



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2016

City of Del Mar, California

CITY OF DEL MAR, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
YEAR ENDED JUNE 30, 2016

Prepared by
Finance Department
Teresa S. McBroome
Director of Finance/Treasurer

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June 30, 2016

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December 22, 2016

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

LETTER OF TRANSMITTAL

FISCAL YEAR 2015-2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

It is a pleasure to present the Fiscal Year 2015-2016 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 representations 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 costs of internal controls should not exceed their benefits, the City's internal controls have been designed to provide a reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

The City's financial statements have been audited by White Nelson Diehl Evans LLP, certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2016.

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 coastal charter City incorporated in 1959. Its charter permits it to collect admission taxes on events but it is a general law city in every other respect. It borders the City of San Diego on the south and the City of Solana Beach on the north. 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 is rotated amongst Council members annually.

Del Mar is a small city of 4,274 residents and is primarily a residential community with substantial tourist appeal covering approximately two square miles and noted for its beautiful beaches. The

City is predominantly built-out; however, redevelopment and revitalization opportunities exist in its commercial areas, and replacement of existing houses with larger and more elaborate dwellings is commonplace in its residential areas. The 22nd District Agricultural Association, which manages and operates the Del Mar Fairgrounds and is home to the Del Mar Thoroughbred Club, has a significant presence in the City, encompassing approximately one-fifth of the City's area. The 22nd District Agricultural Association is a State of California agency and is 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, wastewater, and clean water services, and contracts for waste collection with Coast Waste Management, fire management services with the cities of Encinitas and Solana Beach, and contracts for law enforcement with the San Diego County Sheriff.

Budgetary Process

The City adopted and implemented the City's two-year Operating and Capital budget for Fiscal Years 2015-2016 and 2016-2017. The budget process began with the City Council developing priorities and initiatives which provided the framework around which staff resourced and proposed a budget for Council consideration. The proposed budget was presented to the Council and discussed at public workshops. The final budget was adopted by the City Council during a meeting in June 2015. The budget is monitored monthly by the Finance Department and Department Directors using financial reports which compare actual revenues and expenditures to date with budgeted amounts. Semi-annual financial reports are presented and reviewed by the Finance Committee before being presented to the Council at regularly-scheduled meetings.

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 the City's Financial Condition

Del Mar relies heavily on the local real estate market, specifically property tax revenues, and tourism, as major revenue sources. Over the last decade, Del Mar has had positive increases in assessed valuations even during the last recessionary period. Property taxes increased approximately seven percent in Fiscal Year 2015-2016 compared to the previous year. The annual increase in assessed value is primarily attributable to home sales at a higher than previously assessed value; increases in value due to new construction; and the two percent annual increases permitted under Proposition 13. Assessed valuation is projected to continue to increase as demand for coastal property remains quite strong. 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 is usually a popular destination for both local visitors and vacationing travelers. As with other cities throughout the County and State, hotels have experienced a slowdown compared to previous years. Transient Occupancy Tax (TOT) collections, adjusted to exclude the one percent increase converted from the Tourist Business Improvement

District (TBID) tax, increased only one percent during Fiscal Year 2015-2016 when compared to the previous fiscal year. Due to the improved economy, sales tax increased approximately 17 percent compared to the prior fiscal year.

Del Mar has completely recovered from the past economic downturn; however the State of California's (State) budget is always a concern. The State's budget reflects the state's financial turnaround after years of budget deficits; however, the City actively monitors the State's budget process for any actions that may affect local government.

Del Mar has positioned itself well to weather periods of economic instability. 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. It has always maintained a low level of fixed obligations and has maintained prudent reserve policies. The City continues to pursue grant opportunities and low-cost financing for its projects. Of note, in Fiscal Year 2015-2016, staff secured a loan through the California Infrastructure and Economic Development Bank (iBank) for \$16 million at an annual interest rate of 3.24 percent to be used toward funding the new City Hall/Town Hall. In addition, other projects in progress during Fiscal Year 2015-2016 funded using grants and/or alternative financing include the new sewer force main improvements (funded through an iBank loan of \$3.5 million at an annual interest rate of 2.17 percent); a Caltrans Active Transportation grant of \$812,000 to help fund streetscape improvements; a \$150,000 San Diego County Neighborhood Reinvestment grant which funded planning and design of the River Path Extension project (completed in May 2016); a \$100,000 grant from the California Coastal Commission (CCC) to address the effects of sea-level rise, storm surge, and coastal flooding; and development of the City's Climate Action Plan using grant funding from San Diego Gas & Electric (SDG&E). Additionally, the City has been able to fund certain projects through the generosity of its residents and community. We believe that the projects undertaken this fiscal year and the accomplishments highlighted as follows not only help us better serve our residents and businesses, but assist in building a solid foundation towards keeping the City fiscally sound and well positioned to sustain its financial health.

Accomplishments

Based on direction by the City Council, highlighted below are the City's accomplishments this fiscal year.

City Hall/Town Hall Project

During Fiscal Year 2015-2016, the design and entitlement process was completed for the new City Hall/Town Hall. A low-interest loan for the project for up to \$16 million was secured through iBank (California Infrastructure and Economic Development Bank). In November 2015, the City Council established a \$17.8 million project budget for the City Hall/Town Hall portion of the project, which includes all advance professional services (such as architecture and engineering); the construction bid; professional services during construction, such as specialty inspections; and fixtures, furnishings and equipment. In preparation for construction of the new facility, in June 2016, City Hall was temporarily relocated to the Southfair complex on Jimmy Durante Boulevard, and demolition of the former facilities was completed in summer 2016. Construction of the new City Hall/Town Hall commenced in September 2016, with completion scheduled for spring 2018.

Capital Improvement Projects

Work was completed or continued on a number of capital improvement projects during Fiscal Year 2015-2016. For example:

- *Sewer, Water and Arterial (SWAP) Project* – Work continued on the Sewer, Water, Arterial Paving (SWAP) Project, which includes construction of approximately 4,500 feet of new curb and gutter, 24,000 square feet of sidewalks, 1,800 square feet of retaining walls, 900 feet of aluminum fencing, 20 pedestrian ramps, 533,000 square feet of pavement rehabilitation, and three flashing pedestrian crossing systems.

This project also includes installing approximately 5,000 feet of wastewater force main pipeline and 6,500 feet of recycled water pipeline connecting Del Mar to Solana Beach’s wastewater and recycled water systems respectively. The new sewer force main pipe will enable the City of Del Mar to transport wastewater north through the City of Solana Beach to the San Elijo Water Reclamation Facility, which is a more cost-effective option for Del Mar long-term compared to the City of San Diego, which is the current provider for wastewater treatment. Additionally, as part of this same project, in partnership with the City of Solana Beach, the City was able to extend the recycled water system (paid for in part using grant funds from the San Diego County Water Authority) west along Via de la Valle, then south on Camino Del Mar through the Beach Colony. This investment will enable the City to use recycled water for public landscape irrigation in this area, as well as the long-term potential to expand the system further southward and to potentially connect private large landscape customers in the vicinity.

As part of this project, the City also constructed two raised pedestrian crossings on Coast Boulevard, near the Powerhouse Community Center and Powerhouse Park.

- *Coordinated Citywide Utility System and Pavement Rehabilitation Projects*
Work continues on the City’s multi-year effort to systematically identify, prioritize, and implement underground utility system (water and wastewater) rehabilitation projects in coordination with (in advance of/preparation for) roadway pavement rehabilitation projects.
- *Anderson Canyon Emergency Repair*
On January 5, 2016, the San Diego region was hit with a series of significant storms that brought heavy amounts of rain and flooding. On January 7, 2016, a large section of the bluff in Anderson Canyon (south of Fourth Street and west of Camino del Mar) sloughed off during heavy rains, damaging several underground utilities and destabilizing the southbound travel lane on Camino del Mar. Over the course of several months, emergency repairs were undertaken that fortified the slope supporting the roadway and the underlying utilities were re-installed. The roadway was re-opened to full service on July 29, 2016.
- *River Path Del Mar Extension Project*
During FY 2015-2016, the extension of the River Path Del Mar from Jimmy Durante Boulevard east to the Old Grand Avenue Bridge was completed. This segment of the City’s Scenic Loop Trail brought the Loop Trail one step closer to a future connection at the Crest Canyon segment. Construction of the path included installation of new landscape, irrigation, bench seating, tables, and trash receptacles. One portion of the project remains

to be built, which is the concrete sidewalk along the northern edge of San Dieguito Drive that will be constructed in conjunction with the San Dieguito Intersection Traffic Control Improvement Project.

- *Powerhouse Restrooms Rehabilitation and Pedestrian Crossings*

The City completed a rehabilitation of the exterior public restrooms at the Powerhouse Community Center in FY 2015-2016, which included plumbing, ventilation, lighting, waterproofing, and roofing improvements. The work also included installation of new plumbing and lighting fixtures, construction of a new central ventilation system, and repainting and recoating of interior walls and flooring.

Environmental Sustainability

Long-term environmental sustainability continued to be a focus for the City in FY 2015-2016.

On June 6, 2016, the Del Mar City Council adopted a Climate Action Plan (CAP), which sets targets for reducing greenhouse gas emissions by 2020 and 2035. The Sustainability Advisory Board worked extensively on preparation of the CAP over several years and developed 22 recommended goals and 49 measures that are identified in the implementation plan, related to the areas of energy and buildings; water and waste; transportation; and urban tree planting.

Climate Action Plans (CAPs) are a tool for quantifying greenhouse gas (GHG) emissions from different sources, identifying projected future emissions, and setting specific GHG reduction targets as well as strategies (mitigation measures) to achieve those targets. California Assembly Bill (AB) 32, adopted in 2006, established the State's goal of substantially reducing GHG emissions to 1990 levels by 2020. Subsequent California legislation established additional requirements for setting more long-term GHG reduction targets.

Additionally, work also continued to develop a Sea Level Rise Adaptation Plan, which will be a long-range planning tool to assist the community in addressing the effects of sea-level rise and increased flooding and erosion. The first phases of effort have been funded using a grant from the Ocean Protection Council and overseen by a City Council-appointed technical advisory committee. The effort is geared toward creation of long-range policies to address the effects of sea-level rise, storm surge, and coastal flooding. A draft Coastal Hazards, Vulnerability and Risk Assessment Study was completed. Work from this effort will be used for the preparation of an amendment to the City's Local Coastal Program (LCP).

The City Council also adopted a single-use plastic bag ban which, in addition to disallowing thin plastic bags, establishes requirements for reusable bags and a mandatory minimum 10 cent fee for all bags. The ordinance was adopted in June 2016, with implementation phased over 12 months for different categories of businesses. Public education for businesses and residents on the new rules will be a focus for Fiscal Year 2016-2017.

Potable Water Treatment and Transportation

A 50-year agreement extension was negotiated with the City of San Diego for treatment of potable water at the Miramar Water Treatment Plant and transportation to Del Mar through the City of San Diego's water system infrastructure.

Technological & Administrative Improvements

During Fiscal Year 2015-2016, the City implemented several technology initiatives that improved efficiency and collaboration among departments. The City also updated the equipment used for

Del Mar TV in the City Council Chambers used for recording and broadcasting public meetings. Another important accomplishment was relocating all of the City's IT systems to the temporary City Hall, including the servers and phone system. The City also continued to expand use of Geographic Information Systems (GIS), particularly for applications such as the SWAP, parking management efforts, and related to the Sea-Level Rise study. The City also continues to digitize paper records to reduce storage needs. Through this project, the City has eliminated hard copy storage for hundreds of plan sets and hundreds of boxes of paper records. The project also allows for easier records retrieval through online full-text search. Significant progress was made on this project in preparation for relocating City Hall to the temporary facility.

Restructuring Funding for Visitor Destination Marketing Efforts

In Fiscal Year 2015-2016, the City Council discontinued the Tourism Business Improvement District (TBID) and instead exercised the ability to increase the Transient Occupancy Tax on overnight hotel stays by one percent for the purpose of allocating it to the Del Mar Village Association to use for destination marketing efforts. This amounted to \$140,300 in FY 2015-2016. This restructuring allows the City to foster and encourage broader efforts to market the Del Mar village, including hotels, as well as restaurants and retailers. A quarterly report is provided to the City Council on the status of these efforts, and two City Councilmembers represent the City of Del Mar on the board of the Del Mar Village Association, which is a non-profit organization.

Looking Forward -- Citywide Planning Efforts

Upcoming Capital Improvement Projects

As part of the 10-year capital improvement program, there will be continued reinvestment in Del Mar infrastructure. Several planned projects for Fiscal Year 2016-2017 include:

- The Citywide wastewater system rehabilitation project, through which extensive repairs will be made on wastewater collection system pipes based on a system-wide video inspection and prioritization effort;
- The Annual Citywide Pavement Rehabilitation Program will continue through which City streets in many neighborhood will be repaved based on a system-wide condition assessment and prioritization effort;
- Intersection improvements at San Dieguito Drive and Jimmy Durante Boulevard, including construction of a roundabout; and
- Planned sidewalk, streets, and drainage improvement along Camino Del Mar between Fourth Street and Carmel Valley Road.

Measure Q Sales Tax

Del Mar voters approved a one-percent sales tax measure as part of the November 2016 election, which was a measure recommended by the City's Finance Committee as an alternative additional revenue source. The additional one-percent sales tax is estimated to generate approximately \$2 million annually in revenue. Though no specific projects were officially designated, one of the benefits discussed was that the measure would provide an additional revenue source for community reinvestment/infrastructure types of projects, such as the Downtown streetscape, implementation of the Shores Park Master Plan, and/or utility pole undergrounding. With the passage of this measure, in 2017, the City Council will discuss prioritization and planning for how these funds will be used.

Del Mar Shores Park Master Plan

In 2014, the City initiated the master planning process for the Del Mar Shores Park, located on 5.3 acres immediately south of downtown property, to help envision future activities for the site. The site currently is home to Winston School (occupying buildings leased from the City), community offices used by two Del Mar nonprofit groups, and park land. The master plan process will determine a long-term vision for this prominent open space and develop a strategy to implement the community's desires. Phase 1 of the master plan effort was completed in Fiscal Year 2015-2016, which included assessing community interests and recreational needs through a registered voter community survey (conducted by phone and online), stakeholder interviews, and two community workshops. Using this feedback, a list of "preferred amenities" for the park was developed. Opportunities and constraints of the site were also assessed and three concept "bubble diagrams" were presented to the City Council. A next step is further exploring the opportunity for better coordination with the Winston School's long-term master planning and the potential for shared use facilities.

Housing Element Implementation and Affordable Housing Program

The Del Mar City Council adopted a Housing Element in 2012. While three-quarters of the required ordinances associated with the Housing Element have been completed, a focus for Fiscal Year 2016-2017 will be completing the remaining ordinances and code amendments. Additionally, the City will also pursue an affordable housing program implementation study to explore opportunities for moving forward towards completion of actual projects to generate affordable housing units.

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 contingency reserve of ten percent of annual operating expenditures in the General Fund in order to ensure the City's continuing financial health. Since 2000, the City Council has abided by an expanded reserve policy providing for a mandatory review of reserves, followed by the transfer of reserve funds in excess of the 20 percent level to the Capital Improvement Program (CIP) reserve.

Finnell Plan

In 2007, the City Council adopted a financial objective, referred to as the Finnell Plan, to provide funding for future capital projects. The Finnell plan was created in order to provide an automatic funding mechanism for capital projects, by constraining the growth in operating expenditures to be below the growth in revenues. The difference is then transferred to the CIP Reserve to assist in cash funding the City's capital projects. As of June 30, 2016, approximately \$3.1 million is reserved for CIP programs.

Awards

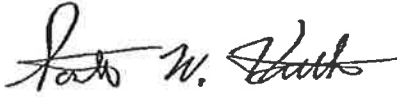
The Government Finance Officers' Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Del Mar for its Comprehensive Annual Financial Report (CAFR) for 20 consecutive years. In order to receive an award, the City must publish an easily readable 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 the 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 leadership 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. We would also like to thank the City's Finance Committee for their oversight and contributions. This report could not have been accomplished without the professionalism and dedicated services of the entire staff of the Finance Department including Senior Accountant Monica Molina, Administrative Assistant Jay Lipscomb, and Accounting Technicians Adele Crawford and Les Middleton.

Respectfully submitted,



Scott W. Huth
City Manager



Teresa S. McBroome
Director of Finance/Treasurer

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Government Finance Officers Association

**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, 2015

Executive Director/CEO

CITY COUNCIL

Sherryl Parks
Mayor

Terry Sinnott
Deputy Mayor

Al Corti
Councilmember

Donald Mosier
Councilmember

Dwight Worden
Councilmember

CITY MANAGER

Scott W. Huth

ASSISTANT CITY MANAGER

Mark Delin

CITY ATTORNEY

Leslie Devaney

**DIRECTOR OF PLANNING AND
COMMUNITY DEVELOPMENT**

Kathy Garcia

**ADMINISTRATIVE
SERVICES DIRECTOR**

Ashley Jones

**DIRECTOR OF FINANCE/
TREASURER**

Teresa S. McBroom

**DIRECTOR OF COMMUNITY SERVICES
AND LIFEGUARD CHIEF**

Pat Vergne

**MANAGEMENT SERVICES
DIRECTOR**

Kristen M. Crane

PUBLIC WORKS DIRECTOR

Eric Minicilli

CITY ENGINEER

Tim Thiele

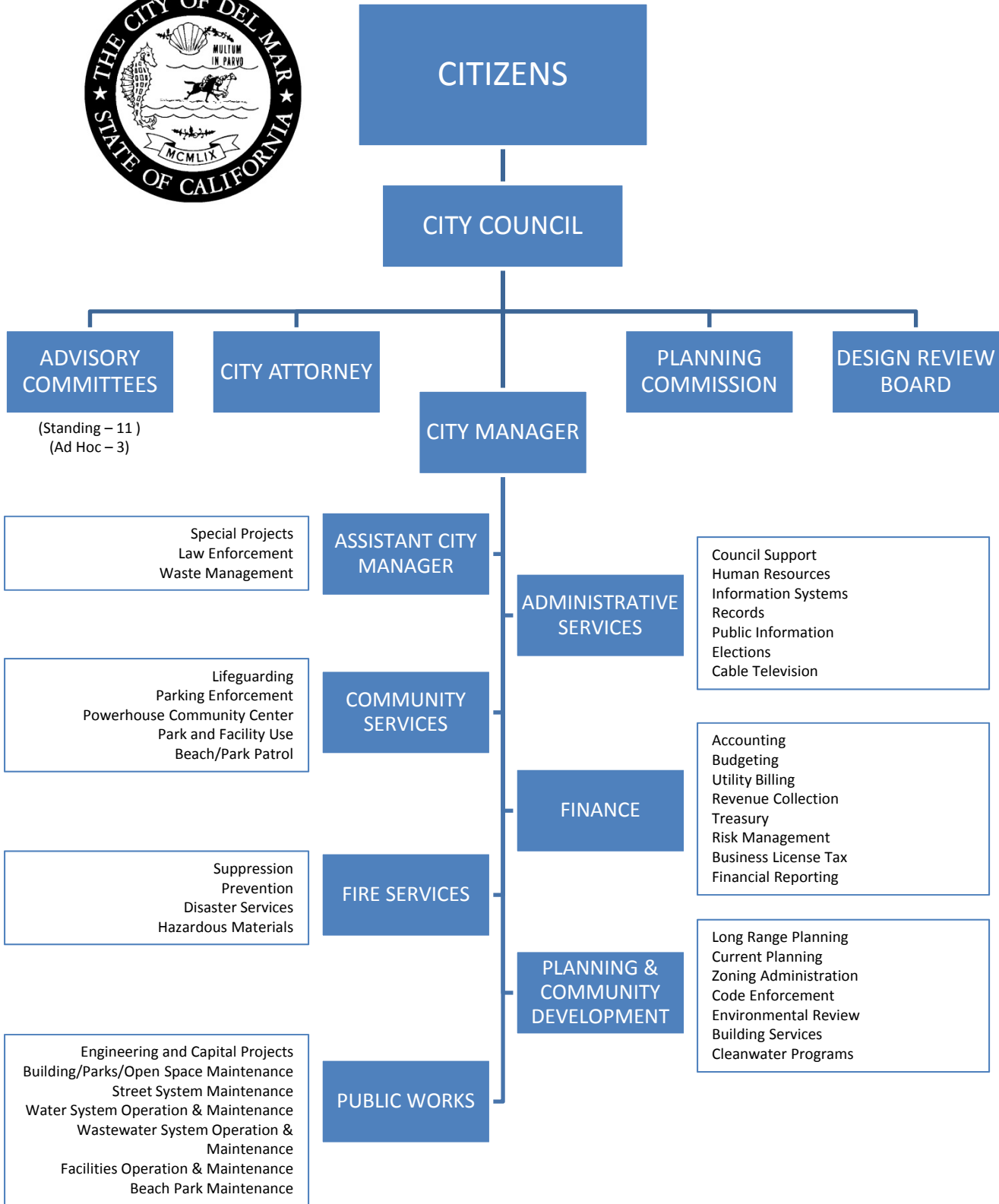
FIRE CHIEF

Mike Stein

SHERIFF CAPTAIN

John Maryon

City of Del Mar Organizational Chart



INDEPENDENT AUDITORS' REPORT

City Council
City of Del Mar
Del Mar, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Del Mar, California (the City), as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the miscellaneous and safety plans schedules of proportionate share of the net pension liability and schedules of contributions - defined benefit pension plans, and the budgetary comparison schedule – general fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Nick Evans LLP

Irvine, California
December 22, 2016

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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, 2016. 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 continues to be in a strong financial position with the stable activity in the housing market and in the overall economy. The City's largest revenue source is its very stable property tax base, which has increased each year since 1995. Due to the City's excellent location on the coast, immediately north of the City of San Diego, its real estate market does not experience the downturns that the inland areas experience in periods of economic decline. As the San Diego regional develops, Del Mar has become increasingly desirable, and this is reflected in its property values. The two next largest revenues, transient occupancy tax (TOT), and sales and use tax, are heavily tourist based, and reflect the increased economic activity experienced by the nation. While TOT has slowed down compared to previous years, this revenue category is slightly higher compared to last year. Sales tax continues to increase due to higher restaurant taxable sales and retail activity. In recent years, the City has embarked on an aggressive CIP program and has done extremely well taking advantage of low-cost financing through the California Infrastructure and Economic Development Bank (iBank) program for its City Hall/Town Hall project and for its sewer force main improvements project; SANDAG's long-term bond issue for part of the Sidewalk, Street, and Drainage Project, Caltrans to assist in the funding of streetscape improvement; grant funding for other projects including funding for the River Path Extension project, the sea-level rise project, development of the City's Climate Action Plan; and funding from the community and Del Mar residents.

This year the City implemented Governmental Accounting Standards Board (GASB) Statements No. 72 "*Fair Value Measurement and Application*", which requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or income approach. This Statement will be discussed in detail in Note 1 in the Notes to Basic Financial Statements section of this report. The City also did an early implementation of GASB No. 82 "*Pension Issues an Amendment of GASB Statement No. 67, No. 68*

and No. 73", which changed the measurement of covered payroll reported in required supplementary information. The result of the implementation of this standard increased the June 30, 2015 plan's proportionate share of the net pension liability as a percentage of covered - employee payroll to 139.71 percent for the miscellaneous plan, and decreased to 221.32 percent for the safety plan. These percentages will be reflected in the Required Supplementary Information section of this report.

The discussion and analysis below compares Fiscal Year 2015-2016 to Fiscal Year 2014-2015. All variances are expressed relative to Fiscal Year 2014-2015 results. Fiscal Year 2015-2016 financial highlights include the following:

Financial Highlights

- The City's total assets in excess of its liabilities as of June 30, 2016 was \$90.99 million.
- Citywide total net position increased by \$5.25 million, or 6.12 percent, during the current fiscal year, indicating an improved financial condition. The positive change in net position is largely due to increased capital assets.
- A net increase in total assets of \$6.59 million, or 6.29 percent, is primarily due to an increase in capital assets. Liabilities had a net increase of \$2.72 million, or 15.12 percent in comparison to the prior year amount of \$17.99 million. Current liabilities increased by \$1.63 million and non-current liabilities increased by \$1.09 million.
- As of June 30, 2016, the City's governmental funds reported combined fund balances of \$10.47 million, a decrease of \$0.36 million, or 3.30 percent, from June 30, 2015. The decrease in fund balance is mainly attributable to a decrease in cash and investments due to an increased amount of capital outlay expenditures that is discussed in the Governmental Activities section in detail. Of the \$10.47 million in fund balance, \$0.71 million is restricted, \$0.30 million is committed to the parks and community center, \$5.27 million is assigned for specific activities, and \$4.19 million, is unassigned.
- At the end of the current fiscal year, the fund balance for the General Fund is \$5.72 million, or 54.66 percent, of the total fund balance in governmental funds. This balance is available for spending at City management's discretion, and is equal to 54.34 percent of the total fiscal year expenditures of \$10.53 million, and 39.04 percent of total revenues of \$14.66 million, before other financing sources (uses). The Capital Projects Fund, and other non-major governmental funds have fund balances of \$3.74 million, and \$1.01 million, respectively, at June 30, 2016.

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 composed 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 Position* presents information on the City's assets and deferred outflows of resources and total liabilities, and deferred inflows of resources, with the difference between the two reported as *total net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 twelve 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 two funds that are considered to be major funds. These two funds consist of the General Fund, and the Capital Improvement Program Fund. Data from the other ten 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. Conversely, the Internal Service Fund is combined into a single, aggregated presentation 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 and 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 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 Position

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

The City's net position are made up of three components: net investment in capital assets, restricted net position, and unrestricted net position.

