

# Comprehensive Annual Financial Report



50th ANNIVERSARY

City of Del Mar, California



Fiscal Year 2009-2010

# City of Del Mar, California

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2010



Prepared by the  
Finance Department

**CITY OF DEL MAR**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
June 30, 2010

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December 17, 2010

Honorable Mayor, Councilmembers, and the Citizens of the City of Del Mar, California

**LETTER OF TRANSMITTAL**

**FISCAL YEAR 2009-2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

It is a pleasure to present the Fiscal Year 2009-2010 Comprehensive Annual Financial Report (CAFR) for the City of Del Mar. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. Responsibility for the accuracy of the data, the completeness and reliability of the presentation, including all disclosures, rests with City management.

To provide a reasonable basis for making the presentations shown in this report and to compile sufficient reliable information for the preparation of the City's financial statements, the management of the City has established a comprehensive internal control framework designed to protect the City's assets from loss, theft or misuse. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The City's financial statements have been audited by Mayer Hoffman McCann, P.C., certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2010.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

**Profile of the City of Del Mar**

Del Mar is a charter City incorporated in 1959. It is located about 20 miles north of San Diego on the Southern California Coast. The City is governed by a five-member City Council under the Council/Manager form of government. The City Council is elected at large with staggered four-year terms and the position of Mayor rotating amongst Council members annually.

Del Mar is a small coastal city of 4,660 residents and is primarily a residential community with substantial tourist appeal covering approximately two square miles and noted for its beautiful, well-guarded beaches. The City is predominantly built out; however, redevelopment opportunities exist in both commercial revitalization areas and other residential neighborhoods.

The 22<sup>nd</sup> District Agricultural Association, commonly referred to as the Fairgrounds, is a significant presence in the City encompassing approximately one-fifth of the City's area. The 22<sup>nd</sup> District Agricultural Association is owned by the State of California and managed by a board of directors appointed by the Governor.

This report includes financial statements for the City and the financial activity related to the Del Mar Public Facilities Corporation. As a full service City, Del Mar provides its citizens and customers with fire, marine safety, parks, planning, public works, water and sewer, and Sheriff services.

### **Budgetary Process**

The adoption of the Fiscal Years 2009-2010 and 2010-2011 Operating and Capital Budget is the City's first year of implementing a two-year budget document and it is in its second year. The budget process began with the City Council developing "Must-Do's, Operational Initiatives, and Strategic Initiatives," reflecting Council's priorities and providing the framework around which staff resourced and proposed a budget for Council consideration. In May 2009, the proposed budget was presented to the Council and discussed at public workshops. The final budget was adopted by the City Council at a meeting in June 2009. The budget is monitored monthly by the Finance Department and Department Heads using financial reports which compare actual revenues and expenditures to date with budgeted amounts. Quarterly financial reports are presented and reviewed by the Finance Committee before being presented to the Council at regularly scheduled meetings. A mid-term review of the budget took place in May 2010 at a Council Meeting.

Throughout each fiscal year, the Council may increase or decrease the budget, as needed, through a resolution. The City Manager has the authority to move appropriations within a fund between programs; however, any adjustments between funds must be approved by the City Council.

### **Factors Affecting Financial Condition**

Del Mar is a small fully built-out coastal city, which relies heavily on the local real estate market, specifically property tax revenues, and tourism, as major revenue sources. For the last three fiscal years, Del Mar has led the County in increased assessed valuations. Del Mar was one of the few cities in the region with increased valuations compared to the majority of the cities in San Diego County which saw no growth or had reduced valuations. The annual increase in assessed value is primarily attributable to home sales at a higher than previously assessed value, as well as the two percent annual increases permitted under Proposition 13. Assessed valuation is projected to continue to increase as demand for coastal property remains fairly strong, even in the current real estate market. In addition, since Del Mar has been largely built out for many years, with properties occupied by long-time residents, many of Del Mar's residential properties carry very low assessed values compared to current market value and as these properties turn over they are reassessed at higher values.

Tourism is a significant industry and a major source of revenue for the City. With its beautiful beaches and moderate climate, Del Mar has become a popular destination for both local visitors and vacationing travelers. As with other cities throughout the County and State, tourism has suffered dramatically over these past two years; however, through a number of City Council

actions, focused on economic revitalization of the downtown area, Del Mar has emerged positively from this difficult period. In November 2008, the voters of Del Mar approved increasing the Transient Occupancy Tax (TOT) rate from 10.5 percent to 13 percent with a majority vote of 62.36 percent. As a result the City Council implemented a one percent increase resulting in an 11.5 percent TOT effective with the beginning of Fiscal Year 2009-2010. TOT collections increased six percent during Fiscal Year 2009-2010 compared to the previous fiscal year. Sales tax increased approximately 14 percent compared to the prior fiscal year. This increase is primarily reflective of Council's adoption of a new sidewalk café ordinance, instituting a pilot parking and signage program, and establishing horizontal zoning rules, as well as the re-investments that the City Council, businesses owners, and commercial owners have taken to beautify and update their properties in the downtown village area.

Not within the City's control, the State of California (State) continues to face a fiscal crisis that directly impacts local governments and the communities it serves. During Fiscal Year 2009-2010, the State declared a fiscal emergency and suspended Proposition 1A which enabled it to borrow eight percent of the amount of property tax revenue apportioned to cities, counties, and special districts. During this time the Proposition 1A Securitization Program was passed by State legislators to allow local agencies to sell their respective Proposition 1A receivable to California Communities. California Communities then purchased the receivable and issued bonds simultaneously to provide each agency with the cash proceeds in two equal installments on January 15, 2010 and May 3, 2010. As a participant in this program, the City of Del Mar experienced no net reduction in revenues from the property tax reduction borrowing by the State. The successful passage of Proposition 22 this past November by the voters of California further secures local revenues including those for public safety and transportation, and intends to protect local agencies from the State raiding these funds in the future. The State's continual fiscal crisis with a growing deficit is still a cause of concern and the City actively monitors the State's budget process for any actions that may affect local government.

On a positive note, as a fully built-out city, Del Mar is not as dependent on growth-related revenues as other jurisdictions. The State's and the national economies have dealt devastating blows to cities and counties throughout California, however, in these past two fiscal years, Del Mar has positioned itself to successfully overcome these challenges. The City's strategic approach has been to continue fiscal conservatism by identifying new revenue sources while examining ways to reduce expenditures through alternative approaches. We believe that the projects undertaken this fiscal year and the accomplishments highlighted below assist in building a solid foundation towards keeping the City fiscally sound and well positioned to sustain its financial health.

### **Accomplishments**

Del Mar celebrated its 50<sup>th</sup> birthday on July 15, 2009 and is proud of the leadership in the community and the accomplishments that have been achieved. Based on direction by the City Council, highlighted below are the City's accomplishments this fiscal year based on the Must Do's, Strategic Initiatives, and Operational Initiatives:

#### ***Must Do's***

##### *Retirement of Shores Property Debt/Sale of Balboa Avenue Lot*

The Shores Property was acquired in May 2008 from the Del Mar Unified School District (DMUSD) for \$8.5 million. Through the fundraising efforts of the Friends of the Del Mar Parks

and the Winston School, \$5.0 million was raised with the difference of \$3.5 million financed initially by the City through a promissory note with the DMUSD to extend the period in order to provide fundraisers more time to raise the difference. In order to pay off the promissory note with the DMUSD, the City negotiated a three-year loan with a balloon payment of \$3.2 million due on November 13, 2011 with Union Bank of California at a much lower interest rate.

Subsequent to the loan, options were developed for Council consideration to pay off the loan if the fundraisers could not raise the remaining monies. The Balboa Avenue lot, an existing City-owned lot that has been vacant since 1973 when a pressure treatment plant and cement water reservoir tank were deemed obsolete, was under consideration to be sold since it was no longer needed. With its whitewater views extending 270 degrees into beautiful views of the East County mountains, the sale of this vacant lot was anticipated to generate sufficient revenue to retire the debt on the Shores Property. In September 2010, the Balboa Avenue lot sold at auction for \$4.4 million, enough to retire the debt on the Shores Property and to partially fund the Beach Safety Center CIP project. The debt was retired on November 13, 2010, a full year before the balloon payment was due, freeing up approximately \$300,000 in debt service payments from the General Fund for Fiscal Year 2010-2011. Through the sale of the Balboa Avenue lot, the City replaced an idle asset with 5.3 acres of usable property by the community.

#### *Winston School Lease*

The Shores property is the home of the Winston School, a private, nonprofit school serving special needs children. The Winston School occupies approximately 1.8 acres of the site, and formerly leased its site and buildings from the DMUSD. After the City acquired the property, the lease was assigned to the City. Of the \$5.0 million that was raised, \$2.9 million was raised on behalf of the Winston School, and credited in the form of prepaid rent.

In July 2010, the Council approved a ground lease agreement with the Winston School for a term of 55 years, effective July 1, 2008 and expiring on June 30, 2063, unless sooner terminated. The rental rate is \$197,245 per year, payable in monthly installments effective July 1, 2007, and escalated by the CPI for each year based upon the previous year's rental rate. The CPI will not be charged during the period of prepaid rent, but after the prepaid rent is exhausted, the full amount as calculated by the cumulative CPI from July 1, 2007 will be charged. The Winston School has acquired ownership of the existing improvements as specified in the Ground Lease and is required to achieve certain milestones for the redevelopment of the property.

#### *Operational Initiatives*

In continuing to serve the interests of the community and ensuring the highest level of service to its residents, businesses, and visitors, a number of revenue ideas were implemented during Fiscal Year 2009-2010. Besides the increase in the Transient Occupancy Tax (TOT) rate, as mentioned earlier, additional fees that were increased during Fiscal Year 2009-2010 were facility use permit fees for Seagrove Park and beach parking meter rates, as well as the implementation of voluntary pre-paid parking permits. Fiscal Year 2009-2010 was the first year that a new cost allocation plan took effect ensuring that indirect costs are being appropriately allocated and recovered in our fees and charges for services provided to the Water and Wastewater Funds. Additionally, a study was done to determine how much the City incurred in processing applications for planning and land use permits, and engineering reviews. In February 2010, increases for these permits and fees became effective, which allowed the City to recover a higher percentage of its costs instead of the General Fund subsidizing these services. Fiscal Year 2009-2010 was also the first year of a voter-approved five-year rate plan for Clean Water

fees, and water and wastewater rates. Due to the increase in Clean Water fees, the transfer from the General Fund to cover the costs to run the Clean Water program decreased approximately \$124,000 from the previous fiscal year.

A comprehensive review of the City's service delivery model was done during Fiscal Year 2009-2010. A Request for Proposal (RFP) was sent out for Engineering services resulting in a consulting contract for a new City Engineer with a team of engineering firms available under contract. During this fiscal year, a cooperative agreement was approved by Council with the Cities of Encinitas and Solana Beach, and the Rancho Santa Fe Fire Protection District for fire management services and Battalion Chief services. This agreement optimizes the resources available between the four agencies in the most cost effective manner while providing the City with its fire needs.

### ***Strategic Initiatives***

#### *Downtown Street Improvements*

As part of its downtown revitalization efforts, the City embarked on a downtown streetscape project to beautify the area and improve the walkability of the downtown corridor. The capital project repaired and resurfaced all four lanes of Camino del Mar from 12<sup>th</sup> to 15<sup>th</sup> Street and included median, sidewalk, and access ramp improvements. This project was financed through a variety of sources, including the American Recovery and Reinvestment Act (ARRA), the Transnet half-cent sales tax, the Community Development Block Grant (CDBG), Proposition 1B funding, Proposition 42 funding, and from the collection of Sidewalk Café fees. The total cost of the project was approximately \$550,000, of which \$100,000 was funded by the General Fund.

### **Major Initiatives**

#### ***Must Do's***

##### *North Torrey Pines Bridge*

In Fiscal Year 1996-1997, after several studies, the California Department of Transportation (Caltrans) determined that the North Torrey Pines Bridge (Bridge) is structurally deteriorated and does not meet current seismic standards. After completing a historical study to evaluate the Bridge's historical and architectural significance, the State determined that the Bridge has historical significance and registered the structure as a Federal Historical Structure. During Fiscal Year 1999-2000, it was also determined that a seismic retrofit project was a viable alternative to completely rebuilding the Bridge and it would be eligible to be 100 percent reimbursable under the Highway Bridge Replacement and Retrofit Program (HBRR). The City of San Diego transferred ownership of the Bridge to the City during Fiscal Year 2000-2001.

Environmental documents were completed for this project during Fiscal Year 2008-2009 and final project plans and specifications were completed and released for bidding in Fiscal Year 2010-2011. This largest of capital projects to be undertaken by the City benefited greatly from a favorable construction bidding environment as the winning construction bid came in at approximately \$10.0 million below engineer cost estimates. Construction is underway and is scheduled to continue for three years. The construction phase is 100 percent funded by the Federal Highway Administration (FHWA) and the State with the total project cost estimated to be \$27.7 million, of which the City has contributed \$974,060 towards the design costs.

## *21<sup>st</sup> Street Pump Station*

The existing 21<sup>st</sup> Street Pump Station is approximately 35 years old and is the central facility for conveying Del Mar's sewage to the City of San Diego's Metropolitan Sewage System. Due to its age, condition, and current operating constraints, replacement of the facility is of the utmost importance. Project financing has been provided through a \$5.0 million loan from the State Revolving Fund, the repayment of which was included in the Fiscal Years 2010-2014 sewer rates. The construction of the new facility is underway and is scheduled for completion in 2011.

## ***Operational Initiatives***

### *Beach Safety Center*

Planning for the 17th Street Beach Safety Center began several years ago, but cost estimates for the earlier conceptual plans came in higher than expected. Thanks to volunteers and their contributions, changes were made to the original design and costs for the new facility were reduced significantly. The project cost is estimated at \$2.8 million.

The existing building is a 45-year-old cinderblock structure built by volunteers and is in serious need of replacement. The building was originally for lifeguard staff only. Today the building also functions as offices for Community Services such as Parking Enforcement, Beach Maintenance, and Park and Recreation management with a staff that often exceeds 70 employees due to the seasonal nature of its programs. It is also a very active first aid station for the 2 million plus visitors that visit the Del Mar beach.

The new facility will include a two-story Lifeguard Headquarters with offices, first aid room, public restrooms and a handicapped accessibility pathway to the new facility and the beach. It will also have a sea wall, and provide an appropriate landscape buffer to connect to and coordinate with the Coast Boulevard Streetscape Plan. The City has set aside approximately \$758,000 towards this project and the Friends of the Powerhouse continue to actively fundraise for this project. A grant from the Coastal Conservancy is being actively sought after by the City in support of acquiring the necessary funding. Currently, the City is procuring the services to complete the construction documents in order to begin moving forward with the project in stages.

## **Looking Forward**

### ***Strategic Initiatives***

#### *Downtown Revitalization*

The Council has embarked on an exciting new program to assist in the revitalization of its downtown area. The Council's primary goal is to create a vibrant and successful commercial district for its residents and businesses as envisioned in the Community Plan. This includes designing a walkable village, preserving important view corridors, and providing incentives to land owners. Different aspects are being addressed through the development of an outreach program for community input related to potential revisions to Zoning Codes, possibly using Form Based Code, to ensure the downtown is both business and visitor serving.

*Form-Based Code:* Form-based codes, in contrast to traditional zoning codes, allow for the setting of parameters lot by lot rather than solely by district. The code is a planning method that

regulates development in order to achieve a specific building form. When used within our established community's core, it is intended to create a predictable village appearance by controlling the physical form of buildings, streets, sidewalks or other public structures.

Planning on the form-based code began in early May 2009, and will continue with community conversation meetings, program refinements and draft plans. Voters will have an opportunity to decide this issue through a ballot measure.

*Camino del Mar Pilot Program:* In April of 2010, the City Council adopted a two year pilot program to increase parking flexibility, encourage walkability and provide new signage within the village core. This program will be monitored for positive and negative impacts and the data will be used for revitalization recommendations.

### *Del Mar Fairgrounds*

Since July 2009, the City Council has been in discussions with the State regarding the possible purchase of the Del Mar Fairgrounds and Race Track. These discussions and negotiations culminated in the October 6, 2010 introduction of Assembly Bill 181 by Senator Christine Kehoe and Assembly Member Lori Saldaña.

AB 181 expired on November 30, 2010, and was re-introduced on December 6, 2010 as SB 1 directing the Department of General Services to negotiate the terms of the sale of the Del Mar Fairgrounds and Race Track for the sum of \$120.0 million, which was a price set by the Governor's Office. Funds to purchase the property will come from three sources. The first part of the purchase price will be financed through the issuance of bonds secured by revenues generated from the Fair and Race Track. The proceeds that will come from these bonds will be paid to the State as a portion of the purchase price, enabling the State to pay off its own outstanding debt on the property.

The second source of funds is a cash payment of \$30 million from a private investment group of horse owners, who have an interest in the continued successful operation of the Race Track and in reversing the decline of horse racing in California, for the right to operate the Race Track for 55 years. The horse owners will also be required to pay an annual operating lease amount.

The third source of funds will come in part from a portion of continued events at the Fairgrounds that will generate revenue in excess of funds necessary to service the bond indebtedness. Portions of the excess funds will be used to make payments to the State over time for the remaining deferred purchase price obligation and the remaining funds will be used to improve the property.

The City Council intends to establish a non-profit board whose members will be appointed by designated government stakeholders. Through the purchase of the Fairgrounds and Race Track, the City intends that the property will remain in public ownership, that the operation of the annual County Fair and other community and horse racing events that have traditionally taken place on the property continue, and that the future of horse racing at Del Mar be assured through a public-private partnership that will include significant improvements to the Race Track facilities. The City shall honor all existing labor agreements with Fairgrounds and Race Track employees, and existing compensation and benefits will be preserved for all current employees. The San Dieguito Lagoon and River Valley will be preserved and enhanced as a regional environmental asset. The City of Del Mar will protect its local taxpayers by guaranteeing that no tax dollars will be spent on the purchase or operation of the Fairgrounds or Race Track.

All of the actions intended by the City Council were approved by resolution at the December 1, 2010 Council meeting. The City will conduct its due diligence and will hold public hearings on all aspects of the governance board establishment and any other operations-related agreements or regulatory actions taken if the Legislature approves the sale of the property.

### **Long-Term Financial Planning**

The City completed a long-range capital financing plan during the preparation of the Fiscal Years 2009-2010 and 2010-2011 budget. The plan included 10-year projections for the General Fund's operating revenues and expenditures, in addition to projecting 10 years of capital projects that are funded with general government dollars. The City will continue to revise this plan and use it for future financial forecasting and capital planning.

### **Financial Policies**

#### ***General Fund Contingency Reserve***

It is the City's policy and practice to complete a budget that is balanced and has a minimum 10 percent contingency reserve in the General Fund in order to ensure the City's continuing financial health. The contingency reserve calculation is the percent the ending unreserved balance is of the total of General Fund expenditures. The City also maintains a \$500,000 revenue loss reserve that is in addition to the contingency reserve. As part of the budget adoption process in June 2000, the City Council approved an expanded reserve policy providing for, in addition to the 10 percent minimum contingency reserve, a mandatory review of reserves should the contingency reserve reach 20 percent to increase the Capital Improvement Program reserve. As of June 30, 2010, the general fund contingency reserve is 22.28 percent.

#### ***Finnell Plan***

In Fiscal Year 2006-2007, the Council adopted a financial objective to provide funding for future capital projects. This objective was in response to the results of a 20-year forecast of revenues, operating expenditures, and capital projects. Because funding for future capital projects was inadequate, the financial objective caps the growth of operating expenditures as a percentage of the projected growth of revenues. Adopted Operating and Capital Budgets adhere to the Finnell Plan beginning with the Fiscal Year 2007-2008 budget and in adopted budgets thereafter.

**Awards**

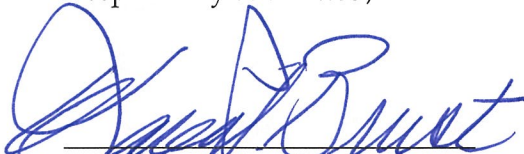
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Del Mar for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the fourteenth consecutive year the City has achieved this prestigious award. In order to receive an award, the City must publish an easily readable and comprehensive report. This report 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 that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and will be submitting it to GFOA to determine its eligibility.

**Acknowledgments**

We would like to thank the City Council of the City of Del Mar and the Executive Team for their continued support in the pursuit of excellence in financial reporting and for maintaining the highest level of professional standards in the management of Del Mar's finances. This report could not have been accomplished without the professionalism and dedicated services of the entire staff of the Finance Department including Administrative Assistant Jay Lipscomb, Accounting Technicians Adele Crawford and Les Middleton, and Finance Intern Jason Julaton.

Respectfully submitted,

  
\_\_\_\_\_  
Karen P. Brust  
City Manager

  
\_\_\_\_\_  
Teresa S. McBroome  
Director of Finance/Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Del Mar  
California

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

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



A stylized, handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

## **CITY COUNCIL**

*Richard Earnest*  
**Mayor**

*Donald Mosier*  
**Deputy Mayor**

*Carl Hilliard*  
**Councilmember**

*Crystal Crawford*  
**Councilmember**

*Mark E. Filanc*  
**Councilmember**

## **CITY MANAGER**

*Karen P. Brust*

**ASSISTANT CITY MANAGER**

*Mark Delin*

**CITY ATTORNEY**

*Leslie Devaney*

**DIRECTOR OF PLANNING AND  
COMMUNITY DEVELOPMENT**

*Kathleen A Garcia\**

**CITY CLERK AND  
INFORMATION SYSTEMS DIRECTOR**

*Mercedes Martin*

**DIRECTOR OF FINANCE/  
TREASURER**

*Teresa S. McBroom*

**DIRECTOR OF COMMUNITY SERVICES  
AND LIFEGUARD CHIEF**

*Pat Vergne*

**CITY ENGINEER**

*Tim Thiele*

**PUBLIC WORKS DIRECTOR**

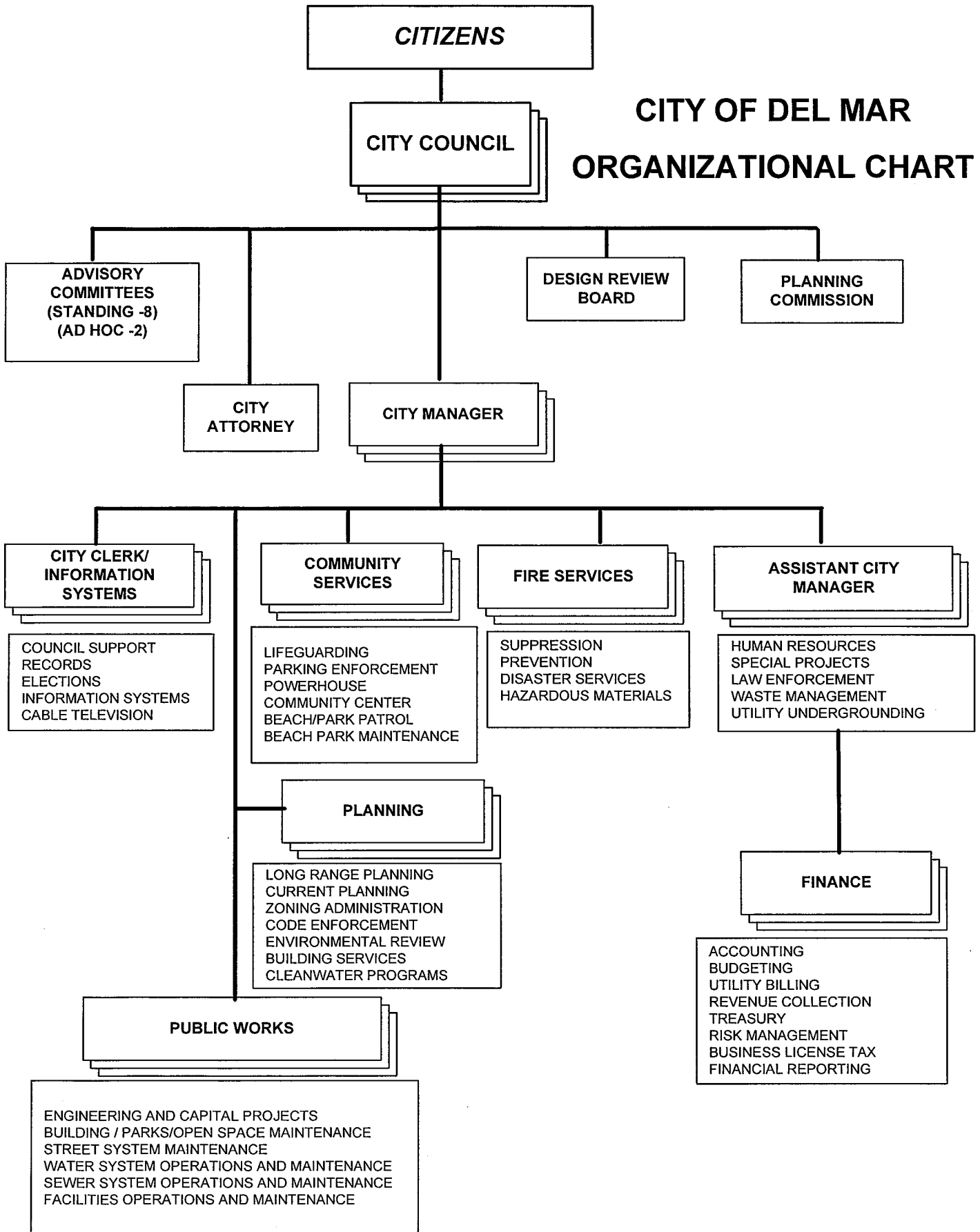
*David Scherer*

**SHERIFF CAPTAIN**

*Sherri Sarro*

*\*assumed position November 1, 2010*

# CITY OF DEL MAR ORGANIZATIONAL CHART









**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

2301 Dupont Drive, Suite 200  
Irvine, CA 92612  
949-474-2020 ph  
949-263-5520 fx  
www.mhm-pc.com

Honorable Mayor and City Council  
City of Del Mar  
Del Mar, California

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Del Mar, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Del Mar. Our responsibility is to express opinions on these basic financial statements based on our audit. The prior year partial comparative information has been derived from the basic financial statements of the City of Del Mar for the year ended June 30, 2009 and, in our report dated December 17, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Del Mar, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of the City of Del Mar, 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 *management's discussion and analysis* is not a required part of the basic financial statements, but is 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.

Honorable Mayor and City Council  
City of Del Mar

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Del Mar's basic financial statements. The combining and individual nonmajor fund financial statements 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 budgetary comparison schedules of the non-major funds and major capital improvement fund 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 *Governmental Auditing Standards*, we have also issued a report dated December 17, 2010 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 17, 2010







December 17, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Del Mar (the City), we offer readers this discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2010. The accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures in this report, are the responsibility of the City. The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standard Board (GASB). Readers are encouraged to consider the information presented here in conjunction with additional information, which can be found in the Introductory Section of this report, and with the City's financial statements, which follow this discussion.

### FINANCIAL HIGHLIGHTS

#### **Economic Background**

The City of Del Mar has a variety of revenue sources which helps to maintain its financial stability in the face of economic downturns. While its economy is heavily dependent on tourism, its single largest source of revenue is property taxes. Due to its desirable location, its real estate market has not suffered the declines faced by many real estate markets and its assessed valuation continues to climb, leading to continued increases in property tax revenues. The two next largest revenues, transient occupancy tax (TOT), and sales and use tax, have had slight increases compared to the prior year primarily due to recent zoning and code changes made by the City. The City also updated a variety of revenue sources, including its planning and development fees, its water and sewer rates, and has updated its cost allocation plan. In addition, ballot measures in the prior year for a transient occupancy tax increase, and Clean Water Service Fees passed by a wide margin, providing the City with the ability to increase its revenues in these areas. The City cash funds its Capital Improvement Program, so that it does not have significant long-term fixed cost obligations. The two-year budget starting with this fiscal year focused on CIP projects that were funded by grants and outside sources. The cash-funded capital program has allowed the City to adjust its capital expenditures to the revenues available, providing the City with tremendous flexibility.

