SOLANA BEACH REDEVELOPMENT AGENCY
Basic Financial Statements
(and Supplementary Schedules)

Year ended June 30, 2009
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FINANCIAL SECTION
Board of Directors  
Solana Beach Redevelopment Agency  
Solana Beach, California

INDEPENDENT AUDITORS’ REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Solana Beach Redevelopment Agency (the Agency), a component unit of the City of Solana Beach, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency’s basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the management of the Solana Beach Redevelopment Agency. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Solana Beach Redevelopment Agency as of June 30, 2009, and the respective changes in financial position of the Solana Beach Redevelopment Agency for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Solana Beach Redevelopment Agency has not presented Management’s Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The information identified in the accompanying table of contents as required supplementary information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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 it.
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency’s basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated November 23, 2009 on our consideration of the Agency’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
November 23, 2009
GOVERNMENT-WIDE FINANCIAL STATEMENTS
SOLANA BEACH REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

JUNE 30, 2009

<table>
<thead>
<tr>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \text{Assets:} ) [\text{Current:}]</td>
</tr>
<tr>
<td>( \text{Cash and investments:} ) $1,268,771</td>
</tr>
<tr>
<td>( \text{Receivables:} ) $21,394</td>
</tr>
<tr>
<td>( \text{Restricted assets:} )</td>
</tr>
<tr>
<td>( \text{Cash with fiscal agent:} ) $1,183,957</td>
</tr>
<tr>
<td>( \text{Total Assets:} ) $2,474,122</td>
</tr>
</tbody>
</table>

| \( \text{Liabilities:} \) |
| \( \text{Current:} \) |
| \( \text{Accounts payable:} \) $382,200 |
| \( \text{Accrued interest payable:} \) $13,893 |
| \( \text{Accrued liabilities:} \) $1,915 |
| \( \text{Amounts due under pass-through agreements:} \) $222,799 |
| \( \text{Noncurrent liabilities:} \) |
| \( \text{Due within one year:} \) $65,000 |
| \( \text{Due in more than one year:} \) $3,370,000 |
| \( \text{Total Liabilities:} \) $4,055,807 |

| \( \text{Net Assets:} \) |
| \( \text{Invested in capital assets, net of related debt:} \) $ |
| \( \text{Restricted for:} \) |
| \( \text{Debt Service:} \) $962,400 |
| \( \text{Low and moderate income housing:} \) $532,173 |
| \( \text{Community development:} \) $372,635 |
| \( \text{Unrestricted (deficit):} \) $(3,448,893) |
| \( \text{Total Net Assets (deficit):} \) $(1,581,685) |

See Notes to Financial Statements
SOLANA BEACH REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Operating Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Government:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General administration</td>
<td>128,303</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (128,303)</td>
</tr>
<tr>
<td>Community development</td>
<td>67,612</td>
<td></td>
<td>-</td>
<td>-</td>
<td>$ (67,612)</td>
</tr>
<tr>
<td>Interest on long-term debt and other fiscal charges</td>
<td>171,455</td>
<td></td>
<td>-</td>
<td>-</td>
<td>$ (171,455)</td>
</tr>
<tr>
<td><strong>Total Primary Government</strong></td>
<td><strong>367,370</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ -</strong></td>
<td><strong>(367,370)</strong></td>
</tr>
</tbody>
</table>

General Revenues:
Taxes:
   Tax increment, net of payments to other agencies  626,248
   Investment income  19,243

**Total General Revenues**  645,491

Change in Net Assets  278,121

Net Assets (deficit) - Beginning of Year  (1,859,806)

Net Assets (deficit) - End of Year  **$ (1,581,685)**

See Notes to Financial Statements
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND.

Low and Moderate Housing Fund

This fund is used to account for low and moderate housing set-aside funds and projects.

