City of Solana Beach

Comprehensive Annual Financial Report for Fiscal Year July 1, 2006 - June 30, 2007

CITY OF SOLANA BEACH

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

June 30, 2007

Prepared by the Finance Department

Dennis M. Coleman, Finance Director

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David Kloz, Accountant
Sandi Lewis, Fiscal Services Specialist
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CITY OF SOLANA BEACH

Comprehensive Annual Financial Report

Year ended June 30, 2007

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INTRODUCTORY SECTION

CITY OF SOLANA BEACH
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November 30, 2007

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, 2007.

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

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

Internal Controls

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

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

Annual Audit

Mayer Hoffman McCann P.C., appointed by the City Council, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year end June 30, 2007, 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, 2007, provided no instances of material weaknesses in the internal control structure and no violations of applicable laws and regulations. The independent auditor concluded there was a basis for rendering an unqualified opinion and the City's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MDA)

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

Government Profile

The City of Solana Beach was incorporated July 1, 1986 under the general laws of the State of California and is home to a population of 13,327 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, an affluent coastal community, encompasses approximately 3.4 square miles and is located twenty-one miles north of the City of San Diego. It is bordered to the North, South, and East by the cities of Encinitas, Del Mar, and San Diego respectively, and the Pacific Ocean to the West.

The City is a general law city that operates under the Council-Manager form of government. The City Council is comprised of five members elected at large for

staggered four-year terms of office. The Mayor and Deputy Mayor are selected by the Council from among its members to serve one-year terms. The Council acts as the legislative and policy-making body of the City, enacting all laws and directing such actions as required to provide for the general welfare of the community.

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

Commissions and Committees 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 and Committees assist in the performance of studies and the issuance of recommendations on various matters of concern to the Council.

Budgetary Process and Controls

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

The process is all-inclusive as department directors work with the City Manager and representatives of the Finance Department to discuss departmental requests relative to the City's available resources. The City's overall objectives and goals, along with the economic outlook, serve as a platform for the proposed budget that is distributed to the City Council, and Budget and Finance Committee for preliminary review and analysis in preparation of public workshops and hearings. The public workshops and hearings are

held to facilitate discussions of items contained within the proposed budget and allow the citizenry to participate in the budget process.

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

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

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. The adopted budget for Fiscal Year 2006-07 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 small town atmosphere as well as a close proximity to the City of San Diego. The local beaches are a big attraction to both residents and non-residents. The City is comprised mainly of single-family homes and condominiums with some retail, light industrial, and service entities providing a tax base for the City.

As a suburban community, Solana Beach's economic base is linked primarily to the economy of the greater San Diego region. In particular, the greater San Diego economic

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

The California economy stabilized during the fiscal year despite the State's budget uncertainties, which continue to undermine the State economy. For Fiscal Year 2006-07, evidence from the legislative office suggested that California economy continued its sluggish growth from the previous year and this condition would persist in the coming months. While the residential real estate market remained healthy in this fiscal year, other areas of the economy, including income and spending, remain soft. Solana Beach's conservative fiscal policies will continue to serve the community well during these times of economic uncertainty.

General Fund property taxes have been, and are expected to be, the highest revenue generator for the City. Sales tax is the City's second largest revenue source. During Fiscal Year 2006-07, actual dollars received in General Fund property taxes increased from 2005-06 by $443,016 or 11.5%, while sales tax decreased by $52,629 or 1.7%. Overall, the City's General Fund increased 6.1%. The sound housing market and stable sales tax figures demonstrate that the City of Solana Beach continues to be a desirable place to live and work.

For demographic statistics and property value trends please see Tables 9 and 10 in the Statistical Section of this report.

Major Projects and Financial Planning

Fletcher Cover Master Plan

Construction on this project began in mid-September 2006 and was the park was reopened in time for the summer. The renovation of Fletcher Cove resulted in a more

efficient utilization of the park site through a better layout and design of the facilities. The park now provides more active and passive recreational and park amenities for community residents. It also enhanced the view corridors from Plaza Street and South Sierra by relocating the existing parking to a City-owned lot on South Sierra.

Solana Beach Forcemain

The Forcemain project was completed in June 2007. The Solana Beach Forcemain is located at the north end of the City in the San Elijo Lagoon east of the railroad tracks. The San Elijo Joint Powers Authority (SEJPA) sewage treatment plant is in Cardiff north of Manchester Avenue and west of Interstate-5. A 12-inch forcemain connects the SBPS to the SEJPA. Ninety percent of sewage from Solana Beach flows through this forcemain to the treatment plant. The existing 12-inch asbestos-cement forcemain line was constructed in the mid 1960's. It parallels the railroad tract until it crosses the San Elijo Lagoon to Manchester Avenue in Cardiff. The Solana Beach Sanitary Sewer Master Plan that was adopted by the City Council in 2000 (revised in May 2001) recommended, among other improvements, to replace the existing 12-inch asbestos cement pipe.

I-5/Lomas Santa Fe Interchange

The Interchange project continued this fiscal year with engineering and design work and construction began in September 2007. The I-5/Lomas Santa Fe Interchange will provide for the construction of northbound and southbound loop ramps and the realignment of the northbound off ramp. The project will enhance traffic flow in one of the most congested areas of the City.

Rosa & Cliff Street Bicycle/Pedestrian Bridges

The City embarked on a world-class project to provide vital pedestrian and bicycle links over the railroad tracks between Cedros Avenue and Highway 101. The bridges will also link with the Coastal Rail Trail along Highway 101. The bridges will span approximately 125 and 180 feet in length. The Rosa Street Bridge has been built and is open for service and construction has begun on the Cliff Street Bridge.

The majority of future scheduled projects are infrastructure related. Funds have been allocated for improving the City's storm drain system to comply with State mandated requirements, improving the sanitation pump stations and transmission lines, and improvements to public facilities. Future capital needs of the City are approximately $34.1 million over a five-year period. Most of the funding for these projects is from redevelopment and sanitation funds as well as external funding sources and grants.

Cash Management Policies and Practices

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

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

The average yield on funds invested was 5.11% as compared to 3.85% the previous year. Investment income includes appreciation/depreciation in the fair value of investments. The total investment income for all funds for the year was $1,521,284.

Risk Management

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

Insurance activities are financed by charges to member cities and no long-term debt has been incurred.

As of June 30, 2007, the City is self-insured for each loss up to $100,000. Losses between $100,000 and $2,000,000 are self-funded through the SANDPIPA pool with excess layers between $2,000,000 and $35,000,000 purchased through an insurance policy.

The City has created a risk management fund which aims to maintain a minimum fund balance of $500,000 to adequately fund losses that are within the self-insured retention level of $100,000. The balance in this fund as of June 30, 2007 was $576,683.

Beginning October 1, 2003, the City put in place a program of self-insurance for worker's compensation and employer's liability exposures insurance claims and canceled its coverage with State Fund. Each claim/occurrence will have a self-insured retention of $125,000 with pooled coverage from $125,000 through $145 million with the California State of Association of Counties (CSAC). The balance in this fund as of June 30, 2007 was $616,809.

Employee health benefits are provided by the City through participation in the Public Employee's Retirement System Health Benefits Program that is commonly referred to as PEMCHA.

All claims are investigated, valued, reserved, defended, and/or settled in accordance with generally accepted insurance industry practices.

Pension and Other Post-Employment Benefits

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. The City participates in three separate plans for its Miscellaneous, Fire, and Marine Safety employees. Each year

an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution received from PERS. PERS compiles an actuarial valuation annually which reflects status of the City's three employee groups' funding. The valuations are compiled a year after the collection of the annual required contributions and because of the time lag the City's retirement plans are sometimes underfunded or superfunded. The latest valuation reports received from the PERS actuary, dated October 2007 for the period ended June 30, 2006, reflects that the Miscellaneous plan is under funded by 13.7%; the Fire plan is under funded by 16.1%; and the Marine plan is under funded by 16.1% using an actuarial value of assets calculation (AVA).

The City also provides post-retirement health benefits for certain retirees. As of the end of the current fiscal year there were sixteen retired employees receiving this benefit that is financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. On September 13, 2006, the City Council took adopted Resolution No. 2006-162 which capped the retiree health benefits for eligible retirees, current and employees hired after January 1, 2007. Eligible retirees can receive benefits which are capped at $325 per month, current employees hired before January 1, 2007 receive can receive benefits capped at $290 per month and employees hired after January 2007 can receive benefits at the PEMCHA minimum currently at $ 80.80 per month.

Additional information on the City's pension arrangements and post employment benefits can be found in the Notes to the Financial Statements.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Solana Beach for its Comprehensive Annual Financial Report for the fiscal

year ended June 30, 2006. This was the eighth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,

David Ott
City Manager/Director of Public Safety

Respectfully submitted,

Dennis M. Coleman
Finance Director/City Treasurer

CITY OF SOLANA BEACH
FISCAL YEAR 2006-2007
DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL	TERM EXPIRES
Lesa Heebner, Mayor	November 2008
Joe G. Kellejian, Deputy Mayor	November 2008
David W. Roberts, Council Member	November 2008
Mike Nichols, Council Member	November 2010
Thomas M. Campbell, Council Member	November 2010

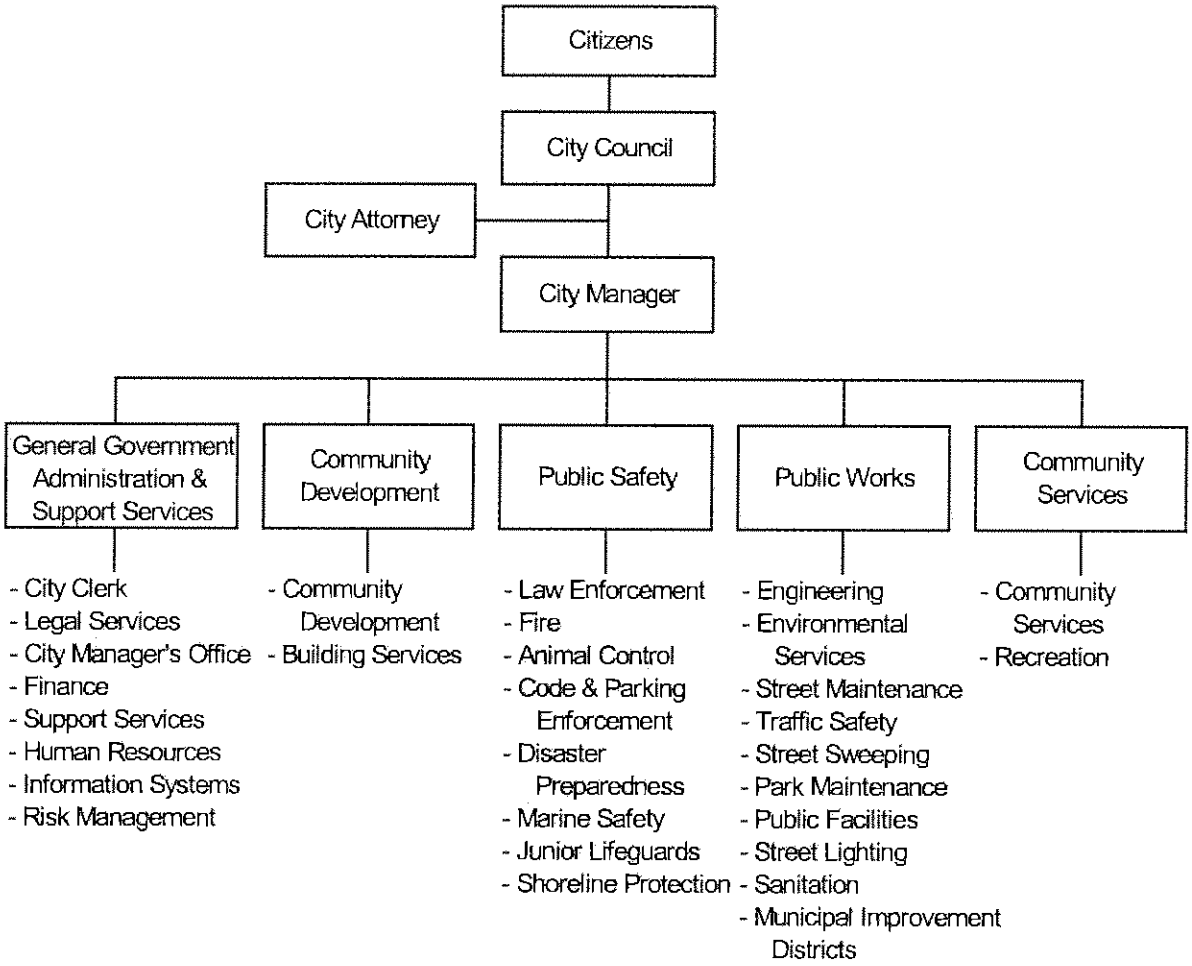
COMMITTEES AND COMMISSIONS

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

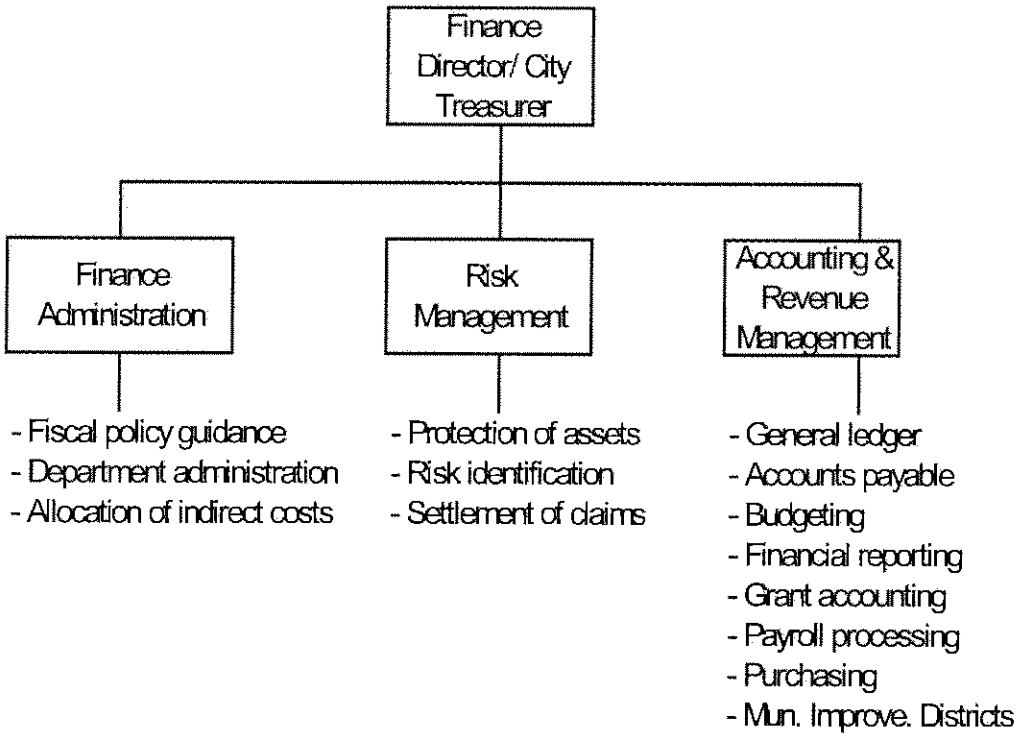
APPOINTED OFFICIALS AND DEPARTMENT DIRECTORS

David Ott	City Manager/Director of Public Safety
James P. Lough	City Attorney
Mary Blais	Interim Director of Community Development
Dennis M. Coleman	Director of Finance/City Treasurer
Chandra Collure	Director of Public Works/City Engineer
Angela Ivey	City Clerk

CITY OF SOLANA BEACH
CITY GOVERNMENT
ORGANIZATIONAL CHART
FISCAL YEAR 2006/2007



CITY OF SOLANA BEACH
FINANCE DEPARTMENT
ORGANIZATIONAL CHART
FISCAL YEAR 2006/2007



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, 2006

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

President

Executive Director

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FINANCIAL SECTION

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Honorable Mayor and City Council
City of Solana Beach, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solana Beach, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Solana Beach. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the respective changes in financial position and cash flows, where applicable, of the City of Solana Beach, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Solana Beach's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
November 30, 2007

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, 2007. It should be read in conjunction with the accompanying transmittal letter beginning on page i and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The City's net assets decreased to $547,898, or by $708, as a result of this year's operations.
- During the year, the City's expenses exceeded taxes, other governmental revenues, and business activity revenues by $708.
- Governmental net assets were $524,704.
- The total revenues from all sources were $22,311.
- The total cost of all City programs was $23,019.
- The General Fund reported an excess of expenditures over revenues and other financing uses of $1,280.
- Actual resources received in the General Fund exceeded final budget by $241 while actual expenditures were $736 less than final budget before other financing uses.
- At the end of the fiscal year, unreserved fund balance for the General Fund was $2,412 or 18.7% of total General Fund expenditures (excluding other financing uses).

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

- Governmental activities - All of the City's basic services are considered governmental activities, including general government, community development, public safety, public works, and community services. Property taxes, transient occupancy taxes, sales taxes, and franchise fees finance most of these activities.

- Proprietary activities/Business type activities - The City charges a fee to customers to cover all or most of the cost of the services provided. The City's Sanitation system is reported in this category.