The discussion and analysis below compares Fiscal Year 2009-2010 to Fiscal Year 2008-2009. All variances are expressed relative to Fiscal Year 2008-2009 results. Fiscal Year 2009-2010 financial highlights include the following:

### **Financial Highlights**

- The City's total assets exceeded its liabilities as of June 30, 2010 leaving \$59.01 million in net assets.
- Citywide total net assets increased by \$0.83 million, or 1.43 percent, during the current fiscal year, indicating an improved financial condition. The positive change in net assets is largely due to the strict monitoring of expenditures.
- A net increase in total assets of \$0.97 million, or 1.40 percent, is primarily due to an increase in the ending cash and investments balance at the end of the fiscal year due to increases in revenues as discussed later. Liabilities had a net increase of \$0.14 million, or 1.30 percent, primarily due to an increase in long-term liabilities from the new loan with the State for the rehabilitation of the 21<sup>st</sup> Street Pump Station. Current liabilities increased by \$0.16 million and long-term liabilities increased by \$0.15 million.
- As of June 30, 2010, the City's governmental funds reported combined fund balances of \$5.07 million, an increase of \$0.24 million, or 4.88 percent, from Fiscal Year 2008-2009. Of the \$5.07 million in fund balance, \$0.79 million, is reserved for specific activities and \$4.28 million, is unreserved.
- At the end of the current fiscal year, the fund balance for the General Fund is \$3.36 million, or 66.19 percent, of the total fund balance in governmental funds. This balance is available for spending at City management's discretion, and is equal to 37.25 percent of the total fiscal year expenditures of \$9.01 million, and 32.42 percent of total revenues of \$10.35 million, before other financing sources (uses). The Open Space Fund, Capital Improvement Program Fund and other non-major governmental funds have fund balance of \$0.34 million, \$0.43 million and \$0.94 million, respectively, at June 30, 2010.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and compensated time leaves).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and parks and recreation. The business-type activities (proprietary fund type) of the City include the Water, Wastewater and Clean Water Funds.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. However, this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship or differences between governmental funds and governmental activities following each of the governmental funds statements.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three funds that are considered to be major funds. These three funds consist of the General Fund, the Open Space Special Revenue Fund, and the Capital Improvement Program Fund. Data from the other nine governmental funds are combined into a single, aggregated presentation and are considered non-major funds.

A budgetary comparison statement has been provided for the funds that have an adopted budget to demonstrate compliance with this budget.

**Proprietary Funds.** The City of Del Mar maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Enterprise funds are used to account for the City's Water, Wastewater, and Clean Water activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insured Workers' Compensation activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water and Wastewater, which are considered to be major funds, and Clean Water, which is considered a non-major enterprise fund. The Internal Service Fund is shown as a separate fund in the proprietary fund financial statements.

***Fiduciary Funds.*** The City maintains one type of fiduciary fund, the *Agency Funds*. The fiduciary fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governments. The *Agency Funds* account for five Assessment District (A.D.) bond issues, Stratford & Luneta Undergrounding A.D. 1989-01, Seawall Refinance A.D. 1999-01, Ocean View/Pines A.D. 2005-01, North Hills Undergrounding A.D. 2007-01, and Sunset Undergrounding A.D. 2007-02.

Since the resources of the fiduciary fund are not available to support the City's own programs, they are not reflected in the government-wide and primary governmental fund financial statements but are reported in the financial section.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the City's progress as compared to the budget. The *Required Supplementary Information* section can be found in this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### *Net Assets*

The analysis below focuses on total net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

The City's net assets are made up of three components: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Del Mar, combined net assets (governmental and business-type activities) totaled \$59.01 million as of June 30, 2010. This is an increase of \$0.83 million, or 1.43 percent, compared to June 30, 2009.

**TABLE 1**  
**CITY OF DEL MAR**  
**NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009, Restated	2010	2009, Restated
Current assets	\$8,205,004	\$8,452,170	\$4,603,015	\$3,584,666	\$12,808,019	\$12,036,836
Non-current assets	-	-	505,733	525,352	505,733	525,352
Capital assets	34,590,634	34,491,345	22,168,098	22,045,444	56,758,732	56,536,789
Total Assets	42,795,638	42,943,515	27,276,846	26,155,462	70,072,484	69,098,977
Current liabilities	2,915,412	3,165,876	1,123,886	880,831	4,039,298	4,046,707
Non-current liabilities	4,198,254	4,502,177	2,826,207	2,373,320	7,024,461	6,875,497
Total Liabilities	7,113,666	7,668,053	3,950,093	3,254,153	11,063,759	10,922,204
Invested in capital assets, net of related debt	30,313,422	29,850,840	19,503,704	19,924,858	49,817,126	49,775,698
Restricted	1,371,099	1,693,192	-	-	1,371,099	1,693,192
Unrestricted	3,997,451	3,731,430	3,823,049	2,976,453	7,820,500	6,707,883
Total Net Assets	<b>\$35,681,972</b>	<b>\$35,275,462</b>	<b>\$23,326,753</b>	<b>\$22,901,311</b>	<b>\$59,008,725</b>	<b>\$58,176,773</b>

The largest component of the City's net assets, \$49.82 million, is investment in capital assets (e.g., land, buildings, improvements, equipment, construction in progress, and infrastructure), less any related debt used to acquire those assets, that is outstanding. This increased \$0.04 million, or 0.08 percent, from the prior fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the City's total net assets, which represents resources subject to external restrictions on how they may be used by the City, is \$1.37 million. This is a decrease of \$0.32 million from the prior fiscal year's amount of \$1.69 million. The remaining unrestricted net assets of \$7.82 million are used to meet the City's ongoing obligations for the following fiscal year. This unrestricted amount increased by \$1.11 million from last fiscal year's amount of \$6.71 million.

As of June 30, 2010, the City has positive balances in both categories of governmental and business-type net assets. The total net assets in the governmental activities increased by \$0.41 million, or 1.15 percent. The increase in total net assets also accounted for a minor increase in business-type activities of \$0.22 million, or 0.97 percent.

## Changes in Net Assets

The analysis below focuses on the changes in net assets (Table 2) of the City's governmental and business-type activities.

TABLE 2  
CITY OF DEL MAR'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009, Restated	2010	2009, Restated
<b>Revenues:</b>						
<i>Program Revenues:</i>						
Charges for services	\$2,690,800	\$2,513,220	\$5,202,860	\$4,996,355	\$7,893,660	\$7,509,575
Operating grants and contributions	343,777	323,436	-	-	343,777	323,436
Capital grants and contributions	703,612	1,762,742	-	-	703,612	1,762,742
<i>General Revenues:</i>						
Property taxes	4,433,968	4,215,519	-	-	4,433,968	4,215,519
Sales and other taxes	3,404,793	3,565,002	-	-	3,404,793	3,565,002
Others	435,431	341,547	197,522	127,207	632,953	468,754
Unrestricted investment earnings and others	199,148	260,440	28,378	90,967	227,526	351,407
<b>Total Revenues</b>	<b>12,211,529</b>	<b>12,981,906</b>	<b>5,428,760</b>	<b>5,214,529</b>	<b>17,640,289</b>	<b>18,196,435</b>
<b>Expenses:</b>						
General government	4,313,697	4,386,669	-	-	4,313,697	4,386,669
Public safety	5,115,313	5,080,611	-	-	5,115,313	5,080,611
Public works	1,511,201	934,974	-	-	1,511,201	934,974
Parks and recreation	686,835	672,742	-	-	686,835	672,742
Interest and fiscal charges	128,910	119,312	-	-	128,910	119,312
Enterprise operations	-	-	5,052,381	4,789,284	5,052,381	4,789,284
<b>Total Expenses</b>	<b>11,755,956</b>	<b>11,194,308</b>	<b>5,052,381</b>	<b>4,789,284</b>	<b>16,808,337</b>	<b>15,983,592</b>
Increase (decrease) in Net Assets before other revenues and transfers	455,573	1,787,598	376,379	425,245	831,952	2,212,843
Transfers	(49,063)	(171,254)	49,063	171,254	-	-
<b>Change in Net Assets</b>	<b>406,510</b>	<b>1,616,344</b>	<b>425,442</b>	<b>596,499</b>	<b>831,952</b>	<b>2,212,843</b>
Net assets - beginning of year, restated	35,275,462	33,659,118	22,901,311	22,304,812	58,176,773	55,963,930
<b>Net assets - end of year</b>	<b>\$35,681,972</b>	<b>\$35,275,462</b>	<b>\$23,326,753</b>	<b>\$22,901,311</b>	<b>\$59,008,725</b>	<b>\$58,176,773</b>

### Governmental Activities:

The City's net assets from governmental activities increased \$0.41 million, or 1.15 percent, in the current fiscal year, accounting for 48.87 percent of the total \$0.83 million growth, in the City's total net assets. Total revenues from governmental activities decreased 5.93 percent to \$12.21 million. The cost of all governmental activities in Fiscal Year 2009-2010 was \$11.76 million, an increase of \$0.56 million, or 5.02 percent, under the prior fiscal year. As shown in the Statement of Activities, governmental activities were financed in part by taxpayers at

\$2.69 million, which were generated by service revenues received from the performance of these activities, and increased by \$0.18 million, or 7.07 percent, compared to Fiscal Year 2008-2009. Another \$0.34 million was received from other government agencies and other organizations that subsidized certain programs with operating grants and contributions. This revenue category increased by \$0.20 million, or 6.29 percent. In addition, another \$0.70 million in revenues came from capital grants and contributions, which decreased by \$1.06 million, or 60.08 percent, compared to the prior fiscal year. This decrease is attributable to more federal grant revenue received in the prior year than in the current fiscal year related to retrofitting the North Torrey Pines Bridge. Overall, the City's governmental program revenues amounted to \$3.74 million, a decrease of \$0.86 million, or 18.72 percent, compared to the prior fiscal year. General revenues of \$8.47 million increased by \$0.91 million, or 1.09 percent, in comparison to the prior fiscal year. This increase is attributable to the increase in property taxes of \$0.22 million, or 5.18 percent, while sales and other taxes decreased \$0.16 million, or 4.49 percent, compared to the prior fiscal year. In total, City Governmental Activities reported an increase of \$0.41 million in net assets. In comparison to the prior fiscal year, the key elements contributing to the \$0.77 million decrease in revenues from governmental activities are as follows:

- The City recognized \$1.06 million less in capital grants and contributions compared to the prior fiscal year due to less federal grants received in the current fiscal year compared to the previous fiscal year related to the rehabilitation of the North Torrey Pines Bridge.
- An increase of \$0.18 million in charges for services compared to the prior fiscal year primarily attributable to increases in parking meter revenue and administrative charges.
- An increase of \$0.22 in property taxes compared to the prior fiscal year due to increased property tax collections from increased assessed valuations.

#### **Business-type Activities:**

The City's business-type activities increased its net assets by \$0.43 million, or 0.97 percent, for the fiscal year ended June 30, 2010, accounting for 51.13 percent of the total \$0.83 million growth, in the City's net assets. Business-type activities' total revenue increased by \$0.21 million, or 4.11 percent, during the current fiscal year to a total of \$5.43 million in revenues. In comparison to the prior fiscal year, charges for services increased by \$0.21 million, or 4.13 percent. Related business-type activity costs also increased during the fiscal year by \$0.26 million, or 5.49 percent, compared to the prior fiscal year. The increase in revenues, expenditures, and transfers resulted in a change in net assets of \$0.43 million, or a 1.84 percent increase, from the prior fiscal year. The prior year's net asset amount was restated from \$23.3 million to \$22.9 million due to a write down of capital assets to original land values in the Water Fund.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Del Mar uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### *Governmental Funds:*

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spending* resources. Such information is useful in assessing the City of Del Mar's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2010, the City's governmental funds reported a combined ending fund balance of \$5.07 million, which is a \$0.24 million, or 4.88 percent increase, in comparison to the prior fiscal year of \$4.84 million. The \$5.07 million governmental fund balance is composed of \$0.79 million in *reserves* to indicate that it is not available for new spending because it has been committed to 1) liquidate contracts and debt service requirements for the following fiscal years and 2) continue the City's special activities and capital improvement projects; \$0.97 million in *unreserved, designated*, and (\$3.31) million in *unreserved, undesignated*.

Table 3 below shows the governmental fund balances for the two fiscal years ended June 30, 2010 and June 30, 2009.

**TABLE 3**  
**CITY OF DEL MAR**  
**SUMMARY STATEMENT OF REVENUES, EXPENDITURES, and CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

<b>FISCAL YEAR 2009-2010</b>	<b>General</b>	<b>Open Space Debt Service</b>	<b>Capital Improvement</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
Total revenues:	\$10,390,923	\$605,353	\$395,456	\$809,157	\$12,200,889
Total expenditures:	9,013,085	962,009	664,879	1,275,886	11,915,859
Excess (deficiency) of revenues over expenditures	1,377,838	(356,656)	(269,423)	(466,729)	285,030
Total other financing sources (uses)	(623,346)	174,373	12,467	387,443	(49,063)
Net change in fund balance	754,492	(182,283)	(256,956)	(79,286)	235,967
Fund balance - beginning	2,602,733	526,154	683,550	1,023,792	4,836,229
Fund balance - ending	<b>\$3,357,225</b>	<b>\$343,871</b>	<b>\$426,594</b>	<b>\$944,506</b>	<b>\$5,072,196</b>
<b>FISCAL YEAR 2008-2009</b>					
Total revenues:	\$10,186,128	\$656,002	\$1,819,685	\$716,103	\$13,377,918
Total expenditures:	9,309,113	1,232,315	2,291,421	1,114,482	13,947,331
Excess (deficiency) of revenues over expenditures	877,015	(576,313)	(471,736)	(398,379)	(569,413)
Total other financing sources (uses)	(549,138)	4,140,257	(367,391)	368,019	3,591,747
Net change in fund balance	327,877	3,563,944	(839,127)	(30,360)	3,022,334
Fund balance - beginning, as restated	2,274,856	(3,037,790)	1,522,677	1,054,152	1,813,895
Fund balance - ending	<b>\$2,602,733</b>	<b>\$526,154</b>	<b>\$683,550</b>	<b>\$1,023,792</b>	<b>\$4,836,229</b>

**General Fund:**

Total governmental funds include the General Fund, the chief operating fund of the City, which has a fund balance of \$3.36 million as of June 30, 2010. This is an increase of \$0.75 million, or 28.99 percent, in comparison to the prior fiscal year. This increase is due to the increase in total revenues of \$0.20 million, or 2.01 percent, and the decrease in operating costs of \$0.30 million, or 3.18 percent. Revenues increased primarily due to increases in taxes and charges for services, offset by decreases in licenses, fees and permits, use of money and property, and other revenues.

Total expenditures decreased by \$0.30 million, or 3.17 percent, as compared to the prior fiscal year, in which the largest decrease was in general government expenditures of \$0.21 million, or 4.90 percent and the reduction in debt service payments of \$0.76 million, or 79.50 percent from the payoff of certain capital leases. The decrease in general government expenditures is largely due to decreases in planning and engineering services compared to the prior fiscal year. The ending fund balance is comprised of \$0.36 million reserved for encumbrances, and the unreserved amount of \$3.32 million, which is available for spending at the City's discretion.

Additional detailed information regarding combined fund balance reserves is presented in Note 8 to the Basic Financial Statements.

***Major Funds:***

As of June 30, 2010, the fund balance in the Open Space Special Revenue Fund decreased by \$0.18 million from the prior fiscal year, and has an ending fund balance of \$0.34 million. Total revenues of this fund decreased by \$0.05 million, or 7.72 percent, compared to the prior fiscal year. Total expenditures decreased by \$0.27 or 21.93 percent compared to the prior fiscal year due to a decrease in capital outlay.

As of June 30, 2010, the Capital Improvement Program's fund balance of \$0.43 million, decreased by \$0.26 million, or 37.59 percent, from the prior fiscal year. This fund balance will be utilized for on-going projects and street projects in the following fiscal year.

***Non-major Funds:***

The fund balances for other governmental funds or non-major governmental funds decreased \$0.08 million, or 7.74 percent, from the Fiscal Year 2008-2009 balance of \$1.02 million to \$0.94 million at the end of the current fiscal year. The other non-major funds are composed of the remaining special revenue funds including Gas Tax, Supplemental Law Enforcement, Regional Communications System, Grants, Housing, Proposition 42, Regional Transportation, Transnet, and Wildfire Debt Service. The fund balance of \$0.94 million is comprised of \$0.21 million, which is reserved for repayment of debts, and the remaining amount of \$0.74 million, which is reserved for encumbrances and special projects.

***Proprietary Funds:***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

*Enterprise Funds:* The total net assets in the enterprise funds increased over the prior fiscal year by \$0.43 million, or 1.9 percent. The City's Water Fund decreased \$0.03 million, the Wastewater Fund increased \$0.46 million, while the Clean Water Fund decreased by \$0.007 million. The decrease in the Water and Clean Water funds are due to the operating losses during the fiscal year. The Wastewater Fund's increase in net assets was due to the increase in operating revenues of \$0.30 million, or 12.45 percent, compared to the prior fiscal year, due to rate increases.

At the end of Fiscal Year 2009-2010, the Internal Service fund reported a surplus in net assets of \$0.68 million, which is a \$0.24 million, or 26.23 percent, decrease from last fiscal year. This decrease was attributable to the decrease in charges for services of \$0.18 million, or 75.38 percent due to the large fund balance at the beginning of the fiscal year. Operating

expenses increased \$0.05 million, or 18.4 percent, compared to the prior fiscal year due to an increase in claims expenses.

### **General Fund Budgetary Highlights**

The City adopts annual appropriated operating budgets for its governmental funds and reports the results of operations on a budget comparison basis.

In preparing its budgets, the City attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditure appropriations and activities in a prudent manner. As a result, the City Council adopts budget adjustments during the course of the fiscal year to reflect both changed priorities and availability of revenues to allow for expansion of existing programs, if required.

The General Fund reflected a net total favorable budget variance of \$0.85 million when comparing actual amounts of \$1.34 million to the final budget of \$0.49 million for the current fiscal year. This positive budget variance primarily reflects revenue realization greater than estimates of \$0.65 million due to higher tax revenues of \$0.50 million, higher licenses, fees and permit revenues of \$0.45 million, and higher charges for services revenue of \$0.56 million offset by less than estimated use of money and property revenues of \$0.48 million and other revenues of \$0.38 million. The actual expenses were less than the fiscal year's final appropriation by \$0.19 million primarily due to less than anticipated expenditures in public works of \$0.20 million.

### **CAPITAL ASSET and DEBT ADMINISTRATION**

#### *Capital Assets:*

The City of Del Mar's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$56.76 million, net of accumulated depreciation. Amounts invested in capital assets includes land, buildings, improvements, machinery and equipment, bridges, roadway networks, water lines, and sewer and storm drainage systems. The total increase in the City's capital assets, net of depreciation, for the current fiscal year was \$0.02 million, compared to the prior fiscal year, in which \$0.99 million, or 0.003 percent, of the increase is related to governmental activities offset by a \$0.78 million, or 0.004 percent, decrease in business-type activities. For governmental activities refer to Table 4.

- For governmental activities, the increase in capital assets during the fiscal year is primarily due to an increase in streets of \$0.92 million before depreciation. In addition, this was offset by land that was adjusted down to its original purchase cost for \$0.38 million and the disposal of obsolete equipment for a net decrease of \$0.14 million during the fiscal year. Overall, total capital assets increased \$0.02 million in governmental activities compared to the prior fiscal year.
- For business-type activities, total capital assets decreased by \$0.08 million, or 0.004 percent, during the fiscal year. This decrease was primarily attributable to the deletion of capital assets that are no longer in service.

Additional information on the City of Del Mar's capital assets can be located in Note 4 of the financial statements in this report.

**TABLE 4**  
**CITY OF DEL MAR'S CAPITAL ASSETS**  
**(Net of depreciation)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009, Restated</b>	<b>2010</b>	<b>2009, Restated</b>
Non-depreciable assets:						
Land	\$18,300,034	\$18,687,991	\$1,205,457	\$1,218,925	\$19,505,491	\$19,906,916
Construction in progress	5,260,461	5,250,721	1,411,924	786,827	6,672,385	6,037,548
Total non-depreciable assets	<u>23,560,495</u>	<u>23,938,712</u>	<u>2,617,381</u>	<u>2,005,752</u>	<u>26,177,876</u>	<u>25,944,464</u>
Capital assets, being depreciated:						
Buildings/structures and improvement	3,819,368	3,986,135	3,519,979	3,584,301	7,339,347	7,570,436
Machinery and equipment	336,462	340,780	405,659	401,008	742,121	741,788
Streets	3,914,471	3,095,543	-	-	3,914,471	3,095,543
Traffic signals	41,790	43,125	-	-	41,790	43,125
Roadway network	282,579	288,488	-	-	282,579	288,488
Bridge	750,939	779,492	-	-	750,939	779,492
Storm drainage system	1,884,530	2,019,070	-	-	1,884,530	2,019,070
Water line system	-	-	7,670,852	7,838,293	7,670,852	7,838,293
Sewer line system	-	-	7,954,227	8,216,090	7,954,227	8,216,090
Total depreciable assets, net	<u>11,030,139</u>	<u>10,552,633</u>	<u>19,550,717</u>	<u>20,039,692</u>	<u>30,580,856</u>	<u>30,592,325</u>
Total capital assets	<u><b>\$34,590,634</b></u>	<u><b>\$34,491,345</b></u>	<u><b>\$22,168,098</b></u>	<u><b>\$22,045,444</b></u>	<u><b>\$56,758,732</b></u>	<u><b>\$56,536,789</b></u>

***Debt Service Administration:***

A complete detail of outstanding debt is shown in Note 7 of the financial statements in this report. As of June 30, 2010, the City had total long-term debt outstanding of \$7.82 million in bonds, notes payable, leases, claims payable, and compensated absences, as shown in Table 5.

For governmental activities, long-term debt accounts for \$4.63 million, or 59.2 percent, of the City's total long-term debt, as of June 30, 2010. Total long-term debt is comprised of Certificates of Participation (COPs) of \$0.79 million for Wildfire Protection Debt issued in 1999, a note payable of \$0.01 million, issued in 1995 to the County of San Diego and Imperial Counties for a regional communications system, a loan payable of \$3.48 million, entered into during Fiscal Year 2008-2009 to payoff the Shores Property promissory note, and compensated absences of \$0.35 million. All long-term debt in governmental activities is secured solely by specified revenue sources.

**TABLE 5**  
**CITY OF DEL MAR'S OUTSTANDING DEBT**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Certificates of Participation	\$ -	\$ -	\$ 2,320,000	\$ 2,640,000	\$ 2,320,000	\$ 2,640,000
Bond Payable	785,000	930,000	-	-	785,000	930,000
Notes Payable	11,441	22,266	795,578	5,940	807,019	28,206
Loan Payable	3,480,772	3,668,924	-	-	3,480,772	3,668,924
Capital Lease	-	19,316	-	-	-	19,316
Compensated absences	354,179	299,949	71,573	67,024	425,752	366,973
	<b>\$ 4,631,392</b>	<b>\$ 4,940,455</b>	<b>\$ 3,187,151</b>	<b>\$ 2,712,964</b>	<b>\$ 7,818,543</b>	<b>\$ 7,653,419</b>

For business-type activities, long-term debt accounts for \$3.19 million, or 40.76 percent, of the City's total long-term debt, as of June 30, 2010. Certificates of Participation (COP) outstanding in the amount of \$2.32 million were issued for construction and repair for wastewater lines in the Wastewater Fund. The Water and Wastewater funds have a note payable outstanding with the County of San Diego and Imperial County for a regional communications system, which has an outstanding balance of \$0.003 million at the end of the current fiscal year. Included in notes payable in the Wastewater Fund for \$0.79 million is a note that the City entered into with the State of California for the replacement of the 21st Street Pump Station. Compensated absences in business-type activities accounts for \$0.07 million of the total business-type long-term debt. All long-term debt in business-type activities is pledged solely by operating revenues.

The City's long-term debt increased by \$0.17 million, or 2.16 percent, compared to the prior fiscal year. The increase was caused by \$0.78 million in a new note payable and a \$0.06 increase in compensated absences, offset by decreases due to \$0.32 million of principal payments that were paid toward Certificates of Participation, \$0.15 million of principal payments that were paid toward the bond payable, \$0.19 of principal paid towards the loan payable and \$0.19 million in lease repayments.

### **Economic Factors and Next Year's Budget**

Local governments throughout the State of California must continually find new ways to survive economically in order to meet their obligation of serving their communities. The economy at both national and state levels is expected to continue on its recessionary path. The City maintains a conservative approach to budgeting revenues and expenditures. Management takes an active role in monitoring the application of the budget during the fiscal year to apply any necessary changes to projected revenues as well as appropriated expenditures.

Facing the predicted economic adversities nationwide and statewide in the year ahead, management looked at the following key economic factors while preparing the budget for Fiscal Year 2010-2011:

#### **Revenues:**

- The City's projected revenues for Fiscal Year 2010-2011 is \$35.88 million, which is \$11.78 million, or 48.89 percent, higher than Fiscal Year 2009-2010 original projected revenues

of \$24.10 million due to grant revenues projected to be received for the construction phase of the North Torrey Pines Bridge project. During the course of Fiscal Year 2009-2010, however, revenues were adjusted to \$23.69 million, a decrease of \$0.40 million, or 1.67 percent. Actual revenues realized for Fiscal Year 2009-2010 are \$17.68 million, which is \$6.02 million, or 25.40 percent, lower than the final projected revenues, in which the general fund received \$0.65 million, or 6.75 percent, more than the final projected revenues, the other governmental funds received \$3.84 million, or 67.97 percent, less than the final projected revenues, and the business-type funds received \$2.74 million, or 33.52 percent, less than the final projected revenues.

- The Fiscal Year 2010-2011 revenue projections focus on the following factors:
  - The three primary supporting revenues in the General Fund are property taxes, sales tax, and transient occupancy taxes, which make-up 67 percent of the overall General Fund revenue, and are expected to increase slightly from Fiscal Year 2009-2010.
  - Other general governmental funds include \$13.32 million in Federal Grants revenue for the construction phase of the North Torrey Pines Bridge Rehabilitation CIP Project expected to be expended during Fiscal Year 2010-2011.
  - Revenues in the business-type funds are projected to decrease by \$0.43 million, or 5.18 percent, due primarily to the continued conservation efforts of the residents resulting in less water being sold in the Water Fund.

#### *Expenditures:*

The City's Adopted Fiscal Year 2010-2011 Operating and Capital Improvement Budget expenditures is \$35.88 million, which is an increase of \$11.69 million, or 48.34 percent, higher than the prior fiscal year's original adopted budget.

The Adopted Fiscal Year 2010-2011 budget is comprised of the General Fund for \$9.18 million, or 25.57 percent, other governmental funds of \$3.28 million, or 9.15 percent, Capital Improvement Program Fund of \$15.31 million, or 42.69 percent, and the Workers' Compensation Fund of \$0.19 million, or 0.52 percent. The business-type funds account for \$7.92 million, or 22.07 percent.

The Fiscal Year 2010-2011 Adopted Budget increased by \$11.69 million, in comparison to the Fiscal Year 2009-2010 original adopted budget. The increase is primarily due to the increase in the North Torrey Pines Bridge CIP project funded by grants, an increase in the Capital Improvement Program Fund of \$10.69 million, an increase in other general governmental funds of \$1.32 million, and in the business-type funds for \$1.68 million.

Increases in the Fiscal Year 2010-2011 adopted budget are focused on the following objectives:

- Increasing general government expenditures to fund for consulting services for legal services and planning services in the City's efforts to revitalize its Downtown area.
- Completing on-going capital improvement projects that are grant funded or funded by loans.

The Fiscal Year 2010-2011 Operating and Capital Improvement Budget is a reflection of the City's commitment to the residents of Del Mar. A copy of the budget can be obtained by contacting the City's Finance Department.

**Request for Information**

This financial report is designed to provide a general overview of the City of Del Mar's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Del Mar, Finance Department, 1050 Camino Del Mar, Del Mar, California 92014, (858) 755-9354, or visit the City website at [www.delmar.ca.us](http://www.delmar.ca.us).