DEBT SERVICE FUND

The debt service fund is used to account for the payment of principal and interest of long-term obligations. The following debt service fund was classified as a major governmental fund:

Debt Service Fund

This fund is used to account for the collection of tax increment which is used to pay for principal and interest on long-term obligations issued by the redevelopment agency.

CAPITAL PROJECTS FUND

The capital projects funds are used to account for the financial resources to be used for the acquisition and construction of major capital facilities within the Project Area. The following funds have been classified as major funds:

Capital Projects Fund

This fund is used to account for redevelopment project area administration and capital projects.
# SOLANA BEACH REDEVELOPMENT AGENCY

## BALANCE SHEET - GOVERNMENTAL FUNDS

**JUNE 30, 2009**

<table>
<thead>
<tr>
<th></th>
<th>Special Revenue Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low and Moderate Income Housing</td>
<td>Solana Beach RDA Project</td>
<td>Solana Beach RDA Project</td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$528,422</td>
<td>$740,349</td>
<td>$</td>
</tr>
<tr>
<td>Taxes Receivables</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest Receivables</td>
<td>303</td>
<td>1,210</td>
<td>-</td>
</tr>
<tr>
<td>Accounts Receivables</td>
<td>3,976</td>
<td>15,905</td>
<td>-</td>
</tr>
<tr>
<td>Cash with fiscal agent - restricted</td>
<td>-</td>
<td>235,813</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>191,922</td>
<td>948,144</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$532,701</strong></td>
<td><strong>$1,185,199</strong></td>
<td><strong>$948,144</strong></td>
</tr>
</tbody>
</table>

### Liabilities and Fund Balances:

<table>
<thead>
<tr>
<th></th>
<th>Special Revenue Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$528</td>
<td>$1,303</td>
<td>$1,831</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>-</td>
<td>1,915</td>
<td>1,915</td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>-</td>
<td>191,922</td>
<td>191,922</td>
</tr>
<tr>
<td>Due to the City of Solana Beach</td>
<td>-</td>
<td>380,369</td>
<td>380,369</td>
</tr>
<tr>
<td>Pass-through payable</td>
<td>-</td>
<td>$222,799</td>
<td>222,799</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>528</strong></td>
<td><strong>222,799</strong></td>
<td><strong>575,509</strong></td>
</tr>
</tbody>
</table>

## Fund Balances (Deficit):

<table>
<thead>
<tr>
<th></th>
<th>Special Revenue Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Encumbrances</strong></td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low and moderate housing</td>
<td>532,173</td>
<td>-</td>
<td>532,173</td>
</tr>
<tr>
<td>Debt service</td>
<td>962,400</td>
<td>-</td>
<td>962,400</td>
</tr>
<tr>
<td>Capital projects</td>
<td>-</td>
<td>372,635</td>
<td>372,635</td>
</tr>
<tr>
<td><strong>Total Fund Balances (Deficit)</strong></td>
<td><strong>532,173</strong></td>
<td><strong>962,400</strong></td>
<td><strong>372,635</strong></td>
</tr>
</tbody>
</table>

| **Total Liabilities and Fund Balances** | **$532,701** | **$1,185,199** | **$948,144** | **$2,666,044** |

See Notes to Financial Statements

8
SOLANA BEACH REDEVELOPMENT AGENCY

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 20, 2009

Fund balances of Governmental Funds $ 1,867,208

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

Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities, (both current and long-term), are reported in the statement of net assets. (3,435,000)

Accrued interest payable for the current portion of the interest due on debt service has not been reported in the government funds (13,893)

Net assets (deficit) of governmental activities $ (1,581,685)

See Notes to Financial Statements 9
## SOLANA BEACH REDEVELOPMENT AGENCY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### GOVERNMENTAL FUND TYPES