- Component units - The City's governmental activities include the blending of two separate legal entities: The City of Solana Beach Public Facilities Corporation and the Solana Beach Redevelopment Agency. Although legally separate, these "component units" are important because the City is financially accountable for them. Separate component unit financial statements are issued for the Solana Beach Redevelopment Agency but are not issued for the Solana Beach Public Facilities Corporation since it has had no transactions, nor any assets, liabilities or equity over the past three fiscal years.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

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

City of Solana Beach Net Assets
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	$ 20,807	$ 24,644	$ 34,819	$ 26,637	$ 55,626	$ 51,281
Capital assets, net	513,079	511,559	7,582	4,485	520,661	516,044
Total assets	533,886	536,203	42,401	31,122	576,287	567,325
Liabilities:						
Long-term debt outstanding	6,447	6,681	1,266	8,657	7,713	15,338
Other liabilities	2,735	2,665	17,941	716	20,676	3,381
Total liabilities	9,182	9,346	19,207	9,373	28,389	18,719
Net assets:						
Invested in capital assets, net of debt	508,668	508,883	5,656	4,484	514,324	513,367
Restricted	5,918	6,999	1,021	1,022	6,939	8,021
Unrestricted	10,118	10,975	16,517	16,243	26,635	27,218
Total net assets	$ 524,704	$ 526,857	$ 23,194	$ 21,749	$ 547,898	$ 548,606

The City's combined net assets for the fiscal year ended June 30, 2007 were $547,898. The City has chosen to account for its sanitation operations in an enterprise fund, which is shown as Business Activities on Table 1. The City's net assets for governmental activities decreased from $526,857 to $524,704. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets decreased $3,837 or 15.6% principally due to decreased cash holdings in assessment districts capital project funds for utility undergrounding expenditures and decreased restricted cash with fiscal agent due to monies paid from the Solana Beach Redevelopment Agency debt service and capital project funds for construction expenditures.
- Capital assets increased $1,520 (net of $29,201 depreciation and disposition) as detailed in Table 4. During fiscal year 2006-07, the Fletcher Cove Park renovation was completed in time for a Memorial Day reopening. The renovation removed 60 parking spaces within a 93-space public beach asphalt parking lot and replaced it with grass and park amenities.
- Governmental long-term debt decreased $234 due to routine principle payments made on existing debt. See Table 5 for additional detail.
- Other liabilities increased $70 primarily due to an increase in developer deposits received by the City.
- Investment in capital assets net of debt decreased $215 from an increase in accumulated depreciation over the prior fiscal year.
- Restricted net assets decreased $1,081 primarily due to increased construction payments made from the Solana Beach Redevelopment Agency capital projects fund.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, decreased from $10,975 at June 30, 2006 to $10,118 at the end of this year. This net decrease of $857 is due principally to costs associated with upgrading the City's information systems hardware and software; costs for conducting the Proposition A special election; increased liability premiums and worker compensation payments; increased legal services costs; increased Fire Department overtime and retirement costs; and an increase in the City's contract with the County of San Diego for sheriff services.

Governmental Activities

The cost of all Governmental activities this year was $20,126 as shown on Tables 2 and 2.1. $2,369 of this cost was paid for by those who directly benefited from the programs; $1,896 was subsidized by grants received from other governmental organizations for both capital and operating activities; and $13,708 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were $4,265. Items of significance within Table 2 are:

Revenues:

- Charges for services increased by 3.5% as a result of the first time inclusion of the Coastal Rail Trail municipal improvement district benefit (MID) fees in the MID special revenue fund.
- Grants and contributions decreased by 61.9% due to the one-time recognition in the prior fiscal year of contributions from property owners in the assessment capital improvement funds and the inherent nature of timing differences between actual project expenditures and when reimbursements are received. The City makes every effort to request reimbursement from granting agencies shortly after project expenditures are known and paid.
- The general revenue categories rose over 13.5% predominantly because of increased property and sales tax revenues, transit occupancy tax revenue, and investment income.

Expenses:

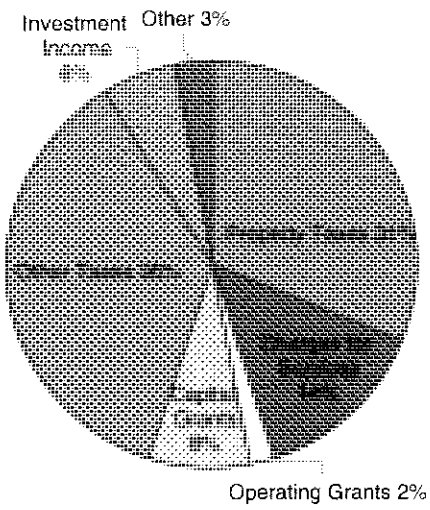
- General Government expenses increased 27.3% due to costs related to the Proposition A special election, upgrades to the information systems hardware and software, increased liability and workers compensation payments, increased legal services expense, increased personnel costs in the Finance Department to cover a staff vacancy, and the remodel of the Council dais.
- The Public Safety line item increased 9.4% due to the annual increase in the County of San Diego's Sheriff contract for police protection; increased code enforcement salaries and benefits and the purchase of a department vehicle; and increased costs for firefighter overtime, temporary help, and retirement costs.
- Public Works experienced a 77.4% increase in expenses primarily due to construction costs for the undergrounding of utilities paid for by assessment districts and costs for the Cliff Street Pedestrian Bridge and the Fletcher Cover Park remodel funded by the Solana Beach Redevelopment District.
- There was a slight increase in Community Development costs. Increases in the Building department from a increase in private construction building permit processing and professional services costs was offset by savings in salaries and benefits in the Planning department.
- Community Services increased 13.7% due to increased salary and benefit costs. Additionally, the Community Services fund was again established separate from the Recreation Services budget
- Interest on Long-term Debt increased by 33.3% due to first time interest payments made on the redevelopment district's tax allocation bonds.

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

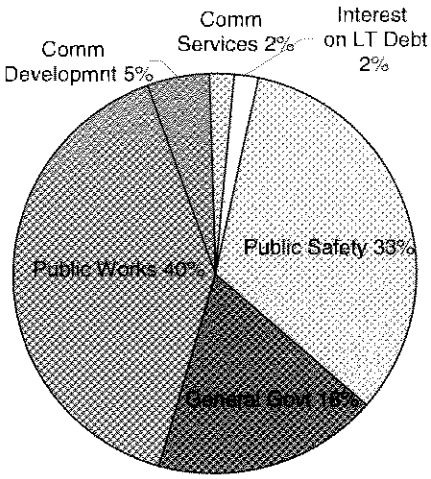
	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$ 2,369	$ 2,288	$ 3,861	$ 3,741	$ 6,230	$ 6,029
Operating grants and contributions	409	315			409	315
Capital grants and contributions	1,487	4,657			1,487	4,657
General revenues:						
Property taxes	5,565	4,479			5,565	4,479
Other taxes	6,519	6,625			6,519	6,625
Other	1,624	970	477	271	2,101	1,241
Total revenues	17,973	19,334	4,338	4,012	22,311	23,346
Expenses:						
General government	3,529	2,773			3,529	2,773
Public safety	6,661	6,087			6,661	6,087
Public works	7,956	4,484			7,956	4,484
Community development	1,092	1,090			1,092	1,090
Community services	448	394			448	394
Interest on long-term debt	440	330			440	330
Sanitation			2,893	2,616	2,893	2,616
Total expenses	20,126	15,158	2,893	2,616	23,019	17,774
Increase/(decrease) in net assets	(2,153)	4,176	1,445	1,396	(708)	5,572
Net assets - 07/01/06	526,857	522,681	21,749	20,353	548,606	543,034
Net assets - 06/30/07	$ 524,704	$ 526,857	$ 23,194	$ 21,749	$ 547,898	$ 548,606

Fiscal Year 2007
Governmental Activities
(Graphic representation of Table 2 in percentages)

Sources of Revenue



Program Expenses



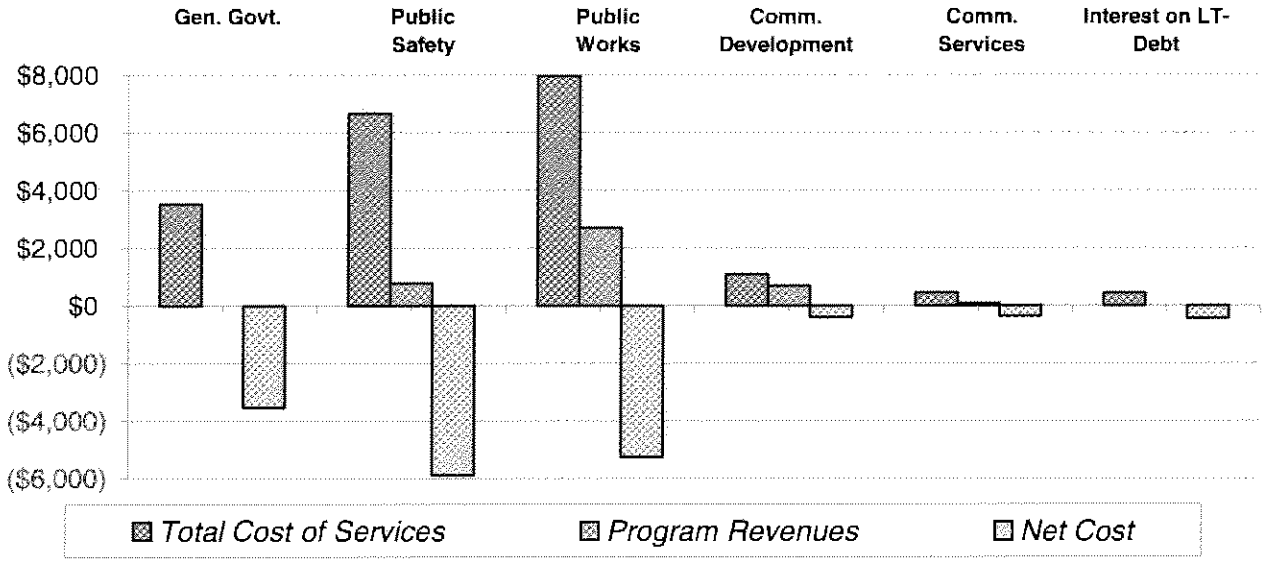
Net Cost of Governmental Activities

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	
	2007	2006	2007	2006	2007	2006
General government	$ 3,529	$ 2,773	$ -	$ -	$ (3,529)	$ (2,773)
Public safety	6,661	6,087	783	797	(5,878)	(5,290)
Public works	7,956	4,484	2,705	5,680	(5,251)	1,196
Community development	1,092	1,090	696	724	(396)	(366)
Community services	448	394	81	59	(367)	(335)
Interest on long-term debt	440	330	-	-	(440)	(330)
Totals	$ 20,126	$ 15,158	$ 4,265	$ 7,260	$ (15,861)	$ (7,898)

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



Total resources available during the year to finance governmental operations were $544,830 consisting of net assets at July 1, 2006 of $526,857, program revenues of $4,265, and general revenues of $13,708. Total governmental activities during the year were $20,126; thus net assets decreased by $2,153 to $524,704.

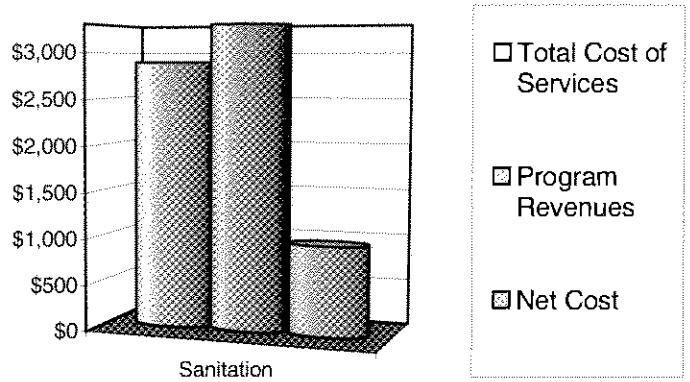
Business Type Activities

Net assets of the Proprietary Fund (Business Type activities) at June 30, 2007 as reflected in Table 1 were $23,194. As shown in Table 3, amounts paid by users of the system were $3,861 while the cost of providing all Proprietary (Business Type) activities this year was $2,893 resulting in a net gain of $968. With the addition of non-operating revenues of $477, assets increased by $1,445 or 6.6%, primarily due to increased investment income and holding expenses in line with revenues.

Table 3
Net Cost of Business Activities
(in Thousands)

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2007	2006	2007	2006	2007	2006
Sanitation	$ 2,893	$ 2,616	$ 3,861	$ 3,741	$ 968	$ 1,125

Fiscal Year 2006
Total Cost of Services, Program Revenues & Net Cost – Business Activities (in thousands)



General Fund Budgetary Highlights

The final appropriations for the City's General Fund at year-end were $736 less than actual expenditures prior to other financing uses. The budget to actual variance in appropriations was principally due to conservative estimates at mid-year by management. Actual revenues compared favorably to the final budget resulting in a $1,424 excess (excluding other financing sources). Budget amendments and supplemental appropriations were made during the normal course of business to increase appropriations for unanticipated expenditures after adoption of the original budget. Significant supplemental appropriations were:

- $207 for increased City Attorney retainer costs and hiring additional outside counsel to address various litigation issues,
- $202 for the former City Manager's separation payment,
- $155 for the Proposition A special election,
- $69 toward consulting services in the Planning Department to cover staff vacancies,
- $35 for software upgrades for the City's financial management system, and
- $46 for the remodel of the Council Dias,

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

- City Manager: savings occurred from a vacate position and lower than anticipated costs in professional services and contingency.
- Information systems: savings occurred in professional services for broadcasting council meetings and maintenance of equipment.
- Marine Services: savings were realized in salaries and benefits paid for lifeguard services.
- Streets and other public works: professional service expense was lower than budgeted in street maintenance, traffic safety, and park maintenance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

At June 30, 2007, net capital assets of the governmental activities totaled $513,079 and the net capital assets of the business-type activities totaled $7,582. Depreciation on capital assets is recognized in the government-wide financial statements. (See Table 4 and Note 5 to the financial statements.)

The City's five-year Capital Improvement Plan projects spending $21,534 through fiscal 2011-12. Over the next five years, funding will come from current fund balances, projected revenues, and the Redevelopment Agency. Significant projects are: the Cliff Street Pedestrian Bridge, the Interstate 5 and Lomas Santa Fe Interchange, rebuilding the Eden Gardens Pump Station, the Solana Beach Pump Station, the Highway 101 Streetscape and Traffic Calming project, and replacement of the Del Mar Shores Staircase.

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

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 473,451	$ 473,451	$ 112	$ 12	$ 473,563	$ 473,463
Buildings & Improvements	8,459	8,539	3,738	3,689	12,197	12,228
Equipment & Vehicles	1,029	931	21	1	1,050	932
Infrastructure	25,821	27,514	-	-	25,821	27,514
Work in Progress	4,319	1,124	3,711	783	8,030	1,907
	$ 513,079	$ 511,559	$ 7,582	$ 4,485	$ 520,661	$ 516,044

Debt

At year-end, the City had $6,447 in governmental type debt and $17,942 in proprietary debt (including premium on debt issuance). The debt is a liability of the government and amounts to $1,656 per capita. (See Table 5 and Note 6 to the financial statements for detailed descriptions)

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

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Lease Revenue Bonds	$ 2,525	$ 2,725	$ -	$ -	$ 2,525	$ 2,725
Tax Allocation Bonds	3,525	3,555			3,525	3,555
JPA Loan Payable	-	-	8,095	8,565	8,095	8,565
Sewer Revenue Bond			9,825		9,825	-
Compensated Absences	271	279	22	17	293	296
Claims Payable	126	122	-	75	126	197
	$ 6,447	$ 6,681	$ 17,942	$ 8,657	$ 24,389	$ 15,338

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2007-2008, the City Council and management were optimistic about revenue stability due to the passage of Proposition 1A which protects local funding for public safety, health, libraries, parks, and other locally delivered services and prohibits the State from reducing local government property tax proceeds. It also requires local sales tax revenues remain with local government and be spent for local purposes. Overall, the budget anticipates General Fund revenue growth of approximately 3.8%. Property Tax and Sales Tax revenues were estimated to grow approximately 5.1 and 3.2% respectively. The CIP budget was set to be $10,364 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.

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BASIC FINANCIAL STATEMENTS

CITY OF SOLANA BEACH
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 2)	$ 18,279,428	3,468,280	21,747,708
Receivables:			
Accounts	75,750	3,606,274	3,682,024
Taxes	517,716	-	517,716
Interest	230,775	47,677	278,452
Prepaid expense	5,331	-	5,331
Due from other governments	59,916	116,233	176,149
Restricted cash with fiscal agent (Note 2)	1,638,941	8,749,326	10,388,267
Long term receivable	-	15,512	15,512
Deferred debt issuance cost	-	1,026,092	1,026,092
Investment in joint venture (including unamortized premium of $238,948) (Note 8)	-	17,790,000	17,790,000
Capital assets (Note 5):		-	
Non-depreciable capital assets	477,770,137	3,822,791	481,592,928
Depreciable capital assets	64,509,592	7,334,379	71,843,971
Less: Accumulated depreciation	(29,200,909)	(3,575,471)	(32,776,380)
Total assets	533,886,677	42,401,093	576,287,770
Liabilities			
Accounts payable	1,525,798	639,159	2,164,957
Accrued salaries and benefits	94,952	4,093	99,045
Accrued interest payable	24,123	291,267	315,390
Deposits payable	942,448	-	942,448
Unearned revenue	147,577	-	147,577
Premium on debt issuance	-	331,177	331,177
Noncurrent liabilities (Note 6):			
Due within one year	349,032	616,802	965,834
Due in more than one year	6,098,400	17,324,824	23,423,224
Total liabilities	9,182,330	19,207,322	28,389,652
Net assets			
Invested in capital assets, net of accumulated depreciation and related debt	508,667,761	5,655,824	514,323,585
Restricted for:			
Community development	424,433		424,433
Public safety	77,127		77,127
Public works	3,920,631		3,920,631
Redevelopment activities	1,495,957		1,495,957
Debt service		1,021,293	1,021,293
Unrestricted	10,118,438	16,516,654	26,635,092
Total net assets	524,704,347	23,193,771	547,898,118

See accompanying notes to basic financial statements.

CITY OF SOLANA BEACH
Statement of Activities
Year ended June 30, 2007

		Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total Program Revenues
Governmental activities:					
General government	$ 3,528,936	-	-	-	-
Public safety	6,660,964	673,678	-	109,462	783,140
Public works	7,956,086	933,500	393,644	1,377,308	2,704,452
Community development	1,092,010	696,403	-	-	696,403
Community services	447,863	65,554	14,944	-	80,498
Interest on long-term debt and other fiscal charges	440,207	-	-	-	-
Total governmental activities	20,126,066	2,369,135	408,588	1,486,770	4,264,493
Business-type activities:					
Sanitation	2,893,009	3,860,416	-	-	3,860,416
Total business-type activities					
Total primary government	$ 23,019,075	6,229,551	408,588	1,486,770	8,124,909

General revenues:
Taxes:
Property taxes
Sales taxes
Transient occupancy taxes
Intergovernmental (unrestricted)
Franchise taxes
Other taxes
Investment income
Uses of money and property
Other

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(3,528,936)	-	(3,528,936)
(5,877,824)	-	(5,877,824)
(5,251,634)	-	(5,251,634)
(395,607)	-	(395,607)
(367,365)	-	(367,365)
(440,207)	-	(440,207)
(15,861,573)	-	(15,861,573)
-	967,407	967,407
(15,861,573)	967,407	(14,894,166)
5,565,440	-	5,565,440
3,070,730		3,070,730
1,013,297	-	1,013,297
1,093,465	-	1,093,465
613,222	-	613,222
728,513	-	728,513
1,044,282	477,002	1,521,284
31,304	-	31,304
548,286	-	548,286
13,708,539	477,002	14,185,541
(2,153,034)	1,444,409	(708,625)
526,857,381	21,749,362	548,606,743
$ 524,704,347	23,193,771	547,898,118

See accompanying notes to basic financial statements.