As noted earlier, net position 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 position (governmental and business-type activities) totaled \$90.99 million as of June 30, 2016. This is an increase of \$5.25 million, or 6.12 percent, compared to June 30, 2015.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$14,407,264	\$13,721,991	\$4,810,990	\$4,800,505	\$19,218,254	\$18,522,496
Non-current assets	-	-	-	451,055	-	451,055
Capital assets	66,854,670	61,539,369	25,711,302	24,679,704	92,565,972	86,219,073
Total assets	81,261,934	75,261,360	30,522,292	29,931,264	111,784,226	105,192,624
Deferred outflows of resources	730,285	582,923	211,023	149,394	941,308	732,317
Current liabilities	3,180,630	2,136,201	1,356,951	771,280	4,537,581	2,907,481
Non-current liabilities	9,787,134	8,273,432	6,380,743	6,805,603	16,167,877	15,079,035
Total liabilities	12,967,764	10,409,633	7,737,694	7,576,883	20,705,458	17,986,516
Deferred inflows of resources	744,065	1,691,816	284,858	502,850	1,028,923	2,194,666
Net investment in capital assets	63,917,170	59,266,263	21,145,247	19,468,010	85,062,417	78,734,273
Restricted	706,189	795,930	-	-	706,189	795,930
Unrestricted	3,657,031	3,680,641	1,565,516	2,532,915	5,222,547	6,213,556
Total net position	\$68,280,390	\$63,742,834	\$22,710,763	\$22,000,925	\$90,991,153	\$85,743,759

The largest component of the City's net position, \$85.06 million, is net investment in capital assets (e.g., land, buildings, improvements, equipment, construction in progress, and infrastructure), and is less any related debt, used to acquire those assets, that is outstanding. This increased \$6.33 million, or 8.04 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.

The restricted portion of the City's total net position, which represents resources subject to external restrictions on how they may be used by the City, is \$0.71 million. This is a decrease of \$0.09 million from the prior fiscal year's amount of \$0.80 million. The remaining unrestricted net position of \$5.22 million is used to meet the City's ongoing obligations for the following fiscal year. This unrestricted amount decreased by \$0.99 million from last fiscal year's amount of \$6.21 million.

As of June 30, 2016, the City has positive balances in both categories of governmental and business-type net position. The total net position in the governmental activities increased by \$4.54 million, or 7.12 percent. The increase in total net position also accounted for an increase in business-type activities of \$0.71 million, or 3.23 percent.

Changes in Net Position

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

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$3,312,597	\$3,513,676	\$6,652,471	\$6,905,807	\$9,965,068	\$10,419,483
Operating grants and contributions	231,257	285,416	5,000	5,000	236,257	290,416
Capital grants and contributions	1,802,911	951,754	-	-	1,802,911	951,754
<i>General Revenues:</i>						
Property taxes	5,640,285	5,291,352	-	-	5,640,285	5,291,352
Sales and other taxes	5,728,560	5,297,004	-	-	5,728,560	5,297,004
Sale of capital assets	108,023	-	-	-	108,023	-
Others	1,050,341	493,914	-	-	1,050,341	493,914
Unrestricted investment earnings and others	298,974	239,734	35,501	27,729	334,475	267,463
Total revenues	18,172,948	16,072,850	6,692,972	6,938,536	24,865,920	23,011,386
Expenses:						
General government	5,362,200	4,748,943	-	-	5,362,200	4,748,943
Public safety	5,716,667	5,705,795	-	-	5,716,667	5,705,795
Public works	1,410,511	1,649,191	-	-	1,410,511	1,649,191
Parks and recreation	936,586	835,545	-	-	936,586	835,545
Interest and fiscal charges	155,143	158,679	-	-	155,143	158,679
Enterprise operations	-	-	6,037,419	6,571,130	6,037,419	6,571,130
Total expenses	13,581,107	13,098,153	6,037,419	6,571,130	19,618,526	19,669,283
Increase (decrease) in Net Position						
before other revenues and transfers	4,591,841	2,974,697	655,553	367,406	5,247,394	3,342,103
Transfers	(54,285)	(35,381)	54,285	35,381	-	-
Change in net position	4,537,556	2,939,316	709,838	402,787	5,247,394	3,342,103
Net position - beginning of year, restated	63,742,834	60,803,518	22,000,925	21,598,138	85,743,759	82,401,656
Net position - end of year	\$68,280,390	\$63,742,834	\$22,710,763	\$22,000,925	\$90,991,153	\$85,743,759

Governmental Activities:

The City's net position from governmental activities, increased by \$4.54 million, or 7.12 percent, in the current fiscal year, accounting for 86.47 percent of the total \$5.25 million growth, in the City's total net position. Total revenues from governmental activities of \$18.17 million increased 13.07 percent compared to the prior fiscal year, primarily due to an increase in capital grants and contributions for the roadway and sidewalk capital projects, an insurance reimbursement for the Anderson Canyon project, as well as an increase of \$0.78 million in taxes revenue. The cost of all governmental activities in Fiscal Year 2015-2016 was \$13.58 million, an increase of \$0.48 million, or 3.69 percent, over the prior fiscal year largely due to a large amount of capital outlay expenditures including the emergency repair of Anderson Canyon. As shown in the Statement of Activities, governmental activities were financed in part by taxpayers at \$3.31 million, which were generated by service revenues received from the performance of these activities, and decreased by \$0.20 million, or 5.72 percent, compared to Fiscal Year 2014-2015. Another \$0.23 million was received from other government agencies and other organizations that subsidized certain programs with operating grants and contributions. In addition, another \$1.80 million in revenues came from capital grants and contributions, which increased by \$0.85 million, or 89.43 percent, compared to the prior fiscal year. Overall, the City's governmental program revenues amounted to \$5.35 million, an increase of \$0.60 million, or 12.54 percent, compared to the prior fiscal year. General revenues of \$12.83 million increased by \$1.50 million, or 13.28 percent, in comparison to the prior fiscal year. The City had an increase in property taxes of \$0.35 million, or 6.59 percent, an increase of sales and other taxes of \$0.43 million, or 8.15 percent, an increase in sale of capital assets of \$.01 million, and an increase in other general revenue of \$0.56 million compared to the prior fiscal year. In total, City Governmental Activities reported an increase of \$4.54 million in net position. In comparison to the prior fiscal year, the key elements contributing to the \$2.10 million increase in revenues from governmental activities are as follows:

- An increase of \$0.85 million in capital grants and contributions compared to the prior fiscal year due to funds from the Neighborhood Reinvestment Program grant and San Dieguito River Valley Conservation grant received for the Riverpath Del Mar project, and Active Transportation Program funding for the Roadway and Sidewalk project.
- An increase of \$1.50 million in general revenue compared to the prior fiscal year due to an increase in property tax, sales and use tax, and collection of transient occupancy tax.
- A decrease of \$0.20 million in charges for services compared to the prior fiscal year primarily attributable to the decrease in planning and building activity.

Business-type Activities:

The City's business-type activities, increased in net position by \$0.71 million, or 3.23 percent, for the fiscal year ended June 30, 2016, accounting for 13.53 percent of the total \$5.25 million growth, in the City's net position. Business-type activities' total revenue decreased by \$0.25 million, or 3.54 percent, during the current fiscal year to a total of \$6.69 million in revenues. In comparison to the prior fiscal year, charges for services decreased by \$0.25 million, or 3.67 percent. Related business-type activity costs also decreased during the fiscal year by \$0.53 million, or 8.12 percent, compared to the prior fiscal year. The decrease in revenues, expenses, and transfers resulted in a change in net position of \$0.71 million, or a 3.23 percent increase, from the prior fiscal year.

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 *unassigned 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, 2016, the City's governmental funds reported a combined ending fund balance of \$10.47 million, which is a \$0.36 million, or 3.30 percent increase, in comparison to the prior fiscal year of \$10.83 million. The \$10.47 million governmental fund balance is composed of \$0.71 million in *restricted*; \$0.30 million in *committed*; \$5.27 million in *assigned* which indicate that it is not available for new spending; and \$4.19 million in *unassigned* funds.

Table 3 shows the governmental fund balances for the two fiscal years ended June 30, 2016 and June 30, 2015.

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

FISCAL YEAR 2015-2016	General	Non-Major		Totals
		Capital Improvement	Governmental Funds	
Total revenues	\$14,656,953	\$1,304,912	\$2,103,059	\$18,064,924
Total expenditures	10,688,670	4,511,256	3,948,001	19,147,927
Excess (deficiency) of revenues over expenditures	3,968,283	(3,206,344)	(1,844,942)	(1,083,003)
Total other financing sources (uses)	(3,524,659)	2,492,009	1,757,946	725,296
Net change in fund balance	443,624	(714,335)	(86,996)	(357,707)
Fund balance - beginning	5,278,546	4,451,680	1,095,345	10,825,571
Fund balance - ended	\$5,722,170	\$3,737,345	\$1,008,349	\$10,467,864
FISCAL YEAR 2014-2015				
Total revenues	\$14,168,365	\$637,129	\$1,267,357	\$16,072,851
Total expenditures	9,941,371	826,044	4,465,112	15,232,527
Excess (deficiency) of revenues over expenditures	4,226,994	(188,915)	(3,197,755)	840,324
Total other financing sources (uses)	(2,766,104)	1,911,196	3,105,133	2,250,225
Net change in fund balance	1,460,890	1,722,281	(92,622)	3,090,549
Fund balance - beginning	3,817,656	2,729,399	1,187,967	7,735,022
Fund balance - ended	\$5,278,546	\$4,451,680	\$1,095,345	\$10,825,571

General Fund:

Total governmental funds include the General Fund, the chief operating fund of the City, which has a fund balance of \$5.72 million as of June 30, 2016. This is an increase of \$0.44 million, or 8.40 percent, in comparison to the prior fiscal year. This increase is due to an increase in total revenues of \$0.49 million, or 3.45 percent, an increase in operating costs of \$0.75 million, or 7.52 percent, and an increase in other financing uses of \$0.76 million, or 27.42 percent. Revenues increased primarily due to increases in taxes, charges for services, and use of money and property, offset by a decreases in licenses, fees and permits, intergovernmental, use of money and property, and other revenues.

Total expenditures increased by \$0.75 million, or 7.52 percent, as compared to the prior fiscal year, in which the largest increase was in general government expenditures of \$0.54 million, or 12.38 percent. The ending fund balance is composed of \$1.53 million assigned for specific expenditures, and the unassigned amount of \$4.19 million, which is available for spending at the City's discretion.

Additional detailed information regarding combined fund balance reserves is presented in Note 7 to the Basic Financial Statements.

Major Funds:

As of June 30, 2016, the Capital Improvement Program's fund balance of \$3.74 million, decreased by \$0.71 million, or 16.05 percent, from the prior fiscal year, due to a large amount of capital outlay projects paid with Capital Improvement Reserve funds. These expenditures include the annual street and storm drain improvements, Coast Boulevard accessibility project, downtown crosswalks upgrades, and the General Fund portion related to the Roadway and Sidewalk project.

Non-major Funds:

The fund balances for other governmental funds or non-major governmental funds decreased \$0.09 million, or 7.94 percent, from the Fiscal Year 2014-2015 balance of \$1.10 million to \$1.01 million at the end of the current fiscal year. The other non-major funds are composed of the special revenue funds including Gas Tax, Open Space, Supplemental Law Enforcement, Regional Communications System, Grants, Housing, AB 939, Regional Transportation, Transnet II, and Wildfire Debt Service funds. The fund balance of \$1.01 million is restricted for specific purposes.

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 position in the enterprise funds, increased over the prior fiscal year by \$0.71 million, or 3.23 percent. The City's Water Fund decreased by \$0.06 million, while the Wastewater Fund increased by \$0.77 million.

At the end of Fiscal Year 2015-2016, the Internal Service fund reported a net position of \$0.48 million, which is a \$0.04 million, or 8.53 percent increase from last fiscal year, due to lower claims activity.

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.

The General Fund reflected a net total favorable budget variance of \$2.03 million when comparing actual excess revenues over expenditures amounts of \$4.13 million to the final budget of \$2.10 million for the current fiscal year. This positive budget variance primarily reflects revenue realization greater than estimates of \$0.52 million due to higher tax revenues of \$0.43 million, and higher use of money and property of \$0.09. The actual expenditures were less than the fiscal year's final appropriation by \$1.50 million primarily due to less than anticipated expenditures in general government of \$1.08 million, and lower expenditures in public safety of \$0.42 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, 2016, amounts to \$92.57 million, net of accumulated depreciation. Amounts invested in capital assets includes land, buildings and 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 \$6.35 million, compared to the prior fiscal year, in which \$5.32 million, 83.74 percent, of the increase is related to governmental activities and a \$1.03 million, or 16.25 percent, decrease in business-type activities. For capital assets by category, refer to Table 4.

- For governmental activities, the increase in capital assets during the fiscal year is primarily due to the roadway and sidewalk improvements of \$1.61 million, and mitigation expenditures related to the North Torrey Pines Bridge Project of \$0.46 million, and costs related to the City Hall/Town Hall Project development of \$1.67 million. The Jimmy Durante Boulevard from south of San Dieguito Drive to the Plaza roadway and sidewalk improvements were completed during the current year, and a transfer from construction in progress to infrastructure was made in the amount of \$1.52 million. Overall, total capital assets increased \$5.32 million in governmental activities compared to the prior fiscal year.
- For business-type activities, total capital assets increased by \$1.03 million, or 4.18 percent, during the fiscal year. This was primarily attributable to an increase in construction in progress related to the Citywide Wastewater Infrastructure project of \$0.34 million, the San Elijo Joint Powers Authority Project of \$0.96 million, and the Recycled Water Infrastructure of \$0.46 million. An increase in the annual waterline improvements of \$0.06 million, and equipment purchase of \$0.03 million also contributed to the total capital asset increase this year which was offset by the current year's depreciation of capital assets of \$0.93 million.

Additional information on the City of Del Mar's capital assets can be located in Note 3 of the financial statements in this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets:						
Land	\$18,289,250	\$18,289,250	\$1,365,688	\$1,365,688	\$19,654,938	\$19,654,938
Construction in progress	5,942,014	1,712,502	1,966,992	206,606	7,909,006	1,919,108
Total non-depreciable assets	<u>24,231,264</u>	<u>20,001,752</u>	<u>3,332,680</u>	<u>1,572,294</u>	<u>27,563,944</u>	<u>21,574,046</u>
Capital assets, being depreciated:						
Buildings/structures and improvement	5,482,892	5,575,446	6,454,111	6,668,204	11,937,003	12,243,650
Machinery and equipment	959,355	788,597	961,189	1,073,739	1,920,544	1,862,336
Streets	7,394,651	6,423,224	-	-	7,394,651	6,423,224
Traffic signals	33,779	35,114	-	-	33,779	35,114
Roadway network	533,157	236,790	-	-	533,157	236,790
Bridge	26,499,441	26,790,985	-	-	26,499,441	26,790,985
Storm drainage system	1,720,131	1,687,461	-	-	1,720,131	1,687,461
Water line system	-	-	7,495,926	7,690,552	7,495,926	7,690,552
Sewer line system	-	-	7,467,396	7,674,915	7,467,396	7,674,915
Total depreciable assets, net of accumulated depreciation	<u>42,623,406</u>	<u>41,537,617</u>	<u>22,378,622</u>	<u>23,107,410</u>	<u>65,002,028</u>	<u>64,645,027</u>
Total capital assets	<u>\$66,854,670</u>	<u>\$61,539,369</u>	<u>\$25,711,302</u>	<u>\$24,679,704</u>	<u>\$92,565,972</u>	<u>\$86,219,073</u>

Debt Service Administration:

A complete detail of outstanding debt is shown in Note 6 of the financial statements in this report. As of June 30, 2016, the City had total long-term debt outstanding of \$8.37 million in bonds, loan payable, note payable, compensated absences, and claims payable as shown in Table 5.

For governmental activities, long-term debt accounts for \$3.69 million, or 44.07 percent, of the City's total long-term debt, as of June 30, 2016. Total long-term debt is comprised of the loan through SANDAG of \$2.85 million, compensated absences of \$0.43 million, claims payable of \$0.28 million, and capital leases of \$0.13 million. All long-term debt in governmental activities is secured solely by specified revenue sources.

During the current fiscal year, the City entered into a five-year capital lease agreement for the purchase of a Caterpillar wheel loader. The total cost of the loader will be \$0.16 million of which \$0.03 million was paid in the current fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Certificates of Participation	\$ -	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Note payable	2,845,256	2,273,106	4,566,055	4,771,694	7,411,311	7,044,800
Compensated absences	430,388	414,680	113,119	97,530	543,507	512,210
Claims payable	280,376	319,697	-	-	280,376	319,697
Capital leases	131,193	-	-	-	131,193	-
	\$ 3,687,213	\$ 3,007,483	\$ 4,679,174	\$ 5,309,224	\$ 8,366,387	\$ 8,316,707

For business-type activities, long-term debt accounts for \$4.68 million, or 55.93 percent, of the City's total long-term debt, as of June 30, 2016. Certificates of Participation (COP) for construction and repair for wastewater lines in the Wastewater Fund were paid off during the current year. The Wastewater fund has a note payable outstanding with the State of California for the replacement of the 21st Street Pump Station with an outstanding balance of \$4.57 million. Compensated absences in business-type activities accounts for \$0.11 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 \$0.50 million, or 0.60 percent, compared to the prior fiscal year, due to the payoff of the Certificates of Participation of \$0.44 million, a decrease in claims payable of \$0.04 million, offset by an increase of \$0.37 million note payable through SANDAG, an increase of \$0.03 million in compensated absences, and a new \$0.13 million capital lease as mentioned previously.

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 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 increasing costs in pension and medical, as well as the need for infrastructure rehabilitation, management looked at the following key economic factors while preparing the two-year budget for Fiscal Years 2015-2016 and 2016-2017. The explanations that follow relate to Fiscal Year 2016-2017:

Revenues:

The City's projected revenues for Fiscal Year 2016-2017 is \$29.51 million, which is \$3.69 million, or 11.13 percent, lower than Fiscal Year 2015-2016 original projected revenues of \$33.20 million. During the course of Fiscal Year 2015-2016, however, revenues were adjusted to \$36.53 million, an increase of \$3.33 million, or 10.02 percent. The majority of the increase in revenues in Fiscal Year 2016-2017 are due to Wastewater loan proceeds of \$3.54 million for the force main connection to San Elijo Joint Powers Authority project and citywide wastewater infrastructure rehabilitation in Fiscal Year 2015-2016.

The Fiscal Year 2016-2017 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 67.92 percent of the overall General Fund revenue, and are expected to slightly increase from Fiscal Year 2015-2016.
- Revenues in the business-type funds are projected to decrease by \$3.21 million, or 31.32 percent, compared to the previous year. This decrease is mainly due to projected loan proceeds in the previous year of \$3.54 million for the force main connection to San Elijo Joint Powers Authority project, and citywide wastewater infrastructure rehabilitation.

Expenditures:

The City's Fiscal Years 2015-2016 and 2016-2017 Operating and Capital Budget has expenditures of \$29.14 million for Fiscal Year 2016-2017, which is a decrease of \$5.02 million, or 14.70 percent, lower than the prior fiscal year's original adopted budget.

The budget is composed of the General Fund for \$11.15 million, or 38.28 percent, other governmental funds of \$1.69 million, or 5.79 percent, Capital Projects Fund of \$8.17 million, or 28.05 percent, and the Workers' Compensation Fund of \$0.28 million, or 0.97 percent. The business-type funds account for \$7.84 million, or 26.91 percent.

The budget for Fiscal Year 2016-2017 is focused on the following objectives:

- Maintaining our services to our residents, businesses, and visitors without increasing expenditures.
- Continuing to pursue capital improvement projects that are grant-funded or funded by low-interest loans.

The City's Adopted Fiscal Years 2015-2016 and 2016-2017 Operating and Capital 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 by visiting the City website at www.delmar.ca.us.

CITY OF DEL MAR

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 11,878,261	\$ 2,531,116	\$ 14,409,377
Receivables:			
Accounts, net	1,075,519	1,072,637	2,148,156
Taxes	1,113,002	-	1,113,002
Accrued interest	12,176	2,253	14,429
Inventory	-	71,815	71,815
Internal balances	(386,914)	386,914	-
Due from other agencies	664,198	683,629	1,347,827
Restricted cash and investments	51,022	62,626	113,648
Total current assets	14,407,264	4,810,990	19,218,254
Non-current assets:			
Capital assets:			
Not being depreciated	24,231,264	3,332,680	27,563,944
Being depreciated (net of accumulated depreciation)	42,623,406	22,378,622	65,002,028
Total capital assets	66,854,670	25,711,302	92,565,972
Total non-current assets	66,854,670	25,711,302	92,565,972
Total assets	81,261,934	30,522,292	111,784,226
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from pension plans	730,285	211,023	941,308
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,512,116	1,118,131	3,630,247
Deposits payable	580,559	54,813	635,372
Due to other agencies	6,236	-	6,236
Retention payable	78,500	62,626	141,126
Accrued interest payable	3,219	121,381	124,600
Total current liabilities	3,180,630	1,356,951	4,537,581
Non-current liabilities:			
Net pension liability	6,099,921	1,701,569	7,801,490
Due within one year	413,384	239,881	653,265
Due in more than one year	3,273,829	4,439,293	7,713,122
Total non-current liabilities	9,787,134	6,380,743	16,167,877
Total liabilities	12,967,764	7,737,694	20,705,458
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts from pension plans	744,065	284,858	1,028,923
NET POSITION			
Net investment in capital assets	63,917,170	21,145,247	85,062,417
Restricted for			
Debt service	96,396	-	96,396
Public works	188,760	-	188,760
Public safety	23,907	-	23,907
Community development	397,126	-	397,126
Unrestricted	3,657,031	1,565,516	5,222,547
Total net position	\$ 68,280,390	\$ 22,710,763	\$ 90,991,153

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 5,362,200	\$ 1,547,069	\$ 13,612	\$ -
Public safety	5,716,667	1,382,501	123,950	-
Public works	1,410,511	-	93,695	1,802,911
Parks and recreation	936,586	383,027	-	-
Interest on long-term debt	155,143	-	-	-
Total governmental activities	13,581,107	3,312,597	231,257	1,802,911
Business-type activities:				
Water	3,072,195	2,745,721	-	-
Wastewater	2,500,851	3,486,362	-	-
Cleanwater	464,373	420,388	5,000	-
Total business-type activities	6,037,419	6,652,471	5,000	-
Total	\$ 19,618,526	\$ 9,965,068	\$ 236,257	\$ 1,802,911

General revenues:

Taxes:

Property tax

Sales and use tax

Transient occupancy tax

Franchise tax

Business license tax

Intergovernmental/unrestricted

Use of money and property

Gain on sale of capital assets

Other

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

See accompanying notes to the basic financial statements.

Net Revenue (Expense) and Change in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (3,801,519)	\$ -	\$ (3,801,519)
(4,210,216)	-	(4,210,216)
486,095	-	486,095
(553,559)	-	(553,559)
(155,143)	-	(155,143)
(8,234,342)	-	(8,234,342)
-	(326,474)	(326,474)
-	985,511	985,511
-	(38,985)	(38,985)
-	620,052	620,052
(8,234,342)	620,052	(7,614,290)
5,640,285	-	5,640,285
2,332,522	-	2,332,522
2,617,866	-	2,617,866
369,524	-	369,524
226,508	-	226,508
182,140	-	182,140
298,974	35,501	334,475
108,023	-	108,023
1,050,341	-	1,050,341
(54,285)	54,285	-
12,771,898	89,786	12,861,684
4,537,556	709,838	5,247,394
63,742,834	22,000,925	85,743,759
\$ 68,280,390	\$ 22,710,763	\$ 90,991,153

See accompanying notes to the basic financial statements.

