



City of Coronado Comprehensive Annual Financial Report June 30, 2012

1825 Strand Way
Coronado, CA 92118



CITY OF CORONADO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
FISCAL YEAR ENDED JUNE 30, 2012

CITY OF CORONADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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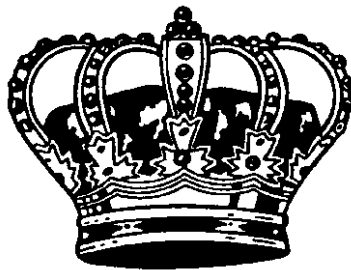
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Coronado, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coronado, California (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Transportation Development Special Revenue Fund and the Low/Mod Income Housing Asset Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 18– "Successor Agency Trust for Assets of the Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the newly formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, 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* and should be considered in assessing the results of our audit.



To the Honorable Mayor and Members of City Council
City of Coronado, California

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 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.

Lance, Soll & Luyhard, LLP

Brea, California
March 20, 2013



1825 Strand Way
Coronado, CA 92118-3099

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619-522-7300

March 29, 2013

Honorable Mayor and City Council
City of Coronado
Coronado, California

As management of the City of Coronado (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. The management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address future challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify individual fund issues or concerns.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements (beginning on page 94).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at June 30, 2012, by \$236.9 million (net assets). Of this amount, \$68.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to residents and creditors.
- Overall revenue was \$66.8 million compared to expenses of \$61.0 million, resulting in an increase in net assets.
- The City's governmental funds reported combined ending fund balances of \$82.7 million. Revenue exceeded expenditures by \$1.3 million. When combined with the extraordinary loss from the dissolution of redevelopment, there was a net decrease of \$1.9 million of compared to the prior year.
- At June 30, 2012, committed, assigned and unassigned fund balance for the general fund was \$59.8 million, or 160.6% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis is intended to serve as an introduction to the City's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending June 30, 2012 and the basic financial statements contained therein. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and, 3) notes to the financial statements. This CAFR also contains other supplementary information in addition to the basic financial statements to provide the reader further understanding of the City.

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.

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

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

Both of the government-wide financial statements, the statement of net assets and the statement of activities, 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, construction and maintenance, planning and building services, culture and leisure, transportation, and housing. The business-type activities of the City include wastewater, golf, and storm drainage. Also included in the government-wide financial statements are the Community Development Agency (Redevelopment Agency) which existed through January 31, 2012, the Coronado Improvement Corporation (CIC), and the Coronado Financing Authority (CFA). While these agencies are legally separate agencies, their governing boards consist entirely of the City Council members or in the case of the CFA, the majority of the board members are members of the City Council.

The government-wide financial statements can be found on pages 21-23 of this report.

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 funds of the City can be divided into three categories as follows:

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 19 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 the General Fund, Transportation Development and Low/Moderate Income Housing Asset Special Revenue Funds, and Community Development Agency Debt Service Funds, all of which are considered to be major funds.

Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-29 of this report.

Proprietary Funds: The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Wastewater Utility, Storm Drainage Utility, and Golf Course. The City does not utilize internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on each of the enterprise funds noted above, as all are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The agency fund reports resources held by the City in a custodial capacity. The private purpose trust fund was established this fiscal year with the dissolution of the Redevelopment Agency. The private purpose trust fund accounts for the City of Coronado Acting as the Successor Agency to the Community Development Agency of the City of Coronado and the City of Coronado Redevelopment Obligation Retirement Fund. See Note 18 on pages 79-92.

The fiduciary fund financial statements can be found on pages 37-38 of this report.

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 financial statements can be found on pages 39-92 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental and statistical information that may be useful to the users of the City's financial statements. This information can be found in the last two sections of this report.

FINANCIAL ANALYSIS

Government-Wide Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The changes to net assets for the fiscal year ended June 30, 2012, are shown in the table below:

	Governmental Activities	Business Activities	Total
Beginning net assets, restated	\$ 80,921,069	\$ 40,929,279	\$ 121,850,348
Increase(Decrease) in net assets	115,810,119	(766,589)	115,043,530
Ending net assets FY 2011-12	<u>\$ 196,731,188</u>	<u>\$ 40,162,690</u>	<u>\$ 236,893,878</u>

THE CITY OF CORONADO**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Net assets at June 30, 2011 have been restated by \$6.26 million. In the year ended June 30, 2011, the City contributed an additional \$6.26 million above its required contribution amount to CalPERS to pay off the side fund related to its Safety Plan and treated this payment as a pension asset. The City now reports as pension debt defined by GASB 27. See Note 17 on page 79.

During the FY 2011-12, the City's total net assets increased from \$121.9 million, as restated, to \$236.9 million, an increase of 94.4%. The increase is attributable to an increase in governmental activities related to redevelopment dissolution net of a small decrease in the business activity functions. The changes to net assets for governmental activities are discussed in the Governmental Activities section starting on page 10XX.

The table on the following page is a summary schedule of the breakdown of the City's net assets as of June 30, 2012.

	Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 83,514	\$ 99,928	\$ 13,233	\$ 14,006	\$ 96,747	\$ 113,934
Noncurrent assets:						
Restricted assets	-	5,808	467	474	467	6,282
Capital assets	121,291	129,267	36,135	35,445	157,426	164,712
Total assets	204,805	235,003	49,835	49,925	254,640	284,928
Current liabilities	7,637	13,639	728	547	8,365	14,186
Noncurrent liabilities	437	134,183	8,944	8,449	9,381	142,632
Total liabilities	8,074	147,822	9,672	8,996	17,746	156,818
Net assets:						
Invested in capital assets, net of related debt	121,291	69,736	32,701	31,843	153,992	101,579
Restricted	13,897	17,355	371	371	14,268	17,726
Unrestricted	61,543	90	7,091	8,715	68,634	8,805
Total net assets	<u>\$ 196,731</u>	<u>\$ 87,181</u>	<u>\$ 40,163</u>	<u>\$ 40,929</u>	<u>\$ 236,894</u>	<u>\$ 128,110</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

The City's assets exceeded liabilities by \$236.9 million at June 30, 2012. The amount invested in capital assets (i.e., land, buildings, infrastructure, and equipment), increased from FY 2010-11 as a result of the dissolution of redevelopment and the transfer of redevelopment agency debt related to capital assets to the fiduciary fund statements. Approximately 65.0% of net assets are invested in capital assets, net of related debt. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although

the City's investment is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, 6.0%, represents resources that are subject to external restrictions as to how they may be used. These restrictions are typically imposed by parties outside the government (such as creditors, grantors, law, or regulations of other governments). Assets are also restricted when associated with particular liabilities (for instance, restricted assets associated with revenue bonds). An amount equal to these restricted assets, less any related liabilities, is subsequently reported. The amount of restricted net assets decreased \$3.5 million as a result of the transfer of the Community Development Agency debt service funds to the Fiduciary Fund Statements.

At the end of FY 2011-12 the balance of net assets which are unrestricted is \$68.6 million. Unrestricted net assets are comprised of \$61.5 million and \$7.1 million in governmental activities and business type activities respectively. Unrestricted funds normally represent assets that are not otherwise restricted for any specific purpose and not specifically invested in capital assets.

The schedule displayed on the next page shows the various components that caused the City's net assets to increase (all amounts in thousands):

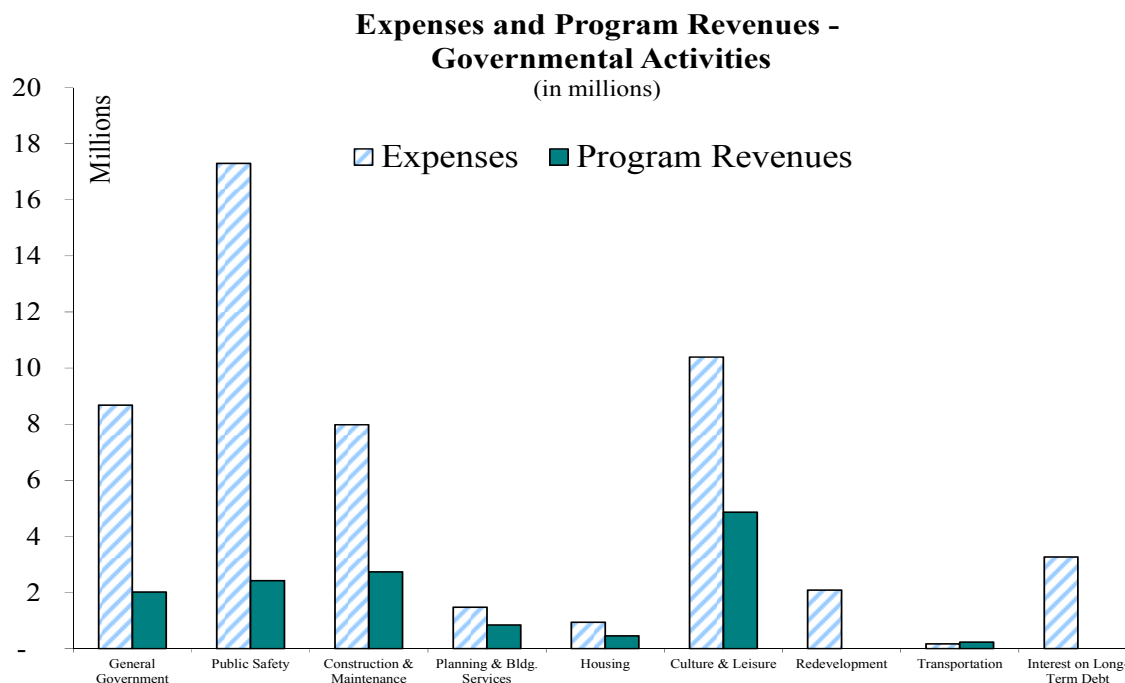
Changes in Net Assets (in thousands)						
	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for Services	\$ 7,899	\$ 7,675	\$ 7,656	\$ 7,652	\$ 15,555	\$ 15,327
Operating Grants and Contributions	2,413	6,493	-	-	2,413	6,493
Capital Grants and Contributions	3,229	884	-	-	3,229	884
General Revenues						
Property Tax	21,082	20,400	-	-	21,082	20,400
Tax Increment	8,182	14,736	-	-	8,182	14,736
Transient Occupancy Tax	8,903	8,320	-	-	8,903	8,320
Sales and Use Tax	2,747	2,652	-	-	2,747	2,652
Other Taxes	1,256	1,591	-	-	1,256	1,591
Income from Properties and Investments	2,912	3,192	86	143	2,998	3,335
Other	233	200	172	326	405	526
Total Revenues	58,856	66,143	7,914	8,121	66,770	74,264
Expenses:						
General Government	8,681	7,276	-	-	8,681	7,276
Public Safety	17,296	17,770	-	-	17,296	17,770
Culture and Leisure	10,393	8,067	-	-	10,393	8,067
Construction and Maintenance	7,979	6,892	-	-	7,979	6,892
Planning and Building	1,477	1,414	-	-	1,477	1,414
Housing	937	1,068	-	-	937	1,068
Redevelopment	2,086	7,658	-	-	2,086	7,658
Transportation	167	366	-	-	167	366
Interest on Long-term Debt	3,269	8,754	-	-	3,269	8,754
Wastewater	-	-	4,714	4,897	4,714	4,897
Golf	-	-	2,782	2,721	2,782	2,721
Storm Drain	-	-	1,184	1,145	1,184	1,145
Total Expenses	52,285	59,265	8,680	8,763	60,965	68,028
Increase in Net Assets before Extraordinary Gain/(Loss)	6,571	6,878	(766)	(642)	5,805	6,236
Extraordinary Gain/(Loss) on Dissolution of the Redevelopment Agency	109,239	-	-	-	109,239	-
Net Assets, July 1, as restated	80,921	80,303	40,929	41,571	121,850	121,874
Net Assets, June 30	\$ 196,731	\$ 87,181	\$ 40,163	\$ 40,929	\$ 236,894	\$ 128,110

Governmental Activities: Overall, revenues for the year ending June 30, 2012 decreased by \$7.3 million, or 11.0 %. Tax Increment revenue declined from \$14.7 million to \$8.2 million reflecting revenue through January 31, 2012 when the Redevelopment Agency dissolved. The revenue from Operating Grants and Contributions declined by \$4.1 million primarily related to the prior year one-time receipt of a citizen donation of \$4.7 million. The decline in Operating Grants and Contributions was offset by a \$2.3 million increase in Capital Grants and Contributions. The sources of this increase were grant revenue from the San Diego Unified Port District for the Boathouse and Clubroom capital project and TransNet sales tax reimbursement revenue for various street improvement projects. In addition:

Total expenses decreased by \$7.0 million, or 11.8% due primarily to the dissolution of the Redevelopment Agency. The following is a list of notable changes compared to the prior year:

- Interest expenses related to long-term debt decreased by \$5.5 million because the debt of the former Redevelopment Agency is no longer a governmental activity and is reported on the Fiduciary Fund statements.
- The increase in expense in the Culture and Leisure category of \$2.3 million is primarily associated with the elimination of the Port Leasehold property as an asset of the former Redevelopment Agency. When the Leasehold property was first acquired by the former CDA, it was anticipated that the acquisition cost would be depreciated till the year 2036. When the Lease dissolved in November 2011, the remaining value of the original Leasehold acquisition was expensed. See Note 9 on page 71.
- Increases in General Government of \$1.4 million were due to several factors, the most notable being increased liability and worker compensation claims expenses and the payment of property tax administration fees to the County which previously had been netted against property tax revenue.
- The Construction and Maintenance category increase of \$1.1 million is attributable to street overlay and other improvement projects.

The chart on the next page compares the governmental activities with the program revenue generated.



The transportation program has the highest percentage of revenues to expenses. The majority of these program revenues consist of Transportation Development Act funds which are used for a commuter ferry service between San Diego and Coronado. Planning and Building Services, Housing, and Culture and Leisure categories have program revenues equal to 57.0%, 48.5% and 46.8% of program expenses, respectively, reflecting higher levels of fee for service recovery than the other governmental activities.

Business-Type Activities: During FY 2011-12, net assets for business-type activities declined by \$766 thousand to \$40.2 million. The revenue, expenses, and net changes for are displayed on the following page. The contributing factors leading to this change are as follows:

- Net assets for the Wastewater program decreased by \$293 thousand. There was sufficient operating revenue to cover costs of operations, not including depreciation expense of \$816 thousand.
- The Golf Course net assets decreased \$63 thousand. There was sufficient operating revenue to cover costs of operations, not including depreciation expense of \$225 thousand.
- The Storm Drain program includes expenses which are related to the City's compliance with the National Pollution Discharge Elimination System, which are covered by loans from the General Fund, and are not expenses for bond coverage calculation. See Page 119 for a supporting schedule of expenses by division.
- Investment income for all business type activities declined \$57 thousand due to the low interest rate environment.

Revenues and Expenses – Business-Type Activities
(in thousands)

	Revenue		Expense		Changes in Net Assets	
	2012	2011	2012	2011	2012	2011
Wastewater	\$ 4,421	\$ 4,452	\$ 4,714	\$ 4,897	\$ (293)	\$ (445)
Golf	2,720	2,690	2,782	2,721	(62)	(31)
Storm Drain	687	835	1,184	1,144	(498)	(309)
Income from Investments	86	143	-	-	86	143
Total	<u>\$ 7,914</u>	<u>\$ 8,120</u>	<u>\$ 8,680</u>	<u>\$ 8,762</u>	<u>\$ (766)</u>	<u>\$ (642)</u>

Analysis of the Government's Funds

As noted earlier, the City 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 *spendable* resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$82.7 million. Overall, total governmental funds showed an excess of revenue over expenditures of 1.3 million, a total extraordinary loss of \$3.2 million, resulting in the net decrease in fund balances \$1.9 million.

- The General Fund, which is the chief operating fund of the City, at June 30, 2012 had a total fund balance of \$66.4 million. This decline is due to a combination of \$4.8 million of excess revenues over expenditures and the reporting of extraordinary loss on dissolution of the Redevelopment Agency. The extraordinary loss of \$31.8 million resulted from recognizing an allowance for uncollectibles pertaining to the City loans to the Redevelopment Agency. Although it is reasonably possible the enforceability of these loans will be upheld, the General Fund assets are shown without this asset until the dissolution process has been resolved. Upon receiving a Finding of Completion from the State Department of Finance, these loans may become enforceable; however this result was not determinable as of June 30, 2012.
- As of February 1, 2012, the asset and liabilities of the former Redevelopment Agency were transferred to a private purpose trust fund presented in the Fiduciary Fund statements. The transfer resulted in a net gain recognized in the Governmental Fund statements. The net gain from the transfer and the loss resulting from recognition of the allowance for uncollectibles resulted in a net extraordinary loss on dissolution of the redevelopment agency of \$3.2 million.

The following discussion describes the components of fund balance.

- As a result of the changes noted above, the amount of fund balance categorized as non-spendable decreased from \$43.6 million to \$6.4 million. Non-spendable fund balance indicates balances that are inherently non-spendable and cannot readily be converted to cash. The decrease is due primarily to the reduction of the City loans by the allowance for doubtful accounts (see discussion above).
- On a City-wide basis, the portion of fund balance that is restricted totals \$13.9 million. Restricted fund balance describes balances which have external limitations as to their use, such as restrictions by grantors, creditors, contractual agreements, laws or constitutional provisions. The majority of the restricted fund balance, \$9.8 million, is regional and state provided transportation funds. Another \$2.2 million is restricted for low and moderate income housing. The remaining \$2.0 million is restricted for various purposes including public safety, parks and recreation, library endowment, and construction and maintenance services.
- The committed portion of fund balance which has restrictions formally imposed by the City Council is \$10.3 million, set aside for emergency response and stabilization purposes.
- The City has also assigned \$15.2 million for specific purposes. The assignment of these funds is to show intent of their use but the funds are neither restricted nor committed. The assigned funds at June 30, 2012 include \$7.2 million for future loans, \$3.6 million for vehicle and equipment replacement, and \$4.4 million for capital projects, liability insurance, and workers compensation.
- The balance of funds, Citywide, that are unassigned totals \$36.9 million, which includes \$9.3 million which is intended to provide liquidity and cash flow.

Revenues for the General Fund decreased in FY 2011-12 by \$2.6 million, or 5.8%. The decrease in revenues was due to the prior year one-time receipt of the large citizen bequest (\$4.75 million). There were increases to taxes, licenses and permits, charges for services, and reimbursements, which offset the one-time decrease.

General Fund expenditures decreased by \$6.2 million or 14.2%. The decrease is due to the prior year \$6.2 million CalPERS Safety Side Fund prepayment. This expenditure was a one-time payment to eliminate a portion of the City's pension obligation which was being amortized at a fixed 7.75% annually.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following two schedules show the changes in net assets of the major proprietary funds and restricted portions of net assets of the major proprietary funds of the City.

**Changes in Net Assets
Major Proprietary Funds
(in thousands)**

	Net Assets June 30, 2011	Changes in Net Assets	Net Assets June 30, 2012
Wastewater	\$ 35,082	\$ (217)	\$ 34,865
Golf	6,178	(52)	6,126
Storm Drain	(331)	(497)	(828)
Total	<u>\$ 40,929</u>	<u>\$ (766)</u>	<u>\$ 40,163</u>

**Net Assets – Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2012
(in thousands)**

	Invested in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
Wastewater	\$ 23,258	\$ -	\$ 11,607	\$ 34,865
Golf	4,934	-	1,192	6,126
Storm Drain	4,509	371	(5,708)	(828)
Total	<u>\$ 32,701</u>	<u>\$ 371</u>	<u>\$ 7,091</u>	<u>\$ 40,163</u>

The factors affecting the above changes in net assets and other factors regarding the proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the adopted General Fund budget and the amended General Fund budget expenditures are shown on the following page:

General Fund Original and Amended Budget
As of June 30, 2012
(in thousands)

	Original	Amended	Increase/ (Decrease)
General Government	\$ 5,908	\$ 5,900	\$ (8)
Public Safety	16,816	16,835	19
Construction and Maintenance	6,674	6,923	249
Planning and Building Services	1,490	1,497	7
Culture and Leisure	6,517	6,532	15
Capital Outlay	912	1,211	299
Debt Service	9	9	-
Total	<u>\$ 38,326</u>	<u>\$ 38,907</u>	<u>\$ 581</u>

The change from the original budget to the amended budget of \$581 (1.5%) reflects normal adjustments during the business cycle.