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CITY OF SOLANA BEACH
Governmental Fund Types
Balance Sheet
June 30, 2007

Assets	General Fund	Special Revenue Transnet	Capital Projects: Assessment Districts	Capital Projects: Solana Beach Redevelopment Agency
Cash and investments (Note 2)	$10,623,478	2,423,727	$ 429,865	$ 114,242
Receivables:				-
Accounts	16,864	-	-	-
Tax	485,352	-	-	-
Interest	162,383	29,236	5,677	-
Prepaid expense	5,331	-	-	-
Due from other governments	59,916	-	-	-
Restricted cash with fiscal agent (Note 2)	-	-	-	687,663
Due from other funds (Note 3)	490,415	-	-	-
Total assets	$11,843,739	$ 2,452,963	$ 435,542	$ 801,905
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 959,910	$ -	$ 128,595	$ 186,338
Accrued liabilities	90,702	-	-	1,290
Deposits payable	867,373	-	75,075	-
Deferred revenue	-	-	-	-
Due to other funds (Note 3)	-	-	-	123,303
Total liabilities	1,917,985	-	203,670	310,931
Fund balances:				
Reserved for encumbrances	239,287	-	6,105	318,176
Reserved for debt service	-	-	-	-
Reserved for housing	-	-	-	-
Reserved for capital projects	-	2,452,963	225,767	172,798
Reserved for developer fees	280,019	-	-	-
Unreserved:				
Designated for:				
Specific projects and programs reported in:				
General fund	6,994,205	-	-	-
Special revenue funds	-	-	-	-
Undesignated, reported in:				
General fund	2,412,243	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances (deficit)	9,925,754	2,452,963	231,872	490,974
Total liabilities and and fund balances	$11,843,739	$ 2,452,963	$ 435,542	$ 801,905

See accompanying notes to basic financial statements.

Other Governmental Funds	Totals 2007	Totals 2006
4,688,116	18,279,428	19,978,467
58,886	75,750	265,209
32,364	517,716	477,737
33,479	230,775	201,886
-	5,331	-
-	59,916	116,036
951,278	1,638,941	3,604,528
123,303	613,718	593,817
5,887,426	21,421,575	25,237,680
250,955	1,525,798	1,436,636
2,960	94,952	184,559
-	942,448	860,460
136,097	136,097	145,559
490,415	613,718	593,817
880,427	3,313,013	3,221,031
1,755,104	2,318,672	1,030,754
1,079,556	1,079,556	2,126,010
596,532	596,532	450,651
117,647	2,969,175	101,141
-	280,019	223,269
-	6,994,205	8,287,170
312,085	312,085	377,623
-	2,412,243	2,284,428
(142,931)	(142,931)	2,438,008
1,289,006	1,289,006	4,697,595
5,006,999	18,108,562	22,016,649
5,887,426	21,421,575	25,237,680

See accompanying notes to basic financial statements.

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CITY OF SOLANA BEACH
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Fund balances of governmental funds	$ 18,108,562
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	542,279,729
Accumulated depreciation	(29,200,909)
Long term debt and compensated absences that have not been included in the governmental fund activity.	
Bonds payable	(6,050,000)
Claims payable	(125,977)
Compensated absences	(271,455)
Accrued interest payable for the current portion of interest due on debt service has not been reported in the governmental funds.	(24,123)
The annual business license revenue collected in January each fiscal year pertains to a license period extending six months into the following fiscal year. Therefore, six months revenue is recorded as deferred revenue.	(11,480)
Net assets of governmental activities	$ 524,704,347

See accompanying notes to basic financial statements.

CITY OF SOLANA BEACH
Governmental Fund Types
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2007

			Capital Projects	
	General Fund	Special Revenue Transnet	Assessment Districts	Solana Beach Redevelopment Agency
Revenues:				
Taxes and assessments	$ 10,399,728	-	-	-
Intergovernmental	1,383,366	409,200	-	-
Licenses and permits	329,903	-	-	-
Charges for services	624,235	-	-	-
Fines and forfeitures	395,038	-	-	-
Contributions from property owners	-	-	782,564	-
Investment income	616,242	114,249	16,770	60,394
Uses of money and property	31,304	-	-	-
Other	336,621	-	-	-
Total revenues	14,116,437	523,449	799,334	60,394
Expenditures:				
Current:				
General government	3,537,134	-	162,862	100,366
Public safety	6,401,718	-	-	-
Public works	1,629,889	-	-	-
Community development	1,090,559	-	-	-
Community services	257,687	-	-	-
Capital outlay	-	94,168	2,982,319	2,225,694
Debt service (Note 6):				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Pass-through payments	-	-	-	-
Total expenditures	12,916,987	94,168	3,145,181	2,326,060
Excess (deficiency) of revenues over (under) expenditures	1,199,450	429,281	(2,345,847)	(2,265,666)
Other financing sources (uses):				
Long-term debt issued (Note 6)	-	-	-	-
Transfers in (Note 4)	-	-	-	1,265,025
Transfers out (Note 4)	(2,479,300)	-	-	-
Total other financing sources (uses)	(2,479,300)	-	-	1,265,025
Net change in fund balances	(1,279,850)	429,281	(2,345,847)	(1,000,641)
Fund balances (deficit), beginning of year	11,205,604	2,023,682	2,577,719	1,491,615
Fund balances (deficit), end of year	$ 9,925,754	$ 2,452,963	$ 231,872	$ 490,974

See accompanying notes to basic financial statements.

Other Governmental Funds	Totals 2007	Totals 2006
1,520,058	11,919,786	10,792,099
621,761	2,414,327	3,592,052
-	329,903	359,960
9,833	634,068	668,976
-	395,038	381,016
-	782,564	2,712,563
243,121	1,050,776	611,382
-	31,304	26,853
240,864	577,485	487,211
2,635,637	18,135,251	19,632,112
9,965	3,810,327	3,074,773
128,022	6,529,740	6,022,168
939,816	2,569,705	2,394,504
-	1,090,559	1,088,025
-	257,687	203,341
1,785,113	7,087,294	2,091,842
230,000	230,000	190,000
297,973	297,973	232,202
170,053	170,053	104,034
3,560,942	22,043,338	15,400,889
(925,305)	(3,908,087)	4,231,223
-	-	3,555,000
2,601,811	3,866,836	3,280,519
(1,387,536)	(3,866,836)	(3,280,519)
1,214,275	-	3,555,000
288,970	(3,908,087)	7,786,223
4,718,029	22,016,649	14,230,426
5,006,999	18,108,562	22,016,649

See accompanying notes to basic financial statements.

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, 2007

Net change in fund balances - total governmental funds	$ (3,908,087)
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities 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, net of disposals	4,141,490
Depreciation, net of accumulated depreciation disposals	(2,621,714)
Proceeds from issuance of bonds payable is a revenue in the governmental funds but increases long-term liabilities in the statement of net assets.	-
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	230,000
Accrued interest for debt service. This is the net change in accrued interest for the current period.	244
Compensated absences and claims payable 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.	3,485
Since the amount of business license revenue collected in January of each fiscal year pertains to a license period extending six months into the following fiscal year, it is recorded as deferred revenue on the statement of net assets.	1,548
Change in net assets of governmental activities	$ (2,153,034)

See accompanying notes to basic financial statements.

CITY OF SOLANA BEACH
Proprietary Fund
Statement of Net Assets
June 30, 2007

	Enterprise Fund-Sanitation	
Assets	**2007**	**2006**
Current assets:		
Cash and investments (Note 2)	$ 3,468,280	6,722,855
Restricted cash with fiscal agent (Note 2)	8,749,326	862,417
Receivables:		
Sewer fees	3,590,011	285,008
Accounts	16,263	23
Interest	47,677	70,703
Due from joint venture	116,233	51,320
Total current assets	15,987,790	7,992,326
Noncurrent assets:		
Sewer fees receivable	15,512	89,838
Deferred debt issuance costs	1,026,092	682,705
Investment in joint venture (including unamortized premium of $238,948) (Note 8)	17,790,000	17,871,647
Capital assets, net (Note 5)	7,581,699	4,485,446
Total noncurrent assets	26,413,303	23,129,636
Total assets	42,401,093	31,121,962
Liabilities		
Current liabilities:		
Accounts payable	639,159	229,940
Accrued salaries and benefits	4,093	3,528
Accrued interest payable	291,267	125,800
Loans payable (Note 6)	615,000	470,000
Compensated absences	1,802	1,390
Total current liabilities	1,551,321	830,658
Noncurrent liabilities:		
Compensated absences payable	19,824	15,290
Claims payable	-	75,000
Premium on debt issuance	331,177	356,652
Loan payable (Note 6)	17,305,000	8,095,000
Total noncurrent liabilities	17,656,001	8,541,942
Total liabilities	19,207,322	9,372,600
Net Assets		
Invested in capital assets, net of accumulated depreciation	5,655,824	4,485,446
Restricted for debt service	1,021,293	1,021,293
Unrestricted	16,516,654	16,242,623
Total net assets	$23,193,771	21,749,362

See accompanying notes to basic financial statements.

CITY OF SOLANA BEACH
Proprietary Fund
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Year Ended June 30, 2007

	Enterprise Fund - Sanitation	
	2007	**2006**
Operating revenues:		
Charges for sales and services:		
Sewer service and connection fees	$ 3,846,613	3,714,144
Other	13,803	27,068
Total operating revenues	3,860,416	3,741,212
Operating expenses:		
Cost of sales and services	1,632,720	1,742,119
Administration	232,986	182,457
Depreciation	169,845	165,271
Total operating expenses	2,035,551	2,089,847
Total operating income	1,824,865	1,651,365
Nonoperating revenues (expenses):		
Investment income	477,002	271,140
Interest expense	(599,408)	(359,592)
Amortization of premium	(10,945)	(10,945)
Share in joint venture net loss	(247,105)	(155,697)
Total nonoperating revenues (expenses)	(380,456)	(255,094)
Net change in net assets	1,444,409	1,396,271
Net assets, beginning of year	21,749,362	20,353,091
Net assets, end of year	$23,193,771	$21,749,362

See accompanying notes to basic financial statements.

CITY OF SOLANA BEACH
Proprietary Fund
Statement of Cash Flows
Year ended June 30, 2007

	Enterprise Fund -Sanitation	
	2007	**2006**
Cash flows from operating activities:		
Cash received from customers and other governments	$ 599,696	3,633,282
Cash payments to suppliers for goods and services	(1,363,414)	(1,530,840)
Cash payments to employees for services	(227,475)	(181,075)
Cash received for other operating activities	13,803	27,068
Net cash provided by operating activities	(977,390)	1,948,435
Cash flows from capital related and financing activities:		
Principal payments on long-term liabilities	(470,000)	(485,475)
Issuance of long-term debt	9,825,000	-
Interest paid on long-term liabilities	(490,482)	(314,661)
Payments on issuance of debt	(477,896)	(408,600)
Purchase of capital assets	(3,266,098)	(227,064)
Net cash used for capital related and financing activities	5,120,524	(1,435,800)
Cash flows from investing activities-interest income	500,028	248,536
Net increase (decrease) in cash and cash equivalents	4,643,162	761,171
Cash and cash equivalents, beginning of year	6,724,505	5,963,334
Cash and cash equivalents, end of year	$11,367,667	6,724,505
Reconciliation of cash equivalents to the statement of net assets		
Cash and investments reported on statement of net assets	3,468,280	6,722,855
Cash and investments with fiscal agent reported on statement of net assets	8,749,326	862,417
Less: Investments that do not qualify as cash equivalents	(849,939)	(860,767)
Cash and cash equivalents	$11,367,667	6,724,505
Reconciliation of operating income to net cash used for operating activities:		
Operating income	$ 1,824,865	1,651,365
Adjustments to reconcile operating income to net cash used for operating activities:		
Depreciation	169,845	165,271
(Increase) decrease in accounts receivable	(16,240)	111,844
(Increase) decrease in sewer fees receivable	(3,230,677)	(141,386)
(Increase) decrease in due from SEPA joint venture	(64,913)	(51,320)
Increase (decrease) in accounts payable and other liabilities	334,784	211,547
Increase (decrease) in compensated absences	4,946	1,114
Net provided by operating activities	$ (977,390)	1,948,435

Noncash investing, capital and financing activities:

During the year June 30, 2007, there were noncash investment activities of: $247,105 which related to the decrease in share of joint venture equity; and $10,945 which related to the amortization of debt premium.

See accompanying notes to basic financial statements.

CITY OF SOLANA BEACH
Agency Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2007

	Totals	
	2007	2006
Assets		
Cash and investments	$ 287,822	153,499
Interest receivable	1,163	91
Taxes receivable	43	-
Total assets	289,028	153,590
Liabilities		
Due to bondholders	289,028	153,590

See accompanying notes to basic financial statements.

CITY OF SOLANA BEACH

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2007

(1) Reporting Entity and Summary of Significant Accounting Policies

(a) Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Financial Reporting Entity

The financial statements of the City of Solana Beach include the financial activities of the City, the Solana Beach Redevelopment Agency (the Agency), and the Solana Beach Public Facilities Corporation.

Since the Solana Beach City Council acts as the Board of Directors and is able to impose its will on the Agency and Public Facilities Corporation, the City is considered to be the primary government and the other entities are component units. Additionally, since the governing boards of the City and the component units are the same, the financial statements of the City and the component units are blended. Separate component unit financial statements are issued for the Agency but are not issued for the Solana Beach Public Facilities Corporation.

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

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(a) Summary of Significant Accounting Policies, (Continued)

rehabilitation and redevelopment in the blighted areas of the Solana Beach Redevelopment Project Area.

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

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting.* Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with GASB Statement No. 33 government-wide activity requirements.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

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

Fund Financial Statements

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

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major fund individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

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

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicles in lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

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

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

Revenues, expenditures, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within the City's adopted policy of 60 days after the fiscal year ends to meet the "available" criteria of revenue recognition. In the past, the industry practice for grants was to recognize revenue in the fiscal year in which the related expense was incurred. Therefore recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

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

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

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expenditure. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

(c) Fund Classifications

The City reports the following major funds:

General Fund. This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications, (continued)

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

Assessment Districts CIP Fund. This fund is used to account for capital projects in the assessment districts.

RDA CIP Fund. This fund is used to account for administration and capital projects in the redevelopment project area.

Enterprise Sanitation Fund. This 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.

The City's fund structure also includes the following fund type:

Agency Funds. This fund is used to account for the Cedros Avenue, Barbara Avenue, and Pacific Avenue Assessment Districts for which the City acts as an agent for debt service activity.

(d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets

The "total fund balances" of $18,108,562 in the City's governmental funds differs from the "net assets" of governmental activities of $524,704,347 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets, (continued)

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	$542,279,729
Accumulated depreciation	(29,200,909)
Total capital assets, net	$513,078,820

Long-term Debt Transactions

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

Bonds payable	$6,050,000
Claims payable	125,977
Compensated absences	271,455
Total long-term liabilities	$6,447,432

Accrued Interest

Accrued liabilities in the statement of net assets differs from the amount reported in governmental funds due to accrued interest on outstanding debt payable (see Note 6).

Accrued interest added	$24,123

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets, (Continued)

Certain Revenue

Business License renewals are billed on January 1, and are due on January 31, for the license period beginning on January 1. Since the amount collected pertains to a license period extending six months into the following fiscal year, the portion of business licenses collected pertaining to the next fiscal year is recorded as *deferred revenue* on the Statement of Net Assets. Such deferred revenues are earned in the subsequent fiscal year.

Business license deferred revenue	$11,480

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets, (Continued)

Assets	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Cash and investments	$ 18,279,428	-	-	-
Receivables:				
Accounts	75,750	-	-	-
Tax	517,716	-	-	-
Interest	230,775	-	-	-
Prepaid expense	5,331	-	-	-
Due from other governments	59,916	-	-	-
Restricted cash with fiscal agent	1,638,941	-	-	-
Due from other funds	613,718	-	-	-
Capital assets	-	542,279,729	-	-
Less: Accumulated depreciation	-	-	(29,200,909)	-
Total assets	$ 21,421,575	542,279,729	(29,200,909)	-
Liabilities and Fund Balances/Net Assets				
Liabilities:				
Accounts payable	$ 1,525,798	-	-	-
Accrued salaries and benefits	94,952	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	942,448	-	-	-
Deferred revenue	136,097	-	-	-
Due to other funds	613,718	-	-	-
Long-term liabilities	-	-	-	6,050,000
Total liabilities	3,313,013	-	-	6,050,000
Fund balances/net assets	18,108,562	542,279,729	(29,200,909)	(6,050,000)
Total liabilities and and fund balances/net assets	$ 21,421,575	542,279,729	(29,200,909)	-

Interest Payable	Claims Payable	Compensated Absences	Certain Revenue	Reclassifications and Eliminations	Statement of Net Assets
-	-	-	-	-	18,279,428
-	-	-	-	-	75,750
-	-	-	-	-	517,716
-	-	-	-	-	230,775
-	-	-	-	-	5,331
-	-	-	-	-	59,916
-	-	-	-	-	1,638,941
-	-	-	-	(613,718)	-
-	-	-	-	-	542,279,729
-	-	-	-	-	(29,200,909)
-	-	-	-	(613,718)	533,886,677
-	-	-	-	-	1,525,798
-	-	-	-	-	94,952
24,123	-	-	-	-	24,123
-	-	-	-	-	942,448
-	-	-	11,480	-	147,577
-	-	-	-	(613,718)	-
-	125,977	271,455	-	-	6,447,432
24,123	125,977	271,455	11,480	(613,718)	9,182,330
(24,123)	(125,977)	(271,455)	(11,480)	-	524,704,347
-	-	-	-	(613,718)	533,886,677

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(e) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds of $(3,908,087) differs from the "change in net assets" for governmental activities of $(2,153,034) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year.