#### FOR THE YEAR ENDED JUNE 30, 2009

<table>
<thead>
<tr>
<th>Special Revenue Fund</th>
<th>Debt Service Fund</th>
<th>Capital Projects Fund</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low and Moderate Income Housing</td>
<td>Solana Beach RDA Project</td>
<td>Solana Beach RDA Project</td>
<td>Funds</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$</td>
<td>-</td>
<td>$882,281</td>
</tr>
<tr>
<td>Investment income</td>
<td>2,025</td>
<td>12,313</td>
<td>4,905</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>2,025</td>
<td>894,594</td>
<td>4,905</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>-</td>
<td>4,050</td>
<td>124,253</td>
</tr>
<tr>
<td>Payments to other agencies</td>
<td>-</td>
<td>256,033</td>
<td>-</td>
</tr>
<tr>
<td>Community development</td>
<td>672</td>
<td>-</td>
<td>66,940</td>
</tr>
<tr>
<td>Debt service:</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>-</td>
<td>171,743</td>
<td>-</td>
</tr>
<tr>
<td>Principal retirement</td>
<td>-</td>
<td>194,875</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>672</td>
<td>628,701</td>
<td>191,193</td>
</tr>
<tr>
<td><strong>Excess of Revenues Over (Under) Expenditures</strong></td>
<td>1,353</td>
<td>267,893</td>
<td>(166,283)</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>176,456</td>
<td>-</td>
<td>133,224</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>(309,680)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>176,456</td>
<td>(309,680)</td>
<td>133,224</td>
</tr>
<tr>
<td><strong>Net Change in Fund Balances</strong></td>
<td>177,809</td>
<td>(41,787)</td>
<td>(53,064)</td>
</tr>
<tr>
<td>Fund Balances (Deficit) - Beginning of Year</td>
<td>354,354</td>
<td>1,004,187</td>
<td>425,069</td>
</tr>
<tr>
<td><strong>Fund Balances (Deficit) - End of Year</strong></td>
<td>$532,173</td>
<td>$962,400</td>
<td>$372,635</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements

10
SOLANA BEACH REDEVELOPMENT AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net change in fund balances - total governmental funds</td>
<td>$82,958</td>
</tr>
<tr>
<td>Amounts reported for governmental activities in the statement of activities</td>
<td></td>
</tr>
<tr>
<td>Repayment of debt service principal is an expenditure in the governmental</td>
<td>194,875</td>
</tr>
<tr>
<td>funds, but the repayments reduces the long-term liabilities in the</td>
<td></td>
</tr>
<tr>
<td>statement of net assets</td>
<td></td>
</tr>
<tr>
<td>Accrued interest for debt service. This is the net change for accrued</td>
<td>288</td>
</tr>
<tr>
<td>interest in the current period</td>
<td></td>
</tr>
<tr>
<td><strong>Change in net assets (deficit) of governmental activities</strong></td>
<td><strong>278,121</strong></td>
</tr>
</tbody>
</table>
SOLANA BEACH REDEVELOPMENT AGENCY

Notes to Basic Financial Statements

Year ended June 30, 2008

(1) Summary of Significant Accounting Policies

The accounting policies of the Solana Beach Redevelopment Agency conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(a) Reporting Entity

The Solana Beach Redevelopment Agency (the Agency) was created and activated on December 2, 2003 by Ordinance No. 318 by the City of Solana Beach on December 2, 2003 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 which 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. Even though it is a legally separate entity, the activity of the Agency is included in the basic financial statements of the City of Solana Beach because the Board of Directors of the Agency is also the City of Solana Beach’s City Council. Only the governmental funds of the Agency are included herein and these financial statements, therefore, do not purport to represent the financial position or the results of operations of the City of Solana Beach, California.

(b) Basis of Accounting, Measurement Focus and Financial Statement Presentation

The basic financial statements of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements
Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. These statements include a single column for the governmental activities of the Agency. Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the Agency.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues are netted with program expenses in the statement of activities, to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets,
(1) **Summary of Significant Accounting Policies. (Continued)**

Liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Agency are presented after the government-wide financial statements. These statements display information about major governmental funds individually. The Agency has no non-major funds.