Debt Administration and Capital Assets

Long-term debt: See Notes 8 on pages 69-71 and Note 18 on pages 82-88 for additional information related to long-term debt and the dissolution. With the transfer of the Redevelopment Agency debt to the Fiduciary Fund statements, the City's long term debt for governmental activities has been reduced to compensated absences of \$1.6 million.

For the business type activities, the long term debt of \$3.6 million consists of an amount for compensated absences and the 2004 Storm Drain Refunding Bonds.

The 2004 Storm Drain System Refunding Revenue Bonds do not have an underlying rating. The revenue sources used to pay these revenue bonds remain secure and stable.

Capital assets: The City's investment in capital assets for its governmental-type activities as of June 30, 2012 totals \$121.3 million (net of accumulated depreciation) including, land, buildings, improvements other than buildings, and infrastructure, art and collections, and vehicles and equipment. The investment in capital assets used in business-type activities as of June 30, 2012 totals \$36.1 million, net of accumulated depreciation. The net change in both governmental and business-type activities investment in capital assets for the current fiscal year was a decrease of \$7.2 million or 4.6%.

The major capital asset events during the current fiscal year included the following:

- Land decreased with the transfer to the Successor Agency of the previously acquired two-fifteenths share of the land site of the Coronado Sharp Hospital.

- Buildings increased with the \$1.8 million transfer of the completed tennis center from Construction in Progress.
- The decrease of \$6.6 million in Improvements Other than Buildings results primarily from the write-off of the Port Lease acquisition, net of depreciation, (\$2.2 million) which is discussed further in Note 9 on page 71 and the transfer to the Successor Agency of the investment, net of depreciation, in dock improvements (\$3.9 million).

Additional information on the City's capital assets can be found in Note 7 on pages 66-68 in the Financial Statement section of this report.

	Governmental Activities		Business-Type Activities:		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 33,127	\$ 35,805	\$ -	\$ -	\$ 33,127	\$ 35,805
Art and Collections	1,661	1,661	-	-	1,661	1,661
Construction in Progress	2,953	4,344	626	741	3,579	5,085
Buildings	44,467	43,783	3,940	4,051	48,407	47,834
Improvements Other Than Buildings	11,479	18,057	23,271	23,067	34,750	41,124
Infrastructure	21,974	19,962	-	-	21,974	19,962
Vehicles and Equipment	5,630	5,655	8,298	7,586	13,928	13,241
Totals	<u>121,291</u>	<u>129,267</u>	<u>36,135</u>	<u>35,445</u>	<u>157,426</u>	<u>164,712</u>

Economic Factors and Next Year's Budget

The City's economy has remained relatively strong compared to the national and state economy. Tourism remains the primary economic engine. Although tourism slowed during recent years, property values remained stable. The City sees slow yet steady growth in the local tourist economy for the coming year. Revenues derived from transient occupancy taxes are projected to increase primarily because of an increase in the tax rate that went into effect on January 1, 2013. The City's budget was prepared using conservative projection for both revenue and expenditures. Detailed information about the annual budget, revenue assumptions, and other budgetary parameters utilized in the annual budget preparation can be obtained from the City's FY 2012-13 budget available on-line at the City's website, www.coronado.ca.us.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the 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:

Department of Administrative Services
City of Coronado
1825 Strand Way,
Coronado, CA 92118

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BASIC FINANCIAL STATEMENTS

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CITY OF CORONADO

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and investments	\$ 78,116,172	\$ 13,080,219	\$ 91,196,391
Accounts, grants and taxes receivable	3,075,886	152,459	3,228,345
Notes receivable	2,017,834	-	2,017,834
Loans to Successor Agency	31,772,394	-	31,772,394
Allowance for uncollectibles	(31,772,394)	-	(31,772,394)
Interest receivable	258,317	-	258,317
Prepaid costs	45,553	-	45,553
Total Current Assets	<u>83,513,762</u>	<u>13,232,678</u>	<u>96,746,440</u>
Noncurrent Assets:			
Restricted assets:			
Cash with fiscal agent	-	370,500	370,500
Deferred charges	-	96,810	96,810
Total Restricted Assets:	<u>-</u>	<u>467,310</u>	<u>467,310</u>
Capital Assets			
Not being depreciated	37,741,535	626,229	38,367,764
Depreciable buildings, property, vehicle and equipment, and infrastructure (net of accumulated depreciation)	<u>83,549,539</u>	<u>35,508,967</u>	<u>119,058,506</u>
Total Capital Assets	<u>121,291,074</u>	<u>36,135,196</u>	<u>157,426,270</u>
Total Noncurrent Assets	<u>121,291,074</u>	<u>36,602,506</u>	<u>157,893,580</u>
TOTAL ASSETS	<u>204,804,836</u>	<u>49,835,184</u>	<u>254,640,020</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	5,018,803	312,145	5,330,948
Unearned revenue	605,757	-	605,757
Deposits payable	139,420	-	139,420
Prepaid lease revenue, Port District, current portion	242,000	-	242,000
Total Current Liabilities	<u>6,005,980</u>	<u>312,145</u>	<u>6,318,125</u>
Current Liabilities Portion of Long-Term Liabilities:			
Accrued interest due on long term liabilities	-	55,976	55,976
Long-term debt due within one year	1,631,140	359,639	1,990,779
Total Current Liabilities Portion of Long-Term Liabilities	<u>1,631,140</u>	<u>415,615</u>	<u>2,046,755</u>
Noncurrent Liabilities:			
Long-term debt due in more than one year	-	3,261,989	3,261,989
OPEB liability	1,037,856	-	1,037,856
Internal balances	(5,682,745)	5,682,745	-
Prepaid lease revenue, Port District	5,081,417	-	5,081,417
Total Noncurrent Liabilities	<u>436,528</u>	<u>8,944,734</u>	<u>9,381,262</u>
TOTAL LIABILITIES	<u>8,073,648</u>	<u>9,672,494</u>	<u>17,746,142</u>
Net Assets:			
Invested in capital assets, net of related debt	121,291,074	32,700,749	153,991,823
Restricted for:			
Public safety	341,481	-	341,481
Culture and leisure	341,740	-	341,740
Construction and maintenance	930,408	-	930,408
Debt service	-	370,500	370,500
Planning and building services	150,000	-	150,000
Transportation	9,781,854	-	9,781,854
Library endowment	152,651	-	152,651
Housing	2,198,788	-	2,198,788
Unrestricted	61,543,192	7,091,441	68,634,633
Total Net Assets	<u>\$ 196,731,188</u>	<u>\$ 40,162,690</u>	<u>\$ 236,893,878</u>

See Notes to Financial Statements

CITY OF CORONADO

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 8,681,035	\$ 1,433,633	\$ 577,395	\$ -
Public safety	17,295,703	1,946,631	468,589	-
Culture and leisure	10,392,899	3,117,628	26,375	1,715,007
Construction and maintenance	7,978,819	57,346	1,160,768	1,513,225
Planning and building services	1,477,242	840,636	-	916
Transportation	166,989	48,814	179,727	-
Redevelopment	2,086,220	-	-	-
Housing	937,088	454,523	-	-
Interest on long-term debt	3,268,671	-	-	-
Total Governmental Activities	52,284,666	7,899,211	2,412,854	3,229,148
Business-Type Activities:				
Wastewater Utility	4,713,603	4,393,139	-	-
Golf Course	2,781,782	2,710,735	-	-
Storm Drainage	1,184,354	551,665	-	-
Total Business-Type Activities	8,679,739	7,655,539	-	-
Total Primary Government	\$ 60,964,405	\$ 15,554,750	\$ 2,412,854	\$ 3,229,148

General Revenues:

Taxes:

Property taxes, levied for general purpose

Tax increment

Transient occupancy taxes

Sales taxes

Franchise taxes

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

Gain on sale of capital asset

**Extraordinary gain/(loss) on dissolution
of redevelopment agency (Note 18)****Total General Revenues and
Extraordinary Items**

Change in Net Assets

NET ASSETS AT BEGINNING OF YEAR

Restatement of Net Assets

NET ASSETS AT END OF YEAR

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (6,670,007)	\$ -	\$ (6,670,007)
(14,880,483)	-	(14,880,483)
(5,533,889)	-	(5,533,889)
(5,247,480)	-	(5,247,480)
(635,690)	-	(635,690)
61,552	-	61,552
(2,086,220)	-	(2,086,220)
(482,565)	-	(482,565)
(3,268,671)	-	(3,268,671)
(38,743,453)	-	(38,743,453)
-	(320,464)	(320,464)
-	(71,047)	(71,047)
-	(632,689)	(632,689)
-	(1,024,200)	(1,024,200)
(38,743,453)	(1,024,200)	(39,767,653)
21,081,690	-	21,081,690
8,182,488	-	8,182,488
8,902,884	-	8,902,884
2,746,600	-	2,746,600
1,005,382	-	1,005,382
236,537	-	236,537
13,828	-	13,828
2,912,378	86,264	2,998,642
233,311	162,839	396,150
-	8,508	8,508
109,238,474	-	109,238,474
154,553,572	257,611	154,811,183
115,810,119	(766,589)	115,043,530
87,181,260	40,929,279	128,110,539
(6,260,191)	-	(6,260,191)
\$ 196,731,188	\$ 40,162,690	\$ 236,893,878

CITY OF CORONADO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

		Special Revenue Funds	
	General	Transportation Development	Low/Mod Income Housing Asset Fund
ASSETS:			
Cash and investments	\$ 63,135,329	\$ 9,870,548	\$ 101,541
Accounts, grants and taxes receivable	2,114,947	18,816	618,153
Notes receivable	1,164,906	-	5,218,332
Loans to Successor Agency	31,772,394	-	-
Allowance for uncollectible loans	(31,772,394)	-	-
Interest receivable	157,101	-	1,103,585
Prepaid items	45,553	-	-
Due from other funds	122,134	-	-
Advances to other funds	5,682,745	-	-
TOTAL ASSETS	\$ 72,422,715	\$ 9,889,364	\$ 7,041,611
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 4,765,137	\$ 137,784	\$ -
Deferred revenues	578,098	-	5,521,917
Unearned revenues	605,757	-	-
Deposits payable	107,620	-	31,800
Due to other funds	-	-	-
TOTAL LIABILITIES	6,056,612	137,784	5,553,717
FUND BALANCES:			
Nonspendable:			
Prepaid costs	45,553	-	-
Notes receivable	1,164,906	-	-
Advances to other funds	5,167,516	-	-
Permanent fund principal	-	-	-
Restricted for:			
Public safety	-	-	-
Culture and leisure	-	-	-
Construction and maintenance	-	-	-
Transportation	36,516	9,751,580	-
Library endowment	-	-	-
Housing	-	-	1,487,894
Cable public access	24,332	-	-
Hotel Del Coronado	-	-	-
Master Plan	150,000	-	-
Committed to:			
Emergency response and economic stabilization arrangement	10,316,000	-	-
Assigned to:			
Liability insurance	166,227	-	-
Worker's compensation	1,529,409	-	-
Vehicle replacement	3,578,563	-	-
Capital projects	67,956	-	-
Future loans	7,240,000	-	-
Unassigned	36,879,125	-	-
TOTAL FUND BALANCES	66,366,103	9,751,580	1,487,894
TOTAL LIABILITIES AND FUND BALANCES	\$ 72,422,715	\$ 9,889,364	\$ 7,041,611

CITY OF CORONADO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Debt Service Funds		
	Community Development Agency	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and investments	\$ -	\$ 5,008,754	\$ 78,116,172
Accounts, grants and taxes receivable	-	323,970	3,075,886
Notes receivable	-	-	6,383,238
Loans to Successor Agency	-	-	31,772,394
Allowance for uncollectible loans	-	-	(31,772,394)
Interest receivable	-	-	1,260,686
Prepaid items	-	-	45,553
Due from other funds	-	-	122,134
Advances to other funds	-	-	5,682,745
TOTAL ASSETS	\$ -	\$ 5,332,724	\$ 94,686,414
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ -	\$ 115,882	\$ 5,018,803
Deferred revenues	-	-	6,100,015
Unearned revenues	-	-	605,757
Deposits payable	-	-	139,420
Due to other funds	-	122,134	122,134
TOTAL LIABILITIES	-	238,016	11,986,129
FUND BALANCES:			
Nonspendable:			
Prepaid costs	-	-	45,553
Notes receivable	-	-	1,164,906
Advances to other funds	-	-	5,167,516
Permanent fund principal	-	3,461	3,461
Restricted for:			
Public safety	-	341,481	341,481
Culture and leisure	-	341,740	341,740
Construction and maintenance	-	930,408	930,408
Transportation	-	-	9,788,096
Library endowment	-	152,651	152,651
Housing	-	710,894	2,198,788
Cable public access	-	-	24,332
Hotel Del Coronado Master Plan	-	-	150,000
Committed to:			
Emergency response and economic stabilization arrangement	-	-	10,316,000
Assigned to:			
Liability insurance	-	-	166,227
Worker's compensation	-	-	1,529,409
Vehicle replacement	-	-	3,578,563
Capital projects	-	2,614,073	2,682,029
Future loans	-	-	7,240,000
Unassigned	-	-	36,879,125
TOTAL FUND BALANCES	-	5,094,708	82,700,285
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 5,332,724	\$ 94,686,414

See Notes to Financial Statements

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CITY OF CORONADO**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances of governmental funds \$ 82,700,285

Amounts reported for governmental activities in the Statement of Net Assets are different because:

All of the present value amount recorded on the notes and loans receivable (including any accrued interest) and the related deferred revenue amounts have been eliminated as the City expects the recipients of these loans to comply with all of the loan terms and that they will be forgiven.

Loans receivable	\$ (4,365,404)	
Interest receivable relating to loans receivable	(1,002,369)	
Deferred revenue relating to loans receivable	<u>(5,367,773)</u>	-

Capital assets net of depreciation have not been included as financial resources in governmental fund activity. 121,291,074

Long term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Compensated absences payable (1,631,140)

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity. 732,242

Governmental funds report all contributions in relation to the Annual Required Contribution (ARC) for OPEB as expenditures, but in the Statement of Net Assets any excess or deficiencies in relation to the ARC are recorded as an asset or a liability. (1,037,856)

Prepayment of operating lease revenue received from the Port District is being deferred and recognized as revenue over the term of the lease. (5,323,417)

Net assets of governmental activities \$ 196,731,188

CITY OF CORONADO

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

		Special Revenue Funds	
	General	Transportation Development	Low/Mod Income Housing Asset Fund
REVENUES:			
Taxes	\$ 34,013,990	\$ -	\$ -
Licenses and permits	934,905	-	-
Intergovernmental	104,985	160,911	-
Charges for services	4,062,315	18,816	-
Use of money and property	761,791	102,701	159,067
Fines and forfeitures	383,248	-	-
Reimbursements	1,092,026	-	-
Miscellaneous	678,247	-	4,992
TOTAL REVENUES	42,031,507	282,428	164,059
EXPENDITURES:			
Current:			
General government	6,436,342	-	-
Public safety	16,167,992	-	-
Culture and leisure	6,229,110	-	-
Construction and maintenance	6,411,671	-	-
Planning and building services	1,458,194	-	-
Transportation	-	143,343	-
Housing	-	-	51,989
Capital outlay	527,511	899,928	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	37,230,820	1,043,271	51,989
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,800,687	(760,843)	112,070
OTHER FINANCING SOURCES (USES):			
Transfers in	210,794	7,177,961	-
Transfers out	(239,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(28,206)	7,177,961	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	(31,772,394)	-	1,375,824
NET CHANGE IN FUND BALANCES	(26,999,913)	6,417,118	1,487,894
FUND BALANCES, BEGINNING OF YEAR	93,366,016	3,334,462	-
FUND BALANCES, END OF YEAR	\$ 66,366,103	\$ 9,751,580	\$ 1,487,894

CITY OF CORONADO

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Debt Service Funds		
	Community Development Agency	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 8,182,488	\$ -	\$ 42,196,478
Licenses and permits	-	-	934,905
Intergovernmental	-	1,310,686	1,576,582
Charges for services	-	2,099,826	6,180,957
Use of money and property	6,174	956,255	1,985,988
Fines and forfeitures	-	-	383,248
Reimbursements	-	1,329,398	2,421,424
Miscellaneous	-	77,913	761,152
TOTAL REVENUES	8,188,662	5,774,078	56,440,734
EXPENDITURES:			
Current:			
General government	-	527,472	6,963,814
Public safety	-	73,276	16,241,268
Culture and leisure	-	123,764	6,352,874
Construction and maintenance	-	502,623	6,914,294
Planning and building services	1,658,899	489,230	3,606,323
Transportation	-	-	143,343
Housing	-	756,137	808,126
Capital outlay	7,919	4,517,886	5,953,244
Debt service:			
Principal retirement	3,050,000	41,769	3,091,769
Interest and fiscal charges	4,574,718	502,689	5,077,407
TOTAL EXPENDITURES	9,291,536	7,534,846	55,152,462
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,102,874)	(1,760,768)	1,288,272
OTHER FINANCING SOURCES (USES):			
Transfers in	1,040,131	1,242,737	9,671,623
Transfers out	(1,003,737)	(8,428,886)	(9,671,623)
TOTAL OTHER FINANCING SOURCES (USES)	36,394	(7,186,149)	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	27,347,299	(164,079)	(3,213,350)
NET CHANGE IN FUND BALANCES	26,280,819	(9,110,996)	(1,925,078)
FUND BALANCES, BEGINNING OF YEAR	(26,280,819)	14,205,704	84,625,363
FUND BALANCES, END OF YEAR	\$ -	\$ 5,094,708	\$ 82,700,285

CITY OF CORONADO**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ (1,925,078)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset acquisitions	\$ 4,991,695	
Depreciation expense	(3,657,659)	
Gain/(loss) on sale of capital assets	<u>(2,605,942)</u>	(1,271,906)

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Accreted interest added to 1996 tax allocation bond issue	(230,196)	
Compensated absences payable	(93,029)	
Promissory note payable secured by deed of trust	41,769	
Tax allocation bonds payable	3,050,000	
Amortization of bond issuance costs, premiums and loss on defeasance	<u>(25,963)</u>	2,742,581

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 2,064,895

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity. (10,457,233)

Governmental funds report all contributions in relation to the Annual Required Contribution (ARC) for OPEB as expenditures, however in the Statement of Activities only the ARC is an expense. (267,181)

Prepayment of operating lease revenue received from the Port District is being deferred and recognized as revenue over the term of the lease (thirty years), net of amortization of \$242,000. 242,000

Extraordinary gains and losses relating to capital assets and long term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Capital assets	(6,703,999)	
Long-term liabilities	134,092,285	
Unamortized bond issuance costs	<u>(2,706,245)</u>	124,682,041