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CITY OF DEL MAR

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Capital Projects Fund Capital Improvement	Non-Major Governmental Funds	Total
ASSETS				
Cash and investments	\$ 6,404,782	\$ 3,338,781	\$ 1,373,470	\$ 11,117,033
Receivables:				
Taxes	1,113,002	-	-	1,113,002
Accrued interest	9,435	1,307	673	11,415
Accounts, net	174,916	769,171	131,432	1,075,519
Due from other agencies	88,717	333,175	242,306	664,198
Due from other funds	79,307	-	-	79,307
Restricted cash and investments	-	5,351	45,671	51,022
 Total assets	\$ 7,870,159	\$ 4,447,785	\$ 1,793,552	\$ 14,111,496
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,144,094	\$ 692,330	\$ 675,692	\$ 2,512,116
Deposits payable	557,914	-	22,645	580,559
Due to other agencies	6,236	-	-	6,236
Advance from other funds	439,745	-	-	439,745
Due to other funds	-	-	26,476	26,476
Retention payable	-	18,110	60,390	78,500
 Total liabilities	2,147,989	710,440	785,203	3,643,632
 Fund Balances:				
Restricted	-	-	706,189	706,189
Committed	-	-	302,160	302,160
Assigned	1,530,159	3,737,345	-	5,267,504
Unassigned	4,192,011	-	-	4,192,011
 Total fund balances	5,722,170	3,737,345	1,008,349	10,467,864
 Total liabilities and fund balances	\$ 7,870,159	\$ 4,447,785	\$ 1,793,552	\$ 14,111,496

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

Fund balances of governmental funds	\$ 10,467,864
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of \$8,837,576 of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not included in the funds.	66,854,670
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(3,219)
Long-term liabilities applicable to governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities.	
Note payable	(2,845,256)
Capital lease	(131,193)
Compensated absences	(430,388)
An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the Statement of Net Position.	481,613
Pension related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in effects only the government-wide statements for governmental activities:	
Deferred outflows of resources	730,285
Deferred inflows of resources	(744,065)
Pension liability	(6,099,921)
	<hr/>
Net position of governmental activities	<u><u>\$ 68,280,390</u></u>

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund Capital Improvement	Non-Major Governmental Funds	Total
REVENUES				
Taxes	\$ 11,144,260	\$ -	\$ 147,313	\$ 11,291,573
Licenses, fees and permits	919,005	-	394,256	1,313,261
Intergovernmental	93,112	489,908	1,466,890	2,049,910
Charges for services	1,471,767	-	-	1,471,767
Fines and forfeitures	579,364	-	-	579,364
Use of money and property	266,081	22,947	9,945	298,973
Contributions	-	-	13,612	13,612
Other	183,364	792,057	71,043	1,046,464
Total revenues	14,656,953	1,304,912	2,103,059	18,064,924
EXPENDITURES				
Current:				
General government	4,872,316	-	183,074	5,055,390
Public safety	5,484,825	-	285,034	5,769,859
Public works	168,302	-	421,568	589,870
Parks and recreation	-	-	907,484	907,484
Capital outlay	157,431	4,511,256	1,951,494	6,620,181
Debt service:				
Principal	-	-	50,000	50,000
Interest	5,796	-	149,347	155,143
Total expenditures	10,688,670	4,511,256	3,948,001	19,147,927
Excess (deficiency) of revenues over (under) expenditures	3,968,283	(3,206,344)	(1,844,942)	(1,083,003)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	157,431	-	-	157,431
Issuance of debt	-	-	622,150	622,150
Transfers in	-	2,492,009	1,150,304	3,642,313
Transfers out	(3,682,090)	-	(14,508)	(3,696,598)
Total other financing sources (uses)	(3,524,659)	2,492,009	1,757,946	725,296
Net change in fund balances	443,624	(714,335)	(86,996)	(357,707)
Fund balances, beginning of year	5,278,546	4,451,680	1,095,345	10,825,571
Fund balances, end of year	\$ 5,722,170	\$ 3,737,345	\$ 1,008,349	\$ 10,467,864

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 THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances of governmental funds	\$ (357,707)
Amount reported for governmental activities in the Statement of Activities that are different because:	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over its estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>	
Capital outlay expense	6,679,579
Depreciation expense	(1,349,045)
Loss on disposal	(15,233)
Repayment of debt service principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	50,000
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:	
Change in capital lease	26,238
Change in compensated absences	(15,708)
The issuance of long-term debt provides current financial resources to governmental funds, but is reported as long-term debt in the statement of Net Position.	
Note payable	(622,150)
Capital lease	(157,431)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	261,141
An internal service fund is used by management to charge the cost of workers' compensation activities to individual funds. The net revenues (expenses) of the internal service fund are reported with governmental activities.	<u>37,872</u>
Change in net position of governmental activities	<u>\$ 4,537,556</u>

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal		
	Water	Wastewater	Non-Major: Clean Water	Service Fund	Total	
ASSETS						
Current assets:						
Cash and investments	\$ 766,320	\$ 1,764,796	\$ -	\$ 2,531,116	\$ 761,228	\$ 3,292,344
Receivables:						
Accounts	487,949	510,148	74,540	1,072,637	-	1,072,637
Interest	434	1,819	-	2,253	761	3,014
Due from other agencies	528,075	155,554	-	683,629	-	683,629
Inventory	65,310	6,505	-	71,815	-	71,815
Restricted cash and investments	43,336	19,290	-	62,626	-	62,626
Total current assets	1,891,424	2,458,112	74,540	4,424,076	761,989	5,186,065
Non-current assets:						
Advance to other funds	439,745	-	-	439,745	-	439,745
Capital assets:						
Land	782,025	583,663	-	1,365,688	-	1,365,688
Construction in progress	456,379	1,510,613	-	1,966,992	-	1,966,992
Water and wastewater system	13,167,099	13,592,013	-	26,759,112	-	26,759,112
Buildings and improvements	4,039,761	4,293,450	-	8,333,211	-	8,333,211
Machinery and equipment	280,637	1,574,568	34,121	1,889,326	-	1,889,326
Less: Accumulated depreciation	(7,144,252)	(7,445,032)	(13,743)	(14,603,027)	-	(14,603,027)
Total capital assets (net of accumulated depreciation)	11,581,649	14,109,275	20,378	25,711,302	-	25,711,302
Total non-current assets	12,021,394	14,109,275	20,378	26,151,047	-	26,151,047
Total assets	13,912,818	16,567,387	94,918	30,575,123	761,989	31,337,112
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amounts from pension plans	105,233	105,790	-	211,023	-	211,023
LIABILITIES						
Current liabilities:						
Accounts payable	500,574	589,204	28,353	1,118,131	-	1,118,131
Due to other funds	-	-	52,831	52,831	-	52,831
Retention payable	43,336	19,290	-	62,626	-	62,626
Customer deposits	54,813	-	-	54,813	-	54,813
Claims payable	-	-	-	-	224,301	224,301
Accrued interest payable	-	121,381	-	121,381	-	121,381
Current portion of long-term liabilities	11,894	224,759	3,228	239,881	-	239,881
Total current liabilities	610,617	954,634	84,412	1,649,663	224,301	1,873,964
Non-current liabilities:						
Claims payable	-	-	-	-	56,075	56,075
Compensated absences	35,683	39,459	9,697	84,839	-	84,839
Notes payable	-	4,354,454	-	4,354,454	-	4,354,454
Net pension liability	848,539	853,030	-	1,701,569	-	1,701,569
Total non-current liabilities	884,222	5,246,943	9,697	6,140,862	56,075	6,196,937
Total liabilities	1,494,839	6,201,577	94,109	7,790,525	280,376	8,070,901
DEFERRED INFLOWS OF RESOURCES						
Deferred amounts from pension plans	142,053	142,805	-	284,858	-	284,858
NET POSITION						
Net investment in capital assets	11,581,649	9,543,220	20,378	21,145,247	-	21,145,247
Unrestricted	799,510	785,575	(19,569)	1,565,516	481,613	2,047,129
Total net position	\$ 12,381,159	\$ 10,328,795	\$ 809	\$ 22,710,763	\$ 481,613	\$ 23,192,376

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds				Governmental	Total
	Water	Wastewater	Non-Major: Clean Water	Total	Activities - Internal Service Fund	
OPERATING REVENUES						
Water sales	\$ 2,684,486	\$ -	\$ -	\$ 2,684,486	\$ -	\$ 2,684,486
Clean water services	-	-	417,128	417,128	-	417,128
Sewer service	242,452	3,053,916	-	3,296,368	-	3,296,368
Charges for services	-	-	-	-	185,415	185,415
Customer penalties	12,479	14,717	3,260	30,456	-	30,456
Other	48,756	175,277	5,000	229,033	-	229,033
Total operating revenues	2,988,173	3,243,910	425,388	6,657,471	185,415	6,842,886
OPERATING EXPENSES						
Source of supply	1,215,349	-	-	1,215,349	-	1,215,349
Water treatment	279,751	-	-	279,751	-	279,751
Sewer collection	-	218,070	-	218,070	-	218,070
Maintenance and operation	-	214,612	-	214,612	-	214,612
General and administrative	1,221,500	1,317,426	462,557	3,001,483	155,745	3,157,228
Depreciation	355,595	588,591	1,816	946,002	-	946,002
Total operating expenses	3,072,195	2,338,699	464,373	5,875,267	155,745	6,031,012
Operating income (loss)	(84,022)	905,211	(38,985)	782,204	29,670	811,874
NON-OPERATING REVENUES (EXPENSES)						
Interest income	13,750	21,734	17	35,501	8,202	43,703
Interest expense	-	(162,152)	-	(162,152)	-	(162,152)
Total non-operating revenues (expenses)	13,750	(140,418)	17	(126,651)	8,202	(118,449)
Income (loss) before transfers	(70,272)	764,793	(38,968)	655,553	37,872	693,425
TRANSFERS IN	7,254	7,254	39,777	54,285	-	54,285
Total transfers	7,254	7,254	39,777	54,285	-	54,285
Changes in net position	(63,018)	772,047	809	709,838	37,872	747,710
Net position, beginning of year	12,444,177	9,556,748	-	22,000,925	443,741	22,444,666
Net position, end of year	\$ 12,381,159	\$ 10,328,795	\$ 809	\$ 22,710,763	\$ 481,613	\$ 23,192,376

See accompanying notes to the basic financial statements.

CITY OF DEL MAR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal	
	Water	Wastewater	Non-Major: Clean Water	Total	Service Fund	Total
Cash flows from operating activities:						
Cash received from water, sewer and clean water customers	\$ 2,391,173	\$ 2,913,482	\$ 412,836	\$ 5,717,491	\$ -	\$ 5,717,491
Cash received from other operating receipts	48,756	175,277	5,000	229,033	185,415	414,448
Cash payments for water purchases, distribution and treatment	(1,495,100)	-	-	(1,495,100)	-	(1,495,100)
Cash payments for sewer collection and maintenance	-	(432,682)	-	(432,682)	-	(432,682)
Cash payments for services and supplies	(429,294)	(353,679)	(363,846)	(1,146,819)	(165,182)	(1,312,001)
Cash payment to employees for services	(586,188)	(599,748)	(92,979)	(1,278,915)	(25,779)	(1,304,694)
Net cash provided by (used for) operating activities	(70,653)	1,702,650	(38,989)	1,593,008	(5,546)	1,587,462
Cash flows from non-capital financing activities:						
Cash received from other funds	7,254	7,254	39,777	54,285	-	54,285
Cash paid to other funds	388,250	-	-	388,250	-	388,250
Net cash provided by non-capital financing activities	395,504	7,254	39,777	442,535	-	442,535
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(545,949)	(1,457,741)	(805)	(2,004,495)	-	(2,004,495)
Interest payments on long-term debt	-	(174,947)	-	(174,947)	-	(174,947)
Principal payments on long-term debt	-	(643,801)	-	(643,801)	-	(643,801)
Net cash (used for) capital and related financing activities	(545,949)	(2,276,489)	(805)	(2,823,243)	-	(2,823,243)
Cash flows from investing activities:						
Interest received	13,958	21,005	17	34,980	7,851	42,831
Net cash provided by investing activities	13,958	21,005	17	34,980	7,851	42,831
Net increase (decrease) in cash and cash equivalents	(207,140)	(545,580)	-	(752,720)	2,305	(750,415)
Cash and cash equivalents, beginning of year	1,016,796	2,329,666	-	3,346,462	758,923	4,105,385
Cash and cash equivalents, end of year	\$ 809,656	\$ 1,784,086	\$ -	\$ 2,593,742	\$ 761,228	\$ 3,354,970
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (84,022)	\$ 905,211	\$ (38,985)	\$ 782,204	\$ 29,670	\$ 811,874
Adjustments to reconcile operating income (loss) to net income provided by (used for) operating activities:						
Depreciation	355,595	588,591	1,816	946,002	-	946,002
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
(Increase) decrease in accounts receivable	(554,685)	(155,151)	(7,552)	(717,388)	-	(717,388)
(Increase) decrease in inventory	3,447	-	-	3,447	-	3,447
(Increase) decrease in deferred outflows of resources	(30,733)	(30,896)	-	(61,629)	-	(61,629)
Increase (decrease) in claims payable	-	-	-	-	(35,216)	(35,216)
Increase (decrease) in accounts payable	196,045	376,514	(11,563)	560,996	-	560,996
Increase (decrease) in due to other funds	-	-	14,062	14,062	-	14,062
Increase (decrease) in retentions payable	43,336	19,290	-	62,626	-	62,626
Increase (decrease) in customer deposits	2,994	-	-	2,994	-	2,994
Increase (decrease) in net pension liability	102,324	102,866	-	205,190	-	205,190
Increase (decrease) in compensated absences	3,755	5,508	3,233	12,496	-	12,496
Increase (decrease) in deferred inflows of resources	(108,709)	(109,283)	-	(217,992)	-	(217,992)
Total adjustments	13,369	797,439	(4)	810,804	(35,216)	993,580
Net cash provided by (used for) operating activities	\$ (70,653)	\$ 1,702,650	\$ (38,989)	\$ 1,593,008	\$ (5,546)	\$ 1,805,454
Non-cash investing, capital and financing related activity:						
Non-cash changes in fair value of investments	\$ 1,312	\$ 6,744	\$ -	\$ 8,056	\$ 2,855	\$ 10,911

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2016

ASSETS

Account receivable	\$ 37,529
Restricted assets:	
Cash and investments	<u>398,208</u>
Total assets	<u>\$ 435,737</u>

LIABILITIES

Due to bond holders	<u>\$ 435,737</u>
Total liabilities	<u>\$ 435,737</u>

See accompanying notes to the basic financial statements.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Del Mar, California (the City) have been prepared in accordance 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, since the City Council serves as the governing board for the Corporation. The City does not produce separate financial statements for the Corporation.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e. the Statement of Net Position and the Statement 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 Statement of Activities demonstrates 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statements of net position. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, 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.

The City's fiduciary fund financial statements report agency funds. Agency funds are used to account for situations where the government's role is purely custodial. All assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. Agency funds are reported on the accrual basis of accounting and have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Under 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 and use 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 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.

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 **Capital Improvement Capital Projects 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.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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.
- The Debt Service Fund is used to account for bond proceeds required to be set aside for future debt service and related interest income. The fund is used to repay principal and interest on long-term indebtedness of the City.
- Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.
- The non-major Enterprise Fund accounts for the mandated costs of the City's National Pollution Discharge Eliminations System (NPDES) permit.
- 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 current City's Fiduciary Funds include: Stratford and 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; and the Sunset Undergrounding Assessment District 2007-02.

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 (Enterprise 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 (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

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 and internal service fund 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.

D. New Accounting Pronouncements:

Current Year Standards

In fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*". GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, did not impact the City.

GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", was required to be implemented in the current fiscal year did not impact the City.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Current Year Standards (Continued)

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*", was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, did not impact the City.

GASB Statement No. 82, "*Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73*", changed the measurement of covered payroll reported in required supplementary information has been early implemented.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 77 - "*Tax Abatement Disclosure*", effective for periods beginning after December 15, 2015.
- GASB 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", effective for periods beginning after December 15, 2015.
- GASB 79 - "*Certain External Investment Pools and Pool Participants*", contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - "*Blending Requirements for Certain Component Units*", effective for periods beginning after June 15, 2016.
- GASB 81 - "*Irrevocable Split-Interest Agreements*", effective for periods beginning after December 15, 2016.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards (Continued)

- GASB 82 - "*Pension Issues*", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

E. Investments:

Investments are reported in the accompanying financial statements at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments. 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 cash and 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.

F. Cash and Cash Equivalents:

For purposes of the statement 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.

G. Receivables and Payables:

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (short-term interfund loans) or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

The portion of fund balance associated with amounts that have been disbursed to other funds in the form of long-term interfund advances have been classified as non-spendable unless the funds associated with repayment of the advances are otherwise restricted for specific purposes.

All accounts, taxes, and service receivables are shown net of an allowance for uncollectible accounts. The City's fiscal year end falls in the middle of a billing cycle for water, sewer, trash, and recycling revenue. 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.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Capital Assets:

Capital assets, which include land, buildings, buildings and improvements, machinery, equipment and infrastructure are depreciated (except for land) and are reported in the applicable governmental or business-type activities 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 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 system	40 years
Structures	33 years
Meters and hydrants	25 years
Machinery and equipment	5-15 years
Infrastructure	33 years

I. Compensated Absences:

Vacation pay is payable to employees at the time used or upon termination of employment. In the Statement of Net Position, 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 within the next 12 months and has accordingly recorded this portion as a current liability. The remaining portion is recorded as a noncurrent liability. For the enterprise funds, compensated absences, once exercised, are paid out of the same fund as they were originally accrued. For governmental activities, the General Fund is used primarily to pay the liability.

J. Inventory:

The enterprise fund inventories are valued at average cost. The inventory consists of meters, pipes and other parts required providing water and wastewater services to customers. The City uses the consumption method which means that the inventory is expensed as the item is used.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Restricted Assets:

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

L. Deferred Outflows/Inflows of Resources:

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will *not* be recognized as an outflow of resources (expense/expenditures) until that time. The City has three items that qualify for reporting in this category. The first item is a deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability. The second and third items are deferred outflows related to pensions for the changes in proportion and differences between employer's contributions and employer's proportionate share of contributions, and differences between actual and expected experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which are 3.8 years for the miscellaneous plan, lifeguard, and fire safety plans.

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will *not* be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item is deferred inflows related to pensions for changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which are 3.8 years for the miscellaneous plan, lifeguard, and fire safety plans. The second item is deferred inflows from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the plans, which are 3.8 years for the miscellaneous plan, lifeguard, and fire safety plans. The third item is deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over five years.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. 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

N. 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 position. Bond premiums and discounts are 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 expensed when incurred.

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.

O. 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 (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

P. Net Position and Fund Equity:

The governmental and business-type activities in the government-wide financial statements and proprietary funds financial statements utilize a net position presentation. Net position is classified in the following categories:

Net investment in capital assets - this amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - this amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position - this amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City’s practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance - this includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact.

Restricted Fund Balance - this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action that created the funding source, then it is restricted.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

P. Net Position and Fund Equity (Continued):

Committed Fund Balance - this includes amounts that can be used only for the specific purposes determined by a formal action of the Council. It includes Council action that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Council action limiting the use of the funds is separate from the action that created the funding source, then it is committed, not restricted. The City considers a resolution to constitute a formal action of City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance - this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has been granted to the City Manager by resolution of the City Council.

Unassigned Fund Balance - this classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

Q. Pensions:

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

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

R. Use of Estimates:

The preparation of financial statements in accordance 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 14,409,377
Restricted cash and investments	113,648
Statement of Fiduciary Net Position:	
Restricted cash and investments	<u>398,208</u>
Total cash and investments	<u>\$ 14,921,233</u>

Cash and investments as of June 30, 2016, consist of the following:

Cash and deposits:	
Petty cash on hand	\$ 2,000
Demand deposits	758,882
Restricted escrow accounts	<u>113,648</u>
Total cash and deposits	<u>874,530</u>
Investments:	
Federal agency securities	200,768
State investment pool	7,200,503
Investment in County pool	3,063,507
Negotiable certificates of deposit	<u>3,581,925</u>
Total investments	<u>14,046,703</u>
Total cash and investments	<u>\$ 14,921,233</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

2. 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. The limits expressed below apply at the time of purchase of the investment (rather than at year end). 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	25%	5%
Negotiable Certificates of Deposit	5 years	None	\$250,000
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	None
County Pooled Investment Funds	N/A	30%	None
Local Agency Investment Fund (LAIF)	N/A	\$40 million	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 (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the 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.

Information about the sensitivity of the fair values of the City's investments 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>
Federal agency securities	\$ 200,768	\$ -	\$ -	\$ 2,00,768
Negotiable certificates of deposit	3,581,925	1,048,227	449,936	2,083,762
State investment pool	7,200,503	7,200,503	-	-
Investment in County pool	<u>3,063,507</u>	<u>3,063,507</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,046,703</u>	<u>\$ 11,312,237</u>	<u>\$ 449,936</u>	<u>\$ 2,284,530</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City held no investments, which were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's Investment Policy, or debt agreements, and the Standard and Poor's 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>Not Rated</u>
Federal agency securities	\$ 200,768	A	\$ -	\$ 200,768	\$ -
Negotiable certificates of deposit	3,581,925	N/A	-	-	3,581,925
State investment pool	7,200,503	N/A	-	-	7,200,503
Investment in County pool	<u>3,063,507</u>	AA	<u>3,063,507</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,046,703</u>		<u>\$ 3,063,507</u>	<u>\$ 200,768</u>	<u>\$ 10,782,428</u>

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.

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).

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk

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 the 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.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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 prorated 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

The City is a voluntary 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.

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued)

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued)

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by City's asset manager from third party service provider.

For a large portion of the City's portfolio, the City asset manager applies their leveling methodology across all securities in a specific sector (i.e., Federal Agency Securities). Inputs to their pricing models are based on observable market inputs in active markets.

The City has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

	Quoted Prices <u>Level 1</u>	Observable Inputs <u>Level 2</u>	Unobservable Inputs <u>Level 3</u>	<u>Total</u>
Federal Agency Securities	\$ -	\$ 200,768	\$ -	\$ 200,768
Negotiable Certificates of Deposit	-	<u>3,581,925</u>	-	<u>3,581,925</u>
 Total Investments	 <u>\$ -</u>	 <u>\$ 3,782,693</u>	 <u>\$ -</u>	 3,782,693
 State Investment Pool*				 7,200,503
Investment in County Pool*				<u>3,063,507</u>
 Total Investment Portfolio				 <u>\$ 14,046,703</u>

*-Not subject to fair value measurements.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

3. CAPITAL ASSETS:

A summary of changes in the governmental activities capital assets for the year ended June 30, 2016, was as follows:

	Balance at <u>July 1, 2015</u>	Additions	Deletions	Balance at <u>June 30, 2016</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 18,289,250	\$ -	\$ -	\$ 18,289,250
Construction in progress	<u>1,712,502</u>	<u>6,435,746</u>	<u>(2,206,234)</u>	<u>5,942,014</u>
Total capital assets, not being depreciated	<u>20,001,752</u>	<u>6,435,746</u>	<u>(2,206,234)</u>	<u>24,231,264</u>
Capital assets, being depreciated:				
Buildings and improvements	9,064,291	135,013	-	9,199,304
Machinery and equipment	2,188,871	243,833	(245,756)	2,186,948
Infrastructure	<u>38,003,509</u>	<u>2,071,221</u>	<u>-</u>	<u>40,074,730</u>
Total capital assets, being depreciated	<u>49,256,671</u>	<u>2,450,067</u>	<u>(245,756)</u>	<u>51,460,982</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,488,847)	(227,566)	-	(3,716,413)
Machinery and equipment	(1,400,275)	(57,841)	230,523	(1,227,593)
Infrastructure	<u>(2,829,932)</u>	<u>(1,063,638)</u>	<u>-</u>	<u>(3,893,570)</u>
Total accumulated depreciation	<u>(7,719,054)</u>	<u>(1,349,045)</u>	<u>230,523</u>	<u>(8,837,576)</u>
Total capital assets, being depreciated, net	<u>41,537,617</u>	<u>1,101,022</u>	<u>(15,233)</u>	<u>42,623,406</u>
Total governmental activities capital assets, net	<u>\$ 61,539,369</u>	<u>\$ 7,536,768</u>	<u>\$ (2,221,467)</u>	<u>\$ 66,854,670</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

3. CAPITAL ASSETS (CONTINUED):

A summary of changes in the business-type activities capital assets for the year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,365,688	\$ -	\$ -	\$ 1,365,688
Construction in progress	<u>206,606</u>	<u>1,760,386</u>	<u>-</u>	<u>1,966,992</u>
Total capital assets, not being depreciated	<u>1,572,294</u>	<u>1,760,386</u>	<u>-</u>	<u>3,332,680</u>
Capital assets, being depreciated:				
Buildings	4,080,948	-	-	4,080,948
Improvements	4,252,263	-	-	4,252,263
Machinery and equipment	1,869,206	33,933	(13,813)	1,889,326
Water system	13,109,119	57,980	-	13,167,099
Wastewater system	<u>13,466,712</u>	<u>125,301</u>	<u>-</u>	<u>13,592,013</u>
Total capital assets, being depreciated	<u>36,778,248</u>	<u>217,214</u>	<u>(13,813)</u>	<u>36,981,649</u>
Less accumulated depreciation for:				
Buildings	(396,709)	(121,967)	-	(518,676)
Improvements	(1,268,298)	(92,126)	-	(1,360,424)
Machinery and equipment	(795,467)	(146,484)	13,813	(928,138)
Water system	(5,418,567)	(252,605)	-	(5,671,172)
Wastewater system	<u>(5,791,797)</u>	<u>(332,820)</u>	<u>-</u>	<u>(6,124,617)</u>
Total accumulated depreciation	<u>(13,670,838)</u>	<u>(946,002)</u>	<u>13,813</u>	<u>(14,603,027)</u>
Total capital assets, being depreciated, net	<u>23,107,410</u>	<u>(728,788)</u>	<u>-</u>	<u>22,378,622</u>
Total business-type activities capital assets, net	<u>\$ 24,679,704</u>	<u>\$ 1,031,598</u>	<u>\$ -</u>	<u>\$ 25,711,302</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

3. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions for the fiscal year ended June 30, 2016 as follows:

Governmental activities:	
General government	\$ 235,944
Public safety	28,870
Public works	1,047,117
Parks and recreation	<u>37,114</u>
Total depreciation expense – governmental activities	<u>\$ 1,349,045</u>
Business-type activities:	
Water	\$ 355,595
Wastewater	588,591
Clean Water	<u>1,816</u>
Total depreciation expense – business-type activities	<u>\$ 946,002</u>

4. INTERFUND RECEIVABLES AND PAYABLES:

At June 30, 2016, interfund receivables and payables are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 79,307	\$ -
Non-Major Governmental Funds	-	26,476
Non-Major Enterprise Fund Clean Water Fund	<u>-</u>	<u>52,831</u>
	<u>\$ 79,307</u>	<u>\$ 79,307</u>

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

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

4. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED):

During fiscal year 2012-2013, the City Council approved the pay off of the City’s CalPERS Side Fund liability. The Side Fund liability had a balance of approximately \$3 million and was being charged interest at a rate of 7.5 percent annually. The payoff of the side fund liability saved the City approximately \$1.1 million in interest payments, reduced annual pension contribution by approximately \$450,000 and also decreased the future unfunded pension liability. In order to pay off the side fund, an interfund payable between the General Fund and Water Fund was created in the amount of \$1,200,790. Beginning in fiscal year 2014-2015, the advance payable to the Water Fund will be repaid over three to four years with the savings from the reduced annual pension contributions and will be repaid at an interest rate which is the greater of: 1) 25 basis points over LAIF, or 2) 0.5 percent. At June 30, 2016 the remaining balance of this advance was \$439,745.