Capital additions, net of disposals	$4,141,490
Depreciation expenses, net of disposals	(2,621,714)
Difference	$1,519,776

Long-term Debt Transactions

Some 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.

Net change in compensated absences	$ 7,043
Net change in claims payable	(3,558)

Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Bond principle payment made	$230,000

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(e) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities, (Continued)

Accrued Interest

Beginning fund balance in the statement of activities has been restated to reflect the retroactive recording of accrued interest on outstanding debt.

Accrued interest added	$244

Certain Revenue

Business License renewals are billed on January 1, and are due on January 31, for the license period beginning on January 1. Since the amount collected pertains to a license period extending six months into the following fiscal year, the portion of business licenses collected pertaining to the next fiscal year is recorded as *deferred revenue* on the Statement of Net Assets. Such deferred revenues are earned in the subsequent fiscal year.

Net change in business license deferred revenue added	$1,548

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(e) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities, (Continued)

	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Revenues:				
Taxes and assessments	$ 11,919,786	-	-	-
Intergovernmental	2,414,327	-	-	-
Licenses and permits	329,903	-	-	-
Charges for services	634,068	-	-	-
Fines and forfeitures	395,038	-	-	-
Contributions from property owners	782,564	-	-	-
Investment income	1,050,776	-	-	-
Uses of money and property	31,304	-	-	-
Other	577,485	-	-	-
Total revenues	18,135,251	-	-	-
Expenditures:				
Current:				
General government	$ 3,810,327	(313,593)	171,879	-
Public safety	6,529,740	(17,183)	148,407	-
Public works	2,569,705	(16,634)	2,109,801	-
Community development	1,090,559	-	1,451	-
Community services	257,687	-	190,176	-
Capital outlay	7,087,294	(3,794,080)	-	-
Debt service:				
Principal retirement	230,000	-	-	(230,000)
Interest	297,973	-	-	-
Pass-through payments	170,053	-	-	-
Total expenses	22,043,338	(4,141,490)	2,621,714	(230,000)
Other financing sources (uses):				
Long-term debt issued	-	-	-	-
Transfers in	3,866,836	-	-	-
Transfers out	(3,866,836)	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances/net assets	(3,908,087)	4,141,490	(2,621,714)	230,000
Fund balances/net assets beginning of year	22,016,649	538,138,239	(26,579,195)	(6,280,000)
Fund balances/net assets, end of year	$ 18,108,562	542,279,729	(29,200,909)	(6,050,000)

Accrued Interest	Claims Payable	Compensated Absences	Certain Revenue	Reclassifications and Eliminations	Statement of Activities
-	-	-	-	(21,081)	11,898,705
-	-	-		-	2,414,327
-	-	-	1,548	-	331,451
-	-	-	-	(136,192)	497,876
-	-	-	-	-	395,038
-	-	-	-	-	782,564
-	-	-	-	(6,494)	1,044,282
-	-	-	-	-	31,304
-	-	-	-	-	577,485
-	-	-	1,548	(163,767)	17,973,032
-	3,558	(7,043)	-	(136,192)	3,528,936
-	-	-	-	-	6,660,964
-	-	-	-	3,293,214	7,956,086
-	-	-	-	-	1,092,010
-	-	-	-	-	447,863
-	-	-	-	(3,293,214)	-
-	-	-	-	-	-
(244)	-	-	-	(6,494)	291,235
-	-	-	-	(21,081)	148,972
(244)	3,558	(7,043)	-	(163,767)	20,126,066
-	-	-	-	-	-
-	-	-	-	(3,866,836)	-
-	-	-	-	3,866,836	-
-	-	-	-	-	-
244	(3,558)	7,043	1,548	-	(2,153,034)
(24,367)	(122,419)	(278,498)	(13,028)	-	526,857,381
(24,123)	(125,977)	(271,455)	(11,480)	-	524,704,347

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(f) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value. These investments are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* reports interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments. The City's practice is to hold investments until maturity.

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by the outside fiscal agent under provisions of the loan payable agreement. Interest income earned on pooled cash and investments is allocated quarterly to the funds based on average monthly cash and investment balances.

(g) Statement of Cash Flows

For purposes of the statement of cash flows the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition, cash invested in the City's cash management pool is considered to be cash equivalents. At June 30, 2007, cash and cash equivalents reported in the Sanitation Enterprise Fund of $11,367,667 consisted of the California Local Agency Investment Fund $3,461,230; cash and investments with fiscal agent of $7,899,387; and pooled deposits in the City's cash management pool of $7,050.

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(h) Capital Assets

Capital assets (including additions to infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of $1,000 (including infrastructure) are capitalized if they have an expected useful life of one year or more.

Capital assets include additions to public domain (infrastructure) general capital assets consisting of certain improvements including roads and streets, curbs, gutters and sidewalks, street lights, signs and signals, park equipment and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government – wide financial statements and in the fund financial statements of the enterprise fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Buildings and improvements	20-50 years
Equipment	3-25 years
Infrastructure - Sewer lines	40-50 years
Infrastructure - Other	20-60 years

(i) Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The 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 levied to the extent that they result in current receivables in accordance with GASB Code Section P70.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than two percent per year. The City receives a share of this basic levy.

(1) Reporting Entity and Summary of Significant Accounting Policies, (Continued)

(j) Amortization Expense in Enterprise Fund

Debt issuance costs totaling $1,237,054 are being amortized in the Sanitation fund over the term of the debt (through the year 2037). Additionally, $437,782 of premium paid on investment in joint venture is being amortized over the estimated life of the investment (through the year 2030).

(k) Compensated Absences

The City accounts for compensated absences in accordance with GASB Statement No. 16. In governmental funds, compensated absences are recorded as expenditures in the year 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 expendable 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. Compensated absences are reported in governmental funds only if they have matured.

(2) Cash and Investments

Cash and investments at June 30, 2007 are reported as follows in the financial statements:

Statement of Net Assets:	
Cash and investments	$21,747,708
Restricted cash and investments with fiscal agent	10,388,267
Statement of Fiduciary Net Assets:	
Cash and investments	287,822
	$32,423,797

(2) Cash and Investments, (Continued)

Cash and investments at June 30, 2007 consisted of the following:

Imprest cash on hand	$ 512
Demand deposits held by City	558,933
Investments held by City:	
Local Agency Investment Fund	21,476,085
Investments held by fiscal agent:	
Money market fund	9,286,552
Federal Agency Securities	1,101,715
Total cash and investments	$32,423,797

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.

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy (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	None	None
U.S. Treasury Bills	Yes	None	60%	None
U.S. Treasury Notes	Yes	5 years	40%	None
U.S. Agency Securities	Yes	5 years	20%	None
Banker's Acceptances	Yes	180 days	10%	None
Commercial Paper	Yes	180 days	10%	10%
Negotiable Certificates of Deposit	No	5 years	10%	None
Repurchase Agreements	No	1 year	None	None
Passbook savings demand deposits	Yes	5 years	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual funds	No	5 years	None	None
Money Market Mutual Funds	No	5 years	None	None
Local Agency Investment Fund (LAIF)	Yes	5 years	$40,000,000	None

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

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund	N/A	None	None
State or Municipal Obligations	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk (continued)

Information about the sensitivity of the fair values of the City's to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity (including investments with fiscal agent):

		Remaining Maturity (in Years)			
Investment Type	Amount	1 Year Or Less	1 to 2 Years	2 to 3 Years	3 to 5 Years
Held by City:					
LAIF	$ 21,476,085	$ 21,476,085	-	-	-
Held by Fiscal Agent:					
Money market funds	9,286,552	9,286,552	-	-	-
Federal Agency (FNMA)	1,101,715	1,101,715	-	-	-
Total	$31,864,352	31,864,352	-	-	-

Disclosures Relating to Credit Risk

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

		Minimum Legal	Ratings as of Year End			
Investment Type		Rating	AAA	AA	A	Not Not Rated
Held by City:						
LAIF	$21,476,085	N/A	-	-	-	21,476,085
Held by fiscal agent:						
Money market funds	9,286,552	N/A	9,286,552	-	-	-
Federal agency	1,101,715	N/A	1,101,715	-	-	-
Total	$31,864,352		10,388,267	-	-	21,476,08

(2) Cash and Investments, (Continued)

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.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2007, 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 reporting government.

Investment in State Investment Pool

The Entity is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Entity's investment in this pool is reported in the accompanying financial statements at amounts based upon the Entity'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.

(3) Interfund Balances

Interfund balances at June 30, 2007 consisted of the following:

	Due from: Nonmajor Funds	Total
Due to:		
General Fund	490,415	490,415
Nonmajor Funds	123,303	123,303
Total	613,718	613,718

The Interfund Balances arise from the advance payment by the City's General Fund for projects, which are reimbursable through various Federal and State Grant Programs. In accordance with the requirements of the Grant Programs, the above expenditures have been incurred and reimbursement is expected to be received within the next fiscal year.

(4) Interfund Transfers

Interfund transfers at June 30, 2007 consisted of the following:

	Transfers In: Nonmajor Funds	Total
Transfers Out:		
General Fund	2,479,300	2,479,300
Nonmajor Funds	1,387,536	1,387,536
Total	3,866,836	3,866,836

The most significant interfund transfers were from the General Fund and the Solana Beach Redevelopment Agency Debt Service fund to the City Capital Projects and Solana Beach Redevelopment Agency Capital Improvement Project funds in order to provide available funds for capital projects During the fiscal year ended June 30, 2007, there were no significant interfund transfers that were not expected, budgeted for, unusual nor of a non-routine nature.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Governmental Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable:				
Land	$ 473,451,238	-	-	473,451,238
Infrastructure construction in progress	1,123,565	3,723,229	527,895	4,318,899
Depreciable:				
Buildings	5,434,448	-	-	5,434,448
Improvements	5,392,949	229,201	12,200	5,609,950
Equipment	1,496,231	346,776	-	1,843,007
Vehicles	1,455,559	20,756	20,122	1,456,193
Infrastructure	49,784,249	381,745	-	50,165,994
Totals at historical cost	538,138,239	4,701,707	560,217	542,279,729
Less accumulated depreciation for:				
Buildings	1,487,435	109,143	-	1,596,578
Improvements	801,100	198,021	9,800	989,321
Equipment	1,161,730	182,816	-	1,344,546
Vehicles	859,413	85,955	20,122	925,246
Infrastructure	22,269,517	2,075,701	-	24,345,218
Total accumulated depreciation	26,579,195	2,651,636	29,922	29,200,909
Total capital assets, net	$511,559,044	2,050,071	530,295	513,078,820

(5) Capital Assets, (Continued)

Business-type Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable:				
Land	11,845	99,861		111,706
Construction in progress	783,453	3,142,815	215,183	3,711,085
Depreciable:				
Buildings and improvements	6,589,457	215,183		6,804,640
Equipment	506,317	23,422		529,739
	7,891,072	3,481,281	215,183	11,157,170
Less accumulated depreciation for:				
Buildings and improvements	2,899,661	167,620		3,067,281
Equipment	505,965	2,225		508,190
Total accumulated depreciation	3,405,626	169,845	-	3,575,471
Total capital assets, net	4,485,446	3,311,436	215,183	7,581,699

Depreciation expense was charged in the following functions in the Statement of Activities:

	Governmental Activities	Business-Type Activities
General Government	$ 181,679	-
Public Safety	168,529	-
Public Works	2,109,801	-
Community Development	1,451	-
Community Services	190,176	-
Sanitation	-	169,845
Total	$2,651,636	169,845

There were no significant construction commitments at June 30, 2007.

(6) Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds:					
2007 tax allocation bonds	$ 3,555,000	-	30,000	3,525,000	30,000
Lease revenue bond-ABAG	2,725,000	-	200,000	2,525,000	205,000
Total bonds	6,280,000	-	230,000	6,050,000	235,000
Other liabilities:					
Compensated absences	278,498	190,763	197,806	271,455	22,621
Claims payable	122,419	59,567	56,009	125,977	91,411
Total other liabilities	400,917	250,330	253,815	397,432	114,032
Total governmental activities	6,680,917	250,330	483,815	6,447,432	349,032
Business-type Activities:					
Loans payable:					
JPA Loan payable-2003	8,565,000	-	470,000	8,095,000	485,000
Sewer revenue bond-2006	-	9,825,000	-	9,825,000	130,000
Total bonds	8,565,000	9,825,000	470,000	17,920,000	615,000
Other liabilities:					
Compensated absences	16,680	10,226	5,280	21,626	1,802
Claims payable	75,000	-	75,000	-	-
Total other liabilities	91,680	10,226	80,280	21,626	1,802
Total business-type activities	8,656,680	9,835,226	550,280	17,941,626	616,802
Total	$15,337,597	10,085,556	1,034,095	24,389,058	965,834

(6) Long-term Liabilities, (Continued)

	Balance June 30, 2007
Governmental Activities:	
2006 Tax Allocation Bonds:	
On June 8, 2006, the Solana Beach Redevelopment Agency issued $3,555,000 of tax allocation bonds to be used for capital projects to alleviate blight in the project area. These bonds have a 30 year maturity with the final maturity paid on June 1, 2036 with interest rates ranging from 3.6% to 5.1%. Interest on the bonds is payable semi-annually on June 1 and December 1 commencing on December 1, 2007.	
The amount on deposit in the Reserve Fund is maintained at the Reserve Requirement (the "Reserve Requirement") at all times prior to the payment of the Bonds in full, except to the extent required for the purposes set forth in the Indenture.	
As defined in the Indenture, "Reserve Requirement" means, excluding therefrom in the case of the Bonds an amount equal to the amount then on deposit in the Escrow Fund and in the case of any Parity Bonds an amount equal to the amount then on deposit in any escrow fund created with respect to such Parity Bonds created pursuant to the Indenture, as of the date of calculation an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of such Bonds; ii) Maximum Annual Debt Service on such Bonds; or (iii) 125% of average Annual Debt Service on such Bonds. As of June 30, 2007, $205,030 was held in reserve.	$3,525,000

(6) Long-term Liabilities, (Continued)

Lease Revenue Bonds:

On January 10, 2002, the City issued $3,465,000 of Series 2002 ABAG Lease Revenue Bonds to advance refund $2,185,000 of the outstanding Certificates of Participation, Series 1992, and $1,125,000 of the outstanding Certificates of Participation, Series 1995, establish a reserve account for the bonds, and to pay the cost of issuing the bonds. $3,504,499 of the 2002 series proceeds were used to purchase U.S. Government securities to advance refund the 1992 and 1995 series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1995 series. As a result, the 1992 and 1995 series certificates of participation are considered to be defeased and the liability for the 1992 and 1995 series has been removed from the Government-wide Statement of Net Assets. The 2002 bonds have annual interest ranging from 3.00% to 5.00% and annual principal installments ranging from $95,000 to $235,000 through December 1, 2023. $2,525,000

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The following liability at June 30, 2007 is expected to be paid in future years from future resources. Compensated absences have been typically liquidated from the General Fund. 271,455

(6) Long-term Liabilities, (Continued)

Claims Payable

The City accounts for material claims and judgments in accordance with GASB Code Section C50. When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self insurance program (See Note 9).

Under the City's self-insurance program, deposits to the San Diego Pooled Insurance Authority (SANDPIPA) are recorded as insurance expenditures when paid. Refunds of deposits from SANDPIPA, based on favorable claims experience in prior years, are recorded as reductions of insurance expense when received (see Note 10). Claims payable has been typically liquidated from the General Fund. 125,977

Total long-term liabilities - governmental activities $6,447,432

Business-Type Activities:

San Elijo Joint Powers Authority Loan Payable-2003:	Balance June 30, 2007
On April 16, 2003, the City of Solana Beach and the San Elijo Joint Powers Authority (JPA) amended a loan agreement whereby the JPA loaned $9,905,000 to the City to refund the 1993 Refunding Revenue Bonds. The 1993 Bonds were originally issued to refinance the cost of acquiring and constructing certain improvements to the San Elijo Wastewater Treatment Facilities owned by the JPA. Funding for the loan was provided through the issuance of Revenue Bonds by the JPA in the amount of $18,640,000. $10,282,918 of the 2003 Series proceeds were used to purchase U.S. Government Securities to advance refund the 1993 Series. As a result, the 1993 Series is considered defeased and the liability has been removed from the Government-wide Statement of Net Assets.	
The amended loan matures on March 1, 2020. Principal payments ranging from $430,000 to $810,000 are due annually on March 1. Interest payments are due semi-annually on September and March 1.	$8,095,000

(6) Long-term Liabilities, (Continued)

2006 Sewer 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 principle payments ranging from $130,000 to $565,000 with the final maturity paid on March 1, 2037. Interest on the bonds is payable semi-annually March 1 and September 1 commencing on September 1, 2007. Interest rates range from 3.42% to 4.45%.

The Bonds are paid solely from, and secured by a pledge of, Installment Payments and moneys in the funds and account held under the Indenture. The Installment Payments are special limited obligations of the City payable solely from and secured by a pledge of and first lien on Residual Net Revenues of the Wastewater System. Residual Net Revenues consist of revenues derived from the Wastewater System and remaining after the payment of operating and maintenance expense and debt service on the JPA Loan Payable – 2003. $9,825,000

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The following liability at June 30, 2007 is expected to be paid from future years from future resources. 21,626

Claims Payable

The City accounts for material claims and judgments in accordance with GASB Code Section C50. When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self insurance program (See Note 9).

