	\$ 332,850	\$ 69,961	\$ 416,010
Total liabilities	\$ 13,199	\$ 332,850	\$ 69,961	\$ 416,010

City of Solana Beach
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<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	\$ 333,797	\$ -	\$ (1,352)	\$ 332,445
Accounts receivable	1,743	-	(1,338)	405
Total assets	\$ 335,540	\$ -	\$ (2,690)	\$ 332,850
Liabilities:				
Due to bondholders	\$ 335,540	\$ -	\$ (2,690)	\$ 332,850
Total liabilities	\$ 335,540	\$ -	\$ (2,690)	\$ 332,850
<u>South Solana Sewer District</u>				
Assets:				
Cash and investments	\$ 52,343	\$ 17,618	\$ -	\$ 69,961
Accounts receivable	2,359	-	(2,359)	-
Total assets	\$ 54,702	\$ 17,618	\$ (2,359)	\$ 69,961
Liabilities:				
Due to bondholders	\$ 54,702	\$ 15,259	\$ -	\$ 69,961
Total liabilities	\$ 54,702	\$ 15,259	\$ -	\$ 69,961
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 399,339	\$ 17,618	\$ (1,352)	\$ 415,605
Accounts receivable	4,102	-	(3,697)	405
Total assets	\$ 403,441	\$ 17,618	\$ (5,049)	\$ 416,010
Liabilities:				
Due to bondholders	\$ 403,441	\$ 15,259	\$ (2,690)	\$ 416,010
Total liabilities	\$ 403,441	\$ 15,259	\$ (2,690)	\$ 416,010