5. INTERFUND TRANSFERS:

Interfund transfers for the fiscal year ended June 30, 2016 are as follows:

<u>Transfers In</u>	<u>General Fund</u>	<u>Transfers Out Non-Major Governmental Funds</u>	<u>Total</u>
Capital Improvement Capital Projects Fund (A)	\$ 2,492,009	\$ -	\$ 2,492,009
Non-Major Governmental Funds (B)	1,150,304	-	1,150,304
Water Enterprise Fund	-	7,254	7,254
Wastewater Enterprise Fund	-	7,254	7,254
Non-Major Enterprise Fund Clear Water Fund (C)	<u>39,777</u>	<u>-</u>	<u>39,777</u>
	<u>\$ 3,682,090</u>	<u>\$ 14,508</u>	<u>\$ 3,696,598</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

5. INTERFUND TRANSFERS (CONTINUED):

Purpose of Interfund Transfers

Transfers were needed:

- A) To fund current and future capital improvement projects.
- B) For the costs of street and road maintenance that exceeded the gas tax revenues received from the State; revenues collected from facility use permits from Seagrove Park and the Powerhouse Community Center that do not cover the costs of maintaining open space; and revenues from the State for Supplemental Law Enforcement that do not cover the costs for the park ranger and part-time support.
- C) To fund Clean Water revenues from utility billings which did not cover the cost to run the Clean Water program.

6. CHANGES IN LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2016 is as follows:

	<u>Balance at</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Note payable	\$ 2,273,106	\$ 622,150	\$ (50,000)	\$ 2,845,256	\$ 50,000
Compensated absences	414,680	312,834	(297,126)	430,388	107,597
Capital lease	-	157,431	(26,238)	131,193	31,486
Claims payable (Note 13)	<u>319,697</u>	<u>3,092</u>	<u>(42,413)</u>	<u>280,376</u>	<u>224,301</u>
	<u>\$ 3,007,483</u>	<u>\$ 1,095,507</u>	<u>\$ (415,777)</u>	<u>\$ 3,687,213</u>	<u>\$ 413,384</u>
	<u>Balance at</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
1993 Certificates of Participation	\$ 440,000	\$ -	\$ (440,000)	\$ -	\$ -
Notes payable	4,771,693	-	(205,638)	4,566,055	211,601
Compensated absences	<u>97,531</u>	<u>74,337</u>	<u>(58,749)</u>	<u>113,119</u>	<u>28,280</u>
	<u>\$ 5,309,224</u>	<u>\$ 74,337</u>	<u>\$ (704,387)</u>	<u>\$ 4,679,174</u>	<u>\$ 239,881</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

6. CHANGES IN LONG-TERM LIABILITIES (CONTINUED):

Governmental Long-Term Debt:

Note Payable

Del Mar will borrow up to \$3,000,000 for its Sidewalk, Street, and Drainage Project. Part of the proceeds were used to refinance a previous loan from San Diego Association of Governments (SANDAG) through SANDAG's debt financing program. Loan proceeds are requested as funds are expensed. For the current year, the City requested drawdowns of \$622,150. Future principal and interest will be paid annually using the City's annual TransNet revenue allocations received from SANDAG. The interest rate will be 3.85 percent per year.

\$ 2,845,256

The future debt service requirements for this note:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 50,000	\$ 147,500	\$ 197,500
2018	55,000	145,000	200,000
2019	55,000	142,250	197,250
2020	60,000	139,500	199,500
2021	60,000	136,500	196,500
2022 - 2026	360,000	633,250	993,250
2027 - 2031	450,000	535,000	985,000
2032 - 2036	580,000	410,000	990,000
2037 - 2041	740,000	249,250	989,250
2042 - 2044	527,500	55,000	582,500
	<u>\$ 2,937,500</u>	<u>\$ 2,593,250</u>	<u>\$ 5,530,750</u>

Less: Remaining amount
to be drawn down (92,244)

Balance at 6/30/16 \$ 2,845,256

Business-Type Long-Term Debt:

1993 Certificates of Participation (COPS)

The Del Mar Public Facilities Corporation issued COPS in the amount of \$6,000,000 to be used to fund construction and repair of wastewater lines. The certificates mature in various amounts from \$395,000 to \$440,000 annually on September 1. The COPS were paid off in fiscal year 2015-2016.

\$ -

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

6. CHANGES IN LONG-TERM LIABILITIES (CONTINUED):

Business-Type Long-Term Debt (Continued):

Note Payable 21st Street Sewer Pump Station

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 plus accrued interest provided through the Clean Water State Revolving Fund. These funds were 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. Annual payments of \$344,017, which began on August 1, 2013, are to be paid through August 2032 at an interest rate of 2.9 percent per annum.

\$ 4,566,055

Future debt service requirements are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 211,601	\$ 132,416	\$ 344,017
2018	217,738	126,279	344,017
2019	224,052	119,965	344,017
2020	230,550	113,467	344,017
2021	237,236	106,781	344,017
2022 - 2026	1,293,454	426,631	1,720,085
2027 - 2031	1,492,203	227,882	1,720,085
2032 - 2033	659,221	28,813	688,034
	<u>\$ 4,566,055</u>	<u>\$ 1,282,234</u>	<u>\$ 5,848,289</u>

This note payable is secured by the net revenues generated by the Wastewater Enterprise Fund. Net revenue is defined as all revenues received less operations and maintenance costs (excluding depreciation) for the fiscal year. Net revenues for the fiscal year ended June 30, 2016 totaled \$1,456,488 and total debt service (principal and interest) paid during the year was \$344,017 for the note payable.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

6. CHANGES IN LONG-TERM LIABILITIES (CONTINUED):

Capital Lease

In August 2015, the City entered into a capital lease agreement for equipment. The lease term commenced in September 2015 for a term of five years. Lease expense for the year ended June 30, 2016 was \$26,238. This equipment is included as governmental machinery and equipment in the statement of net position. There was no depreciation expense for the year ended June 30, 2016.

Minimum annual lease payments under capital leases are as follows:

2017	\$	31,486
2018		31,486
2019		31,486
2020		31,486
2021		<u>5,249</u>
Total Minimum Lease Payments	\$	<u>131,193</u>

Operating Leases

In June 2016, the City entered into a lease agreement for their City Hall in Del Mar, California. The lease term commenced on June 1, 2016 for a term of two years. Rent expense for the year ended June 30, 2016 was \$10,766.

Minimum annual lease payments under operating leases are as follows:

2017	\$	237,490
2018		<u>243,949</u>
Total Minimum Lease Payments	\$	<u>481,439</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

7. FUND BALANCES:

	General Fund	Capital Improvement Capital Projects Fund	Other Non-Major Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Restricted for:				
Debt service	\$ -	\$ -	\$ 96,396	\$ 96,396
Public safety	-	-	23,907	23,907
Public works	-	-	184,556	184,556
Street projects	-	-	4,204	4,204
Low-income housing	-	-	397,126	397,126
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total restricted	-	-	706,189	706,189
Committed to:				
Parks and community center	-	-	302,160	302,160
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total committed	-	-	302,160	302,160
Assigned to:				
Compensated absences	82,000	-	-	82,000
Equipment replacement	725,186	-	-	725,186
Public television	117,029	-	-	117,029
Self-insurance	500,750	-	-	500,750
Pension reserve	105,194	-	-	105,194
Capital projects	-	3,737,345	-	3,737,345
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assigned	1,530,159	3,737,345	-	5,267,504
Unassigned:				
General fund	4,192,011	-	-	4,192,011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total unassigned	4,192,011	-	-	4,192,011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 5,722,170</u>	<u>\$ 3,737,345</u>	<u>\$ 1,008,349</u>	<u>\$ 10,467,864</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

7. FUND BALANCES (CONTINUED):

Restricted for Debt Service are bond proceeds required to be set aside to repay principal and interest on long-term indebtedness of the City.

Restricted for Public Safety accounts for grant funds received for public safety programs, equipment, or supplies, and represents funds to maintain the City's portion of the San Diego County and Imperial County Regional Communications System.

Restricted for Public Works represents funds received through the City's solid waste franchise agreement to implement the countywide integrated waste management plan and program.

Restricted for Street Projects are designated for the specific purposes as restricted by law or administrative action.

Restricted for Low-Income Housing 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.

Committed to Parks and Community Center represents funds received from facility use permits of the community center designated for park and beach maintenance, and Powerhouse Community Center maintenance and operations.

Assigned to Compensated Absences are funds set aside for unpaid vacation time due to employees. See note 1I for additional information.

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

Assigned to Public Television represents funds received through the City's local cable company agreement to provide television production equipment, airtime on local cable system, and to televise public information and meetings.

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

Assigned to Pension Reserve are funds set aside to pay for unfunded accrued pension liability or current pension obligations.

Assigned to Capital Projects are funds used for the acquisition and construction of major capital facilities.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

8. RETIREMENT PLANS:

A. General Information about the Pension Plans:

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (lifeguard and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	3% @60	2% @62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	50 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates:		
Normal cost rate	11.526%	6.460%
Payment of unfunded liability	\$ 216,018	\$ -

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

8. RETIREMENT PLANS (CONTINUED):

A. General Information about the Pension Plans (Continued):

Benefits Provided (Continued)

	Safety	
	Fire	Lifeguard
	Prior to January 1, 2013	Prior to January 1, 2013
Hire date		
Benefit formula	3% @ 50	3% @ 50
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	3.00%	3.00%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates:		
Normal cost rate	17.557%	13.813%
Payment of unfunded liability	\$ 117,710	\$ 16,980

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

8. RETIREMENT PLANS (CONTINUED):

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 4,489,625
Safety	3,311,865
Total Net Pension Liability	\$ 7,801,490

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2014	0.15975%	0.07501%
Proportion - June 30, 2015	0.16365%	0.08038%
Change - Increase (Decrease)	0.00390%	0.00537%

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

8. RETIREMENT PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

For the year ended June 30, 2016, the City recognized pension expense of \$530,161. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 865,733	\$ -
Differences between actual and expected experience	67,318	-
Change in assumptions	-	(442,364)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	8,257	(363,785)
Net differences between projected and actual earnings on plan investments	-	(222,774)
Total	\$ 941,308	\$ (1,028,923)

\$865,733 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (426,383)
2018	(427,580)
2019	(379,417)
2020	280,032
2021	-
Thereafter	-

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

8. RETIREMENT PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	(1)	(1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

8. RETIREMENT PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

The table that follows reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

8. RETIREMENT PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 7,830,632	\$ 4,957,031
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 4,489,625	\$ 3,311,865
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 1,731,235	\$ 1,953,587

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

8. RETIREMENT PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Pension Plans Fiduciary Net Position

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

C. Payable to the Pension Plans:

At June 30, 2016, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

9. DEFERRED COMPENSATION:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 whereby employees authorize the City to withhold funds from their salary to be invested in the plan's investment options. 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. The assets of this plan are not the property of the City and are not subject to the claims of the City's general creditors. As a result, the assets of this plan are not reported in the financial statements.

10. 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. Plan assets are held by a trustee on behalf of City employees. The assets of this plan are not reported in the financial statements.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

11. LITIGATION AND COMMITMENTS:

Litigation

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 13 for additional information regarding the City's risk management and Note 7 for the amount of fund balance assigned to self-insurance.

Construction Contracts and Commitments

As of June 30, 2016, construction contracts totaled \$1,284,825. City commitments for outstanding encumbrances (purchase orders and contracts for goods and services not yet delivered) by major governmental funds is \$13,788,684 for the construction of the City Hall/Town Hall project and wastewater is \$1,284,825.

The City has a 25-year lease with the State of California's 22nd District Agricultural Association for use of the City's fire station that ends on June 30, 2025. The annual rent is payable every July 1st and is the greater of a) \$40,000 multiplied by the percentage which the Consumer's Price Index (CPI) for the preceding April increased compared to the base period in April 2000; or five percent annum. The annual rental increase may not exceed ten percent. For fiscal year 2015-2016, the fire lease payment was \$83,157.

12. POST EMPLOYMENT HEALTHCARE BENEFITS:

The City has no obligation to provide post employment health care benefits for retirees. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), eligible employees may elect to pay for a continuation of insurance to provide healthcare benefits. 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 (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

13. RISK MANAGEMENT:

The City is a member of the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) beginning July 2015. CSAC-EIA is a consortium of other agencies in California 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. The City does not own an equity interest in CSAC-EIA and separate financial statements are prepared for CSAC-EIA. Copies of CSAC-EIA's annual financial report may be obtained by writing to 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

General Liability

As a member of CSAC Excess Insurance Authority (EIA), the City is self-insured for the first \$100,000 of each occurrence. The difference between the City's \$100,000 self-insurance retention and \$5,000,000 of pooled liability insurance for each occurrence is covered by SANDPIPA, with an additional \$45,000,000 of purchased liability for a total of \$50,000,000. 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 \$100,000 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 and has excess insurance up to \$50,000,000.

General liability and workers' compensation claims were as follows for June 30, 2016:

	<u>General Liability</u>	<u>Workers' Compensation</u>
Unpaid claims, July 1, 2014	\$ 126,940	\$ 224,643
Incurred claims (including IBNR)	4,105	211,200
Claims payments	<u>(126,940)</u>	<u>(120,251)</u>
Unpaid claims, June 30, 2015	4,105	315,592
Incurred claims (including IBNR)	3,092	(28,202)
Claims payments	<u>(7,197)</u>	<u>(7,014)</u>
Unpaid claims, June 30, 2016	<u>\$ -</u>	<u>\$ 280,376</u>

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

13. RISK MANAGEMENT (CONTINUED):

The general liability claims are recorded in the general fund accounts payable and accrued liabilities. The workers' compensation claims are recorded in the internal service fund.

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, 2016.

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.

14. 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, 2016, 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, 2016 were \$395,000.
- 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, 2016 were \$430,000.

CITY OF DEL MAR

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

15. EXPENDITURES EXCEEDING APPROPRIATIONS:

The Supplemental Law Enforcement Special Revenue Fund, Regional Communications System Special Revenue Fund, and Regional Transportation Congestion Improvement Program Capital Projects Fund exceeded its budgets by \$27,001, \$16,320, and \$38 respectively. These funds have adequate resources to cover its budget overages.

16. SUBSEQUENT EVENT:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 22, 2016, the date the financial statements were available to be issued, and determined that there were no events requiring disclosure.

CITY OF DEL MAR

MISCELLANEOUS PLAN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

LAST TEN FISCAL YEARS*

Fiscal year ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Measurement period	June 30, 2014	June 30, 2015
Plan's proportion of the net pension liability	0.06345%	0.16365%
Plan's proportionate share of the net pension liability	\$ 3,948,228	\$ 4,489,625
Plan's covered - employee payroll	\$ 2,825,926	\$ 2,850,725
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	139.71%	157.49%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	83.03%	81.70%
Plan's proportionate share of aggregate employer contributions	\$ 522,334	\$ 693,302

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

* - Fiscal year 2014-2015 was the first year of implementation; therefore, only two years are shown.

CITY OF DEL MAR

MISCELLANEOUS PLAN

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

LAST TEN FISCAL YEARS*

Fiscal year ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Contractually required contribution (actuarially determined)	\$ 411,954	\$ 529,486
Contributions in relation to the actuarially determined contributions	<u>(411,954)</u>	<u>(529,486)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 2,850,725	\$ 3,083,838
Contributions as a percentage of covered - employee payroll	14.45%	17.17%

Notes to Schedule:

Valuation Date 6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Remaining amortization period	19 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years for 3.00% @ 50, 2.0% @ 50 and 2.7% @ 57**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2014-2015 was the first year of implementation; therefore, only two years are shown.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF DEL MAR

SAFETY PLAN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

LAST TEN FISCAL YEARS*

Fiscal year ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Measurement period	June 30, 2014	June 30, 2015
Plan's proportion of the net pension liability	0.04522%	0.08038%
Plan's proportionate share of the net pension liability	\$ 2,814,100	\$ 3,311,865
Plan's covered - employee payroll	\$ 1,271,501	\$ 1,305,573
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	221.32%	253.67%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	81.74%	79.38%
Plan's proportionate share of aggregate employer contributions	\$ 356,577	\$ 361,590

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

* - Fiscal year 2014-2015 was the first year of implementation; therefore, only two years are shown.

CITY OF DEL MAR

SAFETY PLAN

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

LAST TEN FISCAL YEARS*

Fiscal year ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Contractually required contribution (actuarially determined)	\$ 303,598	\$ 336,247
Contributions in relation to the actuarially determined contributions	<u>(303,598)</u>	<u>(336,247)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 1,305,573	\$ 1,336,570
Contributions as a percentage of covered - employee payroll	23.25%	25.16%

Notes to Schedule:

Valuation Date 6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Remaining amortization period	19 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years for 3.00% @50, 2.0% @50 and 2.7% @57**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2014-2015 was the first year of implementation; therefore, only two years are shown.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF DEL MAR

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 10,070,950	\$ 10,712,200	\$ 11,144,260	\$ 432,060
Licenses, fees and permits	1,165,210	1,007,980	919,005	(88,975)
Intergovernmental	118,310	104,790	93,112	(11,678)
Charges for services	1,433,630	1,433,630	1,471,767	38,137
Fines and forfeitures	649,000	539,000	579,364	40,364
Use of money and property	180,070	180,070	266,081	86,011
Other	103,920	156,376	183,364	26,988
Total revenues	13,721,090	14,134,046	14,656,953	522,907
EXPENDITURES				
Current:				
General government	5,013,270	5,956,632	4,872,316	1,084,316
Public safety	5,903,190	5,903,190	5,484,825	418,365
Public works	175,420	175,420	168,302	7,118
Capital outlay	-	-	157,431	(157,431)
Debt service:				
Interest	-	-	5,796	(5,796)
Total expenditures	11,091,880	12,035,242	10,688,670	1,346,572
Excess (deficiency) of revenues over (under) expenditures	2,629,210	2,098,804	3,968,283	1,869,479
OTHER FINANCING USES				
Proceeds from capital lease	-	-	157,431	(157,431)
Transfers out	(1,966,030)	(4,046,557)	(3,682,090)	364,467
Total other financing uses	(1,966,030)	(4,046,557)	(3,524,659)	207,036
Net change in fund balance	663,180	(1,947,753)	443,624	2,076,515
Fund balance, beginning of year	5,278,546	5,278,546	5,278,546	-
Fund balance, end of year	\$ 5,941,726	\$ 3,330,793	\$ 5,722,170	\$ 2,076,515

CITY OF DEL MAR

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

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. Supplemental budgetary increases in appropriations for the General, Special Revenue, Debt Service and Capital Project Funds in the amount of \$6,241,334 were made during the year ended June 30, 2016.
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, Special Revenue, Debt Service and Capital Projects Funds (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 XIIB 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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Special Revenue Funds

The **Gasoline Tax Special Revenue 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 **Open Space Special Revenue 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 **Supplemental Law Enforcement Special Revenue Fund** is used to account for grant revenue received by the City from the State of California for supplemental law enforcement expenditures.

The **Regional Communications System Special Revenue Fund** is 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 Special Revenue Fund** accounts for federal, state and local grants received by the City and the expenditure of those funds.

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

The **AB 939 Special Revenue Fund** accounts for the costs of implementing the countywide integrated waste management plan and programs.

Debt Service Fund

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.

Capital Projects Funds

The **Transnet II Capital Improvement Capital Projects Fund** is used to account for the financial resources for the City's Sidewalk, Street and Drainage Project.

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

CITY OF DEL MAR

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds					
	Gasoline Tax	Open Space	Supplemental Law Enforcement	Regional Communi- cations System	Grants	Housing
ASSETS						
Cash and investments	\$ 12,120	\$ 337,767	\$ -	\$ 3,330	\$ 28,336	\$ 405,980
Receivables:						
Accrued interest	-	-	-	-	28	396
Accounts, net	-	118,483	-	-	-	-
Due from other agencies	7,697	-	29,324	-	4,278	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>\$ 19,817</u>	<u>\$ 456,250</u>	<u>\$ 29,324</u>	<u>\$ 3,330</u>	<u>\$ 32,642</u>	<u>\$ 406,376</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 19,817	\$ 116,726	\$ 6,184	\$ -	\$ 8,735	\$ 9,250
Deposits payable	-	22,645	-	-	-	-
Due to other funds	-	-	23,140	3,330	-	-
Retention payable	-	14,719	-	-	-	-
Total liabilities	<u>19,817</u>	<u>154,090</u>	<u>29,324</u>	<u>3,330</u>	<u>8,735</u>	<u>9,250</u>
Fund balances:						
Restricted for:						
Public safety	-	-	-	-	23,907	-
Low-income housing	-	-	-	-	-	397,126
Public works	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Street projects	-	-	-	-	-	-
Committed to:						
Parks and recreation	-	302,160	-	-	-	-
Total fund balances	<u>-</u>	<u>302,160</u>	<u>-</u>	<u>-</u>	<u>23,907</u>	<u>397,126</u>
Total liabilities and fund balances	<u>\$ 19,817</u>	<u>\$ 456,250</u>	<u>\$ 29,324</u>	<u>\$ 3,330</u>	<u>\$ 32,642</u>	<u>\$ 406,376</u>

Special Revenue Fund	Debt Service Fund	Capital Projects Funds			
AB 939	Wildfire	Transnet II Capital Improvement	RTCIP	Total	
\$ 174,211	\$ 96,300	\$ 315,408	\$ 18	\$ 1,373,470	
148	96	-	5	673	
12,949	-	-	-	131,432	
-	-	201,007	-	242,306	
-	-	45,671	-	45,671	
<u>\$ 187,308</u>	<u>\$ 96,396</u>	<u>\$ 562,086</u>	<u>\$ 23</u>	<u>\$ 1,793,552</u>	
\$ 2,752	-	\$ 512,228	-	\$ 675,692	
-	-	-	-	22,645	
-	-	-	6	26,476	
-	-	45,671	-	60,390	
<u>2,752</u>	<u>-</u>	<u>557,899</u>	<u>6</u>	<u>785,203</u>	
-	-	-	-	23,907	
-	-	-	-	397,126	
184,556	-	-	-	184,556	
-	96,396	-	-	96,396	
-	-	4,187	17	4,204	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302,160</u>	
<u>184,556</u>	<u>96,396</u>	<u>4,187</u>	<u>17</u>	<u>1,008,349</u>	
<u>\$ 187,308</u>	<u>\$ 96,396</u>	<u>\$ 562,086</u>	<u>\$ 23</u>	<u>\$ 1,793,552</u>	

CITY OF DEL MAR

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Special Revenue Funds					
	Gasoline Tax	Open Space	Supplemental Law Enforcement	Regional Communi- cations System	Grants	Housing
REVENUES						
Taxes	\$ 93,695	\$ 9,463	\$ -	\$ 44,155	\$ -	\$ -
Licenses, fees and permits	-	333,101	-	-	-	9,360
Intergovernmental	-	344,764	100,000	-	103,705	-
Use of money and property	-	851	-	132	265	4,609
Contributions	-	13,612	-	-	-	-
Other	192	41,527	29,324	-	-	-
Total revenues	93,887	743,318	129,324	44,287	103,970	13,969
EXPENDITURES						
Current:						
General government	-	-	-	-	70,825	87,945
Public safety	-	-	210,681	55,820	18,533	-
Public works	421,568	-	-	-	-	-
Parks and recreation	-	907,484	-	-	-	-
Capital outlay	-	511,040	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	421,568	1,418,524	210,681	55,820	89,358	87,945
Excess (deficiency) of revenues over (under) expenditures	(327,681)	(675,206)	(81,357)	(11,533)	14,612	(73,976)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	-
Transfers in	297,104	677,951	81,357	1,192	-	-
Transfers out	-	-	-	(14,508)	-	-
Total other financing sources (uses)	297,104	677,951	81,357	(13,316)	-	-
Net change in fund balances	(30,577)	2,745	-	(24,849)	14,612	(73,976)
Fund balances, beginning of year	30,577	299,415	-	24,849	9,295	471,102
Fund balances, end of year	\$ -	\$ 302,160	\$ -	\$ -	\$ 23,907	\$ 397,126

Special Revenue Fund	Debt Service Fund	Capital Projects Funds			
AB 939	Wildfire	Transnet II Capital Improvement	RTCIP	Total	
\$ -	\$ -	\$ -	\$ -	\$ 147,313	
51,795	-	-	-	394,256	
-	-	918,421	-	1,466,890	
1,707	1,088	1,243	50	9,945	
-	-	-	-	13,612	
-	-	-	-	71,043	
53,502	1,088	919,664	50	2,103,059	
24,304	-	-	-	183,074	
-	-	-	-	285,034	
-	-	-	-	421,568	
-	-	-	-	907,484	
-	-	1,435,966	4,488	1,951,494	
-	-	50,000	-	50,000	
-	-	149,347	-	149,347	
24,304	-	1,635,313	4,488	3,948,001	
29,198	1,088	(715,649)	(4,438)	(1,844,942)	
-	-	622,150	-	622,150	
-	-	92,700	-	1,150,304	
-	-	-	-	(14,508)	
-	-	714,850	-	1,757,946	
29,198	1,088	(799)	(4,438)	(86,996)	
155,358	95,308	4,986	4,455	1,095,345	
\$ 184,556	\$ 96,396	\$ 4,187	\$ 17	\$ 1,008,349	