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the modified-acrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. **Measurable** means that the amounts can be estimated, or otherwise determined. **Available** means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency uses an availability period of 60 days.

Revenue recognition is subject to the **measurable** and **availability** criteria for the governmental funds in the fund financial statements. **Exchange transactions** are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). **Locally imposed derived tax revenues** are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. **Imposed non-exchange transactions** are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. **Government-mandated and voluntary non-exchange transactions** are recognized as revenues when all applicable eligibility requirements have been met. Revenues, expenditures, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within their availability period of 60 days after the fiscal year ends to meet the “available” criteria of revenue recognition.
Summary of Significant Accounting Policies, (Continued)

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets.

Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.
Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications

The Agency reports the following major governmental funds:

Low and Moderate Housing Special Revenue Fund

This fund is used to account for low and moderate housing set-aside funds and projects.

Debt Service Fund

This fund is used to account for the collection of tax increment which is used to pay for principal and interest on long-term obligations issued by the redevelopment agency.

Capital Projects Fund

This fund is used to account for redevelopment project area administration and capital projects.

(d) Cash and Investments

Investments are reported in the accompanying statement of net assets at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings and changes in fair value. The Agency pools cash and investments with all of the funds of the City of Solana Beach. Each fund’s share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund’s average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.
(1) **Summary of Significant Accounting Policies, (Continued)**

(e) **Capital Assets**

Capital assets, when acquired, are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed fixed assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of $5,000 are capitalized if they have an expected useful life of three years or more.

The Agency uses the straight-line method in the government-wide financial statements for depreciating its capital assets. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net assets. The range of lives used for depreciation purposes for each capital asset class is as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and improvements</td>
<td>30-50 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>5-15 years</td>
</tr>
</tbody>
</table>

(f) **Property Taxes**

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the Agency recognizes as revenue only those taxes which are received within 60 days after year end.

The property tax calendar is as follows:

<table>
<thead>
<tr>
<th>Lien Date:</th>
<th>January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy Date:</td>
<td>July 1</td>
</tr>
<tr>
<td>Due Date:</td>
<td>First Installment – November 1</td>
</tr>
<tr>
<td></td>
<td>Second Installment – February 1</td>
</tr>
<tr>
<td>Delinquent Date:</td>
<td>First Installment – December 10</td>
</tr>
<tr>
<td></td>
<td>Second Installment – April 10</td>
</tr>
</tbody>
</table>
(1) **Summary of Significant Accounting Policies, (Continued)**

**(g) Obligations under Pass-Through Agreements**

Pass-through expense includes amounts paid to Solana Beach Elementary School District, County General Fund, San Dieguito High School, Mira Costa Community College and other smaller agencies. These amounts, payable pursuant to the California Health & Safety Code Section 33607.5, represent a portion of tax increment funds received by the Agency attributable to property within the territorial limits of the districts.

**(h) Use of Estimates**

The preparation of basic 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 expenditures during the reported period. Actual results could differ from those estimates.

(2) **Cash and Investments**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

- **Statement of Net Assets:**
  - Cash and investments $1,268,771
  - Cash and investments with fiscal agent $1,183,957
  - Total cash and investments $2,452,728
Cash and Investments (Continued)

Cash and investments held by the City at June 30, 2009 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Solana Beach investment pool</td>
<td>$1,268,771</td>
</tr>
<tr>
<td>Held by fiscal agent:</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>$1,183,957</td>
</tr>
<tr>
<td>Total cash and investments</td>
<td>$2,452,728</td>
</tr>
</tbody>
</table>

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

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the Agency is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.
The table below identifies the investment types that are authorized for the Agency by the California Government Code and the Agency's investment policy. The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<table>
<thead>
<tr>
<th>Investment Types</th>
<th>Authorized by State Law</th>
<th>Authorized By Investment Policy</th>
<th>*Maximum Maturity</th>
<th>*Maximum Percentage Of Portfolio</th>
<th>*Maximum Investment In One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Bonds</td>
<td>Yes</td>
<td>5 years</td>
<td>None</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>Yes</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>U.S. Agency Securities</td>
<td>Yes</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>No</td>
<td>180 days</td>
<td>30%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>Yes</td>
<td>180 days</td>
<td>15%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>No</td>
<td>5 years</td>
<td>30%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>Yes</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

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

Investments of bond funds will be made in conformance with the trust indenture for each issue. Such investments shall be held separately when required.