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CITY OF DEL MAR

STATEMENT OF NET ASSETS

JUNE 30, 2010

(With comparative totals for 2009)

	Governmental Activities	Business-type Activities	Total	
			2010	2009
<b>ASSETS</b>				
Current assets:				
Cash and investments (note 3)	\$ 7,101,183	\$ 3,225,266	\$ 10,326,449	\$ 9,810,154
Receivables:				
Accounts, net	391,551	1,259,055	1,650,606	1,020,652
Taxes	488,478	-	488,478	324,946
Accrued interest	14,326	4,127	18,453	28,857
Inventory	-	82,056	82,056	75,816
Due from other agencies	209,466	32,511	241,977	773,612
Prepaid expenses	-	-	-	2,799
Total current assets	8,205,004	4,603,015	12,808,019	12,036,836
Non-current assets:				
Restricted assets:				
Cash and investments with fiscal agent (note 3)	-	451,174	451,174	460,233
Deferred charges	-	54,559	54,559	65,119
Capital assets (note 4):				
Land	18,300,034	1,205,457	19,505,491	19,906,916
Construction in progress	5,260,461	1,411,924	6,672,385	6,037,548
Water and wastewater systems	-	24,014,721	24,014,721	23,901,688
Buildings and improvements	6,219,643	4,334,703	10,554,346	10,520,490
Machinery and equipment	1,824,058	1,062,750	2,886,808	3,059,910
Infrastructure	7,641,022	-	7,641,022	6,793,484
Less: accumulated depreciation	(4,654,584)	(9,861,457)	(14,516,041)	(13,683,247)
Total capital assets, net of depreciation	34,590,634	22,168,098	56,758,732	56,536,789
Total non-current assets	34,590,634	22,673,831	57,264,465	57,062,141
Total assets	42,795,638	27,276,846	70,072,484	69,098,977
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,849,645	679,270	2,528,915	2,362,438
Deferred revenue	84,056	-	84,056	230,747
Accrued interest payable	28,585	41,714	70,299	76,356
Deposits payable	519,988	41,958	561,946	599,244
Long-term liabilities, current portion	433,138	360,945	794,083	777,922
Total current liabilities	2,915,412	1,123,887	4,039,299	4,046,707
Non-current liabilities:				
Long-term liabilities (note 7)	4,198,254	2,826,206	7,024,460	6,875,497
Total liabilities	7,113,666	3,950,093	11,063,759	10,922,204
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	30,313,422	19,503,704	49,817,126	49,775,698
Restricted for				
Public works	221,546	-	221,546	233,021
Public safety	12,147	-	12,147	18,101
Community development	710,812	-	710,812	758,520
Capital projects	426,594	-	426,594	683,550
Unrestricted	3,997,451	3,823,049	7,820,500	6,707,883
Total net assets	\$ 35,681,972	\$ 23,326,753	\$ 59,008,725	\$ 58,176,773

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(With comparative totals for 2009)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 4,313,697	\$ 1,017,198	\$ 559	\$ -
Public safety	5,115,313	1,268,801	262,276	-
Public works	1,511,201	-	80,942	595,612
Parks and recreation	686,835	404,801	-	108,000
Interest on long-term debt	128,910	-	-	-
Total governmental activities	11,755,956	2,690,800	343,777	703,612
Business-type activities:				
Water	2,323,776	2,234,510	-	-
Wastewater	2,299,233	2,584,404	-	-
Cleanwater	429,372	383,946	-	-
Total business-type activities	5,052,381	5,202,860	-	-
Total	\$ 16,808,337	\$ 7,893,660	\$ 343,777	\$ 703,612

General revenues:

Taxes:

- Property tax
- Sales and use tax
- Transient occupancy tax
- Franchise tax
- Business license tax
- Intergovernmental/unrestricted
- Use of money and property
- Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year, as restated (note 16)

Net assets, end of year

See accompanying notes to the basic financial statements.

Net Revenue (Expense) and Change in Net Assets			
Governmental Activities	Business-type Activities	Total	
		2010	2009
\$ (3,295,940)	\$ -	\$ (3,295,940)	(3,337,109)
(3,584,236)	-	(3,584,236)	(3,792,978)
(834,647)	-	(834,647)	752,995
(174,034)	-	(174,034)	(98,506)
(128,910)	-	(128,910)	(119,312)
<u>(8,017,767)</u>	<u>-</u>	<u>(8,017,767)</u>	<u>(6,594,910)</u>
-	(89,266)	(89,266)	230,646
-	285,171	285,171	109,169
-	(45,426)	(45,426)	(132,744)
<u>-</u>	<u>150,479</u>	<u>150,479</u>	<u>207,071</u>
<u>(8,017,767)</u>	<u>150,479</u>	<u>(7,867,288)</u>	<u>(6,387,839)</u>
4,433,968	-	4,433,968	4,215,519
1,367,739	-	1,367,739	1,362,060
1,505,530	-	1,505,530	1,418,345
342,989	-	342,989	375,033
188,535	-	188,535	197,696
163,473	-	163,473	211,868
199,148	28,378	227,526	351,407
271,958	197,522	469,480	468,754
(49,063)	49,063	-	-
<u>8,424,277</u>	<u>274,963</u>	<u>8,699,240</u>	<u>8,600,682</u>
406,510	425,442	831,952	2,212,843
<u>35,275,462</u>	<u>22,901,311</u>	<u>58,176,773</u>	<u>55,963,930</u>
<u>\$ 35,681,972</u>	<u>\$ 23,326,753</u>	<u>\$ 59,008,725</u>	<u>\$ 58,176,773</u>

See accompanying notes to the basic financial statements.

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CITY OF DEL MAR

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

(With comparative totals for 2009)

	General Fund	Special Revenue Open Space Fund	Capital Improvement Projects Fund	Non-Major Governmental Funds	Total	
					2010	2009
<b>ASSETS</b>						
Cash and investments	\$ 4,274,761	\$ 332,103	\$ 374,356	\$ 949,554	\$ 5,930,774	\$ 6,009,159
Receivables:						
Taxes	486,563	-	-	1,915	488,478	324,946
Accrued interest	10,454	508	619	1,240	12,821	17,388
Accounts, net	167,660	90,060	129,440	4,391	391,551	102,973
Due from other agencies	59,768	-	36,340	37,728	133,836	739,154
Due from other funds (note 5)	106,732	-	-	-	106,732	76,612
Prepaid items	-	-	-	-	-	2,799
<b>Total assets</b>	<b>\$ 5,105,938</b>	<b>\$ 422,671</b>	<b>\$ 540,755</b>	<b>\$ 994,828</b>	<b>\$ 7,064,192</b>	<b>\$ 7,273,031</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,172,564	\$ 50,905	\$ 114,161	\$ 19,220	\$ 1,356,850	\$ 1,614,397
Deposits payable	492,093	27,895	-	-	519,988	549,504
Deferred revenue	84,056	-	-	-	84,056	230,747
Due to other funds (note 5)	-	-	-	31,102	31,102	42,154
Due to other agencies	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,748,713</b>	<b>78,800</b>	<b>114,161</b>	<b>50,322</b>	<b>1,991,996</b>	<b>2,436,802</b>
<b>FUND BALANCES (NOTE 8)</b>						
Reserved	36,396	1,639	17,210	944,506	999,751	1,513,222
Unreserved, designated for, reported in:						
General fund	1,221,443	-	-	-	1,221,443	1,583,456
Special revenue funds	-	336,781	174,947	-	511,728	510,371
Debt service	-	-	-	-	-	228,147
Unreserved, undesignated reported in:						
General fund	2,099,386	-	-	-	2,099,386	988,943
Special revenue funds	-	5,451	234,437	-	239,888	12,090
<b>Total fund balances</b>	<b>3,357,225</b>	<b>343,871</b>	<b>426,594</b>	<b>944,506</b>	<b>5,072,196</b>	<b>4,836,229</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,105,938</b>	<b>\$ 422,671</b>	<b>\$ 540,755</b>	<b>\$ 994,828</b>	<b>\$ 7,064,192</b>	<b>\$ 7,273,031</b>

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

Fund Balances of Governmental Funds	\$ 5,072,196
Amount reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not included in the funds.	34,590,634
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(28,581)
Long-term liabilities applicable to governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities.	(4,631,392)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	<u>679,115</u>
Net Assets of Governmental Activities	<u><u>\$ 35,681,972</u></u>

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(With comparative totals for 2009)	General Fund	Special Revenue Open Space Fund	Capital Improvement Program Fund	Non-Major Governmental Funds	Totals	
					2010	2009
<b>REVENUES</b>						
Taxes	\$ 7,645,032	\$ 3,852	\$ -	\$ 288,188	\$ 7,937,072	\$ 7,676,829
Licenses, fees and permits	521,997	347,241	-	47,016	916,254	1,005,220
Intergovernmental	132,799	52,005	378,924	458,964	1,022,692	2,230,841
Charges for services	992,813	-	-	-	992,813	794,002
Fines and forfeitures	781,733	-	-	-	781,733	761,014
Use of money and property	79,636	93,168	6,605	9,104	188,513	225,747
Contributions	559	108,000	-	-	108,559	325,389
Other	236,354	1,087	9,927	5,885	253,253	358,876
Total revenues	10,390,923	605,353	395,456	809,157	12,200,889	13,377,918
<b>EXPENDITURES</b>						
Current:						
General government	4,055,962	-	-	102,511	4,158,473	4,376,664
Public safety	4,782,806	-	-	211,220	4,994,026	5,068,992
Public works	154,723	-	-	402,834	557,557	475,670
Parks and recreation	-	670,548	-	-	670,548	671,207
Capital outlay	-	9,853	664,879	364,661	1,039,393	2,807,876
Debt service:						
Principal	19,316	188,152	-	155,825	363,293	435,778
Interest	278	93,456	-	38,835	132,569	111,144
Total expenditures	9,013,085	962,009	664,879	1,275,886	11,915,859	13,947,331
Excess (deficiency) of revenues over (under) expenditures	1,377,838	(356,656)	(269,423)	(466,729)	285,030	(569,413)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of loan	-	-	-	-	-	3,763,000
Transfers in (note 6)	-	174,373	12,467	398,075	584,915	1,287,803
Transfers out (note 6)	(623,346)	-	-	(10,632)	(633,978)	(1,459,056)
Total other financing sources (uses)	(623,346)	174,373	12,467	387,443	(49,063)	3,591,747
Net change in fund balances	754,492	(182,283)	(256,956)	(79,286)	235,967	3,022,334
Fund balance, beginning of year	2,602,733	526,154	683,550	1,023,792	4,836,229	1,813,895
Fund balance, end of year	\$ 3,357,225	\$ 343,871	\$ 426,594	\$ 944,506	\$ 5,072,196	\$ 4,836,229

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances of Governmental Funds	\$	235,967
Amount reported for governmental activities in the Statement of Activities that are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay expense		1,135,844
Depreciation expense		(481,273)
Loss on disposal of land, equipment, and infrastructure		(547,961)
Repayment of debt service principal is an expenditure in governmental funds, but the repayment reduces long term liabilities in the statement of net assets		363,293
Some expenses reported in the Statement of Activities do not require the use of current available resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated absences		(54,230)
Accrued interest on debt service is recorded as expense in the government-wide statements. Interest expense is not accrued in the fund statements but recorded when paid. This is the net change in accrued interest for the current period.		
		(3,659)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenues (expenses) of internal service funds are reported with governmental activities. The net revenue or expense of certain activities of the internal service fund is reported with governmental activities.		
		<u>(241,471)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>406,510</u></u>

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS

JUNE 30, 2010

(With comparative totals for 2009)

	Business-type Activities Enterprise Fund				Governmental Activities - Internal Service Fund	Total	
	Water	Wastewater	Non-Major Enterprise Fund	Total		2010	2009, Restated
<b>ASSETS</b>							
Current Assets:							
Cash and investments	\$ 2,109,227	\$ 1,116,039	\$ -	\$ 3,225,266	\$ 1,170,409	\$ 4,395,675	\$ 3,801,000
Receivables:							
Accounts	477,850	705,854	75,351	1,259,055	-	1,259,055	917,679
Interest	2,619	1,450	58	4,127	1,505	5,632	11,468
Due from other agencies	10,414	17,097	5,000	32,511	-	32,511	-
Inventory	67,677	14,379	-	82,056	-	82,056	75,816
Total Current Assets	2,667,787	1,854,819	80,409	4,603,015	1,171,914	5,774,929	4,805,963
Non-Current Assets:							
Restricted assets:							
Cash and investments	-	451,174	-	451,174	-	451,174	460,233
Deferred charges	-	54,559	-	54,559	-	54,559	65,119
Capital Assets:							
Land	782,025	423,432	-	1,205,457	-	1,205,457	1,218,925
Construction in progress	102,808	1,309,116	-	1,411,924	-	1,411,924	786,827
Water and wastewater system	11,877,045	12,137,676	-	24,014,721	-	24,014,721	23,901,688
Buildings and improvements	4,039,761	294,942	-	4,334,703	-	4,334,703	4,306,447
Machinery and equipment	266,298	782,036	14,416	1,062,750	-	1,062,750	1,097,377
Less: Accumulated depreciation	(5,106,425)	(4,747,329)	(7,703)	(9,861,457)	-	(9,861,457)	(9,265,820)
Total Capital Assets (Net of Accumulated Depreciation)	11,961,512	10,199,873	6,713	22,168,098	-	22,168,098	22,045,444
Total Non-Current Assets	11,961,512	10,705,606	6,713	22,673,831	-	22,673,831	22,570,796
Total Assets	14,629,299	12,560,425	87,122	27,276,846	1,171,914	28,448,760	27,376,759
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	367,335	239,479	33,885	640,699	-	640,699	447,335
Due to other funds	-	-	38,571	38,571	-	38,571	-
Current portion of long-term liabilities	8,749	349,005	3,191	360,945	-	360,945	339,644
Accrued interest	58	41,656	-	41,714	-	41,714	44,112
Customer deposits	41,958	-	-	41,958	-	41,958	49,740
Total Current Liabilities	418,100	630,140	75,647	1,123,887	-	1,123,887	880,831
Non-current liabilities:							
Claims payable	-	-	-	-	492,799	492,799	300,711
Certificates of participation	-	1,980,000	-	1,980,000	-	1,980,000	2,320,000
Compensated absences	21,669	22,437	9,574	53,680	-	53,680	50,268
Notes payable	-	792,526	-	792,526	-	792,526	3,052
Total Non-Current Liabilities	21,669	2,794,963	9,574	2,826,206	492,799	3,319,005	2,674,031
Total Liabilities	439,769	3,425,103	85,221	3,950,093	492,799	4,442,892	3,554,862
Net Assets:							
Invested in capital assets, net of related debt	11,959,996	7,536,995	6,713	19,503,704	-	19,503,704	19,924,858
Unrestricted	2,229,534	1,598,327	(4,812)	3,823,049	679,115	4,502,163	3,897,039
Total Net Assets	\$ 14,189,530	\$ 9,135,322	\$ 1,901	\$ 23,326,753	\$ 679,115	\$ 24,005,868	\$ 23,821,897

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Business-type Activities- Enterprise Fund				Governmental Activities - Internal Service Fund	Total	
	Water	Wastewater	Non-Major Enterprise Fund	Total		2010	2009
<b>OPERATING REVENUES</b>							
Water sales	\$ 2,225,412	\$ -	\$ -	\$ 2,225,412	\$ -	\$ 2,225,412	\$ 2,336,493
Clean water services	-	-	379,696	379,696	-	379,696	303,195
Sewer service	-	2,574,247	-	2,574,247	-	2,574,247	2,338,100
Charges for services	-	-	-	-	58,573	58,573	237,934
Customer penalties	9,098	10,157	4,250	23,505	-	23,505	18,566
Other	37,914	159,169	441	197,524	-	197,524	129,545
Total operating revenues	2,272,424	2,743,573	384,387	5,400,384	58,573	5,458,957	5,363,833
<b>OPERATING EXPENSES</b>							
Source of supply	897,506	-	-	897,506	-	897,506	794,611
Transmission and distribution	311,745	-	-	311,745	-	311,745	308,309
Water treatment	173,970	-	-	173,970	-	173,970	140,857
Sewer collection	-	183,089	-	183,089	-	183,089	186,881
Plant maintenance and operation	-	1,002,279	-	1,002,279	-	1,002,279	942,790
General and administrative	603,822	612,134	427,104	1,643,060	310,679	1,953,739	1,853,664
Depreciation and amortization	336,565	380,022	2,267	718,854	-	718,854	687,592
Total operating expenses	2,323,608	2,177,524	429,371	4,930,503	310,679	5,241,182	4,914,704
Operating income	(51,184)	566,049	(44,984)	469,881	(252,106)	217,775	449,129
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Interest income	20,106	8,272	-	28,378	10,635	39,013	125,662
Interest expense	(168)	(121,712)	-	(121,880)	-	(121,880)	(136,762)
Total non-operating revenues	19,938	(113,440)	-	(93,502)	10,635	(82,867)	(11,100)
Income before transfers	(31,246)	452,609	(44,984)	376,379	(241,471)	134,908	438,029
Transfers in	5,316	5,316	38,431	49,063	-	49,063	171,253
Change in net assets	(25,930)	457,925	(6,553)	425,442	(241,471)	183,971	609,282
Net assets, beginning of year, restated (note 16)	14,215,460	8,677,397	8,454	22,901,311	920,586	23,821,897	23,212,615
Net assets, end of year	\$ 14,189,530	\$ 9,135,322	\$ 1,901	\$ 23,326,753	\$ 679,115	\$ 24,005,868	\$ 23,821,897

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
 (With comparative totals for 2009)

	Business-type Activities Enterprise Fund				Governmental Activities - Internal Service Fund	2010 Total	2009 Total
	Water	Wastewater	Non-Major Enterprise Fund Clean Water	Total			
Cash Flows from Operating Activities:							
Cash received from water, sewer & clean water customers	\$ 2,255,183	\$ 2,231,185	\$ 330,250	\$ 4,816,618	\$ -	\$ 4,816,618	\$ 5,010,263
Cash received from other operating receipts	37,914	159,169	441	197,524	58,573	256,097	367,478
Cash payments for water purchases, distribution and treatment	(1,383,220)	-	-	(1,383,220)	-	(1,383,220)	(1,243,777)
Cash payments for sewer collection & maintenance	-	(1,185,367)	-	(1,185,367)	-	(1,185,367)	(1,129,672)
Cash payments for services & supplies	(281,842)	(320,180)	(108,629)	(710,651)	(76,205)	(786,856)	(1,225,451)
Cash payment to employees for services	(206,538)	(230,053)	(261,769)	(698,360)	(42,386)	(740,746)	(699,147)
Net Cash Provided By (used for) Operating Activities	421,497	654,754	(39,707)	1,036,544	(60,018)	976,526	1,079,694
Cash Flows from Non-Capital Financing Activities							
Transfers received	5,316	5,316	38,431	49,063	-	49,063	171,253
Net Cash Provided By Non-Capital Financing Activities	5,316	5,316	38,431	49,063	-	49,063	171,253
Cash Flows from Capital and Related Financing Activities							
Proceeds from long-term debt	-	792,526	-	792,526	-	792,526	-
Acquisition and construction of capital assets	(171,006)	(657,332)	(2,605)	(830,943)	-	(830,943)	(975,944)
Interest payments on long-term debt	(110)	(124,168)	-	(124,278)	-	(124,278)	(145,437)
Principal payments on long-term debt	(1,188)	(320,940)	-	(322,128)	-	(322,128)	(533,543)
Net Cash (used for) Capital and Related Financing Activities	(172,304)	(309,914)	(2,605)	(484,823)	-	(484,823)	(1,654,924)
Cash Flows from Investing Activities							
Interest received	22,678	8,966	567	32,211	12,639	44,850	131,153
Net Cash Provided By Investing Activities	22,678	8,966	567	32,211	12,639	44,850	131,153
Net Increase (decrease) in Cash and Cash Equivalents	277,187	359,122	(3,314)	632,995	(47,379)	585,616	(272,824)
Cash and cash equivalents, beginning of year (including restricted cash of \$460,233)	1,832,040	1,208,091	3,314	3,043,445	1,217,788	4,261,233	4,534,057
Cash and cash equivalents, end of year (including restricted cash of \$451,174)	\$ 2,109,227	\$ 1,567,213	\$ -	\$ 3,676,440	\$ 1,170,409	\$ 4,846,849	\$ 4,261,233
Reconciliation of Operating Income (loss) to Net Cash Provided By (used for) Operating Activities:							
Operating income (loss):	\$ (51,184)	\$ 566,049	\$ (44,984)	\$ 469,881	\$ (252,106)	\$ 217,775	\$ 449,129
Adjustments to reconcile operating income (loss) to net income provided by (used for) operating activities:							
Depreciation and amortization	336,565	380,022	2,267	718,854	-	718,854	687,592
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	33,026	(353,219)	(48,697)	(368,890)	-	(368,890)	3,896
(Increase) decrease in due from other agencies	-	-	(5,000)	(5,000)	-	(5,000)	-
(Increase) decrease in inventory	(4,571)	(1,669)	-	(6,240)	-	(6,240)	148
(Increase) decrease in prepaid items	-	-	-	-	-	-	16,744
Increase (decrease) in claims payable	-	-	-	-	192,088	192,088	134,790
Increase (decrease) in accounts payable	127,456	62,060	16,627	206,143	-	206,143	(186,000)
Increase (decrease) in due to other funds	-	-	38,571	38,571	-	38,571	(5,562)
Increase (decrease) in retentions payable	(12,782)	-	-	(12,782)	-	(12,782)	(45,575)
Increase (decrease) in customer deposits	(7,782)	-	-	(7,782)	-	(7,782)	9,860
Increase (decrease) in compensated absences	769	1,511	1,509	3,789	-	3,789	14,672
Total Adjustments	472,681	88,705	5,277	566,663	192,088	758,751	630,565
Net Cash Provided By (used for) Operating Activities	\$ 421,497	\$ 654,754	\$ (39,707)	\$ 1,036,544	\$ (60,018)	\$ 976,526	\$ 1,079,694
Non-cash investing, capital and financing related activity							
Non-cash changes in fair value of investments	\$ 3,530	\$ 1,979	\$ -	\$ 5,509	\$ 1,990	\$ 7,499	\$ 15,710

See accompanying notes to the basic financial statements.

**CITY OF DEL MAR  
 AGENCY FUNDS  
 STATEMENT OF ASSETS AND LIABILITIES**

**JUNE 30, 2010**  
 (With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Accounts and assessments receivable	\$ 604	\$ 41,558
Amounts to be provided by bond holders	37,059	-
Restricted assets		
Cash and investments (note 3)	<u>477,771</u>	<u>520,701</u>
Total Assets	<u><u>\$ 515,434</u></u>	<u><u>\$ 562,259</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 11,916
Due to other funds (note 5)	37,059	34,458
Due to bond holders	<u>478,375</u>	<u>515,885</u>
Total Liabilities	<u><u>\$ 515,434</u></u>	<u><u>\$ 562,259</u></u>

See accompanying notes to the basic financial statements.





## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### FISCAL YEAR ENDED JUNE 30, 2010

##### *NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements of the City of Del Mar, California (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described below.

##### A. Reporting Entity

The City of Del Mar, California was incorporated in 1959 under the general laws of the State of California and enjoys all the rights and privileges pertaining to "Chartered" cities. The City operates under an elected Council/City Manager form of government. The City provides basic government services to its citizens including: general government, public safety, public works, and parks and recreation.

As required by GAAP, these financial statements present the City of Del Mar and its component unit, an entity for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e. it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationships with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. A brief description of the City's component unit is as follows:

The Del Mar Public Facilities Corporation (the Corporation) was formed on August 16, 1993, under the Nonprofit Public Benefit Corporation Law of the State of California to provide financial assistance to the City of Del Mar by acquiring, leasing, constructing or financing public sewer and/or water facilities and improvements. The financial activities of the Corporation have been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as it meets the criteria for inclusion as set forth in GASB Statement Number 14. The City does not produce separate financial statements for the Corporation.

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

##### A. Reporting Entity, (Continued)

The criteria set forth in GASB Statement Number 14 states that component units are those entities, which are financially accountable to the primary government unit, either because the City appoints a voting majority of the component unit's board and the City is able to impose its will on that organization or because there is a potential for that organization to provide a financial benefit or impose a financial burden on the City. Since the City Council serves as the governing board for the Corporation it is considered to be a blended component unit.

##### B. Fund Accounting

The government-wide financial statements (i.e. the Statements of Net Assets and the Statements of Activities) report information on all the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The statements of activities demonstrate the degree to which the direct expenses for a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included as program revenues are reported as general revenues.

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.

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, however, are unlike all other fund types, reporting only assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of property taxes which are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service payments (principal and interest), compensatory time and claims and judgments are recorded only when payment is due.

Property taxes, sales tax, transient occupancy tax (TOT), franchise taxes, vehicle license fees, highway user's tax, interest associated with the current period, and some grants are all susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Measurement Focus and Basis of Accounting, (Continued)

The City reports the following major governmental funds:

- The **General Fund** is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Open Space Fund** accounts for park and beach maintenance and the Powerhouse Community Center maintenance and operations. It is partially funded by facility use permits for the community center.
- The **Capital Improvement Project Fund** is used to account for the financial resources used for the acquisition or construction of major property, equipment, or facilities (other than those financed by the proprietary funds).

The City reports the following major proprietary funds:

- The **Water Fund** is used to account for the operation, maintenance, and capital facility financing of the City's water system.
- The **Wastewater Fund** is used to account for the operation, maintenance, and capital facility financing of the City's wastewater system.

The City reports the following non-major proprietary fund:

- The **Clean Water Fund** accounts for the mandated costs of the City's National Pollution Discharge Eliminations System (NPDES) permit.

Additionally, the City reports the following fund types:

- Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

##### C. Measurement Focus and Basis of Accounting, (Continued)

- Debt Service Funds are used to account for bond proceeds required to be set aside for future debt service and related interest income. The funds are used to repay principal and interest on long-term indebtedness of the City.
- Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.
- The Internal Service Fund is used to account for the workers' compensation services provided to other departments of the City.
- Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governments. The only activity of the City is included in the Agency Funds.

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

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. The exception to this rule is the charges between the Del Mar Public Facilities Corporation (Water and Wastewater Funds) and the other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

##### C. Measurement Focus and Basis of Accounting, (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the funds principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

##### D. Investments

Investments are reported in the accompanying balance sheet at fair value. The City has adopted the provisions of GASB Statement Number 31, "*Accounting and Financial Reporting for Certain Investments and External Pools*", which require governmental entities to report certain investments in the year in which the change occurred. In accordance with GASB Statement Number 31, the City has adjusted investments to fair value.

The City pools investments of all funds, except assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as investments. Investment income earned by the pooled investments is allocated to the various funds on a quarterly basis, based on each fund's average cash and investment balance.

##### E. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of 90 days or less.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

F. Receivables and Payables

All accounts, taxes, and service receivables are shown net of an allowance for uncollectible. The City's fiscal year end falls in the middle of a billing cycle for water, sewer, trash, and recycling income. In order to accrue the amount of the year end receivables the City estimates the amount of unbilled receivables based on that portion of the billing cycle that has elapsed as of the fiscal year end.

G. Capital Assets

Capital assets, which include land, buildings, building and improvements, machinery, equipment and infrastructure are depreciated and are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life greater than one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Construction in progress costs are capitalized and transferred to their respective capital asset category upon completion of the project.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. Land and construction in progress are not depreciated.

Water system	40-50 years
Wastewater	40 years
Structures	33 years
Meters and hydrants	25 years
Equipment	5 years
Infrastructure	33 years

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. Compensated Absences

Vacation pay is payable to employees at the time used or upon termination of employment. In the Statement of Net Assets, compensated absences are recorded as a liability. On the Statement of Activities, the cost of vacation is recorded when earned for both governmental and business-type activities. The City expects 25 percent of the compensated absence balance to be paid in the next 12 months and has accordingly recorded this portion as a current liability. The remaining portion is recorded as a noncurrent liability. Compensated absences, once exercised, are paid out of the same fund as they were originally accrued in.

I. Inventory

The enterprise fund inventories are valued at average cost. The inventory consists of meters, pipes and other parts required to provide water and wastewater services to customers.

J. Restricted Assets

Restricted assets consist of bond proceeds held with a fiscal agent in a reserve account as required by the bond document.

K. Property Taxes

Under California law, property taxes are assessed and collected by the County of San Diego up to one percent of assessed value, plus other increases approved by the voters. The County bills and collects the taxes and remits them to the City in installments. The City of Del Mar accrues these taxes as a receivable and revenue as of the levy date.

Lien date	January 1
Levy date	June 30
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

##### L. Long-term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

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

##### M. Use of Estimates

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

##### N. Claims and Judgments

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. Small dollar claims and judgments are recorded as expenditures when paid. Depending on the nature of the claims, they may be paid out of a number of funds. General claims are paid from the General Fund, workers' compensation claims are paid from the internal service fund, and claims specific to an enterprise fund are paid out of the respective enterprise fund (Water, Wastewater, or Clean Water).

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

##### O. Fund Equity

In the fund financial statements, governmental funds report reservation of the fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans and are subject to change.

##### P. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. The information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's prior year's financial statements, from which selected data was derived. Reclassifications have been made in prior year data to be consistent with current year format.