(6) Long-term Liabilities, (Continued)

Under the City's self-insurance program, deposits to the San Diego Pooled Insurance Authority (SANDPIPA) are recorded as insurance expenditures when paid. Refunds of deposits from SANDPIPA, based on favorable claims experience in prior years, are recorded as reductions of insurance expense when received (see Note 10).	0
Total long-term liabilities – business-type activities	$17,941,626

Annual Amortization Requirements of Long-Term Liabilities

The annual requirements to amortize loan revenue bonds payable as of June 30, 2007 are as follows:

Governmental Activities:

2007 Tax Allocation Bonds

Year Ending June 30	Principal	Interest	Total
2008	$ 30,000	$ 170,173	$ 200,173
2009	60,000	169,063	229,063
2010	65,000	166,723	231,723
2011	70,000	164,158	234,158
2012	70,000	161,358	231,358
2013-2017	410,000	756,895	1,166,895
2018-2022	520,000	652,755	1,172,755
2023-2027	655,000	515,550	1,170,550
2028-2032	825,000	337,750	1,162,750
2033-2036	820,000	107,100	927,100
	$3,525,000	3,201,525	6,726,525

(6) Long-term Liabilities, (Continued)

Lease Revenue Bonds Payable:

Year Ending June 30	Principal	Interest	Total
2008	$ 205,000	114,181	319,181
2009	220,000	104,656	324,656
2010	225,000	95,756	320,756
2011	235,000	86,263	321,263
2012	95,000	78,894	173,894
2013-2017	540,000	317,906	857,906
2018-2022	685,000	168,547	853,547
2023-2024	320,000	16,250	336,250
	$2,525,000	982,453	3,507,453

Business-type Activities:

San Elijo JPA Loan Payable-2003:

Year Ending June 30	Principal	Interest	Total
2008	$ 485,000	365,650	850,650
2009	500,000	351,100	851,100
2010	515,000	333,600	848,600
2011	535,000	313,000	848,000
2012	560,000	291,600	851,600
2013-2017	3,185,000	1,065,700	4,250,700
2018-2020	2,315,000	235,250	2,550,250
	$8,095,000	2,955,900	11,050,900

(6) Long-term Liabilities, (Continued)

2006 Sewer Revenue Bonds:

Year Ending June 30	Principal	Interest	Total
2008	$ 130,000	$ 459,160	$ 589,160
2009	185,000	405,617	590,617
2010	190,000	399,143	589,143
2011	200,000	392,492	592,492
2012	205,000	385,493	590,493
2013-2017	1,135,000	1,811,900	2,946,900
2018-2022	1,380,000	1,572,031	2,952,031
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
	$9,825,000	7,885,574	17,710,574

(7) Defined Benefit Pension Plan (PERS)

The City of Solana Beach contributes to the California Public Employees Retirement System (PERS), a cost sharing public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 1.3% (2.0% for safety and marine employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

(7) Defined Benefit Pension Plan (PERS), (Continued)

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2004. The contribution rate indicated for the period is 14.944% of payroll for the miscellaneous plan, 32.714% of payroll for the safety plan and 33.735% for the marine plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2007, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2006 to June 30, 2007. For the year ended June 30, 2007, the City's total covered payroll was $4,165,123. The City made employer contributions of $1,282,304 and employees contributed $62,481.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

For both the miscellaneous and marine plan, the unfunded actuarial liability is amortized over a period ending June 30, 2036. For the safety and marine plan, the City was overfunded for the year ended June 30, 2036. Amortization periods are not determined for overfunded plans.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

(7) Defined Benefit Pension Plan (PERS), (Continued)

Three-Year Trend Information For PERS ($ Amount In Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/04 Misc.	$211	100%	-
6/30/04 Fire	277	100%	-
6/30/04 Marine	38	100%	-
	$526		-
6/30/05 Misc.	$465	100%	-
6/30/05 Fire	431	100%	-
6/30/05 Marine	58	100%	-
	$954		-
6/30/06 Misc.	$ 573	100%	-
6/30/06 Fire	597	100%	-
6/30/06 Marine	90	100%	-
	$1,260		-

(8) 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, 2007 is as follows:

(8) Investment in Joint Venture, (Continued)

Operating revenues	$ 4,729,961
Operating expenses	(5,250,923)
Non-operating revenues (net of expenses)	21,145
Capital grants	358,414
Net change in net assets	$ (141,403)
Total assets	$63,080,939
Total liabilities	$27,978,835
Fund equity:	
Net assets - total fund equity	$35,102,104

Prior to the formation of the San Elijo Joint Powers Authority (SEJPA), 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 or 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, 2007 is as follows:

June 30, 2006 Balance	$17,621,754
Add: Unamortized premium	249,893
	17,871,647
FYE June 30, 2007 activity:	
Increase (decrease) in investment in joint venture	(70,702)
Less: Amortization of premium	(10,945)
Total investment at June 30, 2007	$17,790,000

At June 30, 2007 the SEJPA had $15,180,000 in 2003 Refunding Revenue Bonds outstanding (See Note 6). 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.

(9) Solana Beach Sanitation Enterprise Fund Debt Service Coverage

2003 San Elijo JPA Refunding Revenue Bonds:

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

	Fiscal Year 2006-07
Revenues:	
Operating revenues-service charges and connection fees	$3,846,613
Other operating	13,803
Non-operating revenues	477,002
Gross revenues	4,337,418
Less: Operations, non-operations and maintenance expenses	2,893,009
Net income	1,444,409
Add back:	
Interest expense (accrual method of accounting)	373,483
Depreciation and amortization	169,845
Amortization of bond issuance costs	48,765
Amortization of investment in JPA	10,945
Net revenues available for debt service	2,047,447
Debt service:	
2003 Refunding Revenue bonds:	
Interest charges	373,483
Principal repayment	470,000
Total debt service	843,483
Coverage by net revenues available for debt service	2.43

(9) Solana Beach Sanitation Enterprise Fund Debt Service Coverage, (Continued)

2006 Sewer Revenue Bonds:

The City covenants under the 2006 Sewer 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. There was no debt service coverage requirement for fiscal year ended June 30, 2007.

(10) Risk Management

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

1. General Liability: The City self-insures for the first $100,000 of each occurrence. Specific coverage includes property damage, municipal errors and omissions, automobile, and personal injury. This coverage is limited to $15,000,000 in annual aggregate claims per policy year.

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

Worker's Compensation Insurance coverage was carried with the State Compensation Insurance Fund for all work-related injuries through September 30, 2004. As of October 1, 2004, the City began to self-insure itself for workers compensation coverage.

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

(10) Risk Management, (Continued)

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

SANDPIPA monitors the progress of claims/suits that are reported. The City records a liability up to the amount of its self-insurance retention (See Note 6). The City has not knowledge of any material liability in excess of insurance coverage for known suits or claims.

The following represents changes in the claims liability for the two years ended June 30, 2007 and 2006:

	2007	2006
Unpaid claim liabilities, beginning of year	$122,419	166,813
Incurred claims and claims adjustment	59,567	82,419
Net decrease in provision for insured events in prior fiscal years	(56,009)	(126,813)
Unpaid claim liabilities, end of year	$125,977	122,419

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2005-2006 to fiscal year 2006-2007. Furthermore, there was no settlement that exceeded the insurance coverage for the past three fiscal years.

(11) Other Required Disclosures

Deficit Fund Balances

The following Special Revenue funds reported a deficit fund balance at June 30, 2007:

Proposition A	$ 596
TEA 21 and TEA	324,666
CDBG	14,829

The deficit fund balances noted above are expected to be eliminated through future grant reimbursement.

(12) Assessment Districts

Cedros Avenue Assessment District:

During July 1989, the Cedros Avenue Assessment District No. 1 issued Improvement Bonds totaling $216,939 (less bond issuance costs of $19,807) to finance various capital improvements. The outstanding bonds at June 30, 2007 were approximately $12,700.

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. The outstanding bonds at June 30, 2007 were $2,112,000.

South Solana Sewer District:

In November 2006, the Solana Beach Public Financing Authority issued Limited Obligation Improvement Bonds totalizing $570,000 (less bond issuance costs of $5,742) to finance the construction of sewer improvements to connect 51 properties of the South Solana Beach Sewer District assessment district to the City's sewer system. The outstanding bonds at June 30, 2007 were $570,000.

The City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds, and therefore the bonded indebtedness is not shown in the financial statements of the City.

(13) Reserves and Designations for Fund Equity

In the Governmental Fund Types Balance Sheet, fund balances are classified in the following categories:

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

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

Reserved for housing – The reserve for low and moderate income housing is in accordance with the California Health and Safety Code.

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOLANA BEACH
General Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
Revenues:	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Taxes and assessments:					
Property	$ 4,910,000	5,050,000	4,808,847	(241,153)	4,313,211
Sales	3,100,000	2,476,400	3,070,730	594,330	2,943,359
Franchise and other	2,414,600	3,069,200	2,520,151	(549,049)	2,389,904
Intergovernmental	1,180,700	1,302,700	1,383,366	80,666	1,326,445
Licenses and permits	270,000	310,000	329,903	19,903	359,960
Charges for services	442,000	495,000	624,235	129,235	655,250
Fines and forfeitures	352,000	366,300	395,038	28,738	381,016
Investment income	360,800	450,800	616,242	165,442	423,489
Revenues from use of money and property	35,000	35,000	31,304	(3,696)	26,853
Other	409,800	319,800	336,621	16,821	479,830
Total revenues	13,474,900	13,875,200	14,116,437	241,237	13,299,317
Expenditures:					
General government:					
City council	276,000	332,850	312,909	19,941	206,673
City clerk	287,400	459,200	448,744	10,456	248,812
Legal services	271,200	485,800	485,778	22	340,612
Manager	352,500	563,900	456,188	107,712	391,930
Finance	610,000	659,387	636,209	23,178	510,537
Personnel	207,800	207,800	195,141	12,659	257,508
Information systems	302,800	578,716	498,538	80,178	305,406
Support services	520,100	527,200	503,627	23,573	369,192
Total general government	2,827,800	3,814,853	3,537,134	277,719	2,630,670
Public safety:					
Junior lifeguard	118,900	118,900	81,902	36,998	85,107
Marine safety	644,650	644,650	570,033	74,617	565,249
Law enforcement	2,614,500	2,614,500	2,604,203	10,297	2,403,199
Code & parking enforcement	202,600	202,600	192,674	9,926	120,447
Fire	2,800,100	2,800,100	2,767,304	32,796	2,539,548
Animal regulation	69,600	69,600	64,168	5,432	69,623
Civil defense	39,000	46,200	42,178	4,022	35,352
Environmental services	66,500	84,020	79,256	4,764	76,400
Total public safety	6,555,850	6,580,570	6,401,718	178,852	5,894,925

CITY OF SOLANA BEACH
General Fund
Budgetary Comparison Schedule
Year ended June 30, 2007
(Continued)

	2007				2005
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Public works:					
Street and other	1,166,300	1,227,770	1,050,484	177,286	997,970
Public facility	162,500	170,755	142,915	27,840	146,082
Engineering	463,800	480,007	436,490	43,517	419,488
Total public works	1,792,600	1,878,532	1,629,889	248,643	1,563,540
Community development:					
Planning	706,600	764,932	764,726	206	652,108
Building services	266,000	326,000	325,833	167	435,917
Total community development	972,600	1,090,932	1,090,559	373	1,088,025
Community services:					
Community services	96,700	96,700	85,065	11,635	-
Recreation programs	178,300	191,400	172,622	18,778	203,341
Total community services	275,000	288,100	257,687	30,413	203,341
Total expenditures	12,423,850	13,652,987	12,916,987	736,000	11,380,501
Excess (deficiency) of revenues over expenditures	1,051,050	222,213	1,199,450	977,237	1,918,816
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(1,212,100)	(2,479,300)	(2,479,300)	-	(1,407,742)
Net change in fund balance	(161,050)	(2,257,087)	(1,279,850)	977,237	511,074
Fund balance, July 1	11,205,604	11,205,604	11,205,604	-	10,694,530
Fund balance, June 30	$11,044,554	8,948,517	9,925,754	977,237	11,205,604

CITY OF SOLANA BEACH
TRANSNET Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ 475,000	475,000	409,200	(65,800)	475,000
Investment income	60,000	60,000	114,249	54,249	66,792
Total revenues	535,000	535,000	523,449	(11,551)	541,792
Expenditures:					
Current:					
Capital outlay	1,601,000	1,697,300	94,168	1,603,132	127,340
Excess (deficiency) of revenues over (under) expenditures	(1,066,000)	(1,162,300)	429,281	1,591,581	414,452
Other financing uses:					
Transfers out	-	-	-	-	(65,072)
Net change in fund balance	(1,066,000)	(1,162,300)	429,281	1,591,581	349,380
Fund balance, July 1	2,023,682	2,023,682	2,023,682	-	1,674,302
Fund balance, June 30	$ 957,682	861,382	2,452,963	1,591,581	2,023,682

CITY OF SOLANA BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

(1) Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and used as a management control device. Annual appropriated budgets are adopted for the general, special revenue, debt service and capital project funds (with the exception of the Assessment District capital project funds). Certain funds did not have original budgets adopted; however, these funds did have budgets adopted before fiscal year end. The City Manager is authorized to transfer budgeted amounts between accounts within any department and fund. Expenditures may not exceed appropriations at the fund level. Annual appropriations lapse at fiscal year end. Selected appropriations are carried over. Project-length financial plans are adopted for the City capital projects.

(2) Expenditures in Excess of Appropriations

No funds had expenditures that exceeded appropriations.

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SUPPLEMENTARY SCHEDULES

CITY OF SOLANA BEACH
Non-Major Funds
Combining Balance Sheet
June 30, 2007

Assets	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Totals 2007	Totals 2006
Cash and investments	$ 2,392,160	266,646	2,029,310	4,688,116	3,461,429
Receivables:					
Accounts	50,381	-	8,505	58,886	218,172
Tax	16,091	16,273	-	32,364	19,867
Interest	24,366	3,911	5,202	33,479	33,283
Due from other governments	-	-	-	-	-
Restricted cash with fiscal agent	-	951,278	-	951,278	3,604,528
Due from other funds	-	123,303	-	123,303	-
Total assets	$ 2,482,998	1,361,411	2,043,017	5,887,426	7,337,279
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 78,831	146,980	25,144	250,955	384,689
Accrued liabilities	2,960	-	-	2,960	3,570
Deferred revenue	136,097	-	-	136,097	145,559
Due to other funds	355,540	134,875	-	490,415	593,817
Total liabilities	573,428	281,855	25,144	880,427	1,127,635
Fund balances:					
Reserved for encumbrances	1,143,884	-	611,220	1,755,104	620,017
Reserved for debt service	-	1,079,556	-	1,079,556	2,126,010
Reserved for housing	596,532	-	-	596,532	450,651
Reserved for capital projects	-	-	117,647	117,647	101,141
Unreserved:					
Designated for specific projects and programs reported in:					
Special revenue funds	312,085	-	-	312,085	377,623
Undesignated, reported in:					
Special revenue funds	(142,931)	-	-	(142,931)	414,326
Capital projects fund	-	-	1,289,006	1,289,006	2,119,876
Total fund balances	1,909,570	1,079,556	2,017,873	5,006,999	6,209,644
Total liabilities and fund balanaces	$ 2,482,998	1,361,411	2,043,017	5,887,426	7,337,279

CITY OF SOLANA BEACH
Non-Major Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Fund	Capital Project Fund	Totals 2007	Totals 2006
Revenues:					
Taxes and assessments	$ 877,615	612,555	29,888	1,520,058	722,821
Intergovernmental	621,761	-	-	621,761	2,485,540
Charges for services	9,833	-	-	9,833	16,510
Contributions from property owners	-	-	-	-	-
Investment income	96,125	108,518	38,478	243,121	110,815
Other	43,087	-	197,777	240,864	6,005
Total revenues	1,648,421	721,073	266,143	2,635,637	3,341,691
Expenditures:					
Current:					
General government	-	9,965	-	9,965	2,466
Public safety	128,022	-	-	128,022	247,667
Public works	839,746	-	100,070	939,816	640,127
Capital outlay	513,372	-	1,271,741	1,785,113	4,154,864
Debt service:					
Principal retirement	-	230,000	-	230,000	224,025
Interest	-	297,973	-	297,973	139,681
Pass-through payments	-	170,053	-	170,053	
Total expenditures	1,481,140	707,991	1,371,811	3,560,942	5,408,830
Excess (deficiency) of revenues over (under) expenditures	167,281	13,082	(1,105,668)	(925,305)	(2,067,139)
Other financing sources:					
Long-term debt issued	-	-	-	-	-
Transfers in	122,511	328,000	2,151,300	2,601,811	1,246,722
Transfers out	-	(1,387,536)	-	(1,387,536)	(2,195)
Net change in fund balances	289,792	(1,046,454)	1,045,632	288,970	(822,612)
Fund balances, July 1	1,619,778	2,126,010	972,241	4,718,029	4,358,508
Fund balances, June 30	$ 1,909,570	1,079,556	2,017,873	5,006,999	3,535,896

NON-MAJOR SPECIAL REVENUE FUNDS

The following Special Revenue Funds have been classified as non-major funds in the accompanying financial statements:

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

SEEG Fund – The SEEG Fund is used to account for the State Environment Enhancement Grant.

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

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

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

TEA 21/TEA Fund – The Intermodal Surface Transportation Enhancement Act (ISTEA) and Transportation Enhancement Act (TEA) Fund accounts for transportation grant related receipts and expenditures

COPS Fund – The COPS Fund is used to account for federal and state grants received for police services.

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

Transportation Development Act Fund – The Transportation Development Act Fund is used to account for revenues and expenditures made for transportation development, transit and related studies. Funding is provided to the City as a secondary recipient under agreements with the County of San Diego and with the San Diego Association of Governments.

NON-MAJOR SPECIAL REVENUE FUNDS, (CONTINUED)

CDBG Fund – The CDBG Fund is used to account for the federal block grant for community development.

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

Boating and Waterways Fund – The Boating and Waterways Fund is used to account for grants received from the Department of Boating and Waterways. These funds are being used to fund the Army Corp. of Engineers beach replenishment study.

Miscellaneous Grant Fund – The Miscellaneous Grant Fund is used to account for grants received to fund the Coastal Rail Trail.

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

Housing Fund – The Housing Fund is used to account for resources reserved to provide for low and moderate income housing.