Change in net assets of governmental activities **\$ 115,810,119**

CITY OF CORONADO

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
BUDGETARY FUND BALANCE, JULY 1	\$ 93,366,016	\$ 93,366,016	\$ 93,366,016	\$ -
RESOURCES (INFLOWS):				
Taxes	33,384,700	33,817,700	34,013,990	196,290
Licenses and permits	878,800	878,800	934,905	56,105
Intergovernmental	93,000	93,000	104,985	11,985
Charges for services	3,870,400	3,848,400	4,062,315	213,915
Use of money and property	966,845	792,845	761,791	(31,054)
Fines and forfeitures	413,600	351,600	383,248	31,648
Reimbursements	722,000	722,000	1,092,026	370,026
Miscellaneous	91,700	541,700	678,247	136,547
Transfers in	7,914,500	6,664,500	210,794	(6,453,706)
AMOUNTS AVAILABLE FOR APPROPRIATION:	141,701,561	141,076,561	135,608,317	(5,468,244)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General Government				
Legislative	1,269,885	1,269,259	1,274,124	(4,865)
City clerk	270,849	271,726	269,307	2,419
City manager	915,732	915,463	861,130	54,333
City Hall	168,450	168,450	138,732	29,718
Legal services	191,500	191,500	160,884	30,616
Administrative services	2,234,950	2,225,702	2,158,447	67,255
Insurance	992,224	992,653	1,195,716	(203,063)
Employee benefits	35,606	36,056	(49,690)	85,746
Workers compensation	(171,146)	(170,705)	427,692	(598,397)
Public Safety				
Police	9,845,703	9,894,309	9,440,215	454,094
Fire	6,110,284	6,085,700	5,917,170	168,530
Beach lifeguards	859,720	854,681	810,607	44,074
Culture and Leisure				
Recreation	4,168,288	4,165,850	3,852,394	313,456
Library	2,340,081	2,357,464	2,365,781	(8,317)
Citizen donations	9,180	9,180	10,935	(1,755)
Construction and Maintenance				
Public services	5,093,605	5,330,431	4,962,518	367,913
Engineering	716,998	728,379	706,168	22,211
Solid waste and recycling	788,018	788,986	735,941	53,045
Facilities replacement and refurbish	75,000	75,000	7,044	67,956
Planning and Building Services				
Community development	1,489,654	1,497,094	1,458,194	38,900
Capital outlay	911,800	1,210,579	527,511	683,068
Debt service				
Principal retirement	6,200	6,200	-	6,200
Interest and fiscal charges	3,000	3,000	-	3,000
Transfers out	8,146,500	8,076,500	239,000	7,837,500
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	31,772,394	(31,772,394)
TOTAL CHARGES TO APPROPRIATIONS	46,472,081	46,983,457	69,242,214	(22,258,757)
BUDGETARY FUND BALANCE, JULY 1	\$ 95,229,480	\$ 94,093,104	\$ 66,366,103	\$ (27,727,001)

See Notes to Financial Statements

CITY OF CORONADO

BUDGETARY COMPARISON STATEMENT
TRANSPORTATION DEVELOPMENT
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 3,334,462	\$ 3,334,462	\$ 3,334,462	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	165,550	165,550	160,911	(4,639)
Charges for services	20,600	20,600	18,816	(1,784)
Use of money and property	32,000	32,000	102,701	70,701
Transfers in	6,335,402	6,335,402	7,177,961	842,559
AMOUNTS AVAILABLE				
FOR APPROPRIATIONS	9,888,014	9,888,014	10,794,851	906,837
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Transportation	145,150	145,150	143,343	1,807
Capital outlay	74,595	2,422,250	899,928	1,522,322
TOTAL CHARGES TO				
APPROPRIATIONS	219,745	2,567,400	1,043,271	1,524,129
BUDGETARY FUND BALANCE, JUNE 30	\$ 9,668,269	\$ 7,320,614	\$ 9,751,580	\$ 2,430,966

CITY OF CORONADO

**BUDGETARY COMPARISON STATEMENT
LOW/MOD INCOME HOUSING ASSET FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	159,067	159,067
Miscellaneous	-	-	4,992	4,992
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	1,375,824	1,375,824
AMOUNTS AVAILABLE FOR APPROPRIATIONS	-	-	1,539,883	1,539,883
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing	-	32,242	51,989	(19,747)
TOTAL CHARGES TO APPROPRIATIONS	-	32,242	51,989	(19,747)
BUDGETARY FUND BALANCE, JUNE 30	\$ -	\$ (32,242)	\$ 1,487,894	\$ 1,520,136

CITY OF CORONADO

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds			
	Wastewater Utility	Golf Course	Storm Drainage	Totals
ASSETS:				
Current:				
Cash and investments	\$ 11,739,628	\$ 1,337,906	\$ 2,685	\$ 13,080,219
Accounts, grants and taxes receivable	143,398	8,810	251	152,459
Total Current Assets	11,883,026	1,346,716	2,936	13,232,678
Noncurrent Assets:				
Restricted:				
Cash and investments with fiscal agent	-	-	370,500	370,500
Deferred charges	-	-	96,810	96,810
Total Restricted Assets	-	-	467,310	467,310
Capital assets - net of accumulated depreciation	23,257,683	4,934,207	7,943,306	36,135,196
Total Noncurrent Assets	23,257,683	4,934,207	8,410,616	36,602,506
TOTAL ASSETS	\$ 35,140,709	\$ 6,280,923	\$ 8,413,552	\$ 49,835,184
LIABILITIES AND NET ASSETS:				
LIABILITIES:				
Current:				
Accounts payable and accrued liabilities	\$ 205,075	\$ 56,822	\$ 50,248	\$ 312,145
Accrued interest	-	-	55,976	55,976
Accrued compensated absences	67,538	81,343	15,758	164,639
Revenue bonds payable	-	-	195,000	195,000
Total Current Liabilities	272,613	138,165	316,982	727,760
Noncurrent:				
Advances from other funds	-	-	5,682,745	5,682,745
Accrued compensated absences	3,181	16,805	2,556	22,542
Revenue bonds payable (net or unamortized discounts and deferred loss on refunding)	-	-	3,239,447	3,239,447
Total Noncurrent Liabilities	3,181	16,805	8,924,748	8,944,734
TOTAL LIABILITIES	275,794	154,970	9,241,730	9,672,494
NET ASSETS:				
Invested in capital assets, net of related debt	23,257,683	4,934,207	4,508,859	32,700,749
Restricted for debt service	-	-	370,500	370,500
Unrestricted	11,607,232	1,191,746	(5,707,537)	7,091,441
TOTAL NET ASSETS	34,864,915	6,125,953	(828,178)	40,162,690
TOTAL LIABILITIES AND NET ASSETS	\$ 35,140,709	\$ 6,280,923	\$ 8,413,552	\$ 49,835,184

CITY OF CORONADO

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds			
	Wastewater Utility	Golf Course	Storm Drainage	Totals
OPERATING REVENUES:				
Sewer users' charges	\$ 3,942,242	\$ -	\$ -	\$ 3,942,242
Navy sewer charges	440,181	-	-	440,181
Sewer connection fees	10,716	-	-	10,716
Green fees	-	2,419,199	-	2,419,199
Rents and concessions	-	291,536	-	291,536
Storm drain charges	-	-	551,665	551,665
Miscellaneous	27,888	-	134,951	162,839
TOTAL OPERATING REVENUES	4,421,027	2,710,735	686,616	7,818,378
OPERATING EXPENSES:				
Operations:				
Personnel services	971,517	1,373,877	430,254	2,775,648
Utilities	124,505	496,500	16,185	637,190
Maintenance and repair	2,344,465	325,731	180,109	2,850,305
Administration	368,199	253,573	1,196	622,968
Contract services	88,976	107,271	89,708	285,955
Depreciation	815,941	224,830	199,535	1,240,306
Amortization	-	-	24,685	24,685
TOTAL OPERATING EXPENSES	4,713,603	2,781,782	941,672	8,437,057
OPERATING INCOME (LOSS)	(292,576)	(71,047)	(255,056)	(618,679)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	75,569	10,613	82	86,264
Interest expense	-	-	(242,682)	(242,682)
Gain (loss) on disposal of capital assets	-	8,508	-	8,508
TOTAL NONOPERATING REVENUES (EXPENSES)	75,569	19,121	(242,600)	(147,910)
CHANGES IN NET ASSETS	(217,007)	(51,926)	(497,656)	(766,589)
NET ASSETS:				
BEGINNING OF FISCAL YEAR	35,081,922	6,177,879	(330,522)	40,929,279
END OF FISCAL YEAR	\$ 34,864,915	\$ 6,125,953	\$ (828,178)	\$ 40,162,690

CITY OF CORONADO

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds			
	Wastewater Utility	Golf Course	Storm Drainage	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 4,430,990	\$ 2,418,593	\$ 551,768	\$ 7,401,351
Cash received from other operating activities	10,716	291,536	-	302,252
Cash paid to supplies for goods and services	(332,238)	(318,638)	(82,381)	(733,257)
Cash paid for operations and maintenance	(2,441,082)	(822,231)	(61,343)	(3,324,656)
Cash paid to employees for services	(975,589)	(1,365,843)	(428,422)	(2,769,854)
Net Cash Provided (Used) by Operating Activities	692,797	203,417	(20,378)	875,836
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(1,612,155)	(74,608)	(243,794)	(1,930,557)
Principal paid on capital debt	-	-	(185,000)	(185,000)
Interest paid	-	-	(245,135)	(245,135)
Advance received from other funds	-	-	664,611	664,611
Proceeds from sales of capital assets	-	8,508	-	8,508
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,612,155)	(66,100)	(9,318)	(1,687,573)
CASH FLOW FROM INVESTING ACTIVITIES:				
Interest received	75,569	10,612	82	86,263
Net Cash Provided (Used) by Investing Activities	75,569	10,612	82	86,263
Net Increase (Decrease) in Cash and Cash Equivalents	(843,789)	147,929	(29,614)	(725,474)
CASH AND CASH EQUIVALENTS, JULY 1	12,583,417	1,189,977	402,799	14,176,193
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 11,739,628</u></u>	<u><u>\$ 1,337,906</u></u>	<u><u>\$ 373,185</u></u>	<u><u>\$ 13,450,719</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (292,576)	\$ (71,047)	\$ (255,056)	\$ (618,679)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	815,941	224,830	199,535	1,240,306
Amortization	-	-	24,685	24,685
(Increase) decrease in accounts, grants and taxes receivable	48,567	(606)	103	48,064
Increase (decrease) in accounts payable and accrued liabilities	124,937	42,206	8,523	175,666
Increase (decrease) in compensated absences	(4,072)	8,034	1,832	5,794
Total Adjustments	985,373	274,464	234,678	1,494,515
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 692,797</u></u>	<u><u>\$ 203,417</u></u>	<u><u>\$ (20,378)</u></u>	<u><u>\$ 875,836</u></u>

CITY OF CORONADO

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

	Agency Funds	Private-Purpose Trust Fund Successor Agency of the Former CDA
ASSETS:		
Cash and investments	\$ 45,379	\$ 16,442,398
Accounts, grants and taxes receivable	-	80,371
Interest receivable	-	14,683
Deferred charges	-	2,654,089
Restricted assets:		
Cash and investments with fiscal agents	-	3,039,922
Capital assets:		
Capital assets, not being depreciated	-	2,754,301
Capital assets, net of accumulated depreciation	-	3,913,857
TOTAL ASSETS	\$ 45,379	28,899,621
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 510	3,161,293
Accrued interest	-	2,007,476
Deposits payable	44,869	46,281
Long-term liabilities:		
Due in one year	-	3,267,448
Due in more than one year	-	162,697,233
TOTAL LIABILITIES	\$ 45,379	171,179,731
NET ASSETS:		
Held in trust for other purposes		(142,280,110)
TOTAL NET ASSETS		\$ (142,280,110)

CITY OF CORONADO**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Private-Purpose Trust Fund Successor Agency of the Former CDA
ADDITIONS:	
Taxes	\$ 7,194,258
Interest and change in fair value of investments	46,855
Rents and concessions	480,991
Miscellaneous	457
TOTAL ADDITIONS	7,722,561
DEDUCTIONS:	
Administrative expenses	977,516
Contractual services	185,671
Interest and fiscal charges	5,383,962
Depreciation	35,841
Amortization	18,549
Reimbursement of prior taxes to County	2,390,264
TOTAL DEDUCTIONS	8,991,803
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	(141,010,868)
CHANGE IN NET ASSETS	(142,280,110)
NET ASSETS:	
BEGINNING OF FISCAL YEAR	-
END OF FISCAL YEAR	<u>\$ (142,280,110)</u>

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity:

The reporting entity, "City of Coronado", includes the accounts of the City, the Community Development Agency of the City of Coronado (CDA), the Coronado Improvement Corporation (CIC), and the Coronado Financing Authority (CFA).

The City of Coronado was incorporated on December 12, 1890, as a general law city and operates under a council/manager form of government.

The Community Development Agency was activated on February 19, 1985, pursuant to California Redevelopment Laws for the purpose of eliminating deteriorating conditions and conserving, rehabilitating and revitalizing the project area in accordance with the community development plan and annual work programs. The CDA was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 18 for more information on the dissolution. Separate financial statements for the CDA are not issued.

The Coronado Improvement Corporation was organized on November 27, 1981, under the Non-Profit Public Benefit Corporation Law, State of California, for the purpose of providing financial assistance to the City of Coronado by acquiring, constructing, improving and developing certain facilities for the collection, treatment and disposal of sewage, waste and wastewater within and outside the City. Separate financial statements for the CIC are not issued.

The Coronado Financing Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of January 1, 1990 (the "Joint Powers Agreement") by and between its members, the CDA and the Coronado Unified School District (District), and amended on September 1, 1992, to include the City as a member. The Joint Powers Agreement was entered into pursuant to the provisions of the California Government Code.

The CFA is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing and refinancing public capital improvements for a member through the purchase by the CFA of a member agency's bonds pursuant to bond purchase agreements, and/or the loan of funds to a member. The board of directors is composed of one member each from the CDA board, the City Council, and the District board. Following the dissolution of the CDA on January 31, 2012, the City Council appoints two of its members to be on the board of directors of the CFA. Separate financial statements for CFA are not issued and, therefore, each member includes in its financial statements the accounts and transactions pertaining to its debt issuance's through the CFA.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14. The City of Coronado is the primary governmental unit. Component units are those entities which are financially accountable to the primary governmental unit either because the City appoints a voting majority of the component unit Board, or because the component unit provides financial benefit or imposes a financial burden on the City. The City has accounted for CDA, CIC, and CFA as “blended” component units. Despite being legally separate, these units are so intertwined with the City that they are in substance, part of the City’s operations. Accordingly, the balances and transactions of CDA, CIC, and CFA are included in the Special Revenue, Debt Service, Capital Projects, and Enterprise Funds. The following specific criteria were used in determining that CDA, CIC, and CFA were blended component units:

- 1) The members of the City Council also acted as the governing body of CDA. The City, and the CDA were financially interdependent. The City made loans to CDA for use on redevelopment projects. Property tax revenues of CDA were used to repay the loans from the City. CDA was managed by employees of the City. A portion of the City’s salary and overhead expenses was billed to CDA each year.
- 2) The members of the City Council appoint the members of the governing body of CIC. City employees manage CIC and provide all support functions for CIC including financial reporting and investment decisions.
- 3) Two of the three board members of CFA are members of the City Council. The sole function of the CFA is to issue bonds on behalf of its members. The CFA is managed by employees of the City.

b. Financial Statement Presentation, Measurement Focus, and Basis of Accounting:

On July 1, 2002, the City adopted the provisions of GASB Statement No. 34 (“Statement 34”) of the Governmental Accounting Standards Board, *“Basic Financial Statements and Management’s Discussion and Analysis – For State and Local Governments”*. Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a Statement of Net Assets and a Statement of Activities as part of an entity’s basic financial statements.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

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

- Government-wide financial statements
- Governmental fund financial statements
- Proprietary fund financial statements
- Fiduciary fund financial statements
- Notes to the basic financial statements

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

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the City. 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 fees and charges for support.

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

Governmental Fund Financial Statements:

The 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. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Governmental fund financial statements for the City's governmental funds are presented after the government-wide financial statements. These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds individually and nonmajor funds in the aggregate.

Proprietary Fund Financial Statements:

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. However, the City of Coronado has no non-major proprietary funds.

Fiduciary Fund Financial Statements:

Fiduciary fund financial statements include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The City's fiduciary funds represent agency funds and private-purpose trust funds and are accounted for on a spending or *current financial resources* measurement focus and the accrual basis of accounting.

The following are the types of funds used by the City:

GOVERNMENTAL FUNDS:

General Fund:

The General Fund is used to account for all revenues and activities financed by the City which are not required to be accounted for in another fund.

Special Revenue Funds:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Debt Service Fund:

Debt service funds are used to account for the accumulation of resources, and the payment of general long-term debt principal, interest, and related costs of the CDA.

Capital Projects Funds:

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major property, equipment or facilities (other than those financed by the proprietary funds).

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Permanent Funds:

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs that is, for the benefit of the City or its citizenry. All of the City's permanent funds are to be used to support the City's Library.

PROPRIETARY FUNDS:

Enterprise Funds:

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS:

Agency Funds:

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

Private-Purpose Trust Funds:

Private-purpose trust funds account for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

The City's major governmental funds are as follows:

General Fund is used to account for all revenues and activities, financed by the City which are not required to be accounted for in another fund.

Transportation Development Special Revenue Fund is used to account for revenue and expenditures funded by Regional, State and Federal sources for transportation related issues.

Low/Mod Income Housing Asset Special Revenue Fund accounts for the assets and activities of the former Community Development Agency Special Revenue Fund which were assumed by the City when the CDA dissolved on January 31, 2012.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Community Development Agency Debt Service Fund is used to account for the receipt and disbursement of the CDA's tax increment monies to be used for the repayment of CDA debts (principal and interest) involving projects developed on behalf of the CDA prior to dissolution on January 31, 2012.

The City's major proprietary funds are as follows:

Wastewater Enterprise Fund accounts for the provision of sewer service to the residents and military installations of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, construction, financing and related debt service.

Golf Course Enterprise Fund accounts for the provision of an 18-hole golf course facility to the general public. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, and construction.

Storm Drainage Enterprise Fund accounts for the provision of storm drainage service to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, construction, financing and related debt service.

Measurement Focus:

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus. Under economic resources measurement focus, all (both current and long term) economic resources and obligations of the government are reported.

In the fund financial statements, all governmental funds are accounted for on a spending or "financial flow" measurement focus, meaning that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Noncurrent portions of long-term receivables are reported on the governmental fund balance sheets in spite of their measurement focus. However, special reporting treatments are used to indicate that they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

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

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

Proprietary funds are accounted for using the *economic resources* measurement focus. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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

Basis of Accounting:

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities and business type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the governmental fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Accrued revenues include property taxes, taxpayer assessed taxes such as sales tax and transient occupancy taxes, and earnings on investments received within 60 days after year end. Grant funds earned but not received are recorded as a receivable, and revenue is recognized because it is expected to be paid in accordance with grant contracts. Grant funds received before the revenue recognition criteria have been met are reported as unearned revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Proprietary fund types are accounted for on the accrual basis of accounting. Revenues in these funds are recognized when earned and expenses are recognized when the liability has been incurred. Unbilled sewer fees are accrued at year end.

c. Cash and Investments:

Investments are stated at fair value (quoted market price or best available estimate thereof).

A substantial portion of the City's investments are in short-term, highly liquid instruments, with original maturities of three months or less. For purposes of the Statement of Cash Flows, all cash and investments held by the enterprise funds (including restricted cash and investments) are considered to be short term and, accordingly, are classified as cash and cash equivalents. Also, there were no noncash investing, capital or financing activities for the year ended June 30, 2012, which would require disclosure on the Statement of Cash Flows.

d. Capital Assets:

The City's capital assets, including infrastructure (e.g. roads, bridges, traffic signals, and similar items) are capitalized at historical cost or estimated historical costs. The City policy has set the capitalization threshold for reporting capital assets as follows:

Building and Improvements	\$ 50,000
Equipment, except vehicles with vehicle identification numbers	10,000
Vehicles with vehicle identification numbers	1
Infrastructure	50,000

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Improvements	30-50 years
Equipment	5-50 years
Infrastructure	30-60 years

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.

e. **Compensated Absences:**

In governmental funds, compensated absences (unpaid vacation) are recorded as expenditures in the year paid, as it is the City's policy to liquidate any unpaid vacation at June 30 from future resources rather than current available expendable resources.