#### *NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING*

The City follows these procedures in establishing the City's budget:

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers City expenditures in the General, Special Revenue, Debt Service and Capital Projects Funds. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between individual accounts within a fund. Supplemental budgetary increases in appropriations for the General, Special Revenue, Debt Service and Capital Project Funds in the amount of \$617,136 were made during the year ended June 30, 2010.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Unencumbered appropriations at year end automatically lapse. Those appropriations may be re-encumbered in the following year only after reconsideration.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING, (Continued)

- 4. Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds (for which annual budgets were adopted) are adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for proprietary funds as the City is not legally required to adopt a budget for these types of funds.
- 5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from certain proceeds of taxes. If proceeds of taxes exceed allowed appropriations, the excess must be either refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules, or other refund arrangements.
- 6. The Regional Communications Fund and Wildfire Protection Fund exceeded its budgets by \$2,795 and \$331, respectively. The Proposition 42 Fund, Regional Transportation Congestion Improvement Fund, and Transnet II Fund exceeded its budget by \$13,495, \$7,447, and \$1,827, respectively. These funds have adequate resources to cover its budget overages.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statements of Net Assets

Current assets:

Cash and investments \$ 10,326,449

Noncurrent assets:

Cash and investments with fiscal agent 451,174

Statements of Fiduciary Net Assets

Restricted cash and investments 477,771

Total Cash and Investments \$ 11,255,394

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand \$ 2,000

Deposits with financial institutions 183,873

Deposits with fiscal agents 451,174

Investments (including those with fiscal agents) 10,618,347

Total Cash and Investments \$ 11,255,394

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS, (Continued)

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

The table below 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, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum* Maturity</u>	<u>Maximum* Percentage of Portfolio</u>	<u>Maximum* Investment in One Issuer</u>
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Commercial Paper	270 days	None	5%
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	5 years	None	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

\* Excluding amounts held by bond trustee that are not subject to California government Code restrictions.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS, (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee 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 bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
Farmers Home Administration	None	None	None
General Services Administration	None	None	None
U.S. Maritime Administration	None	None	None
Small Business Administration	None	None	None
Government National Mortgage Association	None	None	None
U.S. Dept. of Housing & Urban Development	None	None	None
Washington Metro Area Transit Authority	None	None	None
Federal Housing Administration Debentures	None	None	None
Commercial Paper	92 days	None	None
Interest Bearing Demand or Time Deposits	366 days	None	None
Money Market Funds	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.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Medium-term corporate notes	\$ 250,000	\$ 250,000	\$ -	\$ -
State investment pool	10,356,202	10,356,202	-	-
Investment in County Pool	12,145	12,145	-	-
Total	<u>\$ 10,618,347</u>	<u>\$ 10,618,347</u>	<u>\$ -</u>	<u>\$ -</u>

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.

<u>Investment type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>			
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Medium-term corporate notes	\$ 250,000	A	\$ -	\$ -	\$ 250,000	\$ -
State investment pool	10,356,202	N/A	-	-	-	10,356,202
Investment in County Pool	12,145	N/A	-	-	-	12,145
Total	<u>\$ 10,618,347</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 10,368,347</u>

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 3 – 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. There are no investments in any one issuer other than external investment pools that represent five percent or more of the City's investments.

Information pertaining to concentration of credit risk for the investments held in the deferred compensation plan is not available.

##### 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 a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party in the event of the failure of the counterparty (e.g., broker-dealer). 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 percent 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 percent of the secured public deposits. As of June 30, 2010, the City had deposits with financial institutions in the amount of \$40,078 that were in excess of federal depository insurance limits and held in uncollateralized accounts.

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 3 - CASH AND INVESTMENTS, (Continued)*

##### Custodial Credit Risk, (Continued)

For investments identified herein as held by bond trustee, the bond trustee 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 City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

##### Investment in County Pool

Cash held at the County represents funds received from a voter-approved property tax assessment to be used to pay for the City's portion in the regional 800 MHz communications system. The City is a participant in the San Diego County Investment Pool (the Pool). The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company and does not have any binding guarantees for share values. An oversight committee monitors the management of the Pool.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance at <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2010</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,687,991	\$ -	\$ (387,957)	\$ 18,300,034
Construction in progress	<u>5,250,721</u>	<u>1,039,400</u>	<u>(1,029,660)</u>	<u>5,260,461</u>
Total capital assets not being depreciated	<u>23,938,712</u>	<u>1,039,400</u>	<u>(1,417,617)</u>	<u>23,560,495</u>
Capital assets being depreciated:				
Buildings and improvements	6,214,043	5,600	-	6,219,643
Machinery and equipment	1,962,533	106,569	(245,044)	1,824,058
Infrastructure	<u>6,793,484</u>	<u>1,016,614</u>	<u>(169,076)</u>	<u>7,641,022</u>
Total capital assets being depreciated	<u>14,970,060</u>	<u>1,128,783</u>	<u>(414,120)</u>	<u>15,684,723</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,227,907)	(172,368)	-	(2,400,275)
Machinery and equipment	(1,621,753)	(105,602)	239,759	(1,487,596)
Infrastructure	<u>(567,767)</u>	<u>(203,303)</u>	<u>4,357</u>	<u>(766,713)</u>
Total accumulated depreciation	<u>(4,417,427)</u>	<u>(481,273)</u>	<u>244,116</u>	<u>(4,654,584)</u>
Total capital assets being depreciated, net	<u>10,552,633</u>	<u>647,510</u>	<u>(170,004)</u>	<u>11,030,139</u>
Governmental activities capital assets, net	<u>\$ 34,491,345</u>	<u>\$ 1,686,910</u>	<u>\$ (1,587,621)</u>	<u>\$ 34,590,634</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS, (Continued)

	Balance at July 1, 2009, <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2010
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,218,925	\$ -	\$ (13,468)	\$ 1,205,457
Construction in progress	<u>786,827</u>	<u>781,060</u>	<u>(155,963)</u>	<u>1,411,924</u>
Total capital assets not being depreciated	<u>2,005,752</u>	<u>781,060</u>	<u>(169,431)</u>	<u>2,617,381</u>
Capital assets, being depreciated:				
Buildings	82,441	-	-	82,441
Improvements	4,224,006	28,256	-	4,252,262
Machinery and equipment	1,097,377	78,028	(112,655)	1,062,750
Water system	11,810,074	66,971	-	11,877,045
Wastewater system	<u>12,091,614</u>	<u>46,062</u>	<u>-</u>	<u>12,137,676</u>
Total capital assets being depreciated	<u>29,305,512</u>	<u>219,317</u>	<u>(112,655)</u>	<u>29,412,174</u>
Less accumulated depreciation for:				
Buildings	(24,763)	(2,189)	-	(26,952)
Improvements	(697,383)	(90,389)	-	(787,772)
Machinery and equipment	(696,369)	(73,377)	112,655	(657,091)
Water system	(3,971,781)	(234,412)	-	(4,206,193)
Wastewater system	<u>(3,875,524)</u>	<u>(307,925)</u>	<u>-</u>	<u>(4,183,449)</u>
Total accumulated depreciation	<u>(9,265,820)</u>	<u>(708,292)</u>	<u>112,655</u>	<u>(9,861,457)</u>
Total capital assets being depreciated, net	<u>20,039,692</u>	<u>(488,975)</u>	<u>-</u>	<u>19,550,717</u>
Business-type activities capital assets, net	<u>\$ 22,045,444</u>	<u>\$ 292,085</u>	<u>\$ (169,431)</u>	<u>\$22,168,098</u>

**CITY OF DEL MAR**

**NOTES TO BASIC FINANCIAL STATEMENTS**

*NOTE 4 – CAPITAL ASSETS, (Continued)*

Depreciation expense was charged to functions for the Fiscal Year ended June 30, 2010 as follows:

Governmental activities:	
General government	\$ 41,940
Public safety	53,306
Public works	130,457
Parks and recreation	45,579
Community development	<u>209,991</u>
Total depreciation expense – governmental activities	<u>\$ 481,273</u>
Business-type activities:	
Water	\$336,565
Wastewater	369,460
Clean Water	<u>2,267</u>
Total depreciation expense – business-type activities	<u>\$ 708,292</u>

*NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES*

At June 30, 2010, interfund receivables and payables are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 106,732	\$ -
Non-Major Governmental Funds	-	31,102
Non-Major Enterprise	-	38,571
Fiduciary Funds	<u>-</u>	<u>37,059</u>
	<u>\$ 106,732</u>	<u>\$ 106,732</u>

The above balances are primarily due to reclassification of negative cash balances in the city wide cash pool.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the Fiscal Year ended June 30, 2010 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Open Space Fund	\$ 174,373 (A)	\$ -	\$ 174,373
Capital Improvement Project Fund	12,467	-	12,467
Non-Major Governmental Funds	398,075 (B)	-	398,075
Water Fund	-	5,316	5,316
Sewer Fund	-	5,316	5,316
Non-Major Enterprise Fund	<u>38,431 (C)</u>	<u>-</u>	<u>38,431</u>
Total	<u>\$ 623,346</u>	<u>\$ 10,632</u>	<u>\$ 633,978</u>

Purpose of Interfund Transfers

Transfers were used to:

- A) The transfer to the Open Space from the General Fund of \$174,373 is due to revenues collected from facility use permits from Seagrove Park and the Powerhouse Community Center not covering the entire costs of maintaining open space and recreational areas.
- B) The transfers to the Gas Tax Fund of \$317,814 from the General Fund is a result of gas tax revenues not covering all the current year costs of street and road projects. The transfer to the Supplemental Law Enforcement Fund of \$80,261 from the General Fund is the General Fund’s support of Supplemental Law Enforcement not covered by State funding.
- C) The transfer of \$38,431 to the Clean Water Fund from the General Fund is the portion of costs based on current rates that are currently being supplemented from the General Fund.

**CITY OF DEL MAR**

**NOTES TO BASIC FINANCIAL STATEMENTS**

*NOTE 7 - CHANGES IN LONG-TERM LIABILITIES*

A summary of changes in long-term liabilities for the Fiscal Year ended June 30, 2010 is as follows:

	Balance at <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>June 30, 2010</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$930,000	\$ -	\$(145,000)	\$785,000	\$145,000
Notes payable	22,266	-	(10,825)	11,441	11,441
Capital leases	19,316	-	(19,316)	-	-
Loans payable	3,668,924	-	(188,152)	3,480,772	188,152
Compensated absences	<u>299,949</u>	<u>297,925</u>	<u>(243,695)</u>	<u>354,179</u>	<u>88,545</u>
<b>Total Governmental Activity</b>	<u><b>4,940,455</b></u>	<u><b>297,925</b></u>	<u><b>(606,988)</b></u>	<u><b>4,631,392</b></u>	<u><b>433,138</b></u>
<b>Business-type activities:</b>					
Certification of participation	2,640,000	-	(320,000)	2,320,000	340,000
Note payable	5,940	792,526	(2,888)	795,578	3,052
Compensated absences	<u>67,024</u>	<u>68,537</u>	<u>(63,988)</u>	<u>71,573</u>	<u>17,893</u>
<b>Total Business-type Activities</b>	<u><b>\$ 2,712,964</b></u>	<u><b>\$ 861,063</b></u>	<u><b>\$(386,876)</b></u>	<u><b>\$ 3,187,151</b></u>	<u><b>\$ 360,945</b></u>

Governmental long-term debt

Bonds Payable:

1999 Wildfire Protection Bonds - Del Mar voters approved the issuance of bonds for the purpose of completing capital improvements to enhance water flows and complete necessary water upgrades for firefighting at the City's urban/wildland boundaries. Annual principal payments of \$145,000 to \$170,000 are due through 2014. Interest rates ranges from 4.20 percent to 4.60 percent.

\$ 785,000

Notes Payable:

Regional Communications System Note Payable - The City entered into an agreement in April of 1995 to join the Regional Communications Systems of Imperial and San Diego Counties. This agreement is for use of the 800MHz communication system used primarily by public safety personnel. The City agreed to reimburse the County of San Diego for \$120,100 of its cost to set up the system. The note payment including interest at 5.65 percent is \$12,083 annually through December 2010.

\$ 11,441

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

*NOTE 7 – CHANGES IN LONG-TERM LIABILITIES, (Continued)*

Loans Payable:

Shores Property Loans Payable - The City entered into a three-year loan agreement with Union Bank of California for \$3,763,000 for the purpose of refinancing the City's purchase of the Shores property. The City plans to use this property for open space. This loan is secured by lease payments to be made by the City under an intraentity lease out/lease back arrangement associated with the City's Public Works Yard. Quarterly principal payments of \$47,038 are made based upon a 20-year straight-line amortization of principal. The final principal balance of \$3,245,588 is due and payable on November 13, 2011. The interest rate for the second year of the loan is 2.00 percent. Subsequent to June 30, 2010, this loan was retired on November 13, 2010 by using the proceeds from the sale of a City-owned vacant lot. Refer to Note 17 of this report for more information.

\$ 3,480,772

Business-Type Long-Term Debt

1993 Certificates of Participation (COPS) - The Del Mar Public Facilities Corporation issued COPS's consisting of \$6,000,000 to be used to fund construction and repair of wastewater lines. The certificates mature in various amounts from \$320,000 to \$440,000 annually on September 1 each year through 2015. The interest rate is 5.00 percent.

\$ 2,320,000

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - CHANGES IN LONG-TERM LIABILITIES, (Continued)

Notes Payable:

Regional Communications System Note Payable - The City entered into an agreement in April of 1995 to join the Regional Communications Systems of Imperial and San Diego Counties. This agreement is for use of the 800MHz communication system used primarily by public safety personnel. The City agreed to reimburse the County of San Diego for \$32,027 of its cost to set up the system. The note payment including interest at 5.65 percent is \$3,224 annually through December 2010.

\$ 3,052

21st Street Sewer Pump Station Note Payable - The City entered into a finance agreement in February 2010 with the State Water Resources Control Board and was approved for financial assistance in the amount of \$5,000,000 provided through the Clean Water State Revolving Fund. These funds will be used for the replacement of the 21st Street Sewer Pump Station. This note is secured by net revenues and is secured on parity with existing 1993 Sewer System Improvements Certificates of Participation. Increases to the loan are recorded as expense reimbursements are requested. Annual payments of \$344,884 are to be paid beginning on August 1, 2013 through August 2032 at an interest rate of 2.9 percent per annum.

\$ 792,526

Total Notes Payable

\$ 795,578

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - CHANGES IN LONG-TERM LIABILITIES, (Continued)

Governmental Long-Term Debt

<u>Fiscal Year</u> <u>Ending</u>	1999 Wildfire Protection Project General Obligation Bonds, Series 1999			Regional Communications System Note Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 145,000	\$ 31,560	\$ 176,560	\$ 11,441	\$ 646	\$ 12,087
2012	150,000	25,290	175,290	-	-	-
2013	155,000	18,655	173,655	-	-	-
2014	165,000	11,533	176,533	-	-	-
2015	<u>170,000</u>	<u>3,910</u>	<u>173,910</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 785,000</u>	<u>\$ 90,948</u>	<u>\$ 875,948</u>	<u>\$ 11,441</u>	<u>\$ 646</u>	<u>\$ 12,087</u>

<u>Fiscal Year</u> <u>Ending</u>	<u>Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$188,152	\$ 69,614	\$ 257,766
2012	<u>3,292,620</u>	<u>33,646</u>	<u>3,326,266</u>
	<u>\$3,480,772</u>	<u>\$103,260</u>	<u>\$3,584,032</u>

**CITY OF DEL MAR**

**NOTES TO BASIC FINANCIAL STATEMENTS**

*NOTE 7 – CHANGES IN LONG-TERM LIABILITIES, (Continued)*

Business-Type Long-Term Debt

Fiscal Year	1993 Sewer System Improvement Project Certificates of Participation			Fiscal Year	Regional Communication Systems Note Payable			
	<u>Ending</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>	<u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2011	\$	340,000	\$ 107,500	\$ 447,500	2011	\$ 3,052	\$ 172	\$ 3,224
2012		355,000	90,125	445,125	Total	\$ 3,052	\$ 172	\$ 3,224
2013		375,000	71,875	446,875				
2014		395,000	53,625	448,625				
2015		415,000	32,375	447,375				
2016		<u>440,000</u>	<u>11,000</u>	<u>451,000</u>				
Total		<u>\$ 2,320,000</u>	<u>\$ 366,500</u>	<u>\$ 2,686,500</u>				

Fiscal Year	21st Street Sewer Pump Station Note Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ -
2012	-	-	-
2013	-	-	-
2014	15,935	328,949	344,884
2015	200,346	144,538	344,884
2016-2020	<u>576,245</u>	<u>333,455</u>	<u>909,700</u>
Total	<u>\$ 792,526</u>	<u>\$ 806,942</u>	<u>\$ 1,599,468</u>

*NOTE 8 – FUND BALANCES / NET ASSETS*

A city may set up "reserves" of fund equity to segregate fund balances which cannot be appropriated for expenditure in a future period, or which are legally set aside for a specific future use. Unrestricted fund "designations" may also be established to indicate tentative plans for financial resource utilization in a future period.

The City's reserves and designations at June 30, 2010 are tabulated as follows, including explanations as to the nature and purpose of each reserve or designation.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 – FUND BALANCES / NET ASSETS, (Continued)

	Fund Balances Governmental Funds				
	<u>General</u>	<u>Open Space</u>	<u>Capital Improvement Projects</u>	<u>Other Non-Major</u>	<u>Total</u>
Reserved for:					
Encumbrances	\$ 36,396	\$ 1,639	\$ 17,210	\$ 5,269	\$ 60,514
Special projects	-	-	-	731,017	731,017
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,220</u>	<u>208,220</u>
Total Reserved	<u>36,396</u>	<u>1,639</u>	<u>17,210</u>	<u>944,506</u>	<u>999,751</u>
Unreserved – designated for:					
Compensated absences	105,041	-	-	-	105,041
Equipment replacement	360,249	-	-	-	360,249
Revenue loss	500,000	-	-	-	500,000
Self-insurance	189,000	-	-	-	189,000
Software licensing	6,960	-	-	-	6,960
Undergrounding reserve	-	285,307	-	-	285,307
Deposits	60,000	-	-	-	60,000
Sidewalk Cafés	193	-	-	-	193
Special revenue purposes	<u>-</u>	<u>51,474</u>	<u>174,947</u>	<u>-</u>	<u>226,421</u>
Total Unreserved-Designated	<u>1,221,443</u>	<u>336,781</u>	<u>174,947</u>	<u>-</u>	<u>1,733,171</u>
Unreserved - Undesignated	<u>2,099,386</u>	<u>5,451</u>	<u>234,437</u>	<u>-</u>	<u>2,339,274</u>
Total Fund Balances	<u>\$ 3,357,225</u>	<u>\$ 343,871</u>	<u>\$ 426,594</u>	<u>\$ 944,506</u>	<u>\$ 5,072,196</u>

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 8 – FUND BALANCES / NET ASSETS, (Continued)*

**Reserve for Encumbrances** represents the portion of purchase orders and contracts for goods and services that had not been received at June 30, 2010.

**Reserve for Special Projects** represents funds to provide for low and moderate income housing as required by the State Housing Law. These funds are collected as a fee from developers when building permits are issued.

**Designated for Compensated Absences** are funds set aside for unpaid vacation time due to employees. See note 7.

**Designated for Equipment Replacement** are funds set aside to provide for the replacement of capital equipment currently owned.

**Designated for Revenue Loss** are funds established to provide for possible reductions in any single revenue source.

**Designated for Self-Insurance** are funds established for payment of the deductible portions of claims not covered by insurance policies.

**Designated for Software Licensing** are funds set aside for the purchase of software licenses and financial systems software.

**The Undergrounding Reserve** was established to help pay City costs associated with the establishment of underground districts within the City.

**Designated for Deposits** are funds set aside for unclaimed building deposits.

**Designated for Sidewalk Cafes** are fees collected from restaurants with sidewalk cafes and are set aside for the maintenance and beautification of the City's downtown area.

**Designated for Open Space Acquisition** are funds set aside for acquisition and development of open space.

**Designated for Special Revenue Purposes** are designated for the specific purposes as restricted by law or administrative action.

**Designated for Debt Service** was established to set aside the required annual debt service payment as required by the bond indenture.

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 9 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PENSION PLAN)*

##### Plan Description

The City of Del Mar contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to the plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities with the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained by writing 400 P Street, Sacramento, California 95814.

##### Contributions

Miscellaneous and safety (fire and other) are required to contribute eight percent and nine percent, respectively, of their annual covered salary. Benefit provisions and all other requirements are established by state statute and city contract with employee bargaining groups. In addition to the required employer contributions, as shown in the following table, member contributions paid by the City were four percent for fire safety in the amount of \$28,936 and five percent for other safety in the amount of \$21,777. The City made no contributions on behalf of miscellaneous employees.

For each of the fiscal years shown in the following table, the City has contributed at the actuarially determined rate provided by PERS' actuaries. The City's covered payroll for PERS was \$4,076,196 for the year ended June 30, 2010, while the City's total payroll for all employees was \$4,544,390.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PENSION PLAN, (Continued)

Three-Year Trend Information for Miscellaneous and Safety Plans:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Required Employer Contribution</u>	<u>Percentage Contributed</u>
Miscellaneous Employees:			
June 30, 2008	20.612%	\$484,906	100%
June 30, 2009	20.674%	\$529,065	100%
June 30, 2010	20.463%	\$538,425	100%
Fire Safety Employees:			
June 30, 2008	44.035%	\$291,411	100%
June 30, 2009	43.397%	\$293,433	100%
June 30, 2010	43.227%	\$312,739	100%
Other Safety Employees:			
June 30, 2008	11.257%	\$44,092	100%
June 30, 2009	11.366%	\$50,370	100%
June 30, 2010	11.022%	\$48,063	100%

NOTE 10 – DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, organized as a trust for the exclusive benefit of the participants and available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 11 - GOVERNMENTAL MONEY PURCHASE PLAN*

On November 15, 1999, the City adopted a money purchase pension plan. The plan was created in accordance with Internal Revenue Code Section 401(a). The plan is organized as a trust for the exclusive benefit of the participants and is available to the City's management employees. The plan allows the participants to defer a portion of their salary to future years. The City does not require participants to contribute a minimum percentage of participant earnings. The participants have the option to determine a percentage of earnings to contribute into the plan. Contributions are paid for by the employees. The plan allows the participants to become immediately fully vested in their accounts and has a normal retirement age of 60. The participants will not have access to funds until termination, retirement, or death.

#### *NOTE 12 - LITIGATION AND COMMITMENTS*

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City. Additionally, City management believes that sufficient reserves are available to the City to cover any potential losses, should an unfavorable outcome materialize. See note 8.

#### Construction Contracts and Commitments:

As of June 30, 2010, construction contracts and commitments totaled \$3,517,448.

#### *NOTE 13 - POST EMPLOYMENT HEALTH CARE BENEFITS*

The City has no obligation to provide post employment health care benefits for retirees. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a two percent administration fee is paid in full by the insured on or before the tenth day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the City under this program.

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 14 – RISK MANAGEMENT*

The City is a member of the San Diego Pooled Insurance Program Authority (SANDPIPA), a consortium of various 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. The City does not own an equity interest in SANDPIPA and separate financial statements are prepared for SANDPIPA.

#### General Liability:

As a member of SANDPIPA, the City is self-insured for the first \$125,000 of each occurrence. The difference between the City's \$125,000 self-insurance retention and \$2,000,000 of pooled liability insurance for each occurrence is covered by SANDPIPA, with an additional \$35,000,000 of purchased liability for a total of \$37,000,000. Specific coverage includes bodily injury, property damage, municipal errors and omissions and personal injury.

The City accounts for general liability claims that are under their \$125,000 insurance threshold as accounts payable in the general fund.

#### Workers' Compensation:

The City uses a risk management self-insurance workers' compensation fund (an internal service fund) to account for and finance its uninsured risk of loss. All funds of the City make payments based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish appropriate reserves. The City is self-insured for the first \$125,000 for each occurrence.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 14 – RISK MANAGEMENT, (CONTINUED)

General liability and workers' compensation claims were as follows for June 30, 2009 and 2010:

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ 19,000	\$ 165,921	\$ 300,711
Incurred claims (including IBNR)	20,355	155,515	188,358	234,456
Claims payments	<u>(1,355)</u>	<u>(10,080)</u>	<u>(53,568)</u>	<u>(42,368)</u>
Unpaid claims, end of fiscal year	<u>\$ 19,000</u>	<u>\$ 164,435</u>	<u>\$ 300,711</u>	<u>\$ 492,799</u>

Settled claims have not exceeded any of the City's coverage amounts in any of the last three years and there were no reductions in the City's insurance coverage during the Fiscal Year ended June 30, 2010.

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.

NOTE 15 – ASSESSMENT DISTRICT BOND ISSUES

The City has issued Special Assessment Bonds as allowed under the State of California Special Improvement Act. The City has no obligation beyond the balances in the designated Agency fund for any delinquent assessment district bond payments. The City acts solely as an agent for those paying assessments and the bondholders of the obligations outstanding. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit, nor taxing power of the City is pledged to the payment of the bonds. Therefore, such bonds are not an appropriate liability of the City and are not included in the accompanying financial statements. At June 30, 2010, the outstanding special assessment district bonds are as follows:

- The Seawall Refinance Assessment District No. 1999-01 Bonds of \$1,350,000 were issued June 17, 1999 to finance seawall improvements. These bonds outstanding at June 30, 2010 were \$855,000.

**CITY OF DEL MAR**

**NOTES TO BASIC FINANCIAL STATEMENTS**

*NOTE 15 – ASSESSMENT DISTRICT BOND ISSUES, (CONTINUED)*

- The Ocean View/Pines Assessment District No. 2005-01 Bonds of \$932,201 were issued October 1, 2005, to finance the removal of overhead utilities in the Ocean View Pines neighborhood area. The bonds outstanding at June 30, 2010 were \$800,000.

*NOTE 16 – RESTATEMENT*

During Fiscal Year 2009-2010, it was found that land in the Water Fund was recorded at 1995 appraised values instead of its original purchase cost from 1966.

Beginning net asset in the Water Fund were restated as follows:

Beginning net assets, July 1, 2008	\$ 23,413,648
Write down of land	<u>(201,035)</u>
Beginning net assets, July 1, 2008, as restated	<u><u>\$ 23,212,615</u></u>

Land costs in the capital assets section were adjusted down from \$983,060 to \$782,027.

*NOTE 17 – SUBSEQUENT EVENTS*

*Sale of the Balboa Avenue Lot*

On September 28, 2010, the City sold a city-owned vacant lot which was the previous site of a pressure treatment plant and cement water reservoir tank. It was sold by auction in the amount of \$4.4 million in anticipation of retiring the debt with Union Bank on the Shores Property and using the remainder to fund other capital projects. The City received \$4.2 million after sales costs on November 5, 2010 and retired the loan payable on the Shores Property on November 13, 2010.

*Proposed Purchase of the Del Mar Fairgrounds and Race Track*

Since July 2009, the City Council has been in discussions with the State regarding the possible purchase of the Del Mar Fairgrounds and Race Track. These discussions and negotiations culminated in the October 6, 2010 introduction of Assembly Bill 181, which expired on November 30, 2010. The new bill, Senate Bill 1, was re-introduced during the regular session of the California State Legislature that began on December 6, 2010, directing the Department of

## CITY OF DEL MAR

### NOTES TO BASIC FINANCIAL STATEMENTS

#### *NOTE 17 – SUBSEQUENT EVENTS, (CONTINUED)*

General Services to negotiate the terms of the sale of the Del Mar Fairgrounds and Race Track for the sum of \$120 million.

The City plans to purchase the property using three sources -

The first part of the purchase price will be financed through the issuance of bonds secured by revenues generated from the Fair and Race Track. The proceeds that will come from these bonds will be paid to the State as a portion of the purchase price, and will enable the State to pay off its own outstanding debt on the property.

The second source of funds is a cash payment of \$30 million from a private investment group of horse owners for the right to operate the Race Track for 55 years. The private investment group will also be required to pay an annual operating lease amount.

The third source of funds will come in part from a portion of continued events at the Fairgrounds that will generate revenue in excess of funds necessary to service the bond indebtedness. Portions of the excess funds will be used to make payments to the State over time for the remaining deferred purchase price obligation and the remaining funds will be used to improve the property.

At the December 1, 2010 City Council meeting, the City Council approved a Resolution of Intention on Purchase of Fairgrounds and Race Track demonstrating the City of Del Mar's commitment to the region as it relates to the proposed purchase plan of the Fairgrounds and Race Track. The City continues to conduct its due diligence and will hold public hearings on all aspects of the establishment of the governance board establishment and any other operations-related agreements or regulatory actions taken.





CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -	Prior Year Actual Amounts
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
Taxes	\$ 7,365,780	\$ 7,140,038	\$ 7,645,032	\$ 504,994	\$ 7,379,253
Licenses, fees and permits	78,601	73,602	521,997	448,395	581,805
Intergovernmental	211,620	156,206	132,799	(23,407)	126,946
Charges for Services	503,326	428,326	992,813	564,487	794,002
Fines and forfeitures	778,011	759,117	781,733	22,616	761,014
Use of money and property	549,433	558,537	79,636	(478,901)	135,294
Contributions	25,000	-	559	559	56,500
Other	567,622	584,468	236,354	(348,114)	351,314
Total revenues	10,079,393	9,700,294	10,390,923	690,629	10,186,128
<b>EXPENDITURES</b>					
Current:					
General government	3,973,437	3,995,114	4,055,962	(60,848)	4,267,532
Public safety	4,803,838	4,856,208	4,782,806	73,402	4,852,446
Public works	356,402	356,478	154,723	201,755	93,329
Debt service:					
Principal	-	-	19,316	(19,316)	91,426
Interest	-	-	278	(278)	4,380
Total expenditures	9,133,677	9,207,800	9,013,085	194,715	9,309,113
Excess (deficiency) of revenues over (under) expenditures	945,716	492,494	1,377,838	885,344	877,015
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	450,000
Transfers out	(776,442)	(842,365)	(623,346)	219,019	(999,138)
Total other financing (uses)	(776,442)	(842,365)	(623,346)	219,019	(549,138)
Net change in fund balances	169,274	(349,871)	754,492	1,104,363	327,877
Fund balance, beginning of year	2,602,733	2,602,733	2,602,733	-	2,274,856
Fund balance, end of year	\$ 2,772,007	\$ 2,252,862	\$ 3,357,225	\$ 1,104,363	\$ 2,602,733

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
OPEN SPACE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with	Prior Year
	Original	Final		Final Budget - Positive (Negative)	
<b>REVENUES</b>					
Taxes	\$ 19,501	\$ 13,501	\$ 3,852	\$ (9,649)	\$ 13,376
Licenses, fees and permits	423,121	365,101	347,241	(17,860)	362,399
Intergovernmental	62,304	48,733	52,005	3,272	69,350
Use of money and property	14,280	5,680	93,168	87,488	17,628
Contributions	22,847	108,000	108,000	-	193,249
Other	3,000	3,192	1,087	(2,105)	-
Total revenues	<u>545,053</u>	<u>544,207</u>	<u>605,353</u>	<u>61,146</u>	<u>656,002</u>
<b>EXPENDITURES</b>					
Current:					
Parks and recreation	690,702	703,884	670,548	33,336	671,207
Capital outlay	-	12,091	9,853	2,238	300,395
Debt service:					
Principal	188,150	188,150	188,152	(2)	198,959
Interest	112,656	93,458	93,456	2	61,754
Total expenditures	<u>991,508</u>	<u>997,583</u>	<u>962,009</u>	<u>35,574</u>	<u>1,232,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(446,455)</u>	<u>(453,376)</u>	<u>(356,656)</u>	<u>96,720</u>	<u>(576,313)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from loans payable	-	-	-	-	3,763,000
Transfers in	115,648	236,983	174,373	(62,610)	377,257
Total other financing sources	<u>115,648</u>	<u>236,983</u>	<u>174,373</u>	<u>(62,610)</u>	<u>4,140,257</u>
Net change in fund balances	(330,807)	(216,393)	(182,283)	34,110	3,563,944
Fund balance, beginning of year	526,154	526,154	526,154	-	(3,037,790)
Fund balance, end of year	<u>\$ 195,347</u>	<u>\$ 309,761</u>	<u>\$ 343,871</u>	<u>\$ 34,110</u>	<u>\$ 526,154</u>

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -	Prior Year Actual Amounts
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
Intergovernmental	4,000,000	4,171,989	378,924	(3,793,065)	1,703,041
Use of money and property	15,000	6,000	6,605	605	34,504
Contributions	-	-	-	-	75,640
Other	-	9,927	9,927	-	6,500
Total revenues	<u>4,015,000</u>	<u>4,187,916</u>	<u>395,456</u>	<u>(3,792,460)</u>	<u>1,819,685</u>
<b>EXPENDITURES</b>					
Public works					
Capital outlay	<u>4,135,840</u>	<u>4,784,859</u>	<u>664,879</u>	<u>4,119,980</u>	<u>2,291,421</u>
Total expenditures	<u>4,135,840</u>	<u>4,784,859</u>	<u>664,879</u>	<u>4,119,980</u>	<u>2,291,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,840)</u>	<u>(596,943)</u>	<u>(269,423)</u>	<u>327,520</u>	<u>(471,736)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	120,840	118,957	12,467	(106,490)	82,609
Transfers out	-	-	-	-	(450,000)
Total other financing uses	<u>120,840</u>	<u>118,957</u>	<u>12,467</u>	<u>(106,490)</u>	<u>(367,391)</u>
Net change in fund balances	-	(477,986)	(256,956)	221,030	(839,127)
Fund balance, beginning of year	<u>683,550</u>	<u>683,550</u>	<u>683,550</u>	-	<u>1,522,677</u>
Fund balance, end of year	<u>\$ 683,550</u>	<u>\$ 205,564</u>	<u>\$ 426,594</u>	<u>\$ 221,030</u>	<u>\$ 683,550</u>

## CITY OF DEL MAR

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2010

#### *NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING*

The City follows these procedures in establishing the City's budget:

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers City expenditures in the General, Special Revenue, Debt Service and Capital Projects Funds. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between individual accounts within a fund.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Unencumbered appropriations at year end automatically lapse. Those appropriations may be re-encumbered in the following year only after reconsideration.
4. Budgets for the General (for which annual budgets were adopted) are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for proprietary funds as the City is not legally required to adopt a budget for these types of funds.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from certain proceeds of taxes. If proceeds of taxes exceed allowed appropriations, the excess must be either refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules, or other refund arrangements.





## CITY OF DEL MAR

### NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

The **Gasoline Tax Fund** is used to account for state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition, and street construction.

The **Supplemental Law Enforcement Funds** are used to account for grant revenue received by the City from the State of California for supplemental law enforcement expenditures.

The **Regional Communications System Funds** are used to account for revenue received by the City to maintain its portion of the San Diego County and Imperial County Regional Communications System.

The **Grants Fund** accounts for federal, state and local grants received by the City and the expenditure of those funds.

The **Housing Fund** accounts for in-lieu payments from developers and expenditures in support of low-income housing.

The **Wildfire Debt Service Fund** accounts for the accumulation of resources and payment of the Wildfire Protection general obligation bond principal and interest from governmental resources.

The **Prop 42 Capital Project Fund** accounts for state gasoline taxes used for street maintenance, right-of-way acquisition, and street construction.

The **Regional Transportation Congestion Improvement Program Fund (RTCIP)** accounts for fees received on new development used to mitigate the impacts of residential development.

The **Transnet II Capital Project Fund** accounts for the financial resources to be used for the acquisition or construction of capital facilities.

CITY OF DEL MAR

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

(With comparative totals for 2009)

	Special Revenue Funds				
	Gasoline Tax	Supplemental Law Enforcement	Regional Communi- cations System	Grants	Housing
<b>ASSETS</b>					
Cash and investments	\$ 11,842	\$ -	\$ 12,145	\$ 1,343	\$ 710,084
Receivables:					
Taxes	-	-	-	-	-
Accrued interest	52	-	1	-	912
Accounts, net	4,391	-	-	-	-
Due from other agencies	1,058	25,000	-	-	-
Total assets	<u>\$ 17,343</u>	<u>\$ 25,000</u>	<u>\$ 12,146</u>	<u>\$ 1,343</u>	<u>\$ 710,996</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 12,075	\$ 5,619	\$ -	\$ 1,343	\$ 183
Deferred revenue	-	-	-	-	-
Due to other funds	-	19,381	-	-	-
Total Liabilities	<u>12,075</u>	<u>25,000</u>	<u>-</u>	<u>1,343</u>	<u>183</u>
Fund balances					
Reserved for:					
Special projects	-	-	12,146	-	710,813
Encumbrances	5,268	-	-	-	-
Debt service	-	-	-	-	-
Unreserved	-	-	-	-	-
Total Fund Balances	<u>5,268</u>	<u>-</u>	<u>12,146</u>	<u>-</u>	<u>710,813</u>
Total Liabilities and Fund Balances	<u>\$ 17,343</u>	<u>\$ 25,000</u>	<u>\$ 12,146</u>	<u>\$ 1,343</u>	<u>\$ 710,996</u>

Debt Service Fund	Capital Projects Fund			Total	
	Wildfire	Prop 42	Regional Transportation (RTCIP)	Transnet II	2010
\$ 206,040	\$ 51	\$ 6,813	\$ 1,236	949,554	\$ 1,034,558
1,915	-	-	-	1,915	-
265	-	10	-	1,240	4,280
-	-	-	-	4,391	-
-	11,670	-	-	37,728	197,521
<u>\$ 208,220</u>	<u>\$ 11,721</u>	<u>\$ 6,823</u>	<u>\$ 1,236</u>	<u>\$ 994,828</u>	<u>\$ 1,236,359</u>
\$ -	\$ -	\$ -	\$ -	\$ 19,220	\$ 17,638
-	-	-	-	-	152,775
-	11,721	-	-	31,102	42,154
-	11,721	-	-	50,322	212,567
-	-	6,823	1,236	731,018	791,493
-	-	-	-	5,268	4,152
208,220	-	-	-	208,220	-
-	-	-	-	-	228,147
<u>208,220</u>	<u>-</u>	<u>6,823</u>	<u>1,236</u>	<u>944,506</u>	<u>1,023,792</u>
<u>\$ 208,220</u>	<u>\$ 11,721</u>	<u>\$ 6,823</u>	<u>\$ 1,236</u>	<u>\$ 994,828</u>	<u>\$ 1,236,359</u>

CITY OF DEL MAR

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(With comparative totals for 2009)

	Special Revenue Funds				
	Gasoline Tax	Supplemental Law Enforcement	Regional Communi- cations System	Grants	Housing
<b>REVENUES</b>					
Taxes	\$ 80,942	\$ -	\$ 44,392	\$ -	\$ -
Licenses, fees and permits	-	-	-	-	47,016
Intergovernmental	-	100,000	-	2,500	-
Use of money and property	-	-	136	-	6,730
Other	5,194	691	-	-	-
Total revenues	86,136	100,691	44,528	2,500	53,746
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	101,453
Public safety	-	180,952	27,768	2,500	-
Public works	402,834	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	10,825	-	-
Interest	-	-	1,258	-	-
Total expenditures	402,834	180,952	39,851	2,500	101,453
Excess (deficiency) of revenues over (under) expenditures	(316,698)	(80,261)	4,677	-	(47,707)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	317,814	80,261	-	-	-
Transfers out	-	-	(10,632)	-	-
Total other financing uses	317,814	80,261	(10,632)	-	-
Net change in fund balances	1,116	-	(5,955)	-	(47,707)
Fund balance, beginning of year	4,152	-	18,101	-	758,520
Fund balance, end of year	\$ 5,268	\$ -	\$ 12,146	\$ -	\$ 710,813

Debt Service Fund	Capital Improvement Program Fund			Total	
	Wildfire	Prop 42	Regional Transportation (RTCIP)	Transnet II	2010
\$ 162,854	\$ -	\$ -	\$ -	\$ 288,188	\$ 284,200
-	-	-	-	47,016	61,016
-	45,464	-	311,000	458,964	331,504
846	31	120	1,241	9,104	38,321
-	-	-	-	5,885	1,062
<u>163,700</u>	<u>45,495</u>	<u>120</u>	<u>312,241</u>	<u>809,157</u>	<u>716,103</u>
1,050	-	3	5	102,511	109,132
-	-	-	-	211,220	216,546
-	-	-	-	402,834	382,341
-	45,495	7,444	311,722	364,661	216,060
145,000	-	-	-	155,825	145,393
37,577	-	-	-	38,835	45,010
<u>183,627</u>	<u>45,495</u>	<u>7,447</u>	<u>311,727</u>	<u>1,275,886</u>	<u>1,114,482</u>
<u>(19,927)</u>	<u>-</u>	<u>(7,327)</u>	<u>514</u>	<u>(466,729)</u>	<u>(398,379)</u>
-	-	-	-	398,075	377,937
-	-	-	-	(10,632)	(9,918)
-	-	-	-	387,443	368,019
(19,927)	-	(7,327)	514	(79,286)	(30,360)
<u>228,147</u>	<u>-</u>	<u>14,150</u>	<u>722</u>	<u>1,023,792</u>	<u>1,054,152</u>
<u>\$ 208,220</u>	<u>\$ -</u>	<u>\$ 6,823</u>	<u>\$ 1,236</u>	<u>\$ 944,506</u>	<u>\$ 1,023,792</u>

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
GASOLINE TAX FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with	Prior Year Actual Amounts
	Original	Final		Final Budget - Positive (Negative)	
<b>REVENUES</b>					
Taxes	\$ 84,517	\$ 70,000	\$ 80,942	\$ 10,942	\$ 79,227
Use of money and property	7,140	2,840	-	(2,840)	7,200
Other	-	5,731	5,194	(537)	1,062
Total revenues	<u>91,657</u>	<u>78,571</u>	<u>86,136</u>	<u>7,565</u>	<u>87,489</u>
<b>EXPENDITURES</b>					
Current					
Public works	<u>415,715</u>	<u>430,235</u>	<u>402,834</u>	<u>27,401</u>	<u>382,341</u>
Total expenditures	<u>415,715</u>	<u>430,235</u>	<u>402,834</u>	<u>27,401</u>	<u>382,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(324,058)</u>	<u>(351,664)</u>	<u>(316,698)</u>	<u>34,966</u>	<u>(294,852)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>324,058</u>	<u>347,512</u>	<u>317,814</u>	<u>(29,698)</u>	<u>300,382</u>
Total other financing uses	<u>324,058</u>	<u>347,512</u>	<u>317,814</u>	<u>(29,698)</u>	<u>300,382</u>
Net change in fund balances	-	(4,152)	1,116	5,268	5,530
Fund balance, beginning of year	<u>4,152</u>	<u>4,152</u>	<u>4,152</u>	-	<u>(1,378)</u>
Fund balance, end of year	<u>\$ 4,152</u>	<u>\$ -</u>	<u>\$ 5,268</u>	<u>\$ 5,268</u>	<u>\$ 4,152</u>

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
 SUPPLEMENTAL LAW ENFORCEMENT FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
 (With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Prior Year Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Other	-	691	691	-	-
Total revenues	100,000	100,691	100,691	-	100,000
<b>EXPENDITURES</b>					
Current					
Public Safety	190,396	190,396	180,952	9,444	177,229
Total expenditures	190,396	190,396	180,952	9,444	177,229
Excess (deficiency) of revenues over (under) expenditures	(90,396)	(89,705)	(80,261)	9,444	(77,229)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	90,396	89,705	80,261	(9,444)	77,229
Total other financing uses	90,396	89,705	80,261	(9,444)	77,229
Net change in fund balances	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
REGIONAL COMMUNICATIONS SYSTEM FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Prior Year Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 45,000	\$ 45,000	\$ 44,392	\$ (608)	\$ 44,697
Use of money and property	-	-	136	136	-
Total revenues	45,000	45,000	44,528	(472)	44,697
<b>EXPENDITURES</b>					
Current					
Public safety	24,973	24,973	27,768	(2,795)	23,873
Debt service:					
Principal	10,825	10,825	10,825	-	10,393
Interest	1,258	1,258	1,258	-	1,692
Total expenditures	37,056	37,056	39,851	(2,795)	35,958
Excess (deficiency) of revenues over (under) expenditures	7,944	7,944	4,677	(3,267)	8,739
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	(10,632)	(10,632)	(9,592)
Total other financing uses	-	-	(10,632)	(10,632)	(9,592)
Net change in fund balances	7,944	7,944	(5,955)	(13,899)	(853)
Fund balance, beginning of year	18,101	18,101	18,101	-	18,954
Fund balance, end of year	\$ 26,045	\$ 26,045	\$ 12,146	\$ (13,899)	\$ 18,101

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
GRANTS FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -	Prior Year Actual Amounts
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
Intergovernmental	\$ 15,441	\$ 37,941	\$ 2,500	\$ (35,441)	\$ 15,444
Total revenues	15,441	37,941	2,500	(35,441)	15,444
<b>EXPENDITURES</b>					
Current					
Public safety	15,441	37,941	2,500	35,441	15,444
Total expenditures	15,441	37,941	2,500	35,441	15,444
Net change in fund balance	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
HOUSING FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Prior Year Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	120,000	120,000	47,016	(72,984)	47,016
Use of money and property	24,442	9,777	6,730	(3,047)	25,515
<b>Total revenues</b>	<b>144,442</b>	<b>129,777</b>	<b>53,746</b>	<b>(76,031)</b>	<b>72,531</b>
<b>EXPENDITURES</b>					
Current					
General government	105,825	105,825	101,453	4,372	108,189
<b>Total expenditures</b>	<b>105,825</b>	<b>105,825</b>	<b>101,453</b>	<b>4,372</b>	<b>108,189</b>
Net change in fund balance	38,617	23,952	(47,707)	(71,659)	(35,658)
Fund balance, beginning of year	758,520	758,520	758,520	-	794,178
Fund balance, end of year	\$ 797,137	\$ 782,472	\$ 710,813	\$ (71,659)	\$ 758,520

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
WILDFIRE DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Prior Year Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 182,578	\$ 182,578	\$ 162,854	\$ (19,724)	\$ 160,276
Use of money and property	2,000	2,000	846	(1,154)	4,906
Total revenues	<u>184,578</u>	<u>184,578</u>	<u>163,700</u>	<u>(20,878)</u>	<u>165,182</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	1,050	(1,050)	943
Debt service:					
Principal	145,000	145,000	145,000	-	135,000
Interest	38,296	38,296	37,577	719	43,318
Total expenditures	<u>183,296</u>	<u>183,296</u>	<u>183,627</u>	<u>(331)</u>	<u>179,261</u>
Net change in fund balance	<u>1,282</u>	<u>1,282</u>	<u>(19,927)</u>	<u>(21,209)</u>	<u>(14,079)</u>
Fund balance, beginning of year	<u>228,147</u>	<u>228,147</u>	<u>228,147</u>	<u>-</u>	<u>242,226</u>
Fund balance, end of year	<u>\$ 229,429</u>	<u>\$ 229,429</u>	<u>\$ 208,220</u>	<u>\$ (21,209)</u>	<u>\$ 228,147</u>

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT FUND  
 PROPOSTION 42  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
 (With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Prior Year Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental	\$ 32,000	\$ 32,000	\$ 45,464	\$ 13,464	\$ 35,000
Use of money and property	-	-	31	31	-
Contributions	-	-	-	-	-
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>45,495</u>	<u>13,495</u>	<u>35,000</u>
<b>EXPENDITURES</b>					
Capital outlay	<u>32,000</u>	<u>32,000</u>	<u>45,495</u>	<u>(13,495)</u>	<u>35,000</u>
Total expenditures	<u>32,000</u>	<u>32,000</u>	<u>45,495</u>	<u>(13,495)</u>	<u>35,000</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT FUND  
 REGIONAL TRANSPORTATION CONGESTION IMPROVEMENT PROGRAM  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

(With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -	Prior Year Actual Amounts
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
Licenses, fees and permits	\$ -	\$ -	\$ -	\$ -	\$ 14,000
Use of money and property	-	-	120	120	150
Total revenues	-	-	120	120	14,150
<b>EXPENDITURES</b>					
Public works					
Street maintenance	-	-	3	(3)	-
Capital outlay	-	-	7,444	(7,444)	-
Total expenditures	-	-	7,447	(7,447)	-
Net change in fund balances	-	-	(7,327)	(7,327)	14,150
Fund balance, beginning of year	14,150	14,150	14,150	-	-
Fund balance, end of year	\$ 14,150	\$ 14,150	\$ 6,823	\$ (7,327)	\$ 14,150

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT FUND  
 TRANSNET II  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
 (With comparative totals for 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -	Prior Year Actual Amounts
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
Intergovernmental	\$ 333,500	\$ 309,900	\$ 311,000	\$ 1,100	\$ 181,060
Use of money and property	-	-	1,241	1,241	396
Total revenues	<u>333,500</u>	<u>309,900</u>	<u>312,241</u>	<u>2,341</u>	<u>181,456</u>
<b>EXPENDITURES</b>					
Public works					
Street maintenance	-	-	5	(5)	-
Capital outlay	<u>459,000</u>	<u>309,900</u>	<u>311,722</u>	<u>(1,822)</u>	<u>181,060</u>
Total expenditures	<u>459,000</u>	<u>309,900</u>	<u>311,727</u>	<u>(1,827)</u>	<u>181,060</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(125,500)</u>	<u>-</u>	<u>514</u>	<u>514</u>	<u>396</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>125,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326</u>
Total other financing uses	<u>125,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326</u>
Net change in fund balances	-	-	514	514	722
Fund balance, beginning of year	<u>722</u>	<u>722</u>	<u>722</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 722</u>	<u>\$ 722</u>	<u>\$ 1,236</u>	<u>\$ 514</u>	<u>\$ 722</u>

## **CITY OF DEL MAR**

### **AGENCY FUNDS**

**JUNE 30, 2010**

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

The City of Del Mar has the following Agency Funds:

- Stratford & Luneta Undergrounding Assessment District 1989-01
- Seawall Refinance Assessment District 1999-01
- Ocean View/Pines Assessment District 2005-01
- North Hills Undergrounding Assessment District 2007-01
- Sunset Undergrounding Assessment District 2007-02

**CITY OF DEL MAR  
 AGENCY FUNDS  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES**

**JUNE 30, 2010**

(With comparative totals for 2009)

	Assessment District 89-1	Assessment District 99-1	Assessment District 2005-1
<b>ASSETS</b>			
Accounts and assessments receivable	\$ 121	\$ 355	\$ 128
Amounts to be provided by bond holders	-	-	-
Restricted assets			
Cash and investments	<u>94,348</u>	<u>275,962</u>	<u>98,163</u>
Total Assets	<u>\$ 94,469</u>	<u>\$ 276,317</u>	<u>\$ 98,291</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to bond holders	<u>94,469</u>	<u>276,317</u>	<u>98,291</u>
Total Liabilities and Fund Balances	<u>\$ 94,469</u>	<u>\$ 276,317</u>	<u>\$ 98,291</u>

**CITY OF DEL MAR  
 AGENCY FUNDS  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 (CONTINUED)**

**JUNE 30, 2010**

		Total	
North Hills Undergrounding	Sunset Undergrounding	2010	2009
\$ -	\$ -	\$ 604	\$ 41,558
37,059	-	37,059	-
-	9,298	477,771	520,701
<u>\$ 37,059</u>	<u>\$ 9,298</u>	<u>\$ 515,434</u>	<u>\$ 562,259</u>
\$ -	\$ -	\$ -	\$ 11,916
37,059	-	37,059	34,458
-	9,298	478,375	515,885
<u>\$ 37,059</u>	<u>\$ 9,298</u>	<u>\$ 515,434</u>	<u>\$ 562,259</u>

**CITY OF DEL MAR  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**JUNE 30, 2010**  
(With comparative totals for 2009)

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<b><u>Assessment District 89-1</u></b>				
ASSETS				
Accounts and assessments receivable	\$ 268	\$ 242	\$ (389)	\$ 121
Restricted assets:				
Cash and investments	92,961	3,398	(2,011)	94,348
Total Assets	<u>\$ 93,229</u>	<u>\$ 3,640</u>	<u>\$ (2,400)</u>	<u>\$ 94,469</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to bond holders	93,229	1,259	(19)	94,469
Total Liabilities	<u>\$ 93,229</u>	<u>\$ 1,259</u>	<u>\$ (19)</u>	<u>\$ 94,469</u>
<b><u>Assessment District 99-1</u></b>				
ASSETS				
Accounts and assessments receivable	\$ 808	\$ 710	\$ (1,163)	\$ 355
Restricted assets:				
Cash and investments	280,742	115,216	(119,996)	275,962
Total Assets	<u>\$ 281,550</u>	<u>\$ 115,926</u>	<u>\$ (121,159)</u>	<u>\$ 276,317</u>
LIABILITIES				
Accounts payable	\$ -	\$ 113,564	\$ (113,564)	\$ -
Due to other funds	-	-	-	-
Due to bond holders	281,550	108,372	(113,605)	276,317
Total Liabilities	<u>\$ 281,550</u>	<u>\$ 221,936</u>	<u>\$ (227,169)</u>	<u>\$ 276,317</u>
<b><u>Assessment District 2005-1</u></b>				
ASSETS				
Accounts and assessments receivable	\$ 378	\$ 258	\$ (508)	128
Restricted assets:				
Cash and investments	131,428	59,958	(93,223)	98,163
Total Assets	<u>\$ 131,806</u>	<u>\$ 60,216</u>	<u>\$ (93,731)</u>	<u>\$ 98,291</u>
LIABILITIES				
Accounts payable	\$ -	\$ 53,925	\$ (53,925)	\$ -
Due to other funds	-	-	-	-
Due to bond holders	131,806	56,465	(89,980)	98,291
Total Liabilities	<u>\$ 131,806</u>	<u>\$ 110,390</u>	<u>\$ (143,905)</u>	<u>\$ 98,291</u>

CITY OF DEL MAR  
 AGENCY FUNDS, (CONTINUED)  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

JUNE 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<b><u>North Hills Undergrounding District</u></b>				
ASSETS				
Accounts and assessments receivable	\$ 40,058	\$ 99,439	\$ (139,497)	\$ -
Amounts to be provided by bond holders	-	37,059	-	37,059
Restricted assets:				
Cash and investments	-	-	-	-
Total Assets	<u>\$ 40,058</u>	<u>\$ 136,498</u>	<u>\$ (139,497)</u>	<u>\$ 37,059</u>
LIABILITIES				
Accounts payable	\$ 5,600	\$ 23,711	\$ (29,311)	\$ -
Due to other funds	34,458	71,517	(68,916)	37,059
Due to bond holders	-	-	-	-
Total Liabilities	<u>\$ 40,058</u>	<u>\$ 95,228</u>	<u>\$ (98,227)</u>	<u>\$ 37,059</u>
<b><u>Sunset Undergrounding District</u></b>				
ASSETS				
Accounts and assessments receivable	\$ 46	\$ -	\$ (46)	\$ -
Restricted assets:				
Cash and investments	15,570	25,646	(31,918)	9,298
Total Assets	<u>\$ 15,616</u>	<u>\$ 25,646</u>	<u>\$ (31,964)</u>	<u>\$ 9,298</u>
LIABILITIES				
Accounts payable	\$ 6,316	\$ 25,411	\$ (31,727)	\$ -
Due to other funds	-	-	-	-
Due to bond holders	9,300	-	(2)	9,298
Total Liabilities	<u>\$ 15,616</u>	<u>\$ 25,411</u>	<u>\$ (31,729)</u>	<u>\$ 9,298</u>
<b><u>Total Agency Funds</u></b>				
ASSETS				
Accounts and assessments receivable	\$ 41,558	\$ 100,649	\$ (141,603)	\$ 604
Amounts to be provided by bond holders	-	37,059	-	37,059
Restricted assets:				
Cash and investments	520,701	204,218	(247,148)	477,771
Total Assets	<u>\$ 562,259</u>	<u>\$ 341,926</u>	<u>\$ (388,751)</u>	<u>\$ 515,434</u>
LIABILITIES				
Accounts payable	\$ 11,916	\$ 216,611	\$ (228,527)	\$ -
Due to other funds	34,458	71,517	(68,916)	37,059
Due to bond holders	515,885	166,096	(203,606)	478,375
Total Liabilities	<u>\$ 562,259</u>	<u>\$ 454,224</u>	<u>\$ (501,049)</u>	<u>\$ 515,434</u>

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# CITY OF DEL MAR STATISTICAL SECTION

Fiscal Year 2009-2010



This part of the City of Del Mar's (City) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, notes to the basic financial statements, and required supplementary information report about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These tables contain trend information that may assist the reader in the City's current financial performance by placing it in historical perspective.	91
<b>Revenue Capacity</b> These tables contain information that may help in assessing the viability of the City's most significant revenue sources - property taxes, transient occupancy tax (TOT), and sales tax.	102
<b>Debt Capacity</b> These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	116
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	122
<b>Operating Information</b> These tables contain service and infrastructure indicators that may inform one's understanding on how the information in the City's financial statements relate to the services that the City provides and the activities it performs.	125

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City of Del Mar

Net Assets by Component <sup>(1)</sup>

Last Eight Fiscal Years Ended June 30, 2010 <sup>(2)</sup>

(Accrual basis of accounting)

	Fiscal Year							
	2009-2010	2008-2009 (3)	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Governmental Activities								
Investment in capital assets, net of related debt	\$30,313,422	\$29,850,840	\$32,141,682	\$18,622,695	\$16,592,553	\$14,984,944	\$14,216,403	\$13,508,526
Restricted	1,371,099	1,693,192	1,035,026	750,233	-	-	-	367,615
Unrestricted	3,997,451	3,731,430	482,410	6,069,386	5,960,276	5,578,002	5,280,976	5,021,605
Total governmental activities net assets	\$35,681,972	\$35,275,462	\$33,659,118	\$25,442,314	\$22,552,829	\$20,562,946	\$19,497,379	\$18,897,746
Business-type Activities								
Investment in capital assets, net of related debt	\$19,503,704	\$19,924,858	\$18,768,065	\$17,781,176	\$16,908,644	\$16,681,291	\$16,507,382	\$16,535,059
Restricted	-	-	700,635	689,363	679,588	695,027	765,827	840,869
Unrestricted	3,823,049	2,976,453	3,037,145	3,304,723	3,321,173	3,013,620	2,438,731	1,979,909
Total business-type activities net assets	\$23,326,753	\$22,901,311	\$22,505,845	\$21,775,262	\$20,909,405	\$20,389,938	\$19,711,940	\$19,355,837
Primary Government								
Investment in capital assets, net of related debt	\$49,817,126	\$49,775,698	\$51,610,382	\$36,403,871	\$33,501,197	\$31,666,235	\$30,723,785	\$30,043,585
Restricted	1,371,099	1,693,192	792,800	1,439,596	679,588	695,027	765,827	1,208,484
Unrestricted	7,820,500	6,707,883	3,761,781	9,374,109	9,281,449	8,591,622	7,719,707	7,001,514
Total primary government net assets	\$59,008,725	\$58,176,773	\$56,164,963	\$47,217,576	\$43,462,234	\$40,952,884	\$39,209,319	\$38,253,583

Notes:

- (1) Accounting standards require that net assets be reported in three components in the financial statements: investment in capital assets, net of related debt, restricted, and unrestricted.  
Net assets are considered restricted only when -
  - (a) an external party, such as the State of California or the federal government, places a restriction on how the revenues may be used, or
  - (b) enabling legislation is enacted by the City.
- (2) The City of Del Mar implemented the GASB Number 34 reporting module in Fiscal Year 2002-2003. Information prior to implementation of GASB 34 is not available.
- (3) Fiscal Year 2008-2009 amounts were restated to record the write down of land in business-type activities.