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CITY OF SOLANA BEACH
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2007

Assets	Gas Tax	Municipal Improvement Districts	SEEG	Lighting District	Coastal Business Visitors
Cash and investments	$ 220,053	350,193	693	981,698	10,691
Accounts receivable	24,835	-	-	-	-
Taxes receivable	-	3,962	-	3,808	4,253
Interest receivable	1,975	2,707	-	12,448	-
Due from other	-	-	-	-	-
governmental agencies	-	-	-	-	-
Total assets	$ 246,863	356,862	693	997,954	14,944
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 385	36,434	-	11,167	-
Accrued liabilities	-	838	-	2,122	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	385	37,272	-	13,289	-
Fund balances (deficit):					
Reserved for encumbrances	-	7,505	-	8,331	10,000
Reserved for low and moderate income housing	-	-	-	-	-
Unreserved; designated for specific projects and programs	-	312,085	-	-	-
Unreserved; undesignated	246,478		693	976,334	4,944
Total fund balances (deficit)	246,478	319,590	693	984,665	14,944
Total liabilities and fund balances	$ 246,863	356,862	693	997,954	14,944

Proposition A	TEA 21 & TEA	COPS	Fire Mitigation	Transportation Development Act	CDBG	CALTRANS
-	-	154,706	79,045	8,537	-	-
-	-	-	-	-	-	5,546
-	-	-	-	-	-	-
-	-	456	860	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	155,162	79,905	8,537	-	5,546
-	9,002	19,065	2,778	-	-	-
-	-	-	-	-	-	-
-	-	136,097	-	-	-	-
596	315,664	-	-	-	14,829	4,503
596	324,666	155,162	2,778	-	14,829	4,503
1,109,465	8,583	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,110,061)	(333,249)	-	77,127	8,537	(14,829)	1,043
(596)	(324,666)	-	77,127	8,537	(14,829)	1,043
-	-	155,162	79,905	8,537	-	5,546

(continued)

CITY OF SOLANA BEACH
Non-Major Special Revenue Funds
Combining Balance Sheet
(Continued)

Assets	Dept. of Boating & Waterways	Miscellaneous Grants Fund	Redevelopment Agency Low/Mod Housing	Housing Fund
Cash and investments	$ -	-	197,056	389,488
Accounts receivable	-	20,000	-	-
Taxes receivable	-	-	4,068	-
Interest receivable	-	-	978	4,942
Due from other	-	-	-	-
governmental agencies	-	-	-	-
Total assets	$ -	20,000	202,102	394,430
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	-	-	-
Accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	19,948	-	-
Total liabilities	-	19,948	-	-
Fund balances (deficit):				
Reserved for encumbrances	-	-	-	-
Reserved for low and moderate income housing	-	-	202,102	394,430
Unreserved; designated for specific projects and programs	-	-	-	
Unreserved; undesignated	-	52	-	-
Total fund balances (deficit)	-	52	202,102	394,430
Total liabilities and fund balances	$ -	20,000	202,102	394,430

Totals	
2007	2006
2,392,160	2,144,667
50,381	195,672
16,091	7,793
24,366	20,303
-	-
2,482,998	2,368,435
78,831	141,717
2,960	2,439
136,097	145,559
355,540	458,942
573,428	748,657
1,143,884	377,178
596,532	450,651
312,085	377,623
(142,931)	414,326
1,909,570	1,619,778
2,482,998	2,368,435

CITY OF SOLANA BEACH
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2007

	Gas Tax	Municipal Improvement Districts	SEEG	Lighting District	Coastal Business Visitors
Revenues:					
Taxes and assessments	-	481,518	-	381,153	14,944
Intergovernmental	350,557	2,865	-	3,221	-
Charges for services	-	-	-	-	-
Investment income	6,125	14,326	-	45,362	-
Other income	43,087	-	-	-	-
Total revenues	399,769	498,709	-	429,736	14,944
Expenditures:					
Current:					
Public safety	-	-	-	-	-
Public works	-	556,742	-	274,755	-
Capital outlay	294,948	-	-	-	-
Total expenditures	294,948	556,742	-	274,755	-
Excess (deficiency) of revenues over (under) expenditures	104,821	(58,033)	-	154,981	14,944
Other financing sources:					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Net change in fund balances	104,821	(58,033)	-	154,981	14,944
Fund balances (deficit), July 1, as restated	141,657	377,623	693	829,684	-
Fund balances (deficit), June 30	246,478	319,590	693	984,665	14,944

Proposition A	TEA 21 & TEA	COPS	Fire Mitigation	Transportation Development Act	CDBG	CALTRANS
-	-	-	-	-	-	-
-	-	109,462	-	-	35,369	21,227
-	-	-	9,833	-	-	-
-	-	2,842	3,748	234	-	-
-	-	-	-	-	-	-
-	-	112,304	13,581	234	35,369	21,227
-	-	112,304	15,718	-	-	-
8,249	-	-	-	-	-	-
-	144,516	-	-	50,582	23,326	-
8,249	144,516	112,304	15,718	50,582	23,326	-
(8,249)	(144,516)	-	(2,137)	(50,348)	12,043	21,227
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(8,249)	(144,516)	-	(2,137)	(50,348)	12,043	21,227
7,653	(180,150)	-	79,264	58,885	(26,872)	(20,184)
(596)	(324,666)	-	77,127	8,537	(14,829)	1,043

(continued)

CITY OF SOLANA BEACH
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
(Continued)

	Dept. of Boating & Waterways	Miscellaneous Grants Fund	Redevelopment Agency Low/Mod Housing	Housing Fund
Revenues:				
Taxes and assessments	-	-	-	-
Intergovernmental	-	99,060	-	-
Charges for services	-	-	-	-
Investment income	118	-	3,862	19,508
Other income	-	-	-	-
Total revenues	118	99,060	3,862	19,508
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	118	99,060	3,862	19,508
Other financing sources:				
Transfers in	-	-	122,511	-
Transfers out	-	-	-	-
Net change in fund balances	118	99,060	126,373	19,508
Fund balances (deficit), July 1, as restated	(118)	(99,008)	75,729	374,922
Fund balances (deficit), June 30	-	52	202,102	394,430

Totals	
2007	2006
877,615	768,044
621,761	1,790,607
9,833	13,726
96,125	71,470
43,087	-
1,648,421	2,643,847
128,022	127,243
839,746	695,964
513,372	813,190
1,481,140	1,636,397
167,281	1,007,450
122,511	140,588
-	(75,000)
289,792	1,073,038
1,619,778	546,740
1,909,570	1,619,778

CITY OF SOLANA BEACH
Gas Tax Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ 316,300	316,300	350,557	34,257	312,172
Investment income	2,500	2,500	6,125	3,625	2,197
Other income	-	-	43,087	43,087	-
Total revenues	318,800	318,800	399,769	80,969	314,369
Expenditures:					
Current:					
Capital outlay	295,000	593,087	294,948	298,139	380,308
Net change in fund balance	23,800	(274,287)	104,821	379,108	(65,939)
Fund balance, July 1	141,657	141,657	141,657	-	207,596
Fund balance (deficit), June 30	$ 165,457	(132,630)	246,478	379,108	141,657

CITY OF SOLANA BEACH
Municipal Improvement Districts Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Taxes and assessments	$ 467,000	467,000	481,518	14,518	404,250
Intergovernmental	3,000	5,200	2,865	(2,335)	2,993
Investment income	13,800	11,600	14,326	2,726	12,943
Total revenues	483,800	483,800	498,709	14,909	420,186
Expenditures:					
Current:		-	-		-
Public works	522,800	585,860	556,742	29,118	451,375
Net change in fund balance	(39,000)	(102,060)	(58,033)	44,027	(31,189)
Fund balance, July 1	377,623	377,623	377,623	-	408,812
Fund balance, June 30	$ 338,623	275,563	319,590	44,027	377,623

CITY OF SOLANA BEACH
SEEG Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ -	-	-	-	133,050
Expenditures:					
Current:					
Capital outlay	-	-	-	-	-
Net change in fund balance	-	-	-	-	133,050
Fund balance (deficit), July 1	693	693	693	-	(132,357)
Fund balance (deficit), June 30	$ 693	693	693	-	693

CITY OF SOLANA BEACH
Lighting District Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Taxes and assessments	$ 361,500	361,500	381,153	19,653	363,794
Intergovernmental	3,200	3,200	3,221	21	3,341
Investment income	2,600	26,000	45,362	19,362	28,037
Total revenues	367,300	390,700	429,736	39,036	395,172
Expenditures:					
Current:		-	-		-
Public works	265,100	267,600	274,755	(7,155)	244,589
Capital outlay	157,000	157,000	-	157,000	34,593
Total expenditures	422,100	424,600	274,755	149,845	279,182
Net change in fund balance	(54,800)	(33,900)	154,981	188,881	115,990
Fund balance, July 1	829,684	829,684	829,684	-	713,694
Fund balance, June 30	$ 774,884	795,784	984,665	188,881	829,684

CITY OF SOLANA BEACH
Coastal Business Visitors Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Taxes and assessments	$ -	-	14,944	14,944	-
Expenditures:					
Current:					
Community development	-	10,000	-	10,000	-
Net change in fund balance	-	(10,000)	14,944	4,944	-
Fund balance (deficit), July 1	-	-	-	-	-
Fund balance (deficit), June 30	$ -	(10,000)	14,944	4,944	-

CITY OF SOLANA BEACH
Proposition A Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ 900,000	1,150,000	-	(1,150,000)	-
Investment income	-	-	-	-	2,105
Total revenues	900,000	1,150,000	-	(1,150,000)	2,105
Expenditures:					
Current:					
Public works	-	-	8,249	(8,249)	-
Capital outlay	856,200	1,109,465	-	1,109,465	118,622
Total expenditures	856,200	1,109,465	8,249	1,101,216	118,622
Excess (deficiency) of revenues over (under) expenditures	43,800	40,535	(8,249)	(48,784)	(116,517)
Other financing sources:					
Transfers in	-	-	-	-	65,072
Net change in fund balance	43,800	40,535	(8,249)	(48,784)	(51,445)
Fund balance, July 1	7,653	7,653	7,653	-	59,098
Fund balance (deficit), June 30	$ 51,453	48,188	(596)	(48,784)	7,653

CITY OF SOLANA BEACH
TEA 21 and TEA Special Revenue Funds
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ -	-	-	-	643,405
Expenditures:					
Capital outlay	-	973,000	144,516	828,484	171,419
Net change in fund balance	-	(973,000)	(144,516)	828,484	471,986
Fund balance (deficit), July 1	(180,150)	(180,150)	(180,150)	-	(652,136)
Fund balance (deficit), June 30	$ (180,150)	(1,153,150)	(324,666)	828,484	(180,150)

CITY OF SOLANA BEACH
COPS Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ 100,000	100,000	109,462	9,462	106,974
Investment income	5,000	5,000	2,842	(2,158)	5,356
Total revenues	105,000	105,000	112,304	7,304	112,330
Expenditures:					
Current:					
Public safety	114,000	114,000	112,304	1,696	112,330
Net change in fund balance	(9,000)	(9,000)	-	9,000	-
Fund balance, July 1	-	-	-	-	-
Fund balance (deficit), June 30	$ (9,000)	(9,000)	-	9,000	-

CITY OF SOLANA BEACH
Fire Mitigation Fees Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ -	-	-	-	2,460
Charges for services	15,000	15,000	9,833	(5,167)	13,726
Investment income	1,500	1,500	3,748	2,248	2,756
Total revenues	16,500	16,500	13,581	(2,919)	18,942
Expenditures:					
Current:					-
Public safety	15,000	15,800	15,718	82	14,795
Excess (deficiency) of revenues over (under) expenditures	1,500	700	(2,137)	(2,837)	4,147
Other financing sources:					
Transfers in	-	-	-	-	-
Net change in fund balance	1,500	700	(2,137)	(2,837)	4,147
Fund balance, July 1	79,264	79,264	79,264	-	75,117
Fund balance, June 30	$ 80,764	79,964	77,127	(2,837)	79,264

CITY OF SOLANA BEACH
Transportation Development Act Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ -	-	-	-	-
Investment income	-	-	234	234	3,864
Total revenues	-	-	234	234	3,864
Expenditures:					
Current:					
Capital outlay	-	50,600	50,582	18	33,893
Net change in fund balance	-	(50,600)	(50,348)	252	(30,029)
Fund balance, July 1, as restated	58,885	58,885	58,885	-	88,914
Fund balance (deficit), June 30	$ 58,885	8,285	8,537	252	58,885

CITY OF SOLANA BEACH
CDBG Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ 54,700	54,700	35,369	(19,331)	155,211
Expenditures:					
Current:					
Capital outlay	54,700	78,026	23,326	54,700	53,128
Net change in fund balance	-	(23,326)	12,043	35,369	102,083
Fund balance (deficit), July 1	(26,872)	(26,872)	(26,872)	-	(128,955)
Fund balance (deficit), June 30	$ (26,872)	(50,198)	(14,829)	35,369	(26,872)

CITY OF SOLANA BEACH
CALTRANS Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ -	-	21,227	21,227	356,001
Investment income	-	-	-	-	-
Total revenues	-	-	21,227	21,227	356,001
Expenditures:					
Current:					
Capital outlay	-	-	-	-	21,227
Net change in fund balance	-	-	21,227	21,227	334,774
Fund balance (deficit), July 1	(20,184)	(20,184)	(20,184)	-	(354,958)
Fund balance (deficit), June 30	$ (20,184)	(20,184)	1,043	21,227	(20,184)

CITY OF SOLANA BEACH
Dept. of Boating & Waterways Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$162,500	162,500	-	(162,500)	75,000
Investment income	-	-	118	118	-
Total revenues	162,500	162,500	118	(162,382)	75,000
Expenditures:					
Current:					
Public safety	165,000	165,000	-	165,000	118
Excess (deficiency) of revenues over (under) expenditures	(2,500)	(2,500)	118	2,618	74,882
Other financing uses:					
Transfers out	-	-	-	-	(75,000)
Net change in fund balance	(2,500)	(2,500)	118	2,618	(118)
Fund balance, July 1	(118)	(118)	(118)	-	-
Fund balance (deficit), June 30	$ (2,618)	(2,618)	-	2,618	(118)

CITY OF SOLANA BEACH
Miscellaneous Grants Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Intergovernmental	$ -	-	99,060	99,060	-
Investment income	-	-	-	-	-
Total revenues	-	-	99,060	99,060	-
Expenditures:					
Current:					
Capital outlay	-	-	-	-	-
Net change in fund balance	-	-	99,060	99,060	-
Fund balance (deficit), July 1	(99,008)	(99,008)	(99,008)	-	(99,008)
Fund balance (deficit), June 30	$ (99,008)	(99,008)	52	99,060	(99,008)

CITY OF SOLANA BEACH
Solana Beach Redevelopment Agency Low/Mod Housing Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Investment income	$ 3,500	3,500	3,862	362	213
Expenditures:					
Current:					
Community development	10,000	10,000	-	10,000	-
Excess (deficiency) of revenues over (under) expenditures	(6,500)	(6,500)	3,862	(9,638)	213
Other financing sources:					
Transfers in	81,000	81,000	122,511	41,511	75,516
Net change in fund balance	74,500	74,500	126,373	51,873	75,729
Fund balance, July 1	75,729	75,729	75,729	-	-
Fund balance, June 30	$ 150,229	150,229	202,102	51,873	75,729

CITY OF SOLANA BEACH
Housing Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Investment income	$ 13,000	13,000	19,508	6,508	13,999
Expenditures:					
Current:					
Capital outlay	-	-	-	-	-
Net change in fund balance	13,000	13,000	19,508	6,508	13,999
Fund balance, July 1	374,922	374,922	374,922	-	360,923
Fund balance, June 30	$ 387,922	387,922	394,430	6,508	374,922

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NON-MAJOR DEBT SERVICE FUNDS

The following Debt Service funds have been classified as a non-major fund in the accompanying financial statements:

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

Solana Beach RDA Debt Service Fund – This fund is used to account for the collection of tax increment that is used to pay for principal and interest on long-term obligations issued by the redevelopment agency.

CITY OF SOLANA BEACH
Debt Service Fund
Combining Balance Sheet
June 30, 2007

	City Debt Service Fund	Solana Beach Redevelopment Agency	Totals 2007	Totals 2006
Assets				
Cash and investments	$ 25,161	241,485	266,646	214,729
Taxes receivable	-	16,273	16,273	12,074
Interest receivable	-	3,911	3,911	6,720
Restricted cash with fiscal agent	251,514	699,764	951,278	2,117,174
Due from other funds	-	123,303	123,303	-
Total assets	276,675	1,084,736	1,361,411	2,350,697
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	146,980	146,980	89,812
Due to other funds	-	134,875	134,875	134,875
Total liabilities	-	281,855	281,855	224,687
Fund balances (deficit):				
Reserved for debt service	276,675	802,881	1,079,556	2,126,010
Total liabilities and fund balances	$ 276,675	$ 1,084,736	$1,361,411	$2,350,697

CITY OF SOLANA BEACH
Debt Service Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
June 30, 2007

	City Debt Service Fund	Solana Beach Redevelopment Agency	Totals 2007	Totals 2006
Revenues:				
Taxes and assessments	$ -	612,555	612,555	377,581
Investment income	12,037	96,481	108,518	18,640
Total revenues	12,037	709,036	721,073	396,221
Expenditures:				
Current:				
General government	1,805	8,160	9,965	139,585
Debt service:				
Principal	200,000	30,000	230,000	190,000
Interest & fiscal charges	123,556	174,417	297,973	232,202
Pass-through payments	-	170,053	170,053	104,034
Total expenditures	325,361	382,630	707,991	665,821
(Deficiency) of revenues over (under) expenditures	(313,324)	326,406	13,082	(269,600)
Other financing sources:				
Long-term debt issued	-	-	-	3,555,000
Transfers in	328,000	-	328,000	321,600
Transfers out	-	(1,387,536)	(1,387,536)	(1,732,705)
Net change in fund balance	14,676	(1,061,130)	(1,046,454)	1,874,295
Fund balance, July 1	261,999	1,864,011	2,126,010	251,715
Fund balance, June 30	276,675	802,881	1,079,556	2,126,010

CITY OF SOLANA BEACH
City Debt Service Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Investment income	$ 10,000	10,000	12,037	2,037	12,135
Expenditures:					
Current:					
General government	4,400	4,400	1,805	2,595	1,845
Debt service:					
Principal	200,000	200,000	200,000	-	190,000
Interest	123,600	123,600	123,556	44	131,606
Total expenditures	328,000	328,000	325,361	2,639	323,451
(Deficiency) of revenues over (under) expenditures	(318,000)	(318,000)	(313,324)	4,676	(311,316)
Other financing sources:					
Transfers in	328,000	328,000	328,000	-	321,600
Net change in fund balance	10,000	10,000	14,676	4,676	10,284
Fund balance, July 1	261,999	261,999	261,999	-	251,715
Fund balance, June 30	$271,999	271,999	276,675	4,676	261,999

CITY OF SOLANA BEACH
Solana Beach Redevelopment Agency Debt Service Fund
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Taxes and assessments	$ 407,000	407,000	612,555	205,555	377,581
Investment income	4,800	4,800	96,481	91,681	6,505
Total revenues	411,800	411,800	709,036	297,236	384,086
Expenditures:					
Current:					
General government	10,000	10,000	8,160	1,840	137,740
Debt service:					
Principal	30,000	30,000	30,000	-	-
Interest & fiscal charges	102,700	174,700	174,417	283	100,596
Pass-through payments	138,000	168,000	170,053	(2,053)	104,034
Total expenditures	280,700	382,700	382,630	70	342,370
(Deficiency) of revenues over (under) expenditures	131,100	29,100	326,406	297,306	41,716
Other financing sources:					
Long-term debt issued	-	-	-	-	3,555,000
Transfers out	(188,000)	(1,388,000)	(1,387,536)	464	(1,732,705)
Net change in fund balance	(56,900)	(1,358,900)	(1,061,130)	297,770	1,864,011
Fund balance, July 1	1,864,011	1,864,011	1,864,011	-	-
Fund balance, June 30	$1,807,111	505,111	802,881	297,770	1,864,011

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NON-MAJOR CAPITAL PROJECTS FUNDS

The following Capital Projects fund has been classified as a non-major fund in the accompanying financial statements:

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

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

The following CIP funds were classified as major funds:

Assessment Districts CIP Fund – This fund is used to account for capital projects in the assessment districts.