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
GASOLINE TAX SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 103,650	\$ 99,350	\$ 93,695	\$ (5,655)
Other	-	-	192	192
Total revenues	<u>103,650</u>	<u>99,350</u>	<u>93,887</u>	<u>(5,463)</u>
EXPENDITURES				
Current:				
Public works	<u>412,200</u>	<u>442,778</u>	<u>421,568</u>	<u>21,210</u>
Total expenditures	<u>412,200</u>	<u>442,778</u>	<u>421,568</u>	<u>21,210</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(308,550)</u>	<u>(343,428)</u>	<u>(327,681)</u>	<u>15,747</u>
OTHER FINANCING SOURCES				
Transfers in	<u>308,550</u>	<u>308,551</u>	<u>297,104</u>	<u>(11,447)</u>
Total other financing sources	<u>308,550</u>	<u>308,551</u>	<u>297,104</u>	<u>(11,447)</u>
Net change in fund balance	-	(34,877)	(30,577)	4,300
Fund balance, beginning of year	<u>30,577</u>	<u>30,577</u>	<u>30,577</u>	<u>-</u>
Fund balance, end of year	<u>\$ 30,577</u>	<u>\$ (4,300)</u>	<u>\$ -</u>	<u>\$ 4,300</u>

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
OPEN SPACE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 16,320	\$ 16,320	9,463	\$ (6,857)
Licenses, fees and permits	348,090	348,090	333,101	(14,989)
Intergovernmental	43,750	331,152	344,764	13,612
Use of money and property	780	780	851	71
Contributions	19,600	79,600	13,612	(65,988)
Other	43,000	43,000	41,527	(1,473)
Total revenues	471,540	818,942	743,318	(75,624)
EXPENDITURES				
Current:				
Parks and recreation	844,870	845,962	907,484	(61,522)
Capital outlay	180,000	667,924	511,040	156,884
Total expenditures	1,024,870	1,513,886	1,418,524	95,362
Excess (deficiency) of revenues over (under) expenditures	(553,330)	(694,944)	(675,206)	19,738
OTHER FINANCING SOURCES				
Transfers in	556,330	591,274	677,951	86,677
Total other financing sources	556,330	591,274	677,951	86,677
Net change in fund balance	3,000	(103,670)	2,745	106,415
Fund balance, beginning of year	299,415	299,415	299,415	-
Fund balance, end of year	\$ 302,415	\$ 195,745	\$ 302,160	\$ 106,415

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
 SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Other	-	-	29,324	29,324
Total revenues	100,000	100,000	129,324	29,324
EXPENDITURES				
Current:				
Public safety	183,680	183,680	210,681	(27,001)
Total expenditures	183,680	183,680	210,681	(27,001)
Excess (deficiency) of revenues over (under) expenditures	(83,680)	(83,680)	(81,357)	2,323
OTHER FINANCING SOURCES				
Transfers in	83,680	83,680	81,357	(2,323)
Total other financing sources	83,680	83,680	81,357	(2,323)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
REGIONAL COMMUNICATIONS SYSTEM SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 45,000	\$ 45,000	\$ 44,155	\$ (845)
Use of money and property	-	-	132	132
Total revenues	45,000	45,000	44,287	(713)
EXPENDITURES				
Current:				
Public safety	34,500	39,500	55,820	(16,320)
Total expenditures	34,500	39,500	55,820	(16,320)
Excess (deficiency) of revenues over (under) expenditures	10,500	5,500	(11,533)	(17,033)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,192	1,192
Transfers out	-	-	(14,508)	(14,508)
Total other financing uses	-	-	(13,316)	(13,316)
Net change in fund balance	10,500	5,500	(24,849)	(30,349)
Fund balance, beginning of year	24,849	24,849	24,849	-
Fund balance, end of year	\$ 35,349	\$ 30,349	\$ -	\$ (30,349)

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 43,860	\$ 43,860	\$ 103,705	\$ 59,845
Use of money and property	-	-	265	265
Total revenues	43,860	43,860	103,970	60,110
EXPENDITURES				
Current:				
General government	-	70,825	70,825	-
Public safety	40,170	40,170	18,533	21,637
Total expenditures	40,170	110,995	89,358	21,637
Net change in fund balance	3,690	(67,135)	14,612	81,747
Fund balance, beginning of year	9,295	9,295	9,295	-
Fund balance, end of year	\$ 12,985	\$ (57,840)	\$ 23,907	\$ 81,747

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
HOUSING SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Licenses, fees and permits	\$ 47,000	\$ 47,000	\$ 9,360	\$ (37,640)
Use of money and property	4,210	4,210	4,609	399
Total revenues	51,210	51,210	13,969	(37,241)
EXPENDITURES				
Current:				
General government	117,000	117,000	87,945	29,055
Total expenditures	117,000	117,000	87,945	29,055
Net change in fund balance	(65,790)	(65,790)	(73,976)	(8,186)
Fund balance, beginning of year	471,102	471,102	471,102	-
Fund balance, end of year	\$ 405,312	\$ 405,312	\$ 397,126	\$ (8,186)

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
 AB 939 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Licenses, fees and permits	\$ 50,000	\$ 50,000	\$ 51,795	\$ 1,795
Use of money and property	-	-	1,707	1,707
Total revenues	50,000	50,000	53,502	3,502
EXPENDITURES				
Current:				
General government	70,000	70,000	24,304	45,696
Total expenditures	70,000	70,000	24,304	45,696
Net change in fund balance	(20,000)	(20,000)	29,198	49,198
Fund balance, beginning of year	155,358	155,358	155,358	-
Fund balance, end of year	\$ 135,358	\$ 135,358	\$ 184,556	\$ 49,198

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
WILDFIRE DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Use of money and property	\$ -	\$ -	\$ 1,088	\$ 1,088
Total revenues	-	-	1,088	1,088
EXPENDITURES				
Current:				
General government	750	750	-	750
Total expenditures	750	750	-	750
Net change in fund balance	(750)	(750)	1,088	1,838
Fund balance, beginning of year	95,308	95,308	95,308	-
Fund balance, end of year	\$ 94,558	\$ 94,558	\$ 96,396	\$ 1,838

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
TRANSNET II CAPITAL IMPROVEMENT
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 10,000	\$ 813,000	\$ 918,421	\$ 105,421
Use of money and property	10	10	1,243	1,233
Total revenues	10,010	813,010	919,664	106,654
EXPENDITURES				
Capital outlay	10,000	1,949,506	1,435,966	513,540
Debt service:				
Principal	-	-	50,000	(50,000)
Interest	-	-	149,347	(149,347)
Total expenditures	10,000	1,949,506	1,635,313	314,193
Excess (deficiency) of revenues over (under) expenditures	10	(1,136,496)	(715,649)	420,847
OTHER FINANCING SOURCES				
Transfers in	-	-	92,700	92,700
Issuance of debt	-	-	622,150	622,150
Total other financing sources	-	-	714,850	714,850
Net change in fund balance	10	(1,136,496)	(799)	1,135,697
Fund balance, beginning of year	4,986	4,986	4,986	-
Fund balance, end of year	\$ 4,996	\$ (1,131,510)	\$ 4,187	\$ 1,135,697

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
 REGIONAL TRANSPORTATION CONGESTION IMPROVEMENT PROGRAM
 CAPITAL PROJECTS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Use of money and property	\$ -	\$ -	\$ 50	\$ 50
Total revenues	-	-	50	50
EXPENDITURES				
Capital outlay	-	4,450	4,488	(38)
Total expenditures	-	4,450	4,488	(38)
Net change in fund balance	-	(4,450)	(4,438)	12
Fund balance, beginning of year	4,455	4,455	4,455	-
Fund balance, end of year	\$ 4,455	\$ 5	\$ 17	\$ 12

CITY OF DEL MAR

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT CAPITAL
PROJECTS FUND - MAJOR FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 15,000	\$ 383,484	\$ 489,908	\$ 106,424
Use of money and property	-	-	22,947	22,947
Other	7,359,505	7,877,305	792,057	(7,085,248)
Total revenues	7,374,505	8,260,789	1,304,912	(6,955,877)
EXPENDITURES				
Capital outlay	8,540,005	12,101,602	4,511,256	7,590,346
Total expenditures	8,540,005	12,101,602	4,511,256	7,590,346
Excess (deficiency) of revenues over (under) expenditures	(1,165,500)	(3,840,813)	(3,206,344)	634,469
OTHER FINANCING SOURCES				
Transfers in	949,500	2,478,080	2,492,009	13,929
Total other financing sources	949,500	2,478,080	2,492,009	13,929
Net change in fund balance	(216,000)	(1,362,733)	(714,335)	648,398
Fund balance, beginning of year	4,451,680	4,451,680	4,451,680	-
Fund balance, end of year	\$ 4,235,680	\$ 3,088,947	\$ 3,737,345	\$ 648,398

CITY OF DEL MAR

AGENCY FUNDS

JUNE 30, 2016

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 and 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 FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2016

	Stratford and Luneta Undergrounding Assessment District 1989-01	Seawall Refinance Assessment District 1999-01	Ocean View/Pines Assessment District 2005-01
ASSETS			
Accounts receivable	\$ 98	\$ 199	\$ 92
Restricted assets:			
Cash and investments	<u>97,876</u>	<u>199,020</u>	<u>91,701</u>
Total assets	<u>\$ 97,974</u>	<u>\$ 199,219</u>	<u>\$ 91,793</u>
LIABILITIES			
Due to bond holders	<u>\$ 97,974</u>	<u>\$ 199,219</u>	<u>\$ 91,793</u>
Total liabilities	<u>\$ 97,974</u>	<u>\$ 199,219</u>	<u>\$ 91,793</u>

North Hills Undergrounding Assessment District 2007-01	Sunset Undergrounding Assessment District 2007-02	Total
\$ 37,130	\$ 10	\$ 37,529
-	9,611	398,208
<u>\$ 37,130</u>	<u>\$ 9,621</u>	<u>\$ 435,737</u>
<u>\$ 37,130</u>	<u>\$ 9,621</u>	<u>\$ 435,737</u>
<u>\$ 37,130</u>	<u>\$ 9,621</u>	<u>\$ 435,737</u>

CITY OF DEL MAR

AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>Stratford and Luneta Undergrounding</u>				
<u>Assessment District 1989-01</u>				
ASSETS				
Accounts receivable	\$ 52	\$ 98	\$ (52)	\$ 98
Restricted assets:				
Cash and investments	96,815	1,648	(587)	97,876
Total assets	<u>\$ 96,867</u>	<u>\$ 1,746</u>	<u>\$ (639)</u>	<u>\$ 97,974</u>
LIABILITIES				
Due to bond holders	\$ 96,867	\$ 1,746	\$ (639)	\$ 97,974
Total liabilities	<u>\$ 96,867</u>	<u>\$ 1,746</u>	<u>\$ (639)</u>	<u>\$ 97,974</u>
<u>Seawall Refinance Assessment District 1999-01</u>				
ASSETS				
Accounts receivable	\$ 114	\$ 199	\$ (114)	\$ 199
Restricted assets:				
Cash and investments	211,495	100,158	(112,633)	199,020
Total assets	<u>\$ 211,609</u>	<u>\$ 100,357</u>	<u>\$ (112,747)</u>	<u>\$ 199,219</u>
LIABILITES				
Due to bond holders	\$ 211,609	\$ 100,357	\$ (112,747)	\$ 199,219
Total liabilities	<u>\$ 211,609</u>	<u>\$ 100,357</u>	<u>\$ (112,747)</u>	<u>\$ 199,219</u>
<u>Ocean View/Pines Assessment District 2005-01</u>				
ASSETS				
Accounts receivable	\$ 49	\$ 92	\$ (49)	\$ 92
Restricted assets:				
Cash and investments	90,950	60,498	(59,747)	91,701
Total assets	<u>\$ 90,999</u>	<u>\$ 60,590</u>	<u>\$ (59,796)</u>	<u>\$ 91,793</u>
LIABILITIES				
Due to bond holders	\$ 90,999	\$ 60,590	\$ (59,796)	\$ 91,793
Total liabilities	<u>\$ 90,999</u>	<u>\$ 60,590</u>	<u>\$ (59,796)</u>	<u>\$ 91,793</u>

CITY OF DEL MAR

AGENCY FUNDS, (CONTINUED)
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>North Hills Undergrounding</u>				
<u>Assessment District 2007-01</u>				
ASSETS				
Accounts receivable	\$ 37,130	\$ -	\$ -	\$ 37,130
Restricted assets:				
Cash and investments	-	37,130	(37,130)	-
Total assets	<u>\$ 37,130</u>	<u>\$ 37,130</u>	<u>\$ (37,130)</u>	<u>\$ 37,130</u>
LIABILITIES				
Due to bond holders	<u>\$ 37,130</u>	<u>\$ 37,130</u>	<u>\$ (37,130)</u>	<u>\$ 37,130</u>
Total liabilities	<u>\$ 37,130</u>	<u>\$ 37,130</u>	<u>\$ (37,130)</u>	<u>\$ 37,130</u>
<u>Sunset Undergrounding Assessment District 2007-02</u>				
ASSETS				
Accounts receivable	\$ 5	\$ 10	\$ (5)	\$ 10
Restricted assets:				
Cash and investments	9,510	156	(55)	9,611
Total assets	<u>\$ 9,515</u>	<u>\$ 166</u>	<u>\$ (60)</u>	<u>\$ 9,621</u>
LIABILITIES				
Due to bond holders	<u>\$ 9,515</u>	<u>\$ 166</u>	<u>\$ (60)</u>	<u>\$ 9,621</u>
Total liabilities	<u>\$ 9,515</u>	<u>\$ 166</u>	<u>\$ (60)</u>	<u>\$ 9,621</u>
<u>Total Agency Funds</u>				
ASSETS				
Accounts receivable	\$ 37,350	\$ 399	\$ (220)	\$ 37,529
Restricted assets:				
Cash and investments	408,770	199,590	(210,152)	398,208
Total assets	<u>\$ 446,120</u>	<u>\$ 199,989</u>	<u>\$ (210,372)</u>	<u>\$ 435,737</u>
LIABILITIES				
Due to bond holders	<u>\$ 446,120</u>	<u>\$ 199,989</u>	<u>\$ (210,372)</u>	<u>\$ 435,737</u>
Total liabilities	<u>\$ 446,120</u>	<u>\$ 199,989</u>	<u>\$ (210,372)</u>	<u>\$ 435,737</u>

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CITY OF DEL MAR STATISTICAL SECTION

Fiscal Year 2015-2016



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.

Contents	Page
Financial Trends	
These tables contain trend information that may assist the reader in the City's current financial performance by placing it in historical perspective.	102
Revenue Capacity	
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 and use tax.	114
Debt Capacity	
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.	128
Demographic and Economic Information	
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	134
Operating Information	
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.	137

City of Del Mar

Net Position by Component ⁽¹⁾

Last Ten Fiscal Years Ended June 30, 2016

(Accrual basis of accounting)

	Fiscal Year				
	2006-2007	2007-2008	2008-2009 ⁽²⁾	2009-2010	2010-2011
Governmental Activities					
Net investment in capital assets	\$ 18,622,695	\$ 32,141,682	\$ 29,850,840	\$ 30,313,422	\$ 37,944,461
Restricted	750,233	1,035,026	1,693,192	1,371,099	2,968,749
Unrestricted	6,069,386	482,410	3,731,430	3,997,451	4,573,211
Total governmental activities net position	\$ 25,442,314	\$ 33,659,118	\$ 35,275,462	\$ 35,681,972	\$ 45,486,421
Business-type Activities					
Net investment in capital assets	\$ 17,781,176	\$ 18,768,065	\$ 19,924,858	\$ 19,503,704	\$ 20,873,821
Restricted	689,363	700,635	-	-	-
Unrestricted	3,304,723	3,037,145	2,976,453	3,823,049	2,623,531
Total business-type activities net position	\$ 21,775,262	\$ 22,505,845	\$ 22,901,311	\$ 23,326,753	\$ 23,497,352
Primary Government					
Net investment in capital assets	\$ 36,403,871	\$ 51,610,382	\$ 49,775,698	\$ 49,817,126	\$ 58,818,282
Restricted	1,439,596	792,800	1,693,192	1,371,099	2,968,749
Unrestricted	9,374,109	3,761,781	6,707,883	7,820,500	7,196,742
Total primary government net position	\$ 47,217,576	\$ 56,164,963	\$ 58,176,773	\$ 59,008,725	\$ 68,983,773

Notes:

(1) Accounting standards require that the net position be reported in three components in the financial statements: investment in capital assets, net of related debt, restricted, and unrestricted.

The net position is 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) Fiscal Year 2008-2009 amounts were restated to record the write down of land in business-type activities.

(3) Fiscal Year 2012-2013 amounts were restated to record expense related to the pension debt for CalPERS side fund, and to remove unamortized bond issuance costs for the implementation of GASB Statement 65.

(4) Fiscal Year 2013-2014 amounts were restated to measure and recognize pension liabilities for the implementation of GASB 68 and GASB 71.

Source: City of Del Mar, Finance Department

		Fiscal Year				
2011-2012	2012-2013 ⁽³⁾	2013-2014 ⁽⁴⁾	2014-2015	2015-2016		
\$ 47,943,072	\$ 55,606,641	\$ 59,605,566	\$ 59,266,263	\$ 63,917,170		
2,143,980	965,813	980,148	795,930	706,189		
5,025,740	4,743,258	217,804	3,680,641	3,657,031		
<u>\$ 55,112,792</u>	<u>\$ 61,315,712</u>	<u>\$ 60,803,518</u>	<u>\$ 63,742,834</u>	<u>\$ 68,280,390</u>		
\$ 19,876,130	\$ 20,592,138	\$ 18,867,190	\$ 19,468,010	\$ 21,145,247		
-	-	-	-	-		
3,845,994	2,697,664	2,730,948	2,532,915	1,565,516		
<u>\$ 23,722,124</u>	<u>\$ 23,289,802</u>	<u>\$ 21,598,138</u>	<u>\$ 22,000,925</u>	<u>\$ 22,710,763</u>		
\$ 67,819,202	\$ 76,198,779	\$ 78,472,756	\$ 78,734,273	\$ 85,062,417		
2,143,980	965,813	980,148	795,930	706,189		
8,871,734	7,440,922	2,948,752	6,213,556	5,222,547		
<u>\$ 78,834,916</u>	<u>\$ 84,605,514</u>	<u>\$ 82,401,656</u>	<u>\$ 85,743,759</u>	<u>\$ 90,991,153</u>		

City of Del Mar
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Expenses					
Governmental Activities					
General government	\$ 3,888,011	\$ 4,359,318	\$ 4,386,669	\$ 4,313,697	\$ 4,124,385
Public safety	4,750,724	4,807,256	5,080,611	5,115,313	5,050,517
Public works	899,025	972,444	934,974	1,511,201	1,057,431
Parks and recreation	633,010	662,959	672,742	686,835	692,531
Community services	-	1,079	-	-	-
Interest on long-term debt	74,368	139,679	119,312	128,910	51,070
Total governmental activities expenses	<u>10,245,138</u>	<u>10,942,735</u>	<u>11,194,308</u>	<u>11,755,956</u>	<u>10,975,934</u>
Business-type Activities					
Water	2,064,393	2,007,296	2,113,510	2,323,776	2,396,157
Wastewater	2,038,716	2,173,470	2,236,764	2,299,233	2,453,005
Clean water	359,082	530,166	439,010	429,372	370,017
Total business-type activities expenses	<u>4,462,191</u>	<u>4,710,932</u>	<u>4,789,284</u>	<u>5,052,381</u>	<u>5,219,179</u>
Total primary government expenses	<u>\$ 14,707,329</u>	<u>\$ 15,653,667</u>	<u>\$ 15,983,592</u>	<u>\$ 16,808,337</u>	<u>\$ 16,195,113</u>
Program Revenues					
Governmental Activities					
Charges for services:					
General government	\$ 1,622,284	\$ 1,614,329	\$ 920,795	\$ 1,017,198	\$ 1,308,618
Public safety	252,613	233,027	1,172,189	1,268,801	1,466,187
Public works	-	-	14,000	-	-
Parks and recreation	590,413	498,075	406,236	404,801	392,672
Operating grants and contributions	401,153	611,539	323,436	343,777	454,648
Capital grants and contributions	1,557,918	7,677,470	1,762,742	703,612	4,194,853
Total governmental activities program revenues	<u>4,424,381</u>	<u>10,634,440</u>	<u>4,599,398</u>	<u>3,738,189</u>	<u>7,816,978</u>
Business-type Activities					
Charges for services:					
Water	2,390,664	2,357,075	2,344,156	2,234,510	2,277,701
Wastewater	2,424,808	2,417,053	2,345,933	2,584,404	2,622,453
Clean water	131,068	258,538	306,266	383,946	380,080
Capital grants and contributions	-	-	-	-	5,000
Total business-type activities program revenues	<u>4,946,540</u>	<u>5,032,666</u>	<u>4,996,355</u>	<u>5,202,860</u>	<u>5,285,234</u>
Total primary government revenues	<u>\$ 9,370,921</u>	<u>\$ 15,667,106</u>	<u>\$ 9,595,753</u>	<u>\$ 8,941,049</u>	<u>\$ 13,102,212</u>
Net revenues/(expenses): ⁽¹⁾					
Governmental activities	\$ (5,820,757)	\$ (308,295)	\$ (6,594,910)	\$ (8,017,767)	\$ (3,158,956)
Business-type activities	484,349	321,734	207,071	150,479	66,055
Total net revenues/(expenses)	<u>\$ (5,336,408)</u>	<u>\$ 13,439</u>	<u>\$ (6,387,839)</u>	<u>\$ (7,867,288)</u>	<u>\$ (3,092,901)</u>
General Revenue and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	\$ 3,756,024	\$ 4,032,639	\$ 4,215,519	\$ 4,433,968	\$ 4,510,439
Sales and use tax	1,732,150	1,408,551	1,362,060	1,367,739	1,551,454
Transient occupancy tax	1,682,319	1,247,227	1,418,345	1,505,530	1,704,696
Franchise tax	356,121	362,404	375,033	342,989	402,677
Business license tax	182,343	193,839	197,696	188,535	197,639
Motor vehicle in-lieu tax	30,291	-	-	-	-
Intergovernmental, unrestricted	259,110	276,741	211,868	163,473	140,401
Use of money and property	817,285	884,169	260,440	199,148	123,733
Sale of capital assets	-	-	-	-	4,171,104
Other	113,571	360,982	341,428	271,953	171,791
Transfers	(218,972)	(241,453)	(171,135)	(49,063)	(10,530)
Total governmental activities	<u>8,710,242</u>	<u>8,525,099</u>	<u>8,211,254</u>	<u>8,424,272</u>	<u>12,963,404</u>
Business-type activities					
Unrestricted investment earnings	162,536	167,396	90,967	28,378	13,762
Other	-	-	127,207	197,522	80,252
Transfers	218,972	241,453	171,254	49,063	10,530
Total business-type activities	<u>381,508</u>	<u>408,849</u>	<u>389,428</u>	<u>274,963</u>	<u>104,544</u>
Total primary government	<u>\$ 9,091,750</u>	<u>\$ 8,933,948</u>	<u>\$ 8,600,682</u>	<u>\$ 8,699,235</u>	<u>\$ 13,067,948</u>
Change in Net Position					
Governmental activities	\$ 2,889,485	\$ 8,216,804	\$ 1,616,344	\$ 406,510	\$ 9,804,449
Business-type activities	865,857	730,583	596,499	425,442	170,599
Total primary government	<u>\$ 3,755,342</u>	<u>\$ 8,947,387</u>	<u>\$ 2,212,843</u>	<u>\$ 831,952</u>	<u>\$ 9,975,048</u>

Note:

(1) 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

Fiscal Year				
2011-2012	2012-2013 ⁽²⁾	2013-2014	2014-2015	2015-2016
\$ 4,817,999	\$ 4,577,084	\$ 4,328,963	\$ 4,748,943	\$ 5,362,200
5,365,983	6,463,932	5,472,799	5,705,795	5,716,667
491,439	923,784	943,013	1,649,191	1,410,511
732,882	776,639	839,063	835,545	936,586
-	-	-	-	-
22,603	15,813	8,438	158,679	155,143
<u>11,430,906</u>	<u>12,757,252</u>	<u>11,592,276</u>	<u>13,098,153</u>	<u>13,581,107</u>
2,544,512	2,759,682	2,964,821	3,165,994	3,072,195
2,608,785	2,786,105	2,759,107	2,965,384	2,500,851
416,849	425,569	411,143	439,752	464,373
<u>5,570,146</u>	<u>5,971,356</u>	<u>6,135,071</u>	<u>6,571,130</u>	<u>6,037,419</u>
<u>\$ 17,001,052</u>	<u>\$ 18,728,608</u>	<u>\$ 17,727,347</u>	<u>\$ 19,669,283</u>	<u>\$ 19,618,526</u>
\$ 1,112,124	\$ 1,117,178	\$ 1,388,029	\$ 1,646,441	\$ 1,547,069
1,382,429	1,312,948	1,318,815	1,457,029	1,382,501
-	2,165	2,209	-	-
466,632	414,556	443,169	410,206	383,027
282,071	277,781	311,393	285,416	231,257
8,474,616	7,358,463	3,874,226	951,754	1,802,911
<u>11,717,872</u>	<u>10,483,091</u>	<u>7,337,841</u>	<u>4,750,846</u>	<u>5,346,765</u>
2,477,171	2,711,877	2,861,908	2,822,138	2,745,721
2,874,751	2,998,521	3,048,006	3,675,632	3,486,362
382,709	404,313	395,404	408,037	420,388
5,000	-	5,000	5,000	5,000
<u>5,739,631</u>	<u>6,114,711</u>	<u>6,310,318</u>	<u>6,910,807</u>	<u>6,657,471</u>
<u>\$ 17,457,503</u>	<u>\$ 16,597,802</u>	<u>\$ 13,648,159</u>	<u>\$ 11,661,653</u>	<u>\$ 12,004,236</u>
\$ 286,966	\$ (2,274,161)	\$ (4,254,435)	\$ (8,347,307)	\$ (8,234,342)
169,485	143,355	175,247	339,677	620,052
<u>\$ 456,451</u>	<u>\$ (2,130,806)</u>	<u>\$ (4,079,188)</u>	<u>\$ (8,007,630)</u>	<u>\$ (7,614,290)</u>
\$ 4,647,145	\$ 4,971,265	\$ 5,329,825	\$ 5,291,352	\$ 5,640,285
1,628,442	1,674,709	1,700,688	1,998,279	2,332,522
1,805,475	1,939,699	2,101,634	2,444,275	2,617,866
421,518	384,220	373,589	367,471	369,524
210,243	191,786	191,734	208,898	226,508
-	-	-	-	-
117,062	205,319	209,226	278,081	182,140
83,424	161,140	190,457	239,734	298,974
18,811	-	-	-	108,023
424,070	412,954	228,085	493,914	1,050,341
(16,785)	(108,563)	(19,615)	(35,381)	(54,285)
<u>9,339,405</u>	<u>9,832,529</u>	<u>10,305,623</u>	<u>11,286,623</u>	<u>12,771,898</u>
13,260	24,395	5,591	27,729	35,501
25,242	26,060	-	-	-
16,785	108,563	19,615	35,381	54,285
<u>55,287</u>	<u>159,017</u>	<u>25,206</u>	<u>63,110</u>	<u>89,786</u>
<u>\$ 9,394,692</u>	<u>\$ 9,991,546</u>	<u>\$ 10,330,829</u>	<u>\$ 11,349,733</u>	<u>\$ 12,861,684</u>
\$ 9,626,371	\$ 7,558,368	\$ 6,051,188	\$ 2,939,316	\$ 4,537,556
224,772	323,493	200,453	402,787	709,838
<u>\$ 9,851,143</u>	<u>\$ 7,881,861</u>	<u>\$ 6,251,641</u>	<u>\$ 3,342,103</u>	<u>\$ 5,247,394</u>

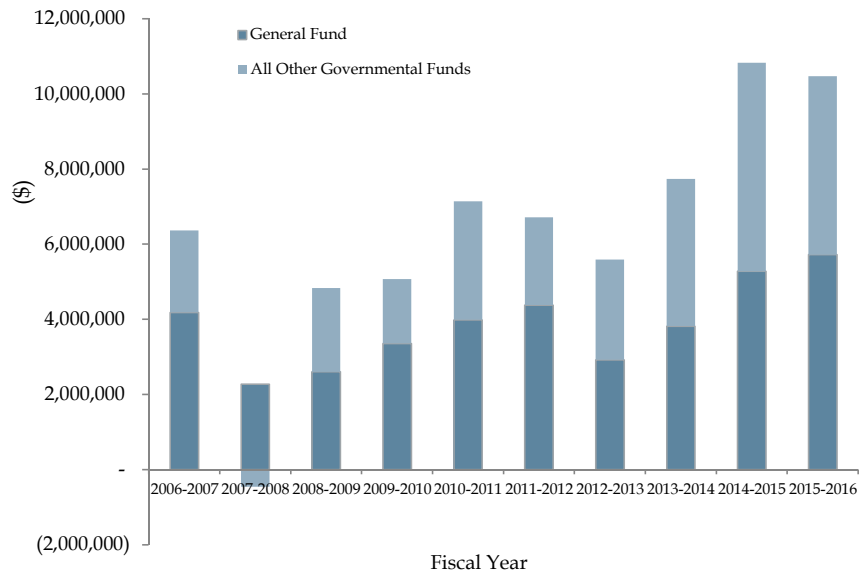
(2) Fiscal Year 2012-2013 amounts were restated to remove unamortized bond issuance costs for the implementation of GASB Statement 65.