Unpaid compensated absences of proprietary funds are recorded as a liability in those funds as the vested benefits to employees accrue. For the governmental funds all unpaid compensated absences are recorded as a liability for governmental activities in the government-wide financial statements.

f. **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 under its self-insurance program in the government-wide statements. Claims and judgment liabilities are expected to be liquidated by the General Fund in future periods.

g. **Fund Balance and Net Assets:**

In the fund financial statements, government funds report the following fund balance classification:

- **Nonspendable** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

- Restricted - includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is resolution.
- Assigned - includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose, which was established by the governing body through Resolution Number 8556.
- Unassigned - includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Stabilization Arrangements

- Emergency Response – The City committed a reserve of \$1,000,000 to be available for the immediate response to a natural or man-made disaster. For Fiscal Year 2011-12, and every year thereafter, this amount is to be increased by a percentage equal to the most recent California Consumer Price Index as published by the Bureau of Labor Statistics. The amount of the commitment was increased for FY 2011-12 to \$1,027,000.
- Economic Stabilization - To guard against a significant unforeseen revenue reduction or loss or expenditure increase, the City will commit an amount equal to three months of General Fund operating expenditures and operating transfers to provide economic stabilization. These amounts may be utilized in the event of a locally proclaimed emergency as specified in Municipal Code Chapter 2.50. In addition, these funds may be utilized if there is a finding made of an unforeseen loss of revenue of at least 5% of budgeted transient occupancy tax or current property tax revenue or unanticipated expenditure at least 5% of budgeted expenditures. At June 30, 2012, the amount for economic stabilization is \$9,289,000 and is included in committed fund balance.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

- Cash Flow - To provide sufficient liquidity and cash flow for general operations of the City, an amount equal to three months of operating expenditures will be set aside in the General Fund. The amount shall be based upon the General Fund operating expenditure budget, including operating transfers. At June 30, 2012, the amount for cash flow is \$9,289,000 and is included in unassigned fund balance.

In the government-wide financial statements, net assets are classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – this component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets net of related debt.”

h. Property Taxes:

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas.

Accordingly, the City of Coronado accrues only those taxes which are received within 60 days after year end.

Lien Date	January 1
Levy Date	June 30
Due Dates	November 1 and February 1
Collection Dates	December 10 and April 10

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

i. Use of Estimates:

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

j. Amortization Expense in Enterprise Funds:

Business Type Activity – Enterprise Funds:

On August 19, 2004, the CFA issued on behalf of the City's Storm Drainage Enterprise Fund \$5,120,000 of Series 2004 Storm Drain System Refunding Revenue Bonds, as more fully described in Note 4, to advance refund the 1996 Storm Drain System Revenue Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$415,205. This difference, net of accumulated amortization is reported in the accompanying financial statements as a reduction from Storm Drainage Enterprise Fund bonds payable and is being charged in the amount of \$19,274 annually to interest expense through the year 2033.

Debt premium totaling \$36,042 and issuance costs totaling \$152,594 are being amortized in the Storm Drainage Enterprise Fund on the straight-line basis over the life of the bond issue (through the year 2033). The debt premium balance is reported as an addition to the Storm Drainage Enterprise Funds bonds payable and is being charged in the amount of \$1,673 annually to interest expense.

k. Advances to Other Funds:

Long-term interfund advances are recorded as a receivable and as nonspendable of fund balance by the advancing governmental fund type.

l. Bond Premiums, Discounts, and Issue Costs:

Bond premiums, discounts, and issue costs are reported as other financing sources or uses (for premiums and discounts) and expenditures (for issue costs) in the governmental fund financial statements. For bonds issued after July 1, 2002, (adoption of GASB Statement No. 34) in the government-wide financial statements and proprietary fund financial statements they are capitalized and amortized over the life of the bond issue. (See Note 1.j. above).

II. STEWARDSHIP

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

a. General Budget Policies:

- 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 substantially all City expenditures, with the exception of debt service on bond issues and capital improvements projects, which expenditures constitute legally-authorized “non-appropriated budget”. There were no significant non-budgeted financial activities. Actual expenditures may not exceed budgeted appropriations at the department level. However, the City Manager is authorized to transfer budgeted amounts between individual accounts within department categories. Budgeted figures used in the financial statements are the final adjusted amounts, including any amendments to the budget during the year.
- 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. Appropriations which are encumbered at year end lapse, and then are added to the following year’s budgeted appropriations.
- 4) Budgets for the General, Special Revenue, Debt Service, and Capital Project Funds are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
- 5) Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State controller, returned to the taxpayers through revisited tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2012, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 1994-95, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

Budgets were not prepared for the CTID Fund and June Miller Bequest Fund, therefore, no budgetary comparison is presented.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued):

b. Excess expenditures over appropriations are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General Government			
Legislative	\$ 1,274,124	\$ 1,269,259	\$ 4,865
Insurance	1,195,716	992,653	203,063
Culture and Leisure			
Library	2,365,781	2,357,464	8,317
Citizens donations	10,935	9,180	1,755

III. DETAILED NOTES ON ALL FUNDS

Note 3: CASH AND INVESTMENTS:

Cash and investments at June 30, 2012, are reported in the accompanying basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Fair Value</u>
Cash and investments	\$ 78,116,172	\$ 13,080,219	\$ 16,487,777	\$ 107,684,168
Restricted cash and investments	-	370,500	3,039,922	3,410,422
Total Cash and Investments	<u>\$ 78,116,172</u>	<u>\$ 13,450,719</u>	<u>\$ 19,527,699</u>	<u>\$ 111,094,590</u>

Cash and investments at June 30, 2012, consisted of the following:

Demand accounts	\$ 3,808,435
Petty cash	8,000
Investments	<u>107,278,155</u>
Total Cash and Investments	<u>\$ 111,094,590</u>

Investment 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 (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 3: CASH AND INVESTMENTS (Continued):

Authorized Investment Type	Maximum Maturity	Maximum Amount or Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Bills, Bonds, and Notes	5 years	None	None
U.S. Government Agency Obligations	5 years	None	None
State of California Registered Notes, Warrants, or Bonds	5 years	None	None
Registered Notes or Bonds of Other States	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	N/A
Time Deposits	1 year	N/A	N/A
Medium-Term Notes	5 years	30%	5%
Bankers Acceptances	180 days	40%	30%
Repurchase Agreements	30 days	30%	None
Local Agency Investment Funds (LAIF)	N/A	None	None
County of San Diego Investment Pool	N/A	None	None
Joint Powers Authority Shares of Beneficial Interest	N/A	None	None
Money Market Funds	N/A	20%	10%

N/A=Not Applicable

Investment Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, Federal Agency Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Banker's Acceptance, Money Market Mutual Funds, Investment Contracts and Repurchase Agreements. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

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 (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 3: CASH AND INVESTMENTS (Continued):

Investment Type	Remaining Maturity					Total
	6 Months or Less	6 - 12 Months	1 to 3 Years	3 to 5 Years	5 Years or More	
U.S. Government Treasury Obligations	\$ -	\$ 5,276,988	\$ 15,328,448	\$ -	\$ -	\$ 20,605,436
U.S. Government Agency Obligations	-	1,516,067	31,583,140	-	-	33,099,207
Local Agency Investment Funds	48,695,053	-	-	-	-	48,695,053
Certificates of Deposit	250,000	-	-	-	-	250,000
California Asset Management Program						
Money Market Mutual Fund	154,611	-	-	-	-	154,611
Municipal Bonds	-	-	125,686	53,628	880,414	1,059,728
Held by Bond Trustee:						
Local Agency Investment Funds	3,031,429	-	-	-	-	3,031,429
Money Market Mutual Funds	382,691	-	-	-	-	382,691
Total	<u>\$ 52,513,784</u>	<u>\$ 6,793,055</u>	<u>\$ 47,037,274</u>	<u>\$ 53,628</u>	<u>\$ 880,414</u>	<u>\$ 107,278,155</u>

Disclosure Relating to Credit Risk:

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

Investment Type	Total as of 6/30/2012	Minimum Legal Rating	Not Required To Be Rated	AA+	Unrated
U.S. Government Treasury Obligations	\$ 20,605,436	N/A	\$ 20,605,436	\$ -	\$ -
U.S. Government Agency Obligations	33,099,207	A	-	33,099,207	-
Local Agency Investment Fund	48,695,053	N/A	-	-	48,695,053
Certificates of Deposit	250,000	N/A	250,000	-	-
California Asset Management Program					
Money Market Mutual Fund	154,611	N/A	-	-	154,611
Municipal Bonds	1,059,728	N/A	-	-	1,059,728
Held by Bond Trustee:					
Local Agency Investment Fund	3,301,429	N/A	-	-	3,301,429
Money Market Mutual Funds	382,691	A	-	-	382,691
Total	<u>\$ 107,548,155</u>		<u>\$ 20,855,436</u>	<u>\$ 33,099,207</u>	<u>\$ 53,593,512</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. Investments in any one issuer that represent 5% or more of the total City's investments are as follows:

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 3: CASH AND INVESTMENTS (Continued):

Issuer	Investment Type	Reported Amount	% of Investments
Federal Home Loan Mortgage Corp.	U.S. Government Agency Obligations	\$ 13,109,756	12%
Federal Home Loan Bank	U.S. Government Agency Obligations	5,680,010	5%
Federal National Mortgage Association	U.S. Government Agency Obligations	14,309,441	13%
United States Treasury	U.S. Treasury Notes	20,605,436	19%

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk, that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the even of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledge securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All of the City's deposits were either fully insured or collateralized as of and for the year ended June 30, 2012.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporary covered by this provision.

City Pooled Investments:

The City maintains a separate investment pool, which invests cash from the participating funds of the City. The participating funds have an equity interest in the investment pool equal to its share of invested cash.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 3: CASH AND INVESTMENTS (Continued):

California Local Agency Investment Fund (LAIF):

The LAIF is a voluntary program, created by a State Statute in 1977 as an investment alternative through which local governments may pool investments. The Local Agency Advisory Board, which consists of five members as designated by State Statute, has oversight responsibility over LAIF. The City may each invest up to \$40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. At June 30, 2012, the City's combined proportionate share of the fair value of LAIF is \$48,695,053, however, under the contract with LAIF, each entity is only entitled to receive its original investment plus any realized earnings and gains and losses.

Allocation of Interest Income Among Funds:

Interest income from pooled investments is allocated 1) to those funds, which are required by law or administrative action to receive interest and 2) the proprietary funds. Interest is allocated on a quarterly basis based on the weighted average cash balances in each fund receiving interest.

Note 4: LOANS RECEIVABLE:

The loans at June 30, 2012 consisted of the following:

General Fund	
City Manager Housing Loan	\$ 1,152,906
Various loans	12,000
	<hr/>
	1,164,906
Low/Mod Income Housing Asset Fund	
CATPAH	289,364
Motel Del Island	60,523
Ryan	158,603
Tilaro and Day Trusts	209,190
Novak	4,549
Silent Second Loans	254,560
CIHC Sr. Housing Loan - 550 Orange Ave.	1,284,643
CIHC LMI Housing Loan - 525 Orange Ave.	867,430
SDIHC LMI Housing Loan - Orange Villas	1,289,470
CIHC Building Loan - 525 Orange Ave.	800,000
	<hr/>
	5,218,332
	<hr/>
Total loans receivable	\$ 6,383,238

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 4: LOANS RECEIVABLE (Continued):

City Manager Housing Loan:

On July 27, 2010, the City entered into a promissory note with the City Manager to provide housing assistance as part of the employment agreement in the amount of \$1,202,105. Repayment of the promissory note is payable bi-weekly in the amount of \$2,197 including principal and interest at an initial variable rate of 2.52% with the first payment due September 3, 2010. The outstanding balance of this loan as of June 30, 2012 is \$1,152,906.

CATPAH Loan:

On July 20, 1993, the CDA board approved an Affordable Housing and Loan Agreement between the CDA and the "Coronado Association to Provide Affordable Housing" (CATPAH), a limited partnership, to assist in financing the acquisition and rehabilitation of twenty-three units of affordable housing within the CDA's project area for rental to low and moderate income households. The loan of \$2,410,00 is a non-interest bearing loan and is secured by a deed of trust on the properties acquired. CATPAH was required to provide additional funding of \$225,000 to acquire the property and to establish a rehabilitation and reserve account of not less than \$75,000. The balance due under the note is to be repaid upon the earlier of (a) the sale, lease, exchange or other conveyance of the properties (other than the lease to low and moderate income households); (b) the uncured default of CATPAH under any of the loan documents; or (c) the expiration of the Coronado Community Development plan on July 9, 2031.

The total amount due under the note is to equal the amount derived from sale, lease, exchange or other conveyance of the properties, less the amount of CATPAH's contribution and interest thereon at the rate of five percent per annum, except in the event of the uncured default of CATPAH, wherein no amount will be deducted for the reimbursement of CATPAH's contribution. The escrow for the purchase of the properties closed in January 1994.

Because the probable amount of future payments on the note, or the timing of payments on the note, could not be estimated with reasonable certainty, the disbursement to CATPAH was recorded as an expenditure. A note receivable from CATPAH has been recorded with an offset to deferred revenue. Interest is being accrued on an annual basis at 6.5% and added to the note receivable and deferred interest. At such time as principal payments are received on the note in future years, the deferred revenue will be reduced, and revenue will be recognized in the amount of the principal payments. On February 1, 2012, upon the dissolution of the CDA, the receivable was transferred to the City as the successor agency for housing. On that date, the receivable had a present value of \$281,676. On June 30, 2012, the present value for the receivable increased to \$289,364.

Motel Del Island Loan:

On January 3, 1996, the CDA board entered into an Affordable Housing Agreement with the Motel Del Island (partnership), a California general partnership. Under the terms of the agreement, a grant was provided in the amount of \$1,563,590 and a grant/loan of \$300,000 to the partnership to fund the costs associated with the operation and

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 4: LOANS RECEIVABLE (Continued):

rehabilitation of a certain real estate property to provide rental units to very low income and lower income households at an affordable rent. The loan is a non-interest bearing loan and is secured by a deed of trust on the property. The principal balance on the loan was determined after the rehabilitation of the property was completed in December 1996, by deducting the costs associated with the health and safety improvements portion of the rehabilitation costs (\$172,815) from the \$300,000 grant/loan leaving a balance due of \$127,185. The balance due under the loan is to be repaid upon the earlier of (a) the sale, lease, exchange or other conveyance of the property (other than transfers to the City, and the rental of a unit to an eligible person or family); (b) the uncured default of the partnership under any of the terms of the loan or agreement; or (c) thirty years after the first full month after the date of declaration of the conditions, covenants and restrictions regarding the property. The City has the right to terminate the agreement in the event of an uncured default at which time any amounts owing under the loan agreement and a prorated portion of the grants would be fully due and payable to the City. After the thirty-year period described above, no portion of the grants would be recovered by the City.

Because the probable amount of future payments on the loan or grants, or the timing of such payments, could not be estimated with reasonable certainty, the disbursement of the monies to the partnership was recorded as an expenditure. A note receivable from the partnership has been recorded with an offset to deferred revenue. Interest is being accrued on an annual basis at 5.65% and added to the note receivable and deferred revenue. At such time as principal payments are received on the loan in future years, the deferred revenue will be reduced, and revenue will be recognized in the amount of the principal payments received. On February 1, 2012, upon the dissolution of the CDA, the receivable was transferred to the City as the successor agency for housing. On that date, the receivable had a present value of \$59,175. On June 30, 2012, the present value of the receivable increased to \$60,523.

Ryan Loan:

On January 18, 1996, the CDA board entered into an Affordable Housing Agreement with Jonathan D. Ryan (Owner), an individual, to assist in financing the rehabilitation of six units of housing within the CDA's project area, for rental to very low income and lower income households at an affordable rent. The loan of \$334,000 is a non-interest bearing loan for a term of thirty years and is secured by a deed of trust on the property. The loan will be repayable upon the earlier sale or other transfer of the property unless the transferee assumes the loan in a written assumption agreement. The full amount of the loan will be forgiven upon the thirtieth anniversary of the note in the event the Owner is not then in default of the agreement or the loan has not previously become due.

Because the probable amount of future payments on the loan, or the timing of such payments, could not be estimated with reasonable certainty, the disbursement of the monies to the Owner was recorded as an expenditure. A note receivable from the Owner has been recorded with an offset to deferred revenue. Interest is being accrued on an annual basis at 5.65% and added to the note receivable and deferred revenue. If the loan is forgiven, the loan receivable and the deferred interest will be written-off. At such time as principal payments are received on the loan in future years, the deferred revenue will

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 4: LOANS RECEIVABLE (Continued):

be reduced, and revenue will be recognized in the amount of the principal payments received. On February 1, 2012, upon the dissolution of the CDA, the receivable was transferred to the City as the successor agency for housing. On that date, the receivable had a present value of \$155,072. On June 30, 2012, the present value of the receivable increased to \$158,603.

Tilaro and Day Trusts Loan:

In July 1996, the CDA board entered into an Affordable Housing Agreement with the Mario and Judith Tilaro Family Trust and John Day Smith Living Trust (Owner) in which loans in the amount of \$520,371 were provided to the Owner to fund housing assistance and rehabilitation costs. The rehabilitated property produced affordable rental units for very low income and lower income households. The principal balance of the Rehabilitation Loan, \$19,079, was determined after the rehabilitation of the property for items relating to fire, life, and safety. This non-interest bearing loan is for a term of thirty years and is secured by a deed of trust on the property. The loan will be repayable upon the earlier sale or other transfer of the property unless the transferee assumes the loan in a written assumption agreement. The terms of the Housing Assistance Loan of \$430,371 are similar to the Rehabilitation Loan noted above. However, the full amount of this loan will be forgiven upon the thirtieth anniversary of the note in the event the Owner is not then in default of the agreement or the loan has not previously become due.

Because the probable amount of future payments on the loans, or the timing of such payments, could not be estimated with reasonable certainty, the disbursement of the monies to the Owner was recorded as an expenditure. A note receivable combining both loans from the Owner has been recorded with an offset to deferred revenue. Interest is being accrued on an annual basis at 5.65% and added to the note receivable and deferred revenue. If the loan is forgiven, the loan receivable and the deferred interest will be written-off. At such time as principal payments are received on the loan in future years, the deferred revenue will be reduced, and revenue will be recognized in the amount of the principal payments received. On February 1, 2012, upon the dissolution of the CDA, the receivable was transferred to the City as the successor agency for housing. On that date, the receivable had a present value of \$204,531. On June 30, 2012, the present value of the receivable increased to \$209,190.

Novak Loan:

In October 1996, the CDA board entered into a loan agreement with an individual in the amount of \$10,000 for the purpose of acquiring a housing unit burdened with affordable housing covenants. Under the terms of the agreement, the loan is due and payable in full on October 29, 2026; is non-interest bearing; is secured by a trust deed on the property; and requires compliance with the affordable housing covenants.

Because the probable amount of future payments on the loan, or the timing of such payments, could not be estimated with reasonable certainty, the disbursement was recorded as an expenditure. A note receivable from the owner has been recorded with an offset to deferred revenue. Interest is being accrued on an annual basis at 5.65% and added to the note receivable and deferred interest. At such time as principal payments are

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 4: LOANS RECEIVABLE (Continued):

received on the note in future years, the deferred revenue will be reduced, and revenue will be recognized in the amount of the principal payments received. On February 1, 2012, upon the dissolution of the CDA, the receivable was transferred to the City as the successor agency for housing. On that date, the receivable had a present value of \$4,407. On June 30, 2012, the present value of the receivable increased to \$4,549.

Silent Second Loans:

Under the CDA board-approved Coronado Home Purchase Loan Program, six loans were made to eligible homebuyers (Owners) from September through November 1998 to assist in the purchase of real property within the City. These loans varied in amount from \$100,000 to \$120,000, are non-interest bearing, are for a term of thirty years, and are secured as second trust deeds. While the loans do not bear interest, if certain events occur, payment of shared appreciation is required. The loans are each repayable upon the earlier sale or other transfer of the property to a non-eligible homebuyer with the shared appreciation amount. However, in the event of the earlier sale or transfer to an eligible homebuyer, the loan may be assumed. The full amount of each loan will be forgiven upon the thirtieth anniversary of the note in the event the Owner is not then in default of the agreement or the loan has not previously become due.

