

CITY OF SOLANA BEACH, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2017

PREPARED BY THE FINANCE DEPARTMENT  
OF THE CITY OF SOLANA BEACH

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CITY OF SOLANA BEACH  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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## CITY OF SOLANA BEACH

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November 30, 2017

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, 2017.

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

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

### **Internal Controls**

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

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

## **Annual Audit**

Lance, Soll and Lunghard, LLC, appointed by the City Council, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017, 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, 2017, provided no instances of material weaknesses in the internal control structure and no violations of applicable laws and regulations. The independent auditor concluded there was a basis for rendering an unmodified opinion and the City's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## **Management's Discussion and Analysis (MDA)**

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

## **Government Profile**

The City of Solana Beach was incorporated on July 1, 1986, under the general laws of the State of California and is home to a population of 13,527 residents per the State of California Department of Finance. Included within the City's financial statements is the financial information of the Solana Beach Public Facilities Corporation. The City is considered the primary government and the Public Facilities Corporation is a component unit. Additionally, since the governing boards of the City and the component unit are the same, the financial statements of the City and the component unit are blended.

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

The City of Solana Beach is a coastal community encompassing approximately 3.4 square miles and is located twenty-one miles north of the City of San Diego's downtown district. It is bordered to the North and South by the cities of Encinitas and Del Mar, respectively; to



the East by the County San Diego; to the southeast by the City of San Diego; and by the Pacific Ocean to the West.

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

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

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

The Advisory Commissions are the following:

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

## **Budgetary Process and Controls**

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

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

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

In June 2017, the City Council approved the City's first two year budget for Fiscal Years (FY) 2017/18 and 2018/19. The same process was followed in developing the two-year

budget and, as the budget is amended during this two year budget cycle, budget adjustments will be brought to the City Council for review and approval.

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

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

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. The adopted budget for Fiscal Year 2016/17 was prepared in accordance with Generally Accepted Accounting Principles.

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

## **Economic Condition and Outlook**

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

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

In regards to San Diego's local economy, the University of San Diego's Index of Leading Economic Indicators (Index) has continued to increase since March 2009 when it bottomed out from its peak in April 2006. The Index reports on local economic components such as building permits issued, initial claims for unemployment, stock prices on the San Diego Stock Exchange Index, consumer confidence, and help wanted advertising.

After declining for 35 straight months, beginning in April 2006 at 143.8 and dropping to 100.7 by March 2009, the Index has climbed steadily since that time reaching a high of 145.2 set in August 2017. The August reading was a result of moderate increases in three

of the Index's components - the outlook for the national economy, increased authorized residential units, and consumer confidence. These slight increases were offset by declines in three other components of the Index – slight declines in initial claims for unemployment insurance and local stock prices and a sharp decline in online help wanted advertising. But the net changes in the Index components were enough to result in the Index recording its 10<sup>th</sup> straight month without a decline.

One area that has shown a marked negative impact to the local economy has been increased gas prices as a result of Hurricane Harvey. In September of last year, gasoline prices were approximately \$2.77 a gallon. In September 2017, a gallon of gasoline cost \$3.10. Gasoline prices impact the consumer pocketbook when these prices increase. For every one cent increase in the price of gas, consumers spend \$1 million a month less on other goods and services. Based on the increase in gas prices from one year ago last September, the San Diego County economy is seeing \$33 million a month more being spent on gasoline when it could have been used for goods and services purchased by consumers.

The USD Index for the period January 2012 to August 2017 is shown on the following chart:



Professor Alan Gin of the School of Business at the University of San Diego, and the author of the Index, predicts that the local economy will remain positive though slower through the remaining months of 2017 and into the first half of 2018.

After initial claims for unemployment had a continuous increase for the eight months from October through this past May, the component has decreased for the past three months with August seeming to stabilize with a decrease of -0.10. The other labor component, help wanted advertising, has been on the decline since March 2017 with its largest decrease

reported so far in August at -1.13. The net result of these two components resulted in the seasonally adjusted unemployment rate rising to 4.5 percent in August as compared to the previous few months and as compared to 4.7 percent in August 2016. Unemployment rates in August, after being seasonally adjusted, are usually the second highest rates in the year.

By October, the jobless rate in San Diego County had reach one of its lowest points of the year at a seasonally adjusted unemployment rate 3.7%, however, job growth continued to slow with the addition of 16,600 jobs in the twelve months since last October as compared to 30,000 jobs which were added in 2016. As expected, the largest gains in new jobs were in health care and education at 4,300 followed by 2,900 new jobs each in government and leisure and hospitality. The San Diego region is coming closer to what is considered full employment.

The Index also saw an increase in building permits in August for the third month in a row. Since the Index uses a moving average to smooth the data of volatile components, the August component realized the benefit of large gains reported in June and July.

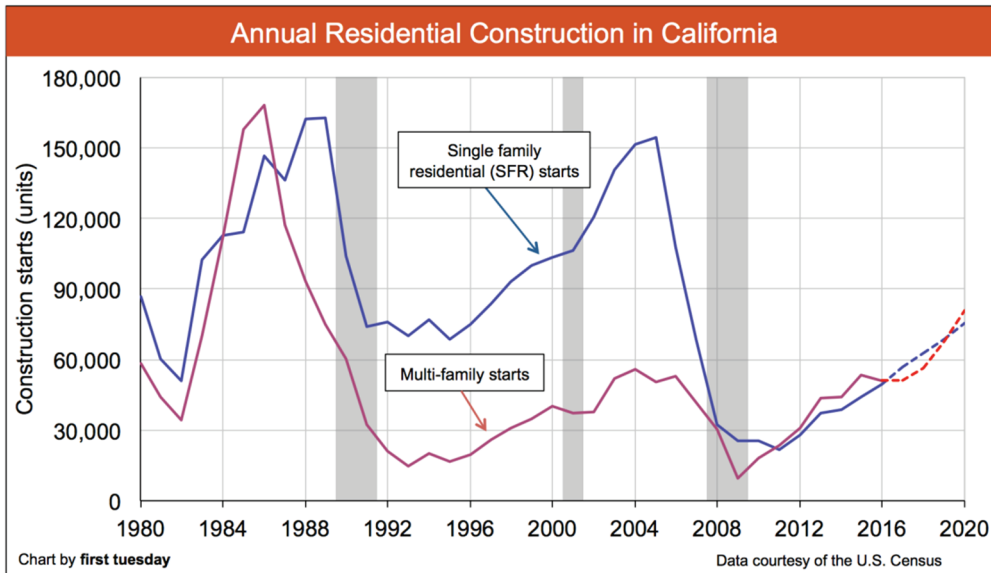
Another positive index is in consumer confidence – the increase in August continued the trend of positive outlooks for the 14<sup>th</sup> consecutive month.

The local economy has benefited overall from improvements in the national and state economies, but some of the local indicators are possibly following national trends. The national Index of Leading Economic Indicators continued to grow in 2017 from a low in the first quarter of 1.2 percent annual rate to a 3.1 and 3.0 percent annual rate in the second and third quarters, respectively. This was the first time since the middle of 2014 that the United States economy has realized 3 percent growth for two consecutive quarters. The Conference Board Economic Outlook for 2017-2018 expects that the fourth quarter of 2017 will reflect a 2.8 percent annual growth rate and a 2.5 percent growth for 2018. If these growth rates are realized, it would be the economy's best two year rate of growth since 2005.

The UCLA Anderson Forecast estimates that the growth of state employment will be 1.1 percent this year, slowing each year to 0.9 percent in 2018 and 2019. The state's unemployment rate, now just below 5 percent, means the state is close to full employment, which means that nearly everyone who wants a job has one.

While there will be continued job growth and lower unemployment over the next few years in California, this will not necessarily be advantageous for the state as compared to the rest of the country. Due to the absence of affordable housing in California, the state cannot continue to grow at the same rate it has in recent years unless more people can be added to the workplace. But the lack of housing makes that a difficult proposition since new housing must be built otherwise population growth and economic growth will be limited.

The following chart as published by First Tuesday Journal, a resource used by the California real estate industry, provides a perspective regarding the situation with residential construction from the 1980's through the end of this decade:



On June 27, 2017, Governor Brown signed a \$183.2-billion budget for the 2017/18 fiscal year. The state budget includes a \$125.1-billion general fund, a \$2.6 billion or 2.0% increase, as compared to the budget passed in June 2016. The new budget allocates \$74.5-billion, or one-third of the budget, to K-12, preschool, and higher education with more than \$11,000, on average, for each student. Healthcare spending is the largest portion of the budget, with a total cost of \$105.6-billion including federal funds. The spending is focused on Medi-Cal, the healthcare program for low-income residents. It is estimated that more than one in three state residents, are now enrolled.

Additional funds will be available for roads and flood protection, with \$2.8-billion available from Senate Bill (SB) 1 legislation which was approved by lawmakers in April that will increase taxes and fees. Most of the money, or \$1.7-billion, will go to local street, road and transit projects. Borrowing that was approved by voters under Proposition 1 in 2014 will see \$111 million spent to evaluate the safety of dams in California and develop emergency action plans that would be implemented in case of flooding.

This was the second time since 1982, during Brown's second term, that the governor has made no vetoes to reduce individual spending items in the budget plan.

Proposition 2, passed by the voters in 2014, requires the state to set aside at least 1.5% of its revenues each year to pay down debts and build a rainy day fund. This budget allocates \$1.8-billion to the reserve, adding to the \$6.7-billion that was already in the fund for a total of \$8.5-billion. Another \$6-billion is also slated towards making an extra payment to CalPERS by borrowing the money from surplus state revenues.

### Long-Term Financial Planning

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

General Fund property taxes have been, and are expected to be, the highest revenue

generator for the City. Sales tax is the City's second largest revenue source. During FY 2016/17, property taxes increased by \$357,602, or 5.4%, to \$7,041,240 as compared to FY 2015/16, while sales tax decreased by \$127,301, or 3.9%, to \$3,127,803. This decrease was primarily due to a close-out payment of \$381,741 that the City received in FY 2015/16 as part of the wrap-up of the triple-flip revenue swapping process.

Overall, the City's General Fund revenues increased by \$642,639, or 3.7%, from \$17,395,845 in FY 2015/16 to \$18,038,489 in FY 2016/17.

For FY 2017/18, budgeted property taxes are expected to increase as compared to actual amounts received for the prior fiscal year and sales tax is also projected to increase slightly. Property tax is expected to increase to \$7,332,000, or by 4.1%, and sales tax is projected to increase to \$3,233,100, or by 3.3%.

Total General Fund revenues, net of internal service charges, are budgeted at \$17,611,600. It is the City's goal not to rely on General Fund reserves to operate the City annually. The General Fund budget for FY 2017/18 was adopted on June 14, 2017, with a projected \$305,500 surplus and a second year budget, for FY 2018/19, was also adopted with a projected \$416,400 surplus.

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

1. Negotiating a five-year contract beginning in July 2017 with the San Diego Sheriff's Department to provide law enforcement services with increases from year to year projected to average approximately 5.4% over the five years.
2. Amending a Fire Department Management Services Cooperative Agreement with the Cities of Del Mar and Encinitas that continues to provide a cost effective option to eliminate redundancy and increase levels of service by sharing common functions of organizational direction and control, supervision of operations, training, fire prevention, administrative and fiscal management, and disaster preparedness.
3. Maintaining 17% of operating expenditures, including debt service, as a reserve in the General Fund to be used in the case of significant financial or other emergency.
4. Implementing additional cost sharing of the employer's share of retirement costs with its employee associations. The goal of the increased cost share is to try to reach a 50% normal cost share between the employee and employer for retirement costs. This allows the City to reduce its pension costs.

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



5. Establishing an irrevocable Section 115 trust with Public Agency Retirement Services (PARS) in a “Post-Employment Benefits Trust Program” (Trust). The Trust is a combination trust that allows pre-funding of both unfunded Pension and Other Post Employment Benefit (OPEB) obligations. The City’s estimated total obligation at June 30, 2017 is \$12,127,041 for pension and \$1,943,024 for OPEB for a total of \$14,070,065.

Through June 30, 2017, the Pension and OPEB trusts have been funded in the amounts of \$1,236,120 and \$333,488, respectively, for a combined total of \$1,569,608.

### **Relevant Financial Policies**

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

One such policy is the 17% reserve requirement discussed in the previous section. This policy, as in the adoption of the FYs 2017/18 and 2018/19 Budgets, is one that has been continuously adhered to by Council.

The Asset Replacement Reserve Fund is used to provide for the replacement of the City’s existing equipment, vehicles, computers, and furnishings and the City’s financial policy is to annually budget funds to this Reserve. During the FYs 2017/18 and 2018/19 budget process, the Council again ensured that funds were appropriated to maintain adequate reserves in the Asset Replacement Fund.

Additionally, beginning with the budget cycle for Fiscal Year 2015/16, the City established an infrastructure replacement reserve to ensure that funds are available in the future for the replacement of buildings and improvements. Through Fiscal Year 2018/19, the Council has approved \$700,000 to this reserve fund.

### **Cash Management Policies and Practices**

Cash resources of the individual funds are combined to form a pool of cash and investments. Cash temporarily idle during the year was invested primarily with Chandler Asset Management and also with the Local Agency Investment Fund (LAIF) consistent with the City’s Investment Policy.

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

The City’s Investment Policy is designed to maximize the productive use of assets entrusted to its care and to invest and manage those funds wisely and prudently. Criteria for selecting investments and the order of priority are: (1) safety (2) liquidity and (3) yield. The basic premise underlying the City’s Investment Policy is to ensure that money is safe,

always available, and earning the highest and best returns.

Investment income includes appreciation/depreciation in the fair value of investments. The total investment income for all funds for the fiscal year was \$441,528, an increase of \$161,278 over the prior fiscal year's amount of \$280,250.

## **Major Projects and Financial Planning**

### Solana Beach Pump Station Rehabilitation

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

Final design and preparation of construction documents for the pump station upgrades has been completed. Construction bid advertisement has been postponed due to the adjacent railroad double tracking project. Construction is anticipated to begin during the fall of 2018.

### La Colonia Skate Park

In 2010, Van Dyke Landscape Architects developed preliminary design plans for redevelopment of La Colonia Park, including the community center and surrounding park. Due to public requests and support from the community, Staff has been working on the design of a skate park on the northern edge of the La Colonia Park Master Plan that could be constructed so that it could be incorporated into the remainder of the Master Plan when other elements move forward for construction.

To date, Staff has been working with the consultants of the original Skate Park design to hold community workshops to design a facility that would meet the needs of the community. It is anticipated that construction would start during the spring of 2018.

### La Colonia Tot Lot Improvement

In 2010, Van Dyke Landscape Architects developed preliminary design plans for La Colonia Park. This plan included an expansion of the existing Tot Lot and addition of a new picnic area in the general vicinity of the existing Tot Lot. The City Council, as part of 2017/2018 FY work-plan directed Staff to upgrade the existing Tot Lot. Staff is in the process of developing design plans for the renovation and upgrade of the existing Tot Lot so that the proposed project remains in substantial conformance of the La Colonia Park Masterplan.



## Lomas Santa Fe Drive Corridor Improvements

A recently completed transportation needs study identified several segments along the Lomas Santa Fe Drive corridor as high priority improvements. The first phase of the Lomas Santa Fe Corridor Study started in November 2016 and was intended to provide an assessment of the existing conditions which consisted of base mapping, data collection, identification of deficiencies and identification of proposed solutions to the deficiencies. The first phase has been completed. The second phase has been authorized and includes additional technical and design analyses of the data collected in Phase 1 of the Feasibility Study and preparation of 30% preliminary engineering plans and cost estimates.

## Marine Safety Center Renovations

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

To accomplish this task, a Professional Services Agreement with Stephen Dalton Architects (SDA) was approved at the March 23, 2016 City Council meeting. During the 2016/2017 Fiscal Year, Staff worked with SDA on the preparation of the Fletcher Cove MSC Feasibility/Needs Assessment Study. The results of the Study indicate that nearly all building components are degraded and are past their useful lifespan. Spatially, the current building layout does not meet the functional needs of the Lifeguards.

In May 2017, the Study was presented to the City Council at which time the Council directed Staff to proceed with preparing a Request for Qualifications and Proposals (RFQ/P) for the complete removal and replacement of the existing facility.

## **Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Solana Beach for its CAFR for the fiscal year ended June 30, 2016. This was the fourteenth year in the past fifteen years that the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

The preparation of the Comprehensive Annual Financial Report in accordance with the

GASB 34 financial reporting model was made possible by the dedicated work of the Finance Department staff. Each member of the staff consisting of Catherine Wong, Kyle Koszewnik, and Jill Thayer, has our sincerest appreciation for their contributions made in the preparation of this report. We would also like to thank the Mayor and Council for their continued support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Gregory Wade  
City Manager

Respectfully submitted,



Marie Marron Berkuti  
Finance Manager/Treasurer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Solana Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morrill*

Executive Director/CEO

**CITY OF SOLANA BEACH  
FISCAL YEAR 2016/17  
DIRECTORY OF OFFICIALS AND ADVISORY BODIES**

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**CITY COUNCIL**

Mike Nichols, Mayor  
Ginger Marshall, Deputy Mayor  
David Zito, Council Member  
Jewel Edson, Council Member  
Judy Hegenauer, Council Member

**TERM EXPIRES**

December 2018  
December 2018  
December 2020  
December 2020  
December 2020

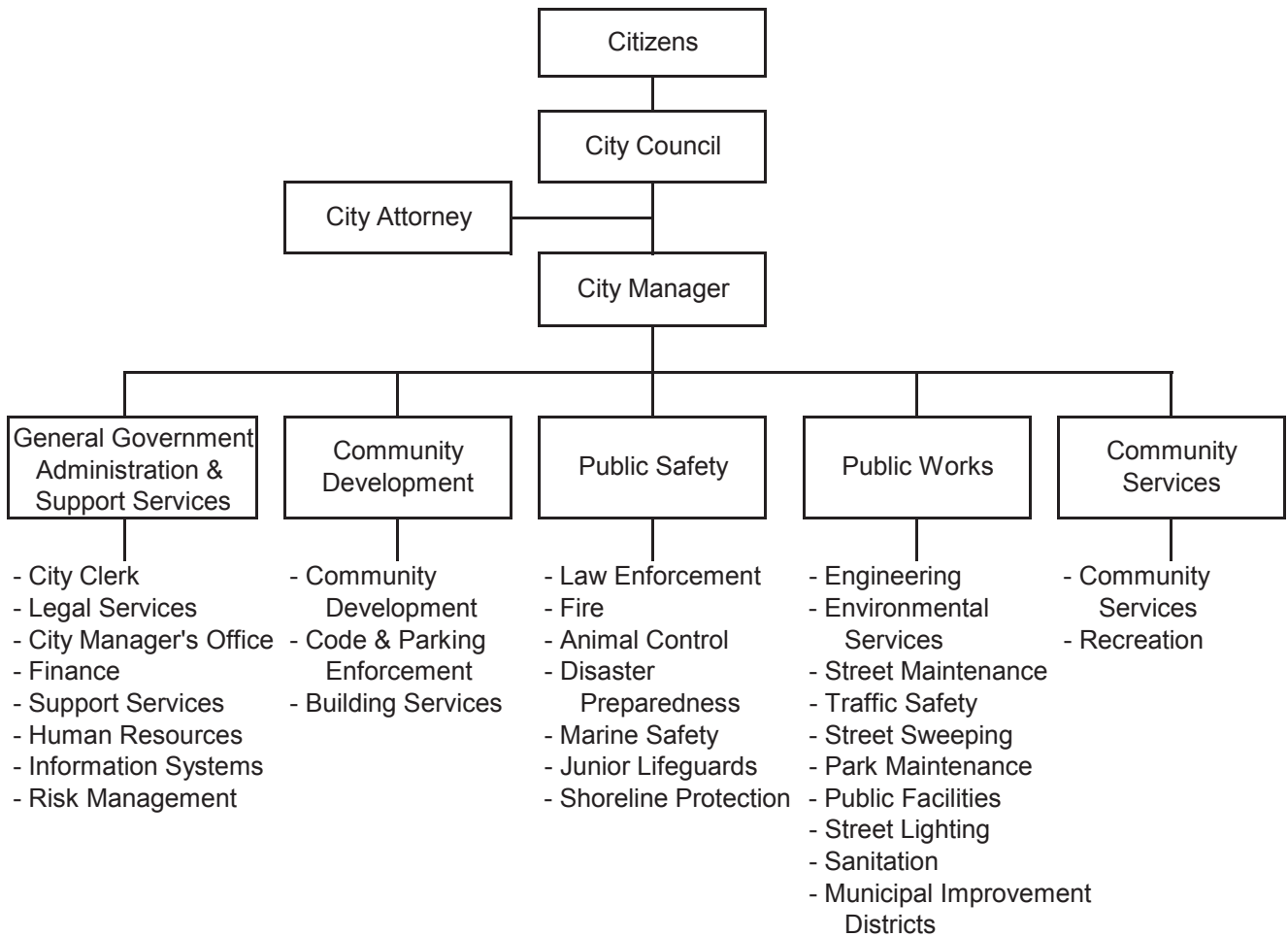
**ADVISORY COMMISSIONS**

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

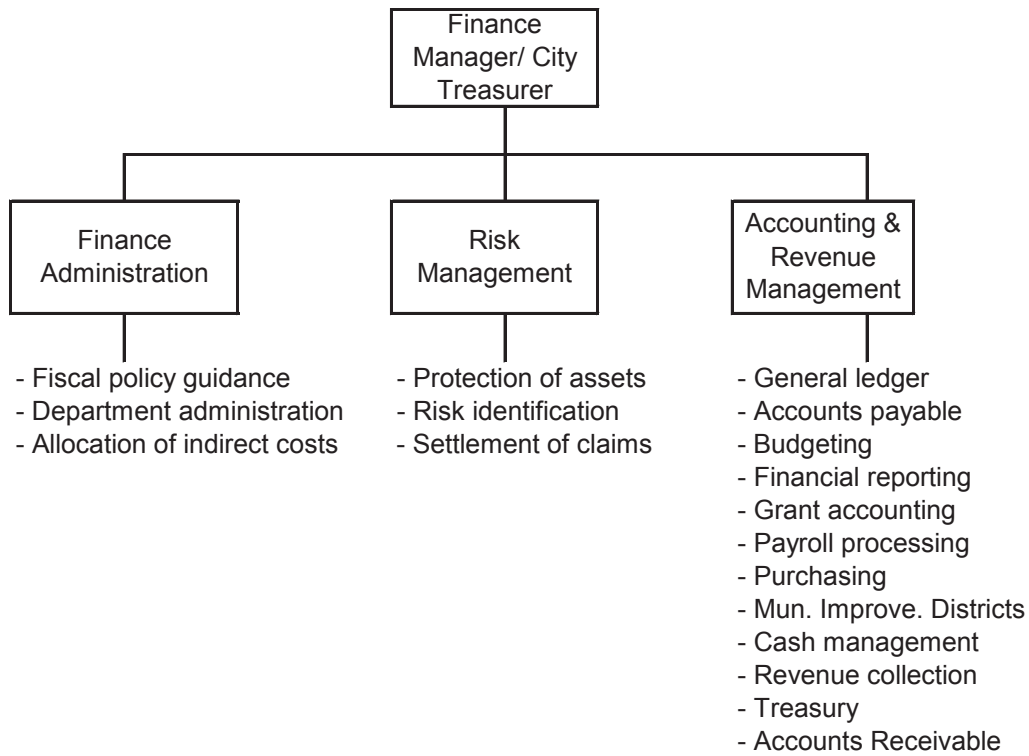
**APPOINTED OFFICIALS AND DEPARTMENT DIRECTORS**

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

CITY OF SOLANA BEACH  
CITY GOVERNMENT  
ORGANIZATIONAL CHART  
FISCAL YEAR 2016/2017



CITY OF SOLANA BEACH  
FINANCE DEPARTMENT  
ORGANIZATIONAL CHART  
FISCAL YEAR 2016/2017





## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Solana Beach, California, (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solana Beach, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Prior Year Comparative Information*

The financial statements include (partial or summarized) prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which such partial information was derived.

#### *Other Information*

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





CPAs AND ADVISORS

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Solt &amp; Lughard, LLP".

Brea, California  
November 24, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Solana Beach (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017 (Fiscal Year (FY) 2017). It should be read in conjunction with the accompanying transmittal letter beginning on page i and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **FINANCIAL HIGHLIGHTS**

- The City's net position increased to \$75,889, or by \$3,162, as a result of FY2017 operations.
- During the year, the City's taxes, other governmental revenues, and business activity revenues exceed expenses by \$3,162.
- Governmental net position equaled \$36,827.
- The total revenues from all sources were \$27,445.
- The total cost of all City programs was \$24,283.
- The General Fund reported an excess of revenues over expenditures and other financing sources and uses by \$1,298.
- The General Fund's actual resources received exceeded the final revenue budget by \$625 while actual expenditures were \$1,238 less than final budget before other financing sources and uses.