It is the Agency's intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars; however, sales prior to maturity are permitted.
(2) **Cash and Investments, (Continued)**

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Agency to meet all projected cash obligations.

Maturities for investments of bond funds held separately will conform to the trust indenture for each issue.

Certain investments are prohibited under Government Code Sections 53601.6 and 53631.5. Security types which are prohibited include, but are not limited to:

- "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or de-leveraged floating rate notes, or any other complex variable rate or structured note.
- Interest only strips that are derived from a pool of mortgages or any security that could result in zero interest accrual if held to maturity.
- Futures, options, or any leveraged purchases, reverse repurchase agreements and speculations on interest rates.

Purchasing these types of instruments does not coincide with the Investment Policy’s objectives and would require a thorough review and monitoring of the underlying security. Although some of these transactions are legal under Government Code, they do not meet the objectives contained herein.

The investment policy shall allow for investment in the prohibitions noted above, to the extent that such investments are made by the State LAIF pool, which is subject to polices adopted by the Local Agency Investment Fund.

**Investments Authorized by Debt Agreements**

As of June 30, 2009, the Agency had $1,183,957 of investments from debt proceeds held by bond trustees.
(2) **Cash and Investments. (Continued)**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments 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.

Information about the sensitivity of the fair values of the Agency’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency’s investments by maturity:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>12 Months Or Less</th>
<th>13 to 24 Months</th>
<th>25-60 Months</th>
<th>More Than 60 Months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Agent – Money Market Fund</td>
<td>$1,183,957</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$1,183,957</td>
</tr>
<tr>
<td>Total</td>
<td>$1,183,957</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$1,183,957</td>
</tr>
</tbody>
</table>

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

During the fiscal year ended June 30, 2009, the Agency did not hold any investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).
(2) **Cash and Investments. (Continued)**

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency’s investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Minimum Legal Rating</th>
<th>Exempt From Disclosure</th>
<th>AAA</th>
<th>Aaa</th>
<th>Not Rated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Agent Money Market Fund</td>
<td>$1,183,957</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$1,183,957</td>
</tr>
<tr>
<td>Total</td>
<td>$1,183,957</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$1,183,957</td>
</tr>
</tbody>
</table>

**Concentration of Credit Risk**

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During the fiscal year ended June 30, 2009, the Agency did not hold any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total Agency investments.
(2) **Cash and Investments, (Continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency’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 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 the Agency’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2008, the Agency did not have any deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts.

(3) **Tax Increment Financing**

California state law authorizes the financing of redevelopment projects through the use of tax increment revenues. This method provides that the taxable valuation of the property within a project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. The increase in taxable valuation in subsequent years over the base year valuation becomes the increment upon which taxes are levied and allocated to the Agency. Tax increment revenue (based on increases in taxable valuation over the base year valuation property tax roll) subject to limitations contained in the Redevelopment Plan and in agreements with various taxing entities, is allocated to the Agency and recorded in the Debt Service fund type because such monies are restricted for the payment of principal and interest on Agency debt. Redevelopment agencies have no authority to levy taxes but must look to the allocation of tax increment revenue described above.
(4) **Capital Assets**

The Agency has no capital assets for the fiscal year ended June 30, 2009

(5) **Long-term Debt**

A summary of changes in the Agency’s long-term debt for the fiscal year ended June 30, 2009 was as follows:

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Balance at June 30, 2008</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance at June 30, 2009</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long–term Debt:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Solana Beach Start-Up Loan</td>
<td>$ 134,875</td>
<td>-</td>
<td>134,875</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2006 Tax Allocation Bonds</td>
<td>3,495,000</td>
<td>-</td>
<td>60,000</td>
<td>3,435,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Total Governmental Activities Long-Term Liabilities</td>
<td>$3,629,875</td>
<td>-</td>
<td>$194,875</td>
<td>$3,435,000</td>
<td>$65,000</td>
</tr>
</tbody>
</table>

**City of Solana Beach Start Up Loan**

In July of 2005 the City of Solana Beach loaned the Solana Beach Redevelopment Agency $134,875 with interest bearing at the City’s investment rates (L.A.I.F.). The interest on this loan is paid annually and the principal will be paid when the funds become available. As of June 30, 2009, the principal has been paid.

**2006 Tax Allocation Bonds ($3,555,000)**

On June 8, 2006, the Agency issued $3,555,000 of 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 with interest rates ranging from 3.6% to 5.1%. Interest on the bonds is payable semi-annually on June 1 and December 1. The amount outstanding at June 30, 2009 was $3,435,000.
(5) Long-term Debt, (Continued)

2006 Tax Allocation Bonds ($3,555,000) (Continued)

The amount on deposit in the Reserve Fund shall be maintained at the Reserve Requirement (the "Reserve Requirement") at all times prior to the payment of the Bonds in full, 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, 2009, $235,813 was held in reserve.

Annual Amortization Requirements of Long-Term Liabilities

The annual requirements to amortize the tax allocation bonds payable as of June 30, 2009 are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>65,000</td>
<td>166,723</td>
<td>231,723</td>
</tr>
<tr>
<td>2011</td>
<td>70,000</td>
<td>164,158</td>
<td>234,158</td>
</tr>
<tr>
<td>2012</td>
<td>70,000</td>
<td>161,357</td>
<td>231,357</td>
</tr>
<tr>
<td>2013</td>
<td>75,000</td>
<td>158,330</td>
<td>233,330</td>
</tr>
<tr>
<td>2014-2018</td>
<td>430,000</td>
<td>738,477</td>
<td>1,168,477</td>
</tr>
<tr>
<td>2019-2023</td>
<td>545,000</td>
<td>628,077</td>
<td>1,173,077</td>
</tr>
<tr>
<td>2024-2028</td>
<td>685,000</td>
<td>483,565</td>
<td>1,168,565</td>
</tr>
<tr>
<td>2029-2033</td>
<td>685,000</td>
<td>296,320</td>
<td>1,161,320</td>
</tr>
<tr>
<td>2034-2036</td>
<td>630,000</td>
<td>65,280</td>
<td>695,280</td>
</tr>
</tbody>
</table>

$3,435,000 $2,862,287 $6,297,287

26
(6) Interfund Transfers

Interfund transfers at June 30, 2009 consisted of the following:

<table>
<thead>
<tr>
<th>Transfers To:</th>
<th>Capital Projects</th>
<th>Low and Moderate Housing</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers from:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>$133,224</td>
<td>176,456</td>
<td>309,680</td>
</tr>
<tr>
<td>Totals</td>
<td>$133,224</td>
<td>176,456</td>
<td>309,680</td>
</tr>
</tbody>
</table>

Interfund transfers are principally used to provide available funds from the Debt Service Fund to: the Capital Projects Fund in the amount of $133,224 to fund certain capital projects; and to the Low and Moderate Housing Fund in the amount of $176,456 for the 20% housing set-aside. During the fiscal year ended June 30, 2009, there were no significant interfund transfers that were not expected, budgeted for, unusual nor of a non-routine nature.
REQUIRED SUPPLEMENTARY INFORMATION
## SOLANA BEACH REDEVELOPMENT AGENCY

Low and Moderate Income Housing Special Revenue Fund  
Budget Comparison Schedule  
For The Year Ended June 30, 2009