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

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011 ⁽¹⁾
General Fund					
Reserved	\$ 723,828	\$ 84,451	\$ 30,334	\$ 36,396	\$ -
Unreserved	3,460,629	2,190,405	2,572,399	3,320,829	-
Nonspendable	-	-	-	-	-
Assigned	-	-	-	-	1,681,273
Unassigned	-	-	-	-	2,305,009
Total general fund	\$ 4,184,457	\$ 2,274,856	\$ 2,602,733	\$ 3,357,225	\$ 3,986,282
All Other Governmental Funds					
Reserved	\$1,510,792	\$2,623,549	\$1,482,888	\$ 963,355	\$ -
Unreserved, reported in:					
Special revenue funds	582,765	-	67,058	342,232	-
Debt service funds	163,948	-	-	-	-
Capital projects fund	(72,041)	(3,084,510)	683,550	409,384	-
Restricted	-	-	-	-	976,173
Committed	-	-	-	-	190,215
Assigned	-	-	-	-	1,992,576
Total all other governmental funds	\$ 2,185,464	\$ (460,961)	\$ 2,233,496	\$ 1,714,971	\$ 3,158,964

Source: City of Del Mar, Finance Department

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years



(Concluded)

Fiscal Year				
2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
525,151	-	-	-	-
1,470,192	1,475,704	1,471,791	1,471,791	1,530,159
2,384,635	1,446,003	2,345,865	3,806,755	4,192,011
<u>\$ 4,379,978</u>	<u>\$ 2,921,707</u>	<u>\$ 3,817,656</u>	<u>\$ 5,278,546</u>	<u>\$ 5,722,170</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
976,276	965,812	980,148	795,930	706,189
181,806	167,503	207,819	299,415	302,160
1,180,204	1,535,486	2,729,399	4,451,680	3,737,345
<u>\$ 2,338,286</u>	<u>\$ 2,668,801</u>	<u>\$ 3,917,366</u>	<u>\$ 5,547,025</u>	<u>\$ 4,745,694</u>

Note:

- (1) The City implemented GASB Number 54 in Fiscal Year 2010-2011.
Information before implementation is not available.

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

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Revenues:					
Taxes	\$ 7,828,037	\$ 7,350,716	\$ 7,676,829	\$ 7,937,072	\$ 8,521,081
Licenses and permits	1,218,764	1,288,712	1,005,220	916,254	1,185,430
Intergovernmental	1,158,484	2,176,880	2,230,841	1,022,692	4,470,137
Charges for services	360,848	777,891	794,002	992,813	1,091,028
Fines and forfeitures	884,813	860,395	761,014	781,733	891,019
Use of money and property	781,165	426,807	225,747	188,513	117,942
Contributions	1,006,653	5,703,470	325,389	108,559	181,627
Other revenues	139,875	91,668	358,876	253,253	153,538
Total revenues	<u>13,378,639</u>	<u>18,676,539</u>	<u>13,377,918</u>	<u>12,200,889</u>	<u>16,611,802</u>
Expenditures:					
General government	3,780,975	4,363,308	4,376,664	4,158,473	4,134,195
Public safety	5,019,669	4,846,456	5,068,992	4,994,026	5,105,353
Public works	808,979	528,086	475,670	557,557	530,892
Parks and recreation	580,463	654,005	671,207	670,548	700,050
Capital outlays	1,734,248	12,130,994	2,807,876	1,039,393	4,526,067
Debt service:					
Principal	316,851	339,749	435,778	363,293	3,637,212
Interest and fiscal charges	93,083	128,514	111,144	132,569	67,774
Total expenditures	<u>12,334,268</u>	<u>22,991,112</u>	<u>13,947,331</u>	<u>11,915,859</u>	<u>18,701,543</u>
Excess of revenues over (under) expenditures	<u>1,044,371</u>	<u>(4,314,573)</u>	<u>(569,413)</u>	<u>285,030</u>	<u>(2,089,741)</u>
Other Financing Sources (Uses)					
Proceeds from capital lease	-	-	-	-	-
Issuance of debt	-	-	3,763,000	-	-
Sale of capital assets	-	-	-	-	4,171,104
Transfers-in	1,417,545	2,706,687	1,287,803	584,915	5,695,089
Transfers-out	(1,636,517)	(2,948,140)	(1,459,056)	(633,978)	(5,703,402)
Total other financing sources (uses)	<u>(218,972)</u>	<u>(241,453)</u>	<u>3,591,747</u>	<u>(49,063)</u>	<u>4,162,791</u>
Net change in fund balances	<u>\$ 825,399</u>	<u>\$ (4,556,026)</u>	<u>\$ 3,022,334</u>	<u>\$ 235,967</u>	<u>\$ 2,073,050</u>
Debt service as a percentage of noncapital expenditures	<u>3.87%</u>	<u>4.31%</u>	<u>4.91%</u>	<u>4.56%</u>	<u>26.14%</u> ⁽¹⁾

Note:

- (1) The increased debt service percentage is due to the payoff of the loan on the Shores Property which came from the sale of the Balboa lot.
- (2) The increase in expenditures is due to the payoff of the California Employees' Retirement System (CalPERS) Side Fund liability.

Source: City of Del Mar, Finance Department

(Concluded)

Fiscal Year				
2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 8,858,700	\$ 9,284,503	\$ 9,865,474	\$ 10,469,129	\$ 11,291,573
1,047,420	1,036,973	1,320,317	1,432,809	1,313,261
8,077,378	7,638,143	4,165,489	1,167,061	2,049,910
1,098,148	1,190,559	1,296,138	1,447,608	1,471,767
815,617	669,665	586,367	633,259	579,364
79,311	154,539	190,457	239,733	298,973
657,875	36,921	17,368	26,100	13,612
416,689	411,397	221,469	657,152	1,046,464
21,051,138	20,422,700	17,663,079	16,072,851	18,064,924
4,848,423	5,903,824	4,326,650	4,465,857	5,055,390
5,380,136	6,457,063	5,442,607	5,707,066	5,769,859
544,546	767,200	486,619	565,436	589,870
734,815	775,814	809,797	796,933	907,484
9,796,937	7,664,337	4,960,745	2,652,017	6,620,181
150,000	155,000	165,000	886,500	50,000
25,290	18,655	11,532	158,718	155,143
21,480,147	21,741,893	16,202,950	15,232,527	19,147,927
(429,009)	(1,319,193)	1,460,129	840,324	(1,083,003)
-	-	-	-	157,431
-	-	704,000	2,285,606	622,150
18,811	-	-	-	-
1,183,682	1,779,347	2,180,793	2,739,389	3,642,313
(1,200,466)	(1,587,910)	(2,200,408)	(2,774,770)	(3,696,598)
2,027	191,437	684,385	2,250,225	725,296
\$ (426,982)	\$ (1,127,756)	\$ 2,144,514	\$ 3,090,549	\$ (357,707)
1.50%	1.27%	1.58%	8.33%	1.65%

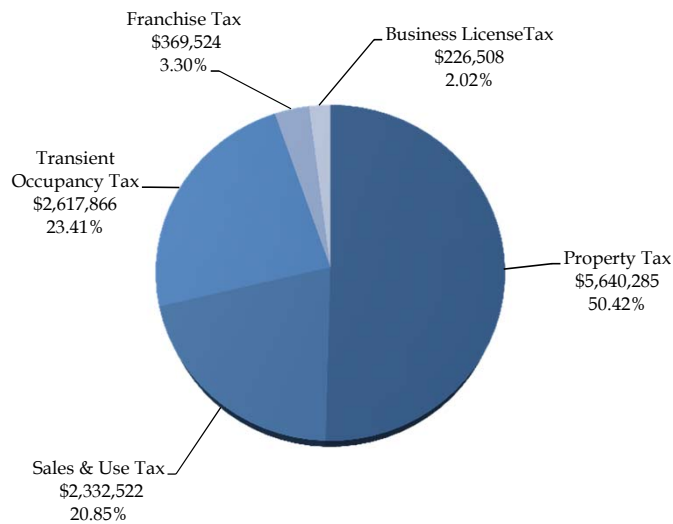
City of Del Mar
Governmental Activities Tax Revenues By Sources
Last Ten Fiscal Years

Fiscal Year	Property Taxes (1)	Sales & Use Tax (2)	Transient Occupancy Tax	Franchise Tax	Business License Tax	Total
2015-2016	\$ 5,640,285	\$ 2,332,522	\$ 2,617,866	\$ 369,524	\$ 226,508	\$ 11,186,705
2014-2015	5,291,352	1,998,279	2,444,275	367,471	208,898	10,310,275
2013-2014	5,329,825	1,700,688	2,101,634	373,589	191,734	9,697,470
2012-2013	4,971,265	1,674,709	1,939,699	384,220	191,786	9,161,679
2011-2012	4,647,145	1,628,442	1,805,475	421,518	210,243	8,712,823
2010-2011	4,510,439	1,551,454	1,704,696	402,677	197,639	8,366,905
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
Change from Base Year 2007	50.17%	34.66%	55.61%	3.76%	24.22%	45.11%

Notes:

- (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, 2016



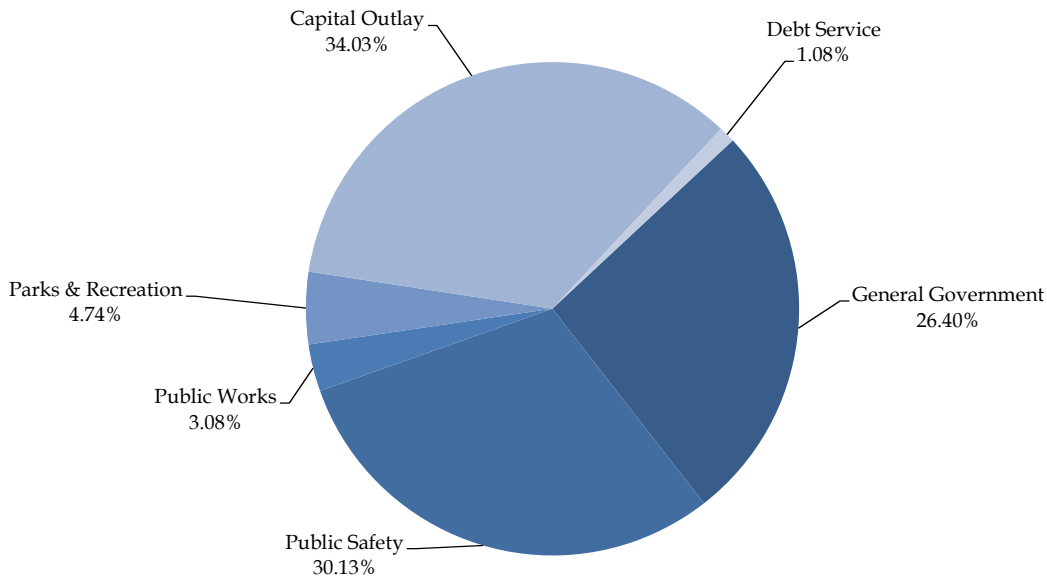
Source: City of Del Mar, Finance Department

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City of Del Mar
General Governmental Expenditures By Function ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works
2015-2016	\$ 5,055,390	\$ 5,769,859	\$ 589,870
2014-2015	4,465,857	5,707,066	565,436
2013-2014	4,326,650	5,442,607	486,619
2012-2013	5,903,824	6,457,063	767,200
2011-2012	4,848,423	5,380,136	544,546
2010-2011	4,134,195	5,105,353	530,892
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

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
Fiscal Year Ended June 30, 2016



Notes:

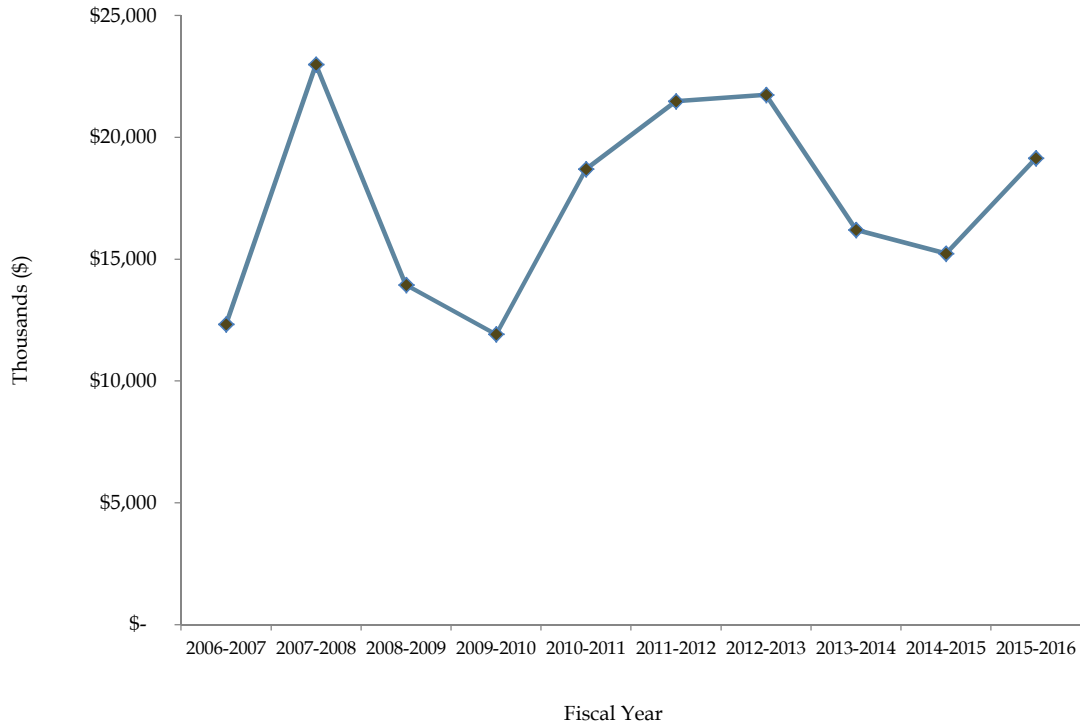
- (1) These amounts include all governmental fund types and exclude other financing sources (uses).
- (2) These amounts include lease and bond payments toward debt service.

Source: City of Del Mar, Finance Department

(Concluded)

	Parks and Recreation	Capital Outlay	Debt Service ⁽²⁾	Total
\$	907,484	\$ 6,620,181	\$ 205,143	\$ 19,147,927
	796,933	2,652,017	1,045,218	15,232,527
	809,797	4,960,745	176,532	16,202,950
	775,814	7,664,337	173,655	21,741,893
	734,815	9,796,937	175,290	21,480,147
	700,050	4,526,067	3,704,986	18,701,543
	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

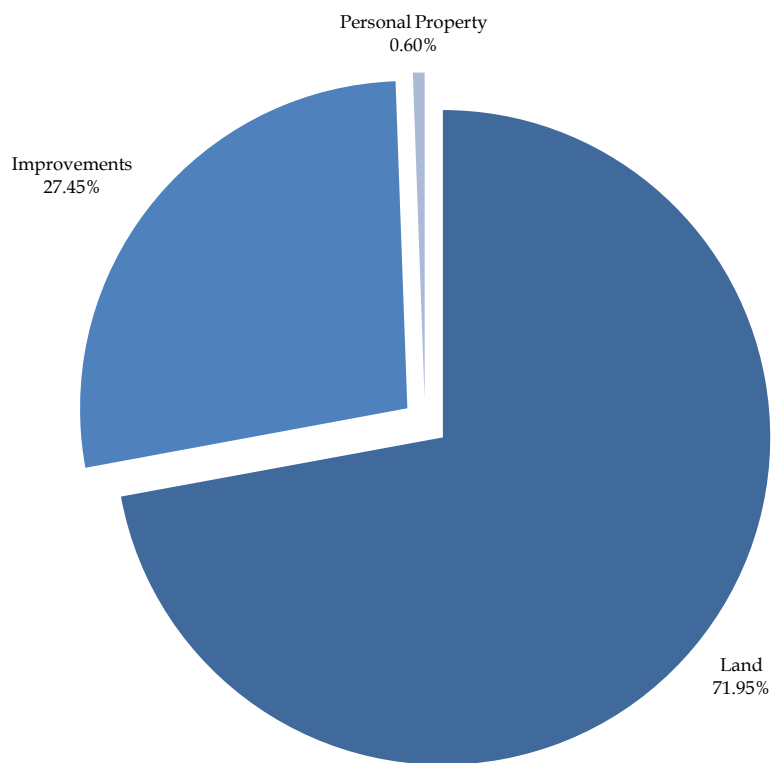
**TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years**



City of Del Mar
Assessed Valuation ⁽¹⁾ 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
2015-2016	\$ -	\$ -	\$ -	\$ -	\$ 2,311,411,842	\$ 845,516,967	\$ 2,516,792	\$ 3,159,445,601
2014-2015	-	-	-	-	2,156,012,588	811,418,979	-	2,967,431,567
2013-2014	-	-	-	-	2,070,200,773	783,962,779	-	2,854,163,552
2012-2013	-	-	-	-	1,954,149,908	714,731,656	5,494	2,668,887,058
2011-2012	-	-	-	-	1,918,194,704	683,506,497	169,279	2,601,870,480
2010-2011	-	-	-	-	1,880,114,480	655,122,496	206,702	2,535,443,678
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

ASSESSED VALUATION BY CATEGORIES
(TOTAL LOCALLY ASSESSED - BEFORE EXEMPTIONS)
Fiscal Year Ended June 30, 2016



In 1978, California voters passed Proposition 13 which set the property tax at a fixed amount of one percent. 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.

(Continued)

Locally Assessed

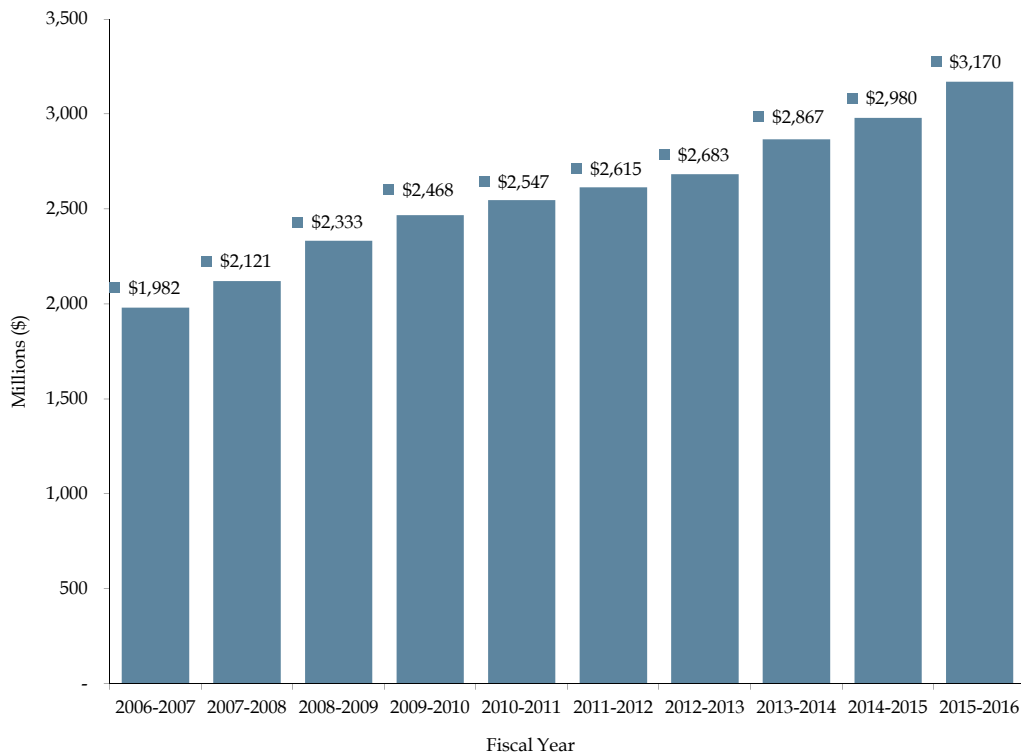
Secured			Unsecured				
Exemptions		Total	Improvements	Personal Property	Total	Other Exemptions	Total
All Others	Home Owners	After Exemptions			Before Exemptions		After Exemptions
\$ (3,374,099)	\$ (6,332,200)	\$ 3,149,739,302	\$ 6,276,297	\$ 14,334,541	\$ 20,610,838	\$ (247,256)	\$ 20,363,582
(3,310,064)	(6,375,600)	2,957,745,903	5,688,971	17,304,718	22,993,689	(289,114)	22,704,575
(3,312,066)	(6,386,800)	2,844,464,686	5,659,587	17,285,563	22,945,150	(340,680)	22,604,470
(3,246,230)	(6,612,200)	2,659,028,628	6,299,048	18,158,999	24,458,047	(341,553)	24,116,494
(3,182,380)	(6,713,000)	2,591,975,100	5,673,292	17,923,916	23,597,208	(301,587)	23,295,621
(3,386,894)	(6,797,000)	2,525,259,784	5,012,329	16,673,086	21,685,415	(48,405)	21,637,010
(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

City of Del Mar
Assessed Valuation ⁽¹⁾ and Actual Value of Taxable Property
Last Ten Fiscal Years **(Concluded)**

Totals

Fiscal Year	Totals Before Exemptions	Net Taxable Valuation	Percent Increase/ (Decrease)	Total Rate
2015-2016	\$ 3,180,056,439	\$ 3,170,102,884	6.36%	1.02625%
2014-2015	2,990,425,256	2,980,450,478	3.95%	1.02497%
2013-2014	2,877,108,702	2,867,069,156	6.85%	1.03296%
2012-2013	2,693,345,105	2,683,145,122	2.60%	1.01055%
2011-2012	2,625,467,688	2,615,270,721	2.68%	1.00970%
2010-2011	2,557,129,093	2,546,896,794	3.20%	1.00925%
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%

**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 ⁽¹⁾
Last Ten Fiscal Years

Category	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Residential	\$ 1,927,655,893	\$ 2,126,571,875	\$ 2,252,513,842	\$ 2,341,247,897	\$ 2,394,641,412
Commercial	168,728,531	178,609,919	183,387,390	180,733,181	193,402,493
Industrial	2,368,947	2,406,337	2,454,459	2,448,637	2,467,068
Irrigation farm	-	-	-	-	-
Rural land (Non-irrigated)	-	-	-	-	-
Institutional	2,594,863	2,646,759	2,699,693	2,693,294	2,713,573
Recreational	5,507,582	7,181,758	7,570,329	8,042,055	8,412,054
Miscellaneous	-	-	-	-	-
Total	\$ 2,106,855,816	\$ 2,317,416,648	\$ 2,448,625,713	\$ 2,535,165,064	\$ 2,601,636,600

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.