Because the probable amount of future payments on the loan, or the timing of such payments, could not be estimated with reasonable certainty, the disbursements were recorded as expenditures. One loan receivable from the various Owners has been recorded with an offset to deferred revenue at the discounted present value using a rate of 5.80%. Interest is being accrued on an annual basis at 5.80% and added to the note receivable and deferred interest. If the loans are forgiven, the loan receivable and the deferred interest will be written-off. At such time as principal payments are received on the note in future years, the deferred revenue will be reduced, and revenue will be recognized in the amount of the principal payments received. On February 1, 2012, upon the dissolution of the CDA, the receivable was transferred to the City as the successor agency for housing. On that date, the receivable had a present value of \$248,748. On June 30, 2012, the present value of the receivable increased to \$254,560.

Coronado Interfaith Housing Corporation Senior Housing Loan – 550 Orange Ave.:

In February 2006, the CDA board entered into a Disposition and Development Agreement (DDA) with the Coronado Interfaith Housing Corporation (CIHC) regarding two properties owned by the CDA. The DDA established the responsibilities and authority for CIHC to build and operate a thirty (30) unit senior affordable rental housing complex on the two properties. Under the terms of the DDA, the CDA entered into a long-term ground lease of the properties for \$1 per year for fifty-five years. Additionally, the DDA provided a portion of the financing for the project in the form of a loan in the amount of \$3,492,591. This loan is forgivable as long as CIHC complies with all terms and covenants included in the DDA during the fifty-five year term of the agreement (commencing from occupancy of the first residential tenants). At the end of the ground lease, the land, improvements, and any remaining amount in the residual receipts account will revert to ownership by the City. CIHC was responsible for obtaining any additional

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 4: LOANS RECEIVABLE (Continued):

financing required for the project as well as construction of the new apartment complex including site amenities.

Because the probable amount of future payments on the loan, or the timing of payments on the loan, could not be estimated with reasonable certainty, the disbursement to CICH was recorded as an expenditure. A loan receivable from CICH has been recorded with an offset to deferred revenue. The loan has a stated annual interest rate of 3.00%, which was below the estimated incremental borrowing rate of the CDA of 5.00%. Interest is being accrued on an annual basis at 5.00% and added to the loan receivable and deferred revenue. If the loan is forgiven, the loan receivable and the deferred interest will be written-off. At such time as principal payments are received on the loan in future years, the deferred revenue will be reduced and revenue will be recognized in the amount of the principal payments received. In accordance with the terms of the DDA, interest receivable is accrued annually on the full amount of the loan at the stated rate of 3.00% with an offset to deferred revenue. If the loan is forgiven, the interest receivable and the associated deferred interest will be written-off. On February 1, 2012, upon the dissolution of the CDA, the loan receivable was transferred to the City as the successor agency for housing. On that date, the loan receivable had a present value of \$1,274,147 and the accrued interest receivable was \$551,423. On June 30, 2012, the present value of the loan receivable and accrued interest (at 3.00%) had increased to \$1,284,643, and \$595,080, respectively.

Coronado Interfaith Housing Corporation Affordable Housing Loan- 525 Orange Ave:

On July 2, 2007, the CDA board entered into a Disposition and Development Agreement (DDA) with the Coronado Interfaith Housing Corporation (CIHC) regarding the rehabilitation and operation of affordable rental property owned by the CDA at 525 Orange Avenue. The DDA established the responsibilities and authority for CIHC to rehabilitate and operate an affordable rental housing complex on the property. Under the terms of the DDA, the CDA entered into a long-term ground lease of the properties for \$20,000 per year for fifty-five years. Additionally, the DDA provided a portion of the financing for the project in the form of a forgivable loan in the amount of \$2,067,066. This loan is forgivable as long as CIHC complies with all terms and covenants included in the DDA during the fifty-five year term of the agreement (commencing from occupancy of the first residential tenants). At the end of the ground lease, the land, improvements, and any remaining amount in the residual receipts account will revert to ownership by the City. CIHC was responsible for obtaining any additional financing required for the project as well as rehabilitating the site including site amenities.

Because the probable amount of future payments on the loan, or the timing of payments on the loan, could not be estimated with reasonable certainty, the disbursement to CICH was recorded as an expenditure. A loan receivable from CICH has been recorded with an offset to deferred revenue. The loan has a stated annual interest rate of 3.00%, which was below the estimated incremental borrowing rate of the CDA of 4.72%. Interest is being accrued on an annual basis at 4.72% and added to the loan receivable and deferred revenue. If the loan is forgiven, the loan receivable and the deferred interest will be written-off. At such time as principal payments are received on the loan in future years, the deferred revenue will be reduced and revenue will be recognized in the amount of the

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 4: LOANS RECEIVABLE (Continued):

principal payments received. In accordance with the terms of the DDA, interest receivable is accrued annually on the full amount of the loan at the stated rate of 3.00% with an offset to deferred revenue. If the loan is forgiven, the interest receivable and the associated deferred interest will be written-off. On February 1, 2012, upon the dissolution of the CDA, the loan receivable was transferred to the City as the successor agency for housing. On that date, the loan receivable had a present value of \$861,318 and the accrued interest receivable was \$227,306. On June 30, 2012, the present value of the loan receivable and accrued interest (at 3.00%) had increased to \$867,430, and \$253,145, respectively.

San Diego Interfaith Housing Corporation – Orange Villas:

In August 2008, the CDA board entered into a Disposition and Development Agreement (DDA) with San Diego Interfaith Housing Corporation (SDIHC) regarding affordable housing construction at 440-450 Orange Avenue, substantial rehabilitation at 225 Orange Avenue, and subsequent operation of both properties. The DDA established the responsibilities and authority for SDIHC to construct, rehabilitate, and operate affordable housing complexes on the properties. Under the terms of the DDA, the CDA entered into a long-term ground lease of the properties for \$1 per year for ninety-nine years. Additionally, the DDA provided a portion of the financing for the project in the form of a forgivable loan of \$2,870,000 for a term of ninety-nine years. This loan is forgivable as long as SDIHC complies with all terms and covenants included in the DDA upon the fifty-fifth anniversary of the Housing Assistance Note. At the end of the ground lease, the land, improvements, and any remaining amount in the residual receipts account will revert to ownership by the City.

Because the probable amount of future payments on the loan, or the timing of payments on the loan, could not be estimated with reasonable certainty, the disbursement to SDICH was recorded as expenditures. A loan receivable from SDICH has been recorded with an offset to deferred revenue. The loan has a stated interest rate of 3.00%, which was below the estimated incremental borrowing rate of the CDA of 4.50%. Therefore, the balance of the note has been discounted based on the 4.50% rate (present value). Interest is being accrued on an annual basis at 4.50% and added to the loan receivable and deferred revenue. If the loan is forgiven, the loan receivable and the deferred interest will be written-off. At such time as principal and interest payments are received on the loan in future years, the deferred revenue will be reduced and revenue will be recognized in the amount of the principal and interest payments received. In accordance with the terms of the DDA, interest receivable is accrued annually on the full amount of the loan at the stated rate of 3.00% with an offset to deferred revenue. If the loan is forgiven, the interest receivable and the associated deferred revenue will be written-off. On February 1, 2012, upon the dissolution of the CDA, the loan receivable was transferred to the City as the successor agency for housing. On that date, the loan receivable had a present value of \$1,281,528 and the accrued interest receivable was \$65,341. On June 30, 2012, the present value of the loan receivable and accrued interest (at 3.00%) had increased to \$1,289,470 and \$101,216, respectively.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 4: LOANS RECEIVABLE (Continued):

Coronado Interfaith Housing Corporation Building Loan – 525 Orange Ave.:

On June 19, 2007, the CDA board entered into a Disposition and Development Agreement (DDA) with the Coronado Interfaith Housing Corporation (CIHC). Under the DDA, a promissory note in the amount of \$800,000 was given as part of an agreement dated December 19, 2007. The loan has a stated annual interest rate of 4.72% with repayment of principal and interest in annual installments equal to available revenues derived from the Project after payment of operation and maintenance expenses and Ground Lease Payments. The first payment was due on the first anniversary of the commencement date and the final payment in the amount of the unpaid note to be paid on the fifty-fifth anniversary. On February 1, 2012, upon dissolution of the CDA, the loan receivable and associated interest receivable was transferred to the City as the successor agency for housing. On that date, the loan receivable had a balance of \$800,000 and accrued interest of \$138,410. On June 30, 2012, the loan receivable balance was unchanged while accrued interest increased to \$154,144.

For the government-wide financial statements, all of the present value amounts recorded on the notes and loans above (including any accrued interest) and the related deferred revenue amounts have been eliminated because it is expected that the recipients of these loans will comply with all of the loan terms and that they will be forgiven, except for the CIHC Building Loan noted above.

Note 5: LOANS TO SUCCESSOR AGENCY:

The loans at June 30, 2012, consisted of the following:

Loans to Successor Agency	
Consolidated Promissory Note	\$ 28,326,552
Glorietta Bay Marina	3,445,842
	<u>31,772,394</u>
Less allowance for uncollectibles	<u>(31,772,394)</u>
Total	<u>\$ -</u>

Due to the uncollectibility of the loans to the Successor Agency, an allowance for uncollectibles has been recorded at June 30, 2012, for the loans that are pending approval by the State Department of Finance as enforceable obligations. An allowance for uncollectibles has been recorded in the amount of \$31,772,394 in the General Fund. This allowance will remain in place until the State Department of Finance makes further determinations regarding the probability of collection on the loan balances. For details on the loans to the Successor Agency, see Note 18.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 6: INTERFUND TRANSACTIONS:

The composition of interfund balances as of June 30, 2012, was as follows:

Due To/From Other Funds:

		Due To Other
		Other Nonmajor
		Governmental
Funds		Funds
Due from Other Funds:		
General Fund		\$ 122,134

The General Fund has loaned cash to the various nonmajor governmental funds for cash flow purposes. This short-term loan will be repaid from future fund revenues.

Advances To/From Other Funds:

		Advances From
		Other Funds
Funds		Storm Drainage
Advances to Other Funds:		
General Fund		\$ 5,682,745

As of June 30, 2012, the General Fund has made a long-term advance to the Storm Drainage Enterprise Fund to finance operations of the Storm Drainage Enterprise Fund.

Interfund Transfers:

Funds	Transfers Out			Total
	General Fund	Community Development Agency Debt Service Fund	Nonmajor Governmental Funds	
Transfers In:				
General Fund	\$ -	\$ -	\$ 210,794	\$ 210,794
Transportation Development Fund	-	-	7,177,961	7,177,961
CDA Debt Service Fund	-	-	1,040,131	1,040,131
Nonmajor Governmental Funds	239,000	1,003,737	-	1,242,737
Total	\$ 239,000	\$ 1,003,737	\$ 8,428,886	\$ 9,671,623

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 6: INTERFUND TRANSACTIONS (Continued):

Transfers from the General Fund were made to various nonmajor governmental funds to provide working capital and funding for projects. Transfers from various nonmajor governmental funds were made to the General Fund to reimburse the General Fund for a portion of public safety salaries.

Transfers from the Community Development Agency Special Revenue Fund were made to the Community Development Agency Debt Service Fund to provide funding to pay the low and moderate income housing's portion of the current principal and interest payments on Tax Allocation Bonds.

Transfers from the Community Development Agency Debt Service Fund were made to the Community Development Agency Capital Project Fund to finance administrative expenses of the CDA.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 7: CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Transferred to Successor Agency*	Additions	(Deletions)	Transfers	Balance June 30, 2012
Governmental Activities:						
Capital Assets Not Being Depreciated:						
Land	\$ 35,805,172	\$ (2,677,856)	\$ -	\$ -	\$ -	\$ 33,127,316
Art and collections	1,661,478	-	-	-	-	1,661,478
Construction in progress	4,343,599	(76,445)	4,516,767	-	(5,831,180)	2,952,741
Total Capital Assets - Governmental Activities Not Being Depreciated	41,810,249	(2,754,301)	4,516,767	-	(5,831,180)	37,741,535
Capital Assets Being Depreciated:						
Buildings	52,591,256	-	-	(61,152)	1,815,692	54,345,796
Improvements other than building	21,382,502	(4,300,941)	-	(3,270,176)	98,704	13,910,089
Infrastructure	38,269,029	-	-	(1,165,654)	3,221,129	40,324,504
Vehicles and equipment	12,026,547	-	474,928	(699,443)	695,655	12,497,687
Total Capital Assets Being Depreciated - Governmental Activities	124,269,334	(4,300,941)	474,928	(5,196,425)	5,831,180	121,078,076
Less Accumulated Depreciation:						
Buildings	8,808,207	-	1,123,744	(52,591)	-	9,879,360
Improvements other than building	3,325,798	(351,243)	517,418	(1,060,598)	-	2,431,375
Infrastructure	18,306,497	-	995,346	(951,673)	-	18,350,170
Vehicles and equipment	6,372,102	-	1,021,151	(525,621)	-	6,867,632
Total Accumulated Depreciation - Governmental Activities	36,812,604	(351,243)	3,657,659	(2,590,483)	-	37,528,537
Net Capital Assets Being Depreciated - Governmental Activities	87,456,730	(3,949,698)	(3,182,731)	(2,605,942)	5,831,180	83,549,539
Net Capital Assets - Governmental Activities	\$ 129,266,979	\$ (6,703,999)	\$ 1,334,036	\$ (2,605,942)	\$ -	\$ 121,291,074

*As a result of the dissolution of the redevelopment agency, capital assets of the former CDA were transferred to the Successor Agency. See Note 18 for additional information on the dissolution.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 7: CHANGES IN CAPITAL ASSETS (Continued):

	Balance June 30, 2011	Additions	(Deletions)	Transfers	Balance June 30, 2012
<u>Business-Type Activities:</u>					
Capital Assets Not Being Depreciated:					
Construction in progress	\$ 740,403	\$ 1,344,674	\$ -	\$ (1,458,848)	\$ 626,229
Total Capital Assets - Not Being Depreciated	740,403	1,344,674	-	(1,458,848)	626,229
Capital Assets Being Depreciated:					
Buildings	5,554,360	-	-	-	5,554,360
Improvements other than building	43,783,956	362,889	(52,092)	614,376	44,709,129
Vehicles and equipment	11,797,271	222,995	(120,588)	844,472	12,744,150
Total Capital Assets Being Depreciated - All Enterprise Funds	61,135,587	585,884	(172,680)	1,458,848	63,007,639
Less Accumulated Depreciation:					
Buildings	1,503,208	111,087	-	-	1,614,295
Improvements other than building	20,716,512	774,016	(52,092)	-	21,438,436
Vehicles and equipment	4,211,326	355,203	(120,588)	-	4,445,941
Total Accumulated Depreciation - All Enterprise Funds	26,431,046	1,240,306	(172,680)	-	27,498,672
Net Capital Assets Being Depreciated All Enterprise Funds	34,704,541	(654,422)	-	1,458,848	35,508,967
Net Capital Assets - All Enterprise Funds	\$ 35,444,944	\$ 690,252	\$ -	\$ -	\$ 36,135,196

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 7: CHANGES IN CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions/programs of the City as follows:

General government	\$ 1,227,879
Public safety	723,221
Construction and maintenance	234,954
Planning and building services	1,964
Housing	128,962
Culture and leisure	<u>1,340,679</u>
Total Governmental Activities	<u>\$ 3,657,659</u>
Business-Type Activities:	
Wastewater Utility	\$ 815,941
Golf Course	224,830
Storm Drain	<u>199,535</u>
Total Business-Type Activities	<u>\$ 1,240,306</u>

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 8: LONG-TERM DEBT OBLIGATIONS:

Governmental Activities – Long-Term Debt:

A summary of changes in governmental activities long-term debt at June 30, 2012, is as follows:

	Balance June 30, 2011	Additions	Reductions	Transferred to Successor Agency*	Balance June 30, 2012	Due Within One Year
Compensated Absences	\$ 1,538,111	\$ 1,754,068	\$ (1,661,039)	\$ -	\$ 1,631,140	\$ 1,631,140.00
Tax Allocation Bonds (TABs):						
2006 Refunding Issue	33,415,000	-	(1,455,000)	(31,960,000)	-	-
2005 Issue	56,705,000	-	(1,105,000)	(55,600,000)	-	-
2003 Issue, nonhousing	19,895,000	-	(125,000)	(19,770,000)	-	-
2003 Issue, housing	9,960,000	-	(175,000)	(9,785,000)	-	-
2000 Issue	4,565,000	-	(190,000)	(4,375,000)	-	-
1996 Refunding Issue	2,487,547	-	-	(2,487,547)	-	-
1996 Accreted Interest	3,780,092	230,196		(4,010,288)	-	-
Total Tax Allocation Bonds	130,807,639	230,196	(3,050,000)	(127,987,835)	-	-
Less Excess Costs on Defeasance (for 2006)	(574,223)	16,819	-	557,404	-	-
Add Premium:						
2006 Refunding Issue	1,139,725	-	(33,242)	(1,106,483)	-	-
2005 Issue	951,479	-	(23,702)	(927,777)	-	-
2003 Issue	271,054	-	(6,924)	(264,130)	-	-
Totals Tax Allocation Bonds and Premium	132,595,674	247,015	(3,113,868)	(129,728,821)	-	-
Promissory Note Secured:						
By Deed of Trust (Note)	2,677,799	-	(26,316)	(2,651,483)	-	-
By Deed of Trust (Note)	1,727,440	-	(15,453)	(1,711,987)	-	-
Sub - Total Promissory Notes Secured by Deed of Trust	4,405,239	-	(41,769)	(4,363,470)	-	-
Sub-Total TABs and Notes	137,000,913	247,015	(3,155,637)	(134,092,291)	-	-
Total Government - Wide Governmental Activities	\$ 138,539,024	\$ 2,001,083	\$ (4,816,676)	\$ (134,092,291)	\$ 1,631,140	\$ 1,631,140

*As a result of the dissolution of the redevelopment agency, indebtedness of the former CDA was transferred to the Successor Agency. See Note 18 for additional information on the dissolution.

a. Compensated Absences:

This liability represents the total unpaid vacation and compensation time earned by employees of the City in its governmental fund types to be paid from future resources.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 8: LONG-TERM DEBT OBLIGATIONS (Continued):

b. Defeasance of Long-Term Debt in Prior Year:

In prior years the CDA defeased certain Tax Allocation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the CDA's financial statements.

At June 30, 2012, the outstanding balance of defeased bonds is as follows:

	Outstanding Principal
2000 Tax Allocation Bonds	\$ 12,105,000

Business-Type Activities – Long-Term Debt:

A summary of the changes in business-type activities long-term debt at June 30, 2012, is as follows:

	Balance June 30, 2011	Additions	Deletions/ Payments	Balance June 30, 2012	Due Within One Year
Compensated Absences	\$ 181,387	\$ 170,160	\$ (164,366)	\$ 187,181	\$ 164,639
2004 Storm Drainage System Refunding Revenue Bonds	3,860,000	-	(185,000)	3,675,000	195,000
Sub-total	4,041,387	170,160	(349,366)	3,862,181	<u>\$ 359,639</u>
Plus Unamortized Premium	24,539	-	(1,673)	22,866	
Less Deferred Amounts on Advance Refunding (see Note 1.j.)	<u>(282,693)</u>	<u>-</u>	<u>19,274</u>	<u>(263,419)</u>	
Total Business-Type Activities Long-Term Debt	<u>\$ 3,783,233</u>	<u>\$ 170,160</u>	<u>\$ (331,765)</u>	<u>\$ 3,621,628</u>	

2004 Storm Drain Refunding Revenue Bonds:

On August 19, 2004, the Coronado Financing Authority (CFA), issued on behalf of the City's Storm Drainage Enterprise Fund \$5,120,000 of Series 2004 Storm Drain System Refunding Revenue Bonds consisting of \$2,990,000 of serial bonds, \$1,125,000 of term bonds due March 1, 2023, and \$1,005,000 of term bonds due March 1, 2026. The proceeds from the bonds were used to advance refund the CFA's 1996 Storm Drainage System Project Revenue Bonds. The proceeds from the 2004 bonds together with certain funds made available through the defeasance of the refunded 1996 bonds were placed in an irrevocable trust with an escrow agent to provide the remaining debt service payments on the refunded debt. The trust invests solely in direct obligations of the United States Government.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 8: LONG-TERM DEBT OBLIGATIONS (Continued):

The City's Storm Drain Enterprise Fund advance refunded the 1996 bonds to reduce its total debt service payment over the next twenty-two years by approximately \$507,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$210,000.