### **USING THIS ANNUAL REPORT**

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

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

### **Reporting the City as a Whole**

#### **The Statement of Net Position and the Statement of Activities (Government-wide)**

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

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

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

- Governmental activities - All of the City's basic services are considered governmental activities, including general government, community development, public safety, public works, and community services. Property taxes, transient occupancy taxes, sales taxes, and franchise fees finance most of these activities.
- Proprietary activities/Business type activities - The City charges a fee to customers to cover all or most of the cost of the services provided. The City's Sanitation system is reported in this category.
- Component units - The City's governmental activities include the blending of the City of Solana Beach Public Facilities Corporation, a separate legal entity. Although legally separate, this "component unit" is important because the City is financially accountable for the corporation. A separate component unit financial statement was not issued for the Solana Beach Public Facilities Corporation since it has had no transactions, nor any assets, liabilities or equity over the past three fiscal years.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

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

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

- *Proprietary funds* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## The City as Trustee

### Reporting the City's Fiduciary Responsibilities

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

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

## THE CITY AS A WHOLE

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

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

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current and other assets	\$ 26,146	\$ 23,331	\$ 35,516	\$ 33,026	\$ 61,662	\$ 56,357
Capital assets, net	35,837	38,078	13,240	12,876	49,077	50,954
<b>Total assets</b>	61,983	61,409	48,756	45,902	110,739	107,311
Deferred Outflows	3,185	1,521	430	431	3,615	1,952
<b>Liabilities:</b>						
Long-term debt outstanding	7,791	8,029	9,412	10,369	17,203	18,398
Other liabilities	19,843	16,326	682	606	20,525	16,932
<b>Total liabilities</b>	27,634	24,355	10,094	10,975	37,728	35,330
Deferred Inflows	707	1,153	30	53	737	1,206
<b>Net position:</b>						
Net investment in capital assets	28,412	30,366	6,195	5,594	34,607	35,960
Restricted	6,620	5,825	-	-	6,620	5,825
Unrestricted	1,795	1,231	32,867	29,711	34,662	30,942
<b>Total net position</b>	<b>\$ 36,827</b>	<b>\$ 37,422</b>	<b>\$ 39,062</b>	<b>\$ 35,305</b>	<b>\$ 75,889</b>	<b>\$ 72,727</b>

The City's combined net position for the fiscal year ended June 30, 2017 was \$75,889. 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 position for governmental activities decreased from \$37,422 to \$36,827. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets increased \$2,815 or 12.1% primarily because of the increased cash position for governmental funds due to increased revenues as compared to the previous fiscal year and to the lower than anticipated spending in capital outlay. An irrevocable trust for pension liabilities that was established in FY2016 was increased by \$384 bringing the total in the trust to \$893.

Additionally, monies borrowed from the Sanitation Fund of \$3,133 used to pay off the City's PERS Side Fund in FY2011 is reported as a negative Internal Balance amount in the asset section of the balance sheet for government activities and this amount decreased by \$474 for the payment to the Sanitation Fund for FY2017. The remaining balance at the end of FY2017 for the amount owed to the Sanitation Fund is \$665.

- Deferred outflows of \$3,185 are a result of the implementation of GASB 68 and are related to contributions made after the actuarial measurement date for the net pension liability.
- Capital assets decreased \$2,241 (net of \$4,447 depreciation and disposition) as detailed in Table 4. Ongoing projects include the Stevens/Valley Avenues improvement project which resulted in an increase to Work in Progress of \$693. The City also had construction activities for the annual street pavement program and ongoing storm drain repairs totaling \$413.
- Governmental long-term debt decreased \$238 due to routine principal payments made on existing debt principal. See Table 5 for additional detail.
- Deferred inflows of \$707 are a result of the implementation of GASB 68 and are related to unrecognized actuarial gains and losses for the net pension liability.
- Other liabilities increased \$3,517 primarily due to an increase in net pension liability of \$2,601. The City began recording its net pension liability in Fiscal Year (FY) 2015 as a result of implementing GASB 68. Increases were also recorded in accounts payable and deposits payable of \$429 and \$603, respectively and net other post-employment benefit (OPEB) liability of \$211.
- Net investment in capital assets decreased \$1,954 primarily due to the addition of Improvements and Vehicles totaling \$1,474 less depreciation and disposition costs of \$4,447.
- Restricted net position increased \$795 due to the establishment of an irrevocable trust for pension liabilities that increased in FY2017 by \$384 and less than anticipated spending in capital projects and fixed assets.

- As a result of the above activities, unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, increased \$564 from \$1,231 to \$1,795 at June 30, 2017.

## **Governmental Activities**

The cost of all Governmental activities in FY2017 was \$22,681 as shown on Tables 2 and 2.1. Of this cost, \$2,723 was paid for by those who directly benefited from the programs; \$1,728 was subsidized by grants received from other governmental organizations for both capital and operating activities; and \$17,635 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$4,451. Items of significance within Table 2 are:

### Revenues:

- Charges for services increased by 19% as compared to FY2016 primarily as a result of increased revenues received for development related activities.
- Operating and Capital grants and contributions increased by a net \$54 over the prior fiscal year amount due to an increase in various public safety and public works grants and contributions received or recognized in FY2017 as compared to FY2016.
- Property taxes and other taxes increased by approximately 2.9% or \$463 due to improved property valuations as a result of real estate sales in the City and increased transient occupancy tax revenue.
- Other general revenues increased by \$73 as compared to the prior fiscal year primarily due to an a final dividend payment received by the City due to the dissolution of the San Diego County Pooled Insurance Program Authority (SANDPIPA), a joint powers authority (JPA) of which the City was a member and that was dissolved on June 30, 2015.

### Expenses:

- General Government expenditures increased in FY2017 by 8% or \$332 from the prior fiscal year primarily due to increased costs in minor equipment for Information Systems, self-insurance claim payments reported in Support Services, and salary and benefits for Personnel due to hiring of a Human Resources Manager. Additionally, the City's OPEB liability increase by \$211 as compared to FY2016.
- Public Safety increased by 5% or \$466 as a result of a \$148 or 4.1% increase in the City's contract with the County of San Diego Sheriff's Department for law enforcement services and a \$330 increase in public safety's share of the increase in net pension liability as reported per GASB 68.
- Community Development increased by 27% or \$367 as compared to the last fiscal year due to higher affordable housing expenditures and increased payments paid to the City's on-call building plan check consultant as a result of increased plan-check fees, 75% of which go to the consultant.

- Community Services increased by 79% or \$494 due to a payment made to the San Elijo Lagoon Conservancy for the acquisition, rezoning, permitting and construction of improvements proposed for the Harbaugh Trails property located at the northern end of the City from a grant that was received from the State of California Department of Transportation.

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

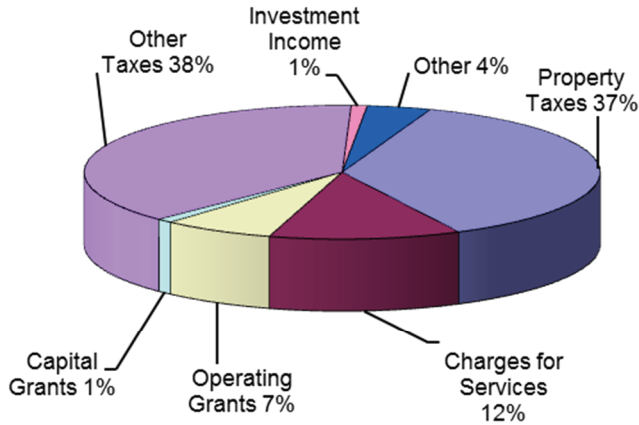
	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,723	\$ 2,288	\$ 5,256	\$ 5,152	\$ 7,979	\$ 7,440
Operating grants and contributions	1,572	1,516	-	-	1,572	1,516
Capital grants and contributions	158	160	-	-	158	160
General revenues:						
Property taxes	8,095	7,706	-	-	8,095	7,706
Other taxes	8,468	8,394	-	-	8,468	8,394
Other	1,070	997	103	164	1,173	1,161
<b>Total revenues</b>	<u>22,086</u>	<u>21,061</u>	<u>5,359</u>	<u>5,316</u>	<u>27,445</u>	<u>26,377</u>
<b>Expenses:</b>						
General government	4,310	3,944	-	-	4,310	3,944
Public safety	9,628	9,162	-	-	9,628	9,162
Public works	5,487	5,439	-	-	5,487	5,439
Community development	1,745	1,378	-	-	1,745	1,378
Community services	1,122	628	-	-	1,122	628
Interest and fiscal charges	389	398	-	-	389	398
Sanitation	-	-	1,602	3,569	1,602	3,569
<b>Total expenses</b>	<u>22,681</u>	<u>20,949</u>	<u>1,602</u>	<u>3,569</u>	<u>24,283</u>	<u>24,518</u>
<b>Increase/(decrease) in net position</b>	(595)	112	3,757	1,747	3,162	1,859
<b>Net position - July 1</b>	37,422	37,310	35,305	33,558	72,727	70,868
<b>Net position - June 30</b>	<u>\$ 36,827</u>	<u>\$ 37,422</u>	<u>\$ 39,062</u>	<u>\$ 35,305</u>	<u>\$ 75,889</u>	<u>\$ 72,727</u>



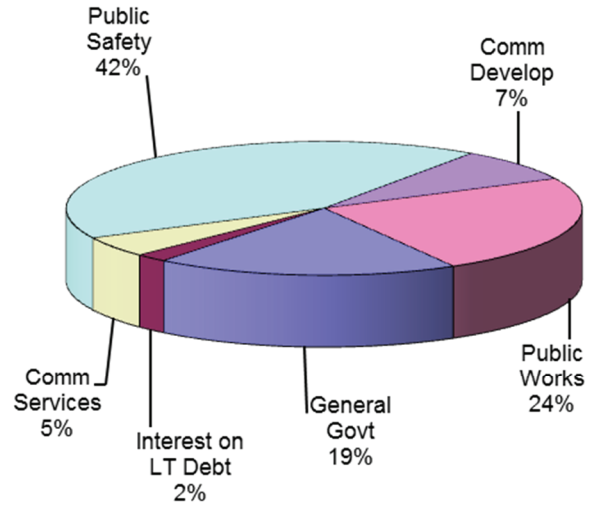
## Fiscal Year 2017 Governmental Activities

(Graphic representation of Table 2 in percentages)

### Sources of Revenue



### Program Expenses



### Net Cost of Governmental Activities

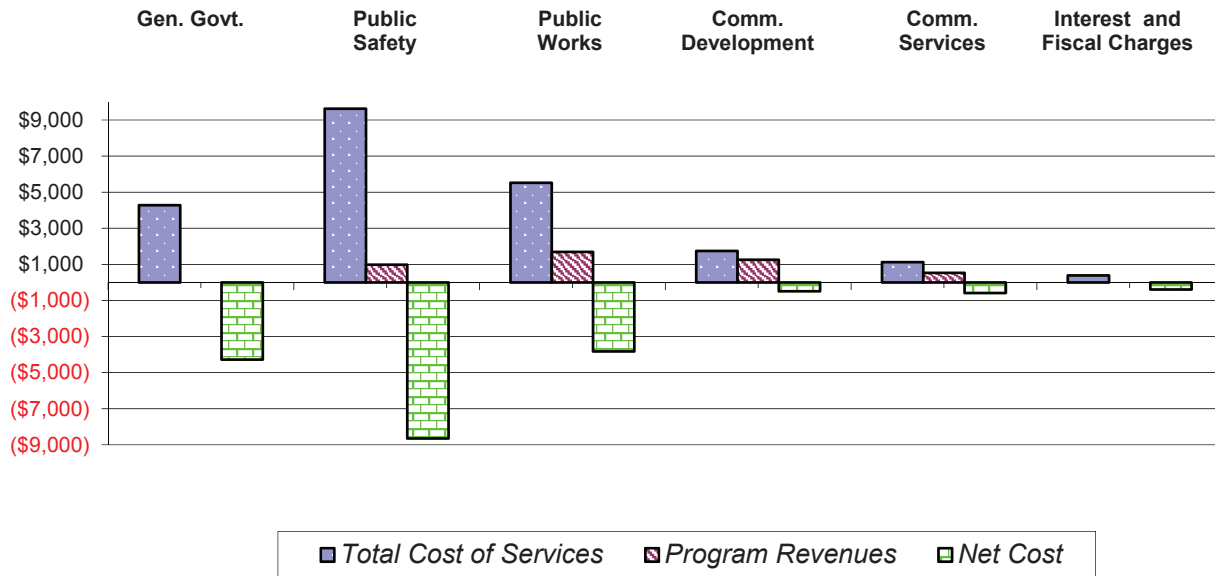
The City's programs include General Government, Public Safety, Public Works, Community Development, and Community Services. Each programs' net cost (total cost less revenues generated by the activities) is presented on Table 2.1. The net cost shows the extent to which the City's general taxes support 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	
	2017	2016	2017	2016	2017	2016
General government	\$ 4,310	\$ 3,944	\$ -	\$ -	\$ (4,310)	\$ (3,944)
Public safety	9,628	9,162	978	1,009	(8,650)	(8,153)
Public works	5,487	5,439	1,693	1,462	(3,794)	(3,977)
Community development	1,745	1,378	1,252	1,128	(493)	(250)
Community services	1,122	628	530	365	(592)	(263)
Interest on long-term debt	389	398	-	-	(389)	(398)
<b>Totals</b>	<b>\$ 22,681</b>	<b>\$ 20,949</b>	<b>\$ 4,453</b>	<b>\$ 3,964</b>	<b>\$ (18,228)</b>	<b>\$ (16,985)</b>

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



Total resources available during the year to finance governmental operations were \$59,507 consisting of a net position at July 1, 2017 of \$37,422, program revenues of \$4,453, and general revenues of \$17,633. Total governmental activities during the year were \$22,681, and as a result, net position decreased by \$595 to \$36,827.

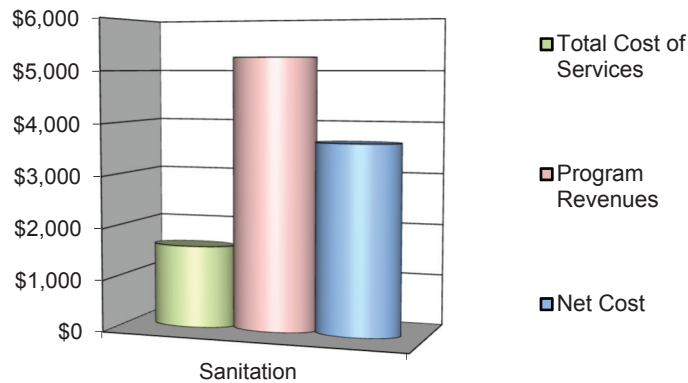
**Business Type Activities**

Net position of the Proprietary Fund (Business Type activities) at June 30, 2017 as reflected in Table 1 was \$39,062. As shown in Table 3, amounts paid by users of the system and other operating revenue were \$5,256 while the cost of providing all Proprietary (Business Type) activities in FY2017 was \$1,602 resulting in a net gain of \$3,654. With the addition of non-operating revenues of \$103, assets increased by \$3,757 or 10.64%.

**Table 3**  
**Net Cost of Business Activities**  
(in Thousands)

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2017	2016	2017	2016	2017	2016
Sanitation	\$ 1,602	\$ 3,569	\$ 5,256	\$ 5,152	\$ 3,654	\$ 1,583

**Fiscal Year 2017  
Total Cost of Services, Program Revenues & Net Cost  
Business Activities (in thousands)**



**General Fund Budgetary Highlights**

The final expenditures for the City’s General Fund at year-end were \$1,238 less than actual appropriations prior to other financing uses. The budget to actual variance in appropriations was principally due to 1) conservative estimates at quarter-year and mid-year by management; 2) expenditures for asset replacement appropriations being delayed to next fiscal year; and 3) lower than expected professional service costs across departments.

Actual revenues were \$625 greater than the final budget. Budget amendments and supplemental appropriations were made during the normal course of business to increase appropriations for unanticipated expenditures after adoption of the original budget. Significant supplemental appropriations were:

- \$1,023 for transfers out to the City CIP fund for various CIP projects.
- \$400 to add funds to trusts established for Pension and Other Post-Employment Benefits (OPEB) liabilities in the amounts of \$315 and 85, respectively, with Public Agency Retirement Services (PARS).
- \$188 reduction in department charges for worker compensation and self-insurance fund administrative revenues.
- \$150 for Fire department overtime
- \$159 in building services for increased payments paid to the City’s on-call building plan check consultant as a result of increased plan-check fees, 75% of which go to the consultant.
- \$119 for three replacement vehicles in the engineering and public works departments.
- \$34 for increased stormwater consultant costs.

- \$32 for the reclassification of the temporary Fire Inspector from a 0.75 FTE to a full-time position.
- \$29.4 reduction in Planning department equipment maintenance expense due to the new permit tracking software implementation being delayed to FY2018.
- \$25 in professional services in the City Manager's budget unit to cover the costs of a consultant to evaluate financing options for public parking facilities.

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

- Manager: costs for the City Manager's professional services and contingency expenditure accounts were \$61 lower than anticipated in FY2017.
- Personnel: savings were realized in salary and benefits since the Human Resources Manager was budgeted at full-time but was hired at a 0.75 FTE. There was also savings realized in professional services.
- Information Systems: minor equipment and community television production expenditures were lower than the amount expected to be spent for the fiscal year.
- Support Services: payments for damage claims and professional services from the City's workers compensation fund and insurance premiums and professional services from the City's self-insurance fund were lower than expected.
- Code and Parking Enforcement: a number of staff vacancies occurred in this department resulting in lower than anticipated salaries and benefit costs.
- Street and other public works: savings were realized in professional services due to lower than anticipated use for outside contractors in environmental services, street maintenance, traffic safety, and park maintenance.
- Community Services: public arts and professional services expenditures were lower than expected.
- Capital Outlay: amounts were budgeted for Planning department software that was to be purchased in FY2017. These expenditures were delayed until the following fiscal year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

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

At June 30, 2017, net capital assets of the governmental activities totaled \$35,837 and the net capital assets of the business-type activities totaled \$13,240. 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 \$14,900 through FY2022. Over the next five years, funding will come from current fund balances and revenues such as Gas Tax and TransNet. Significant projects are rebuilding the Solana Beach Pump Station, La Colonia Park Skate Park, the Marine Safety Building, Seascape Sur staircase repair, and ongoing pavement management, traffic calming, and storm drain and sewer pipeline improvements and replacement projects.

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

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,538	\$ 2,538	\$ 112	\$ 112	\$ 2,650	\$ 2,650
Buildings & Improvements	10,599	11,030	10,817	10,768	21,416	21,798
Equipment & Vehicles	1,216	1,443	331	-	1,547	1,443
Infrastructure	19,600	22,058	-	-	19,600	22,058
Work in Progress	1,884	1,009	1,980	1,996	3,864	3,005
	<u>\$ 35,837</u>	<u>\$ 38,078</u>	<u>\$ 13,240</u>	<u>\$ 12,876</u>	<u>\$ 49,077</u>	<u>\$ 50,954</u>

## Debt

At year-end, the City had \$7,791 in governmental type debt and \$9,412 in proprietary debt (including premium on debt issuance) totaling \$17,203. This debt is a liability of the government and amounts to \$1,272 per capita.

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	
	2017	2016	2017	2016	2017	2016
Refunding lease	\$ 817	\$ 941	\$ -	\$ -	\$ 817	\$ 941
Capital leases	1,113	1,278	-	-	1,113	1,278
JPA loan payable-2011			1,593	2,286	1,593	2,286
Sewer revenue bond	-	-	7,780	8,025	7,780	8,025
TransNet bond	5,500	5,500	-	-	5,500	5,500
Bond premiums	-	-	-	28	-	28
Bond discounts	(6)	(7)	-	-	(6)	(7)
Compensated absences	367	317	39	29	406	346
	<u>\$ 7,791</u>	<u>\$ 8,029</u>	<u>\$ 9,412</u>	<u>\$ 10,368</u>	<u>\$ 17,203</u>	<u>\$ 18,397</u>

## NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In June 2016, the City Council adopted a two-year budget for fiscal years ending June 30, 2018 and June 30, 2019.

In considering the City Budget for the two fiscal years, the focus of the City Council and management was to adopt balanced budgets and promote fiscal sustainability. Budget decisions were made with the understanding that, although the current economic climate was markedly improved, the City's growth rate for certain revenues was still uneven and uncertain and that the rate of any expenditure cost increase needed to be closely evaluated and monitored. The challenge given these circumstances was to prepare a budget that held costs in line while continuing to provide high quality services and to move forward implementing the City's five-year capital improvement plan.

The result at the time of the budget adoption was that no new programs or services were added to the FY2017 budget. Departments were asked to prepare budgets with no change in their materials, supplies, and services categories and any requests for new monies needed to be justified. Salary increases of 4.5% and cafeteria benefits increases of 10% were provided to fire department employees (SBFA) as called for in their memorandum of understanding (MOU) with the City. The SBFA MOU also included a provision for Classic CalPERS fire members to contribute 3% towards the employer's share of their CalPERS pension formula.

Subsequent to the budget's adoption, negotiations were successfully completed with the City's marine safety and miscellaneous regular employees and these groups received salary increases of 3% and cafeteria benefit increases of 10%. Unrepresented regular employees received the same increases. Classic CalPERS members of these employee groups were already contributing a percentage, up to 2%, toward the employer's share of their CalPERS pension formula based on previous MOUs.

The adopted budget for FY2018 and FY2019 reflected projected surpluses in the General Fund of \$305,500 and \$416,400, respectively.

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

Overall, the budget anticipates that local tax revenues to the City next year will increase based upon the economic activity in the California economy, including property taxes, which are projected to increase in FY2018 by 4.1%, and transient occupancy tax which are expected to increase by 3%. Sales tax is expected to also increase by 3.3%. Overall, the General Fund adopted operating expenditures for FY2018 are budgeted to increase approximately 4.85% as compared to the previous fiscal year's adopted budget. The CIP budget was set to be \$8,032 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).

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# **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

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## CITY OF SOLANA BEACH

STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current Assets:			
Cash and investments	\$ 24,256,552	\$ 12,879,706	\$ 37,136,258
Receivables:			
Accounts, net	318,418	56,912	375,330
Taxes	899,295	-	899,295
Interest	84,594	37,098	121,692
Prepaid costs	20,164	29,982	50,146
Due from other governments	339,725	-	339,725
Total Current Assets	<u>25,918,748</u>	<u>13,003,698</u>	<u>38,922,446</u>
Noncurrent Assets:			
Restricted assets:			
Cash and investments with fiscal agent	893,185	594,324	1,487,509
Investment in joint venture	-	21,251,840	21,251,840
Internal balances	(665,464)	665,464	-
Capital assets not being depreciated	4,421,323	2,091,911	6,513,234
Capital assets, net of depreciation	31,415,251	11,148,371	42,563,622
Total Noncurrent Assets	<u>36,064,295</u>	<u>35,751,910</u>	<u>71,816,205</u>
<b>Total Assets</b>	<b><u>61,983,043</u></b>	<b><u>48,755,608</u></b>	<b><u>110,738,651</u></b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	-	274,588	274,588
Deferred pension related items	3,184,883	155,655	3,340,538
<b>Total Deferred Outflows     of Resources</b>	<b><u>3,184,883</u></b>	<b><u>430,243</u></b>	<b><u>3,615,126</u></b>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	1,511,719	42,257	1,553,976
Accrued liabilities	111,304	8,049	119,353
Accrued interest	15,674	132,684	148,358
Unearned revenue	403,182	-	403,182
Claims payable - due within one year	338,774	-	338,774
Compensated absences - due within one year	250,469	24,572	275,041
Long-term debt - due within one year	296,366	979,648	1,276,014
Total Current Liabilities	<u>2,927,488</u>	<u>1,187,210</u>	<u>4,114,698</u>
Noncurrent Liabilities:			
Deposits payable	3,021,195	-	3,021,195
Net other post employment benefit liability	1,943,024	-	1,943,024
Claims payable - due in more than one year	869,428	-	869,428
Compensated absences - due in more than one year	116,031	13,964	129,995
Net pension liability	11,628,198	498,843	12,127,041
Long-term debt - due in more than one year	7,128,087	8,393,939	15,522,026
Total Noncurrent Liabilities	<u>24,705,963</u>	<u>8,906,746</u>	<u>33,612,709</u>
<b>Total Liabilities</b>	<b><u>27,633,451</u></b>	<b><u>10,093,956</u></b>	<b><u>37,727,407</u></b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	707,045	29,814	736,859
<b>Total Deferred Inflows     of Resources</b>	<b><u>707,045</u></b>	<b><u>29,814</u></b>	<b><u>736,859</u></b>
<b>Net Position:</b>			
Net investment in capital assets	28,412,121	6,195,352	34,607,473
Restricted for:			
Redevelopment activities	871,665	-	871,665
Public safety	361,891	-	361,891
Parks and recreation	175,631	-	175,631
Public works	2,772,815	-	2,772,815
Capital projects	1,519,739	-	1,519,739
Debt service	24,927	-	24,927
Pensions	893,185	-	893,185
Unrestricted	1,795,456	32,866,729	34,662,185
<b>Total Net Position</b>	<b><u>\$ 36,827,430</u></b>	<b><u>\$ 39,062,081</u></b>	<b><u>\$ 75,889,511</u></b>

CITY OF SOLANA BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 4,309,372	\$ -	\$ -	\$ -
Public safety	9,628,140	620,990	198,615	158,370
Community development	1,745,101	1,252,126	-	-
Community services	1,122,128	400,353	129,324	-
Public works	5,487,183	449,962	1,241,379	-
Interest on long-term debt	389,077	-	-	-
<b>Total Governmental Activities</b>	<b>22,681,001</b>	<b>2,723,431</b>	<b>1,569,318</b>	<b>158,370</b>
Business-Type Activities:				
Sanitation Fund	1,602,359	5,255,483	-	-
<b>Total Business-Type Activities</b>	<b>1,602,359</b>	<b>5,255,483</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 24,283,360</b>	<b>\$ 7,978,914</b>	<b>\$ 1,569,318</b>	<b>\$ 158,370</b>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Sales taxes

Transient occupancy taxes

Franchise taxes

Other taxes

Use of money and property

Other

**Total General Revenues**

Change in Net Position

Net Position at Beginning of Year

**Net Position at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Position Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (4,309,372)	\$ -	\$ (4,309,372)
(8,650,165)	-	(8,650,165)
(492,975)	-	(492,975)
(592,451)	-	(592,451)
(3,795,842)	-	(3,795,842)
(389,077)	-	(389,077)
<b>(18,229,882)</b>	<b>-</b>	<b>(18,229,882)</b>
-	3,653,124	3,653,124
-	<b>3,653,124</b>	<b>3,653,124</b>
<b>(18,229,882)</b>	<b>3,653,124</b>	<b>(14,576,758)</b>
8,095,383	-	8,095,383
3,127,803	-	3,127,803
1,740,208	-	1,740,208
733,354	-	733,354
2,868,629	-	2,868,629
283,828	88,940	372,768
785,872	14,473	800,345
<b>17,635,077</b>	<b>103,413</b>	<b>17,738,490</b>
(594,805)	3,756,537	3,161,732
37,422,235	35,305,544	72,727,779
<b>\$ 36,827,430</b>	<b>\$ 39,062,081</b>	<b>\$ 75,889,511</b>