Source: City of Del Mar, Finance Department

**City of Del Mar**  
**Changes in Net Assets**  
**Last Eight Fiscal Years <sup>(1)</sup>**  
**(Accrual basis of accounting)**

	Fiscal Year							
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
<b>Expenses</b>								
<b>Governmental Activities</b>								
General government	\$4,313,697	\$4,386,669	\$4,359,318	\$3,888,011	\$3,800,429	\$3,803,204	\$3,665,960	\$3,203,924
Public safety	5,115,313	5,080,611	4,807,256	4,750,724	4,986,741	4,557,872	4,078,281	3,484,350
Public works	1,511,201	934,974	972,444	899,025	508,283	1,171,583	1,049,892	1,316,672
Parks and recreation	686,835	672,742	662,959	633,010	694,358	719,867	679,069	626,863
Community services	-	-	1,079	-	-	-	-	-
Interest on long-term debt	128,910	119,312	139,679	74,368	43,020	109,235	120,901	137,934
<b>Total governmental activities expenses</b>	<b>11,755,956</b>	<b>11,194,308</b>	<b>10,942,735</b>	<b>10,245,138</b>	<b>10,032,831</b>	<b>10,361,761</b>	<b>9,594,103</b>	<b>8,769,743</b>
<b>Business-type Activities</b>								
Water	2,323,776	2,113,510	2,007,296	2,064,393	2,035,750	1,879,045	1,989,371	1,809,261
Wastewater	2,299,233	2,236,764	2,173,470	2,038,716	2,024,322	2,062,148	2,330,249	2,129,611
Clean water	429,372	439,010	530,166	359,082	342,813	332,111	292,554	-
<b>Total business-type activities expenses</b>	<b>5,052,381</b>	<b>4,789,284</b>	<b>4,710,932</b>	<b>4,462,191</b>	<b>4,402,885</b>	<b>4,273,304</b>	<b>4,612,174</b>	<b>3,938,872</b>
<b>Total primary government expenses</b>	<b>\$16,808,337</b>	<b>\$15,983,592</b>	<b>\$15,653,667</b>	<b>\$14,707,329</b>	<b>\$14,435,716</b>	<b>\$14,635,065</b>	<b>\$14,206,277</b>	<b>\$12,708,615</b>
<b>Program Revenues</b>								
<b>Governmental Activities</b>								
Charges for services:								
General government	\$1,017,198	\$920,795	\$1,614,329	\$1,622,284	\$1,577,472	\$1,034,235	\$616,384	\$494,208
Public safety	1,268,801	1,172,189	233,027	252,613	267,613	1,030,952	823,763	729,178
Public Works	-	14,000	-	-	-	-	-	-
Parks and recreation	404,801	406,236	498,075	590,413	782,070	699,078	488,225	207,695
Operating grants and contributions	343,777	323,436	611,539	401,153	763,816	391,369	680,786	247,462
Capital grants and contributions	703,612	1,762,742	7,677,470	1,557,918	490,044	1,048,930	683,324	571,582
<b>Total governmental activities program revenues</b>	<b>3,738,189</b>	<b>4,599,398</b>	<b>10,634,440</b>	<b>4,424,381</b>	<b>3,881,015</b>	<b>4,204,564</b>	<b>3,292,482</b>	<b>2,250,125</b>
<b>Business-type Activities</b>								
Charges for services:								
Water	2,234,510	2,344,156	2,357,075	2,390,664	2,234,603	2,188,208	2,316,389	2,093,896
Wastewater	2,584,404	2,345,933	2,417,053	2,424,808	2,337,586	2,380,298	2,309,853	1,946,846
Clean water	383,946	306,266	258,538	131,068	181,907	141,695	102,371	-
<b>Total business-type activities program revenues</b>	<b>5,202,860</b>	<b>4,996,355</b>	<b>5,032,666</b>	<b>4,946,540</b>	<b>4,754,096</b>	<b>4,710,201</b>	<b>4,728,613</b>	<b>4,040,742</b>
<b>Total primary government revenues</b>	<b>\$8,941,049</b>	<b>\$9,595,753</b>	<b>\$15,667,106</b>	<b>\$9,370,921</b>	<b>\$8,635,111</b>	<b>\$8,914,765</b>	<b>\$8,021,095</b>	<b>\$6,290,867</b>

Notes:

- (1) The City of Del Mar implemented the GASB Number 34 reporting module in Fiscal Year 2002-2003. Information before implementation is not available.
- (2) Net revenues/(expenses) is the difference between program revenues and expenses of a function or program. It indicates the degree to which a function or program is supported with its own fees and program specific grants versus its reliance upon funding from taxes and other general revenues.
  - Amounts in parentheses are net expenses, indicating that expenses were greater than program revenues, and therefore, general revenues were needed to finance that function or program.
  - Amounts without parentheses are net revenues, meaning that program revenues were more than sufficient to cover expenses.

Source: City of Del Mar, Finance Department

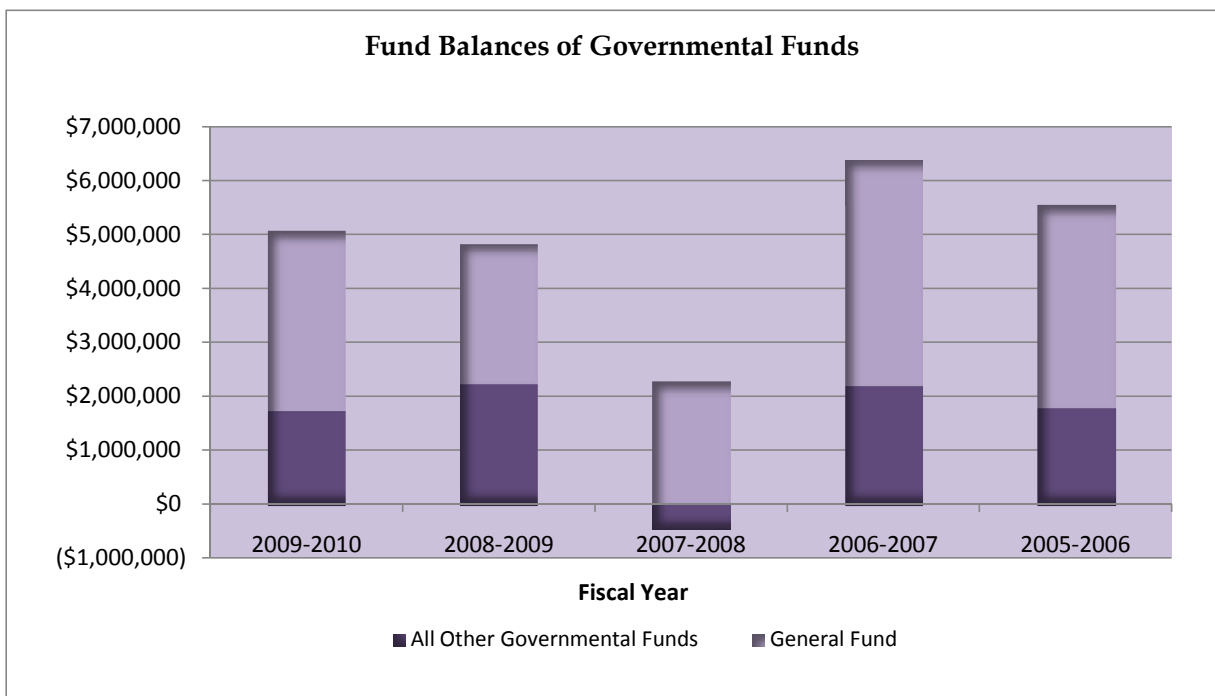
**City of Del Mar**  
**Changes in Net Assets**  
**Last Eight Fiscal Years <sup>(1)</sup>**  
**(Accrual basis of accounting)**

**(Concluded)**

	Fiscal Year							
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
<b>Net revenues/(expenses): <sup>(2)</sup></b>								
Governmental activities	(\$8,017,767)	(\$6,594,910)	(\$308,295)	(\$5,820,757)	(\$6,151,816)	(\$6,157,197)	(\$6,301,621)	(\$6,519,618)
Business-type activities	150,479	207,071	321,734	484,349	351,211	436,897	116,439	101,870
Total net revenues/(expenses)	(\$7,867,288)	(\$6,387,839)	\$13,439	(\$5,336,408)	(\$5,800,605)	(\$5,720,300)	(\$6,185,182)	(\$6,417,748)
<b>General Revenue and Other Changes in Net Assets</b>								
Governmental activities								
Taxes:								
Property taxes	\$4,433,968	\$4,215,519	\$4,032,639	\$3,756,024	\$2,992,161	\$2,954,897	\$2,640,411	\$2,446,848
Sales and use tax	1,367,739	1,362,060	1,408,551	1,732,150	1,668,537	1,680,314	1,445,015	1,352,848
Transient occupancy tax	1,505,530	1,418,345	1,247,227	1,682,319	1,564,641	1,488,935	1,440,402	1,409,615
Franchise tax	342,989	375,033	362,404	356,121	317,261	297,079	272,973	264,523
Business license tax	188,535	197,696	193,839	182,343	186,756	185,753	172,130	157,326
Motor vehicle in-lieu tax	-	-	-	30,291	336,709	105,682	209,146	258,119
Intergovernmental, unrestricted	163,473	211,868	276,741	259,110	315,271	-	-	-
Use of money and property	199,148	260,440	884,169	817,285	557,198	409,202	403,479	513,938
Other	271,953	341,428	360,982	113,571	298,733	291,766	542,928	493,803
Transfers	(49,063)	(171,135)	(241,453)	(218,972)	(175,105)	(190,864)	(225,230)	(10,679)
Total governmental activities	8,424,272	8,211,254	8,525,099	8,710,242	8,062,162	7,222,764	6,901,254	6,886,341
Business-type activities								
Unrestricted investment earnings	28,378	90,967	167,396	162,536	72,688	50,237	14,434	114,370
Other	197,522	127,207	-	-	-	-	-	-
Transfers	49,063	171,254	241,453	218,972	175,105	190,864	225,230	10,679
Total business-type activities	274,963	389,428	408,849	381,508	247,793	241,101	239,664	125,049
Total primary government	\$8,699,235	\$8,600,682	\$8,933,948	\$9,091,750	\$8,309,955	\$7,463,865	\$7,140,918	\$7,011,390
<b>Change in Net Assets</b>								
Governmental activities	\$406,510	\$1,616,344	\$8,216,804	\$2,889,485	\$1,910,346	\$1,065,567	\$599,633	\$366,723
Business-type activities	425,442	596,499	730,583	865,857	599,004	677,998	356,103	226,919
Total primary government	\$831,952	\$2,212,843	\$8,947,387	\$3,755,342	\$2,509,350	\$1,743,565	\$955,736	\$593,642

**City of Del Mar**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	Fiscal Year				
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
General Fund					
Reserved	\$36,396	\$30,334	\$84,451	\$723,828	\$700,198
Unreserved	3,320,829	2,572,399	2,190,405	3,460,629	3,070,580
Total general fund	<u>\$3,357,225</u>	<u>\$2,602,733</u>	<u>\$2,274,856</u>	<u>\$4,184,457</u>	<u>\$3,770,778</u>
All Other Governmental Funds					
Reserved	\$963,355	\$1,482,888	\$2,623,549	\$1,510,792	\$522,880
Unreserved, reported in:					
Special revenue funds	342,232	67,058	-	582,765	631,829
Debt service funds	-	-	-	163,948	149,403
Capital projects fund	409,384	683,550	(3,084,510)	(72,041)	469,632
Total all other governmental funds	<u>\$1,714,971</u>	<u>\$2,233,496</u>	<u>(\$460,961)</u>	<u>\$2,185,464</u>	<u>\$1,773,744</u>



Source: City of Del Mar, Finance Department

(Concluded)

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Fiscal Year				
<u>2004-2005</u>	<u>2003-2004</u>	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>
\$491,491	\$733,926	\$680,700	\$609,137	\$631,701
2,760,508	2,789,204	2,935,452	3,122,975	2,909,497
<u>\$3,251,999</u>	<u>\$3,523,130</u>	<u>\$3,616,152</u>	<u>\$3,732,112</u>	<u>\$3,541,198</u>
\$449,334	\$341,636	\$307,164	\$684,239	\$133,701
620,694	618,357	887,217	758,390	895,500
190,020	270,001	84,706	336,438	313,895
637,039	406,026	545,262	228,114	813,260
<u>\$1,897,087</u>	<u>\$1,636,020</u>	<u>\$1,824,349</u>	<u>\$2,007,181</u>	<u>\$2,156,356</u>

**City of Del Mar**  
**Changes In Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified accrual basis of accounting)**

	Fiscal Year				
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
<b>Revenues:</b>					
Taxes	\$7,937,072	\$7,676,829	\$7,350,716	\$7,828,037	\$7,144,697
Licenses and permits	916,254	1,005,220	1,288,712	1,218,764	356,492
Intergovernmental	1,022,692	2,230,841	2,176,880	1,158,484	1,154,704
Charges for services	992,813	794,002	777,891	360,848	997,570
Fines and forfeitures	781,733	761,014	860,395	884,813	956,378
Use of money and property	188,513	225,747	426,807	781,165	546,707
Contributions	108,559	325,389	5,703,470	1,006,653	52,995
Other revenues	253,253	358,876	91,668	139,875	682,285
<b>Total revenues</b>	<b>12,200,889</b>	<b>13,377,918</b>	<b>18,676,539</b>	<b>13,378,639</b>	<b>11,891,828</b>
<b>Expenditures:</b>					
General government	4,158,473	4,376,664	4,363,308	3,780,975	3,555,998
Public safety	4,994,026	5,068,992	4,846,456	5,019,669	4,899,846
Public works	557,557	475,670	528,086	808,979	798,030
Parks and recreation	670,548	671,207	654,005	580,463	572,092
Capital outlays	1,039,393	2,807,876	12,130,994	1,734,248	1,085,464
Debt service:					
Principal	363,293	435,778	339,749	316,851	309,144
Interest and fiscal charges	132,569	111,144	128,514	93,083	100,691
<b>Total expenditures</b>	<b>11,915,859</b>	<b>13,947,331</b>	<b>22,991,112</b>	<b>12,334,268</b>	<b>11,321,265</b>
Excess of revenues over (under) expenditures	285,030	(569,413)	(4,314,573)	1,044,371	570,563
<b>Other Financing Sources (Uses)</b>					
Issuance of loan	-	3,763,000	-	-	-
Transfers-in	584,915	1,287,803	2,706,687	1,417,545	1,419,408
Transfers-out	(633,978)	(1,459,056)	(2,948,140)	(1,636,517)	(1,594,513)
<b>Total other financing sources (uses)</b>	<b>(49,063)</b>	<b>3,591,747</b>	<b>(241,453)</b>	<b>(218,972)</b>	<b>(175,105)</b>
<b>Net change in fund balances</b>	<b>\$235,967</b>	<b>\$3,022,334</b>	<b>(\$4,556,026)</b>	<b>\$825,399</b>	<b>\$395,458</b>
Debt service as a percentage of noncapital expenditures	4.56%	4.91%	4.31%	3.87%	4.00%

Source: City of Del Mar, Finance Department

(Concluded)

Fiscal Year				
2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
\$6,395,154	\$5,902,221	\$5,585,841	\$5,397,586	\$5,558,503
188,956	174,571	167,661	157,630	145,630
2,024,083	2,033,941	1,365,983	1,209,933	1,882,484
1,328,490	836,133	522,471	503,815	468,188
874,862	668,960	547,438	529,234	479,070
560,084	403,479	513,939	618,197	613,309
1,000	87,765	150,000	37,345	155,805
258,242	309,094	339,630	267,068	147,614
11,630,871	10,416,164	9,192,963	8,720,808	9,450,603
3,636,886	3,800,009	3,114,605	3,115,651	2,713,901
4,609,225	4,050,058	3,503,659	3,422,997	3,133,604
1,136,702	673,800	1,123,082	592,072	639,253
646,643	611,577	575,734	324,245	297,485
957,174	868,814	693,409	721,771	1,632,033
317,078	340,919	326,652	340,180	303,454
112,363	127,108	143,935	156,282	172,437
11,416,071	10,472,285	9,481,076	8,673,198	8,892,167
214,800	(56,121)	(288,113)	47,610	558,436
-	-	-	-	-
1,939,651	663,756	1,365,074	1,706,645	1,707,578
(2,164,515)	(888,986)	(1,375,753)	(1,712,288)	(1,715,441)
(224,864)	(225,230)	(10,679)	(5,643)	(7,863)
(\$10,064)	(\$281,351)	(\$298,792)	\$41,967	\$550,573
4.11%	4.87%	5.36%	6.24%	6.55%

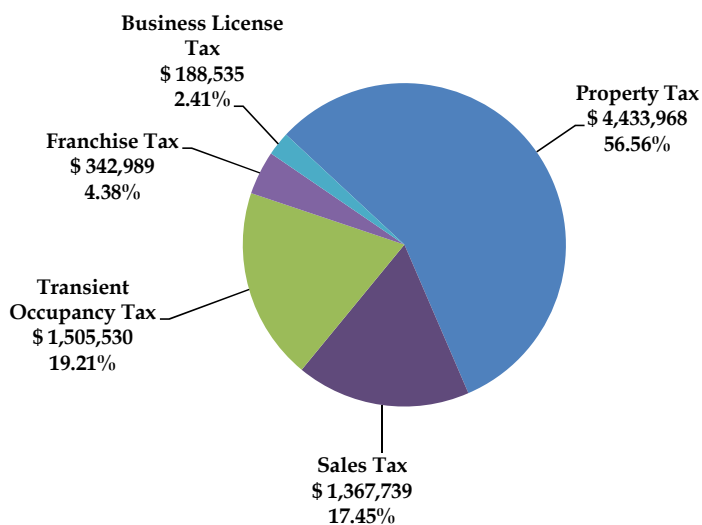
**City of Del Mar  
Governmental Activities Tax Revenues By Sources  
Last Eight Fiscal Years**

<b>Fiscal Year</b>	<b>Property Taxes (1)</b>	<b>Sales &amp; Use Tax (2)</b>	<b>Transient Occupancy Tax</b>	<b>Franchise Tax</b>	<b>Business License Tax</b>	<b>Total</b>
2009-2010	\$4,433,968	\$1,367,739	\$1,505,530	\$342,989	\$188,535	\$7,838,761
2008-2009	4,215,519	1,362,060	1,418,345	375,033	197,696	7,568,653
2007-2008	3,796,999	1,408,551	1,247,227	362,404	193,839	7,009,020
2006-2007	3,756,024	1,732,150	1,682,319	356,121	182,343	7,708,957
2005-2006	2,992,161	1,668,537	1,564,641	317,261	186,756	6,729,356
2004-2005	2,954,897	1,680,314	1,488,935	297,079	185,753	6,606,978
2003-2004	2,640,411	1,445,015	1,440,402	272,973	172,130	5,970,931
2002-2003	2,446,848	1,352,848	1,409,615	264,523	157,326	5,631,160
Change from Base Year 2003	81.21%	1.10%	6.80%	29.66%	19.84%	39.20%

Note:

- (1) Includes Property Tax In-lieu of Vehicle License Fee (VLF) as part of the State's VLF for Property Tax Swap Adjustment.
- (2) Includes Property Tax In-Lieu of Sales Tax as part of the State's Sales and Use Tax Triple Flip Adjustment.

**GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE  
Fiscal Year Ended June 30, 2010**



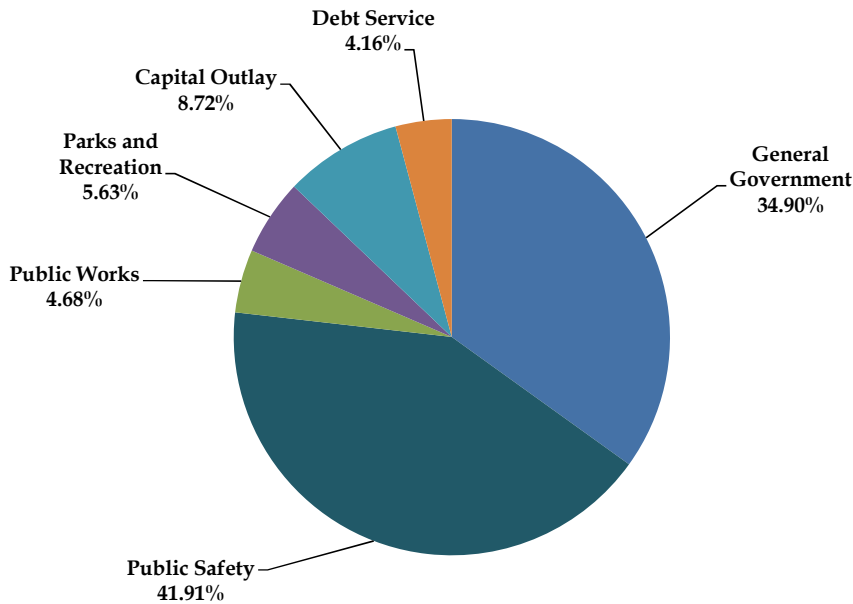
Source: City of Del Mar, Finance Department

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**City of Del Mar**  
**General Governmental Expenditures By Function <sup>(1)</sup>**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works</b>
2009-2010	\$4,158,473	\$4,994,026	\$557,557
2008-2009	4,376,664	5,068,992	475,670
2007-2008	4,363,308	4,846,456	528,086
2006-2007	3,780,975	5,019,669	808,979
2005-2006	3,555,998	4,899,846	798,030
2004-2005	3,636,886	4,609,225	1,136,702
2003-2004	3,800,009	4,050,058	673,800
2002-2003	3,114,605	3,503,659	1,123,082
2001-2002	3,115,651	3,422,997	592,072
2000-2001	2,713,901	3,133,604	639,253

**GENERAL GOVERNMENTAL EXPENDITURES  
BY FUNCTION  
Fiscal Year Ended June 30, 2010**



Notes:

- (1) These amounts include all governmental fund types and exclude other financing sources/ (uses).
- (2) These amounts include lease and bond payments toward debt service.

Source: City of Del Mar, Finance Department

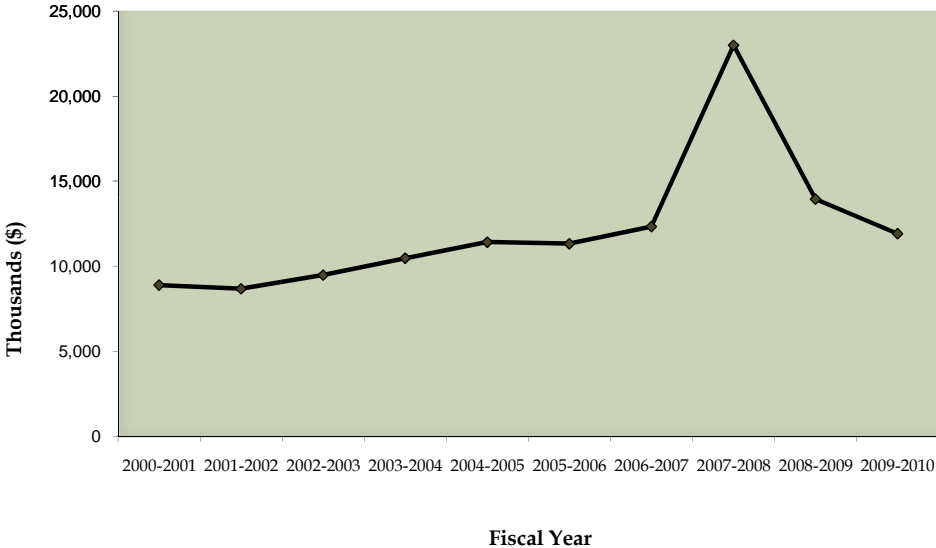
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	<b>Parks and Recreation</b>	<b>Capital Outlay</b>	<b>Debt Service <sup>(2)</sup></b>	<b>Total</b>
	\$670,548	\$1,039,393	\$495,862	\$11,915,859
	671,207	2,807,876	546,922	13,947,331
	654,005	12,130,994	468,263	22,991,112
	580,463	1,734,248	409,934	12,334,268
	572,092	1,085,464	409,835	11,321,265
	646,643	957,174	429,441	11,416,071
	611,577	868,814	468,027	10,472,285
	575,734	693,409	470,587	9,481,076
	324,245	721,771	496,462	8,673,198
	297,485	1,632,033	475,891	8,892,167

**TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
Last Ten Fiscal Years**

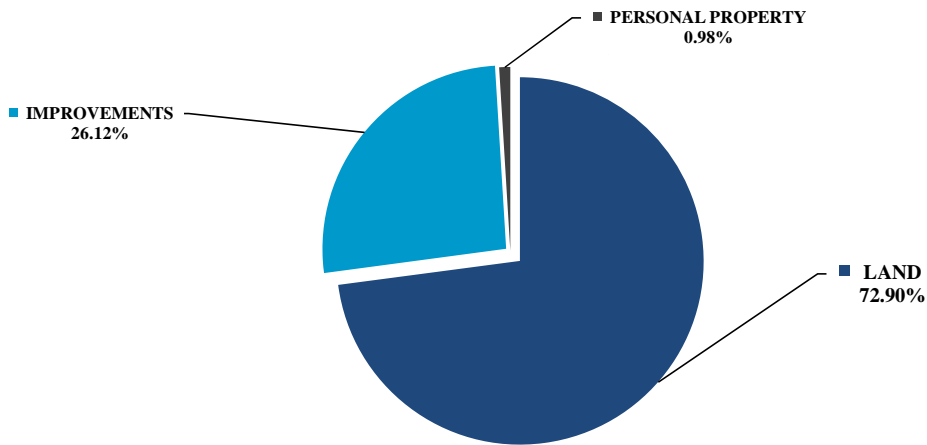


**City of Del Mar**

**Assessed Valuation <sup>(1)</sup> and Actual Value of Taxable Property  
Last Ten Fiscal Years**

Fiscal Year	State Assessed				Locally Assessed			
	Secured - Utility				Secured			
	Land	Improvements	Personal Property	Total	Land	Improvements	Personal Property	Total Before Exemptions
2009-2010	\$ -	\$ -	\$ -	\$ -	\$1,806,702,397	\$642,006,171	\$237,875	\$2,448,946,443
2008-2009	-	-	-	-	1,721,203,056	596,285,611	296,677	2,317,785,344
2007-2008	-	-	-	-	1,551,754,556	555,166,814	281,693	2,107,203,063
2006-2007	736,901	611,805	319,246	1,667,952	1,441,583,176	524,514,445	295,192	1,966,392,813
2005-2006	786,754	653,194	340,844	1,780,792	1,315,985,163	494,970,298	294,506	1,811,249,967
2004-2005	771,610	640,621	334,282	1,746,513	1,131,707,893	464,687,998	311,267	1,596,707,158
2003-2004	810,715	673,088	351,224	1,835,027	1,028,178,922	421,875,841	355,789	1,450,410,552
2002-2003	938,198	778,929	406,453	2,123,580	954,208,782	399,971,397	205,625	1,354,385,804
2001-2002	1,041,494	864,690	451,205	2,357,389	888,511,947	395,771,504	407,393	1,284,690,844
2000-2001	1,021,033	847,702	442,340	2,311,075	755,422,966	376,017,691	443,617	1,131,884,274

**ASSESSED VALUATION BY CATEGORIES  
(Total Locally Assessed - Secured, Before Exemptions)  
Fiscal Year Ended June 30, 2010**



Note:

(1) In 1978, California voters passed Proposition 13 which set the property tax at a one percent fixed amount. This amount is shared by all taxing agencies for which the subject property resides within. In addition to the one percent fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds. Assessed valuation is based on 100 percent full value in accordance with Section 135 of the California Revenue and Taxation Code.