The annual requirements to amortize the bonds outstanding at June 30, 2012, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 195,000	\$ 168,845	\$ 363,845
2014	200,000	161,825	361,825
2015	210,000	154,325	364,325
2016	220,000	145,925	365,925
2017	230,000	137,125	367,125
2018-2022	1,310,000	524,825	1,834,825
2023-2026	1,310,000	167,500	1,477,500
Total	<u>\$ 3,675,000</u>	<u>\$ 1,460,370</u>	<u>\$ 5,135,370</u>

Note 9: PORT DISTRICT LEASE:

In 1999, the CDA acquired an existing lease with the Port of San Diego for the Glorietta Bay Marina and surrounding premises. The term of the lease expired in November 2011. The original lease had provided for a 25 year lease extension. Due to the dissolution of redevelopment, the CDA was prohibited from exercising this lease extension. Through the balance of FY 2011-12, the Successor Agency leased the property on a month-to-month basis. See Note 19 for further discussion.

The cost of acquiring the Port Lease was treated as a capital asset, amortized over the original term plus the 25 year extension. The lease, net of depreciation, was written off at June 30, 2012 at a loss of \$2.2 million.

Note 10: CDA SHORT-TERM BORROWING ARRANGEMENTS:

The CDA was established through an agreement between the City and the Coronado Unified School District (District). Under the terms of this agreement (as amended) the City and District separately managed their respective capital improvement projects and requisited payment of costs on the projects from the CDA as they were incurred. To accomplish this, the CDA entered into short-term borrowing arrangements (STBA) with the City and District which operate essentially as lines of credit from those entities. Under the terms of the above agreement and STBAs, upon the receipt of the payment requisitions the CDA records in the respective debt service fund, an expenditure for the project costs incurred and a corresponding accounts payable in the same amount. When the requisitions were paid by CDA the accounts payable was reduced in the respective debt service fund for payment on the STBA.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 10: CDA SHORT-TERM BORROWING ARRANGEMENTS (Continued):

During the year ended June 30, 2012, the City of Coronado requisitioned under the above STBA \$1,080,190 to the CDA and the District requisitioned \$579,327 to the CDA. As of June 30, 2012, all of these amounts were paid.

Note 11: SELF – INSURANCE:

For liability insurance coverage, the City is a member of the San Diego County Pooled Insurance Program Authority (SANDPIPA), a consortium of various San Diego County cities. Each member city pays an annual premium. Losses exceeding a member city's self-insured retention are paid by the pool or by a commercial excess insurance company. For worker's compensation insurance coverage, the City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX). Each member city pays an annual premium. Losses exceeding a member city's self-insured retention are paid by LAWCX up to \$5,000,000 and by a commercial insurance company for losses from \$5,000,000 to the statutory limit. The self-insured retentions and maximum coverages are:

	Self-Insured Per Occurrence	Excess Coverage Above Self-Insurance Retention
Public liability	\$150,000	\$47,000,000
Workers' compensation	\$500,000	Statutory Amount

The City has entered into contracts with a servicing agent who administers the workers' compensation claims program.

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2012.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year-end in the General Fund.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 11: SELF – INSURANCE (Continued):

Changes in the aggregate liability for claims for the years ended June 30, 2011 and 2012, are as follows:

	Workers' Compensation	General Liability	Total
Liability as of June 30, 2010	\$ 1,616,363	\$ 317,900	\$ 1,934,263
Claims and changes in estimates during the year ended June 30, 2011	1,436,485	378,740	1,815,225
Claim payments during the year ended June 30, 2011	(1,154,965)	(221,340)	(1,376,305)
Liability as of June 30, 2011	1,897,883	475,300	2,373,183
Claims and changes in estimates during the year ended June 30, 2012	1,843,718	240,784	2,084,502
Claim payments during the year ended June 30, 2012	(1,428,637)	(197,484)	(1,626,121)
Liability as of June 30, 2012	<u>\$ 2,312,964</u>	<u>\$ 518,600</u>	<u>\$ 2,831,564</u>

The ultimate amount of losses incurred through June 30, 2012, is dependent on future developments. Base upon information from the City Attorney, the City's claim administrators and others involved with the administration of the insurance programs, City management believes the accrual is adequate to cover such losses.

Note 12: PUBLIC EMPLOYEES RETIREMENT SYSTEM:

a. Plan Description:

The City's defined benefit pension plans, the Miscellaneous and Safety Plans for the City of Coronado (Plans), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS's annual financial report may be obtained from CalPERS Executive Office: 400 Q Street, Sacramento, CA 95814.

b. Employee and Employer Contribution Obligations:

The City historically made the contributions required of City employees on their behalf and for their account. Beginning in July and September 2011, and January 2012 the City stopped paying the contributions required of City employees for all employee groups. FY 2011-12 will be the last year the City shows any contribution on behalf of employees. The employee contribution rates are set by

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 12: PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

statute and therefore remain unchanged from year to year. The employee contribution rates and amounts are as follows:

<u>Category</u>	<u>Member Rates as a Percentage of Wage</u>	<u>Contributed on Behalf of Employees for the Year Ended June 30, 2012</u>
Local miscellaneous members	8%	\$ 269,123
Local Safety Members:		
Police employees	9%	92,988
Fire employees	9%	11,274
Total Contributions on Behalf of Employees		<u>\$ 373,385</u>

The City is required to contribute the remaining amount at an actuarial determined rate; the FY 2011-12 rate as a percentage of annual covered payroll is 18.012% for miscellaneous employees and 24.112% for safety employees. The required contributions were determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

c. Annual Pension Cost:

For the year ended June 30, 2012, the City's annual pension cost (employer contribution) and required contribution was \$3,792,653 and the actual contribution was \$3,792,653. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method.

The City's annual pension cost for fiscal year ending June 30, 2012, were as follows:

Three-Year Trend Information for CalPERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Members</u>			
6/30/10	\$ 1,489,210	100%	\$ -
6/30/11	1,638,548	100%	-
6/30/12	1,993,716	100%	
<u>Safety Members</u>			
6/30/10	\$ 1,935,354	100%	\$ -
6/30/11	2,082,157	100%	-
6/30/12	1,798,937	100%	

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 12: PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

d. Funding Status and Progress:

The most recent available schedule of Funding Progress for CalPERS (\$ amount in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Over funded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(A)	(B)	(B - A)	(A / B)	(C)	(B - A/C)
6/30/09:						
Misc.	\$ 46,989	\$ 56,594	\$ 9,605	83.0%	\$ 9,763	98.4%
Safety *	8,027,159	9,721,675	1,694,516	82.6%	973,814	174.0%
6/30/10:						
Misc.	\$ 50,395	\$ 61,239	\$ 10,844	82.3%	\$ 9,964	108.8%
Safety *	8,470,235	10,165,475	1,695,240	83.3%	955,981	177.3%
6/30/11:						
Misc.	\$ 53,909	\$ 67,210	\$ 13,301	80.2%	\$ 10,308	129.0%
Safety *	66,973	75,843	8,870	88.3%	7,255	122.3%

* CalPERS formed a number of risk pools among the various governmental entities that had less than 100 participants. The risks pools were formed based on those entities that had similar retirement provisions based on the contract with CalPERS. The amounts shown on this line is for the entire risk pool as CalPERS no longer provides a breakdown of this information for each entity.

The actuarial assumptions used to determine the annual pension cost included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, (c) inflation of 3.00%, (d) payroll growth of 3.25%, and (e) an individual salary growth based on merit scale varying by duration of employment, coupled with an assumed annual inflation component of 3.00%, and an annual production growth of .25%. The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. The Plans' initial unfunded liabilities are amortized over a closed period that depends on the Plans' date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over an open 30 year period, which result in an amortization of 6% of unamortized gains and losses each year. If the Plans accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 13: POST EMPLOYMENT HEALTH BENEFITS:

a. Plan Description:

The City provides access for City employees and retired annuitants to group health insurance through the Public Employee's Medical and Hospital Care Act (PEMHCA), which is administered by the board of the California Public Employees Retirement System. For calendar years 2011 and 2012, the monthly contribution amounts for retired annuitants were \$108 and \$112 respectively.

b. Funding Policy:

PEMHCA establishes required minimum contribution amounts for contracting agencies to provide for participating active and retired members. It further establishes that the contribution amount be adjusted annually to reflect any changes in the medical care component of the CPI-U and rounded to the nearest dollar. The City provides the minimum required contribution amount. Retired annuitants who elect to participate in this program select coverage from among an array of offered health plans and pay the difference between the City's minimum contribution and the monthly cost of coverage. A contribution of \$60,752 was made during the 2011-2012 fiscal year to cover current plan premiums.

As a result, the City calculated and recorded a Net OPEB Asset, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented below:

Annual required contribution (ARC)	\$ 324,454
Interest on net OPEB obligation	38,534
Adjustment to ARC	<u>(35,055)</u>
Annual OPEB cost	327,933
Contributions made	<u>(60,752)</u>
(Decrease) increase in net OPEB obligation	267,181
Net OPEB obligation (asset) - beginning of year	<u>770,675</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 1,037,856</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011-2012 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 314,818	\$ 49,928	15.86%	\$ 522,257
6/30/2011	308,279	59,861	19.42%	770,675
6/30/2012	327,933	60,752	18.53%	1,037,856

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 13: POST EMPLOYMENT HEALTH BENEFITS (Continued):

c. Funded Status and Funding Progress:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
7/1/2008	\$ -	\$ 2,264,534	0.0%	\$ 15,957,000	14.2%	5.00%	3.25%
7/1/2010	-	2,570,720	0.0%	15,957,000	16.1%	5.00%	3.25%

*The first actuarial valuation was performed on July 1, 2008 and valuations are performed every two years. As future valuations are performed, additional years of data will be provided for comparative purposes.

d. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the level dollar actuarial cost method was used. The actuarial assumptions include a 5.0% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 5% to 8%. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level dollar on an open basis. The remaining amortization period at June 30, 2012, was twenty-seven years. The number of active employees is 268 and the number of retired employees is 45.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 14: DEFERRED COMPENSATION PLAN:

Certain provisions of the Small Business Job Protection Act (the Act) affected Internal Revenue Code Section 457 plans by eliminating the requirements that Section 457 plan assets legally remain the assets of the sponsoring government. The Act requires that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

The City has implemented GASB 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The assets have been transferred into a trust, and are no longer subject to claims of the City's general creditors, and are no longer considered the assets of the City. The plan permits all City employees to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or unavoidable emergency.

The City contracts with a private deferred compensation administration firm to act as an agent of the City to fulfill all the City's administrative responsibilities. The duties performed by this fiduciary on behalf of the City include assisting employees in the execution of investment transactions and providing summary and participant reporting of these investments.

Since the City has placed the assets into a trust and has little administrative involvement and does not perform the investing function for the plan, the assets have been removed from the City's financial statements.

Note 15: LITIGATION, COMMITMENTS, AND CONTINGENT LIABILITIES:

Litigation:

At June 30, 2012, the City was involved as a defendant in several lawsuits and claims arising out of the ordinary conduct of its affairs. It is the opinion of management and the City's legal counsels handling these actions that settlement of these lawsuits and claims, if any, will not have a material effect on the financial position of the City.

Several railroad companies have filed an action against counties and cities for property tax refunds. The ultimate resolution of this matter cannot presently be determined, and the potential liability, if any, for this lawsuit cannot be reasonably estimated. Therefore, no provision for such matters has been made in the accompanying financial statements.

Economic Dependence:

The City collects transient occupancy and sales taxes from the various hotels/motels operating within the City. The transient occupancy and sales taxes generated by the four largest hotels amounted to approximately 21% of the General Fund's total revenues for the year ended June 30, 2012. The City has obtained business interruption insurance covering the potential loss of revenue from the four largest hotels in the City.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 16: CONSTRUCTION COMMITMENTS:

The following material construction commitments existed at June 30, 2012:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2012</u>	<u>Remaining Commitments</u>
Marina Dock C Rehabilitation	\$ 212,117	\$ 43,341	\$ 168,776
Boathouse Clubroom	3,008,739	2,607,011	401,728
SR75/282 Bulbouts	380,362	246,980	133,382
I Avenue Storm Drain	125,000	45,161	79,839
Alley Improvement & Sewer	146,496	144,698	1,798
Sewer Replacement - Country Club	280,595	128,511	152,084
Slurry Seal FY11-12	236,433	221,442	14,991

Note 17: PRIOR PERIOD ADJUSTMENT TO NET ASSETS:

Beginning net assets has been restated as follows:

Governmental Activities:

To remove the pension asset* \$ (6,260,191)

*The City previously reported a pension asset for the funding of its PERS actuarially determined liability at transition to a cost-sharing plan. The City now reports the actuarially determined liability as pension-related debt defined by GASB 27 and have restated net assets by \$6,260,191 to remove the pension asset.

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY:

In accordance with the timeline set forth in AB 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in the governmental funds - increase to net assets of the Successory Agency Trust Fund	\$ 3,213,350
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	6,703,999
Long-term debt and debt issuance costs reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(131,386,040)
Long-term debt reported in the Successor Agency Trust Fund - decrease to the net assets of the Successor Agency Trust Fund	(31,772,394)
Removal of deferred interest from the Successor Agency Trust Fund - increase to the net assets of the Successor Agency Trust Fund	<u>12,230,217</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers and interest reduction in long-term debt	<u><u>\$ (141,010,868)</u></u>

a. Cash and Investments:

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

Cash and investments	\$ 16,442,398
Cash and investments with fiscal agent	<u>3,039,922</u>
	<u><u>\$ 19,482,320</u></u>

See Note 3 for further information regarding the City's cash and investments as it also relates to the Successor Agency.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

b. Capital Assets:

An analysis of capital assets as of June 30, 2012, follows:

	Balance June 30, 2011	Transferred from former CDA	Additions	(Deletions)	Balance June 30, 2012
<u>Governmental Activities:</u>					
Capital Assets Not Being Depreciated:					
Land	\$ -	\$ 2,677,856	\$ -	\$ -	\$ 2,677,856
Construction in progress	-	76,445	-	-	76,445
Total Capital Assets - Governmental Activities Not Being Depreciated	-	2,754,301	-	-	2,754,301
Capital Assets Being Depreciated:					
Improvements other than building	-	4,300,941	-	-	4,300,941
Total Capital Assets Being Depreciated - Governmental Activities	-	4,300,941	-	-	4,300,941
Less Accumulated Depreciation:					
Improvements other than building	-	351,243	35,841	-	387,084
Total Accumulated Depreciation - Governmental Activities	-	351,243	35,841	-	387,084
Net Capital Assets Being Depreciated - Governmental Activities	-	3,949,698	(35,841)	-	3,913,857
Net Capital Assets - Governmental Activities	\$ -	\$ 6,703,999	\$ (35,841)	\$ -	\$ 6,668,158

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

c. Long-Term Debt:

Amortization Expense:

Bond premiums received on the 2003 Tax Allocation Bond issue (\$367,998), the 2005 Tax Allocation Bond issue (\$1,178,343), and the 2006 Tax Allocation Refunding Bond issue (\$1,424,656) have been capitalized and are being amortized over the remaining life of the respective bond issue (see Note 4, Government-Wide Governmental Activities Long-Term Debt).

In June 2006, the CDA issued the 2006 Tax Allocation Refunding Bond issue as described in Note 4, to partially advance refund the 1996 Tax Allocation Refunding Bond issue and the 2000 Tax Allocation Bond issue. The advance refunding resulted in a difference between the requisition price and the net carrying amount of the old debt of \$720,784. In the government-wide financial statements this amount has been capitalized as a reduction from governmental activities long-term debt and is being charged (amortized) to interest expense over the twenty-five year life of the new bond issue.

Bond issuance costs on the 2003 Tax Allocation Bond issue (totaling \$1,050,360), on the 2005 Tax Allocation Bond issue (totaling \$1,525,986), and on the 2006 Tax Allocation Refunding Bond issue (totaling \$966,778) have been capitalized and are being amortized over the remaining life of the respective bond issue (thirty-one years, twenty-nine years, and twenty-five years, respectively).

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

The following debt was transferred from the CDA to the Successor Agency as of February 1, 2012 as a result of the dissolution.

A description of long-term debt outstanding of the Successor Agency as of June 30, 2012, follows:

	Balance June 30, 2011	Transferred from former CDA	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Tax Allocation Bonds (TABs):						
2006 Refunding Issue	\$ -	\$ 31,960,000	\$ -	\$ -	\$ 31,960,000	\$ 1,530,000
2005 Issue	-	55,600,000	-	-	55,600,000	1,155,000
2003 Issue, nonhousing	-	9,785,000	-	-	9,785,000	180,000
2003 Issue, housing	-	19,770,000	-	-	19,770,000	130,000
2000 Issue	-	4,375,000	-	-	4,375,000	195,000
1996 Refunding Issue	-	2,487,547	-	-	2,487,547	-
1996 Accreted Interest	-	4,010,288	164,426	-	4,174,714	-
Total Tax Allocation Bonds	-	127,987,835	164,426	-	128,152,261	3,190,000
Less excess costs on Defeasance (for 2006)	-	(557,404)	12,010	-	(545,394)	-
Add Premium:		-				
2006 Refunding Issue	-	1,106,483	-	(23,745)	1,082,738	-
2005 Issue	-	927,777	-	(16,930)	910,847	-
2003 Issue	-	264,130	-	(4,948)	259,182	-
Totals Tax Allocation Bonds and Premium	-	129,728,821	176,436	(45,623)	129,859,634	3,190,000
Promissory Note Secured:						
By Deed of Trust (Note)	-	2,651,483	-	(19,416)	2,632,067	48,795
By Deed of Trust (Note)	-	1,711,987	-	(11,401)	1,700,586	28,653
Sub - Total Promissory Notes Secured by Deed of Trust	-	4,363,470	-	(30,817)	4,332,653	77,448
Other Debt:						
Payable to the City of Coronado	-	50,087,753	-	(18,315,359)	31,772,394	-
Total Government - Wide Governmental Activities	\$ -	\$ 184,180,044	\$ 176,436	\$ (18,391,799)	\$ 165,964,681	\$ 3,267,448

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

Tax Allocation Bonds:

2006 Tax Allocation Refunding Bonds:

On June 13, 2006, the former CDA issued \$38,575,000 of Series 2006 Tax Allocation Refunding Bonds consisting of \$27,505,000 of serial bonds and \$11,070,000 of term bonds due September 1, 2029. The proceeds of the bonds were used to advance refund \$27,280,000 of the Series 1996 Tax Allocation Refunding Bonds and \$12,250,000 of the Series 2000 Tax Allocation Bonds. The net proceeds from the Series 2006 Refunding Bonds together with certain funds made available through the defeasance of the Series 1996 and Series 2000 Bonds were placed in an irrevocable trust with an escrow agent to provide the remaining debt service payments on the defeased debt.

The serial bonds pay interest semi-annually at rates ranging from 4.0% to 5.25% and mature from September 2007 through September 2030 with principal amounts ranging from \$110,000 to \$3,155,000. The term bonds pay interest semi-annually at a rate of 4.75% with \$11,070,000 maturing in September 2029. The term bonds have mandatory sinking fund payments due beginning September 2025 ranging from \$2,305,000 to \$3,015,000.