<table>
<thead>
<tr>
<th></th>
<th>Original and Final Budgeted Amount</th>
<th>Actual</th>
<th>Variance With Final Budget Positive/(Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ -</td>
<td>$ -</td>
<td>$</td>
</tr>
<tr>
<td>Investment Income</td>
<td>1,300</td>
<td>2,025</td>
<td>725</td>
</tr>
<tr>
<td>Other revenues</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>1,300</td>
<td>2,025</td>
<td>725</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Development</td>
<td>25,000</td>
<td>672</td>
<td>24,328</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>25,000</td>
<td>672</td>
<td>24,328</td>
</tr>
<tr>
<td>Excess of Revenues Over (Under) Expenditures</td>
<td>(23,700)</td>
<td>1,353</td>
<td>25,053</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>177,700</td>
<td>176,456</td>
<td>(1,244)</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses):</strong></td>
<td>177,700</td>
<td>176,456</td>
<td>(1,244)</td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td>154,000</td>
<td>177,809</td>
<td>23,809</td>
</tr>
<tr>
<td>Fund Balances (Deficit) - Beginning of Year</td>
<td>354,364</td>
<td>354,364</td>
<td>354,364</td>
</tr>
<tr>
<td>Fund Balances (Deficit) - End of Year</td>
<td>$508,364</td>
<td>$532,173</td>
<td>$378,173</td>
</tr>
</tbody>
</table>
SOLANA BEACH REDEVELOPMENT AGENCY

Notes to required Supplementary Information

For The Year Ended June 30, 2009

(1) Budgetary Accounting

The Executive Director prepares and submits the proposed annual budget to the Board of Directors for its approval for all governmental funds. After reviewing the proposed budget and making revisions as it may deem advisable, the Board of Directors conducts a public meeting on the budget. After conclusion of the public meeting, the Board of Directors shall further consider the proposed budget and make any revisions thereof it may deem necessary. The budget is then legally enacted by means of a budget resolution passed by the Board of Directors. Upon final adoption, the budget shall be in effect for the ensuing fiscal year.

The level of budgetary control (this is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Board of Directors approval is required for any budget revisions that affect total appropriations within each fund.

Budgets are prepared in accordance with generally accepted accounting principles using the modified accrual basis of accounting.

Appropriations lapse at the end of the fiscal year unless they are re-appropriated through the formal budget process. Open encumbrances are recorded as reservations of fund balance since the commitments will be paid by subsequent year’s budget appropriations. Encumbrances do not constitute expenditures or liabilities of the Agency.

Budgeted amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year.
SUPPLEMENTARY SCHEDULES
## SOLANA BEACH REDEVELOPMENT AGENCY

### Debt Service Fund

**Budget Comparison Schedule**

For The Year Ended June 30, 2009

<table>
<thead>
<tr>
<th></th>
<th>Final Budgeted Amount</th>
<th>Actual</th>
<th>Variance With Final Budget Positive/(Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$888,000</td>
<td>$882,281</td>
<td>$ (5,719)</td>
</tr>
<tr>
<td>Investment Income</td>
<td>25,000</td>
<td>12,313</td>
<td>(12,687)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>913,000</td>
<td>894,594</td>
<td>(18,406)</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>9,500</td>
<td>4,050</td>
<td>5,450</td>
</tr>
<tr>
<td>Payments to other agencies</td>
<td>266,500</td>
<td>256,033</td>
<td>10,467</td>
</tr>
<tr>
<td>Debt Service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal retirement</td>
<td>194,900</td>
<td>194,875</td>
<td>25</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>172,400</td>
<td>171,743</td>
<td>657</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>643,300</td>
<td>626,701</td>
<td>16,599</td>
</tr>
<tr>
<td><strong>Excess of Revenues Over (Under) Expenditures</strong></td>
<td>269,700</td>
<td>267,893</td>
<td>1,807</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>(729,400)</td>
<td>(309,680)</td>
<td>419,720</td>
</tr>
<tr>
<td>Transfers out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>(729,400)</td>
<td>(309,680)</td>
<td>419,720</td>
</tr>
<tr>
<td><strong>Net Change in Fund Balances</strong></td>
<td>(459,700)</td>
<td>(41,787)</td>
<td>417,913</td>
</tr>
<tr>
<td>Fund Balances (Deficit) - Beginning of Year</td>
<td>1,004,187</td>
<td>1,004,187</td>
<td>1,004,187</td>
</tr>
<tr>
<td>Fund Balances (Deficit) - End of Year</td>
<td>$544,487</td>
<td>$962,400</td>
<td>$1,422,100</td>
</tr>
</tbody>
</table>
SOLANA BEACH REDEVELOPMENT AGENCY