RDA CIP Fund – This fund is used to account for administration and capital projects in the redevelopment project area.

CITY OF SOLANA BEACH
Non-Major Capital Projects Funds
Combining Balance Sheet
June 30, 2007

Assets	City Capital Projects	Sand Replenishment & Retention	Totals 2007	Totals 2006
Cash and investments	$ 2,007,927	21,383	2,029,310	1,100,868
Accounts receivable	-	8,505	8,505	22,500
Interest receivable	5,202	-	5,202	1,998
Restricted cash with fiscal agent	-	-	-	0
Total assets	$ 2,013,129	29,888	2,043,017	1,125,366
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 25,144	-	25,144	153,125
Accrued liabilities	-	-	-	-
Deposits payable			-	-
Due to other funds			-	-
Total liabilities	25,144	-	25,144	153,125
Fund balances:				
Reserved for encumbrances	611,220	-	611,220	242,839
Reserved for capital projects	117,647	-	117,647	101,141
Unreserved; undesignated	1,259,118	29,888	1,289,006	628,261
Total fund balances	1,987,985	29,888	2,017,873	972,241
Total liabilities and fund balances	$ 2,013,129	29,888	2,043,017	1,125,366

CITY OF SOLANA BEACH
Non-Major Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2007

	City Capital Projects	Sand Replenishment & Retention	Totals 2007	Totals 2006
Revenues:				
Taxes and assessments		29,888	29,888	-
Contributions from property owners	-	-	-	-
Investment income	38,478	-	38,478	26,891
Other	197,777	-	197,777	7,381
Total revenues	236,255	29,888	266,143	34,272
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	100,070	-	100,070	135,000
Capital outlay	1,271,741	-	1,271,741	1,151,312
Total expenditures	1,371,811	-	1,371,811	1,286,312
Excess (deficiency) of revenues over (under) expenditures	(1,135,556)	29,888	(1,105,668)	(1,252,040)
Other financing sources:				
Transfers in	2,151,300	-	2,151,300	1,161,142
Transfers out	-	-	-	-
Net change in fund balance	1,015,744	29,888	1,045,632	(90,898)
Fund balances (deficit), July 1	972,241	-	972,241	1,063,139
Fund balances (deficit), June 30	$ 1,987,985	29,888	2,017,873	972,241

CITY OF SOLANA BEACH
City Capital Projects
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Investment income	$ 35,000	35,000	38,478	3,478	26,891
Other	-	194,633	197,777	3,144	7,381
Total revenues	35,000	229,633	236,255	6,622	34,272
Expenditures:					
Current:					
Public works	-	89,632	100,070	(10,438)	135,000
Capital outlay	1,271,000	3,027,888	1,271,741	1,756,147	1,151,312
Total expenditures	1,271,000	3,117,520	1,371,811	1,745,709	1,286,312
Excess (deficiency) of revenues over (under) expenditures	(1,236,000)	(2,887,887)	(1,135,556)	(1,739,087)	(1,252,040)
Other financing sources:					
Transfers in	884,100	2,151,300	2,151,300	-	1,161,142
Net change in fund balance	(351,900)	(736,587)	1,015,744	(1,739,087)	(90,898)
Fund balances (deficit), July 1	972,241	972,241	972,241	-	1,063,139
Fund balances (deficit), June 30	620,341	235,654	1,987,985	(1,739,087)	972,241

CITY OF SOLANA BEACH
Sand Replenishment and Retention Capital Projects
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Taxes and assessments	$ -	-	29,888	29,888	-
Expenditures:					
Capital outlay	-	-	-	-	-
Net change in fund balance	-	-	29,888	29,888	-
Fund balances (deficit), July 1	-	-	-	-	-
Fund balances (deficit), June 30	$ -	-	29,888	29,888	-

CITY OF SOLANA BEACH
Assessment Districts Capital Projects
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Contributions from property owners	$ -	789,000	782,564	(6,436)	2,712,563
Investment income	-	-	16,770	16,770	-
Total revenues	-	789,000	799,334	10,334	2,712,563
Expenditures:					
Current:					
General government	-	-	162,862	(162,862)	134,844
Capital outlay	-	3,147,200	2,982,319	164,881	-
Total expenditures	-	3,147,200	3,145,181	2,019	134,844
Net change in fund balance	-	(2,358,200)	(2,345,847)	8,315	2,577,719
Fund balances (deficit), July 1	2,577,719	2,577,719	2,577,719	-	-
Fund balances (deficit), June 30	2,577,719	219,519	231,872	8,315	2,577,719

CITY OF SOLANA BEACH
Solana Beach Redevelopment Agency Capital Projects
Budgetary Comparison Schedule
Year ended June 30, 2007

	2007				2006
	Adopted Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:					
Investment income	$ 35,000	35,000	60,394	25,394	4,100
Expenditures:					
Current:					
General government	107,000	107,000	100,366	6,634	169,674
Capital outlay	2,014,200	2,663,200	2,225,694	437,506	-
Total expenditures	2,121,200	2,770,200	2,326,060	444,140	169,674
Excess (deficiency) of revenues over (under) expenditures	(2,086,200)	(2,735,200)	(2,265,666)	(418,746)	(165,574)
Other financing sources:					
Long-term debt issued	1,989,200	-	-	-	-
Transfers in	107,000	1,266,000	1,265,025	975	1,657,189
Net change in fund balance	10,000	(1,469,200)	(1,000,641)	(417,771)	1,491,615
Fund balances (deficit), July 1	1,491,615	1,491,615	1,491,615	-	-
Fund balances (deficit), June 30	$ 1,501,615	22,415	490,974	(417,771)	1,491,615

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AGENCY FUNDS

Cedros Avenue Assessment District Fund – The 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 and the Pacific Avenue/East and West Circle Drive 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 – The South Solana Sewer Assessment District No. 2006-01 was formed to finance the construction of sewer improvements to connect the 51 properties of the assessment district to the City's sewer system. These funds account for payments from property owners as well as debt service on bonds that were issued to pay for the sewer improvements. This is accounted for as an agency fund because the City has no responsibility for the debt service on the bonds.

CITY OF SOLANA BEACH
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Cedros Avenue Assessment District				
Assets:				
Cash and investments	$ 13,027	172	0	13,199
Interest receivable	91	0	(91)	0
Total assets	$ 13,118	172	(91)	13,199
Liabilities:				
Due to bondholders	$ 13,118	172	(91)	13,199
Undergrounding Districts				
Assets:				
Cash and investments	$ 140,473	162,112	(69,363)	233,222
Interest receivable	-	1,163	-	1,163
Taxes receivable	-	43	-	43
Cash and investments	$ 140,473	163,318	(69,363)	234,428
Liabilities:				
Due to bondholders	$ 140,473	163,318	(69,363)	234,428
South Solana Sewer District				
Assets:				
Cash and investments	$ -	564,258	(522,857)	41,401
Liabilities:				
Due to bondholders	$ -	564,258	(522,857)	41,401
Total - All Agency Funds				
Assets:				
Cash and investments	$ 153,500	726,542	(592,220)	287,822
Interest receivable	91	1,163	(91)	1,163
Taxes receivable	-	43	-	43
Total assets	$ 153,591	727,748	(592,311)	289,028
Liabilities:				
Due to bondholders	$ 153,591	727,748	(592,311)	289,028

STATISTICAL SECTION

Statistical Section

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

Contents

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

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

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

CITY OF SOLANA BEACH

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

	Fiscal Year		
	2003	2004	2005
Government activities			
Invested in capital assets, net of related debt	$ 36,655,805	$ 37,489,188	$ 509,150,966
Restricted	3,010,042	3,698,578	2,221,042
Unrestricted	11,214,960	11,645,853	11,309,650
Total governmental activities net assets	**$ 50,880,807**	**$ 52,833,619**	**$ 522,681,658**
Business-type activities			
Invested in capital assets, net of related debt	$ 3,971,593	$ 4,979,576	$ 4,258,382
Restricted	2,397,171	809,381	850,800
Unrestricted	11,776,896	13,692,108	15,243,909
Total business-type activities net assets	**$ 18,145,660**	**$ 19,481,065**	**$ 20,353,091**
Primary government			
Invested in capital assets, net of related debt	$ 40,627,398	$ 42,468,764	$ 513,409,348
Restricted	5,407,213	4,507,959	3,071,842
Unrestricted	22,991,856	25,337,961	26,553,559
Total primary government activities net assets	**$ 69,026,467**	**$ 72,314,684**	**$ 543,034,749**

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

Fiscal Year	
2006	2007
$ 508,883,573	$ 508,667,761
6,996,982	5,918,148
10,976,825	10,118,438
$ 526,857,380	**$ 524,704,347**
$ 4,485,446	$ 5,655,824
1,021,293	1,021,293
16,242,623	16,516,654
$ 21,749,362	**$ 23,193,771**
$ 513,369,019	$ 514,323,585
8,018,275	6,939,441
27,219,448	26,635,092
$ 548,606,742	**$ 547,898,118**

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General government	$ 1,175,182	$ 1,869,797	$ 2,657,830	$ 2,773,232	$ 3,528,936
Public safety	5,405,861	5,426,159	5,699,742	6,087,407	6,660,964
Public works	3,585,561	4,099,736	4,725,613	4,483,800	7,956,086
Community development	669,741	609,010	804,491	1,089,476	1,092,010
Community services	354,778	272,811	413,747	393,590	447,863
Interest on long-term debt	159,210	148,504	138,123	330,382	440,207
Total Governmental Activities expenses	11,350,333	12,426,017	14,439,546	15,157,887	20,126,066
Business-Type Activities:					
Sanitation	3,206,253	2,322,722	2,798,884	2,616,081	2,893,009
Total Business-Type Activities Expenses	3,206,253	2,322,722	2,798,884	2,616,081	2,893,009
Total Primary Government Expenses	$ 14,556,586	$14,748,739	$ 17,238,430	$ 17,773,968	$23,019,075
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	$ -	$ -	$ -	$ -	$ -
Public safety	448,726	322,410	528,680	612,036	673,678
Public works	794,497	841,104	809,414	892,979	933,500
Community development	431,434	402,152	549,425	723,716	696,403
Community services	57,568	59,007	58,192	59,245	65,554
Operating Contributions:					
Public safety	-	-	-	2,460	-
Public works	291,059	255,956	257,689	312,172	393,644
Community services					14,944
Capital Contributions and Grants:					
Public safety	245,146	291,021	110,626	181,974	109,462
Public works	1,107,610	2,622,423	1,640,684	4,475,229	1,377,308
Total Governmental Activities Program Revenues	3,376,040	4,794,073	3,954,710	7,259,811	4,264,493
Business-Type Activities:					
Charges for services:					
Sanitation	3,055,575	3,559,721	3,530,427	3,741,212	3,860,416
Total Business-Type Activities Program Revenues	3,055,575	3,559,721	3,530,427	3,741,212	3,860,416
Total Primary Government Program Revenues	$ 6,431,615	$ 8,353,794	$ 7,485,137	$ 11,001,023	$ 8,124,909
Net (Expense)/Revenue					
Governmental Activities	(7,974,293)	(7,631,944)	(10,484,836)	(7,898,076)	(15,861,573)
Business-Type Activities	(150,678)	1,236,999	731,543	1,125,131	967,407
Total primary Government Net Expense	(8,124,971)	(6,394,945)	(9,753,293)	(6,772,945)	(14,894,166)

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2003	**2004**	**2005**	**2006**	**2007**
General Revenues and Other Charges in Net Assets					
Governmental Activities:					
Taxes:					
Property taxes, levied for general purpose	$ 3,646,279	$ 3,956,173	$ 4,031,269	$ 4,478,992	$ 5,565,440
Transient occupancy taxes	515,588	561,429	783,539	919,638	1,013,297
Sales taxes	2,482,421	2,691,127	2,661,448	2,943,359	3,070,730
Franchise taxes	402,079	477,870	521,996	569,936	613,222
Other taxes	1,439,466	1,240,834	1,756,042	2,191,678	1,821,978
Investment income	303,471	165,575	323,938	606,068	1,044,282
Use of money and property	28,342	30,653	34,902	26,227	31,304
Other	437,132	461,095	352,889	337,900	548,286
Total Governmental Activities	9,254,778	9,584,756	10,466,023	12,073,798	13,708,539
Business-Type Activities:					
Investment income	149,442	98,406	164,044	271,140	477,002
Share in joint venture net loss	(466,575)	-	-	-	-
Total Business-Type Activities	(317,133)	98,406	164,044	271,140	477,002
Total Primary Government	8,937,645	9,683,162	10,630,067	12,344,938	14,185,541
Changes in Net Assets					
Governmental Activities	1,280,485	1,952,812	(18,813)	4,175,722	(2,153,034)
Business-Type Activities	(467,811)	1,335,405	895,587	1,396,271	1,444,409
Total Primary Government	$ 812,674	$ 3,288,217	$ 876,774	$ 5,571,993	$ (708,625)

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	$ 974,342	$ 565,386	$ 544,362	$ 634,006	$ 519,306
Unreserved	9,581,261	10,514,035	10,150,168	10,573,702	9,406,448
Total General Fund	$ 10,555,603	$ 11,079,421	$ 10,694,530	$ 11,207,708	$ 9,925,754
All Other Governmental Funds					
Reserved	$ 2,316,972	$ 4,786,874	$ 1,205,408	$ 3,297,818	$ 6,724,648
Unreserved, reported in nonmajor,					
Special revenue funds	821,858	(747,926)	1,677,800	2,813,527	169,154
Capital Projects funds	831,336	319,560	652,688	4,697,594	1,289,006
Total all other Governmental Funds	$ 3,970,166	$ 4,358,508	$ 3,535,896	$ 10,808,939	$ 8,182,808

CITY OF SOLANA BEACH

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues:					
Taxes and assessments	$ 8,265,139	$ 10,462,543	$ 9,268,752	$ 10,688,064	$ 11,919,786
Intergovernmental	2,699,782	2,187,223	3,901,446	3,592,052	2,414,327
Licenses and permits	246,346	266,716	305,807	359,960	329,903
Charges for services	440,699	379,462	421,033	668,977	634,068
Fines and forfeitures	160,572	175,062	336,224	381,016	395,038
Contributions from property owners	-	-	-	2,712,563	782,564
Investment income	246,621	121,059	228,238	611,383	1,050,776
Use of money and property	94,863	80,056	130,602	26,853	31,304
Other	637,904	360,489	422,028	487,211	577,485
Total revenues	**12,791,926**	**14,032,610**	**15,014,130**	**19,528,079**	**18,135,251**
Expenditures:					
General government	1,701,717	1,945,506	2,602,447	3,074,773	3,810,327
Public safety	5,267,668	5,415,657	5,913,793	6,022,168	6,529,740
Public works	2,000,241	2,623,014	2,157,684	2,394,504	2,569,705
Community development	668,761	608,030	792,434	1,088,025	1,090,559
Community services	319,170	237,370	236,705	203,341	257,687
Capital outlay	1,303,763	1,890,368	4,154,864	2,091,842	7,087,294
Debt service:					
Principal retirement	282,500	249,403	224,025	190,000	230,000
Interest	161,575	151,102	139,681	232,203	297,973
Pass-through payments	-	-	-	-	170,053
Total expenses	**11,705,395**	**13,120,450**	**16,221,633**	**15,296,856**	**22,043,338**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**1,086,531**	**912,160**	**(1,207,503)**	**4,231,223**	**(3,908,087)**
Other financing sources (uses):					
Transfers in	411,715	706,947	1,248,917	3,282,360	3,866,836
Transfers out	(411,715)	(706,947)	(1,248,917)	(3,282,360)	(3,866,836)
Long-term debt issued		-	-	3,555,000	-
Total other financing sources (uses)	-	-	-	**3,555,000**	-
Net change in fund balances / net assets	**$ 1,086,531**	**$ 912,160**	**$ (1,207,503)**	**$ 7,786,223**	**$ (3,908,087)**
Debt service as a percentage of noncapital expenditures	**4.3%**	**3.6%**	**3.0%**	**3.2%**	**3.5%**

CITY OF SOLANA BEACH

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

Fiscal Year	Residential Property	Commercial Property	Other Property	Less: Tax-Exempt Property
1998	1,240,497	150,127	87,931	-
1999	1,288,485	122,712	146,957	-
2000	1,445,902	183,841	100,330	-
2001	1,560,492	197,667	104,361	-
2002	1,681,838	202,768	130,772	-
2003	1,795,862	215,156	119,715	-
2004	1,916,873	223,024	131,368	-
2005	2,085,753	237,780	128,736	-
2006	2,298,209	255,260	162,600	-
2007	2,514,874	265,176	175,719	-

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

N/A - Data not available

Source: San Diego County Assessor 1997/98 - 2006/07 Combined Tax Rolls
HDL Coren & Cone.
City of Solana Beach Finance Department

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value[a]	Taxable Assessed Value as a Percentage of Actual Taxable Value
1,478,555	0.1735%	N/A	N/A
1,558,154	0.1735%	N/A	N/A
1,730,073	0.1735%	N/A	N/A
1,862,520	0.1735%	N/A	N/A
2,015,378	0.1735%	N/A	N/A
2,130,733	0.1735%	N/A	N/A
2,271,265	0.1735%	N/A	N/A
2,452,269	0.1735%	N/A	N/A
2,716,069	0.1735%	N/A	N/A
2,955,769	0.1735%	N/A	N/A

CITY OF SOLANA BEACH

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

	City Direct Rates			
Fiscal Year	General Basic Tax Levy	Municipal Improvement District	Lighting District	Total Direct Rate
1998	0.1602	0.0037	0.0096	0.1735
1999	0.1602	0.0037	0.0096	0.1735
2000	0.1602	0.0037	0.0096	0.1735
2001	0.1602	0.0037	0.0096	0.1735
2002	0.1602	0.0037	0.0096	0.1735
2003	0.1602	0.0037	0.0096	0.1735
2004	0.1602	0.0037	0.0096	0.1735
2005	0.1602	0.0037	0.0096	0.1735
2006	0.1602	0.0037	0.0096	0.1735
2007	0.1602	0.0037	0.0096	0.1735

	Overlapping Rates				
Fiscal Year	San Diego County (1)	Carlsbad/ Oceanside/ Vista Projects	School Districts	Community College	Santa Fe Irrigation District (2)
1998	0.167550	0.0004	0.402810	0.10486	0.025340
1999	0.167550	0.0004	0.402810	0.10486	0.025340
2000	0.167550	0.0004	0.402810	0.10486	0.025340
2001	0.167550	0.0004	0.402810	0.10486	0.025340
2002	0.167550	0.0004	0.402810	0.10486	0.025340
2003	0.167550	0.0004	0.402810	0.10486	0.025340
2004	0.167550	0.0004	0.402810	0.10486	0.025340
2005	0.167550	0.0004	0.402810	0.10486	0.025340
2006	0.167550	0.0004	0.402810	0.10486	0.025340
2007	0.167550	0.0004	0.402810	0.10486	0.025340

(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 1997/98 - 2006/07 Tax Rate Table and HDL Coren and Cone.