Source: Office of the Auditor & Controller, County of San Diego

(Continued)

Locally Assessed							
Secured			Unsecured				
Exemptions		Total	Improvements	Personal	Total	Other	Total
All	Home	After					
Others	Owners	Exemptions			Exemptions	Exemptions	Exemptions
(\$3,392,145)	(\$6,893,600)	\$2,438,660,698	\$5,291,249	\$24,013,350	\$29,304,599	\$ -	\$29,304,599
(3,332,473)	(6,944,000)	2,307,508,871	5,304,498	20,310,207	25,614,705	-	25,614,705
(3,008,202)	(6,958,000)	2,097,236,861	5,096,765	18,871,651	23,968,416	-	23,968,416
(2,942,030)	(6,995,800)	1,956,454,983	5,365,639	18,101,740	23,467,379	-	23,467,379
(2,881,088)	(7,032,200)	1,801,336,679	6,216,428	15,276,867	21,493,295	-	21,493,295
(2,782,109)	(7,019,600)	1,586,905,449	5,305,843	15,920,040	21,225,883	-	21,225,883
(2,746,435)	(7,149,800)	1,440,514,317	5,361,645	16,209,848	21,571,493	-	21,571,493
(2,598,467)	(7,165,200)	1,344,622,137	5,008,469	15,315,650	20,324,119	-	20,324,119
(1,909,282)	(7,205,800)	1,275,575,762	3,967,028	17,810,287	21,777,315	(14,818)	21,762,497
(1,535,768)	(7,401,800)	1,122,946,706	5,000,339	16,600,747	21,601,086	(238,888)	21,362,198

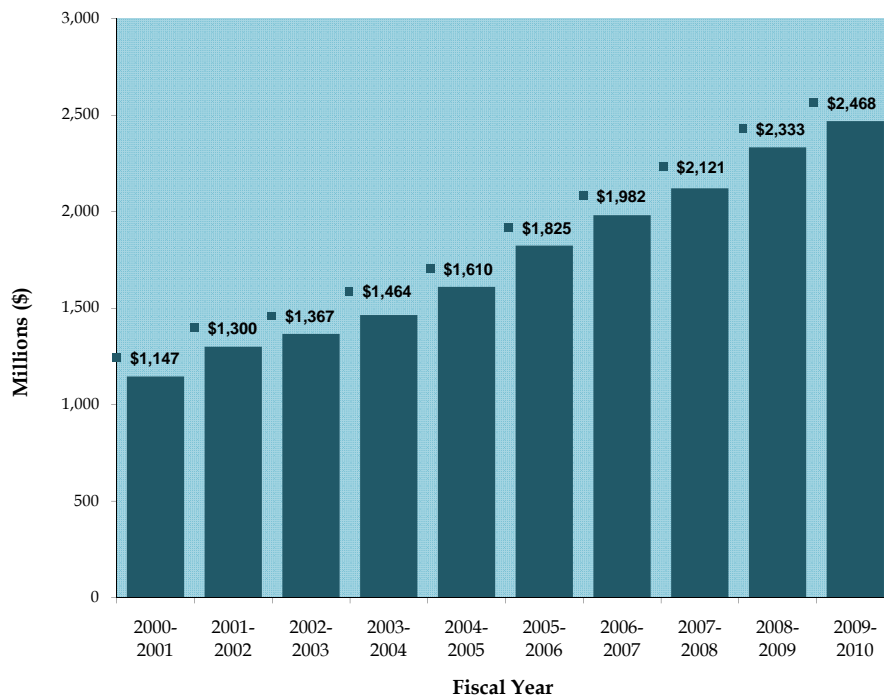
**City of Del Mar**

**Assessed Valuation <sup>(1)</sup> and Actual Value of Taxable Property  
Last Ten Fiscal Years**

**(Concluded)**

<b>Totals</b>				
<b>Fiscal Year</b>	<b>Totals Before Exemptions</b>	<b>Net Taxable Valuation</b>	<b>Percent Increase/ (Decrease)</b>	<b>Total Direct Rate</b>
2009-2010	\$2,478,251,042	\$2,467,965,297	5.78%	1.01052%
2008-2009	2,343,400,049	2,333,123,576	9.99%	1.01037%
2007-2008	2,131,171,479	2,121,205,277	7.05%	1.01497%
2006-2007	1,991,528,144	1,981,590,314	8.60%	1.01383%
2005-2006	1,834,524,054	1,824,610,766	13.34%	1.01205%
2004-2005	1,619,679,554	1,609,877,845	9.97%	1.01265%
2003-2004	1,473,817,072	1,463,920,837	7.08%	1.01731%
2002-2003	1,376,833,503	1,367,069,836	5.18%	1.02254%
2001-2002	1,308,825,548	1,299,695,648	13.35%	1.02994%
2000-2001	1,155,796,435	1,146,619,979	- %	1.03136%

**TOTAL ASSESSED VALUATION  
(Taxable Values)  
Last Ten Fiscal Years**



Source: California Municipal Statistics, Inc.

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## City of Del Mar

### Assessed Value of Property by User Code <sup>(1)</sup> Last Ten Fiscal Years

Category	Fiscal Year			
	2009-2010	2008-2009	2007-2008	2006-2007
Residential	\$2,341,247,897	\$2,252,513,842	\$2,126,571,875	\$1,927,655,893
Commercial	180,733,181	183,387,390	178,609,919	168,728,531
Industrial	2,448,637	2,454,459	2,406,337	2,368,947
Irrigation farm	-	-	-	-
Rural land (Non-irrigated)	-	-	-	-
Institutional	2,693,294	2,699,693	2,646,759	2,594,863
Recreational	8,042,055	7,570,329	7,181,758	5,507,582
Miscellaneous	-	-	-	-
<b>Total</b>	<b>\$2,535,165,064</b>	<b>\$2,448,625,713</b>	<b>\$2,317,416,648</b>	<b>\$2,106,855,816</b>

Note:

(1) In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of one percent based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" limited to a maximum of two percent. With few exemptions, the property is reassessed as a result of new construction or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitation just mentioned.

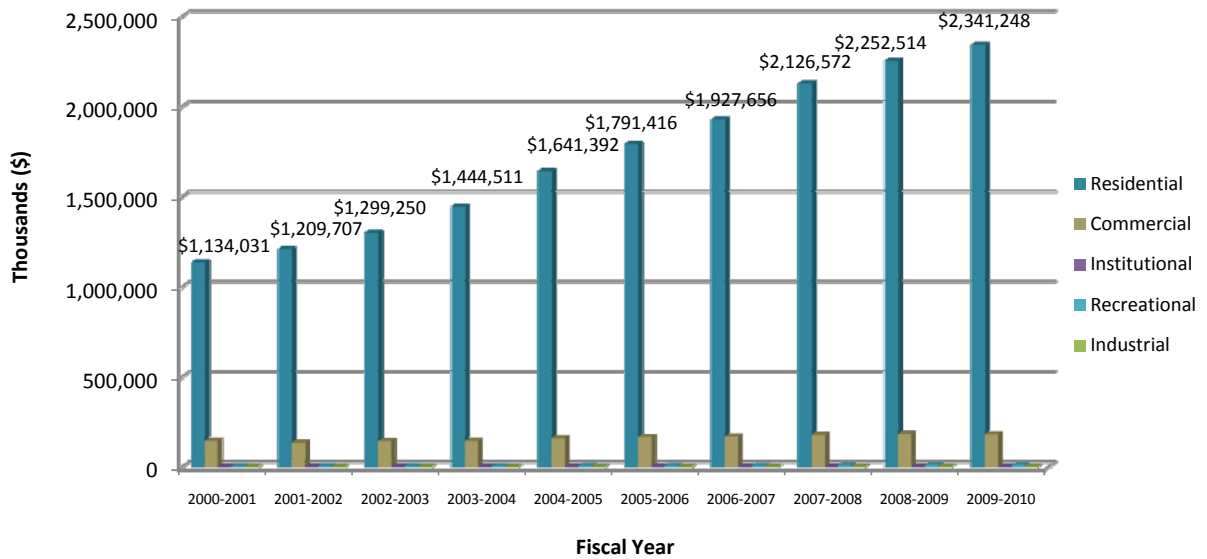
- The amounts represent total assessed value of real property, excluding personal property and fixtures, prior to exemptions.

Source: Office of the Auditor & Controller, County of San Diego

(Concluded)

Fiscal Year					
2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
\$1,791,415,501	\$1,641,392,319	\$1,444,510,983	\$1,299,249,555	\$1,209,706,635	\$1,134,030,927
164,367,851	159,747,464	143,159,660	142,655,770	136,834,972	142,981,859
2,048,291	1,986,030	1,473,871	1,446,867	1,418,505	1,593,732
-	-	-	-	-	-
-	-	-	-	-	-
2,543,985	2,494,104	2,445,201	2,400,387	2,353,321	1,665,021
5,650,759	5,260,510	4,743,002	4,211,200	3,806,570	3,949,570
-	-	-	-	-	-
<b>\$1,966,026,387</b>	<b>\$1,810,880,427</b>	<b>\$1,596,332,717</b>	<b>\$1,449,963,779</b>	<b>\$1,354,120,003</b>	<b>\$1,284,221,109</b>

**ASSESSED VALUE - TAXABLE PROPERTY**  
Last Ten Fiscal Years



**City of Del Mar**  
**Estimated Value of Taxable Property <sup>(1)</sup>**  
**Last Ten Fiscal Years**

Fiscal Year	Residential		Commercial		Industrial		Institutional	
	Assessed Value	Number of Parcels	Assessed Value	Number of Parcels	Assessed Value	Number of Parcels	Assessed Value	Number of Parcels
2009-2010	\$2,341,247,897	4,193	\$180,733,181	101	\$2,448,637	9	\$2,693,294	1
2008-2009	2,252,513,842	4,192	183,387,390	101	2,454,459	9	2,699,693	1
2007-2008	2,126,571,875	4,193	178,609,919	100	2,406,337	9	2,646,759	1
2006-2007	1,927,655,893	4,191	168,728,531	100	2,368,947	10	2,594,863	1
2005-2006	1,791,415,501	4,185	164,367,851	101	2,048,291	11	2,543,985	1
2004-2005	1,641,392,319	4,182	159,747,464	102	1,986,030	11	2,494,104	1
2003-2004	1,444,510,983	4,158	143,159,660	102	1,473,871	13	2,445,201	1
2002-2003	1,299,249,555	4,152	142,655,770	104	1,446,867	13	2,400,387	1
2001-2002	1,209,706,635	4,159	136,834,972	104	1,418,505	13	2,353,321	1
2000-2001	1,134,030,927	4,165	142,981,859	104	1,593,732	14	1,665,021	1

Notes:

- (1) Report formatting changes have been made to comply with the GASB Number 44 standard reporting requirements. Public utility values are not included in this report.
- (2) The total direct tax rate is the weighted average of all individual direct rates applied by the government providing the statistical information.

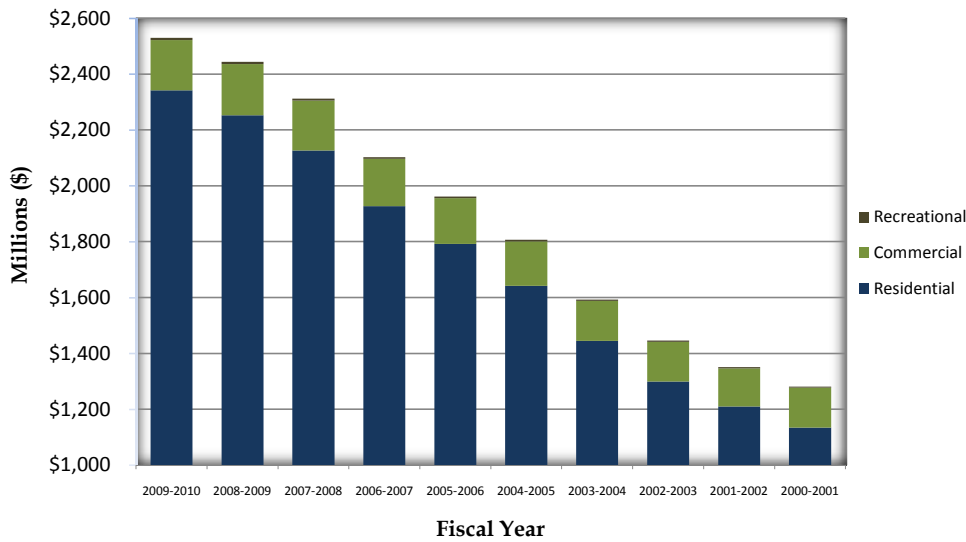
Sources:

City of Del Mar  
Office of the Auditor & Controller, County of San Diego  
HdL Caren & Cone, Diamond Bar, California

(Concluded)

Recreational		Total		Total
Assessed Value	Number of Parcels	Assessed Value	Number of Parcels	Direct Tax Rate (%) (2)
\$8,042,055	224	\$2,535,165,064	4,528	0.14775
7,570,329	226	2,448,625,713	4,529	0.14775
7,181,758	234	2,317,416,648	4,537	0.15688
5,507,582	215	2,106,855,816	4,517	0.14775
5,650,759	217	1,966,026,387	4,515	0.14775
5,260,510	206	1,810,880,427	4,502	0.14775
4,743,002	207	1,596,332,717	4,481	0.14775
4,211,200	191	1,449,963,779	4,461	0.14775
3,806,570	163	1,354,120,003	4,440	0.14774
3,949,570	158	1,284,221,109	4,442	0.14778

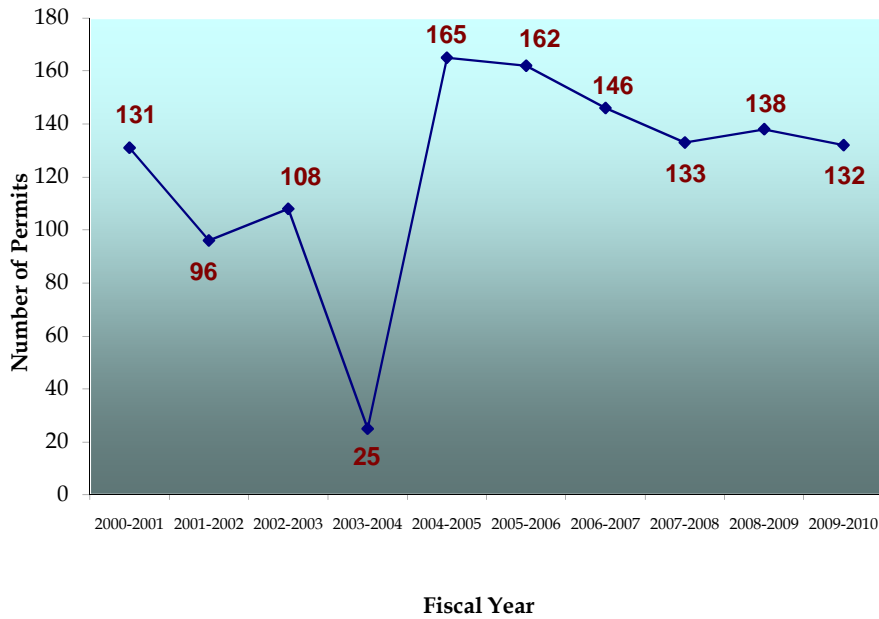
ASSESSED VALUE BY CATEGORY  
JUNE 30, 2010



**City of Del Mar  
Construction and Bank Deposits  
(Miscellaneous Information)  
Last Ten Fiscal Years**

Fiscal Year	Construction <sup>(1)</sup>			
	Residential		Commercial	
	Number of Permits	Valuation	Number of Permits	Valuation
2009-2010	82	\$6,554,248	15	\$994,080
2008-2009	76	8,937,699	22	3,040,727
2007-2008	54	10,249,217	17	8,458,120
2006-2007	72	13,706,532	8	532,739
2005-2006	70	12,430,727	9	114,788
2004-2005	66	14,759,015	24	836,739
2003-2004	6	2,705,825	4	375,714
2002-2003	17	3,590,284	1	13,000
2001-2002	16	4,028,210	-	-
2000-2001	20	3,750,117	-	-

**NUMBER OF PERMITS  
Last Ten Fiscal Years**



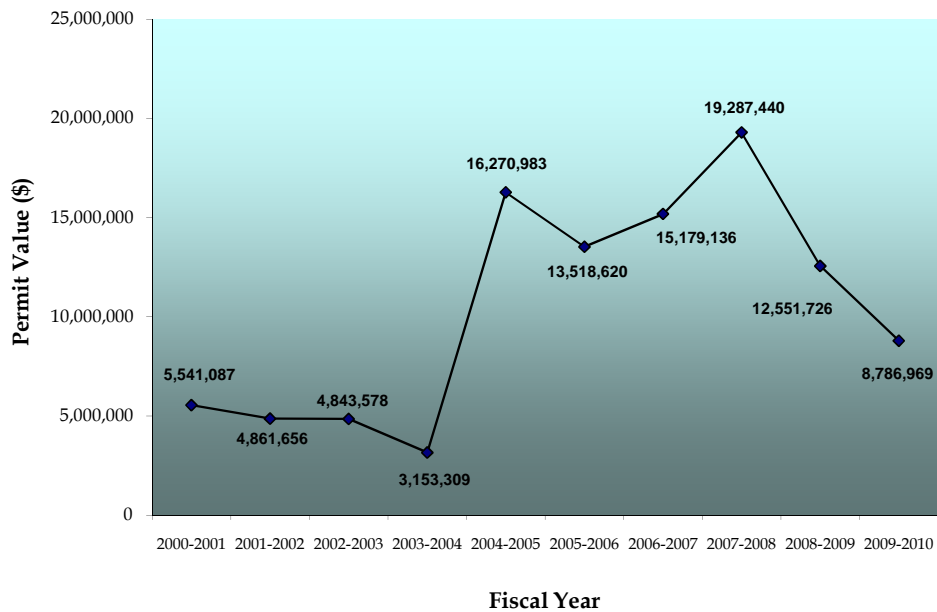
Source:

- (1) City of Del Mar, Public Works Department
- (2) Federal Deposit Insurance Corporation (FDIC)

(Concluded)

Construction <sup>(1)</sup>		Total		Bank
Number of Permits	Valuation	Number of Permits	Valuation	Deposits (2) (in Thousands)
35	\$1,238,641	132	\$8,786,969	713,987
40	573,300	138	12,551,726	713,987
62	580,103	133	19,287,440	659,835
66	939,865	146	15,179,136	778,739
83	973,105	162	13,518,620	831,692
75	675,229	165	16,270,983	676,652
15	71,770	25	3,153,309	574,393
90	1,240,294	108	4,843,578	499,349
80	833,446	96	4,861,656	427,240
111	1,790,970	131	5,541,087	451,546

**PERMIT VALUATION  
Last Ten Fiscal Years**



## City of Del Mar

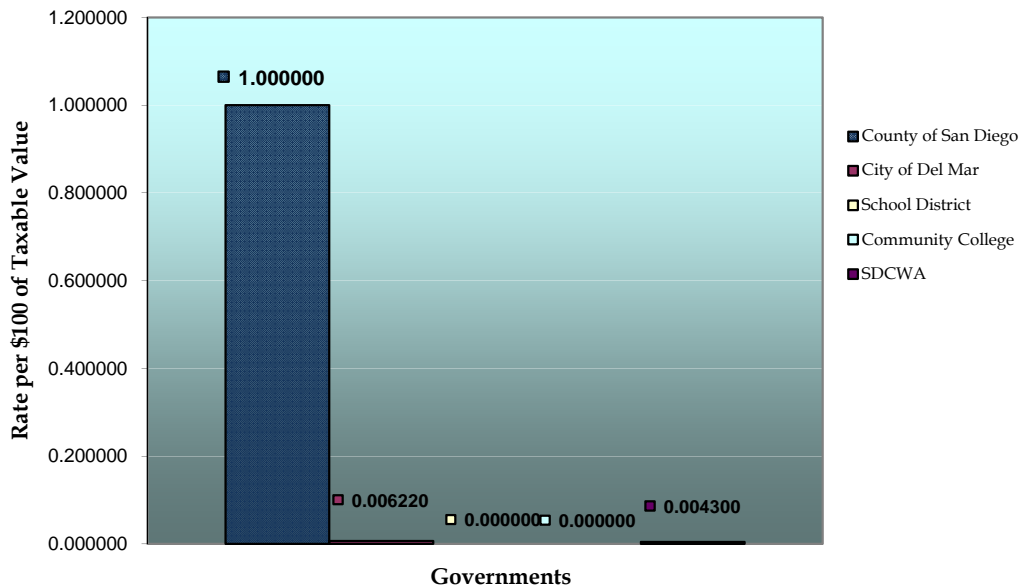
### Property Tax Rates <sup>(1)</sup> - All Overlapping Governments

Last Ten Fiscal Years

(Rate per \$100 of Taxable Value)

Fiscal Year	County Base	City Of Del Mar	School District	Community College District	San Diego County Water Authority (SDCWA)	Total
2009-2010	1.00000	0.00622	-	-	0.00430	1.01052
2008-2009	1.00000	0.00607	-	-	0.00430	1.01037
2007-2008	1.00000	0.01047	-	-	0.00450	1.01497
2006-2007	1.00000	0.00913	-	-	0.00470	1.01383
2005-2006	1.00000	0.00685	-	-	0.00520	1.01205
2004-2005	1.00000	0.00685	-	-	0.00580	1.01265
2003-2004	1.00000	0.01054	-	-	0.00677	1.01731
2002-2003	1.00000	0.01509	-	-	0.00745	1.02254
2001-2002	1.00000	0.02141	-	-	0.00853	1.02994
2000-2001	1.00000	0.02165	-	-	0.00971	1.03136

**PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS**  
Fiscal Year Ended June 30, 2010



Note:

(1) Tax Rate Area: TRA 11-001

Source: Office of the Auditor & Controller, County of San Diego

**City of Del Mar**  
**Ten Largest Property Taxpayers**  
**Current Fiscal Year and Ten Years Ago**

Owner/Taxpayer	Business Type	Fiscal Year 2009-2010		Fiscal Year 2000-2001	
		Assessed Valuation	Percent of Total City Assessed Valuation	Assessed Valuation	Percent of Total City Assessed Valuation
Madeleine A. Pickens Trust	Trust	\$36,414,000	1.56 %	\$ -	- %
Jacobs Family Trust	Trust	30,576,409	1.31	-	-
G&I III Del Mar, LP	Property management	30,381,962	1.30	-	-
Allred Family Living Trust	Trust	28,998,473	1.24	-	-
L-O Delmar Holding, Inc.	Management company	25,416,288	1.09	-	-
Del Mar Thoroughbred Club	Horse racing club	21,863,911	0.93	18,685,011	1.62
Marsha J. Naify Living Trust	Trust	19,101,743	0.82	-	-
Allred Family Living Trust	Trust	19,085,000	0.82	-	-
John and Rebecca Moores Trust	Trust	17,012,530	0.73	9,201,370	0.80
La Atalaya, LLC	Trust	17,568,878	0.75	-	-
HERS Del Mar Corporation	Management company	-	-	37,428,380	3.24
SKL Trust	Trust	-	-	29,993,712	2.60
Nicholas Arthur Trust	Trust	-	-	13,996,727	1.21
L-O Delmar Holding, Inc.	Management company	-	-	11,838,246	1.02
Richard & Mary Heckmann	Individuals	-	-	11,288,340	0.98
Brandes Family Trust	Trust	-	-	4,785,840	0.41
Burlington Northern & Santa Fe	Corporation	-	-	2,277,182	0.20
Mark Gosselin	Individuals	-	-	1,219,972	0.11
Top Ten Totals (secured and unsecured)		246,419,194	10.55	140,714,780	12.19
All Others (secured)		2,093,648,382	89.45	1,015,081,655	87.81
Total Assessed Valuation		2,340,067,576	100.00 %	\$1,155,796,435	100.00 %

Source: Office of the Auditor & Controller, County of San Diego, Property Tax Services Division

**City of Del Mar**  
**Top 25 Sales Tax Producers**  
**(Miscellaneous Information)**  
**Current Fiscal Year and Ten Years Ago**

<b>Fiscal Year 2009-2010</b>		<b>Fiscal Year 2000-2001</b>	
<b>Taxpayers</b>	<b>Business Type</b>	<b>Taxpayers</b>	<b>Business Type</b>
1 Americana Restaurant	Restaurant	Banana Republic	Retail clothing
2 Banana Republic	Retail clothing	Bob Baker Toyota	Car dealer
3 Board & Brew Resturant	Restaurant	Brigantine Restaurant	Restaurant
4 Brigantine Restaurant	Restaurant	Bully's Restaurant	Restaurant
5 Bully's Restaurant	Restaurant	California Thoroughbred Breeders	Horse racing club
6 Chico's Fashions	Retail clothing	Chico's Fashions	Retail clothing
7 Del Mar Blue Print	Printing	Del Mar Blue Print	Printing
8 Del Mar Rendezvous	Restaurant	Del Mar Thoroughbred Club	Horse racing club
9 Del Mar Thoroughbred Club	Horse racing club	Del Mar Ultramar	Gas Station
10 Dexter's Deli	Food service	En Fuego Cantina & Grill	Restaurant
11 En Fuego Cantina & Grill	Restaurant	Epazote A Baja Bar & Grill	Restaurant
12 Epazote A Baja Bar & Grill	Restaurant	Gary's & Company	Retail clothing
13 Gary's Studios	Retail clothing	Goss Keller Martinez	Graphic design
14 Il Fornaio	Restaurant	Il Fornaio	Restaurant
15 Jakes	Restaurant	La Mesa R.V. Center	R.V. dealer
16 Jimmy O's	Restaurant	L'Auberge Hotel	Hotel
17 JR Resources	Marketing service	Pacifica Del Mar	Restaurant
18 L'Auberge Hotel	Hotel	Parisi	Design consultant
19 Miwall Wholesale Ammo	Recreation products	Peaches En Regalia	Retail
20 Pacifica Del Mar	Restaurant	Poseidon Restaurant	Food service
21 Poseidon Restaurant	Restaurant	Premier Food Services	Food service
22 Premier Food Services	Food service	Sbicca An American Bistro	Restaurant
23 Rusty Surfboard	Retail	State of California	Government
24 Sbicca An American Bistro	Restaurant	The White House	Retail clothing
25 State of California	Government	Waterfront Restaurants	Restaurant
<b>Percentage of total sales tax collected</b>	<b>68.49%</b>		<b>61.30%</b>

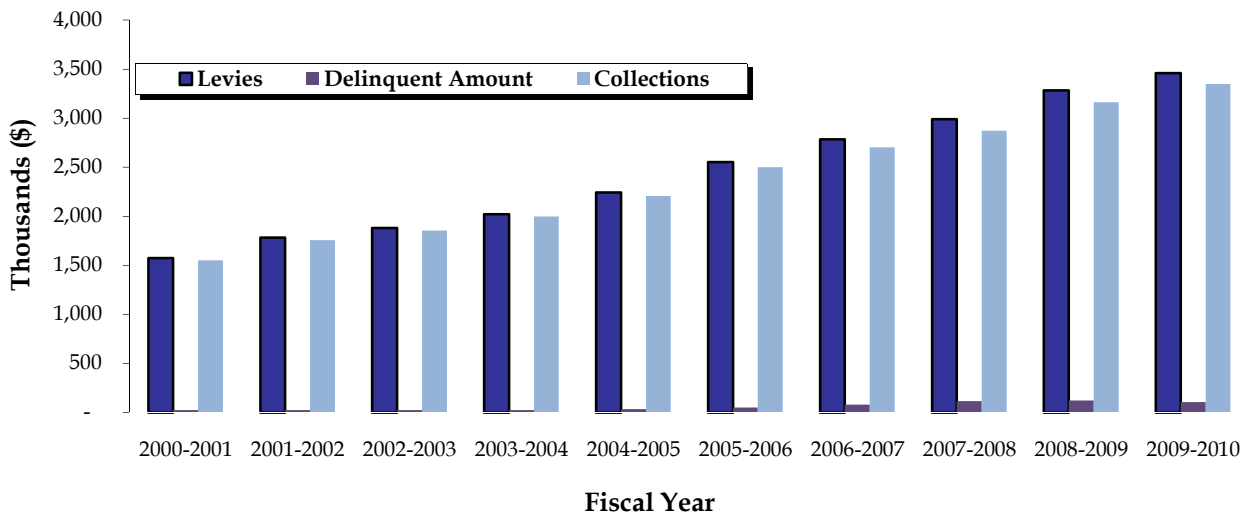
Note: The names are listed in alphabetical order and not by sales tax volume.