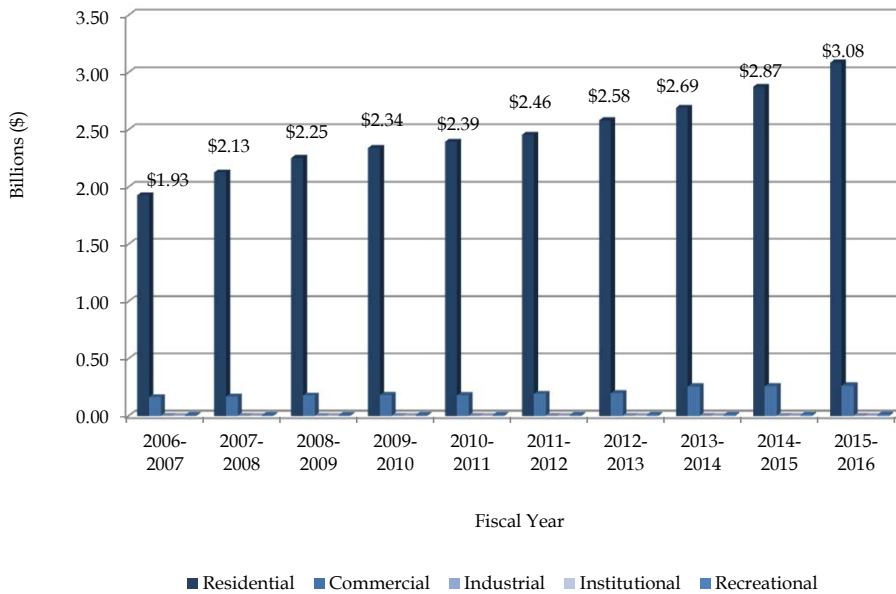
- The amounts represent total assessed value of real property, excluding personal property and fixtures, prior to exemptions.

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

(Concluded)

Fiscal Year				
2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 2,455,807,004	\$ 2,580,568,065	\$ 2,691,922,002	\$ 2,873,316,023	\$ 3,084,334,222
199,024,611	258,451,071	260,013,522	265,411,786	271,336,627
2,516,402	2,956,947	2,970,364	3,014,195	3,048,474
-	-	-	-	-
-	-	-	-	-
2,767,844	2,823,200	2,836,017	2,892,680	2,936,793
8,765,703	9,364,269	9,689,662	11,214,206	11,767,616
-	-	-	-	-
<u>\$ 2,668,881,564</u>	<u>\$ 2,854,163,552</u>	<u>\$ 2,967,431,567</u>	<u>\$ 3,155,848,890</u>	<u>\$ 3,373,423,732</u>

ASSESSED VALUE - TAXABLE PROPERTY
Last Ten Fiscal Years



City of Del Mar
Estimated Value of Taxable Property ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	Residential		Commercial		Industrial	
	Assessed Value	Number of Parcels	Assessed Value	Number of Parcels	Assessed Value	Number of Parcels
2015-2016	\$ 3,084,334,222	4,199	\$ 271,336,627	102	\$ 3,048,474	8
2014-2015	2,873,316,023	4,198	265,411,786	102	3,014,195	9
2013-2014	2,691,922,002	4,199	260,013,522	102	2,970,364	9
2012-2013	2,580,568,065	4,199	258,451,071	102	2,956,947	9
2011-2012	2,455,807,004	4,197	199,024,611	101	2,516,402	9
2010-2011	2,394,641,412	4,195	193,402,493	101	2,467,068	9
2009-2010	2,341,247,897	4,193	180,733,181	101	2,448,637	9
2008-2009	2,252,513,842	4,192	183,387,390	101	2,454,459	9
2007-2008	2,126,571,875	4,193	178,609,919	100	2,406,337	9
2006-2007	1,927,655,893	4,191	168,728,531	100	2,368,947	10

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.

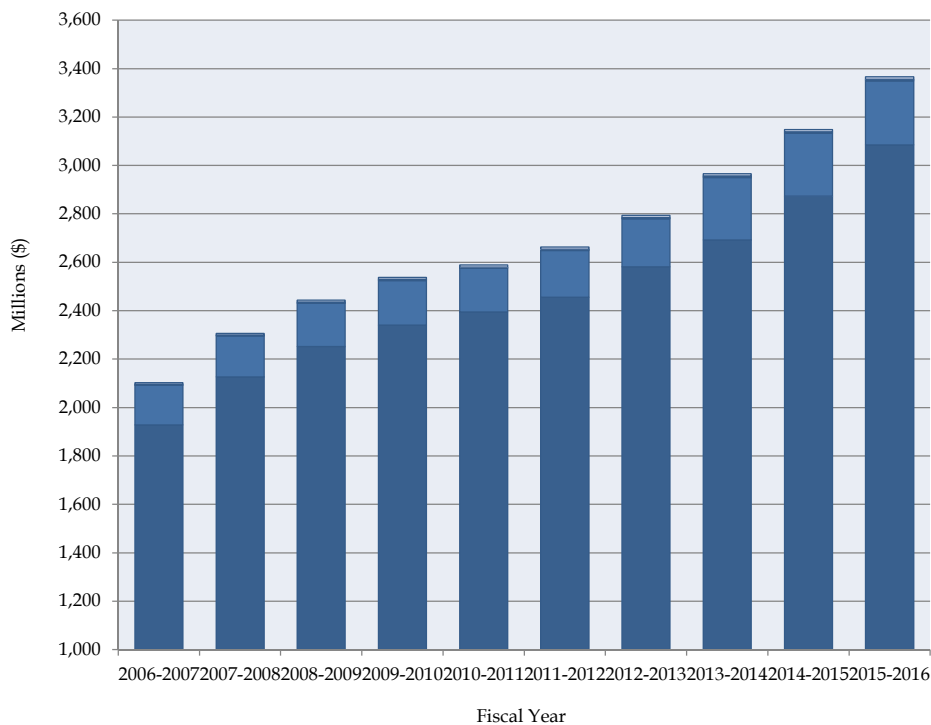
Source:

City of Del Mar
Office of the Auditor & Controller, County of San Diego

(Concluded)

Institutional		Recreational		Total		Total Direct
Assessed Value	Number of Parcels	Assessed Value	Number of Parcels	Assessed Value	Number of Parcels	Tax Rate (%) (2)
\$ 2,936,793	1	\$ 2,936,793	350	\$ 3,364,592,909	4,660	0.14775
2,892,680	1	11,214,206	337	3,155,848,890	4,647	0.14775
2,836,017	1	9,689,662	234	2,967,431,567	4,545	0.14775
2,823,200	1	9,364,269	231	2,854,163,552	4,542	0.14775
2,767,844	1	8,765,703	241	2,668,881,564	4,549	0.14775
2,713,573	1	8,412,054	241	2,601,636,600	4,547	0.14775
2,693,294	1	8,042,055	224	2,535,165,064	4,528	0.14775
2,699,693	1	7,570,329	226	2,448,625,713	4,529	0.14775
2,646,759	1	7,181,758	234	2,317,416,648	4,537	0.15688
2,594,863	1	5,507,582	215	2,106,855,816	4,517	0.14775

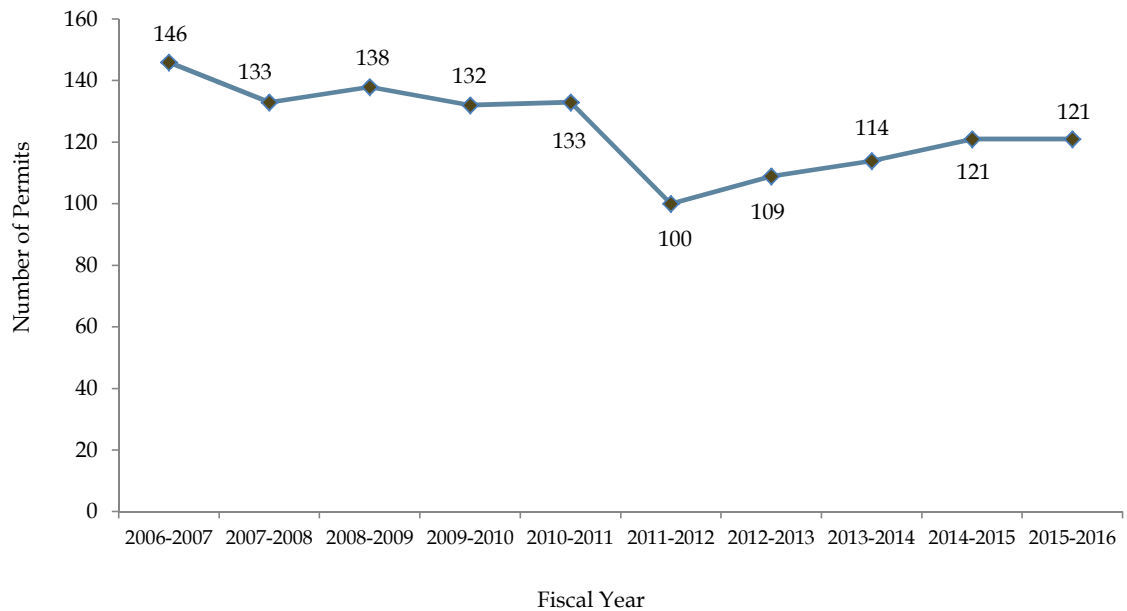
ASSESSED VALUE BY CATEGORY
June 30, 2016



**City of Del Mar
Construction Permits
(Miscellaneous Information)
Last Ten Fiscal Years**

Fiscal Year	Construction ⁽¹⁾			
	Residential		Commercial	
	Number of Permits	Valuation	Number of Permits	Valuation
2015-2016	75	\$ 10,798,630	17	\$ 572,000
2014-2015	101	12,075,924	3	338,000
2013-2014	73	10,921,237	12	951,835
2012-2013	64	7,771,721	11	112,926
2011-2012	59	6,784,857	13	2,293,192
2010-2011	61	11,634,203	17	1,556,638
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

NUMBER OF PERMITS
Last Ten Fiscal Years



Source:

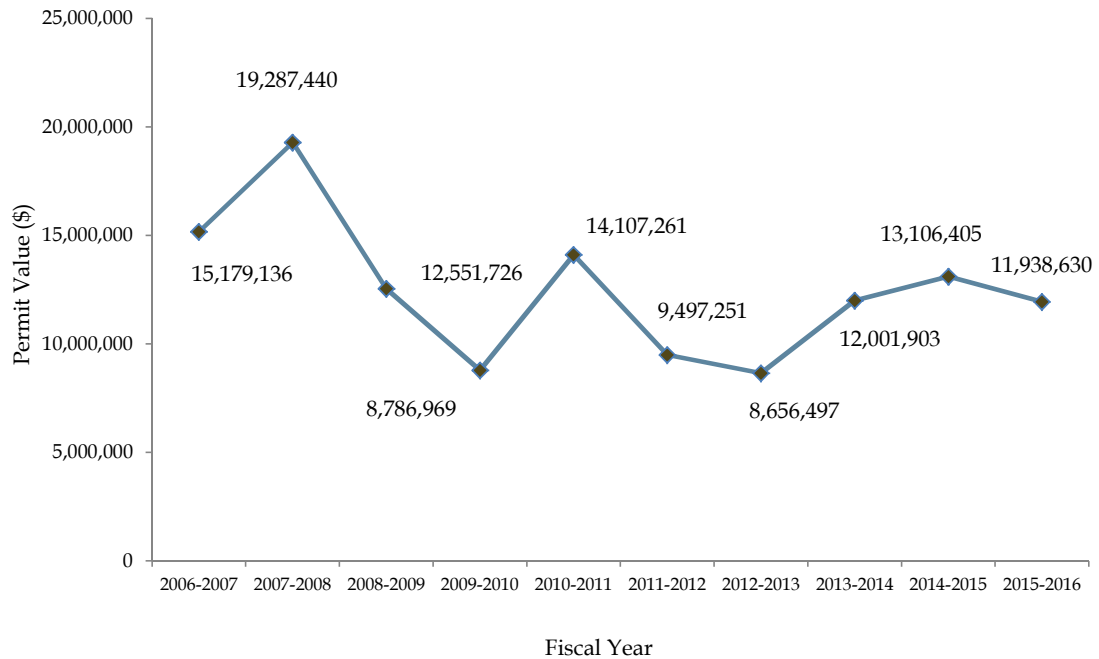
(1)

City of Del Mar, Planning and Community Development Department

(Concluded)

Construction ⁽¹⁾		Total	
Number of Permits	Valuation	Number of Permits	Valuation
29	\$ 568,000	121	\$ 11,938,630
17	692,481	121	13,106,405
29	128,831	114	12,001,903
34	771,850	109	8,656,497
28	419,202	100	9,497,251
55	916,420	133	14,107,261
35	1,238,641	132	8,786,969
40	573,300	138	12,551,726
62	580,103	133	19,287,440
66	939,865	146	15,179,136

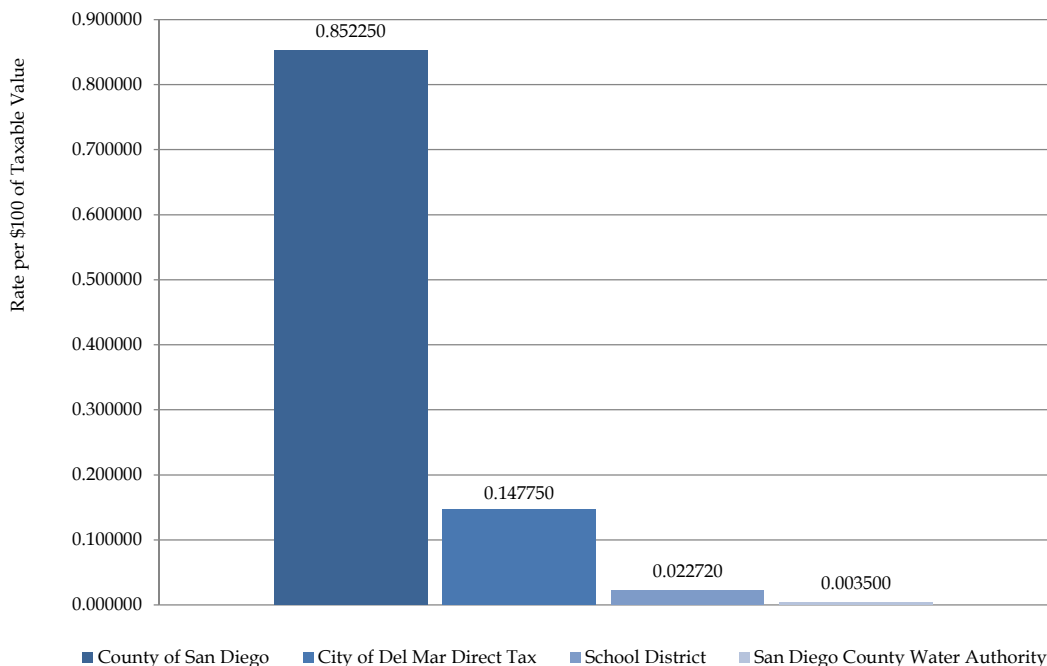
PERMIT VALUATION
Last Ten Fiscal Years



City of Del Mar
Property Tax Rates ⁽¹⁾ - All Overlapping Governments
Last Ten Fiscal Years
(Rate per \$100 of Taxable Value)

Fiscal Year	County				Special Districts			Total
	Total Del Mar Debt Service	San Diego County	City of Del Mar Direct Tax	Total County Base	School District	San Diego County Water Authority (SDCWA)	Total Special Districts	
2015-2016	-	0.85225	0.14775	1.00000	0.02272	0.00350	0.02622	1.02622
2014-2015	-	0.85225	0.14775	1.00000	0.02147	0.00350	0.02497	1.02497
2013-2014	0.00635	0.85225	0.14775	1.00000	0.02311	0.00350	0.02661	1.03296
2012-2013	0.00705	0.85225	0.14775	1.00000	-	0.00350	0.00350	1.01055
2011-2012	0.00600	0.85225	0.14775	1.00000	-	0.00370	0.00370	1.00970
2010-2011	0.00555	0.85225	0.14775	1.00000	-	0.00370	0.00370	1.00925
2009-2010	0.00622	0.85225	0.14775	1.00000	-	0.00430	0.00430	1.01052
2008-2009	0.00607	0.85225	0.14775	1.00000	-	0.00430	0.00430	1.01037
2007-2008	0.01047	0.86312	0.13688	1.00000	-	0.00450	0.00450	1.01497
2006-2007	0.00913	0.85225	0.14775	1.00000	-	0.00470	0.00470	1.01383

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
Fiscal Year Ended June 30, 2016



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 2015-2016		Fiscal Year 2006-2007	
		Assessed Valuation	Percent of Total City Assessed Valuation	Assessed Valuation	Percent of Total City Assessed Valuation
Lhoberge LP	Property management	\$ 68,648,893	2.16	\$ -	- %
G L L B V K Properties 2007 L P	Property management	45,535,706	1.43	-	-
Allred Family Living Trust	Trust	31,068,323	0.98	-	-
Del Mar Thoroughbred Club	Horse racing club	23,784,139	0.75	21,014,911	1.06
Pickens Madeleine A Trust	Trust	23,460,000	0.74	-	-
Los Arboles Apartment LLC	Management company	22,844,355	0.72	-	-
Naify Marsha J Living Trust	Trust	20,779,380	0.65	18,360,000	0.92
Luddy Frederic Family Trust	Trust	19,416,275	0.61	-	-
Jacobs Family Trust	Trust	18,523,222	0.58	16,366,532	0.82
Moores Rebecca A Family Trust	Trust	18,506,676	0.58	12,609,714	0.64
G & I III Del Mar LP	Property management	-	-	29,079,454	1.46
Starkman Linda D Trust	Trust	-	-	18,727,200	0.94
S K L Trust	Trust	-	-	13,880,970	0.70
HeckMann Mary	Trust	-	-	12,695,921	0.64
L-O DelMar Holding Inc	Management company	-	-	11,935,306	0.60
Bella Trust	Trust	-	-	11,779,408	0.59
Top Ten Totals (secured and unsecured)		292,566,969	9.21	166,449,416	8.37
All Others (secured)		2,883,868,115	90.79	1,822,136,698	91.63
Total Assessed Valuation		\$ 3,176,435,084	100.00	\$ 1,988,586,114	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

Fiscal Year 2015-2016		Fiscal Year 2006-2007	
Taxpayers	Business Type	Taxpayers	Business Type
1 Americana Restaurant	Restaurant	10,000 RV Sales	Recreation products
2 Banana Republic	Retail clothing	Americana Restaurant	Restaurant
3 Barrett's Equine	Personal services	Banana Republic	Retail clothing
4 Bully's	Restaurant	Bully's	Restaurant
5 Chicken Charlie's Enterprise	Food service	Chico's	Retail clothing
6 Del Mar Blue Print	Printing	Del Mar Blue Print	Printing
7 Del Mar Rendezvous	Restaurant	Del Mar Thoroughbred Club	Horse racing club
8 Del Mar Thoroughbred Club	Horse racing club	En Fuego Cantina & Grill	Restaurant
9 Design Line Interiors	Furniture/Appliances	Epazote A Baja Bar & Grill	Restaurant
10 En Fuego Cantina & Grill	Restaurant	Finely Design	Furniture/appliance
11 Il Fornaio	Restaurant	Gary's Studios	Portrait Studio
12 Jake's	Restaurant	Il Fornaio	Restaurant
13 Jimmy O's	Restaurant	Jake's	Restaurant
14 Juicys	Food service	Jimmy O's	Restaurant
15 L'Auberge Hotel	Restaurant	JR Resources	Retail marketing
16 Miwall Wholesale Ammo	Recreation products	La Mesa R.V. Center	Recreation products
17 Pacifica	Restaurant	L'Auberge Hotel	Restaurant
18 Pinnacle Appliance Distributor	Furniture/Appliances	Pacifica	Restaurant
19 Poseidon Restaurant	Restaurant	Peaches En Regalia	Retail clothing
20 Premier Food Services	Food service	Poseidon Restaurant	Restaurant
21 Prep Kitchen Del Mar	Restaurant	Premier Food Services	Food service
22 Sbicca An American Bistro	Restaurant	Sbicca An American Bistro	Restaurant
23 Sleep Train Mattress Center	Home furnishings	State of California	Government
24 The Brigantine	Restaurant	The Brigantine	Restaurant
25 UAG San Diego	Car sales-used	White House/Black Market	Retail clothing
Percentage of total sales tax collected		69.91%	68.75%

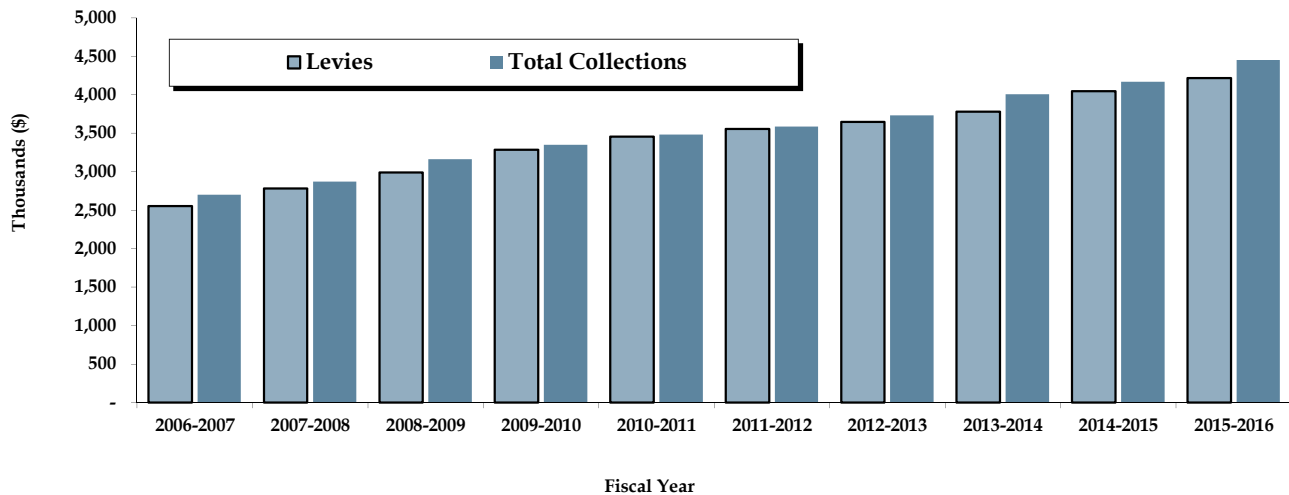
Note: The names are listed in alphabetical order and not by sales tax volume.

Source: Muniservices, LLC

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

Fiscal Year	Secured Taxes Charge (1)	Collections at Year End	Percentage of Collections at Year End	Collections in Subsequent Years	Total Collections	Percentage of Levy
2015-2016	\$ 4,487,604	\$ 4,449,392	99.15%	\$ 4,285	\$ 4,453,677	99.24%
2014-2015	4,216,164	4,165,840	98.81%	4,230	4,170,070	98.91%
2013-2014	4,046,271	3,999,623	98.85%	7,804	4,007,427	99.04%
2012-2013	3,779,401	3,732,226	98.75%	1,785	3,734,011	98.80%
2011-2012	3,646,327	3,586,085	98.35%	1,267	3,587,352	98.38%
2010-2011	3,556,184	3,483,041	97.94%	1,558	3,484,599	97.99%
2009-2010	3,457,991	3,346,258	96.77%	2,822	3,349,080	96.85%
2008-2009	3,284,776	3,159,403	96.18%	2,675	3,162,078	96.26%
2007-2008	2,990,990	2,868,782	95.91%	4,944	2,873,726	96.08%
2006-2007	2,784,194	2,698,697	96.93%	4,525	2,703,222	97.09%

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
2015-2016	\$ -	\$ -	\$ 2,845,256	\$ -	\$ 2,845,256	\$ -	\$ -	\$ -	\$ 4,566,055	\$ 4,566,055
2014-2015	-	-	2,273,106	-	2,273,106	-	440,000	-	4,771,694	5,211,694
2013-2014	170,000	-	704,000	-	874,000	-	855,000	-	4,971,536	5,826,536
2012-2013	335,000	-	-	-	335,000	-	1,250,000	-	5,168,672	6,418,672
2011-2012	490,000	-	-	-	490,000	-	1,625,000	-	4,577,583	6,202,583
2010-2011	640,000	-	-	-	640,000	-	1,980,000	-	2,691,115	4,671,115
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

Fiscal Year	Population (1)	Total Outstanding Debt	Taxable Assessed Value	Percent of Taxable Assessed Value	Debt Per Capita	Personal Income	Percent of Personal Income
2015-2016	4,274	\$ 7,411,311	\$ 3,176,435,084	0.23%	\$ 1,734	\$ 606,975 (2)	8.19%
2014-2015	4,238	7,411,311	2,986,826,078	0.25%	1,749	589,296	7.95%
2013-2014	4,234	6,700,536	2,873,455,956	0.23%	1,583	560,167	8.36%
2012-2013	4,205	6,753,672	2,689,757,322	0.25%	1,606	539,556	7.99%
2011-2012	4,194	6,692,583	2,621,983,721	0.26%	1,596	526,396	7.87%
2010-2011	4,187	5,311,115	2,553,693,794	0.21%	1,268	502,766	9.47%
2009-2010	4,660	7,392,791	2,474,858,897	0.30%	1,586	470,315	6.36%
2008-2009	4,591	7,286,446	2,340,067,576	0.31%	1,587	457,060	6.27%
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%

Notes:

- (1) The Fiscal Year 2010-2011 amount was adjusted to the 2010 Census numbers.
- (2) This amount is an estimate based upon a three percent increase from the previous fiscal year.