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# **FUND FINANCIAL STATEMENTS**

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

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**GOVERNMENTAL FUND  
FINANCIAL STATEMENTS**

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CITY OF SOLANA BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(With comparative totals for June 30, 2016)**

	Special Revenue Funds			Capital Projects Funds
	General	TransNet	Low and Moderate Income Housing Asset	City CIP
<b>Assets:</b>				
Cash and investments	\$ 15,938,108	\$ 67,230	\$ -	\$ 2,042,686
Receivables:				
Accounts	263,059	-	-	-
Taxes	891,574	-	-	-
Accrued interest	69,049	7	-	2,918
Prepaid costs	20,164	-	-	-
Deposits	-	-	-	-
Due from other governments	123,862	-	-	-
Due from other funds	384,793	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	893,185	-	-	-
<b>Total Assets</b>	<b>\$ 18,583,794</b>	<b>\$ 67,237</b>	<b>\$ -</b>	<b>\$ 2,045,604</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,086,499	\$ 28,719	\$ -	\$ 114,545
Accrued liabilities	77,385	-	-	15,960
Unearned revenues	8,700	-	-	-
Deposits payable	2,421,969	-	-	530,000
Due to other funds	-	-	-	-
Advances from other funds	665,464	-	-	-
<b>Total Liabilities</b>	<b>4,260,017</b>	<b>28,719</b>	<b>-</b>	<b>660,505</b>
<b>Fund Balances:</b>				
Nonspendable	20,164	-	-	-
Restricted	893,185	38,518	-	-
Committed	914,846	-	-	-
Assigned	5,690,381	-	-	1,385,099
<b>Unassigned</b>	<b>6,805,201</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>14,323,777</b>	<b>38,518</b>	<b>-</b>	<b>1,385,099</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,583,794</b>	<b>\$ 67,237</b>	<b>\$ -</b>	<b>\$ 2,045,604</b>

CITY OF SOLANA BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(With comparative totals for June 30, 2016)**

	Other Governmental Funds	Total Governmental Funds	
		2017	2016
<b>Assets:</b>			
Cash and investments	\$ 6,208,528	\$ 24,256,552	\$ 22,139,756
Receivables:			
Accounts	55,359	318,418	279,012
Taxes	7,721	899,295	1,184,455
Accrued interest	12,620	84,594	67,579
Prepaid costs	-	20,164	7,471
Deposits	-	-	-
Due from other governments	215,863	339,725	282,999
Due from other funds	-	384,793	221,431
Restricted assets:			
Cash and investments with fiscal agents	-	893,185	508,897
<b>Total Assets</b>	<b>\$ 6,500,091</b>	<b>\$ 27,196,726</b>	<b>\$ 24,691,600</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 281,956	\$ 1,511,719	\$ 1,082,481
Accrued liabilities	17,959	111,304	385,873
Unearned revenues	394,482	403,182	437,358
Deposits payable	69,226	3,021,195	2,418,049
Due to other funds	384,793	384,793	221,431
Advances from other funds	-	665,464	1,139,045
<b>Total Liabilities</b>	<b>1,148,416</b>	<b>6,097,657</b>	<b>5,684,237</b>
<b>Fund Balances:</b>			
Nonspendable	-	20,164	7,471
Restricted	5,688,150	6,619,853	5,825,595
Committed	-	914,846	787,790
Assigned	-	7,075,480	6,370,807
<b>Unassigned</b>	<b>(336,475)</b>	<b>6,468,726</b>	<b>6,015,700</b>
<b>Total Fund Balances</b>	<b>5,351,675</b>	<b>21,099,069</b>	<b>19,007,363</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,500,091</b>	<b>\$ 27,196,726</b>	<b>\$ 24,691,600</b>

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CITY OF SOLANA BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

Fund balances of governmental funds		\$ 21,099,069
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity:		
Capital assets	\$ (23,411,223)	
Accumulated depreciation	<u>59,247,797</u>	35,836,574
Deferred outflows related to contributions made after the actuarial measurement date for the net pension liability:		
Miscellaneous Plan difference between expected and actual experiences	12,264	
Miscellaneous Plan contributions made subsequent to measurement date	371,413	
Miscellaneous Plan net difference between projected and actual earnings on plan investments	603,901	
Miscellaneous Plan adjustment due to differences in proportions	271,813	
Safety Plan contributions made subsequent to measurement date	673,212	
Safety Plan Net difference between projected and actual earnings on plan investments	1,044,944	
Safety Plan adjustment due to differences in proportions	<u>207,336</u>	3,184,883
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Notes payable	(5,500,000)	
Lease revenue bond - ABAG	(817,200)	
Unamortized bond discount	5,809	
Capital lease obligations	(1,113,062)	
Claims and judgments	(1,208,202)	
Compensated absences	<u>(366,500)</u>	(8,999,155)
Governmental funds report all pension contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the proportionate share of contributions are recorded as a asset or liability.		
Miscellaneous Plan portion of net pension liability	(4,036,097)	
Safety Plan net pension liability	<u>(7,592,101)</u>	(11,628,198)
Governmental funds report all Other Post Employment Benefits (OPEB) contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		
		(1,943,024)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		
		(15,674)
Deferred inflows related to unrecognized actuarial gains and losses for the net pension liability:		
Miscellaneous Plan changes in assumptions	(116,031)	
Miscellaneous Plan difference between expected and actual experiences	(2,810)	
Miscellaneous Plan difference in proportionate share	(122,381)	
Safety Plan changes in assumptions	(212,691)	
Safety Plan difference between expected and actual experiences	(48,782)	
Safety Plan adjustment difference in proportionate share	<u>(204,350)</u>	(707,045)
<b>Net Position of governmental activities</b>		<b><u><u>\$ 36,827,430</u></u></b>

CITY OF SOLANA BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017  
(With comparative totals for the year ended June 30, 2016)

	Special Revenue Funds			Capital Projects Funds
	General	TransNet	Low and Moderate Income Housing Asset	City CIP
<b>Revenues:</b>				
Taxes and assessments	\$ 13,298,761	\$ -	\$ -	\$ -
Licenses, permits and fees	527,146	-	-	-
Intergovernmental	1,771,840	429,525	-	470,000
Charges for services	944,111	-	-	58,383
Use of money and property	262,094	115	402	6,404
Fines and forfeitures	495,885	-	-	-
Other revenues	738,652	29,714	-	6,448
<b>Total Revenues</b>	<b>18,038,489</b>	<b>459,354</b>	<b>402</b>	<b>541,235</b>
<b>Expenditures:</b>				
Current:				
General government	3,776,669	-	-	571
Public safety	8,373,569	-	-	51,074
Public works	1,672,066	874	-	22,969
Community development	1,081,256	-	161,719	87,003
Community services	263,797	-	-	470,000
Capital outlay	66,247	138,774	-	594,907
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	325,105	-	-
<b>Total Expenditures</b>	<b>15,233,604</b>	<b>464,753</b>	<b>161,719</b>	<b>1,226,524</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,804,885	(5,399)	(161,317)	(685,289)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	1,221,100
Transfers out	(1,506,400)	-	-	-
Debt issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,506,400)</b>	<b>-</b>	<b>-</b>	<b>1,221,100</b>
Net Change in Fund Balances	\$ 1,298,485	\$ (5,399)	\$ (161,317)	\$ 535,811
<b>Fund Balances:</b>				
Beginning of year	\$ 13,025,292	\$ 43,917	\$ 161,317	\$ 849,288
Net change in fund balances	1,298,485	(5,399)	(161,317)	535,811
<b>End of Year</b>	<b>\$ 14,323,777</b>	<b>\$ 38,518</b>	<b>\$ -</b>	<b>\$ 1,385,099</b>



CITY OF SOLANA BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017  
(With comparative totals for the year ended June 30, 2016)

	Other Governmental Funds	Total Governmental Funds	
		2017	2016
<b>Revenues:</b>			
Taxes and assessments	\$ 1,810,292	\$ 15,109,053	\$ 14,719,229
Licenses, permits and fees	-	527,146	471,581
Intergovernmental	513,907	3,185,272	3,069,673
Charges for services	696,646	1,699,140	1,313,658
Use of money and property	14,813	283,828	261,466
Fines and forfeitures	-	495,885	502,921
Other revenues	11,058	785,872	735,521
<b>Total Revenues</b>	<b>3,046,716</b>	<b>22,086,196</b>	<b>21,074,049</b>
<b>Expenditures:</b>			
Current:			
General government	579	3,777,819	3,635,443
Public safety	646,103	9,070,746	8,912,742
Public works	813,285	2,509,194	2,463,442
Community development	391,737	1,721,715	1,380,934
Community services	26,678	760,475	278,481
Capital outlay	673,907	1,473,835	2,190,316
Debt service:			
Principal retirement	288,487	288,487	161,086
Interest and fiscal charges	67,114	392,219	383,130
<b>Total Expenditures</b>	<b>2,907,890</b>	<b>19,994,490</b>	<b>19,405,574</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	138,826	2,091,706	1,668,475
<b>Other Financing Sources (Uses):</b>			
Transfers in	355,700	1,576,800	1,043,400
Transfers out	(70,400)	(1,576,800)	(1,043,400)
Debt issued	-	-	614,759
<b>Total Other Financing Sources (Uses)</b>	<b>285,300</b>	<b>-</b>	<b>614,759</b>
Net Change in Fund Balances	\$ 424,126	\$ 2,091,706	\$ 2,283,234
<b>Fund Balances:</b>			
Beginning of year	\$ 4,927,549	\$ 19,007,363	\$ 16,724,129
Net change in fund balances	424,126	2,091,706	2,283,234
<b>End of Year</b>	<b>\$ 5,351,675</b>	<b>\$ 21,099,069</b>	<b>\$ 19,007,363</b>

CITY OF SOLANA BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

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Net change in fund balances - total governmental funds \$ 2,091,706

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

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

Capital outlay	\$ 1,473,835	
Depreciation	<u>(3,714,944)</u>	(2,241,109)

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

Principal repayments:		
Lease revenue bond - ABAG	123,400	
Capital lease	165,087	
Amortization of bond premiums/discounts	(968)	
Changes in claims and judgments liabilities	14,540	
Changes in compensated absences	<u>(49,142)</u>	252,917

Pension obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (491,855)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 4,110

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (210,574)

**Change in net position of governmental activities \$ (594,805)**

**PROPRIETARY FUND  
FINANCIAL STATEMENTS**

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CITY OF SOLANA BEACH

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2017

(With comparative totals for June 30, 2016)

	Sanitation Fund	
	2017	2016
<b>Assets:</b>		
Current:		
Cash and investments	\$ 12,879,706	\$ 11,786,031
Receivables:		
Accounts	56,912	268,320
Taxes	-	2
Interest	37,098	14,754
Prepaid costs	29,982	32,197
<b>Total Current Assets</b>	<b>13,003,698</b>	<b>12,101,304</b>
Noncurrent:		
Cash and investments with fiscal agent	594,324	594,936
Advances to other funds	665,464	1,139,045
Investment in joint venture	21,251,840	19,190,619
Capital Assets:		
Non-depreciable	2,091,911	2,108,289
Depreciable, net	11,148,371	10,768,131
<b>Total Noncurrent Assets</b>	<b>35,751,910</b>	<b>33,801,020</b>
<b>Total Assets</b>	<b>48,755,608</b>	<b>45,902,324</b>
<b>Deferred Outflows of Resources:</b>		
Deferred pension related items	155,655	88,513
Deferred charge on refunding	274,588	343,235
<b>Total Deferred Outflows of Resources</b>	<b>430,243</b>	<b>431,748</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 49,185,851</b>	<b>\$ 46,334,072</b>
<b>Liabilities, Deferred Inflows, and Net Position:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 42,257	\$ 15,496
Accrued liabilities	8,049	16,710
Interest payable	132,684	145,189
Compensated absences, due within one year	24,572	17,707
Long-term debt, due within one year	979,648	937,808
<b>Total Current Liabilities</b>	<b>1,187,210</b>	<b>1,132,910</b>
Noncurrent:		
Compensated absences, due in more than one year	13,964	11,608
Long-term debt, due in more than one year	8,393,939	9,401,597
Net Pension Liability	498,843	429,227
<b>Total Noncurrent Liabilities</b>	<b>8,906,746</b>	<b>9,842,432</b>
<b>Total Liabilities</b>	<b>10,093,956</b>	<b>10,975,342</b>
<b>Deferred Inflows of Resources:</b>		
Deferred pension related items	29,814	53,186
<b>Total Deferred Inflows of Resources</b>	<b>29,814</b>	<b>53,186</b>
<b>Net Position:</b>		
Net investment in capital assets	6,195,352	5,594,350
Unrestricted	32,866,729	29,711,194
<b>Total Net Position</b>	<b>39,062,081</b>	<b>35,305,544</b>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<b>\$ 49,185,851</b>	<b>\$ 46,334,072</b>

CITY OF SOLANA BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30, 2017  
(With comparative totals for June 30, 2016)

	Sanitation Fund	
	2017	2016
<b>Operating Revenues:</b>		
Charges for services	\$ 5,255,483	\$ 5,151,671
Other	14,473	49,090
<b>Total Operating Revenues</b>	<b>5,269,956</b>	<b>5,200,761</b>
<b>Operating Expenses:</b>		
Cost of sales and services	1,928,205	1,973,000
Administration	452,598	428,031
Depreciation	359,195	352,650
<b>Total Operating Expenses</b>	<b>2,739,998</b>	<b>2,753,681</b>
Operating Income (Loss)	2,529,958	2,447,080
<b>Nonoperating Revenues (Expenses):</b>		
Interest income	88,940	115,321
Interest expense	(423,061)	(454,872)
Amortization of bond premium/discount & refunding charge	(42,853)	(42,853)
Amortization of investment premium	(10,945)	(10,945)
Share in joint venture net gain(loss)/capital contribution	1,614,498	(306,550)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,226,579</b>	<b>(699,899)</b>
Changes in Net Position	3,756,537	1,747,181
<b>Net Position:</b>		
Beginning of Fiscal Year	35,305,544	33,558,363
<b>End of Fiscal Year</b>	<b>\$ 39,062,081</b>	<b>\$ 35,305,544</b>

CITY OF SOLANA BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	Sanitation Fund	
	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 5,466,891	\$ 4,907,596
Cash paid to suppliers for goods and services	(1,899,229)	(2,588,548)
Cash paid to employees for services	(472,936)	(424,307)
Other	14,473	49,090
<b>Net Cash Provided by Operating Activities</b>	<b>3,109,199</b>	<b>1,943,831</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Repayment received from other funds	473,581	447,202
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>473,581</b>	<b>447,202</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(723,057)	(1,106,602)
Principal paid on capital debt	(937,808)	(906,470)
Interest paid on capital debt	(437,778)	(466,738)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(2,098,643)</b>	<b>(2,479,810)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	(391,074)	(392,444)
<b>Net Cash Used in Investing Activities</b>	<b>(391,074)</b>	<b>(392,444)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,093,063</b>	<b>(481,221)</b>
Cash and Cash Equivalents at Beginning of Year	12,380,967	12,862,188
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 13,474,030</b>	<b>\$ 12,380,967</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 2,529,958	\$ 2,447,080
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	359,195	352,650
(Increase) decrease in accounts receivable	211,408	(244,075)
(Increase) decrease in prepaid expense	2,215	2,216
(Increase) decrease in deferred outflows from pensions	(67,142)	(46,211)
Increase (decrease) in accounts payable	26,761	(617,764)
Increase (decrease) in accrued liabilities	(8,661)	4,416
Increase (decrease) in net pension liability	69,616	99,814
Increase (decrease) in compensated absences	9,221	4,298
Increase (decrease) in deferred inflows from pensions	(23,372)	(58,593)
<b>Total Adjustments</b>	<b>579,241</b>	<b>(503,249)</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 3,109,199</b>	<b>\$ 1,943,831</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Amortization of bonds premium/discount	\$ (79,430)	\$ (77,708)
Gain/(loss) on investment in joint venture	1,614,498	(306,550)

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**FIDUCIARY FUND  
FINANCIAL STATEMENTS**

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CITY OF SOLANA BEACH

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	Agency Funds		OPEB Trust Fund		Private-Purpose Trust Fund Successor Agency of the Former RDA	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Cash and investments	\$ 501,621	\$ 488,999	\$ -	-	\$ 416,131	\$ 372,514
Receivables:						
Accounts	459	266	-	-	-	-
Taxes	4	1,779	-	-	-	-
Restricted assets:						
Cash and investments	-	-	7,235	9,618	-	-
Mutual funds	-	-	233,926	127,784	-	-
Cash and investments with fiscal agents	-	-	-	-	236,063	235,840
<b>Total Assets</b>	<b>\$ 502,084</b>	<b>\$ 491,044</b>	<b>\$ 241,161</b>	<b>\$ 137,402</b>	<b>652,194</b>	<b>608,354</b>
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ 107	\$ -	21,781	4,618
Accrued liabilities	-	-	-	-	2,841	9,673
Accrued interest	-	-	-	-	11,657	12,008
Due to bondholders	502,084	491,044	-	-	-	-
Long-term liabilities:						
Due in one year	-	-	-	-	95,000	90,000
Due in more than one year	-	-	-	-	2,725,000	2,820,000
<b>Total Liabilities</b>	<b>\$ 502,084</b>	<b>\$ 491,044</b>	<b>107</b>	<b>-</b>	<b>2,856,279</b>	<b>2,936,299</b>
<b>Net Position:</b>						
Held in trust for other purposes			241,054	137,402	(2,204,085)	(2,327,945)
<b>Total Net Position</b>			<b>\$ 241,054</b>	<b>\$ 137,402</b>	<b>\$ (2,204,085)</b>	<b>\$ (2,327,945)</b>

CITY OF SOLANA BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	OPEB Trust Fund		Private-Purpose Trust Fund Successor Agency of the Former RDA	
	2017	2016	2017	2016
<b>Additions:</b>				
Taxes	\$ -	\$ -	\$ 522,092	\$ 521,503
Interest and change in fair value of investments	19,334	2,402	312	28
Contributions from City	85,376	135,000	-	-
<b>Total Additions</b>	<b>104,710</b>	<b>137,402</b>	<b>522,404</b>	<b>521,531</b>
<b>Deductions:</b>				
Administrative expenses	1,058	-	250,000	250,001
Contractual services	-	-	4,795	5,804
Interest expense	-	-	143,749	148,534
<b>Total Deductions</b>	<b>1,058</b>	<b>-</b>	<b>398,544</b>	<b>404,339</b>
<b>Changes in Net Position</b>	<b>103,652</b>	<b>137,402</b>	<b>123,860</b>	<b>117,192</b>
Net Position - Beginning of the Year	137,402	-	(2,327,945)	(2,445,137)
<b>Net Position - End of the Year</b>	<b>\$ 241,054</b>	<b>\$ 137,402</b>	<b>\$ (2,204,085)</b>	<b>\$ (2,327,945)</b>

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# **NOTES TO BASIC FINANCIAL STATEMENTS**

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**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Summary of Significant Accounting Policies**

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

**a. Financial Reporting Entity**

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

The Solana Beach Public Facilities Corporation (Corporation) was incorporated on July 25, 1990 as a nonprofit public benefit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law. Its purpose is to benefit the City by providing financing for the planning, development, acquisition, construction, improvement, extension, repair, and renovation of public works projects, public facilities, furnishings, and equipment for use by the City. The Corporation does not issue separate financial statements. The City's basic financial statements have the Corporation included using the blended method since the governing bodies of the component unit is substantially the same as the governing body of the City. The Corporation provides services entirely to the City.

**b. Basis of Accounting and Measurement Focus**

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

**Government-Wide Financial Statements**

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**Governmental Fund Financial Statements**

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

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



**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

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

The City reports the following major governmental fund:

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

*Low and Moderate Income Housing Asset Fund* accounts for resources related to affordable housing grants and successor housing activities.

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

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

**Proprietary Fund Financial Statements**

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

The City reports the following major proprietary fund:

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

**Fiduciary Fund Financial Statements**

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

The Private-Purpose Trust Fund is used to account for the assets and liabilities of the former redevelopment agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former redevelopment agency are paid in full and assets have been liquidated.

The Pension and Private Purpose Trust Fund funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**c. Cash, Cash Equivalents and Investments**

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

**d. Restricted Cash and Investments**

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

**e. Capital Assets**

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

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

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

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

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.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**f. Deferred Outflows/Inflows of Resources**

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

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

**g. Long-Term Liabilities**

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

**h. Compensated Absences**

Government-Wide Financial Statements

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

Fund Financial Statements

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

**i. Pensions**

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

**j. Net Position**

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

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

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

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

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

**k. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the

**Note 1: Summary of Significant Accounting Policies (Continued)**

government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**I. Fund Balances**

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

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

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

*Committed* – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City. The formal action required to establish, modify, or rescind a fund balance commitment is through a resolution.

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

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

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

**m. Fund Balance Flow Assumptions**

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

**n. 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.

**o. 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.

**p. Budgets**

The Tea 21/Tea Fund, Caltrans, and the Miscellaneous Grants Fund did not adopt a budget. Therefore, no budgetary comparison schedule is presented as supplementary information.



CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 2: Cash and Investments**

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2017:

	Government-Wide Statement of Net Position			Fiduciary	Total
	Governmental Activities	Business-Type Activities	Total	Funds Statement of Net Position	
Cash and investments	\$ 24,256,552	\$ 12,879,706	\$ 37,136,258	\$ 917,752	\$ 38,054,010
Restricted cash and investments	893,185		893,185	241,161	1,134,346
Cash and investments with fiscal agent held by fiscal agents	-	594,324	594,324	236,063	830,387
<b>Total</b>	<b>\$ 25,149,737</b>	<b>\$ 13,474,030</b>	<b>\$ 38,623,767</b>	<b>\$ 1,394,976</b>	<b>\$ 40,018,743</b>

Cash and investments consisted of the following at June 30, 2017:

Cash:	
Cash on hand	\$ 400
Demand deposits	1,729,773
Total cash	<u>1,730,173</u>
Investments:	
Local Agency Investment Fund	1,015,149
Investments	36,139,075
Cash and investments held in PARS OPEB Trust	1,134,346
Total investments	<u>38,288,570</u>
Total cash and investments	<u>\$ 40,018,743</u>



**Note 2: Cash and Investments (Continued)**

**a. Cash Deposits**

The carrying amounts of the City's cash deposits were \$1,729,773 at June 30, 2017. Bank balances were \$2,062,049 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name is discussed below. The \$332,476 difference represents outstanding checks and other reconciling items.

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For investments identified herein as held by fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

**b. Investments**

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

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

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 2: Cash and Investments (Continued)**

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local agency bonds	Yes	5 years	30%	5%
U.S. Treasury bills	Yes	5 years	None	25%
U.S. Treasury notes	Yes	5 years	None	25%
U.S. agency securities	Yes	5 years	None	25%
Banker's acceptances	Yes	180 days	40%	5%
Commercial paper	Yes	270 days	25%	10%
Non-Negotiable certificates of deposit	Yes	5 years	30%	5%
Negotiable certificates of deposit	Yes	5 years	20%	None
Certificate of Deposit Placement Services	Yes	5 years	20%	None
Collateralized Bank Deposits	Yes	1 year	None	None
Repurchase agreements	Yes	1 year	None	None
Medium-term notes	Yes	5 years	30%	5%
Mutual funds	Yes	5 years	20%	None
Money market mutual funds	Yes	5 years	20%	None
Asset backed security	Yes	5 years	20%	5%
Supranational	Yes	5 years	30%	10%
Local Agency Investment Fund (LAIF)	Yes	5 years	\$65,000,000	None

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

**Investments Authorized by Debt Agreements**

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

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

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**
**Note 2: Cash and Investments (Continued)**

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, 2017, 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.

**d. Risk Disclosures****Interest Rate Risk**

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

	Fair Value	Remaining Investment Maturities		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
Investments:				
Local Agency Investment Fund	\$ 1,015,149	\$ 1,015,149	\$ -	\$ -
US Treasury	8,783,353	1,746,930	1,464,399	5,572,024
U.S Government Agency Securities				
Federal Farm Credit Bank	5,231,206	1,305,268	3,094,637	831,301
Federal Home Loan Bank	1,729,259	947,784	500,614	280,861
Federal Home Loan Mortgage Corp	4,681,767	982,938	759,506	2,939,324
Federal National Mortgage Association	3,564,362	-	767,031	2,797,334
Medium Term Notes	8,471,338	2,191,887	2,242,338	4,037,113
Commercial Paper	498,661	498,661	-	-
Asset Backed Security	1,207,353	-	823,019	384,333
Money Market	53,443	53,443	-	-
Mutual Funds	1,099,313	1,099,313	-	-
Supranational	1,123,217	-	-	1,123,217
Investments with fiscal agents:				
Money Market Mutual Funds	830,148	830,148	-	-
<b>Total Investments</b>	<b>\$ 38,288,570</b>	<b>\$ 10,671,522</b>	<b>\$ 9,651,544</b>	<b>\$ 17,965,506</b>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 2: Cash and Investments (Continued)

Credit Risk

Credit Risk is the risk of loss due to failure of the security issuer. The risk can be identified through the rating assigned by a nationally recognized statistical rating organization to the issuers of securities. The City minimizes this risk by investing only in investment types allowed for municipalities by the Government Code as listed on the City's investment policy and investing only in instruments that are most credit worthy. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of June 30, 2017, for each investment type.