Source: Muniservices, LLC

**City of Del Mar**  
**Property Tax Levies, Tax Collections, and Delinquencies**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Secured Taxes Charge (1)</b>	<b>Collections at Year End</b>	<b>Percentage of Collections at Year End</b>	<b>Delinquent Amount</b>	<b>Delinquency Percent</b>
2009-2010	\$3,457,991	\$3,349,080	96.85%	\$108,911	3.15%
2008-2009	3,284,776	3,162,078	96.26%	122,698	3.74%
2007-2008	2,990,990	2,873,726	96.08%	117,265	3.92%
2006-2007	2,784,194	2,703,222	97.09%	80,972	2.91%
2005-2006	2,553,356	2,501,683	97.98%	51,673	2.02%
2004-2005	2,243,021	2,207,491	98.42%	35,530	1.58%
2003-2004	2,022,660	1,997,765	98.77%	24,894	1.23%
2002-2003	1,881,383	1,855,888	98.64%	25,496	1.36%
2001-2002	1,784,627	1,758,372	98.53%	26,255	1.47%
2000-2001	1,576,066	1,550,578	98.38%	25,488	1.62%
<b>Total</b>	<b>\$24,579,064</b>	<b>\$23,959,883</b>	<b>97.48%</b>		

**TAX COLLECTIONS & DELINQUENCIES**  
**Last Ten Fiscal Years**



Note:

- (1) Article XIII-A of the Constitution of the State of California adopted by the electorate in June 1978, precludes the City from a local property tax levy. All general-purpose property taxes are levied by the County and allocated to other governmental entities on a predetermined formula.

Source: California Municipal Statistics, Inc.

**City of Del Mar**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					Business-type Activities				
	Certificates of Participation	Capital Leases	Loans	Notes	Total	Revenue Bonds	Certificates of Participation	Capital Leases	Notes	Total
2009-2010	\$785,000	\$ -	\$3,480,772	\$11,441	\$4,277,213	\$ -	\$2,320,000	\$ -	\$795,578	\$3,115,578
2008-2009	930,000	19,316	3,668,924	22,266	4,640,506	-	2,640,000	-	5,940	2,645,940
2007-2008	1,065,000	215,626	-	32,512	1,313,138	-	3,170,000	-	8,675	3,178,675
2006-2007	1,195,000	415,675	-	42,210	1,652,885	-	3,675,000	3,638	11,262	3,689,900
2005-2006	1,320,000	605,690	-	51,390	1,977,080	-	4,155,000	7,098	13,710	4,175,808
2004-2005	1,440,000	786,144	-	60,079	2,286,223	-	4,610,000	10,390	16,028	4,636,418
2003-2004	1,555,000	829,077	-	68,307	2,452,384	-	5,045,000	13,514	18,214	5,076,728
2002-2003	1,715,000	1,002,211	-	76,088	2,793,299	55,000	5,460,000	16,492	20,290	5,551,782
2001-2002	1,870,000	1,166,498	-	83,456	3,119,954	105,000	5,855,000	19,326	22,256	6,001,582
2000-2001	2,080,000	1,322,404	-	90,439	3,492,843	155,000	6,230,000	22,020	24,116	6,431,136

Fiscal Year	Population (1)	Total Outstanding Debt	Taxable Assessed Value (2)	Percent of Taxable Assessed Value	Debt Per Capita	Personal Income (3)	Percent of Personal Income
2009-2010	4,660	\$7,392,791	\$2,445,554,298	0.30%	\$1,586	474,926 (4)	6.42%
2008-2009	4,591	7,286,446	2,314,452,871	0.31%	1,587	461,093 (4)	6.33%
2007-2008	4,580	4,491,813	2,104,194,861	0.21%	981	447,663	9.97%
2006-2007	4,553	5,342,785	1,981,590,314	0.27%	1,173	467,118	8.74%
2005-2006	4,528	6,152,888	1,824,610,766	0.34%	1,359	456,603	7.42%
2004-2005	4,530	6,922,641	1,609,877,845	0.43%	1,528	449,075	6.49%
2003-2004	4,548	7,529,112	1,463,920,837	0.51%	1,655	451,981	6.00%
2002-2003	4,521	8,345,081	1,367,069,836	0.61%	1,846	442,281	5.30%
2001-2002	4,501	9,121,536	1,299,695,648	0.70%	2,027	450,040	4.93%
2000-2001	4,453	9,923,979	1,146,619,979	0.87%	2,229	452,938	4.56%

Notes:

- (1) State of California, Finance Department
- (2) These amounts are the assessed value, as the value of taxable property is not available from the State of California.
- (3) San Diego Association of Government (SANDAG)
- (4) These amounts are estimates based upon a three percent increase from the previous fiscal year.

Source:

City of Del Mar, Finance Department  
U.S. Department of Commerce, Bureau of Economic Analysis  
Office of the Auditor & Controller, County of San Diego

**City of Del Mar**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

<b>Business-type Activities</b>									
<b>Fiscal Year</b>	<b>Revenue (1)</b>	<b>Operating Expenses (1)</b>	<b>Net Available Revenue</b>	<b>Debt Service (2)</b>				<b>Total Debt Service</b>	<b>Percent Coverage</b>
				<b>Revenue Bonds</b>		<b>Certificates of Participation</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
<b>2009-2010</b>	\$5,400,384	\$4,808,621	\$591,763	\$ -	\$ -	\$320,000	\$121,712	\$441,712	133.97%
<b>2008-2009</b>	5,123,562	4,789,283	334,279	-	-	530,000	144,688	674,688	49.55%
<b>2007-2008</b>	4,941,524	3,958,517	983,007	-	-	505,000	169,463	674,463	145.75%
<b>2006-2007</b>	5,240,144	3,916,855	1,323,289	-	-	480,000	193,038	673,038	196.61%
<b>2005-2006</b>	4,637,436	3,850,680	786,756	-	-	455,000	215,413	670,413	117.35%
<b>2004-2005</b>	4,615,536	3,747,352	868,184	55,000	3,438	435,000	236,713	730,151	118.90%
<b>2003-2004</b>	4,728,613	4,391,914	336,699	50,000	6,563	415,000	257,063	728,626	46.21%
<b>2002-2003</b>	4,155,112	3,661,623	493,489	50,000	9,688	395,000	276,450	731,138	67.50%
<b>2001-2002</b>	3,942,796	3,498,426	444,370	50,000	12,813	375,000	294,675	732,488	60.67%
<b>2000-2001</b>	3,750,874	3,517,577	233,297	50,000	15,938	365,000	311,994	742,932	31.40%

Notes:

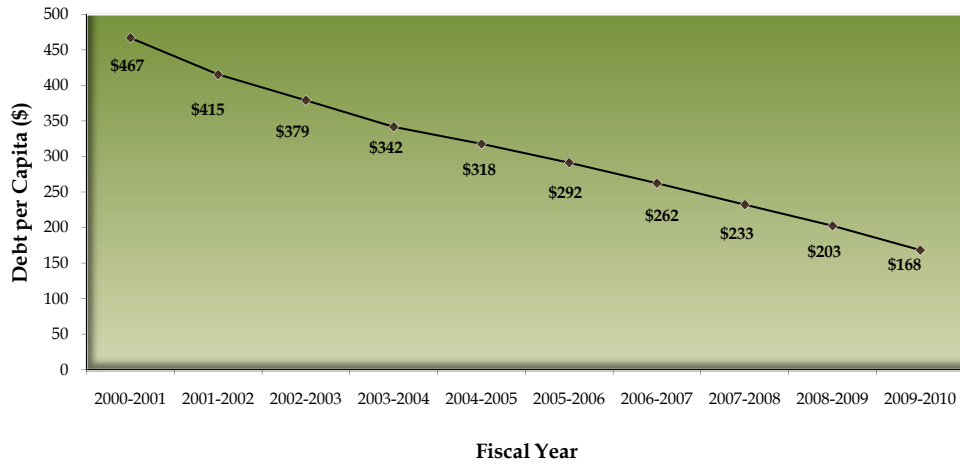
- (1) Revenue and expenses exclude financing sources/(uses).
- (2) Details regarding the City's outstanding debt can be found in the Notes to the Basic Financial Statements.
- (3) These amounts are estimates based upon a three percent increase from the previous fiscal year.

Source: City of Del Mar, Finance Department

**City of Del Mar**  
**Ratio of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Outstanding General Bonded Debt</b>							
<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>Certificates of Participation</b>	<b>Taxable Assessed Value</b>	<b>Percent of Taxable Assessed Value</b>	<b>Debt Per Capita</b>	<b>Personal Income <sup>(2)</sup></b>	<b>Percent of Personal Income</b>
2009-2010	4,660	\$785,000	\$2,474,858,897	0.03%	\$168	474,926 <sup>(3)</sup>	60.50%
2008-2009	4,591	930,000	2,340,067,576	0.04%	203	461,093 <sup>(3)</sup>	49.58%
2007-2008	4,580	1,065,000	2,104,194,861	0.05%	233	447,663	42.03%
2006-2007	4,553	1,195,000	1,981,590,314	0.06%	262	467,118	39.09%
2005-2006	4,528	1,320,000	1,824,610,766	0.07%	292	456,603	34.59%
2004-2005	4,530	1,440,000	1,609,877,845	0.09%	318	449,075	31.19%
2003-2004	4,548	1,555,000	1,463,920,837	0.11%	342	451,981	29.07%
2002-2003	4,521	1,715,000	1,367,069,836	0.13%	379	442,281	25.79%
2001-2002	4,501	1,870,000	1,299,695,648	0.14%	415	450,040	24.07%
2000-2001	4,453	2,080,000	1,146,619,979	0.18%	467	452,938	21.78%

**GENERAL BONDED DEBT OUTSTANDING per CAPITA**  
**Last Ten Fiscal Years**



Source:

- (1) State of California, Finance Department
- (2) SANDAG

**City of Del Mar**  
**Direct and Overlapping Bonded Debt**  
**June 30, 2010**

Fiscal Year 2009-2010 Assessed Valuation	\$2,474,858,897		
Fiscal Year 2009-2010 Population	4,660		
	Total Debt	Percent	City's Share
	June 30, 2010	Applicable	of Debt
		to City <sup>(1)</sup>	June 30, 2010
<b>Overlapping Tax and Assessment Debt:</b>			
San Diego County General Obligations	\$415,240,000	0.711 %	\$2,952,356
San Diego County Pension Obligations	853,514,739	0.711 %	6,068,490
San Diego County Superintendent of Schools			
- General Fund Obligations	21,187,500	0.711 %	150,643
Mira Costa Community College District			
- Certificates of Participation	3,675,000	3.203 %	117,710
San Dieguito Union High School District			
- General Fund Obligations	13,015,000	5.150 %	670,273
Solana Beach School District - Certificates of Participation	480,000	0.416 %	1,997
<b>Total Overlapping General Fund Debt</b>	<b>1,307,112,239</b>		<b>9,961,469</b>
<b>Direct Debt and Overlapping Tax and Assessment Debt:</b>			
Direct Debt:			
City of Del Mar	785,000	100.000 %	785,000
Subtotal Direct Debt	785,000		785,000
Overlapping Tax and Assessment Debt:			
City of Del Mar 1915 Act Bonds	1,455,000	100.000 %	1,455,000
Metropolitan Water District	264,220,000	0.137 %	361,981
Subtotal Overlapping Tax and Assessment Debt	265,675,000		1,816,981
<b>Total Direct and Overlapping Tax and Assessment Debt</b>	<b>266,460,000</b>		<b>2,601,981</b>
<b>Combined Total Debt</b>	<b>\$1,573,572,239</b>		<b>\$12,563,450 <sup>(2)</sup></b>

(1) Percentage of overlapping agency's assessed valuation located within the boundaries of the City.

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

<u>Ratios to Fiscal Year 2009-2010 Assessed Valuation</u>		<u>Per Capita</u>
City Direct Debt (\$785,000).....	0.00%	\$0.00
Total Overlapping Tax and Assessment Debt.....	0.11%	\$558.37
Combined Total Debt.....	0.51%	\$2,696.02

State School Building Aid Repayable as of June 30, 2010: \$ -

Source: California Municipal Statistics, Inc.

**City of Del Mar**  
**Schedule of Legal Debt Margin<sup>(1)</sup>**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2009-2010	2008-2009	2007-2008	2006-2007
Assessed valuation	\$2,474,858,897	\$2,340,067,576	\$2,128,163,277	\$1,988,586,114
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$618,714,724	\$585,016,894	\$532,040,819	\$497,146,529
Debt limit percentage	15%	15%	15%	15%
Debt limit	\$92,807,209	\$87,752,534	\$79,806,123	\$74,571,979
Total net debt applicable to limit: General obligation bonds	785,000	930,000	1,065,000	1,195,000
Legal debt margin	\$92,022,209	\$86,822,534	\$78,741,123	\$73,376,979
Total debt applicable to the limit as a percentage of debt limit	0.85%	1.07%	1.35%	1.63%

Note:

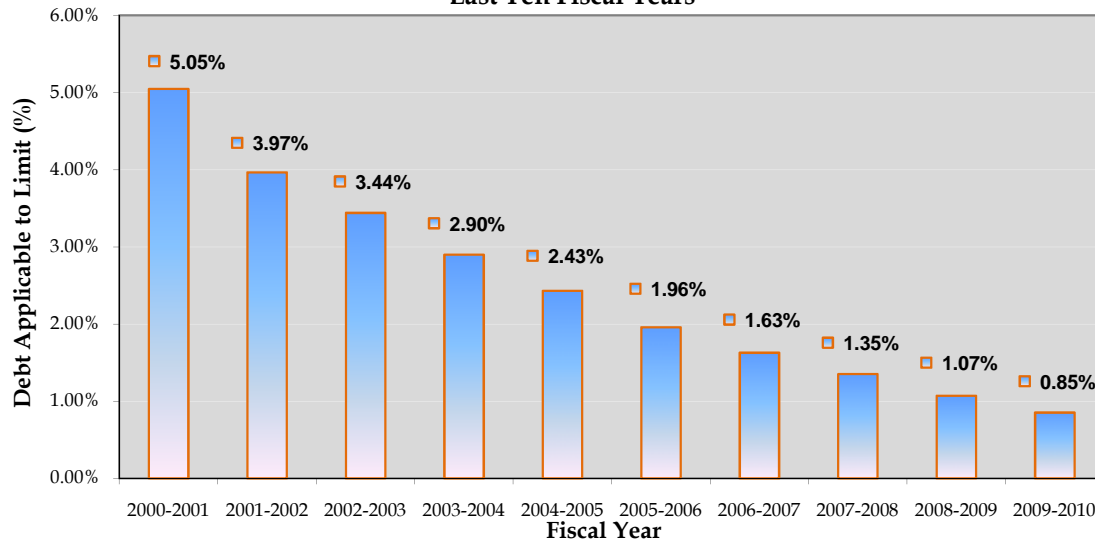
- (1) Section 43605 of the Government Code of the State of California provides for a legal debt limit of 15 percent of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25 percent of market value. Effective with Fiscal Year 1981-1982, each parcel is now assessed at 100 percent of market value as of the most recent change in ownership for that parcel. The computations shown above reflect a conversion of assessed valuation data for each fiscal year from current full valuation perspective to the 25 percent level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Del Mar

(Concluded)

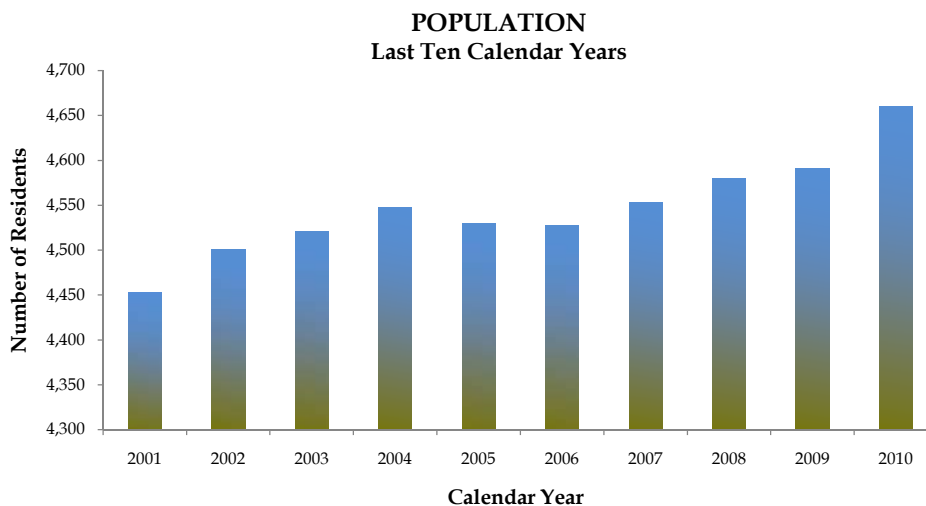
Fiscal Year					
2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
\$1,831,642,966	\$1,616,897,445	\$1,471,070,637	\$1,374,235,036	\$1,306,901,448	\$1,154,021,779
25%	25%	25%	25%	25%	25%
\$457,910,742	\$404,224,361	\$367,767,659	\$343,558,759	\$326,725,362	\$288,505,445
15%	15%	15%	15%	15%	15%
\$68,686,611	\$60,633,654	\$55,165,149	\$51,533,814	\$49,008,804	\$43,275,817
1,320,000	1,440,000	1,555,000	1,715,000	1,870,000	2,080,000
\$67,366,611	\$59,193,654	\$53,610,149	\$49,818,814	\$47,138,804	\$41,195,817
1.96%	2.43%	2.90%	3.44%	3.97%	5.05%

**DEBT APPLICABLE TO LIMIT  
Last Ten Fiscal Years**



**City of Del Mar**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

Year	City of Del Mar Housing Units (1)	Population (2)				Personal Income (3)			
		Average Annual		Average Annual		City of Del Mar		County of San Diego	
		City of Del Mar	Percent Change	County of San Diego	Percent Change	Personal Income	Per Capita	Personal Income	Per Capita
		(in Thousands)							
2010	2,542	4,660	1.50%	3,224,432	1.61%	\$ - *	\$ - *	\$ - *	\$ - *
2009	2,537	4,591	0.24%	3,173,407	0.86%	- *	- *	- *	- *
2008	2,519	4,580	0.59%	3,146,274	1.49%	447,663	97,743	104,846,916	44,766
2007	2,511	4,553	0.55%	3,100,132	1.14%	467,118	102,596	136,615,849	44,068
2006	2,499	4,528	-0.04%	3,065,077	0.89%	456,603	100,840	129,585,425	42,278
2005	2,510	4,530	-0.40%	3,038,074	0.87%	449,075	99,134	122,032,508	40,168
2004	2,511	4,548	0.60%	3,011,770	1.23%	451,981	99,380	116,646,431	38,730
2003	2,522	4,521	0.44%	2,975,082	1.79%	442,281	97,828	108,298,187	36,402
2002	2,533	4,501	1.08%	2,922,758	2.01%	450,040	99,987	103,816,821	35,520
2001	2,547	4,453	1.46%	2,865,208	1.83%	452,938	101,715	99,445,427	34,708



Note:

\* This information is not yet available.

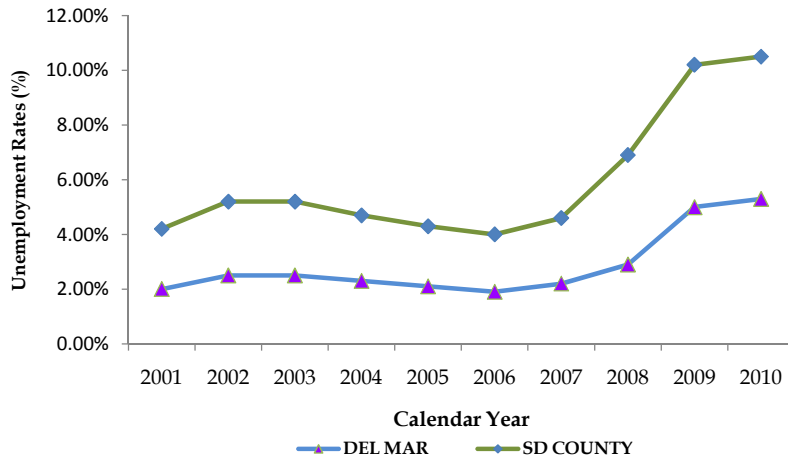
Source:

- (1) SANDAG
- (2) State of California, Finance Department
- (3) United States Bureau of Economic Analysis

(Concluded)

Employment <sup>(4)</sup>						Enrollment Del Mar Union Elementary <sup>(5)</sup>
City of Del Mar			County of San Diego			
Labor Force	Employed	Unemployment Rate	Labor Force	Employed	Unemployment Rate	
3,000	2,800	5.30%	1,566,700	1,406,200	10.50%	4,169
3,000	2,800	5.00%	1,574,700	1,414,600	10.20%	4,169
3,000	2,900	2.90%	1,577,200	1,468,700	6.90%	2,106
3,000	2,900	2.20%	1,542,400	1,471,600	4.60%	2,305
3,000	2,900	1.90%	1,520,500	1,459,900	4.00%	2,707
2,900	2,900	2.10%	1,505,900	1,440,500	4.30%	3,019
2,900	2,800	2.30%	1,490,800	1,420,100	4.70%	3,324
2,800	2,800	2.50%	1,468,200	1,391,700	5.20%	3,506
2,800	2,700	2.50%	1,450,500	1,375,800	5.20%	3,675
2,700	2,700	2.00%	1,409,700	1,350,700	4.20%	3,734

UNEMPLOYMENT RATES  
DEL MAR VERSUS SAN DIEGO COUNTY  
Last Ten Calendar Years



Source:

(4) State of California, Employment Development Department (EDD)

(5) State of California, Department of Education, Educational Demographics Unit

**City of Del Mar  
Top Ten Principal Employers  
Current Year and Prior Year**

Employer <sup>(1)</sup>	Business Type	2010		2009	
		Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kitchen 1540 <sup>(3)</sup>	Restaurant	250	8.93%	250	8.93%
L'Auberge Del Mar Resort Spa	Health club	170	6.07%	170	6.07%
Del Mar Fairgrounds	Trade fairs & shows	170	6.07%	170	6.07%
Del Mar Plaza Fine Dining	Restaurant	115	4.11%	115	4.11%
Del Mar Thoroughbred Club	Horse racing club	115	4.11%	115	4.11%
Jake's Del Mar	Restaurant	110	3.93%	130	4.64%
Brigantine Seafood Restaurant	Restaurant	100	3.57%	100	3.57%
RE/MAX Moonlight Beach Inc.	Real Estate	100	3.57%	100	3.57%
Johnson and Rountree	Insurance collection	-	- %	85	3.04%
Pacifica Del Mar	Restaurant	65	2.32%	65	2.32%
Bully's Del Mar	Restaurant	60	2.14%	-	- %
Total Top Ten Employers		1,255		1,300	
Total City Employment <sup>(2)</sup>		2,800		2,800	

Notes:

(1) Represents non-governmental employers.

(2) Total City employment provided by EDD - Labor Market Information Division.

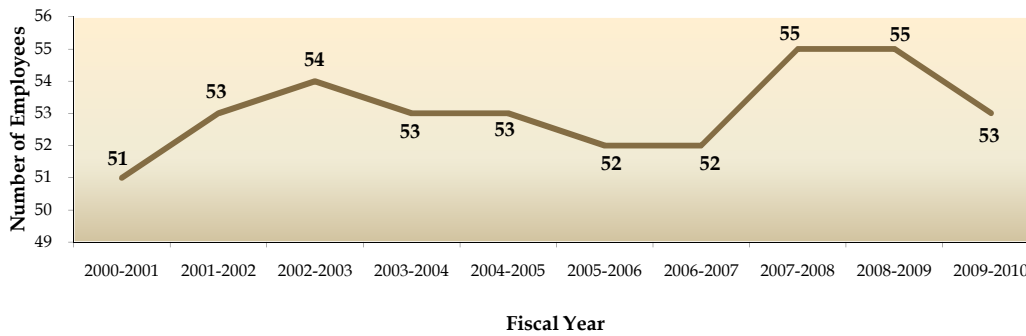
(3) Previously known as J Taylor's of Del Mar.

Source: infoUSA

**City of Del Mar**  
**Full-Time and Part-Time City Employees**  
**by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
General government	19.0	22.0	20.5	19.5	19.5	19.5	19.5	19.5	19.5	18.5
Public safety <sup>(1)</sup>	16.0	15.0	16.5	15.5	15.5	16.5	17.5	18.0	18.5	18.5
Public works	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	11.5
Parks and recreation	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.5	3.0	2.5
<b>Total</b>	<b>53.0</b>	<b>55.0</b>	<b>55.0</b>	<b>52.0</b>	<b>52.0</b>	<b>53.0</b>	<b>53.0</b>	<b>54.0</b>	<b>53.0</b>	<b>51.0</b>

**CITY OF DEL MAR**  
**EMPLOYMENT**  
**Last Ten Fiscal Years**



Note:

(1) Police services are provided by the County of San Diego, Sheriff's Department.

Source: City of Del Mar, Finance Department

**City of Del Mar**  
**Operating Indicators**  
**by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Police:										
Arrests <sup>(1)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Parking citations issued <sup>(2)</sup>	20,000	20,132	19,032	18,091	24,277	22,564	20,061	18,634	17,693	N/A
Fire:										
Emergency calls	1,112	1,116	1,205	1,167	1,027	877	1,003	840	945	986
Inspections	307	471	490	130	130	130	180	180	180	180
Public works:										
Street resurfacing (miles)	0.50	0.11	0.69	0.18	0.26	0.00	0.14	1.25	1.16	0.45
Street slurry (miles)	0.50	0.00	0.00	0.00	0.00	0.00	0.32	0.25	0.57	1.62
Parks and recreation:										
Number of recreational classes	624	412	364	350	350	350	450	450	250	150
Number of facility rentals	130	285	256	290	290	260	210	170	80	40
Water:										
New construction	0	12	8	7	5	5	6	2	6	3
Average daily consumption (in thousands of gallons)	1,008	1,073	1,103	1,309	1,172	1,182	1,248	1,147	1,209	1,264
Sewer:										
New construction	0	12	5	7	6	5	6	4	6	0
Average daily sewage treatment (in thousands of gallons)	560	563	614	648	675	695	680	697	699	718

Notes:

- (1) Police services are provided by the County of San Diego, Sheriff's Department.
- (2) Parking citation data is not available prior to Fiscal Year 2001-2002.

Source: City of Del Mar

**City of Del Mar**  
**Capital Asset Statistics**  
**by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Fire:										
Stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Streets (miles)	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
Street lights	87	87	87	87	58	58	58	58	58	58
Traffic signals	7	7	7	7	7	7	7	7	7	7
Parks and recreation:										
Parks	5	5	4	3	3	3	3	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	26.28	26.28	26.28	26.28	26.28	26.28	26.28	26.28	26.28	26.28
Maximum daily capacity (thousands of gallons)	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Sewer/Storm Drains										
Sanitary sewers (miles)	28.85	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.37
Storm drainage (miles)	13.59	13.59	13.59	13.59	0.07	0.00	0.03	0.07	0.00	0.00
Maximum daily treatment capacity (thousands of gallons)	877	877	877	877	877	877	821	821	800	800

Source: City of Del Mar

**City of Del Mar**  
**Miscellaneous Statistics**  
**June 30, 2010**

Date of incorporation.....	July 15, 1959
Form of government.....	Council/Manager
Area.....	2 square miles
Climate:	
Average annual high temperature.....	69.9° F
Average annual low temperature.....	56.5° F
Annual precipitation.....	10.13 inches
Fire protection:	
Station.....	1
Firefighters and officers.....	10
Fire incident responses.....	467
Emergency medical incident responses.....	564
Public service calls.....	71
Fire inspections.....	307
Culture and leisure:	
Parks.....	5
Park areas.....	9.69 acres
Passive/Active recreation areas.....	300.38 acres
including Fairground/Racetrack.....	200 acres
Miles of beaches.....	2.2 miles
Number of beach attendances.....	2,000,000
Baseball field.....	1
Tennis courts.....	2
Library.....	1
Library inventory.....	30,102
Hotels:	
Major hotel rooms.....	355
Average percent occupancy.....	60 percent
Average room rate.....	\$277
Average group size per stay.....	2.1 persons*
Average length of stay.....	2.8 days*
	(*information from San Diego County profile)
Education:	
Private school.....	1
School district.....	1
Street miles.....	22.5 miles
Street lights.....	87
Water system:	
Service connection.....	1,870 meters
Fire hydrants.....	375
Sanitary sewer lines.....	24.37 miles

Source: City of Del Mar