2005 Tax Allocation Bonds:

On November 17, 2005, \$60,420,000 of 2005 Tax Allocation Bonds were issued consisting of \$14,335,000 of serial bonds, \$6,105,000 of term bonds due September 1, 2024, \$11,725,000 of term bonds due September 1, 2030, \$18,255,000 of term bonds due September 1, 2035 and \$10,000,000 of escrow term bonds due September 1, 2035. The net proceeds were used to finance various capital improvement projects on behalf of the Coronado Unified School District and the City; to acquire and construct low and moderate income housing, and to pay for certain expenses in connection with the issuance of the bonds.

The serial bonds pay interest semi-annually at rates ranging from 4% to 5% and mature from September 2007 through September 2020 with principal amounts ranging from \$775,000 to \$1,355,000. The term bonds due September 2024, 2030, and 2035, (the non-escrow term bonds) have an annual interest rate of 5% and have mandatory sinking fund payments due each September, beginning 2021 through 2035, ranging from \$1,415,000 to \$8,310,000. The escrow term bonds have an annual interest rate of 4.875% and have mandatory sinking fund payments due each September, beginning 2009 through 2035, ranging from \$185,000 to \$640,000.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

2003 Tax Allocation Bonds (Non-Housing):

In April of 2003, the former CDA issued \$20,465,000 of Series 2003 Tax Allocation Bonds (non-housing) consisting of \$2,610,000 of serial bonds and \$17,855,000 of term bonds. The proceeds from the bonds were used for the acquisition and construction of school improvements (on behalf of the Coronado Unified School District), the Coronado Community Center, Library expansion, and Glorietta Bay Master Plan Improvements (on behalf of the City), as well as pay bond issuance costs.

The serial bonds pay interest semi-annually at rates ranging from 2% to 4.7% and mature from September 2006 through September 2023 with principal amounts ranging from \$110,000 to \$200,000. The term bonds due September 2034 have an annual interest rate of 4.74% and have mandatory sinking fund payments due each September, beginning 2024 through 2034, ranging from \$200,000 to \$4,345,000.

2003 Housing Tax Allocation Bonds:

In April of 2003, \$10,765,000 of Series 2003 Housing Tax Allocation Bonds were also issued, consisting of \$3,410,000 of serial bonds and \$7,355,000 of term bonds. The proceeds from the bonds were used for the acquisition and construction of a senior affordable housing complex in the City and various other housing redevelopment projects of the former CDA, as well as pay bond issuance costs.

The serial bonds pay interest semi-annually at rates ranging from 2% to 4.625% and mature from September 2006 through September 2022 with principal amounts ranging from \$155,000 to \$270,000. The term bonds due September 2028 and 2034 have annual interest rates ranging from 4.77% to 4.8% and have mandatory sinking fund payments due each September, beginning 2023 through 2034, ranging from \$280,000 to \$900,000.

2000 Tax Allocation Bonds:

In April of 2000, the former CDA issued \$18,155,000 of Series 2000 Tax Allocation Bonds consisting of \$2,775,000 of serial bonds and \$15,380,000 of term bonds. The proceeds from the bonds were used for the acquisition and construction of school improvements on behalf of the Coronado Unified School District, the Coronado Community Center on behalf of the City, downtown streetscape improvements and various other redevelopment projects of the former CDA, as well as pay bond issuance costs.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

The serial bonds pay interest semi-annually at rates ranging from 4.4% to 5.3% and mature from September 2001 through September 2016 with principal amounts ranging from \$120,000 to \$245,000. The term bonds due September 2018, 2026 and 2030, have annual interest rates ranging from 5.375% to 5.6%. In June 2006, \$12,105,000 of term bonds maturing on September 1, 2030, were defeased by the Series 2006 Tax Allocation Refunding Bonds as described above.

1996 Tax Allocation Refunding Bonds:

In May of 1996, the CDA issued \$38,847,547 of Series 1996 Tax Allocation Refunding Bonds consisting of \$36,360,000 of current interest bonds and \$2,487,547 of capital appreciation bonds. The proceeds from the bonds were used to advance refund the Project 1992 Tax Allocation Bonds and the Project 1990 Tax Allocation Bonds. A portion of the proceeds from the 1996 Bonds together with certain funds made available through the defeasance of the refund bonds were placed in an irrevocable trust with an escrow agent to provide the remaining debt service payments on the refunded debt.

The bonds consist of current interest bonds of: \$18,170,000 of serial bonds which pay interest semi-annually at rates ranging from 4.1% to 5.7% and mature from September 1996 through September 2012 with principal amounts ranging from \$730,000 to \$1,525,000; \$8,985,000 of 5.5% term bonds due September 1, 2022; and \$9,205,000 of 6% term bonds due September 1, 2026. The capital appreciation bonds consist of term bonds where all accumulated interest is payable at maturity with an annual interest rate of 6.2%. The bonds mature in September 2013 through 2017, in the amount of \$1,610,000 in each of those years. Accrued interest on the capital appreciation bonds (accredited value increases) as of June 30, 2012, amounts to \$4,174,714. All outstanding current interest bonds were defeased by the Series 2006 Tax Allocation Refunding Bonds as described above.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

The annual requirements to amortize the Tax Allocation Bonds at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest*	Total
2013	\$ 3,190,000	\$ 5,911,801	\$ 9,101,801
2014	2,400,039	6,845,571	9,245,610
2015	2,456,872	6,794,591	9,251,463
2016	2,510,655	6,742,103	9,252,758
2017	2,561,304	6,677,979	9,239,283
2018-2022	19,008,677	26,537,383	45,546,060
2023-2027	25,500,000	19,733,958	45,233,958
2028-2032	33,065,000	12,538,181	45,603,181
2033-2037	33,285,000	3,411,800	36,696,800
Sub - Total	123,977,547	95,193,367	219,170,914
Accredited interest on Capital Appreciation Bonds at June 30, 2012	4,174,714	(4,174,714)	-
Total	\$ 128,152,261	\$ 91,018,653	\$ 219,170,914

* Includes accreted value increases for the 1996 series Capital Appreciation Bonds for years 2013 through 2018.

Promissory Note Secured By Deed of Trust:

On December 9, 2005, the CDA purchased real property within the City which is to be used for renting to low and moderate income families. Under the terms of the purchase, the seller carried back a promissory note secured by a deed of trust on the property in the amount of \$2,880,000. Repayment of the promissory note is payable monthly in the amount of \$18,204 including principal and interest at an annual rate of 6.5% with the first payment due February 1, 2006. The balance of the note including any unpaid interest accrued is due and payable on February 1, 2014. As of June 30, 2012, the principal balance on this note is \$2,632,067.

The annual requirements to amortize the Promissory Note Secured by Deed of Trust at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 48,795	\$ 169,648	\$ 218,443
2014	2,583,272	111,296	2,694,568
Total	\$ 2,632,067	\$ 280,944	\$ 2,913,011

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

On February 14, 2007, the CDA's Low and Moderate Income Housing Special Revenue Fund purchased real property within the City which is to be used for renting to low and moderate income families. Under the terms of the purchase, the seller carried back a promissory note secured by a deed of trust on the property in the amount of \$1,824,000. Repayment of the promissory note is payable monthly in the amount of \$11,529 including principal and interest at an annual rate of 6.5% with the first payment due April 1, 2007. The balance of the note including any unpaid interest accrued is due and payable on April 1, 2015. As of June 30, 2012, the principal balance on this note is \$1,700,586.

The annual requirements to amortize the Promissory Note Secured by Deed of Trust included in the CDA's Long-Term Debt at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 28,653	109,695	\$ 138,348
2014	30,571	107,776	138,347
2015	1,641,362	88,255	1,729,617
Total	<u>\$ 1,700,586</u>	<u>\$ 305,726</u>	<u>\$ 2,006,312</u>

Loans from City of Coronado:

Consolidated Promissory Note:

As of December 31, 2005, the former CDA and the City entered into a single agreement to consolidate all previous loans/notes. The terms of the Consolidated Promissory Note included simple interest at the rate of 5% until December 31, 2013, after which the note (all principal and any unpaid accrued interest) would be fully amortized over a twenty-three (23) year period in equal annual installments beginning December 31, 2013, at an annual interest rate of 5%.

In August 2006, the former CDA adopted a resolution to appropriate \$4,000,000 to make an early repayment on the "Consolidated Promissory Note." Under the terms of the resolution, this \$4,000,000 was funded from a portion of the City Capital Project Funds share of the 2005 Tax Allocation Bond net proceeds and used to pay the simple interest accrued to date and to reduce the principal balance on the note.

In July 2008, the former CDA and the City approved a \$4,000,000 increase in the Consolidated Promissory Note for the purpose of paying costs and expenses in connection with implementing the Community Development Plan. The note bears interest at a rate of 5.0% per annum and is subject to the same repayment terms as the Consolidated Promissory Note described above.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

Line of Credit:

In October 2009, the City approved a \$4,160,000 loan to the former CDA for the development of certain infrastructure, capital facilities, and other redevelopment activities for the purpose of carrying out the Community Development Plan. The note bears interest at a rate of 5.0% per annum and states that it shall be fully repaid from available tax increment as soon as revenues are available.

Accrued Interest:

As of February 1, 2012, accrued interest on the Consolidated Promissory Note and the Line of Credit totaled \$12,203,216. AB 1484 allows that loan agreements between the redevelopment agency and the creating entity may become enforceable obligations once certain conditions are met. The law further allows for accumulated interest on the unpaid principal. While AB 1484 specifies the interest rate as that earned by funds deposited into the Local Agency Investment Fund (LAIF), guidance has not been released by the Department of Finance (DOF) as to the exact LAIF interest rate to be used or the methodology of calculation. Given the uncertainty regarding the amount and timing of interest that may be payable in the future, the accrued interest on the Consolidate Promissory Note and the Line of Credit noted above was removed from the financial statements. Once guidance has been received from the DOF on the calculation of interest, the accrual will be restored to the financial statements.

Rescindment of Loans:

In April 2012, the Successor Agency and the City took action to rescind the Line of Credit, \$4,160,000, and a portion of the Consolidated Promissory Note, \$1,705,000, for a total of \$5,865,000. This amount represented unspent proceeds at January 31, 2012, the date the redevelopment agency was dissolved.

Reentry Loan Agreements:

In May 2012, the Successor Agency and the City approved reentry loan agreements for each of the original loan and note amounts pursuant to Sections 34178(a) and 34180(h) of the Health & Safety Code and obtained the approval of its Oversight Board. The reentry loans were established before the passage of AB 1484, which modified these same code sections to disallow reentry loans. Management believes, in consultation with legal counsel, that the reentry loan agreements are valid enforceable obligations payable by the Successor Agency trust (including the interest accrued to date under the terms of the reentry loans) under the requirements of the Bill.

The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

The consolidated loan has been converted to ten individual loans, the principal of which totals \$28,326,552.

Glorietta Bay Marina:

In August, 2006, the City Council approved a \$4,000,000 loan to the CDA for the purpose of redeveloping the Glorietta Bay Marina Docks A and B and the adjacent Marina Building. In October, 2006, the City Council approved a revision to this loan that allows the City to loan up to \$6,200,000 (\$2,200,000 more than the original loan) for the project. During fiscal year 2009-2010 the project was completed and the total amount advanced was \$4,285,000 and was loaned at a fixed annual interest rate of 6.27%.

The total amount outstanding at June 30, 2012, was \$3,445,892.

Pledged Revenue

The former CDA pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing goals and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the Tax Allocation Bonds is \$219,170,913 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$15,376,746 and the debt service obligation on the bonds was \$9,106,505. Of the \$15,376,746 of property tax revenue (Redevelopment Tax Increment prior to February 1, 2013 and Redevelopment Property Tax Trust Funds after January 31, 2013) \$7,194,258.38 was for the purpose of paying obligations due in FY 2012-13 and \$2,390,264 was remitted back to the County of San Diego Auditor and Controller for distribution to other taxing entities on July 9, 2012.

d. Insurance:

The Successor Agency is covered under the City's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 11.

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

e. Commitments and Contingencies:

Owner Participation Agreements:

Coronado Hospital OPA-2:

In June 2007, the CDA approved the OPA-2 between the CDA, the Coronado Hospital Foundation (the owner of the Coronado Hospital) and Sharp Coronado Hospital and Healthcare Center (the operator of the Coronado Hospital). Under the terms of the OPA-2, as amended November 18, 2008, the CDA is obligated to provide up to \$16,500,000 to be used for capital improvements to the Coronado Hospital. The funding by the CDA is in the form of a grant/loan that will eventually be forgiven provided that the Hospital continues to provide specific health care services to the Coronado community, as defined in the OPA-2. The agreement is secured by a deed of trust on the hospital property and an operating covenant defining the services to be provided. As of June 30, 2012, the current year disbursement and the total amount disbursed were \$183,107 and \$4,440,107 respectfully.

Village Theater:

In August 2008, the former CDA approved the OPA between the CDA and the potential operator of the Village Theater. Under the terms of the agreement, up to \$2,675,000 was obligated for the purpose of completing the rehabilitation of the theater as a three-screen, first-run movie house. The funding by the former CDA is in the form of a grant/loan that will eventually be forgiven provided that the owner continues to operate within the parameters specified in the agreement. As of June 30, 2012, the total amount of \$2,675,000 was disbursed.

Coronado Hospital Land Acquisition:

In January 2009, the former CDA entered into an agreement with the Coronado Hospital Foundation to purchase \$20,083,920 in land over a 15-year period. One-fifteenth interest in the property, equal to \$1,338,928, was to be acquired each year commencing in 2009 and continuing for fourteen additional years.

Due to the dissolution of the CDA as of January 31, 2012, the Successor Agency determined it would not purchase any additional interests in the land. No disbursement was made during the year. As of June 30, 2012, the total amount disbursed by the former CDA is \$2,677,856.

f. Subsequent Events:

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency,

CITY OF CORONADO
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued):

a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the Other Redevelopment Funds Due Diligence Review for unencumbered cash. As of the date of this report, the payment in July 2012 was made in the amount of \$2,390,264. In addition, the Low-Moderate Income Housing Due Diligence Review resulted in an amount due of \$3,193,819. The Other Redevelopment Funds Due Diligence Review was submitted to the Department of Finance with an amount due of \$1,854,897. The review includes as part of available funds the \$5,865,000 of loan proceeds that were rescinded and returned to the City. Before submission, the Oversight Board adopted a resolution removing the loan proceeds from available funds which resulted in no amount due. Should the Department of Finance not agree with the action of the Oversight Board and required the City to return these funds to the Successor Agency, that amount will be added to the outstanding loan balance due the City.

Note 19: SUBSEQUENT EVENTS

Port of San Diego Lease

On July 1, 2012, the month to month tenancy between the former CDA (Successor Agency) and the Port District ended (see Note 9). The City has entered into a new lease with the Port of San Diego to operate the Glorietta Bay Marina.

**COMBINING FUND
STATEMENTS AND SCHEDULES**

SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific taxes and other revenue sources set aside in accordance with law or administrative regulation for a specific purpose.

Gas Tax – Accounts for state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition and street construction.

Transportation – Accounts for revenues from a one half of one percent sales tax levied in San Diego County. Expenditures can be used only for construction and maintenance of city streets.

Transportation Development - Accounts for revenues and expenditures funded by County, State and Federal sources for transportation related issues.

Sundry Grants – Accounts for the funds received from various grants, such as the State Recreation Program.

Public Safety – Accounts for proceeds of sales and assets that have been seized by law enforcement agencies during the investigation of criminal activities. These monies and the interest derived therefrom are used for the prevention, investigation, apprehension and prosecution of drug and other criminal law violators.

Library – Accounts for revenues from citizens gifts to the library. Expenditures are used for library enhancement.

Community Development Block Grant – Accounts for funds expended on specific community improvement programs and reimbursed from state or federal agencies.

Affordable Housing – Accounts for revenues collected from developers of new housing.

CTID – Accounts for the activities of the Coronado Tourism Improvement District, including the ½ percent guest assessment at the four largest hotels in Coronado which is used to increase the marketing efforts within the City to increase tourism.

CAPITAL PROJECTS FUND

Capital Improvement Fund – Accounts for the receipt and disbursement of monies used for the construction of major capital facilities which generally require more than one budgetary cycle to complete. These projects are funded by the General, Gas Tax and Federal and State Grants.

Community Development Agency – Accounts for the receipt and disbursement of monies used for the construction of major capital facilities which generally require more than one budgetary cycle to complete. These projects are public facilities of the City (including leasehold property) and CUSD or low and moderate income housing and are funded by bond proceeds, loans, or leasehold revenue.

PERMANENT FUNDS

A.B. Fry Trust – Accounts for principal and interest to be used for library improvements.

Harlow Memorial Rose Garden Trust – Accounts for principal and interest income to be used for maintenance of the Harlow Memorial Rose Garden of the Public Library.

Reynolds Endowment – Accounts for principal and interest income to be used for library improvements.

Pauline Freedman Bequest – Accounts for principal and interest income to be used for library improvements.