Investment Type	Total as of June 30, 2017	Minimum Legal Rating	Minimum Rating				
			AAA	AA + - AA-	A - A-	A-1	Not Rated
<b>Investments:</b>							
Local Agency Investment Fund	\$ 1,015,149	N/A	\$ -	\$ -	\$ -	\$ -	\$ 1,015,149
US Treasury	8,783,353	N/A	-	8,783,353	-	-	-
<b>U.S Government Agency Securities</b>							
Federal Farm Credit Bank	5,231,206	N/A	-	5,231,206	-	-	-
Federal Home Loan Bank	1,729,259	N/A	-	1,729,259	-	-	-
Federal Home Loan Mortgage Corp.	4,681,767	N/A	-	4,681,767	-	-	-
Federal National Mortgage Association	3,564,362	N/A	-	3,564,362	-	-	-
Medium Term Notes	8,471,338	A	301,385	2,313,476	5,856,477	-	-
Commercial Paper	498,661	A-1	-	-	-	498,661	-
Asset Backed Security	1,207,353	AA	636,037	-	-	-	571,315
Money Market	53,443	AAA	53,443	-	-	-	-
Mutual Funds	1,099,313	AAA	1,099,313	-	-	-	-
Supranational	1,123,217	AA	1,123,217	-	-	-	-
<b>Investments with Fiscal Agent</b>							
Money Market Mutual Fund	830,148	N/A	-	-	-	-	830,148
<b>Total Investments</b>	<b>\$ 38,288,570</b>		<b>\$ 3,213,396</b>	<b>\$ 26,303,423</b>	<b>\$ 5,856,477</b>	<b>\$ 498,661</b>	<b>\$ 2,416,612</b>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 2: Cash and Investments (Continued)**

Issuer	Investment Type	Reported Amount	
Federal Farm Credit Bank	Federal agency securities	\$ 5,231,206	14%
Federal Home Loan Mortgage Corp	Federal agency securities	4,681,767	12%
Federal National Mortgage Assoc.	Federal agency securities	3,564,364	9%

**Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Level			
	Totals	1	2	3
Local Agency Investment Fund	\$ 1,015,149.00	\$ -	\$ 1,015,149	\$ -
US Treasury	8,783,353	-	8,783,353	-
Federal Agencies	15,206,594	-	15,206,594	-
Medium Term Notes	8,471,338	-	8,471,338	-
Commercial Paper	498,661	-	498,661	-
Asset Backed Security	1,207,353	-	1,207,353	-
Money Market	53,443	-	53,443	-
Mutual Funds	1,099,313	-	1,099,313	-
Supranational	1,123,217	-	1,123,217	-
Investments with fiscal agents:				
Money Market Mutual Funds	830,148	-	830,148	-
Total Investments	\$ 38,288,570	\$ -	\$ 38,288,570	\$ -

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 3: Interfund Transactions**

**Due From and To Other Funds**

At June 30, 2017, the City had the following short-term interfund receivables and payables:

	Due from other funds
	General Fund
<u>Due to other funds</u>	
Non-major Governmental Funds	\$ 384,793
Total	<u>\$ 384,793</u>

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

**Advances From and To Other Funds**

As of June 30, 2017, the City had the following long-term interfund receivables and payables:

	Advance from other funds
	General Fund
<u>Advance to other funds</u>	
Sanitation Fund	<u>\$ 665,464</u>

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

**Interfund Transfers**

For the year ended June 30, 2017, the City had the following transfers:

	Transfers In		
	City CIP Fund	Non-Major Governmental Funds	Total
<u>Transfers Out</u>			
General Fund	\$ 1,221,100	\$ 285,300	\$ 1,506,400
Non-major governmental funds	-	70,400	70,400
	<u>\$ 1,221,100</u>	<u>\$ 355,700</u>	<u>\$ 1,576,800</u>

The most significant interfund transfers were from the General Fund to the City Capital Projects Fund for the City's construction project costs. With the non-major funds, transfers were made to various special revenue funds to public service and public works related costs, as well as debt service principal and interest payments on capital leases. During the fiscal year ended June 30, 2017, there were no significant interfund transfers that were not expected, budgeted for, unusual, nor of a non-routine nature.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 4: Capital Assets**

The following is a summary of changes in capital assets for governmental activities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<b>Governmental Activities:</b>					
<i>Non-Depreciable Assets:</i>					
Land	\$ 2,537,440	\$ -	\$ -	\$ -	\$ 2,537,440
Construction in progress	1,008,990	1,407,588		(532,695)	1,883,883
Total non-depreciable assets	<u>3,546,430</u>	<u>1,407,588</u>	<u>-</u>	<u>(532,695)</u>	<u>4,421,323</u>
<i>Depreciable Assets:</i>					
Buildings	6,016,915				6,016,915
Improvements	11,607,847			79,006	11,686,853
Equipment	1,947,469	66,247	42,133	-	1,971,583
Vehicles	2,644,286		299,401		2,344,885
Infrastructure	68,189,123			453,689	68,642,812
Total depreciable assets	<u>90,405,640</u>	<u>66,247</u>	<u>341,534</u>	<u>532,695</u>	<u>90,663,048</u>
<i>Less accumulated depreciation:</i>					
Buildings	(2,637,110)	(120,792)			(2,757,902)
Improvements	(3,957,990)	(388,641)			(4,346,631)
Equipment	(1,709,727)	(117,212)	42,133		(1,784,806)
Vehicles	(1,438,783)	(175,860)	299,401		(1,315,242)
Infrastructure	(46,130,777)	(2,912,439)			(49,043,216)
Total accumulated depreciation	<u>(55,874,387)</u>	<u>(3,714,944)</u>	<u>341,534</u>	<u>-</u>	<u>(59,247,797)</u>
Total depreciable assets, net	<u>34,531,253</u>	<u>(3,648,697)</u>	<u>-</u>	<u>532,695</u>	<u>31,415,251</u>
Total capital assets, net	<u>\$ 38,077,683</u>	<u>\$ (2,241,109)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,836,574</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2017, is as follows:

General Government	\$ 145,434
Public Safety	280,663
Public Works	2,935,953
Community Development	1,132
Community Services	<u>351,762</u>
Total depreciation expenses	<u>\$ 3,714,944</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017

**Note 4: Capital Assets (Continued)**

	Balance July 1, 2016	Transfers	Additions	Deletions	Balance June 30, 2017
<b>Business-Type Activities</b>					
<i>Non-Depreciable Assets:</i>					
Land	\$ 111,706	\$ -	\$ -	\$ -	\$ 111,706
Construction in progress	1,996,583	(739,435)	723,057	-	1,980,205
Total non-depreciable assets	<u>2,108,289</u>	<u>(739,435)</u>	<u>723,057</u>	<u>-</u>	<u>2,091,911</u>
<i>Depreciable Assets:</i>					
Building and improvements	16,223,141	408,791	-	-	16,631,932
Equipment	838,497	330,644	-	-	1,169,141
Total depreciable assets	<u>17,061,638</u>	<u>739,435</u>	<u>-</u>	<u>-</u>	<u>17,801,073</u>
<i>Less accumulated depreciation:</i>					
Building and improvements	(5,795,446)	-	(359,195)	-	(6,154,641)
Equipment	(498,061)	-	-	-	(498,061)
Total accumulated depreciation	<u>(6,293,507)</u>	<u>-</u>	<u>(359,195)</u>	<u>-</u>	<u>(6,652,702)</u>
Total depreciable assets, net	<u>10,768,131</u>	<u>739,435</u>	<u>(359,195)</u>	<u>-</u>	<u>11,148,371</u>
Total capital assets, net	<u>\$ 12,876,420</u>	<u>\$ -</u>	<u>\$ 363,862</u>	<u>\$ -</u>	<u>\$ 13,240,282</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2017, is \$359,195.

**Note 5: Long-Term Obligations**

**Governmental Activities Long-Term Debt**

The following is a summary of changes in governmental activities long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Refunding Lease - ABAG	\$ 940,600	\$ -	\$ 123,400	\$ 817,200	\$ 126,800
Municipal Finance Capital Lease	663,390	-	47,897	615,493	49,563
2016 Municipal Finance Fire Truck Lease	614,759	-	117,190	497,569	120,003
Limited Tax Bonds 2010A Series	5,500,000	-	-	5,500,000	-
Compensated Absences	317,358	266,027	216,885	366,500	250,469
	<u>\$ 8,036,107</u>	<u>\$ 266,027</u>	<u>\$ 505,372</u>	<u>7,796,762</u>	<u>\$ 546,835</u>
			unamortized discount	(5,809)	
			Total	<u>\$ 7,790,953</u>	

**Lease Revenue Bonds – ABAG**

On January 10, 2002, the City issued \$3,465,000 of Series 2002 ABAG Lease Revenue Bonds to advance refund \$2,185,000 of the outstanding Certificates of Participation, Series 1992, and \$1,125,000 of the outstanding Certificates of Participation, Series 1995, establish a reserve account for the bonds, and to pay the cost of issuing the bonds.



CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 5: Long-Term Obligations (Continued)**

\$3,504,499 of the 2002 series proceeds were used to purchase U.S. Government securities to advance refund the 1992 and 1995 series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1995 series. As a result, the 1992 and 1995 series certificates of participation are considered to be defeased and the liability for the 1992 and 1995 series has been removed from the Government-wide Statement of Net Position.

On November 1, 2011, the City entered into a refunding lease agreement with Municipal Financial Corporation in the amount of \$1,388,300 to current refund the outstanding balance of the ABAG Lease Revenue Bonds, Series 2002 and to take advantage of historically low interest rates. The average savings are approximately \$21,258 per fiscal year with the net present value savings equal to \$185,245. The lease matures on December 1, 2022. Principal payments are due December 1<sup>st</sup> of each year with semi-annual interest rate at 3.40%. The debt requirements due under the terms of the lease as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 126,800	\$ 25,629	\$ 152,429
2019	129,800	21,267	151,067
2020	137,600	16,721	154,321
2021	135,300	12,082	147,382
2022	142,700	7,356	150,056
2023	145,000	2,465	147,465
Total	<u>\$ 817,200</u>	<u>\$ 85,520</u>	<u>\$ 902,720</u>

Capital Lease Obligations

Energy Efficiency/Conservation Upgrades

On May 9, 2012, the City entered into a capital lease with Municipal Finance Corporation for various energy efficiency/conservation upgrades at City facilities. The lease was executed in the amount of \$818,696. Rental payments are due in thirty-one semi-annual payments of \$35,187 and include interest at the rate of 3.45%. The City also executed an acquisition fund agreement with Deutsche Bank National Trust Company for distribution of the funds. The debt requirements due under the terms of the lease as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 49,563	\$ 20,811	\$ 70,374
2019	51,288	19,086	70,374
2020	53,073	17,301	70,374
2021	54,920	15,455	70,375
2022	56,831	13,543	70,374
2023-2027	315,229	36,641	351,870
2028-2032	34,589	597	35,186
Total	<u>\$ 615,493</u>	<u>\$ 123,434</u>	<u>\$ 738,927</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 5: Long-Term Obligations (Continued)**

Fire Truck Lease

In 2016, the City entered into a capital lease with Municipal Finance Corporation for a fire truck at the cost of \$614,759. Rental payments are due in annual installments of \$131,944 which includes interest at the rate of 2.40% per annum. Payments are due July of each year. The debt requirements due under the terms of the lease as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 120,003	\$ 11,941	\$ 131,944
2019	122,883	9,061	131,944
2020	125,831	6,113	131,944
2021	128,852	3,092	131,944
Total	<u>\$ 497,569</u>	<u>\$ 30,207</u>	<u>\$ 527,776</u>

San Diego County Regional Transportation Commission Sales Tax Revenue Bonds

On October 28, 2010, the San Diego Association of Governments (SANDAG), acting as the San Diego County Regional Transportation Commission, issued \$338,960,000 Taxable Build America Bonds 2010 Series A (Limited Tax Bonds). SANDAG is responsible for the administration of programs under the TransNet Extension ordinance, Proposition A, which sets forth the permitted uses for revenues from a half cent transactions and use tax in San Diego County (TransNet Extension Program). In fiscal year ended June 2015, the City borrowed \$5,500,000 from the TransNet debt financing program for the Highway 101 Streetscaping/Traffic Calming Project and other projects eligible under the terms of the debt financing and applicable SANDAG policies and approved projects. The debt requirements due under the terms of the bonds as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 325,105	\$ 325,105
2019	-	325,105	325,105
2020	-	325,105	325,105
2021	-	325,105	325,105
2022	-	325,105	325,105
2023 - 2027	-	1,625,525	1,625,525
2028 - 2032	-	1,625,525	1,625,525
2033 - 2037	-	1,625,525	1,625,525
2038 - 2042	2,089,140	1,428,735	3,517,875
2043 - 2047	2,924,982	675,308	3,600,290
2048	485,878	28,722	514,600
Total	<u>\$ 5,500,000</u>	<u>\$ 8,634,865</u>	<u>\$ 14,134,865</u>

Compensated Absences

Compensated absences at June 30, 2017, amounted to \$366,500. This liability is expected to be paid from future resources from the General Fund.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 5: Long-Term Obligations (Continued)**

**Business-type Activities Long-Term Debt**

The following is a summary of changes in business-type activities long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
JPA Loan Payable - 2011	\$ 2,286,111	\$ -	\$ 692,808	\$ 1,593,303	\$ 724,648
Sewer Revenue Bond- 2006	8,025,000	-	245,000	7,780,000	255,000
Compensated Absences	29,315	27,913	18,692	38,536	24,572
	<u>\$ 11,242,598</u>	<u>\$ 27,913</u>	<u>\$ 956,500</u>	9,411,839	<u>\$ 1,004,220</u>
			Unamortized premium/(discount)	284	
			Total	<u>\$ 9,412,123</u>	

**San Elijo JPA Loan Payable - 2011**

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

The amended loan matures on March 1, 2021. The interest rates on the bonds range from 2.00% to 4.00% per year. The City of Solana Beach's portion of annual principal installments range from \$25,000 to \$751,155.

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 724,648	\$ 62,266	\$ 786,914
2019	751,155	33,280	784,435
2020	57,500	3,234	60,734
2021	60,000	1,710	61,710
Total	<u>\$ 1,593,303</u>	<u>\$ 100,490</u>	<u>\$ 1,693,793</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 5: Long-Term Obligations (Continued)**

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

	Fiscal Year 2016-17
Revenues:	
Operating revenues	\$ 5,255,483
Other operating	14,473
Non-operating	88,940
Gross revenues	<u>5,358,896</u>
Expenses	<u>2,760,896</u>
Net Income	<u>2,598,000</u>
Add back:	
Interest expense	423,061
Depreciation	359,195
Amortization of bond premium/discount & refunding	42,853
Amortization of investment in JPA	<u>10,945</u>
Net revenues available for debt service	<u>\$ 3,434,054</u>
2011 Refunding Revenue bonds debt service:	
Principal repayment	\$ 692,808
Interest charges	89,978
Total debt service	<u>\$ 782,786</u>
Coverage ratio	<u>4.4</u>

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 \$12,402,359 as of June 30, 2017.

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.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 5: Long-Term Obligations (Continued)**

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 255,000	\$ 335,788	\$ 590,788
2019	265,000	325,588	590,588
2020	275,000	314,988	589,988
2021	285,000	303,713	588,713
2022	300,000	291,956	591,956
2023-2027	1,700,000	1,256,613	2,956,613
2028-2032	2,100,000	852,250	2,952,250
2033-2037	2,600,000	350,875	2,950,875
Total	<u>\$ 7,780,000</u>	<u>\$ 4,031,771</u>	<u>\$ 11,811,771</u>

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

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

Using net revenues available for debt service of \$2,608,501, the 2006 Subordinate Wastewater Revenue bonds debt service coverage requirement for fiscal year ended June 30, 2017, is calculated as follows:

	<u>Fiscal Year 2016-17</u>
Net revenues available for debt service	\$ 3,434,054
Less: 2011 Refunding Revenue bonds debt service	<u>782,786</u>
Net revenues available for 2006 Sewer Revenue Bonds debt service	<u>\$ 2,651,268</u>
2006 Sewer Revenue bonds debt service	
Principal repayment	\$ 245,000
Interest charges	<u>345,588</u>
Total debt service	<u>\$ 590,588</u>
Coverage ratio	<u>4.5</u>

Compensated Absences

Compensated absences for business-type activities as of June 30, 2017, amounted to \$38,536. This liability is expected to be paid from future resources from the Sanitation Fund.

**Note 5: Long-Term Obligations (Continued)**

**Non-City Obligations – Special Assessment Debt**

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

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

**Undergrounding Districts**

During July 2006, the Solana Beach Public Financing Authority issued Assessment District Revenue Bonds totaling \$2,112,000 (less bond issuance costs of \$244,393) to finance the undergrounding of utility lines for the Barbara/Granados Avenue Utility Undergrounding District and the Pacific Avenue/East and West Circle Drive Utility Underground Assessment District. In July 2008, the City of Solana Beach issued \$480,000 (less bond issuance costs of \$87,775) to finance the undergrounding of utility lines on Marsolan Avenue. The outstanding bonds as of June 30, 2017, were \$2,085,000.

**South Solana Sewer District**

In November 2006, the Solana Beach Public Financing Authority issued Limited Obligation Improvement Bonds totaling \$570,000 (less bond issuance costs of \$5,742) to finance the construction of sewer improvements to connect 51 properties of the South Solana Beach Sewer District assessment district to the City's sewer system. The outstanding bonds as of June 30, 2017, were \$465,000.

**Note 6: Risk Management**

**General Liability Insurance**

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

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

**Workers' Compensation**

Beginning October 1, 2004, the City became fully self-insured with respect to Workers' Compensation. The City has a Self-Insured Retention (SIR) of \$125,000 per claim and additional coverage above its SIR with CSAC Excess Insurance Authority (EIA) to \$5 million per claim; there is an additional \$45 million of reinsurance above CSAC-EIA coverage bringing the total coverage to over \$50 million per claim, up to the statutory workers' compensation limits set by the State of California. The CSAC-EIA is ranked as the second largest public entity risk pool and the largest property and casualty pool in the nation.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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**Note 6: Risk Management (Continued)**

The workers' compensation and general liability claims payable of \$1,208,202 reported at June 30, 2017, includes all claims for which information prior to the issuance of the financial statements indicates that it was probable that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the prior year. Changes in the claims liability amounts were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2014-2015	\$ 1,216,600	\$ (86,405)	\$ (136,346)	\$ 993,849
2015-2016	1,201,742	169,050	(148,050)	1,222,742
2016-2017	1,222,742	328,311	(342,851)	1,208,202

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

The latest financial information of the CSAC Excess Insurance Authority for fiscal year ended June 30, 2016, is as follows:

Total assets	<u>\$ 741,987,349</u>
Total liabilities	<u>\$ 604,314,732</u>
Total net position	<u>\$ 137,672,617</u>
Total revenues	<u>\$ 787,272,604</u>
Total expenses	<u>\$ 762,006,632</u>
Expenses over revenues	<u>\$ 25,265,972</u>

**Note 7: City Employees Retirement Plan - Pension Plans**

**a. PERS – Public Employees Retirement System**

**1. General Information about the Pension Plans**

***Plan Descriptions***

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

***Benefits Provided***

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



CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 7: City Employees Retirement Plan - Pension Plans (Continued)**

Below is a summary of the plans' provisions and benefits in effect at June 30, 2017, for which the City of Solana Beach has contracted:

Major Benefit Options	Miscellaneous *	Miscellaneous Second Tier	Miscellaneous PEPRA	Safety Fire First Tier *	Safety Fire Second Tier	Safety PEPRA	Safety Lifeguard First Tier *	PEPRA Other Safety
Hire Date	Prior to January 1, 2010	January 1, 2010 but prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2010	On or after January 1, 2010	On or after January 1, 2013	On or after January 1, 2010	On or after January 1, 2013
Benefit Provision								
Benefit Formula	2.5% @ 55	2.0% @ 60	2.0% @ 62	3.0% @ 50	2.0% @ 50	2.7% @ 57	3.0% @ 50	2.7% @ 57
Social Security	no	no	no	no	no	no	no	no
Full/Modified	full	full	full	full	full	full	full	full
Benefit vesting schedule	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service	5 yrs service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67	50	50-55	50-57	50-55	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.5%	3%	2.4% to 3.0%	2% to 2.7%	1.426% to 2.0%	2.0% to 2.7%
Required employer contribution rates	10.069%	7.159%	6.555%	19.536%	14.785%	12.082%	19.536%	12.082%
Required employee contribution rates	8.000%	7.000%	6.250%	9.000%	9.000%	11.500%	9.000%	11.500%

\* closed to new member entrants

**Contribution Description**

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

For the year ended June 30, 2017, the contributions recognized as a reduction to the net pension liability was \$1,004,656.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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Note 7: City Employees Retirement Plan - Pension Plans (Continued)

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

As of June 30, 2017, the City of Solana Beach reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 4,534,940
Safety	7,592,101
Total	<u>\$ 12,127,041</u>

The City of Solana Beach's net pension liability for each Plan is measured as the proportionate share of the net pension liability of \$12,127,041. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016, was as follows:

Proportions as a percentage of the CalPERS Miscellaneous risk pool:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.12950%
Proportion - June 30, 2016	0.13054%
Change - Increase (Decrease)	0.80622%

Proportions as a percentage of the CalPERS Safety risk pool:

	<u>Safety</u>
Proportion - June 30, 2015	0.14362%
Proportion - June 30, 2016	0.14659%
Change - Increase (Decrease)	2.06642%

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 7: City Employees Retirement Plan - Pension Plans (Continued)**

For the year ended June 30, 2017, the City of Solana Beach recognized reductions in net pension liability of \$616,489 for miscellaneous and \$944,999 for safety. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Miscellaneous Plan</u>		
Pension contributions subsequent to measurement date	\$ 417,318	\$ -
Changes in assumptions	-	130,372
Difference between expected and actual experiences	13,780	3,157
Net differences between projected and actual earnings on plan investments	678,541	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	137,507
Adjustment due to differences in proportions	305,407	-
Total	<u>\$ 1,415,046</u>	<u>\$ 271,036</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Safety Plan</u>		
Pension contributions subsequent to measurement date	\$ 673,212	\$ -
Changes in assumptions	-	212,692
Difference between expected and actual experiences	-	48,781
Net differences between projected and actual earnings on plan investments	1,044,944	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	204,350
Adjustment due to differences in proportions	207,336	-
Total	<u>\$ 1,925,492</u>	<u>\$ 465,823</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Total Plans</u>		
Pension contributions subsequent to measurement date	\$ 1,090,530	\$ -
Changes in assumptions	-	343,064
Difference between expected and actual experiences	13,780	51,938
Net differences between projected and actual earnings on plan investments	1,723,485	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	341,857
Adjustment due to differences in proportions	512,743	-
Total	<u>\$ 3,340,538</u>	<u>\$ 736,859</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 7: City Employees Retirement Plan - Pension Plans (Continued)**

\$1,090,530 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous		Safety	
Year Ended June 30	Deferred Outflows/ (Inflows) of Resources	Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2017	\$ 128,366	2017	\$ (7,734)
2018	119,599	2018	35,758
2019	302,976	2019	486,403
2020	175,751	2020	272,030

**Actuarial Assumptions**

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015, total pension liability. The June 30, 2015 and the June 30, 2016, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method Actuarial Assumptions	Entry Age Normal Cost Method
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results

**Note 7: City Employees Retirement Plan - Pension Plans (Continued)**

are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 7: City Employees Retirement Plan - Pension Plans (Continued)**

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 (1)</b>	<b>Real Return Years 11+ (2)</b>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

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

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

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

The following presents the City's proportionate share of the net pension liability/ (asset) of the Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.65 percent) or 1% point higher (8.65 percent) than the current rate:

<b>Plan Type</b>	<b>Discount Rate - 1% 6.65%</b>	<b>Current Discount Rate 7.65%</b>	<b>Discount Rate + 1% 8.65%</b>
Miscellaneous	\$ 6,911,723	\$ 4,534,940	\$ 2,570,647
Safety	11,419,192	7,592,101	4,450,452
<b>Total</b>	<b>\$ 18,330,915</b>	<b>\$ 12,127,041</b>	<b>\$ 7,021,099</b>

***Pension Plan Fiduciary Net Position***

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

**Note 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 a financial report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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**Note 8: Other Post-Employment Benefits (Continued)**

**a. Plan Membership**

At June 30, 2017, membership consisted of:

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

**b. Benefits Provided**

The City provides the PEMHCA minimum benefit (\$128 per month for 2017) but no less than \$325 per month for employees retired before January 1, 2007 and \$290 per month for employees hired before January 1, 2007.

**c. Contributions**

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

The City contributed \$148,050 during the 2017 fiscal year on a pay-as-you-go basis for current benefit payments and contributed \$85,376 to an irrevocable trust. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer

**Investments**

The City's policy in regard to the allocation of invested assets is established and may be amended by the City Council through resolution.

<u>Asset Class</u>	<u>Asset Allocation</u>
Cash and money market	5%
Equity	50%
Fixed Income	45%
Total	<u>100%</u>

*Rate of return.* For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.55 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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**Note 8: Other Post-Employment Benefits (Continued)**

**Net OPEB Liability of the City**

a. The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB liability	\$ 4,864,000
Less Plan fiduciary net position	241,000
City's net OPEB liability	<u><u>\$ 4,623,000</u></u>

b. **Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Payroll increases	3.00 percent
Investment rate of return	5.70 percent, net of investment expense
Healthcare cost trend rates	7.50 percent, decreasing to 6.75 percent in 2023 and 4.00 percent after 2076 for non-medicare and 6.50 percent, decreasing to 5.90 percent in 2023 and 4.00 percent after 2076 for medicare

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Money Market	.06%
Equity	4.82%
Fixed Income	1.47%

Discount Rate. The discount rate used to measure the total OPEB liability was 3.45%. The City currently pays benefits directly and has no current plans to further prefund the plan. The OPEB trust is projected to not have sufficient assets to pay all benefits under the City's current funding policy.



CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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**Note 8: Other Post-Employment Benefits (Continued)**

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

	<b>1% Decrease (2.45%)</b>	<b>3.45%</b>	<b>1% Increase (4.45%)</b>
Net OPEB liability (asset)	\$ 5,360,000	\$ 4,623,000	\$ 4,036,000

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

	<b>1% Decrease (6.5% decreasing to 3.0%)</b>	<b>Healthcare Cost Trending Rates (7.5% decreasing to 4.0%)</b>	<b>1% Increase (8.5% decreasing to 5.0%)</b>
Net OPEB liability (asset)	\$ 4,174,000	\$ 4,623,000	\$ 5,284,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 8: Other Post-Employment Benefits (Continued)**

**Annual OPEB Cost and Net OPEB Obligation under GASB Statement 45**

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. An amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

Annual Required Contribution (ARC)	\$ 531,000
Interest on Net OPEB Obligation	69,000
Adjustment to ARC	<u>(156,000)</u>
Annual OPEB Cost (Expenses)	444,000
Contribution Made	<u>(233,426)</u>
Increase in Net OPEB Obligation	210,574
Net OPEB Obligation	
Beginning of year	<u>1,732,450</u>
End of year	<u><u>\$ 1,943,024</u></u>

**Annual OPEB Cost and Net OPEB Obligation under GASB Statement 45**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage Contribution	Increase in Net OPEB Obligation	Net OPEB Obligation
2014-2015	\$ 394,000	\$ 127,279	32.3%	\$ 266,721	\$ 1,582,986
2015-2016	416,000	266,536	64.1%	149,464	1,732,450
2016-2017	444,000	233,426	52.6%	210,574	1,943,024

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

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**Note 8: Other Post-Employment Benefits (Continued)****Funded Status and Funding Progress under GASB Statement 45**

The most recent schedule of funding progress is presented below:

Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll [(B-A)/C]
6/30/2006	\$ -	\$ 1,706,000	\$ 1,706,000	0.0%	\$ 3,348,000	51.0%
6/30/2009	-	2,330,000	2,330,000	0.0%	4,243,000	54.9%
6/30/2012	-	2,940,000	2,940,000	0.0%	3,900,000	75.4%

**Most Recent Actuarial Valuation under GASB Statement 45**

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 under GASB Statement 45**

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, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. The City's benefit cap for active employees hired before January 1, 2007 was assumed to remain at its current level. The PEMHCA minimum was assumed to increase with a medical cost increase rate of 4.5% beginning in 2017. The initial Unfunded Actuarial Accrued Liability (UAAL) was amortized as a level percentage of projected payroll over a fixed 20-year period starting with the 2008/09 fiscal year. There were 13 years remaining in this amortization period for the 2016/2017 Annual Required Contribution.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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**Note 9: Investment in Joint Venture**

On June 17, 1987, the Cardiff Sanitation District and the City of Solana Beach established the San Elijo Joint Powers Authority (SEJPA), a separate legal entity, whose function is to manage, operate, maintain and expand a plant for the treatment and disposal of sewage or wastewater and to determine the joint and separate obligations of the members concerning the transmission, treatment, disposal and reclamation of sewage and wastewater within the respective service territories. The SEJPA's governing board consists of two members from each entity. The City of Solana Beach's investment in the SEJPA has been recorded using the equity method of accounting and is shown as an investment in joint venture in the City's financial statements. Summarized audited information of the SEJPA for the fiscal year ended June 30, 2017, is as follows:

Operating revenues	\$ 6,959,676
Operating expenses	(7,209,365)
Net non-operating income	348,795
Capital contributions	<u>915,336</u>
Change in net position	<u>\$ 1,014,442</u>
Total assets and deferred outflows of resources	\$ 55,495,240
Total liabilities and deferred inflows of resources	<u>(13,250,555)</u>
Net position- total fund equity	<u>\$ 42,244,685</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, 2017, is as follows:

Investment at June 30, 2016	\$ 19,190,619
Capital contribution	457,668
Current year share in the joint venture net income	1,614,498
Amortization of JPA	<u>(10,945)</u>
Investment at June 30, 2017	<u>\$ 21,251,840</u>

At June 30, 2017, the SEJPA had \$3,234,580 in 2012 Refunding Revenue Bonds outstanding. The financial statements of the SEJPA can be obtained from the Solana Beach Finance Department located at Solana Beach City Hall, 635 S. Highway 101, Solana Beach, California 92075.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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**Note 10: Sanitation Loan to General Fund**

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

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

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 501,099	\$ 15,805	\$ 516,904
2019	164,365	3,904	168,269
Total	<u>\$ 665,464</u>	<u>\$ 19,709</u>	<u>\$ 685,173</u>

Since the PERS Side Fund Prepayment fund made the payment to CalPERS in the amount of \$3,132,587 in fiscal year 2010-11, the fund reported a deficit fund balance of \$665,464 for fiscal year 2016-17 and the deficit fund balance was reported as an unassigned fund balance per the requirements of GASB 54. In each succeeding fiscal year, as the Sanitation Fund is repaid, the deficit fund balance will be reduced by that fiscal year's principle payment, and the fund balance will be increased to zero by fiscal year 2018-19. Note 12 provides additional information regarding the fund balance classification for the PERS Side Fund Prepayment fund.

**Note 11: Commitments and Contingencies**

**a. Litigation**

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

**b. Construction Commitments**

Various construction projects were in progress at June 30, 2017, with an estimated cost to complete of approximately \$364,902 in all fund types.

**c. Sales Tax – Transnet Debt Commitment**

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

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**Note 12: Classification of Fund Balances**

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

	General Fund	TransNet	Low and Moderate Income Housing Asset Fund	City CIP	Non-Major Governmental Funds	Total
<b>Nonspendable</b>						
Prepays	\$ 20,164	\$ -	\$ -	\$ -	\$ -	\$ 20,164
<b>Total nonspendable</b>	<u>20,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,164</u>
<b>Restricted</b>						
Gas Tax	-	-	-	-	498,911	498,911
Municipal Improvement Districts	-	-	-	-	837,495	837,495
Lighting District	-	-	-	-	1,935,320	1,935,320
TransNet	-	38,518	-	-	-	38,518
COPS	-	-	-	-	164,866	164,866
Public Safety	-	-	-	-	137,115	137,115
CALTRANS	-	-	-	-	59,619	59,619
Coastal Area Business/ Visitor Assistance & Enhancement	-	-	-	-	513,238	513,238
Boating & Waterways	-	-	-	-	59,910	59,910
Miscellaneous Grants	-	-	-	-	6,098	6,098
Housing	-	-	-	-	358,427	358,427
Camp Programs	-	-	-	-	175,631	175,631
Assessment Districts CIP	-	-	-	-	159,587	159,587
Sand Replenish/ Retention and Coastal Access CIP	-	-	-	-	705,773	705,773
Public Improvement Grant	-	-	-	-	51,233	51,233
City Debt Service	-	-	-	-	24,927	24,927
Pensions	893,185	-	-	-	-	893,185
<b>Total restricted</b>	<u>893,185</u>	<u>38,518</u>	<u>-</u>	<u>-</u>	<u>5,688,150</u>	<u>6,619,853</u>
<b>Committed</b>						
Public Facilities	320,308	-	-	-	-	320,308
OPEB	92,434	-	-	-	-	92,434
Pensions	342,935	-	-	-	-	342,935
In-Lieu Housing	100,786	-	-	-	-	100,786
Public Art	30,431	-	-	-	-	30,431
Parks & Recreation	27,952	-	-	-	-	27,952
<b>Total committed</b>	<u>914,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>914,846</u>
<b>Assigned</b>						
General Fund	5,690,381	-	-	-	-	5,690,381
City CIP	-	-	-	1,385,099	-	1,385,099
<b>Total assigned</b>	<u>5,690,381</u>	<u>-</u>	<u>-</u>	<u>1,385,099</u>	<u>-</u>	<u>7,075,480</u>
<b>Unassigned</b>						
	6,805,201	-	-	-	(336,475)	6,468,726
<b>Total fund balances</b>	<u>\$14,323,777</u>	<u>\$38,518</u>	<u>\$ -</u>	<u>\$1,385,099</u>	<u>\$ 5,351,675</u>	<u>\$ 21,099,069</u>

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 12: Classification of Fund Balances (Continued)

Fund Name	General Fund							Total Classification
	General Fund	Self Insurance	Worker's Compensation	Asset Replacement	Facilities Replacement	OPEB/Pensions	PERS Side Fund Prepayment	
<b>Non-Spendable</b>								
Prepays	\$ 20,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,164
<b>Total Non-Spendable</b>	<u>20,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,164</u>
<b>Restricted</b>								
Pensions	-	-	-	-	-	893,185	-	893,185
<b>Total Restricted</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>893,185</u>	<u>-</u>	<u>893,185</u>
<b>Committed</b>								
Public Facilities	320,308	-	-	-	-	-	-	320,308
Public Art	30,431	-	-	-	-	-	-	30,431
OPEB	-	-	-	-	-	92,434	-	92,434
Pensions	-	-	-	-	-	342,935	-	342,935
In-Lieu Housing	100,786	-	-	-	-	-	-	100,786
Parks & Recreation	27,952	-	-	-	-	-	-	27,952
<b>Total Committed</b>	<u>479,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>435,369</u>	<u>-</u>	<u>914,846</u>
<b>Assigned</b>								
Park Fee	33,303	-	-	-	-	-	-	33,303
Community Television	41,278	-	-	-	-	-	-	41,278
Street Sweeping	126,404	-	-	-	-	-	-	126,404
Housing	1,499,500	-	-	-	-	-	-	1,499,500
Self-Insurance	-	700,284	-	-	-	-	-	700,284
Worker's Comp	-	-	632,343	-	-	-	-	632,343
Asset Replacement	-	-	-	2,298,615	-	-	-	2,298,615
Facilities Replacement	-	-	-	-	358,654	-	-	358,654
<b>Total Assigned</b>	<u>1,700,485</u>	<u>700,284</u>	<u>632,343</u>	<u>2,298,615</u>	<u>358,654</u>	<u>-</u>	<u>-</u>	<u>5,690,381</u>
<b>Unassigned</b>	<u>7,470,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(665,464)</u>	<u>6,805,201</u>
<b>Total fund balances (deficit)</b>	<u>\$ 9,670,791</u>	<u>\$ 700,284</u>	<u>\$ 632,343</u>	<u>\$ 2,298,615</u>	<u>\$ 358,654</u>	<u>\$ 1,328,554</u>	<u>\$ (665,464)</u>	<u>\$ 14,323,777</u>

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

The fund balances for the internal service funds are classified as Assigned with the exception of the Prepayment fund. This fund has a deficit fund balance of \$665,464 and because the fund balance amount is a deficit, GASB 54 requires this amount to be classified as Unassigned instead of Assigned.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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**Note 12: Classification of Fund Balances (Continued)**

As described in Note 10, the City made a decision to borrow \$3,132,587 from its Sanitation Fund to pay in full the City’s pension side fund obligation. This will save the City \$970,462 in interest costs over twelve years. The Sanitation funds were transferred to the Prepayment fund, and since the issuance of a long-term interfund loan is recorded as a balance sheet item (advances payable) rather than in the operating statement (other financing sources), the transfer was reported as an Advance to other funds (Prepayment fund) on the Sanitation fund’s balance sheet, and as an Advance from other funds (Sanitation fund) on the Prepayment fund’s balance sheet. When the payment was made to CalPERS to pay the City’s pension side fund obligation, the payment was recorded as an expense in the Prepayment fund for the fiscal year ended June 30, 2011.

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

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

**Note 13: Deficit Fund Balances**

At June 30, 2017, the following funds had deficit fund balances:

Fund	Deficit
Special Revenue Funds:	
TEA 21/TEA	\$ 168,970
Fire Mitigation	2,881
Transportation Development Act	146,013
CDBG	18,611

The deficits will be resolved through future fund revenue sources.

**Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency**

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

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

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

**a. Cash and Investments**

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

Cash and investments pooled with the City	\$ 416,131
Cash and investments with fiscal agent	<u>236,063</u>
	<u>\$ 652,194</u>

**b. Long-Term Debt**

The following debt was transferred from the Redevelopment Agency to the Successor Agency as of February 1, 2012, as a result of the dissolution. A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2017, follows:

	Balance July 1, 2016	Additions	Repayments	Balance June 30, 2017	Due Within One Year
Fiduciary Funds:					
2006 Tax Allocation Bonds	\$ 2,910,000	\$ -	\$ 90,000	\$ 2,820,000	\$ 95,000
Total Fiduciary Funds	<u>\$ 2,910,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 2,820,000</u>	<u>\$ 95,000</u>

**2006 Tax Allocation Bonds**

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

The amount on deposit in the Reserve Fund is maintained at the reserve requirement at all times prior to the payment in full of the Bonds, except to the extent required for the purposes set forth in the Indenture. As defined in the Indenture, "reserve requirement" means, excluding there from in the case of the Bonds an amount equal to the amount then on deposit in the Escrow Fund and in the case of any Parity Bonds an amount equal to the amount then on deposit in any escrow fund created with respect to such Parity Bonds created pursuant to the Indenture, as of the date of calculation an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of such Bonds; (ii) Maximum Annual Debt Service on such Bonds; or (iii) 125% of average Annual Debt Service on such Bonds. As of June 30, 2017, \$235,815 was held in reserve.

CITY OF SOLANA BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 95,000	\$ 139,755	\$ 234,755
2019	100,000	135,385	235,385
2020	105,000	130,735	235,735
2021	105,000	125,800	230,800
2022	115,000	120,813	235,813
2023 - 2017	655,000	515,550	1,170,550
2028 - 2032	825,000	337,750	1,162,750
2033 - 2037	820,000	107,100	927,100
Total	<u>\$ 2,820,000</u>	<u>\$ 1,612,888</u>	<u>\$ 4,432,888</u>

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$4,432,888 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City for the payment of indebtedness incurred by the dissolved redevelopment agency was \$522,092 and the debt service obligation on the bonds was \$233,850.

**c. Insurance**

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

**Note 15: Subsequent Events**

**Wastewater Revenue Refunding Bonds, Series (2017)**

In August 2017, the City of Solana Beach issued \$6,865,000 Wastewater Revenue Refunding Bond, Series 2017 to refund the outstanding Solana Beach Public Financing Authority Subordinate Wastewater Revenue Bonds, Series 2006 which were issued to finance the improvement, betterment, renovation and expansion of certain facilities within the City's municipal wastewater enterprise, and pay the costs of issuing the 2017 Bonds.

**Notes Payable**

On June 21, 2017, San Elijo Joint Powers Authority (joint venture) issued the \$22,115,000 2017 Revenue Bonds for the purpose of funding facilities and improvements as part of the Authority's capital improvement plan and certain costs of issuance of the Series 2017 Bonds. The SEJPA entered into Series 2017 Loan Agreements with the City of Encinitas and the City of Solana Beach (together the "Cities") to assist in the financing of the Cities' respective shares of the Bonds. Each Series 2017 Loan Agreement is an absolute and unconditional obligation of the City of Solana Beach, respectively, to make payments from and secured by a pledge of System Revenues and other funds of each respective City lawfully available therefor and does not constitute an obligation of the other City. Each of the Cities has agreed to pay its respective Loan Installments from its System Revenues comprised of gross revenues derived from its respective wastewater collection and disposal system (including the SEJPA's treatment of wastewater collected by its system) after the deduction of operation and maintenance expenses, in an amount sufficient to pay the annul principal and interest due under its respective Series 2017 Loan Agreement. The Loan Installments paid by Solana Beach would pay approximately 50% of the debt service on the Bonds.

**Successor Agency for the Solana Beach Redevelopment Agency Tax Allocation Refunding Bonds, Series 2017**

On November 22, 2017, the Successor Agency to the Solana Beach Redevelopment Agency issued the Successor Agency for the Solana Beach Redevelopment Agency Tax Allocation Refunding Bonds, Series 2017 in the amount of \$2,694,100 to refund on a current basis the outstanding balance of the Solana beach Redevelopment Agency Tax Allocation Bonds, Series 2006

# **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SOLANA BEACH**

**REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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**Budgetary Information**

The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. From the effective date of the budget adoption, the amounts budgeted become the "annual appropriated budget." Annual appropriated budget are adopted for the General Fund, special revenue funds, capital projects funds and debt service funds.

The City Council may amend the budget by motion during the fiscal year. The appropriations constitute the budget for the 2016-2017 fiscal year and the City Manager is authorized to transfer monies between accounts within a department, provided that the total budget for the department is not exceeded. Transfer of monies from one department of the City to another, or from one fund to another, shall be approved by the City Council. However, any revisions that alter total expenditures of any fund must be approved by the City Council.

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

CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE BY DEPARTMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2017  
(With comparative totals for the year ended June 30, 2016)**

	2017			Variance with Final Budget Positive (Negative)	2016
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Fund Balance, July 1	\$ 13,025,292	\$ 13,025,292	\$ 13,025,292	\$ -	\$ 11,368,164
<b>Resources (Inflows):</b>					
Taxes					
Property	6,911,500	7,020,000	7,041,240	21,240	6,683,638
Transient occupancy	1,175,000	1,315,000	1,339,453	24,453	1,235,142
Sales	3,184,600	3,184,600	3,127,803	(56,797)	3,255,104
Franchise and other	1,683,000	1,753,000	1,790,265	37,265	1,783,564
Licenses and permits	421,400	526,400	527,146	746	471,581
Intergovernmental	1,718,100	1,775,100	1,771,840	(3,260)	1,802,620
Charges for services	630,000	780,000	944,111	164,111	844,947
Use of money and property	133,300	186,300	262,094	75,794	228,811
Fines and forfeitures	463,800	463,800	495,885	32,085	502,921
Miscellaneous	458,500	408,833	738,652	329,819	587,522
<b>Amounts Available for Appropriations</b>	<b>29,804,492</b>	<b>30,438,325</b>	<b>31,063,781</b>	<b>625,456</b>	<b>28,764,014</b>
<b>Charges to Appropriation (Outflow):</b>					
General government					
City Council	288,500	288,500	288,831	(331)	351,850
City Clerk	403,200	369,700	355,581	14,119	324,461
Legal services	524,200	524,200	501,423	22,777	490,003
City Manager	318,700	343,700	261,906	81,794	298,918
Finance	785,000	728,520	694,375	34,145	692,566
Personnel	433,200	360,700	311,846	48,854	253,481
Information systems	302,200	360,400	325,164	35,236	265,420
Support services	1,105,200	1,149,790	1,037,543	112,247	958,592
Total general government	<u>4,160,200</u>	<u>4,125,510</u>	<u>3,776,669</u>	<u>348,841</u>	<u>3,635,291</u>
Public safety					
Marine safety	726,900	736,439	719,889	16,550	723,545
Law enforcement	3,634,400	3,634,400	3,631,835	2,565	3,484,434
Code & parking enforcement	223,400	223,400	167,626	55,774	207,501
Fire department	3,675,500	3,853,697	3,731,811	121,886	3,633,465
Animal regulation	96,000	96,000	93,530	2,470	98,610
Civil defense	28,500	28,500	27,878	622	27,412
Environmental services	1,100	1,100	1,000	100	1,500
Total public safety	<u>8,385,800</u>	<u>8,573,536</u>	<u>8,373,569</u>	<u>199,967</u>	<u>8,176,467</u>
Public works					
Street and other	1,259,000	1,229,000	1,107,287	121,713	1,063,896
Engineering	350,200	350,200	327,657	22,543	264,009
Public Facilities	431,700	406,700	237,122	169,578	319,167
Total public works	<u>2,040,900</u>	<u>1,985,900</u>	<u>1,672,066</u>	<u>313,834</u>	<u>1,647,072</u>
Community development					
Planning	664,800	636,900	607,461	29,439	588,337
Building services	315,300	473,800	473,795	5	355,436
Total community development	<u>980,100</u>	<u>1,110,700</u>	<u>1,081,256</u>	<u>29,444</u>	<u>943,773</u>
Community Services					
Community services	109,500	109,500	92,239	17,261	96,517
Recreation programs	183,100	183,100	171,558	11,542	155,681
Total community services	<u>292,600</u>	<u>292,600</u>	<u>263,797</u>	<u>28,803</u>	<u>252,198</u>
Capital outlay	328,000	383,400	66,247	317,153	778,680
<b>Total Charges to Appropriations</b>	<b>16,187,600</b>	<b>16,471,646</b>	<b>15,233,604</b>	<b>1,238,042</b>	<b>15,433,481</b>
<b>Other Financing Sources (Uses):</b>					
Other debt issued	-	-	-	-	614,759
Transfers out	(437,800)	(1,506,400)	(1,506,400)	-	(920,000)
<b>Total Financing Sources</b>	<u>(437,800)</u>	<u>(1,506,400)</u>	<u>(1,506,400)</u>	<u>-</u>	<u>(305,241)</u>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 13,179,092</b>	<b>\$ 12,460,279</b>	<b>\$ 14,323,777</b>	<b>\$ 1,863,498</b>	<b>\$ 13,025,292</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE

TRANSNET FUND

YEAR ENDED JUNE 30, 2017

(With comparative totals for the year ended June 30, 2016)

	2017			Variance with Final Budget Positive (Negative)	2016
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Fund Balance, July 1	\$ 43,917	\$ 43,917	\$ 43,917	\$ -	\$ 51,640
<b>Resources (Inflows):</b>					
Intergovernmental	403,100	403,100	429,525	26,425	684,105
Use of money and property	-	-	115	115	123
Miscellaneous	-	-	29,714	29,714	19,566
<b>Amounts Available for Appropriations</b>	<b>447,017</b>	<b>447,017</b>	<b>503,271</b>	<b>56,254</b>	<b>755,434</b>
<b>Charges to Appropriation (Outflow):</b>					
Public works	-	874	874	-	-
Capital outlay	350,000	350,000	138,774	211,226	386,412
Debt service:					
Interest and fiscal charges	-	-	325,105	(325,105)	325,105
<b>Total Charges to Appropriations</b>	<b>350,000</b>	<b>350,874</b>	<b>464,753</b>	<b>(113,879)</b>	<b>711,517</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 97,017</b>	<b>\$ 96,143</b>	<b>\$ 38,518</b>	<b>\$ (57,625)</b>	<b>\$ 43,917</b>



CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE  
 LOW AND MODERATE INCOME HOUSING ASSET FUND  
 YEAR ENDED JUNE 30, 2017  
 (With comparative totals for the year ended June 30, 2016)**

	2017			Variance with Final Budget Positive (Negative)	2016
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Fund Balance, July 1	\$ 161,317	\$ 161,317	\$ 161,317	\$ -	\$265,164
<b>Resources (Inflows):</b>					
Use of money and property	300	300	402	102	1,135
<b>Amounts Available for Appropriations</b>	<b>161,617</b>	<b>161,617</b>	<b>161,719</b>	<b>102</b>	<b>266,299</b>
<b>Charges to Appropriation (Outflow):</b>					
Community development	-	170,656	161,719	8,937	104,982
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>170,656</b>	<b>161,719</b>	<b>8,937</b>	<b>104,982</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 161,617</b>	<b>\$ (9,039)</b>	<b>\$ -</b>	<b>\$ 9,039</b>	<b>\$161,317</b>

CITY OF SOLANA BEACH

**COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLANS  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Miscellaneous Plan</b>			
Proportion of the Net Pension Liability	0.05241%	0.05706%	0.04245%
Proportionate Share of the Net Pension Liability	\$ 4,534,940	\$ 3,550,604	\$ 2,651,591
Covered-Employee Payroll	\$ 2,589,500	\$ 2,973,891	\$ 2,601,948
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	175.13%	119.39%	101.91%
Plan Proportionate Share of Fiduciary Net Position as a Percentage of the Total Plans Pension Liability	75.87%	79.82%	78.40%

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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

CITY OF SOLANA BEACH

**COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLANS  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Miscellaneous Plan</b>			
Actuarially Determined Contribution	\$ 417,318	\$ 385,634	\$ 330,415
Contribution in Relation to the Actuarially Determined Contribution	<u>(417,318)</u>	<u>(385,634)</u>	<u>(330,415)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 2,716,098	\$ 2,589,500	\$ 2,411,476
Contributions as a Percentage of Covered-Employee Payroll	15.36%	14.89%	13.70%

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

**Note to Schedule:**

Valuation Date:	June 30, 2014
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll, closed
Assets valuation method	Market Value
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment and administrative expense, including inflation
Retirement age	55 years
Mortality	RP-2000 Heath Annuitant Mortality Table

CITY OF SOLANA BEACH

**COST-SHARING MULTIPLE EMPLOYER SAFETY PLANS  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Safety Fire First Tier</b>			
Proportion of the Net Pension Liability	0.08774%	0.09490%	0.07208%
Proportionate Share of the Net Pension Liability	\$ 7,592,101	\$ 5,905,301	\$ 4,940,589
Covered-Employee Payroll	\$ 1,296,346	\$ 1,402,991	\$ 1,469,495
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	585.65%	420.91%	336.21%
Plan Proportionate Share of Fiduciary Net Position as a Percentage of the Total Plans Pension Liability	75.87%	79.82%	78.40%

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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

CITY OF SOLANA BEACH

**COST-SHARING MULTIPLE EMPLOYER SAFETY PLANS  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Safety Fire First Tier</b>			
Actuarially Determined Contribution	\$ 673,212	\$ 619,022	\$ 519,933
Contribution in Relation to the Actuarially Determined Contribution	(673,212)	(619,022)	(519,933)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 2,114,766	\$ 1,296,346	\$ 1,402,991
Contributions as a Percentage of Covered-Employee Payroll	31.83%	47.75%	37.06%

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

**Note to Schedule:**

Valuation Date:

June 30, 2014

Methods and assumptions used to determine contribution rates:

Single and Agent Employers  
Amortization method  
Assets valuation method  
Inflation  
Salary Increases  
Investment rate of return

Entry Age Normal Cost Method  
Level Percent of Payroll, closed  
Market Value  
2.75%  
Varies by Entry Age and Service  
7.5% net of pension plan investment and administrative  
expense, including inflation  
55 years  
RP-2000 Heath Annuitant Mortality Table

Retirement age  
Mortality

CITY OF SOLANA BEACH

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

	<u>2017</u>
<b>TOTAL OPEB LIABILITY</b>	
Service Cost	\$ 225,000
Interest	164,000
Difference Between expected and Actual Experience	-
Changes in Assumptions	-
Benefit Payments, Including Refunds of employee Contributions	(148,000)
<b>Net Change in Total OPEB Liability</b>	<u>241,000</u>
<b>Total OPEB Liability - Beginning</b>	<u>4,623,000</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 4,864,000</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contribution - Employer	\$ 233,000
Net Investment Income	17,000
Benefit Payments, Including Refunds of Employee Contributions	(148,000)
Administrative Expense	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>102,000</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>139,000</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 241,000</u></u>
<b>Plan Net OPEB Liability/(Assets) - Ending (a) - (b)</b>	<u><u>\$ 4,623,000</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>4.95%</b>
<b>Covered-Employee Payroll</b>	<b>\$ 3,885,846</b>
<b>Plan Net OPEB Liability/(Asset) as a Percentage of Covered-Employee Payroll</b>	<b>118.97%</b>

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

**Notes to Schedule:**

**Benefit Changes:** There were no benefit changes.

**Changes of Assumptions:** There were no changes of assumptions.

CITY OF SOLANA BEACH

OPEB PLAN  
 SCHEDULE OF PLAN CONTRIBUTIONS  
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	<b>2017</b>
Actuarially Determined Contribution	\$ 531,000
Contribution in Relation to the Actuarially Determined Contribution	<u>(233,000)</u>
Contribution Deficiency (Excess)	<u>\$ 298,000</u>
Covered-Employee Payroll	\$ 4,830,864
Contributions as a Percentage of Covered-Employee Payroll	4.82%

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

**Note to Schedule:**

Valuation Date:	June 30, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method/period	Level percentage of payroll, closed
Assets valuation method	Market Value
Inflation	2.75%
Merit payroll increases	CalPERS 1997-2011
Payroll increases	3.00%
Investment rate of return	5.70% net of pension investment and administrative expenses, including
Retirement age	The probabilities of retirement are based on the 2011 CalPERS
Mortality	Based on the MP-2016 mortality improvement scale.