RDA Capital Projects Fund
Budget Comparison Schedule
For The Year Ended June 30, 2009

<table>
<thead>
<tr>
<th></th>
<th>Final Budgeted Amount</th>
<th>Actual</th>
<th>Variance With Final Budget Positive/(Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Investment Income</td>
<td>15,000</td>
<td>4,905</td>
<td>(10,095)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>15,000</td>
<td>4,905</td>
<td>(10,095)</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>159,750</td>
<td>124,253</td>
<td>35,497</td>
</tr>
<tr>
<td>Community development</td>
<td>343,881</td>
<td>66,940</td>
<td>276,941</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>503,631</td>
<td>191,193</td>
<td>312,438</td>
</tr>
<tr>
<td>Excess of Revenues Over (Under) Expenditures</td>
<td>(486,631)</td>
<td>(186,288)</td>
<td>302,343</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>551,700</td>
<td>133,224</td>
<td>(418,476)</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>551,700</td>
<td>133,224</td>
<td>(418,476)</td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td>63,069</td>
<td>(53,064)</td>
<td>(116,133)</td>
</tr>
<tr>
<td>Fund Balances (Deficit) - Beginning of Year</td>
<td>425,699</td>
<td>425,699</td>
<td>-</td>
</tr>
<tr>
<td>Fund Balances (Deficit) - End of Year</td>
<td>$ 488,768</td>
<td>$ 372,635</td>
<td>$ (116,133)</td>
</tr>
</tbody>
</table>
Board of Directors
Solana Beach Redevelopment Agency
Solana Beach, California

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

We have audited the financial statements of the governmental activities and each
major fund of the Solana Beach Redevelopment Agency (the Agency), a component
unit of the City of Solana Beach, California, as of and for the year ended June 30,
2009, which collectively comprise the Agency’s basic financial statements and have
issued our report thereon dated November 20, 2009. We conducted our audit in
accordance with auditing standards generally accepted in the United States of
America and the standards applicable to financial audits contained in Government
Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency’s financial
statements are free of material misstatement, we performed tests of its compliance
with certain provisions of laws, regulations, contracts and grant agreements,
noncompliance with which could have a direct and material effect on the
determination of financial statement amounts. Such provisions included those
provisions of laws and regulations identified in the Guidelines for Compliance Audits
of California Redevelopment Agencies, issued by the State Controller and as
interpreted in the Suggested Auditing Procedures for Accomplishing Compliance
Audits of California Redevelopment Agencies, issued by the Governmental
Accounting and Auditing Committee of the California Society of Certified Public
Accountants. However, providing an opinion on compliance with those provisions
was not an objective of our audit and, accordingly, we do not express such an
opinion. The results of our tests disclosed no instances of noncompliance or other
matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency’s internal control
over financial reporting as a basis for designing our auditing procedures for the
purpose of expressing our opinions on the financial statements, but not for the
purpose of expressing an opinion on the effectiveness of the Agency’s internal
control over financial reporting. Accordingly, we do not express an opinion on the
effectiveness of the Agency’s internal control over financial reporting.
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

This report is intended solely for the information and use of the Board of Directors, management of the Solana Beach Redevelopment Agency and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Irvine, California
November 23, 2009