	Overlapping Rates				
	Voter Approved (3)				
Educational Revenue Augmentation	Cwa Santa Fe Irrigation Debt Service	Metropolitan Water District Debt Service	Santa Fe Irrigation Tax Rate Reduction	Vista Project	Total Tax Rate
0.12551	0.00117	0.0089	-0.00674	0.000180	1.003500
0.12551	0.00107	0.0089	-0.00822	0.000140	1.001880
0.12551	0.00100	0.0089	-0.00851	-	1.001380
0.12551	0.00091	0.0088	-0.00926	-	1.000440
0.12551	0.00083	0.0077	-0.01009	-	0.998430
0.12551	0.00075	0.0067	-0.01048	-	0.996960
0.12551	0.00067	0.0061	-0.01099	-	0.995770
0.12551	-	0.0058	-0.01123	-	0.994560
0.12551	-	0.0052	-	-	1.005190
0.12551	-	0.0047	-	-	1.004690

CITY OF SOLANA BEACH

Principal Property Tax Payers, Current Year and Nine Years Ago

	2007		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
S B Towne Centre LLC	$ 38,511,505	1	1.40%
Sanyo Foods Corporation of America	28,087,763	2	1.02%
Pacific Solana Beach Holdings LP	27,312,948	3	0.99%
Fenton Solana Highlands LLC	25,745,777	4	0.93%
Solana Beach Towne Centres Investment	23,164,062	5	0.84%
E R P Operating Limited Partnership	16,573,902	6	0.60%
Lavida Delmar Associates Limited Partnership	14,642,567	7	0.53%
Del Mar Investors Limited Partnership	13,447,170	8	0.49%
Santa Fe Christian Schools	13,384,838	9	0.49%
Urschel Laboratories Inc.	12,022,235	10	0.44%
Pacific Towne Centre Assets Inc.			
Espirit Del Sol LLC	-		-
Pacifica Solana LLC	-		-
Plaza West Limited	-		-
Generation Properties Limited Partnership	-		-
	-		-
	-		-
	-		-
Total	$ 212,892,767		7.73%

Source: HDL Coren & Cone and San Diego County Assessor 1997/98 & 2006/07 Combined Tax Rolls

1998		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
-		0.00%
$ 21,993,738	1	1.47%
20,504,729	2	1.37%
-		0.00%
12,310,925	3	0.82%
-		0.00%
9,810,507	5	0.66%
-		0.00%
-		0.00%
7,775,400	7	0.52%
10,262,071	4	0.69%
9,272,357	6	0.62%
6,690,313	8	0.45%
6,520,840	9	0.44%
6,273,000	10	0.42%
$ 111,413,880		7.45%

CITY OF SOLANA BEACH

Property Tax Levies and Collections, Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
1998	3,083,478	3,027,453	98.2%
1999	3,204,457	3,150,016	98.3%
2000	3,462,536	3,400,773	98.2%
2001	3,753,666	3,691,387	98.3%
2002	4,002,562	3,941,924	98.5%
2003	4,203,037	4,144,738	98.6%
2004	4,454,612	4,398,480	98.7%
2005	4,630,963 (1)	4,584,653	99.0%
2006	5,071,474 (1)	4,829,420	95.2%
2007	5,151,898	4,996,716	97.0%

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

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

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
118,580	3,146,033	102%
90,799	3,240,815	101%
75,399	3,476,172	100%
80,799	3,772,186	100%
83,602	4,025,526	101%
76,910	4,221,648	100%
77,196	4,475,676	100%
49,173	4,633,826	100%
75,012	4,904,432	97%
-	4,996,716	97%

CITY OF SOLANA BEACH

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

	Government Activities		Business-type Activities			
Fiscal Year	2002 ABAG Lease Revenue Bonds	Capital Leases	Loans	Total Primary Government	Percentage of Personal Income [a]	Per Capita [a]
2003	3,275,000	113,428	9,905,000	$13,293,428	0.01%	373
2004	3,100,000	39,025	9,475,000	12,614,025	0.01%	332
2005	2,915,000	-	9,025,000	11,940,000	N/A	N/A
2006	2,725,000	-	8,565,000	11,290,000	N/A	N/A
2007	2,525,000	-	17,920,000	20,445,000	N/A	N/A

N/A - Data not available

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

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

CITY OF SOLANA BEACH

Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

Fiscal Year 2006-07 Assessed Valuation : $2,903,284,368 (includes deduction of $52,854,598 of Redevelopment Incremental Valuation)

	Gross Bonded Debt Balance	Percent Applicable to City (1)	Net Bonded Debt
Direct Debt:			
City of Solana Beach Certificates of Participation	$ 2,525,000	100.000%	$ 2,525,000
Total Direct Debt			$ 2,525,000
Overlapping Debt:			
Metropolitan Water District	$ 359,115,000	0.179%	$ 642,816
San Dieguito Union High School District Community Facilites District No. 95-1	17,183,387	3.274%	562,584
San Dieguito Union High School District Combined Community Facilities District	48,440,000	1.256%	608,406
City of Solana Beach 1915 Act Bonds	2,112,000	100.000%	2,112,000
Olivenhain Municpal Water District, Assessment District No. 96-1	18,840,000	0.711%	133,952
San Diego County General Fund Obligations	351,215,000	0.919%	3,227,666
San Diego County Pension Obligations	1,343,747,916	0.919%	12,349,043
San Diego County Superintedent of Schools General Fund Obligations	18,042,500	0.919%	165,811
Mira Costa Community College District Certificates of Participation	4,505,000	4.327%	194,931
Solana Beach School District Certificates of Participation	915,000	25.712%	235,265
Total Overlapping Debt			$ 20,232,475
Total Direct and Overlapping Debt		(2)	$ 22,757,475

Debt to Assessed Valuation Ratios :

Direct Debt	0.09%
Overlapping Debt	0.70%
Total Debt	0.78%

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

Source: California Municpal Statistics, Inc.

CITY OF SOLANA BEACH

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

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	$ 2,956,139
Debt limit (15% of assessed value)	443,421
Debt applicable to limit:	
General obligation bonds	-
Total net debt applicable to limit	-
Legal debt margin	$ 443,421

Fiscal Year	Debt Limit	Total net debt Applicable to Limit	Legal Debt Limit	Legal Debt Limit as a Percentage of Debt limit
1998	218,607	-	218,607	100.00%
1999	230,673	-	230,673	100.00%
2000	276,069	-	276,069	100.00%
2001	275,786	-	275,786	100.00%
2002	298,866	-	298,866	100.00%
2003	316,259	-	316,259	100.00%
2004	337,323	-	337,323	100.00%
2005	367,897	-	367,897	100.00%
2006	407,487	-	407,487	100.00%
2007	443,421	-	443,421	100.00%

CITY OF SOLANA BEACH

Pledged-Revenue Coverage
Last Five Fiscal Years

2002 ABAG Lease Revenue Bonds

Fiscal Year	Use of Money & Property	Lease/ Rents	Less: Expenditures	Net Available Revenue
2003	$ 12,611	$ 337,631	$ 3,265	$ 346,977
2004	11,151	319,918	2,580	328,489
2005	11,899	323,412	2,466	332,845
2006	12,135	321,600	1,845	331,890
2007	12,037	323,556	1,805	333,788

Fiscal Year	Debt Service		Coverage
	Principal	Interest	
2003	$ 190,000	$ 147,631	1.03
2004	175,000	144,918	1.03
2005	185,000	138,412	1.03
2006	190,000	131,606	1.03
2007	200,000	123,556	1.03

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Expenditures do not include interest, depreciation, or amortization expenses.

CITY OF SOLANA BEACH

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income * (2) *(thousands of dollars)*	Per Capita * Personal Income (2)	Unemployment Rate (3)
1998	13,945	77,968,184	28,490	4.2%
1999	14,152	84,346,910	30,236	3.5%
2000	14,360	92,654,006	32,803	2.7%
2001	13,247	97,009,480	33,886	2.7%
2002	13,280	100,655,726	34,719	2.5%
2003	13,329	104,630,453	35,620	2.8%
2004	13,431	113,062,259	37,965	2.3%
2005	13,400	119,135,889	40,569	2.3%
2006	13,327	N/A	N/A	2.4%
2007	13,418	N/A	N/A	4.8%

N/A - Data not available

*** Note:** This is the data of the San Diego - Carlsbad - San Marcos Metropolitan Statistical Area. The data for the City is not available.

Sources: (1) State of California Department of Finance
(2) U.S. Department of Commerce Bureau of Economic Analysis
(3) State of California Economic Development Department

CITY OF SOLANA BEACH

Principal Employers
Current Year and Nine Years Ago

	2006-07			1997-98 *		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
American Golf Corp.	150	1	1.55%			
Duckett-Wilson Development Co	125	2	1.29%			
Belly Up Tavern Inc	110	3	1.14%			
Fidel's Little Mexico Inc.	100	4	1.03%			
Wild Oats Markets Inc.	100	5	1.03%			
Bridge Medical Inc.	90	6	0.93%			
Santa Fe Christian Community	90	7	0.93%			
Kesdee Inc.	80	8	0.83%			
Dixieline Lumber Co.	66	9	0.68%			
Club One Inc.	65	10	0.67%			
	976		10.10%	-		0.00%

* Information not available.

Source: Dun & Bradstreet Selectory Business Data Service.

CITY OF SOLANA BEACH

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

Fiscal Years:	1998	1999	2000	2001
Function/Program				
General government				
City Council	5.00	5.00	5.15	5.20
City Clerk	1.00	1.50	2.65	2.65
City Manager	1.24	1.24	1.94	2.04
Legal Services				0.81
Finance	4.25	4.75	4.15	4.00
Non Deprtmental	1.75	1.88	0.25	-
Personnel	0.75	0.75	1.00	1.20
Data Processing	N/A	N/A	0.15	0.25
Community Development	4.00	4.00	5.00	5.00
Public Safety				
Fire	21.00	20.62	21.00	20.62
Code Enforcement	2.30	2.50	2.50	3.25
Marine Safety	7.44	7.44	7.59	7.96
Junior Lifeguards	1.99	2.09	2.25	2.45
Public Works				
Engineering	2.94	2.94	4.19	3.52
Environmental/Flood Control	0.52	0.52	0.27	0.27
Street Maintenance	2.21	2.21	2.21	2.21
Park Maintenance	0.75	0.75	0.75	0.75
Recreation & Community Services				
Community Services	1.00	1.50	1.67	2.16
Recreation	1.00	2.03	2.03	1.99
Sanitation	2.95	2.95	3.60	1.64
Improvement Districts	1.04	1.04	1.19	1.19
Redevelopment Agency	0.10	0.10	0.15	N/A
Total Personnel	63.23	65.81	69.69	69.16

N/A - Data Not Available

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time-equivalent Full-time equivalent employment is calculated by dividing total labor hours by 2080.

Source: City of Solana Beach's Annual Budget

2002	2003	2004	2005	2006	2007
5.20	5.20	5.20	0.20	0.20	0.20
2.87	2.87	2.87	2.75	2.75	3.00
2.14	2.14	2.14	2.05	1.99	1.99
1.00	1.00	1.00	0.25	0.25	0.25
4.00	4.00	3.70	3.60	4.60	4.55
-	-	-	-	-	-
1.20	1.20	1.20	1.73	1.20	1.20
0.25	0.25	0.25	1.15	1.10	1.10
5.00	5.00	5.00	5.50	6.25	7.25
20.62	20.62	20.67	20.01	20.01	20.01
3.25	3.25	2.25	1.55	1.88	2.13
7.96	8.30	8.31	8.45	8.67	8.67
2.45	2.46		1.84	1.84	1.84
3.87	3.59	3.14	3.64	3.89	4.08
0.44	0.69	1.49	1.69	1.69	1.69
2.77	2.77	2.77	2.96	2.96	3.10
0.75	0.75	0.75	0.94	0.94	1.14
1.75	1.75	1.05	0.62	0.64	0.83
1.99	1.99	1.99	1.91	2.27	2.10
1.95	1.98	1.68	1.64	1.64	1.75
1.47	1.47	1.42	1.54	1.54	1.54
N/A	N/A	N/A	0.25	0.30	0.36
70.93	71.28	66.88	64.27	66.61	68.78

CITY OF SOLANA BEACH

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 1998	1999	2000	2001
Community development				
Number of:				
Business licenses (A)	N/A	N/A	N/A	N/A
Plan checks (B)	N/A	N/A	N/A	N/A
Code violations (calendar basis)	N/A	N/A	N/A	N/A
Police (Calendar basis)				
Number of:				
Priority 1	N/A	N/A	N/A	N/A
Priority 2	N/A	N/A	N/A	N/A
Priority 3	N/A	N/A	N/A	N/A
Priority 4	N/A	N/A	N/A	N/A
FBI Index Crimes	N/A	N/A	N/A	N/A
Fire				
Emergency Responses	N/A	N/A	N/A	N/A
Training Hours	N/A	N/A	N/A	N/A
Plan Checks	N/A	N/A	N/A	N/A
Public works				
Miles of:				
Street resurfacing/repair	N/A	N/A	N/A	N/A
Street sweeping	N/A	N/A	N/A	N/A
Number of:				
Street signal maintained	N/A	N/A	N/A	N/A
Trees pruned per year	N/A	N/A	N/A	N/A
Recreation & community services				
Number of enrollees:				
Day camp (Calendar basis)	N/A	N/A	N/A	N/A
Classes	N/A	N/A	N/A	N/A
Special events	N/A	N/A	N/A	N/A

N/A - Data not available
(A) - Includes new & renewal licenses, excludes temporary licenses
(B) - Excludes temporary plan checks.

Sources: Various city departments.

Fiscal Year					
2002	2003	2004	2005	2006	2007
N/A	N/A	N/A	1272	1400	1507
N/A	N/A	328	420	457	376
N/A	489	1220	1496	1218	TBD
N/A	23	18	19	14	15
N/A	593	711	755	718	684
N/A	3105	2128	2205	2035	1941
N/A	2133	1373	1473	1398	1228
N/A	401	328	346	351	303
N/A	1128	1140	1377	1300	TBD
N/A	3019	4197	4717	4200	TBD
N/A	118	109	188	125	TBD
N/A	N/A	N/A	N/A	N/A	4
N/A	N/A	N/A	N/A	N/A	900
N/A	N/A	N/A	N/A	N/A	180
N/A	N/A	N/A	N/A	N/A	20
N/A	N/A	N/A	N/A	N/A	181
N/A	N/A	N/A	N/A	N/A	158
N/A	N/A	N/A	N/A	N/A	4400

CITY OF SOLANA BEACH

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 1998	1999	2000	2001
Public Safety				
Code enforcement vehicles	2	2	2	2
Fire				
Stations	1	1	1	1
Fire Engines	4	4	4	4
Other vehicles	2	2	2	2
Public works				
Streets (miles)	46	46	46	46
Street lights (city-owned)	748	748	748	748
Traffic signals	13	13	13	13
Public works vehicles	7	7	7	7
Public works Corporation Yard	1	1	1	1
Recreation & community service				
Community centers	1	1	1	1
Parks	1	1	1	1
Marine Safety				
Lifeguard Stations	3	3	3	3
Vehicles	5	5	5	5

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

Sources: Various city departments.

Fiscal Year					
2002	2003	2004	2005	2006	2007
2	2	2	2	2	2
1 4 2	1 4 2	1 4 2	1 4 2	1 4 2	1 4 2
46 748 13 7 1	46 748 13 7 1	46 748 13 7 1	46 748 13 7 1	46 748 13 7 1	46 748 13 7 1
1 1	1 1	1 1	1 1	1 1	1 1
3 5	3 5	3 5	3 5	3 5	3 5

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