CITY OF SOLANA BEACH

OPEB PLAN  
SCHEDULE OF INVESTMENT RETURNS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

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2017

Annual money-weighted rate of return,  
net of investment expense

10.55%

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



## **SUPPLEMENTARY INFORMATION**

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# NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

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

# NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

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

**Camp Programs Fund** - accounts for camp programs in the City

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

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

**Public Improvement Grant** - accounts for public improvements in the City

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

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	Special Revenue Funds		Capital Projects Funds	
	2017	2016	2017	2016
<b>Assets:</b>				
Cash and investments	\$ 5,167,769	\$ 4,750,412	\$ 1,015,832	\$ 1,913,627
Receivables:				
Accounts	55,359	17,925	-	-
Taxes	7,721	9,195	-	-
Interest	10,552	5,931	2,068	3,356
Due from other governments	215,863	133,771	-	-
<b>Total Assets</b>	<b>\$ 5,457,264</b>	<b>\$ 4,917,234</b>	<b>\$ 1,017,900</b>	<b>\$ 1,916,983</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 249,875	\$ 126,417	\$ 32,081	\$ 121,794
Accrued liabilities	17,959	64,094	-	50,013
Unearned revenues	394,482	428,658	-	-
Deposits payable	-	575	69,226	69,226
Due to other funds	384,793	221,431	-	-
<b>Total Liabilities</b>	<b>1,047,109</b>	<b>841,175</b>	<b>101,307</b>	<b>241,033</b>
<b>Fund Balances:</b>				
Restricted	4,746,630	4,254,974	916,593	831,662
Assigned	-	5,629	-	844,288
Unassigned	(336,475)	(184,544)	-	-
<b>Total Fund Balances</b>	<b>4,410,155</b>	<b>4,076,059</b>	<b>916,593</b>	<b>1,675,950</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,457,264</b>	<b>\$ 4,917,234</b>	<b>\$ 1,017,900</b>	<b>\$ 1,916,983</b>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	Debt Service Funds		Total Nonmajor Governmental Funds	
	2017	2016	2017	2016
<b>Assets:</b>				
Cash and investments	\$ 24,927	\$ 24,828	\$ 6,208,528	\$ 6,688,867
Receivables:				
Accounts	-	-	55,359	17,925
Taxes	-	-	7,721	9,195
Interest	-	-	12,620	9,287
Due from other governments	-	-	215,863	133,771
<b>Total Assets</b>	<b>\$ 24,927</b>	<b>\$ 24,828</b>	<b>\$ 6,500,091</b>	<b>\$ 6,859,045</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 281,956	\$ 248,211
Accrued liabilities	-	-	17,959	114,107
Unearned revenues	-	-	394,482	428,658
Deposits payable	-	-	69,226	69,801
Due to other funds	-	-	384,793	221,431
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,148,416</b>	<b>1,082,208</b>
<b>Fund Balances:</b>				
Restricted	24,927	24,828	5,688,150	5,111,464
Assigned	-	-	-	849,917
Unassigned	-	-	(336,475)	(184,544)
<b>Total Fund Balances</b>	<b>24,927</b>	<b>24,828</b>	<b>5,351,675</b>	<b>5,776,837</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,927</b>	<b>\$ 24,828</b>	<b>\$ 6,500,091</b>	<b>\$ 6,859,045</b>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	Special Revenue Funds			
	Gas Tax	Municipal Improvement Districts	Lighting District	TEA 21 / TEA
<b>Assets:</b>				
Cash and investments	\$ 497,585	\$ 883,911	\$ 1,935,195	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	3,805	3,916	-
Interest	1,326	1,859	6,215	-
Due from other governments	-	-	-	-
<b>Total Assets</b>	<b>\$ 498,911</b>	<b>\$ 889,575</b>	<b>\$ 1,945,326</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 51,773	\$ 8,320	\$ -
Accrued liabilities	-	307	1,686	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	168,970
<b>Total Liabilities</b>	<b>-</b>	<b>52,080</b>	<b>10,006</b>	<b>168,970</b>
<b>Fund Balances:</b>				
Restricted	498,911	837,495	1,935,320	-
Assigned	-	-	-	-
Unassigned	-	-	-	(168,970)
<b>Total Fund Balances</b>	<b>498,911</b>	<b>837,495</b>	<b>1,935,320</b>	<b>(168,970)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 498,911</b>	<b>\$ 889,575</b>	<b>\$ 1,945,326</b>	<b>\$ -</b>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

(CONTINUED)

	Special Revenue Funds			
	COPS	Public Safety	Fire Mitigation	Transportation Development Act
<b>Assets:</b>				
Cash and investments	\$ 189,648	\$ 96,309	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	224	-	-	-
Due from other governments	-	43,560	-	166,757
<b>Total Assets</b>	<b>\$ 189,872</b>	<b>\$ 139,869</b>	<b>\$ -</b>	<b>\$ 166,757</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 25,006	\$ 240	\$ 2,257	\$ 113,144
Accrued liabilities	-	2,514	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	624	199,626
<b>Total Liabilities</b>	<b>25,006</b>	<b>2,754</b>	<b>2,881</b>	<b>312,770</b>
<b>Fund Balances:</b>				
Restricted	164,866	137,115	-	-
Assigned	-	-	-	-
Unassigned	-	-	(2,881)	(146,013)
<b>Total Fund Balances</b>	<b>164,866</b>	<b>137,115</b>	<b>(2,881)</b>	<b>(146,013)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 189,872</b>	<b>\$ 139,869</b>	<b>\$ -</b>	<b>\$ 166,757</b>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	Special Revenue Funds			
	CDBG	CALTRANS	Coastal Area Business / Visitor Assistance &	Boating & Waterways
<b>Assets:</b>				
Cash and investments	\$ -	\$ 54,073	\$ 516,598	\$ 59,876
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	-	-	399	34
Due from other governments	-	5,546	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 59,619</b>	<b>\$ 516,997</b>	<b>\$ 59,910</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,038	\$ -	\$ 3,759	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	15,573	-	-	-
<b>Total Liabilities</b>	<b>18,611</b>	<b>-</b>	<b>3,759</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted	-	59,619	513,238	59,910
Assigned	-	-	-	-
Unassigned	(18,611)	-	-	-
<b>Total Fund Balances</b>	<b>(18,611)</b>	<b>59,619</b>	<b>513,238</b>	<b>59,910</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 59,619</b>	<b>\$ 516,997</b>	<b>\$ 59,910</b>



CITY OF SOLANA BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

(CONTINUED)

	Special Revenue Funds			
	Miscellaneous Grants	Developer Pass- Thru	Housing	Camp Programs
<b>Assets:</b>				
Cash and investments	\$ 6,098	\$ 427,276	\$ 358,393	\$ 142,807
Receivables:				
Accounts	-	-	-	55,359
Taxes	-	-	-	-
Interest	-	-	34	461
Due from other governments	-	-	-	-
<b>Total Assets</b>	<b>\$ 6,098</b>	<b>\$ 427,276</b>	<b>\$ 358,427</b>	<b>\$ 198,627</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 32,794	\$ -	\$ 9,544
Accrued liabilities	-	-	-	13,452
Unearned revenues	-	394,482	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>427,276</b>	<b>-</b>	<b>22,996</b>
<b>Fund Balances:</b>				
Restricted	6,098	-	358,427	175,631
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>6,098</b>	<b>-</b>	<b>358,427</b>	<b>175,631</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,098</b>	<b>\$ 427,276</b>	<b>\$ 358,427</b>	<b>\$ 198,627</b>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

(CONTINUED)

	Capital Projects Funds		
	Assessment Districts CIP	Sand Replenish/ Retention and Coastal Access CIP	Public Improvement Grant
<b>Assets:</b>			
Cash and investments	\$ 245,457	\$ 710,916	\$ 59,459
Receivables:			
Accounts	-	-	-
Taxes	-	-	-
Interest	-	2,068	-
Due from other governments	-	-	-
<b>Total Assets</b>	<b>\$ 245,457</b>	<b>\$ 712,984</b>	<b>\$ 59,459</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 16,644	\$ 7,211	\$ 8,226
Accrued liabilities	-	-	-
Unearned revenues	-	-	-
Deposits payable	69,226	-	-
Due to other funds	-	-	-
<b>Total Liabilities</b>	<b>85,870</b>	<b>7,211</b>	<b>8,226</b>
<b>Fund Balances:</b>			
Restricted	159,587	705,773	51,233
Assigned	-	-	-
Unassigned	-	-	-
<b>Total Fund Balances</b>	<b>159,587</b>	<b>705,773</b>	<b>51,233</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 245,457</b>	<b>\$ 712,984</b>	<b>\$ 59,459</b>

CITY OF SOLANA BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	Debt Service Funds	Total Nonmajor Governmental Funds	
	City Debt Service	2017	2016
<b>Assets:</b>			
Cash and investments	\$ 24,927	\$ 6,208,528	\$ 6,688,867
Receivables:			
Accounts	-	55,359	17,925
Taxes	-	7,721	9,195
Interest	-	12,620	9,287
Due from other governments	-	215,863	133,771
<b>Total Assets</b>	<b>\$ 24,927</b>	<b>\$ 6,500,091</b>	<b>\$ 6,859,045</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 281,956	\$ 248,211
Accrued liabilities	-	17,959	114,107
Unearned revenues	-	394,482	428,658
Deposits payable	-	69,226	69,801
Due to other funds	-	384,793	221,431
<b>Total Liabilities</b>	<b>-</b>	<b>1,148,416</b>	<b>1,082,208</b>
<b>Fund Balances:</b>			
Restricted	24,927	5,688,150	5,111,464
Assigned	-	-	849,917
Unassigned	-	(336,475)	(184,544)
<b>Total Fund Balances</b>	<b>24,927</b>	<b>5,351,675</b>	<b>5,776,837</b>
 <b>Total Liabilities and Fund Balances</b>	<b>\$ 24,927</b>	<b>\$ 6,500,091</b>	<b>\$ 6,859,045</b>

CITY OF SOLANA BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017  
(With comparative totals for the year ended June 30, 2016)

	Special Revenue Funds		Capital Projects Funds	
	2017	2016	2017	2016
<b>Revenues:</b>				
Taxes and assessments	\$ 1,543,122	\$ 1,514,752	\$ 267,170	\$ 247,029
Intergovernmental	513,907	422,841	-	160,107
Charges for services	696,646	368,711	-	100,000
Use of money and property	12,275	21,746	2,538	9,651
Other revenues	8,458	82,433	2,600	46,000
<b>Total Revenues</b>	<b>2,774,408</b>	<b>2,410,483</b>	<b>272,308</b>	<b>562,787</b>
<b>Expenditures:</b>				
Current:				
General government	50	152	529	-
Public safety	550,415	608,274	95,688	128,001
Public works	813,285	716,057	-	100,313
Community development	391,737	331,639	-	540
Community services	26,678	26,283	-	-
Capital outlay	587,747	437,695	86,160	587,529
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>2,369,912</b>	<b>2,120,100</b>	<b>182,377</b>	<b>816,383</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	404,496	290,383	89,931	(253,596)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	824,000
Transfers out	(70,400)	(123,400)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(70,400)</b>	<b>(123,400)</b>	<b>-</b>	<b>824,000</b>
Net Change in Fund Balances	334,096	166,983	89,931	570,404
<b>Fund Balances:</b>				
Beginning of year	4,076,059	3,461,184	826,662	1,471,686
<b>End of Year</b>	<b>\$ 4,410,155</b>	<b>\$ 4,076,059</b>	<b>\$ 916,593</b>	<b>\$ 1,675,950</b>

CITY OF SOLANA BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

(With comparative totals for the year ended June 30, 2016)

	Debt Service Funds		Total Nonmajor Governmental Funds	
	2017	2016	2017	2016
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ -	\$ 1,810,292	\$ 1,761,781
Intergovernmental	-	-	513,907	582,948
Charges for services	-	-	696,646	468,711
Use of money and property	-	-	14,813	31,397
Other revenues	-	-	11,058	128,433
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>3,046,716</b>	<b>2,973,270</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	579	152
Public safety	-	-	646,103	736,275
Public works	-	-	813,285	816,370
Community development	-	-	391,737	332,179
Community services	-	-	26,678	26,283
Capital outlay	-	-	673,907	1,025,224
Debt service:				
Principal retirement	288,487	161,086	288,487	161,086
Interest and fiscal charges	67,114	58,025	67,114	58,025
<b>Total Expenditures</b>	<b>355,601</b>	<b>219,111</b>	<b>2,907,890</b>	<b>3,155,594</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(355,601)	(219,111)	138,826	(182,324)
<b>Other Financing Sources (Uses):</b>				
Transfers in	355,700	219,400	355,700	1,043,400
Transfers out	-	-	(70,400)	(123,400)
<b>Total Other Financing Sources (Uses)</b>	<b>355,700</b>	<b>219,400</b>	<b>285,300</b>	<b>920,000</b>
Net Change in Fund Balances	99	289	424,126	737,676
<b>Fund Balances:</b>				
Beginning of year	24,828	24,539	4,927,549	5,039,161
<b>End of Year</b>	<b>\$ 24,927</b>	<b>\$ 24,828</b>	<b>\$ 5,351,675</b>	<b>\$ 5,776,837</b>

CITY OF SOLANA BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017  
(With comparative totals for the year ended June 30, 2016)

	Special Revenue Funds			
	Gas Tax	Municipal Improvement Districts	Lighting District	TEA 21 / TEA
<b>Revenues:</b>				
Taxes and assessments	\$ 265,326	\$ 608,887	\$ 535,324	\$ -
Intergovernmental	-	2,782	3,265	-
Charges for services	-	-	-	-
Use of money and property	2,595	2,152	8,675	-
Other revenues	-	-	-	-
<b>Total Revenues</b>	<b>267,921</b>	<b>613,821</b>	<b>547,264</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,600	563,771	229,447	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	224,604	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>227,204</b>	<b>563,771</b>	<b>229,447</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,717	50,050	317,817	-
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(70,400)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(70,400)</b>	<b>-</b>
Net Change in Fund Balances	40,717	50,050	247,417	-
<b>Fund Balances:</b>				
Beginning of year	458,194	787,445	1,687,903	(168,970)
<b>End of Year</b>	<b>\$ 498,911</b>	<b>\$ 837,495</b>	<b>\$ 1,935,320</b>	<b>\$ (168,970)</b>

## CITY OF SOLANA BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

(With comparative totals for the year ended June 30, 2016)

(CONTINUED)

	Special Revenue Funds			
	COPS	Public Safety	Fire Mitigation	Transportation Development Act
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	129,324	158,370	1,260	176,140
Charges for services	-	-	4,030	-
Use of money and property	189	-	-	-
Other revenues	-	2,503	-	-
<b>Total Revenues</b>	<b>129,513</b>	<b>160,873</b>	<b>5,290</b>	<b>176,140</b>
<b>Expenditures:</b>				
Current:				
General government	-	50	-	-
Public safety	100,036	98,757	8,275	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	322,153
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>100,036</b>	<b>98,807</b>	<b>8,275</b>	<b>322,153</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,477	62,066	(2,985)	(146,013)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	29,477	62,066	(2,985)	\$ (146,013)
<b>Fund Balances:</b>				
Beginning of year	135,389	75,049	104	\$ -
<b>End of Year</b>	<b>\$ 164,866</b>	<b>\$ 137,115</b>	<b>\$ (2,881)</b>	<b>\$ (146,013)</b>

## CITY OF SOLANA BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

(With comparative totals for the year ended June 30, 2016)

(CONTINUED)

	Special Revenue Funds			
	CDBG	CALTRANS	Coastal Area Business / Visitor Assistance & Enhancement	Boating & Waterways
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ -	\$ 133,585	\$ -
Intergovernmental	37,953	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	(15)	10	(138)
Other revenues	-	-	5,455	-
<b>Total Revenues</b>	<b>37,953</b>	<b>(15)</b>	<b>139,050</b>	<b>(138)</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	30,000	-
Community services	-	-	-	-
Capital outlay	40,990	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>40,990</b>	<b>-</b>	<b>30,000</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,037)	(15)	109,050	(138)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(3,037)	(15)	109,050	(138)
<b>Fund Balances:</b>				
Beginning of year	(15,574)	59,634	404,188	60,048
<b>End of Year</b>	<b>\$ (18,611)</b>	<b>\$ 59,619</b>	<b>\$ 513,238</b>	<b>\$ 59,910</b>



## CITY OF SOLANA BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

(With comparative totals for the year ended June 30, 2016)

(CONTINUED)

	Special Revenue Funds			
	Miscellaneous Grants	Developer Pass-Thru	Housing	Camp Programs
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,813	-	-	-
Charges for services	-	301,373	-	391,243
Use of money and property	-	(1,347)	653	(499)
Other revenues	-	-	-	500
<b>Total Revenues</b>	<b>4,813</b>	<b>300,026</b>	<b>653</b>	<b>391,244</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	343,347
Public works	-	17,467	-	-
Community development	-	288,188	73,549	-
Community services	-	-	-	26,678
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>305,655</b>	<b>73,549</b>	<b>370,025</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,813	(5,629)	(72,896)	21,219
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	4,813	(5,629)	(72,896)	21,219
<b>Fund Balances:</b>				
Beginning of year	1,285	5,629	431,323	154,412
<b>End of Year</b>	<b>\$ 6,098</b>	<b>\$ -</b>	<b>\$ 358,427</b>	<b>\$ 175,631</b>

CITY OF SOLANA BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

(With comparative totals for the year ended June 30, 2016)

(CONTINUED)

	<u>Capital Projects Funds</u>		
	<u>Assessment Districts CIP</u>	<u>Sand Replenish/ Retention and Coastal Access CIP</u>	<u>Public Improvement Grant</u>
<b>Revenues:</b>			
Taxes and assessments	\$ -	\$ 267,170	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Use of money and property	130	2,100	308
Other revenues	-	-	2,600
<b>Total Revenues</b>	<b>130</b>	<b>269,270</b>	<b>2,908</b>
<b>Expenditures:</b>			
Current:			
General government	-	529	-
Public safety	-	95,688	-
Public works	-	-	-
Community development	-	-	-
Community services	-	-	-
Capital outlay	-	19,369	66,791
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>115,586</b>	<b>66,791</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	130	153,684	(63,883)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	130	153,684	(63,883)
<b>Fund Balances:</b>			
Beginning of year	159,457	552,089	115,116
<b>End of Year</b>	<b>\$ 159,587</b>	<b>\$ 705,773</b>	<b>\$ 51,233</b>

CITY OF SOLANA BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017  
(With comparative totals for the year ended June 30, 2016)

	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>	
	<u>City Debt Service</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>			
Taxes and assessments	\$ -	\$ 1,810,292	\$ 1,761,781
Intergovernmental	-	513,907	582,948
Charges for services	-	696,646	468,711
Use of money and property	-	14,813	31,397
Other revenues	-	11,058	128,433
<b>Total Revenues</b>	<b>-</b>	<b>3,046,716</b>	<b>2,973,270</b>
<b>Expenditures:</b>			
Current:			
General government	-	579	152
Public safety	-	646,103	736,275
Public works	-	813,285	816,370
Community development	-	391,737	332,179
Community services	-	26,678	26,283
Capital outlay	-	673,907	1,025,224
Debt service:			
Principal retirement	288,487	288,487	161,086
Interest and fiscal charges	67,114	67,114	58,025
<b>Total Expenditures</b>	<b>355,601</b>	<b>2,907,890</b>	<b>3,155,594</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(355,601)	138,826	(182,324)
<b>Other Financing Sources (Uses):</b>			
Transfers in	355,700	355,700	1,043,400
Transfers out	-	(70,400)	(123,400)
<b>Total Other Financing Sources (Uses)</b>	<b>355,700</b>	<b>285,300</b>	<b>920,000</b>
Net Change in Fund Balances	99	424,126	737,676
<b>Fund Balances:</b>			
Beginning of year	24,828	4,927,549	5,039,161
<b>End of Year</b>	<b>\$ 24,927</b>	<b>\$ 5,351,675</b>	<b>\$ 5,776,837</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 GAS TAX FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 458,194	\$ 458,194	\$ 458,194	\$ -
<b>Resources (Inflows):</b>				
Taxes	274,200	274,200	265,326	(8,874)
Use of money and property	700	700	2,595	1,895
<b>Amounts Available for Appropriations</b>	<b>733,094</b>	<b>733,094</b>	<b>726,115</b>	<b>(6,979)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	2,100	2,600	2,600	-
Capital outlay	400,000	400,000	224,604	175,396
<b>Total Charges to Appropriations</b>	<b>402,100</b>	<b>402,600</b>	<b>227,204</b>	<b>175,396</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 330,994</b>	<b>\$ 330,494</b>	<b>\$ 498,911</b>	<b>\$ 168,417</b>

CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL IMPROVEMENT DISTRICTS FUND  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 787,445	\$ 787,445	\$ 787,445	\$ -
<b>Resources (Inflows):</b>				
Taxes	561,700	561,700	608,887	47,187
Intergovernmental	2,500	2,500	2,782	282
Use of money and property	600	600	2,152	1,552
<b>Amounts Available for Appropriations</b>	<b>1,352,245</b>	<b>1,352,245</b>	<b>1,401,266</b>	<b>49,021</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	516,200	718,263	563,771	154,492
<b>Total Charges to Appropriations</b>	<b>516,200</b>	<b>718,263</b>	<b>563,771</b>	<b>154,492</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 836,045</b>	<b>\$ 633,983</b>	<b>\$ 837,495</b>	<b>\$ 203,513</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 LIGHTING DISTRICT FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,687,903	\$ 1,687,903	\$ 1,687,903	\$ -
<b>Resources (Inflows):</b>				
Taxes	466,700	466,700	535,324	68,624
Intergovernmental	3,200	3,200	3,265	65
Use of money and property	1,500	1,500	8,675	7,175
<b>Amounts Available for Appropriations</b>	<b>2,159,303</b>	<b>2,159,303</b>	<b>2,235,167</b>	<b>75,864</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	282,400	288,004	229,447	58,557
Transfers out	70,400	70,400	70,400	-
<b>Total Charges to Appropriations</b>	<b>352,800</b>	<b>358,404</b>	<b>299,847</b>	<b>58,557</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,806,503</b>	<b>\$ 1,800,899</b>	<b>\$ 1,935,320</b>	<b>\$ 134,421</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 COPS FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 135,389	\$ 135,389	\$ 135,389	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	100,000	129,324	29,324
Use of money and property	100	100	189	89
<b>Amounts Available for Appropriations</b>	<b>235,489</b>	<b>235,489</b>	<b>264,902</b>	<b>29,413</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	100,000	101,000	100,036	964
<b>Total Charges to Appropriations</b>	<b>100,000</b>	<b>101,000</b>	<b>100,036</b>	<b>964</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 135,489</b>	<b>\$ 134,489</b>	<b>\$ 164,866</b>	<b>\$ 30,377</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 PUBLIC SAFETY FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 75,049	\$ 75,049	\$ 75,049	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	49,500	49,500	158,370	108,870
Miscellaneous	-	-	2,503	2,503
<b>Amounts Available for Appropriations</b>	<b>124,549</b>	<b>124,549</b>	<b>235,922</b>	<b>111,373</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	-	50	(50)
Public safety	24,000	100,000	98,757	1,243
<b>Total Charges to Appropriations</b>	<b>24,000</b>	<b>100,000</b>	<b>98,807</b>	<b>1,193</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 100,549</b>	<b>\$ 24,549</b>	<b>\$ 137,115</b>	<b>\$ 112,566</b>



CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 FIRE MITIGATION FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 104	\$ 104	\$ 104	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	1,260	1,260
Charges for services	4,000	4,000	4,030	30
<b>Amounts Available for Appropriations</b>	<b>4,104</b>	<b>4,104</b>	<b>5,394</b>	<b>1,290</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	5,000	8,300	8,275	25
<b>Total Charges to Appropriations</b>	<b>5,000</b>	<b>8,300</b>	<b>8,275</b>	<b>25</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (896)</b>	<b>\$ (4,196)</b>	<b>\$ (2,881)</b>	<b>\$ 1,315</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 TRANSPORTATION DEVELOPMENT ACT FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	500,000	500,000	176,140	(323,860)
<b>Amounts Available for Appropriation</b>	<b>500,000</b>	<b>500,000</b>	<b>176,140</b>	<b>(323,860)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	500,000	500,000	322,153	177,847
<b>Total Charges to Appropriations</b>	<b>500,000</b>	<b>500,000</b>	<b>322,153</b>	<b>177,847</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (146,013)</b>	<b>\$ (146,013)</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 CDBG FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (15,574)	\$ (15,574)	\$ (15,574)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	53,399	37,953	(15,446)
<b>Amounts Available for Appropriations</b>	<b>(15,574)</b>	<b>37,825</b>	<b>22,379</b>	<b>(15,446)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	53,399	40,990	12,409
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>53,399</b>	<b>40,990</b>	<b>12,409</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (15,574)</b>	<b>\$ (15,574)</b>	<b>\$ (18,611)</b>	<b>\$ (3,037)</b>

CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE  
 COASTAL AREA BUSINESS / VISITOR ASSISTANCE AND ENHANCEMENT FUND  
 YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 404,188	\$ 404,188	\$ 404,188	\$ -
<b>Resources (Inflows):</b>				
Taxes	117,500	117,500	133,585	16,085
Use of money and property	1,000	1,000	10	(990)
Miscellaneous	-	-	5,455	5,455
<b>Amounts Available for Appropriations</b>	<b>522,688</b>	<b>522,688</b>	<b>543,238</b>	<b>20,550</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	44,500	114,500	30,000	84,500
<b>Total Charges to Appropriations</b>	<b>44,500</b>	<b>114,500</b>	<b>30,000</b>	<b>84,500</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 478,188</b>	<b>\$ 408,188</b>	<b>\$ 513,238</b>	<b>\$ 105,050</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 BOATING AND WATERWAYS FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 60,048	\$ 60,048	\$ 60,048	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	(138)	(138)
<b>Amounts Available for Appropriations</b>	<b>510,048</b>	<b>510,048</b>	<b>59,910</b>	<b>(450,138)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	450,000	450,000	-	450,000
<b>Total Charges to Appropriations</b>	<b>450,000</b>	<b>450,000</b>	<b>-</b>	<b>450,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 60,048</b>	<b>\$ 60,048</b>	<b>\$ 59,910</b>	<b>\$ (138)</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 DEVELOPER PASS-THRU FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,629	\$ 5,629	\$ 5,629	\$ -
<b>Resources (Inflows):</b>				
Charges for services	100,000	159,290	301,373	142,083
Use of money and property	-	-	(1,347)	(1,347)
<b>Amounts Available for Appropriations</b>	<b>105,629</b>	<b>164,919</b>	<b>305,655</b>	<b>140,736</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	100,000	437,700	288,188	149,512
Public works	-	38,437	17,467	20,970
<b>Total Charges to Appropriations</b>	<b>100,000</b>	<b>476,137</b>	<b>305,655</b>	<b>170,482</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 5,629</b>	<b>\$ (311,218)</b>	<b>\$ -</b>	<b>\$ 311,218</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 HOUSING FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 431,323	\$ 431,323	\$ 431,323	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	500	500	653	153
<b>Amounts Available for Appropriations</b>	<b>431,823</b>	<b>431,823</b>	<b>431,976</b>	<b>153</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	-	188,000	73,549	114,451
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>188,000</b>	<b>73,549</b>	<b>114,451</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 431,823</b>	<b>\$ 243,823</b>	<b>\$ 358,427</b>	<b>\$ 114,604</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 CAMP PROGRAMS FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 154,412	\$ 154,412	\$ 154,412	\$ -
<b>Resources (Inflows):</b>				
Charges for services	323,000	323,000	391,243	68,243
Use of money and property	-	-	(499)	(499)
Miscellaneous	-	-	500	500
<b>Amounts Available for Appropriations</b>	<b>477,412</b>	<b>477,412</b>	<b>545,656</b>	<b>68,244</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	282,200	353,752	343,347	10,405
Parks and recreation	29,500	29,500	26,678	2,822
<b>Total Charges to Appropriations</b>	<b>311,700</b>	<b>383,252</b>	<b>370,025</b>	<b>13,227</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 165,712</b>	<b>\$ 94,160</b>	<b>\$ 175,631</b>	<b>\$ 81,471</b>



CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE  
CITY CIP CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 849,288	\$ 849,288	\$ 849,288	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	470,000	470,000	-
Charges for services	-	58,383	58,383	-
Use of money and property	500	500	6,404	5,904
Miscellaneous	-	345,000	6,448	(338,552)
Transfers in	152,500	1,221,100	1,221,100	-
<b>Amounts Available for Appropriations</b>	<b>1,002,288</b>	<b>2,944,271</b>	<b>2,611,623</b>	<b>(332,648)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	-	571	(571)
Public safety	80,100	80,100	51,074	29,026
Community development	25,000	122,260	87,003	35,257
Parks and recreation	-	470,000	470,000	-
Public works	70,000	35,000	22,969	12,031
Capital outlay	350,200	906,707	594,907	311,800
<b>Total Charges to Appropriations</b>	<b>525,300</b>	<b>1,614,067</b>	<b>1,226,524</b>	<b>387,543</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 476,988</b>	<b>\$ 1,330,204</b>	<b>\$ 1,385,099</b>	<b>\$ 54,895</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 ASSESSMENT DISTRICT CIP CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 159,457	\$ 159,457	\$ 159,457	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	100	100	130	30
<b>Amounts Available for Appropriations</b>	<b>159,557</b>	<b>159,557</b>	<b>159,587</b>	<b>30</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 159,557</b>	<b>\$ 159,557</b>	<b>\$ 159,587</b>	<b>\$ 30</b>

CITY OF SOLANA BEACH

**BUDGETARY COMPARISON SCHEDULE  
SAND REPLENISHMENT / RETENTION AND COASTAL ACCESS CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 552,089	\$ 552,089	\$ 552,089	\$ -
<b>Resources (Inflows):</b>				
Taxes	235,000	235,000	267,170	32,170
Use of money and property	400	400	2,100	1,700
<b>Amounts Available for Appropriations</b>	<b>787,489</b>	<b>787,489</b>	<b>821,359</b>	<b>33,870</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	-	529	(529)
Public safety	185,600	185,600	95,688	89,912
Capital outlay	215,000	253,382	19,369	234,013
<b>Total Charges to Appropriations</b>	<b>400,600</b>	<b>438,982</b>	<b>115,586</b>	<b>323,396</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 386,889</b>	<b>\$ 348,507</b>	<b>\$ 705,773</b>	<b>\$ 357,266</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 PUBLIC IMPROVEMENT GRANT CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 115,116	\$ 115,116	\$ 115,116	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	308	308
Miscellaneous	-	-	2,600	2,600
<b>Amounts Available for Appropriations</b>	<b>115,116</b>	<b>115,116</b>	<b>118,024</b>	<b>2,908</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	98,100	143,100	66,791	76,309
<b>Total Charges to Appropriations</b>	<b>98,100</b>	<b>143,100</b>	<b>66,791</b>	<b>76,309</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 17,016</b>	<b>\$ (27,984)</b>	<b>\$ 51,233</b>	<b>\$ 79,217</b>

CITY OF SOLANA BEACH

BUDGETARY COMPARISON SCHEDULE  
 CITY DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,828	\$ 24,828	\$ 24,828	\$ -
<b>Resources (Inflows):</b>				
Transfers in	355,700	355,700	355,700	-
<b>Amounts Available for Appropriations</b>	<b>380,528</b>	<b>380,528</b>	<b>380,528</b>	<b>-</b>
<b>Charges to Appropriation (Outflow):</b>				
Debt service:				
Principal retirement	288,500	288,500	288,487	13
Interest and fiscal charges	67,200	67,200	67,114	86
<b>Total Charges to Appropriations</b>	<b>355,700</b>	<b>355,700</b>	<b>355,601</b>	<b>99</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 24,828</b>	<b>\$ 24,828</b>	<b>\$ 24,927</b>	<b>\$ 99</b>

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## **FIDUCIARY FUNDS**

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

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

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

CITY OF SOLANA BEACH

COMBINING STATEMENT OF NET POSITION  
 ALL AGENCY FUNDS  
 JUNE 30, 2017  
 (With comparative totals for June 30, 2016)

	Cedros Avenue Assessment District	Undergrounding Districts	South Solana Sewer District	Total Agency Funds	
				2017	2016
<b>Assets:</b>					
Pooled cash and investments	\$ 13,199	\$ 411,542	\$ 76,880	\$ 501,621	\$ 488,999
Receivables:					
Accounts	-	459	-	459	266
Taxes	-	4	-	4	1,779
<b>Total Assets</b>	<b>\$ 13,199</b>	<b>\$ 412,005</b>	<b>\$ 76,880</b>	<b>\$ 502,084</b>	<b>\$ 491,044</b>
<b>Liabilities:</b>					
Due to bondholders	\$ 13,199	\$ 412,005	\$ 76,880	\$ 502,084	\$ 491,044
<b>Total Liabilities</b>	<b>\$ 13,199</b>	<b>\$ 412,005</b>	<b>\$ 76,880</b>	<b>\$ 502,084</b>	<b>\$ 491,044</b>



CITY OF SOLANA BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<b><u>Cedros Avenue Assessment District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 13,199	\$ -	\$ -	\$ 13,199
<b>Total Assets</b>	<b>\$ 13,199</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,199</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 13,199	\$ -	\$ -	\$ 13,199
<b>Total Liabilities</b>	<b>\$ 13,199</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,199</b>
<b><u>Undergrounding Districts</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 397,353	\$ 189,836	\$ 175,647	\$ 411,542
Receivables:				
Accounts	266	463	270	459
Taxes	1,779	-	1,775	4
<b>Total Assets</b>	<b>\$ 399,398</b>	<b>\$ 190,299</b>	<b>\$ 177,692</b>	<b>\$ 412,005</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 399,398	\$ 190,299	\$ 177,692	\$ 412,005
<b>Total Liabilities</b>	<b>\$ 399,398</b>	<b>\$ 190,299</b>	<b>\$ 177,692</b>	<b>\$ 412,005</b>
<b><u>South Solana Sewer District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 78,447	\$ 41,348	\$ 42,915	\$ 76,880
<b>Total Assets</b>	<b>\$ 78,447</b>	<b>\$ 41,348</b>	<b>\$ 42,915</b>	<b>\$ 76,880</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 78,447	\$ 41,348	\$ 42,915	\$ 76,880
<b>Total Liabilities</b>	<b>\$ 78,447</b>	<b>\$ 41,348</b>	<b>\$ 42,915</b>	<b>\$ 76,880</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 488,999	\$ 231,184	\$ 218,562	\$ 501,621
Receivables:				
Accounts	266	463	270	459
Taxes	1,779	-	1,775	4
<b>Total Assets</b>	<b>\$ 491,044</b>	<b>\$ 231,647</b>	<b>\$ 220,607</b>	<b>\$ 502,084</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 491,044	\$ 231,647	\$ 220,607	\$ 502,084
<b>Total Liabilities</b>	<b>\$ 491,044</b>	<b>\$ 231,647</b>	<b>\$ 220,607</b>	<b>\$ 502,084</b>

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**STATISTICAL SECTION  
(UNAUDITED)**

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## Statistical Section

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

### Contents

#### **Financial Trends**

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

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

#### **Revenue Capacity**

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

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

#### **Debt Capacity**

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

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

#### **Demographic and Economic Information**

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

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

#### **Operating Information**

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

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

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

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Government activities</b>					
Net Investment in Capital					
Assets					
Restricted	\$ 508,786,944	\$ 506,384,350	\$ 33,268,562	\$ 32,138,178	\$ 34,301,049
Unrestricted	5,634,827	6,227,639	7,086,145	6,747,340	6,370,933
Total governmental activities net position	9,696,117	9,168,682	7,537,582	4,479,958	5,275,012
	<u>\$ 524,117,888</u>	<u>\$ 521,780,671</u>	<u>\$ 47,892,289</u>	<u>\$ 43,365,476</u>	<u>\$ 45,946,994</u>
<b>Business-type activities</b>					
Net Investment in Capital					
Assets					
Restricted	\$ 5,300,163	\$ 9,451,570	10,679,302	6,389,844	5,470,469
Unrestricted	1,021,293	1,021,293	-	-	-
Total governmental activities net position	19,961,200	16,768,741	17,901,556	22,974,310	24,794,121
	<u>\$ 26,282,656</u>	<u>\$ 27,241,604</u>	<u>\$ 28,580,858</u>	<u>\$ 29,364,154</u>	<u>\$ 30,264,590</u>
<b>Primary government</b>					
Net Investment in Capital					
Assets					
Restricted	\$ 514,087,107	\$ 515,835,920	\$ 43,947,864	\$ 38,528,022	\$ 39,771,518
Unrestricted	6,656,120	7,248,932	7,086,145	6,747,340	6,370,933
Total governmental activities net position	29,657,317	25,937,423	25,439,138	27,454,268	30,069,133
	<u>\$ 550,400,544</u>	<u>\$ 549,022,275</u>	<u>\$ 76,473,147</u>	<u>\$ 72,729,630</u>	<u>\$ 76,211,584</u>

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

		Fiscal Year				
2013	2014	2015	2016	2017		
\$ 39,384,623	\$ 34,095,894	\$ 32,415,836	\$ 30,365,711	\$ 28,412,121		
4,688,776	5,183,814	4,979,850	5,825,595	6,619,853		
1,418,151	6,871,872	(85,816)	1,230,929	1,795,456		
<b>\$ 45,491,550</b>	<b>46,151,580</b>	<b>37,309,870</b>	<b>37,422,235</b>	<b>36,827,430</b>		
5,682,518	6,324,862	6,798,584	5,594,350	6,195,352		
-	-	-	-	-		
25,769,871	27,155,489	26,759,779	29,711,194	32,866,729		
<b>\$ 31,452,389</b>	<b>33,480,351</b>	<b>33,558,363</b>	<b>35,305,544</b>	<b>39,062,081</b>		
\$ 45,067,141	\$ 40,420,756	\$ 39,214,420	\$ 35,960,061	\$ 34,607,473		
4,688,776	5,183,814	4,979,850	5,825,595	6,619,853		
27,188,022	34,027,361	26,673,963	30,942,123	34,662,185		
<b>\$ 76,943,939</b>	<b>79,631,931</b>	<b>70,868,233</b>	<b>72,727,779</b>	<b>75,889,511</b>		

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Expenses</b>					
Governmental Activities:					
General government	\$ 3,937,478	3,518,394	4,680,495	4,943,119	3,509,970
Public safety	7,295,541	7,543,706	8,066,129	9,730,398	7,801,875
Public works	3,983,378	6,254,133	4,350,781	4,207,981	4,499,601
Community development	1,318,105	1,115,746	1,055,575	1,078,141	957,995
Community services	3,662,205	862,778	526,188	569,907	561,563
Interest on long-term debt	464,713	523,536	738,430	543,852	139,345
Total Governmental Activities expenses	<u>20,661,420</u>	<u>19,818,293</u>	<u>19,417,598</u>	<u>21,073,398</u>	<u>17,470,349</u>
Business-Type Activities:					
Sanitation	3,284,109	3,599,496	3,654,076	3,942,484	4,038,404
Total Business-Type Activities Expenses	<u>3,284,109</u>	<u>3,599,496</u>	<u>3,654,076</u>	<u>3,942,484</u>	<u>4,038,404</u>
<b>Total Primary Government Expenses</b>	<u>\$ 23,945,529</u>	<u>\$ 23,417,789</u>	<u>\$ 23,071,674</u>	<u>\$ 25,015,882</u>	<u>21,508,753</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 21,370
Public safety	685,091	804,810	397,971	471,722	439,523
Public works	992,150	923,315	571,933	689,658	251,766
Community development	718,504	508,514	447,581	506,927	796,475
Community services	102,620	105,511	248,803	151,189	229,571
Operating Contributions:					
General government	-	-	-	14,213	-
Public safety	-	-	181,174	251,237	273,048
Public works	267,943	318,590	1,000	1,351	173,664
Community development	-	31,725	-	-	-
Community services	48,393	-	76,250	13,500	30,331
Capital Contributions and Grants:					
Public safety	184,866	109,194	-	65,696	78,590
Public works	3,152,793	1,039,257	25,500	414,003	25,000
Community services	-	-	-	21,001	-
Total Governmental Activities Program Revenues	<u>6,152,360</u>	<u>3,840,916</u>	<u>1,950,212</u>	<u>2,600,497</u>	<u>2,319,338</u>
Business-Type Activities:					
Charges for services:					
Sanitation	5,920,865	4,296,890	4,498,181	4,501,364	4,517,005
Total Business-Type Activities Program Revenues	<u>5,920,865</u>	<u>4,296,890</u>	<u>4,498,181</u>	<u>4,501,364</u>	<u>4,517,005</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 12,073,225</u>	<u>\$ 8,137,806</u>	<u>\$ 6,448,393</u>	<u>\$ 7,101,861</u>	<u>\$ 6,836,343</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	(14,509,060)	(15,977,377)	(17,467,386)	(18,472,901)	(15,151,011)
Business-Type Activities	2,636,756	697,394	844,105	558,880	478,601
<b>Total Primary Government Net Expense</b>	<u>(11,872,304)</u>	<u>(15,279,983)</u>	<u>(16,623,281)</u>	<u>(17,914,021)</u>	<u>(14,672,410)</u>
<b>General Revenues and Other Charges in Net Position</b>					
Governmental Activities:					
Taxes:					
Property taxes, levied for general purpose	\$ 5,954,582	\$ 6,291,314	\$ 6,880,563	\$ 6,813,559	\$ 6,597,393
Transient occupancy taxes	1,020,184	1,015,007	929,836	978,840	1,118,592
Sales taxes	3,041,726	2,682,769	2,515,183	2,813,228	2,963,507
Intergovernmental, unrestricted:					
Franchise taxes	-	-	-	-	52,084
Other taxes	624,153	652,107	652,485	663,660	685,336
Investment income	1,905,408	2,016,476	2,228,379	2,353,883	2,670,333
Use of money and property	776,033	401,668	175,659	161,701	-
Other	56,849	87,154	-	-	102,469
Loss on sale of property	553,666	493,665	345,098	218,377	494,008
Extraordinary Gain/(Loss) on dissolution on redevelopment agency	-	-	-	(57,159)	-
Total Governmental Activities	<u>13,932,601</u>	<u>13,640,160</u>	<u>13,727,203</u>	<u>13,946,089</u>	<u>17,617,717</u>
Business-Type Activities:					
Investment income	488,749	261,554	73,634	51,294	-
Use of money and property	-	-	-	-	152,477
Share in joint venture net loss	-	-	-	-	-
Other	-	-	-	-	269,358
Miscellaneous	-	-	421,515	173,122	-
Total Business-Type Activities	<u>488,749</u>	<u>261,554</u>	<u>495,149</u>	<u>224,416</u>	<u>421,835</u>
<b>Total Primary Government</b>	<u>14,421,350</u>	<u>13,901,714</u>	<u>14,222,352</u>	<u>14,170,505</u>	<u>18,039,552</u>
<b>Changes in Net Position</b>					
Governmental Activities	(576,459)	(2,337,217)	(3,740,183)	(4,526,812)	2,466,706
Business-Type Activities	3,125,505	958,948	1,339,254	783,296	900,436
<b>Total Primary Government</b>	<u>\$ 2,549,046</u>	<u>\$ (1,378,269)</u>	<u>\$ (2,400,929)</u>	<u>\$ (3,743,516)</u>	<u>\$ 3,367,142</u>



Fiscal Year				
2013	2014	2015	2016	2017
3,521,929	3,712,734	3,344,429	3,944,303	4,309,372
8,177,235	8,416,330	8,441,144	9,162,345	9,628,140
5,070,916	5,008,665	5,181,223	5,438,407	5,487,183
957,303	1,361,588	1,281,059	1,378,130	1,745,101
604,445	579,088	622,608	627,748	1,122,128
78,156	439,918	388,144	398,408	389,077
<u>18,409,984</u>	<u>19,518,323</u>	<u>19,258,607</u>	<u>20,949,341</u>	<u>22,681,001</u>
3,456,455	2,855,368	4,566,357	3,568,901	1,602,359
<u>3,456,455</u>	<u>2,855,368</u>	<u>4,566,357</u>	<u>3,568,901</u>	<u>1,602,359</u>
<u>21,866,439</u>	<u>22,373,691</u>	<u>23,824,964</u>	<u>24,518,242</u>	<u>24,283,360</u>

\$ -	\$ -	\$ -	\$ -	\$ -
376,156	402,670	464,533	578,282	620,990
511,843	743,210	238,587	416,524	449,962
648,280	830,429	852,578	928,065	1,252,126
357,877	303,070	347,698	365,289	400,353
-	-	-	-	-
270,428	286,687	285,399	270,152	198,615
583,136	1,577,961	920,807	1,045,301	1,241,379
-	-	109,689	200,388	-
-	-	-	-	129,324
162,672	129,740	53,091	160,372	158,370
-	-	-	-	-
-	-	-	-	-
<u>2,910,392</u>	<u>4,273,767</u>	<u>3,272,382</u>	<u>3,964,373</u>	<u>4,451,119</u>

4,708,765	4,775,489	4,949,069	5,151,671	5,255,483
<u>4,708,765</u>	<u>4,775,489</u>	<u>4,949,069</u>	<u>5,151,671</u>	<u>5,255,483</u>
\$ 7,619,157	\$ 9,049,256	\$ 8,221,451	\$ 9,116,044	\$ 9,706,602

(15,499,592)	(15,244,556)	(15,986,225)	(16,984,968)	(18,229,882)
1,252,310	1,920,121	382,712	1,582,770	3,653,124
<u>(14,247,282)</u>	<u>(13,324,435)</u>	<u>(15,603,513)</u>	<u>(15,402,198)</u>	<u>(14,576,758)</u>

\$ 6,655,138	\$ 6,880,916	\$ 7,247,202	\$ 7,705,956	\$ 8,095,383
1,186,197	1,220,075	1,467,373	1,605,685	1,740,208
3,077,691	2,814,702	2,808,203	3,255,104	3,127,803
-	-	-	-	-
698,672	714,991	765,995	736,042	733,354
2,643,515	2,736,146	2,747,073	2,797,559	2,868,629
-	-	-	-	-
84,903	137,906	136,763	261,446	283,828
722,094	1,399,850	914,672	735,521	785,872
-	-	-	-	-
-	-	-	-	-
<u>15,068,210</u>	<u>15,904,586</u>	<u>16,087,281</u>	<u>17,097,313</u>	<u>17,635,077</u>

-	-	-	-	-
78,615	71,541	71,973	115,321	88,940
-	-	-	-	-
46,470	36,300	28,939	49,090	14,473
-	-	-	-	-
<u>125,085</u>	<u>107,841</u>	<u>100,912</u>	<u>164,411</u>	<u>103,413</u>
<u>15,193,295</u>	<u>16,012,427</u>	<u>16,188,193</u>	<u>17,261,724</u>	<u>17,738,490</u>

(431,382)	660,030	101,056	112,345	(594,805)
1,377,395	2,027,962	483,624	1,747,181	3,756,537
<u>\$ 946,013</u>	<u>\$ 2,687,992</u>	<u>\$ 584,680</u>	<u>\$ 1,859,526</u>	<u>\$ 3,161,732</u>

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 702,183	\$ 678,179	\$ 590,395	\$ -	\$ -
Unreserved	9,349,667	9,315,645	8,836,776	-	-
Nonspendable	-	-	-	32,550	6,482
Restricted	-	-	-	-	-
Committed	-	-	-	346,990	264,534
Assigned	-	-	-	4,553,037	4,486,177
Unassigned	-	-	-	1,600,449	2,573,592
Total General Fund	<u>\$ 10,051,850</u>	<u>\$ 9,993,824</u>	<u>\$ 9,427,171</u>	<u>\$ 6,533,026</u>	<u>\$ 7,330,785</u>
All Other Governmental Funds					
Reserved	\$ 2,478,756	\$ 3,297,975	\$ 2,039,729	\$ -	\$ -
Unreserved, reported in nonmajor,					
Special revenue funds	2,944,672	2,785,157	3,883,762	-	-
Capital Projects funds	2,108,813	1,662,537	630,964	-	-
Debt service funds	-	-	531,690	-	-
Nonspendable	-	-	-	69,226	-
Restricted	-	-	-	6,169,355	6,241,182
Committed	-	-	-	-	-
Assigned	-	-	-	782,116	539,450
Unassigned	-	-	-	(273,357)	(315,857)
Total all other Governmental Funds	<u>\$ 7,532,241</u>	<u>\$ 7,745,669</u>	<u>\$ 7,086,145</u>	<u>\$ 6,747,340</u>	<u>\$ 6,464,775</u>

Fiscal Year				
2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
9,276	7,523	9,382	7,471	20,164
-	-	-	508,897	893,185
278,377	324,083	454,048	787,790	914,846
4,579,527	5,102,543	5,324,048	5,520,890	5,690,381
4,014,144	4,369,152	5,580,686	6,200,244	6,805,201
<u>\$ 8,881,324</u>	<u>9,803,301</u>	<u>11,368,164</u>	<u>13,025,292</u>	<u>14,323,777</u>

\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,588,670	5,107,900	4,979,850	5,316,698	5,726,668
-	-	-	-	-
525,735	425,416	589,120	849,917	1,385,099
(5,333,420)	(222,713)	(213,005)	(184,544)	(336,475)
<u>\$ (219,015)</u>	<u>5,310,603</u>	<u>5,355,965</u>	<u>5,982,071</u>	<u>6,775,292</u>