Sources:

City of Del Mar, Finance Department
U.S. Department of Commerce, Bureau of Economic Analysis
Office of the Auditor & Controller, County of San Diego
San Diego Association of Government (SANDAG)
State of California, Finance Department

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

Business-type Activities

Fiscal Year	Revenue (1)	Operating Expenses (1)	Net Available Revenue	Debt Service (2)				Total Debt Service	Percent Coverage
				Clean Water State Revolving		Certificates of Participation			
				Principal	Interest	Principal	Interest		
2015-2016	\$ 6,657,471	\$ 5,875,267	\$ 782,204	\$ 205,638	\$138,379	\$ -	\$ -	\$ 344,017	227.37%
2014-2015	6,910,807	6,406,810	503,997	199,848	144,169	415,000	32,375	791,392	63.68%
2013-2014	6,310,318	5,943,962	366,356	197,136	146,881	395,000	191,109	930,126	39.39%
2012-2013	6,140,771	5,769,776	370,995	-	-	375,000	191,020	566,020	65.54%
2011-2012	5,764,873	5,365,943	398,930	-	-	355,000	204,203	559,203	71.34%
2010-2011	5,365,486	4,901,719	463,767	-	-	340,000	158,701	498,701	93.00%
2009-2010	5,400,384	4,808,621	591,763	-	-	320,000	121,712	441,712	133.97%
2008-2009	5,123,562	4,789,283	334,279	-	-	530,000	144,688	674,688	49.55%
2007-2008	4,941,524	3,958,517	983,007	-	-	505,000	169,463	674,463	145.75%
2006-2007	5,240,144	3,916,855	1,323,289	-	-	480,000	193,038	673,038	196.61%

Notes:

(1) Revenue and expenses exclude financing sources/(uses).

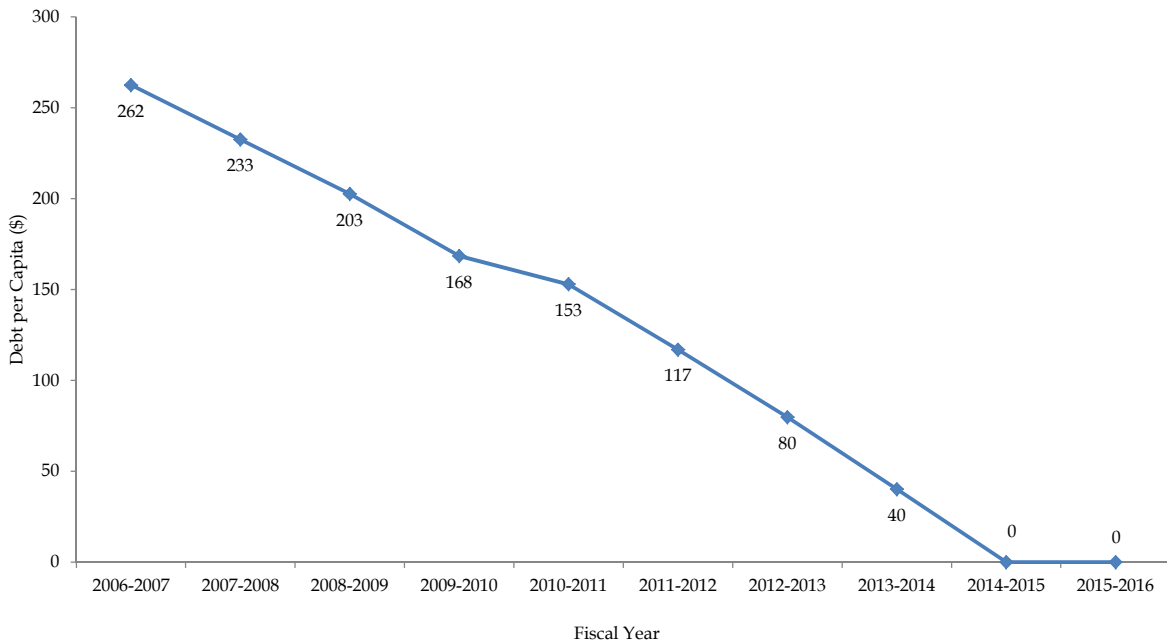
(2) Details regarding the City's outstanding debt can be found in the Notes to the Basic Financial Statements.

Source: City of Del Mar, Finance Department

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

Outstanding General Bonded Debt							
Fiscal Year	Population ⁽¹⁾	Certificates of Participation	Taxable Assessed Value	Percent of Taxable Assessed Value	Debt Per Capita	Personal Income ⁽²⁾ (in Thousands)	Percent of Personal Income
2015-2016	4,274	\$ -	\$ 3,176,435,084	0.00%	\$ -	606,975 ⁽³⁾	0.00%
2014-2015	4,238	-	2,986,826,078	0.00%	-	589,296	0.00%
2013-2014	4,234	170,000	2,873,455,956	0.01%	40	560,167	329.51%
2012-2013	4,199	335,000	2,689,757,322	0.01%	80	539,556	161.06%
2011-2012	4,194	490,000	2,621,983,721	0.02%	117	526,396	107.43%
2010-2011	4,187	640,000	2,553,693,794	0.03%	153	502,766	78.56%
2009-2010	4,660	785,000	2,474,858,897	0.03%	168	470,315	59.91%
2008-2009	4,591	930,000	2,340,067,576	0.04%	203	457,060	49.15%
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%

GENERAL BONDED DEBT OUTSTANDING PER CAPITA
Last Ten Fiscal Years



Source:

(1) State of California, Finance Department

(2) San Diego Association of Government (SANDAG)

(3) This amount is an estimate based upon a three percent increase from the previous fiscal year.

City of Del Mar
Direct and Overlapping Bonded Debt
June 30, 2016

Fiscal Year 2015-2016 Assessed Valuation	\$3,176,435,084		
Fiscal Year 2015-2016 Population	4,274		
	Total Debt	Percent	City's Share
	June 30, 2016	Applicable	of Debt
		to City ⁽¹⁾	June 30, 2016
Overlapping Tax and Assessment Debt:			
San Diego County General Obligations	\$ 307,830,000	0.718 %	\$ 2,210,219
San Diego County Pension Obligations	649,860,000	0.718 %	4,665,995
San Diego County Superintendent of Schools			
- General Fund Obligations	13,295,000	0.718 %	95,458
Mira Costa Community College District			
- Certificates of Participation	1,335,000	3.524 %	47,045
San Dieguito Union High School District			
- General Fund Obligations	12,730,000	5.694 %	724,846
Total Overlapping General Fund Debt	985,050,000		7,743,563
Direct Debt and Overlapping Tax and Assessment Debt:			
Direct Debt:			
City of Del Mar	-	100.000 %	-
Subtotal Direct Debt	-		-
Overlapping Tax and Assessment Debt:			
City of Del Mar 1915 Act Bonds	825,000	100.000 %	825,000
San Dieguito Union High School District	261,260,000	5.694 %	14,876,144
Metropolitan Water District	92,865,000	0.130 %	120,725
Subtotal Overlapping Tax and Assessment Debt	354,950,000		15,821,869
Total Direct and Overlapping Tax and Assessment Debt	354,950,000		15,821,869
Subtotal Overlapping Tax	1,340,000,000		23,565,432
Combined Total Debt	\$ 1,340,000,000		\$ 23,565,432 ⁽²⁾

(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 2015-2016 Assessed Valuation</u>		<u>Per Capita</u>
City Direct Debt	0.00%	\$0
Total Overlapping Tax and Assessment Debt.....	0.50%	\$3,702
Combined Total Debt.....	0.74%	\$5,514

State School Building Aid Repayable as of June 30, 2016 \$ -

City of Del Mar
Schedule of Legal Debt Margin⁽¹⁾
Last Ten Fiscal Years

	Fiscal Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Assessed valuation	\$ 1,988,586,114	\$ 2,128,163,277	\$ 2,340,067,576	\$ 2,474,858,897	\$ 2,553,693,794
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 497,146,529	\$ 532,040,819	\$ 585,016,894	\$ 618,714,724	\$ 638,423,449
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 74,571,979	\$ 79,806,123	\$ 87,752,534	\$ 92,807,209	\$ 95,763,517
Total net debt applicable to limit:					
General obligation bonds	1,195,000	1,065,000	930,000	785,000	640,000
Legal debt margin	<u>\$ 73,376,979</u>	<u>\$ 78,741,123</u>	<u>\$ 86,822,534</u>	<u>\$ 92,022,209</u>	<u>\$ 95,123,517</u>
Total debt applicable to the limit as a percentage of debt limit	<u>1.63%</u>	<u>1.35%</u>	<u>1.07%</u>	<u>0.85%</u>	<u>0.67%</u>

Note:

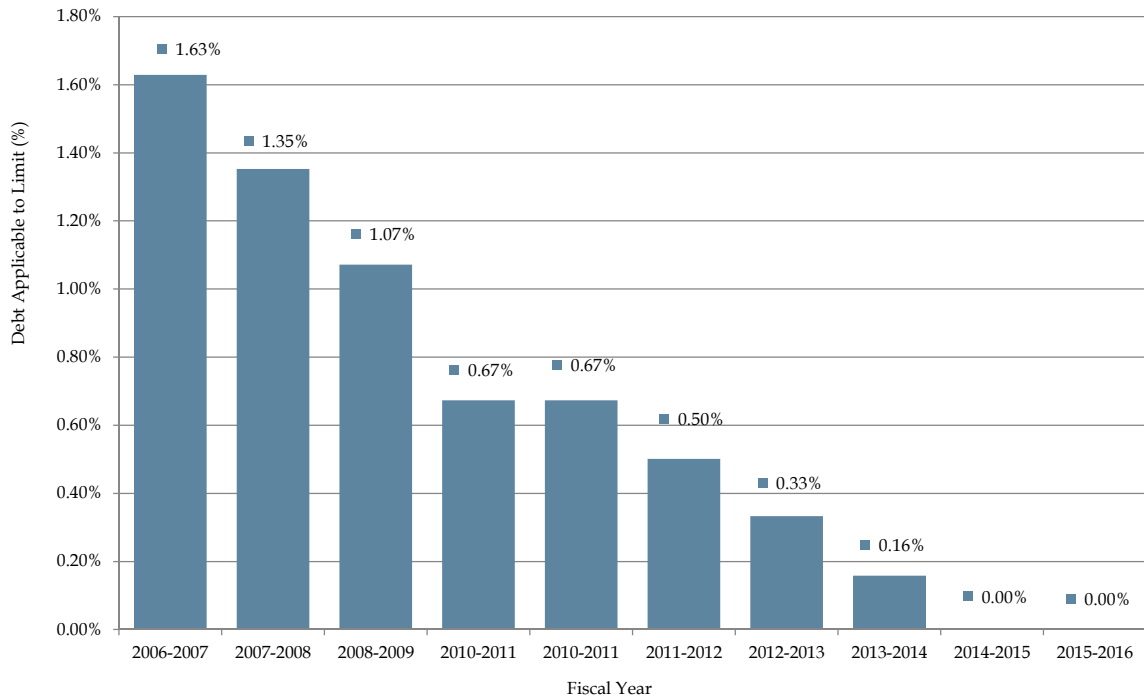
(1) Section 43605 of the Government Code of the State of California provides for a legal debt limit of 15 percent of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25 percent of market value. Effective with Fiscal Year 1981-1982, each parcel is now 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				
2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
\$ 2,621,983,721	\$ 2,689,757,322	\$ 2,873,455,956	\$ 2,986,826,078	\$ 3,176,435,084
25%	25%	25%	25%	25%
\$ 655,495,930	\$ 672,439,331	\$ 718,363,989	\$ 746,706,520	\$ 794,108,771
15%	15%	15%	15%	15%
\$ 98,324,390	\$ 100,865,900	\$ 107,754,598	\$ 112,005,978	\$ 119,116,316
490,000	335,000	170,000	-	-
\$ 97,834,390	\$ 100,530,900	\$ 107,584,598	\$ 112,005,978	\$ 119,116,316
0.50%	0.33%	0.16%	0.00%	0.00%

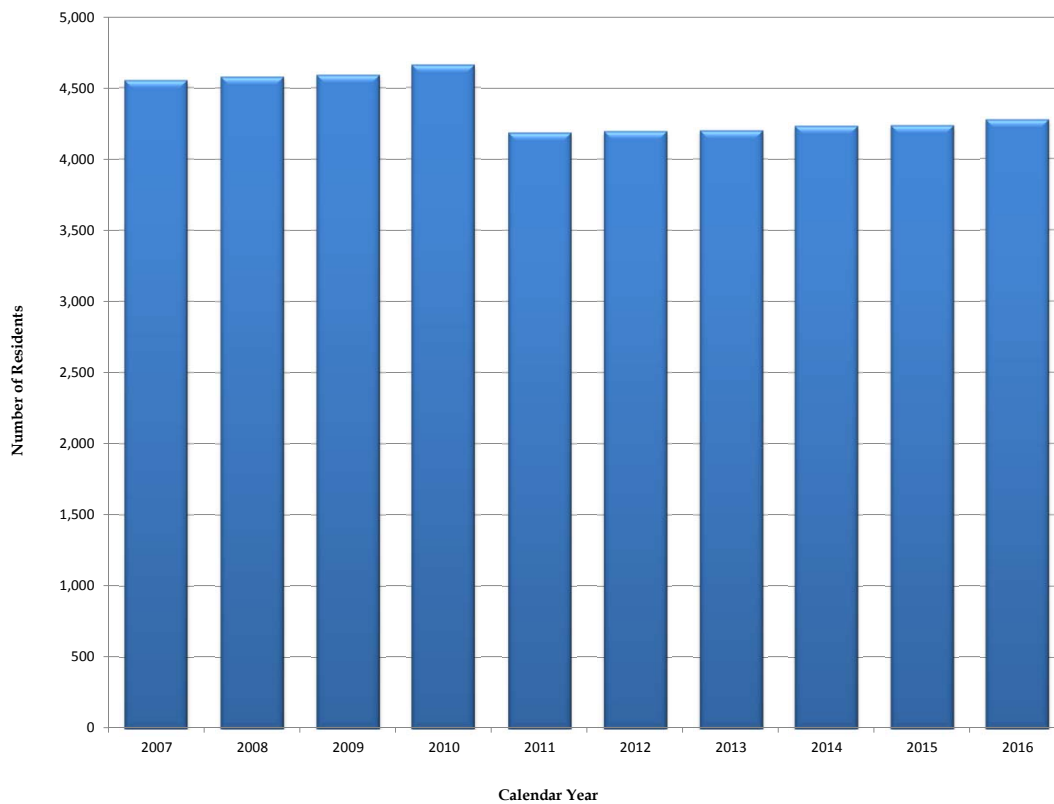
**DEBT APPLICABLE TO LIMIT
Last Ten Fiscal Years**



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)			
		City of Del Mar	Average Annual Percent Change	County of San Diego	Average Annual Percent Change	City of Del Mar		County of San Diego	
						Personal Income (in Thousands)	Per Capita	Personal Income (in Thousands)	Per Capita
2016	2,542	4,274	0.85%	3,288,612	1.89%	- *	- *	- *	- *
2015	2,605	4,238	0.09%	3,227,496	1.04%	589,296	139,050	170,114,527	52,708
2014	2,605	4,234	0.83%	3,194,362	1.40%	560,167	132,302	167,931,419	52,571
2013	2,637	4,199	0.12%	3,150,178	0.21%	539,556	128,496	165,008,428	52,381
2012	2,637	4,194	0.17%	3,143,429	0.79%	526,396	125,512	160,914,306	51,191
2011	2,542	4,187	-10.15%	3,118,876	-3.27%	502,766	120,078	151,466,837	48,565
2010	2,542	4,660	1.50%	3,224,432	1.61%	470,315	100,926	141,243,429	43,804
2009	2,537	4,591	0.24%	3,173,407	0.86%	457,060	99,556	139,577,195	45,706
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

DEL MAR
POPULATION
Last Ten Calendar Years



Note:

* This information is not available.

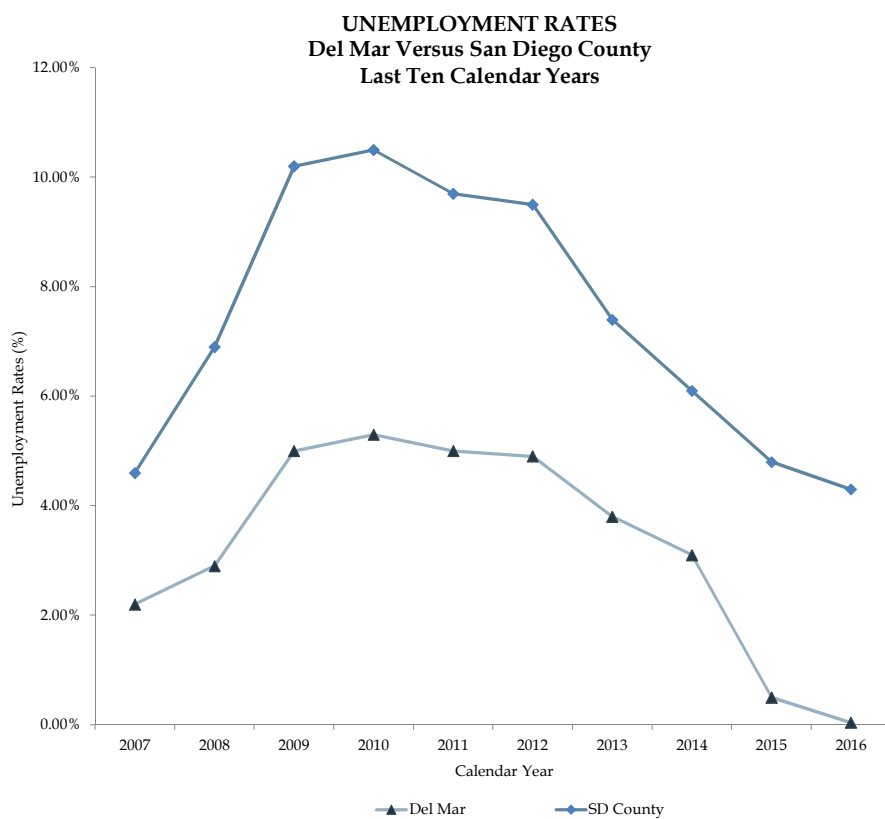
Source:

(1) SANDAG

(2) State of California, Finance Department

(3) United States Bureau of Economic Analysis

Employment ⁽⁴⁾						Enrollment Del Mar Union Elementary (5)
City of Del Mar			County of San Diego			
Labor Force	Employed	Unemployment Rate	Labor Force	Employed	Unemployment Rate	
2,700	2,700	0.04%	1,597,600	1,528,200	4.30%	4,334
2,600	2,600	0.50%	1,572,600	1,496,700	4.80%	4,399
3,100	3,000	3.10%	1,588,500	1,491,600	6.10%	4,376
3,100	3,000	3.80%	1,611,200	1,492,300	7.40%	4,384
3,100	2,900	4.90%	1,593,800	1,441,700	9.50%	4,387
3,000	2,900	5.00%	1,579,500	1,427,000	9.70%	4,363
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



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 ⁽¹⁾	Business Type	2016		2015	
		Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Avida Caregivers of Del Mar	Health services	550			
L'Auberge Del Mar Resort Spa	Resorts	250	8.33%	250	8.33%
Del Mar Fairgrounds	Banquet rooms	180	6.00%	180	6.00%
Del Mar Thoroughbred Club	Horse racing club	-	0.00%	115	3.83%
Jake's Del Mar	Restaurant	110	3.67%	110	3.67%
Il Fornaio	Restaurant	100	3.33%	100	3.33%
Brigantine Seafood Restaurant	Restaurant	100	3.33%	100	3.33%
Re/Max Moonlight Beach, Inc.	Real Estate	100	3.33%	100	3.33%
Pacifica Del Mar	Restaurant	65	2.17%	65	2.17%
Poseidon Restaurant	Restaurant	50	1.67%	50	1.67%
Hotel Indigo	Resorts	40	1.33%	40	1.33%
Total Top Ten Employers		<u>1,545</u>		<u>1,110</u>	
Total City Employment ⁽²⁾		<u>2,700</u>		<u>2,600</u>	

Notes:

(1) Represents non-governmental employers.

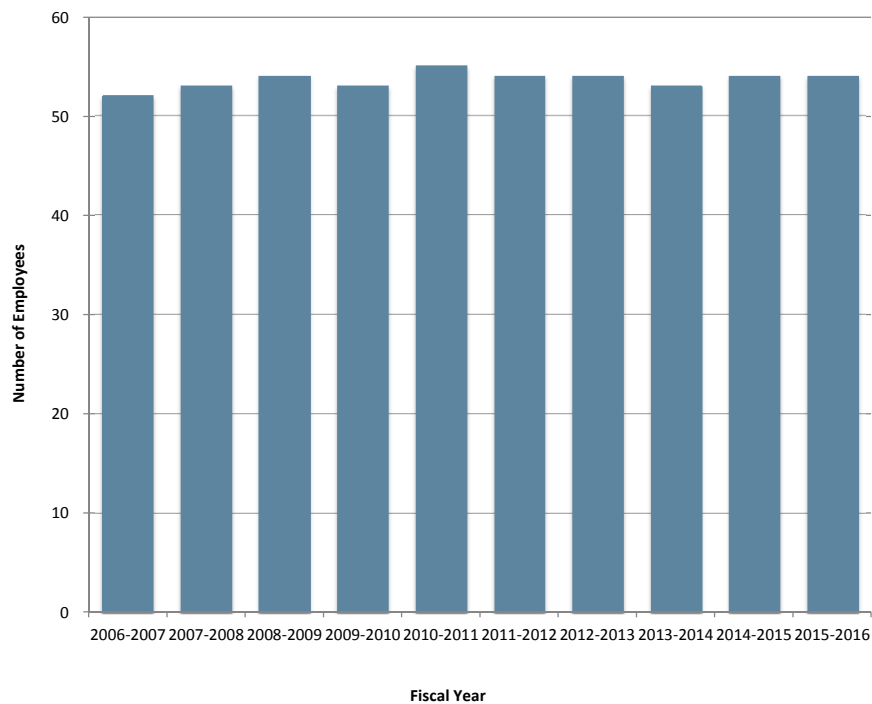
(2) Total City employment provided by EDD - Labor Market Information Division.

Source: infoUSA

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

Function	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
General government	19.5	20.5	21.0	20.0	20.0	19.0	19.0	19.0	20.0	20.0
Public safety ⁽¹⁾	15.5	15.5	15.0	15.0	17.0	17.0	17.0	16.0	16.0	16.0
Public works	12.0	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Parks and recreation	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total	52.0	53.0	54.0	53.0	55.0	54.0	54.0	53.0	54.0	54.0

**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									
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Police:										
Arrests ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Parking citations issued	18,091	19,032	20,132	20,000	27,068	21,547	19,060	18,000	15,694	11,818
Fire:										
Emergency calls	1,167	1,205	1,116	1,112	1,153	1,001	1,112	1,130	1,468	1,309
Inspections	130	490	471	307	240	425	473	598	459	394
Public works:										
Street resurfacing (miles)	0.18	0.69	0.11	0.50	-	0.50	0.50	1.00	1.00	1.00
Street slurry (miles)	-	-	-	0.50	-	0.50	0.50	-	-	-
Parks and recreation:										
Number of recreational classes	350	364	412	624	436	424	500	468	347	485
Number of facility rentals	290	256	285	130	93	85	115	185	175	143
Water:										
New construction	7	8	12	-	-	-	-	-	-	-
Average daily consumption (in thousands of gallons)	1,309	1,103	1,073	1,008	972	967	1,024	969	858	803
Sewer:										
New construction	7	5	12	-	-	-	-	-	-	-
Average daily sewage treatment (in thousands of gallons)	648	614	563	560	550	567	540	520	534	499

Notes:

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

Source: City of Del Mar

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

Function	Fiscal Year									
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
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	87	74	74	74	74	74
Traffic signals	7	7	7	7	7	7	7	7	7	7
Parks and recreation:										
Parks	3	4	5	5	5	5	5	5	5	5
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)	24.37	24.37	24.37	28.85	28.85	28.85	28.85	28.85	28.85	29.85
Storm drainage (miles)	13.59	13.59	13.59	13.59	13.59	13.59	13.59	13.59	13.70	13.70
Maximum daily treatment capacity (thousands of gallons)	877	877	877	877	877	877	877	877	877	877

Source: City of Del Mar

City of Del Mar
Miscellaneous Statistics
June 30, 2016

Date of incorporation.....	July 15, 1959
Form of government.....	Council/Manager
Area.....	2 square miles
Climate:	
Average annual high temperature.....	73.3° F
Average annual low temperature.....	52.0° F
Annual precipitation.....	11.97 inches
Fire protection:	
Station.....	1
Firefighters and officers.....	9
Fire incident responses.....	193
Emergency medical incident responses.....	805
Public service calls.....	311
Fire inspections.....	394
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.....	20,507
Hotels:	
Major hotel rooms.....	355
Average percent occupancy.....	70%
Average room rate.....	\$249
Average group size per stay.....	2.5 persons*
Average length of stay.....	3.5 days*
(*information from San Diego County profile)	
Education:	
Private school.....	1
School district.....	1
Street miles.....	22.5 miles
Street lights.....	74
Water system:	
Service connection.....	1,874 meters
Fire hydrants.....	350
Sanitary sewer lines.....	29.85 miles