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Revenues:</b>					
Taxes and assessments	\$ 12,459,651	\$ 12,299,829	\$ 12,299,501	\$ 12,700,086	\$ 12,881,767
Intergovernmental	4,945,419	2,310,147	1,700,918	1,623,918	1,822,705
Licenses and permits	397,846	329,118	308,284	323,091	420,339
Charges for services	673,668	573,179	678,188	607,354	799,836
Fines and forfeitures	348,272	322,777	349,291	385,394	342,136
Contributions from property owners	-	732,846	-	-	-
Investment income	781,475	404,348	-	-	-
Use of money and property	46,849	87,154	176,320	162,086	102,469
Other	596,889	593,334	421,595	1,132,388	604,953
<b>Total revenues</b>	<b>20,250,069</b>	<b>17,652,732</b>	<b>15,934,097</b>	<b>16,934,317</b>	<b>16,974,205</b>
<b>Expenditures:</b>					
General government	3,562,602	3,373,964	3,433,354	4,363,499	3,230,362
Public safety	7,126,476	8,236,116	7,848,577	9,531,715	7,614,262
Public works	2,537,019	2,471,621	2,278,876	2,263,950	2,301,953
Community development	1,312,496	1,108,727	1,079,651	1,103,618	953,383
Community services	288,019	295,651	224,884	268,603	244,955
Capital outlay	5,208,933	1,751,802	1,134,878	1,644,750	2,048,301
Debt service:					
Principal retirement	235,000	415,000	424,079	444,385	239,900
Interest	289,795	292,415	282,725	265,360	155,519
Payment to refunded bond escrow agent	-	-	-	-	1,545,000
Pass-through payments	214,200	256,033	453,250	281,387	7,147
<b>Total expenses</b>	<b>20,774,540</b>	<b>18,201,329</b>	<b>17,160,274</b>	<b>20,167,267</b>	<b>18,340,782</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(524,471)</b>	<b>(548,597)</b>	<b>(1,226,177)</b>	<b>(3,232,950)</b>	<b>(1,366,577)</b>
<b>Other financing sources (uses):</b>					
Transfers in	905,588	946,080	857,227	874,996	2,560,970
Transfers out	(905,588)	(946,080)	(857,227)	(874,996)	(2,560,970)
Contributions to Successor Agency	-	-	-	-	-
Refunding Bonds issued	-	-	-	-	1,388,300
Other Debts Issued	-	-	-	-	818,696
Bond Discount	-	-	-	-	(10,650)
Contributions to OPEB Trust Fund	-	-	-	-	-
Long-term debt issued	-	-	-	-	(24,062)
Capital leases	-	703,999	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>703,999</b>	<b>-</b>	<b>-</b>	<b>2,172,284</b>
Extraordinary Gain/(Loss) on dissolution of Redevelopment Agency (Note 16)	-	-	-	-	\$ (366,005)
<b>Net change in fund balances/ net position</b>	<b>\$ (524,471)</b>	<b>\$ 155,402</b>	<b>\$ (1,226,177)</b>	<b>\$ (3,232,950)</b>	<b>\$ 439,702</b>
<b>Capital assets used in debt service calculation*</b>	<b>\$ 2,730,022</b>	<b>\$ 390,039</b>	<b>\$ 963,854</b>	<b>\$ 1,364,025</b>	<b>\$ 2,055,611</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>2.9%</b>	<b>4.0%</b>	<b>4.4%</b>	<b>3.8%</b>	<b>2.4%</b>

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

		Fiscal Year							
		2013	2014	2015	2016	2017			
\$	13,046,917	\$	13,135,199	\$	13,727,132	\$	14,719,229	\$	15,109,053
	2,230,532		3,217,319		2,674,057		3,069,673		3,185,272
	361,573		429,464		461,687		471,581		527,146
	830,907		959,935		1,001,943		1,313,658		1,699,140
	323,961		348,337		392,683		502,921		495,885
	-		-		-		-		-
	-		-		-		-		-
	84,903		137,906		136,763		261,466		283,828
	1,099,809		1,941,493		961,755		735,521		785,872
	<b>17,978,602</b>		<b>20,169,653</b>		<b>19,356,020</b>		<b>21,074,049</b>		<b>22,086,196</b>
	3,057,761		3,085,499		3,222,933		3,500,443		3,777,819
	7,945,912		8,238,659		8,315,766		8,912,742		9,070,746
	2,075,777		2,215,596		2,322,090		2,463,442		2,509,194
	955,907		1,360,192		1,291,073		1,380,934		1,721,715
	284,884		259,809		275,790		278,481		760,475
	7,638,942		3,452,914		1,773,690		2,190,316		1,473,835
	280,700		155,925		155,930		161,086		288,487
	77,283		439,464		388,523		383,130		392,219
	-		-		-		-		-
	-		-		-		-		-
	<b>22,317,166</b>		<b>19,208,058</b>		<b>17,745,795</b>		<b>19,270,574</b>		<b>19,994,490</b>
	<b>(4,338,564)</b>		<b>961,595</b>		<b>1,610,225</b>		<b>1,803,475</b>		<b>2,091,706</b>
	742,322		1,319,473		446,865		743,400		1,576,800
	(742,322)		(1,319,473)		(446,865)		(743,400)		(1,576,800)
	(834,007)		(10,000)		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		(135,000)		-
	-		5,500,000		-		614,759		-
	-		-		-		-		-
	<b>(834,007)</b>		<b>5,490,000</b>		<b>-</b>		<b>479,759</b>		<b>-</b>
\$	-	\$	-	\$	-	\$	-	\$	-
\$	<b>(5,172,571)</b>	\$	<b>6,451,595</b>	\$	<b>1,610,225</b>	\$	<b>2,283,234</b>	\$	<b>2,091,706</b>
\$	7,859,585	\$	3,527,607	\$	1,764,750	\$	2,194,361	\$	1,440,550
	2.5%		3.8%		3.4%		3.2%		3.7%

**CITY OF SOLANA BEACH**

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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Other Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>
2008	2,724,080	299,804	155,109	-	3,178,993
2009	2,873,115	344,271	167,089	-	3,384,475
2010	2,919,582	352,525	168,139	-	3,440,246
2011	2,925,829	343,837	158,782	-	3,428,448
2012	2,990,970	352,417	158,210	-	3,501,597
2013	3,053,864	459,003	156,019	-	3,668,886
2014	3,150,064	457,092	154,207	-	3,761,363
2015	3,350,756	472,921	208,735	-	4,032,412
2016	3,550,845	492,062	213,785	-	4,256,692
2017	3,752,545	506,123	226,535	-	4,485,203

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

N/A - Data not available

**Source:** San Diego County Assessor 2007/08 - 2016/17 Combined Tax Rolls  
HdL Coren & Cone.  
City of Solana Beach Finance Department

Total Direct Tax Rate	Estimated Actual Taxable Value <sup>a</sup>	Taxable Assessed Value as a Percentage of Actual Taxable Value
0.1735%	N/A	N/A
0.1735%	N/A	N/A
0.1735%	N/A	N/A
0.1735%	N/A	N/A
0.1735%	N/A	N/A
0.1735%	N/A	N/A
0.1735%	N/A	N/A
0.1735%	N/A	N/A
0.1735%	N/A	N/A
0.1735%	N/A	N/A

**CITY OF SOLANA BEACH**

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

**City Direct Rates**

<b>Fiscal Year</b>	<b>General Basic Tax Levy</b>	<b>Municipal Improvement District</b>	<b>Lighting District</b>	<b>Total Direct Rate</b>
2008	0.1602	0.0037	0.0096	0.1735
2009	0.1602	0.0037	0.0096	0.1735
2010	0.1602	0.0037	0.0096	0.1735
2011	0.1602	0.0037	0.0096	0.1735
2012	0.1602	0.0037	0.0096	0.1735
2013	0.1602	0.0037	0.0096	0.1735
2014	0.1602	0.0037	0.0096	0.1735
2015	0.1602	0.0037	0.0960	0.1735
2016	0.1602	0.0037	0.0960	0.1735
2017	0.1602	0.0037	0.0960	0.1735

**Overlapping Rates**

<b>Fiscal Year</b>	<b>San Diego County (1)</b>	<b>Carlsbad/Oceanside/Vista Projects</b>	<b>School Districts</b>	<b>Community College</b>	<b>Santa Fe Irrigation District (2)</b>
2008	0.167550	0.0004	0.402810	0.10486	0.025340
2009	0.167550	0.0004	0.402810	0.10486	0.025340
2010	0.167550	0.0004	0.402810	0.10486	0.025340
2011	0.167550	0.0004	0.402810	0.10486	0.025340
2012	0.167550	0.0004	0.402810	0.10486	0.025340
2013	0.167550	0.0004	0.402810	0.10486	0.025340
2014	0.167550	0.0004	0.402810	0.10486	0.025340
2015	0.167550	0.0004	0.402810	0.10486	0.025340
2016	0.167550	0.0004	0.402810	0.10486	0.025340
2017	0.167550	0.0004	0.402810	0.10486	0.025340

- (1) Includes County School Services, Library, Childrens Institution Tuition, and Regional Occupational Centers.
- (2) Includes Cwa Santa Fe Irrigation District (.00423) and Santa Fe Irrigation (.02111)
- (3) Includes only rate(s) from indebtedness adopted prior to 1989 per California State Statute

**Source:**

San Diego County Assessor 2007/08 - 2016/17 Tax Rate Table and HdL Coren and Cone.



**Overlapping Rates**

<b>Educational Revenue Augmentation</b>	<b>Voter Approved (3)</b>					<b>Total Tax Rate</b>
	<b>CWA Santa Fe Irrigation Debt Service</b>	<b>Metropolitan Water District Debt Service</b>	<b>Santa Fe Irrigation Tax Rate Reduction</b>	<b>Vista Project</b>	<b>San Dieguito Prop Aa 11/6/2013 2013A A1</b>	
0.12551	-	0.0045	-	-	-	1.004490
0.12551	-	0.0043	-	-	-	1.004290
0.12551	-	0.0043	-	-	-	1.004290
0.12551	-	0.0037	-	-	-	1.003690
0.12551	-	0.0037	-	-	-	1.003690
0.12551	-	0.0035	-	-	-	1.003490
0.12551	-	0.0035	-	-	0.0378	1.041300
0.12551	-	0.0035	-	-	0.0215	1.024970
0.12551	-	0.0035	-	-	0.0227	1.026220
0.12551	-	0.0035	-	-	0.0228	1.026250

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CITY OF SOLANA BEACH

Principal Property Tax Payers,  
Current Year and Ten Years Ago

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
<b><u>For the Fiscal Year Ended June 30, 2017</u></b>		
S B T C Holdings LLC	\$ 117,923,951	2.69%
Pacific Solana Beach Holdings LP	66,389,597	1.51%
SB Coporate Centre III-IV LLC	32,924,091	0.75%
Sanyo Foods Corporation of America	31,372,635	0.72%
Fenton Solana Highlands LLC	29,880,494	0.68%
GRE Beachwalk LLC	21,000,000	0.48%
E R P Operating LP	19,128,871	0.44%
Lavida Delmar Asscs LP	17,048,691	0.39%
Hankey Investment Company LP	14,667,325	0.33%
Solana Mar LLC	13,878,584	0.32%
Total	<u>\$ 364,214,239</u>	<u>8.31%</u>
<b><u>For the Fiscal Year Ended June 30, 2008</u></b>		
SB Towne Centre LLC	\$ 30,481,606	0.97%
Sanyo Foods Corporation of America	28,496,398	0.91%
Pacific Solana Beach Holdings LP	27,899,199	0.89%
Fenton Solana Highlands LLC	26,155,878	0.83%
SB Corporate Centre III-IV LLC	22,933,588	0.73%
E R P Operating LP	16,953,500	0.54%
Lavida Delmar Asscs LP	14,888,167	0.47%
445 Marine View LLC	13,716,113	0.44%
Urschel Laboratories INC	12,278,180	0.39%
Price Self Storage Solan Beach LLC	11,947,993	0.38%
Total	<u>\$ 205,750,622</u>	<u>6.56%</u>

Source: HdL Coren & Cone and San Diego County Assessor  
2007/08 & 2016/17 Combined Tax Rolls

**CITY OF SOLANA BEACH**

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

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>
2008	5,209,273	4,900,178	94.1%
2009	5,380,394	5,109,936	95.0%
2010	5,781,014	5,407,172	93.5%
2011	5,741,547	5,440,612	94.8%
2012	5,770,042	5,489,946	95.1%
2013	6,110,404	5,832,325	95.4%
2014	6,303,038	6,033,082	95.7%
2015	6,576,197	6,257,093	95.1%
2016	6,931,466	6,635,180	95.7%
2017	7,300,293	7,017,400	96.1%

**Sources:**

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

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
291,016	5,191,194	100%
221,201	5,331,137	99%
206,031	5,613,203	97%
-	5,440,612	95%
-	5,489,946	95%
258,145	6,090,470	100%
252,973	6,286,055	100%
215,422	6,472,515	98%
80,163	6,715,343	97%
27,141	7,044,541	96%

CITY OF SOLANA BEACH

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

Fiscal Year	Government Activities				Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	2002 ABAG Lease Revenue Bonds	Refunding Lease ABAG	Bonds	Capital Leases	Loans			
2008*	2,320,000	-	3,495,000	-	17,305,000	23,120,000	3.55%	0.0026
2009*	2,100,000	-	3,435,000	568,999	16,620,000	22,723,999	3.66%	0.0027
2010*	1,875,000	-	3,370,000	434,920	15,915,000	21,594,920	3.78%	0.0028
2011**	1,640,000	-	3,300,000	295,535	15,409,277	20,644,812	3.20%	0.0023
2012*	-	1,388,300	-	958,681	14,132,771	16,479,752	4.20%	0.0032
2013*	-	1,279,300	-	787,950	13,095,631	15,162,881	4.58%	0.0035
2014*	-	1,166,600	5,500,000	745,693	12,175,456	19,587,749	3.56%	0.0027
2015*	-	1,055,400	5,500,000	701,931	11,273,883	18,531,214	3.95%	0.0030
2016	-	940,600	5,500,000	1,271,372	10,339,405	18,051,377	4.05%	0.0031
2017	-	817,200	5,500,000	1,113,062	9,373,587	16,803,849	4.85%	0.0036

Notes:

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

<sup>a</sup> See Demographic and Economic Statistics schedule for personal income and population data.

These ratios are calculated using personal income and population for the prior calendar year.

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

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

**CITY OF SOLANA BEACH**

**Direct and Overlapping Governmental Activities Debt  
As of June 30, 2017**

**Fiscal Year 2016-17 Assessed Valuation :** \$4,429,757,720

<u>Direct Debt:</u>	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable to City (1)</u>	<u>Net Bonded Debt</u>
City of Solana Beach Lease Agreement	\$ 817,200	100.000% (3)	\$ 817,200
City of Solana Beach Capital Lease			-
Total Direct Debt			<u>\$ 817,200</u>
 <u>Overlapping Debt:</u>			
Metropolitan Water District	\$ 74,905,000	0.171%	\$ 128,088
San Dieguito Union High School District	316,250,000	7.534%	23,826,275
San Dieguito Union High School District Community Facilities District No. 95-1	26,622,933	3.274%	871,635
Solana Beach School District School Facilities Improvement District No. 2016-1	50,000,000	27.786%	13,893,000
City of Solana Beach 1915 Act Bonds	2,550,000	100.000%	2,550,000
Olivenhain Municipal Water District, Assessment District No. 96-1	11,675,000	0.591%	68,999
San Diego County General Fund Obligations	291,180,000	0.948%	2,760,386
San Diego County Pension Obligations	605,520,000	0.948%	5,740,330
San Diego County Superintendent of Schools General Fund Obligations	11,460,000	0.948%	108,641
Mira Costa Community College District Certificates of Participation	12,265,000	4.623%	567,011
San Dieguito Union High School District Certificates of Participation	12,730,000	7.534%	959,078
Overlapping Tax Increment Debt	2,820,000	100.000%	2,820,000
Total Overlapping Debt			<u>\$ 54,293,443</u>
Total Direct and Overlapping Debt			<u>(2) \$ 55,110,643</u>

**Debt to Assessed Valuation Ratios :**

Direct Debt	0.02%
Overlapping Debt	1.23%
Total Debt	1.24%

**Note:**

(1) - Percentage of overlapping agency's assess valuation located within the boundaries of the city.

(2) - Excludes tax and revenue anticipation notes, enterprise revenues, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

(3) Includes the Unamortized Bond Discount

**Source:** California Municipal Statistics, Inc.

**CITY OF SOLANA BEACH**

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

**Legal Debt Margin Calculation for Fiscal Year 2017**

Assessed value	\$ 4,429,757
Debt limit (15% of assessed value)	664,464
Debt applicable to limit:	
General obligation bonds	<u>          -</u>
Total net debt applicable to limit	<u>          -</u>
Legal debt margin	<u><u>\$ 664,464</u></u>

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total net debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Legal Debt Margin Percentage of Debt Limit</u>
2007	443,421	-	443,421	100.00%
2008	476,921	-	476,921	100.00%
2009	495,650	-	495,650	100.00%
2010	504,121	-	504,121	100.00%
2011	502,577	-	502,577	100.00%
2012	513,291	-	513,291	100.00%
2013	550,417	-	550,417	100.00%
2014	564,290	-	564,290	100.00%
2015	597,013	-	597,013	100.00%
2016	630,359	-	630,359	100.00%
2017	664,464	-	664,464	100.00%



CITY OF SOLANA BEACH

Pledged-Revenue Coverage  
Last Ten Fiscal Years

2011 ABAG Refunded Lease Revenue Bonds

<u>Fiscal Year</u>	<u>Use of Money &amp; Property</u>	<u>Lease/Rents</u>	<u>Less: Expenditures</u>	<u>Net Available Revenue</u>
2008*	11,488	319,181	1,764	328,905
2009*	9,362	324,656	240	333,778
2010*	8,291	320,756	1,676	327,371
2011*	8,210	321,263	1,627	327,846
2012*	4,122	154,349	-	158,471
2013*	-	154,280	-	154,280
2014*	-	148,974	-	148,974
2015*	-	148,732	-	148,732
2016*	-	153,283	-	153,283
2017*	-	152,429	-	152,429

<u>Fiscal Year</u>	<u>Debt Service</u>		<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	
2008*	205,000	114,181	1.03
2009*	220,000	104,656	1.03
2010*	225,000	95,756	1.02
2011*	235,000	86,263	1.00
2012*	109,000	45,349	1.03
2013*	112,700	41,580	1.00
2014*	111,200	37,774	1.00
2015*	114,800	33,932	1.00
2016*	123,400	29,883	1.00
2017*	126,800	25,629	1.00

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

Expenditures do not include interest, depreciation, or amortization expenses.

\* 2002 ABAG Lease Revenue Bonds

CITY OF SOLANA BEACH

Demographic and Economic Statistics  
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	13,426	819,685	61,052	3.0%
2008	13,492	830,704	61,570	4.0%
2009	13,600	815,227	59,947	6.6%
2010	13,783	659,875	47,876	7.2%
2011	13,000	691,899	53,223	6.8%
2012	12,987	695,142	53,526	4.7%
2013	13,099	697,561	53,253	4.1%
2014	13,059	731,200	55,992	6.0%
2015	13,494	778,568	57,697	4.8%
2016	13,527	815,210	60,265	4.3%

Sources: HdL Coren & Cone report prepared on 07/19/17

CITY OF SOLANA BEACH

25 MAJOR EMPLOYERS - SAN DIEGO COUNTY  
AS OF 2016

Employer	Category	Business category
Scripps Clinic	3	Clinics
UCSD All Campus Dept Listings	3	College & University Placement Svc
DJO Finance LLC	2	Surgical Appliances-Manufacturers
Kaiser Permanente Vandever Med	2	Physicians & Surgeons
Naval Medical Center San Diego	2	Hospitals
UC San Diego Health	2	Hospitals
Barona Resort & Casino	1	Casinos
Cesar Entertainment	1	Amusement & Recreation NEC
General Dynamics Nassco	1	Ship Builders & Repairers (Mfrs)
Kaiser Permanente Palomar	1	Health Services
Kaiser Permanente San Diego Medical	1	Foundation-Educ Philanthropic Research
Kyocera Communications Inc	1	Electronic Equipment & Supplies-Mfrs
Merchants Building Maintenance	1	Janitor Service
Palomar Pomerado Health Rehab	1	Rehabilitation Services
Rady's Children's Hospital	1	Hospitals
San Diego County Sheriff	1	Police Departments
Scripps Mercy Hospital	1	Hospitals
Scripps Research Institute	1	Laboratories- R&D
Sea World-San Diego	1	Amusement & Theme Parks
Sharp Grossmont Hospital	1	Hospitals
Sharp Grossmont Rehab Center	1	Rehabilitation Services
Sharp Mary Birch Hosp-Women	1	Hospitals
Sharp Memorial Hospital	1	Hospitals
Sony Electronics Inc	1	Electronic Equipment & Supplies-Retail
Tyco Health Care	1	Manufacturers

**Source:**

State of California- Employee Development Department- Major Employers in San Diego for 2017

**Categories**

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

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

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

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

CITY OF SOLANA BEACH

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

Fiscal Years:	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b><u>Function/Program</u></b>				
General government				
City Council	0.20	0.20	0.20	0.20
City Clerk	3.00	3.00	2.75	2.75
City Manager	1.99	1.99	2.24	1.92
Legal Services	0.25	0.25	0.25	0.25
Finance	4.55	4.25	4.25	3.40
Non Deptmental	-	-	-	-
Personnel	1.20	1.20	1.20	1.10
Info/Communication Systems	1.10	1.05	1.05	1.00
Community Development	7.25	6.25	6.00	5.50
Public Safety				
Fire	20.01	20.01	19.25	19.22
Code Enforcement	2.13	2.33	2.00	1.78
Marine Safety	8.67	8.67	8.39	8.08
Junior Lifeguards	1.84	1.84	1.84	3.73
Public Works				
Engineering	4.08	3.59	2.84	2.31
Environmental/Flood Control	1.69	1.65	1.13	1.10
Street Maintenance	3.10	2.95	2.93	2.90
Park Maintenance	1.14	1.40	1.38	1.35
Recreation & Community Services				
Community Services	0.83	0.88	0.88	0.95
Recreation	2.40	2.52	2.52	2.59
Sanitation	2.00	3.01	2.86	2.93
Improvement Districts	1.64	1.64	0.99	0.95
Redevelopment Agency	0.36	0.41	0.45	0.50
Total Personnel	<u>69.43</u>	<u>69.08</u>	<u>65.39</u>	<u>64.51</u>

N/A - Data Not Available

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

**Source:** City of Solana Beach's Annual Budget

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
0.20	0.20	0.20	0.20	0.20	0.20
2.75	2.65	2.60	3.10	3.10	3.10
1.92	1.84	1.74	2.05	2.05	1.80
0.25	0.25	0.25	0.25	0.25	0.25
3.40	3.35	3.80	3.55	3.55	3.55
-	-	-	-	-	-
1.10	0.98	0.95	1.00	1.00	1.15
1.00	1.00	1.00	1.00	1.00	1.00
5.50	5.50	5.40	6.00	6.00	5.80
19.22	19.95	19.95	19.95	19.95	19.95
1.78	1.75	1.75	1.80	1.80	1.80
8.08	8.06	8.06	8.06	9.49	9.49
3.73	3.73	3.73	3.73	3.53	4.03
2.31	2.48	2.41	2.28	2.13	2.73
1.10	1.10	1.10	1.10	1.10	1.05
2.90	2.90	2.90	2.95	2.95	2.95
1.35	1.35	1.35	1.35	1.35	1.35
0.95	0.95	0.95	0.95	0.95	0.90
2.59	2.59	1.49	1.85	1.85	1.80
2.93	2.93	2.98	2.93	3.22	3.12
0.95	0.95	0.95	0.9	0.9	0.9
<u>0.50</u>	<u>0.60</u>	<u>1.05</u>	<u>0.90</u>	<u>0.90</u>	<u>1.10</u>
<u><u>64.51</u></u>	<u><u>65.11</u></u>	<u><u>64.61</u></u>	<u><u>65.90</u></u>	<u><u>67.27</u></u>	<u><u>68.02</u></u>

CITY OF SOLANA BEACH

Operating Indicators by Function/Program  
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Community development					
Number of:					
Business licenses (A)	1786	1634	1641	1943	1877
Plan checks (B)	380	391	322	125	211
Code violations (calendar basis)	1142	821	510	1184	1277
Police (Calendar basis)					
Number of calls for service (C):					
Priority 1	11	13	11	11	12
Priority 2	527	490	504	426	501
Priority 3	1925	1879	1836	1777	1689
Priority 4	1361	1370	1259	1110	1199
FBI Index Crimes	297	352	265	276	337
Fire					
Emergency Responses	1563	1105	1438	1588	1093
Training Hours	3693	4102	2634	5304	n/a
Plan Checks	159	89	101	62	161
Public works					
Miles of:					
Street resurfacing/repair	8*	N/A	60000**	60000**	180000**
Street sweeping	900	900	900	900	900
Number of:					
Street signal maintained	180	180	168	168	168
Trees pruned per year	40	250	287	10	158
Recreation & community services					
Number of enrollees:					
Day camp (Calendar basis)	192	171	212	271	315
Classes (classes offered to san digueto adult school)	217	161	78	48	35
Special events (attendees)	4300	9452	8200	10200	11250

N/A - Data not available

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

(B) - Excludes temporary plan checks.

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

**Sources:** Various city departments.

\* Street Repair in Miles

\*\* Street repair in Square Feet (SF)

\*\*\* Classes offered by Mira Costa College

Fiscal Year

2013	2014	2015	2016	2017
2023	2147	1957	2068	2007
225	276	275	304	284
1458	1467	1016	1240	1124
11	27	12	13	7
480	498	467	437	343
1711	1624	1712	1740	1141
1156	1037	1225	1110	826
321	210	305	240	173
1736	1702	1798	1810	1883
5090	7079.67	6178	5997	4695.6
335	92	289	380	390
150000**	150000**	550000**	5.3*	1.7*
900	900	900*	900*	900*
168	192	192	192	192
500	158	40	40	500
385	280	329	266	315
35	N/A	144	***N/A	***N/A
N/A	7350	10600	7800	8300

CITY OF SOLANA BEACH

Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety					
Code enforcement vehicles	2	2	2	2	2
Fire					
Stations	1	1	1	1	1
Fire Engines	4	4	4	4	4
Other vehicles	2	2	2	2	2
Public works					
Streets (miles)	46	46	46	46	46
Street lights (city-owned)	748	748	748	748	748
Traffic signals	13	13	13	13	13
Public works vehicles	7	7	7	7	7
Public works Corporation Yard	1	1	1	1	1
Recreation & community service					
Community centers	2	2	2	2	2
Parks	3	3	3	3	3
Marine Safety					
Lifeguard Stations*	3	3	3	3	3
Vehicles	5	5	5	5	5

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

**Sources:** Various city departments.

\* Both Fixed and Portable Towers



**Fiscal Year**

2013	2014	2015	2016	2017
2	2	2	2	2
1	1	1	1	1
4	4	3	3	3
2	1	2	2	2
46	46	42	42	42
748	748	527	527	527
16	18	16	16	16
7	8	11	11	12
1	1	1	1	1
2	2	2	2	2
3	3	3	3	3
3	3	3	3	6
5	4	4	4	5

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