CITY OF CORONADO

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Transportation	Sundry Grants	Public Safety
ASSETS:				
Cash and investments	\$ 819,399	\$ 33,424	\$ -	\$ 276,918
Accounts, grants, and taxes receivable	79,420	-	25,000	163,928
TOTAL ASSETS	\$ 898,819	\$ 33,424	\$ 25,000	\$ 440,846
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 147	\$ 1,688	\$ -	\$ 2,231
Due to other funds	-	-	6,332	115,802
TOTAL LIABILITIES	147	1,688	6,332	118,033
FUND BALANCES:				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted for:				
Public safety	-	-	18,668	322,813
Culture and leisure	-	-	-	-
Construction and maintenance	898,672	31,736	-	-
Library endowment	-	-	-	-
Housing	-	-	-	-
Assigned to:				
Capital projects	-	-	-	-
TOTAL FUND BALANCES	898,672	31,736	18,668	322,813
TOTAL LIABILITIES AND FUND BALANCES:	\$ 898,819	\$ 33,424	\$ 25,000	\$ 440,846

CITY OF CORONADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(CONTINUED)

	Special Revenue Funds			
	Library	Community Development Block Grant	Affordable Housing	CTID
ASSETS:				
Cash and investments	\$ 343,636	\$ -	\$ 710,894	\$ 36,982
Accounts, grants, and taxes receivable	1,056	-	-	54,538
TOTAL ASSETS	\$ 344,692	\$ -	\$ 710,894	\$ 91,520
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 2,952	\$ -	\$ -	\$ 91,520
Due to other funds	-	-	-	-
TOTAL LIABILITIES	2,952	-	-	91,520
FUND BALANCES:				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Culture and leisure	341,740	-	-	-
Construction and maintenance	-	-	-	-
Library endowment	-	-	-	-
Housing	-	-	710,894	-
Assigned to:				
Capital projects	-	-	-	-
TOTAL FUND BALANCES	341,740	-	710,894	-
TOTAL LIABILITIES AND FUND BALANCES:	\$ 344,692	\$ -	\$ 710,894	\$ 91,520

CITY OF CORONADO

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds		Permanent Funds
	Community Development Agency	Capital Improvement Fund	Community Development Agency	A.B. Fry Trust
ASSETS:				
Cash and investments	\$ -	\$ 2,630,853	\$ -	\$ 5,905
Accounts, grants, and taxes receivable	-	-	-	-
TOTAL ASSETS	\$ -	\$ 2,630,853	\$ -	\$ 5,905
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$ 16,780	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	-	16,780	-	-
FUND BALANCES:				
Nonspendable:				
Permanent fund principal	-	-	-	3,461
Restricted for:				
Public safety	-	-	-	-
Culture and leisure	-	-	-	-
Construction and maintenance	-	-	-	-
Library endowment	-	-	-	2,444
Housing	-	-	-	-
Assigned to:				
Capital projects	-	2,614,073	-	-
TOTAL FUND BALANCES	-	2,614,073	-	5,905
TOTAL LIABILITIES AND FUND BALANCES:	\$ -	\$ 2,630,853	\$ -	\$ 5,905

CITY OF CORONADO

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Permanent Funds			
	Harlow Memorial Rose Garden Trust	Reynolds Endowment	Pauline Freedman Bequest	Total Governmental Funds
ASSETS:				
Cash and investments	\$ 18,549	\$ 17,312	\$ 114,882	\$ 5,008,754
Accounts, grants, and taxes receivable	-	-	28	323,970
TOTAL ASSETS	\$ 18,549	\$ 17,312	\$ 114,910	\$ 5,332,724
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 225	\$ -	\$ 339	\$ 115,882
Due to other funds	-	-	-	122,134
TOTAL LIABILITIES	225	-	339	238,016
FUND BALANCES:				
Nonspendable:				
Permanent fund principal	-	-	-	3,461
Restricted for:				
Public safety	-	-	-	341,481
Culture and leisure	-	-	-	341,740
Construction and maintenance	-	-	-	930,408
Library endowment	18,324	17,312	114,571	152,651
Housing	-	-	-	710,894
Assigned to:				
Capital projects	-	-	-	2,614,073
TOTAL FUND BALANCES	18,324	17,312	114,571	5,094,708
TOTAL LIABILITIES AND FUND BALANCES:	\$ 18,549	\$ 17,312	\$ 114,910	\$ 5,332,724

CITY OF CORONADO

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			
	Gas Tax	Transportation	Sundry Grants	Public Safety
REVENUES:				
Intergovernmental	\$ 761,967	\$ -	\$ 100,000	\$ 442,210
Charges for services	-	1,519,594	-	-
Use of money and property	6,575	3,328	257	1,895
Developer participation	-	958	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	768,542	1,523,880	100,257	444,105
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	73,276
Culture and leisure	-	-	-	-
Construction and maintenance	391,111	99,687	-	-
Planning and building services	-	-	-	-
Housing	-	-	-	-
Capital outlay	-	1,446,686	-	268,169
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	391,111	1,546,373	-	341,445
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	377,431	(22,493)	100,257	102,660
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(100,000)	(110,794)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(100,000)	(110,794)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	-
NET CHANGE IN FUND BALANCES	377,431	(22,493)	257	(8,134)
FUND BALANCES, BEGINNING OF YEAR	521,241	54,229	18,411	330,947
FUND BALANCES, END OF YEAR	\$ 898,672	\$ 31,736	\$ 18,668	\$ 322,813

CITY OF CORONADO

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(CONTINUED)

	Special Revenue Funds			
	Library	Community Development Block Grant	Affordable Housing	CTID
REVENUES:				
Intergovernmental	\$ 5,593	\$ 916	\$ -	\$ -
Charges for services	57,760	-	-	522,472
Use of money and property	1,687	-	4,093	-
Developer participation	-	-	-	-
Miscellaneous	19,654	-	49,000	-
TOTAL REVENUES	84,694	916	53,093	522,472
EXPENDITURES:				
Current:				
General government	-	-	-	522,472
Public safety	-	-	-	-
Culture and leisure	100,881	-	-	-
Construction and maintenance	-	-	-	-
Planning and building services	-	-	-	-
Housing	-	-	-	-
Capital outlay	-	916	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	100,881	916	-	522,472
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,187)	-	53,093	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	-
NET CHANGE IN FUND BALANCES	(16,187)	-	53,093	-
FUND BALANCES, BEGINNING OF YEAR	357,927	-	657,801	-
FUND BALANCES, END OF YEAR	\$ 341,740	\$ -	\$ 710,894	\$ -

CITY OF CORONADO

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds
	Community Development Agency	Capital Improvement Fund	Community Development Agency
			A.B. Fry Trust
REVENUES:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Use of money and property	973,741	(35,676)	(590)
Developer participation	-	1,328,440	-
Miscellaneous	8,949	-	-
TOTAL REVENUES	982,690	1,292,764	(590)
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Culture and leisure	-	-	-
Construction and maintenance	-	11,825	-
Planning and building services	206,131	-	283,099
Housing	304,131	-	452,006
Capital outlay	32,167	2,354,725	415,223
Debt service:			
Principal retirement	41,769	-	-
Interest and fiscal charges	502,689	-	-
TOTAL EXPENDITURES	1,086,887	2,366,550	1,150,328
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(104,197)	(1,073,786)	(1,150,918)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	239,000	1,003,737
Transfers out	(1,040,131)	(7,177,961)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,040,131)	(6,938,961)	1,003,737
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	389,529	-	(553,608)
NET CHANGE IN FUND BALANCES	(754,799)	(8,012,747)	(700,789)
FUND BALANCES, BEGINNING OF YEAR	754,799	10,626,820	700,789
FUND BALANCES, END OF YEAR	\$ -	\$ 2,614,073	\$ -

CITY OF CORONADO

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Permanent Funds			
	Harlow Memorial Rose Garden Trust	Reynolds Endowment	Pauline Freedman Bequest	Total Governmental Funds
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,310,686
Charges for services	-	-	-	2,099,826
Use of money and property	109	114	714	956,255
Developer participation	-	-	-	1,329,398
Miscellaneous	-	-	310	77,913
TOTAL REVENUES	109	114	1,024	5,774,078
EXPENDITURES:				
Current:				
General government	-	-	-	527,472
Public safety	-	-	-	73,276
Culture and leisure	3,438	-	19,445	123,764
Construction and maintenance	-	-	-	502,623
Planning and building services	-	-	-	489,230
Housing	-	-	-	756,137
Capital outlay	-	-	-	4,517,886
Debt service:				
Principal retirement	-	-	-	41,769
Interest and fiscal charges	-	-	-	502,689
TOTAL EXPENDITURES	3,438	-	19,445	7,534,846
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,329)	114	(18,421)	(1,760,768)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	1,242,737
Transfers out	-	-	-	(8,428,886)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(7,186,149)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	(164,079)
NET CHANGE IN FUND BALANCES	(3,329)	114	(18,421)	(9,110,996)
FUND BALANCES, BEGINNING OF YEAR	21,653	17,198	132,992	14,205,704
FUND BALANCES, END OF YEAR	\$ 18,324	\$ 17,312	\$ 114,571	\$ 5,094,708

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE

GAS TAX

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 521,241	\$ 521,241	\$ 521,241	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	715,000	715,000	761,967	46,967
Use of money and property	3,500	3,500	6,575	3,075
AMOUNTS AVAILABLE				
FOR APPROPRIATIONS	1,239,741	1,239,741	1,289,783	50,042
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Construction and maintenance	406,888	410,754	391,111	19,643
Capital outlay	235,405	235,405	-	235,405
TOTAL CHARGES TO				
APPROPRIATIONS	642,293	646,159	391,111	255,048
BUDGETARY FUND BALANCE, JUNE 30	\$ 597,448	\$ 593,582	\$ 898,672	\$ 305,090

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE
TRANSPORATION
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 54,229	\$ 54,229	\$ 54,229	\$ -
RESOURCES (INFLOWS):				
Charges for services	475,000	475,000	1,519,594	1,044,594
Use of money and property	1,500	1,500	3,328	1,828
Developer participation	-	-	958	958
AMOUNTS AVAILABLE				
FOR APPROPRIATIONS	530,729	530,729	1,578,109	1,047,380
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Construction and maintenance	151,844	102,661	99,687	2,974
Capital outlay	615,000	2,029,326	1,446,686	582,640
TOTAL CHARGES TO				
APPROPRIATIONS	766,844	2,131,987	1,546,373	585,614
BUDGETARY FUND BALANCE, JUNE 30	\$ (236,115)	\$ (1,601,258)	\$ 31,736	\$ 1,632,994

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE

SUNDRY GRANTS

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 18,411	\$ 18,411	\$ 18,411	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	-	100,000	100,000	-
Use of money and property	-	-	257	257
AMOUNTS AVAILABLE				
FOR APPROPRIATIONS	18,411	118,411	118,668	257
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Public safety	10,502	-	-	-
Transfers out	-	100,000	100,000	-
TOTAL CHARGES TO				
APPROPRIATIONS	10,502	100,000	100,000	-
BUDGETARY FUND BALANCE, JUNE 30	\$ 7,909	\$ 18,411	\$ 18,668	\$ 257

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE

PUBLIC SAFETY

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 330,947	\$ 330,947	\$ 330,947	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	110,500	296,474	442,210	145,736
Use of money and property	5,250	5,250	1,895	(3,355)
AMOUNTS AVAILABLE				
FOR APPROPRIATIONS	446,697	632,671	775,052	142,381
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Public safety	29,000	199,640	73,276	126,364
Capital outlay	134,000	503,763	268,169	235,594
Transfers out	77,000	77,000	110,794	(33,794)
TOTAL CHARGES TO				
APPROPRIATIONS	240,000	780,403	452,239	328,164
BUDGETARY FUND BALANCE, JUNE 30	\$ 206,697	\$ (147,732)	\$ 322,813	\$ 470,545

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE

LIBRARY

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 357,927	\$ 357,927	\$ 357,927	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	10,000	10,000	5,593	(4,407)
Charges for services	62,500	62,500	57,760	(4,740)
Use of money and property	3,900	3,900	1,687	(2,213)
Miscellaneous	-	-	19,654	19,654
AMOUNTS AVAILABLE				
FOR APPROPRIATIONS	434,327	434,327	442,621	8,294
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Culture and leisure	129,500	130,181	100,881	29,300
TOTAL CHARGES TO				
APPROPRIATIONS	129,500	130,181	100,881	29,300
BUDGETARY FUND BALANCE, JUNE 30	\$ 304,827	\$ 304,146	\$ 341,740	\$ 37,594

CITY OF CORONADO

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	-	-	916	916
AMOUNTS AVAILABLE				
FOR APPROPRIATIONS	-	-	916	916
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Capital outlay	-	102,961	916	102,045
TOTAL CHARGES TO				
APPROPRIATIONS	-	102,961	916	102,045
BUDGETARY FUND BALANCE, JUNE 30	\$ -	\$ (102,961)	\$ -	\$ 102,961

CITY OF CORONADO

**BUDGETARY COMPARISON SCHEDULE
AFFORDABLE HOUSING
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 657,801	\$ 657,801	\$ 657,801	\$ -
RESOURCES (INFLOWS):				
Use of money and property	10,000	10,000	4,093	(5,907)
Miscellaneous	-	-	49,000	49,000
AMOUNTS AVAILABLE	667,801	667,801	710,894	43,093
FOR APPROPRIATIONS				
BUDGETARY FUND BALANCE, JUNE 30	\$ 667,801	\$ 667,801	\$ 710,894	\$ 43,093

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE

COMMUNITY DEVELOPMENT AGENCY - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 754,799	\$ 754,799	\$ 754,799	\$ -
RESOURCES (INFLOWS):				
Taxes	3,146,900	3,146,900	-	(3,146,900)
Use of money and property	1,548,500	1,548,500	973,741	(574,759)
Miscellaneous	-	-	8,949	8,949
Extraordinary gain on dissolution of redevelopment agency	-	-	389,529	389,529
AMOUNTS AVAILABLE FOR APPROPRIATION	5,450,199	5,450,199	2,127,018	(3,323,181)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Planning and building services	327,600	327,600	206,131	121,469
Housing	477,350	477,350	304,131	173,219
Capital outlay	-	-	32,167	(32,167)
Debt service:				
Principal retirement	74,385	74,385	41,769	32,616
Interest and fiscal charges	515,662	515,662	502,689	12,973
Transfers out	1,551,071	1,551,071	1,040,131	510,940
TOTAL CHARGES TO TO APPROPRIATIONS	2,946,068	2,946,068	2,127,018	819,050
BUDGETARY FUND BALANCE, JUNE 30	\$ 2,504,131	\$ 2,504,131	\$ -	\$ (2,504,131)

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 10,626,820	\$ 10,626,820	\$ 10,626,820	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	(35,676)	(35,676)
Developer participation	-	-	1,328,440	1,328,440
Transfers in	209,000	239,000	239,000	-
AMOUNTS AVAILABLE				
FOR APPROPRIATION	10,835,820	10,865,820	12,158,584	1,292,764
CHARGES TO APPROPRIATION				
(OUTFLOWS):				
Construction and maintenance	-	83,378	11,825	71,553
Other 3	-	-	-	-
Other 5	-	-	-	-
Capital outlay	1,049,000	5,384,774	2,354,725	3,030,049
Principal retirement	-	-	-	-
Transfers out	6,335,402	6,335,402	7,177,961	(842,559)
TOTAL CHARGES				
TO APPROPRIATIONS	7,384,402	11,803,554	9,544,511	2,259,043
BUDGETARY FUND BALANCE, JUNE 30	\$ 3,451,418	\$ (937,734)	\$ 2,614,073	\$ 3,551,807

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE

COMMUNITY DEVELOPMENT AGENCY - CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 700,789	\$ 700,789	\$ 700,789	\$ -
RESOURCES (INFLOWS):				
Use of money and property	3,000	3,000	(590)	(3,590)
Developer participation	-	-	-	-
Transfers in	467,740	467,740	1,003,737	535,997
AMOUNTS AVAILABLE FOR APPROPRIATION	1,171,529	1,171,529	1,703,936	532,407
CHARGES TO APPROPRIATION (OUTFLOW):				
Community development	-	-	-	-
Planning and building services	451,140	451,140	283,099	168,041
Housing	-	452,006	452,006	-
Other 4	-	-	-	-
Capital outlay	-	2,390,304	415,223	1,975,081
Pass-through agreement payments	-	-	-	-
Extraordinary loss on dissolution of redevelopment agency	-	-	553,608	(553,608)
TOTAL CHARGES TO APPROPRIATION	451,140	3,293,450	1,703,936	1,589,514
BUDGETARY FUND BALANCE, JUNE 30	\$ 720,389	\$ (2,121,921)	\$ -	\$ 2,121,921

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE

COMMUNITY DEVELOPMENT AGENCY - DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
BUDGETARY FUND BALANE, JULY 1	\$ (26,280,819)	\$ (26,280,819)	\$ (26,280,819)	\$ -
RESOURCES (INFLOWS):				
Taxes	12,587,600	8,182,488	8,182,488	-
Use of money and property	75,000	35,230	6,174	(29,056)
Transfers in	9,080,674	9,080,674	1,040,131	(8,040,543)
Extraordinary gain on dissolution of redevelopment agency	-	-	27,347,299	27,347,299
AMOUNTS AVAILABLE FOR APPROPRIATION	(4,537,545)	(8,982,427)	10,295,273	19,277,700
CHARGES TO APPROPRIATION (OUTFLOWS):				
Planning and building services	2,857,287	1,666,808	1,658,899	7,909
Capital outlay	1,338,928	-	7,919	(7,919)
Debt service:				
Principal retirement	3,050,000	3,050,000	3,050,000	-
Interest and fiscal charges	6,075,423	6,057,064	4,574,718	1,482,346
Transfers out	7,997,342	5,525,156	1,003,737	4,521,419
TOTAL CHARGES TO APPROPRIATIONS	21,318,980	16,299,028	10,295,273	6,003,755
BUDGETARY FUND BALANCE, JUNE 30	\$ (25,856,525)	\$ (25,281,455)	\$ -	\$ 25,281,455

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE

A.B. FRY TRUST

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 10,897	\$ 10,897	\$ 10,897	\$ -
RESOURCES (INFLOWS):				
Use of money and property	150	150	8	(142)
AMOUNTS AVAILABLE				
FOR APPROPRIATION	11,047	11,047	10,905	(142)
Parks and recreation	-	-	-	-
BUDGETARY FUND BALANCE, JUNE 30	\$ 6,047	\$ 6,047	\$ 5,905	\$ (142)

CITY OF CORONADO

**BUDGETARY COMPARISON SCHEDULE
HARLOW MEMORIAL ROSE GARDEN TRUST
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 21,653	\$ 21,653	\$ 21,653	\$ -
RESOURCES (INFLOWS):				
Use of money and property	400	400	109	(291)
AMOUNTS AVAILABLE				
FOR APPROPRIATION	22,053	22,053	21,762	(291)
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Culture and leisure	4,000	4,000	3,438	562
TOTAL CHARGES TO				
APPROPRIATIONS	4,000	4,000	3,438	562
BUDGETARY FUND BALANCE, JUNE 30	\$ 18,053	\$ 18,053	\$ 18,324	\$ 271

CITY OF CORONADO

**BUDGETARY COMPARISON SCHEDULE
REYNOLDS ENDOWMENT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 17,198	\$ 17,198	\$ 17,198	\$ -
RESOURCES (INFLOWS):				
Use of money and property	250	250	114	(136)
AMOUNTS AVAILABLE				
FOR APPROPRIATION	17,448	17,448	17,312	(136)
Parks and recreation	-	-	-	-
BUDGETARY FUND BALANCE, JUNE 30	\$ 17,448	\$ 17,448	\$ 17,312	\$ (136)

CITY OF CORONADO

BUDGETARY COMPARISON SCHEDULE
 PAULINE FREEDMAN BEQUEST
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
BUDGETARY FUND BALANCE, JULY 1	\$ 132,992	\$ 132,992	\$ 132,992	\$ -
RESOURCES (INFLOWS):				
Use of money and property	2,300	2,300	714	(1,586)
Miscellaneous	-	-	310	310
AMOUNTS AVAILABLE				
FOR APPROPRIATION	135,292	135,292	134,016	(1,276)
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Culture and leisure	31,000	31,000	19,445	11,555
TOTAL CHARGES TO				
APPROPRIATIONS	31,000	31,000	19,445	11,555
BUDGETARY FUND BALANCE, JUNE 30	\$ 104,292	\$ 104,292	\$ 114,571	\$ 10,279

CITY OF CORONADO

**SUPPORTING SCHEDULE OF EXPENSES BY DIVISION
STORM DRAINAGE ENTERPRISE FUND
YEAR ENDED JUNE 30, 2012**

	Operations	NPDES Compliance	Projects	Total
OPERATING EXPENSES:				
Operations:				
Personnel services	\$ 38,323	\$ 386,931	\$ 5,000	\$ 430,254
Utilities	16,185	-	-	16,185
Maintenance and repairs	24,189	155,920	-	180,109
Administration	1,196	-	-	1,196
Contract services	1,255	88,453	-	89,708
Depreciation	199,535	-	-	199,535
Amortization	24,685	-	-	24,685
Total Operating Expenses	305,368	631,304	5,000	941,672
NON-OPERATING EXPENSES				
Interest expense	242,682	-	-	242,682
Total Non-Operating Expenses	242,682	-	-	242,682
TOTAL EXPENSES	\$ 548,050	\$ 631,304	\$ 5,000	\$ 1,184,354

CITY OF CORONADO

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2012</u>
<u>AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$ 52,582	\$ 35,130	\$ 42,333	\$ 45,379
TOTAL ASSETS	<u>\$ 52,582</u>	<u>\$ 35,130</u>	<u>\$ 42,333</u>	<u>\$ 45,379</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 2,459	\$ 34,862	\$ 36,811	\$ 510
Deposits payable	50,123	35,164	40,418	44,869
TOTAL LIABILITIES	<u>\$ 52,582</u>	<u>\$ 70,026</u>	<u>\$ 77,229</u>	<u>\$ 45,379</u>

STATISTICAL SECTION

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Statistical Section

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

Contents

Financial Trends

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

- **Net Assets by Component**
- **Changes in Net Assets**
- **Tax Revenue by Source**
- **Fund Balances of Governmental Funds**
- **Changes in Fund Balances of Governmental Funds**

Revenue Capacity

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

- **Assessed Value of Taxable Property**
- **Direct and Overlapping Property Tax Rates**
- **Principal Property Tax Payers**
- **Property Tax Levies and Collections – General**

Debt Capacity

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

- **Ratios of Outstanding Debt by Type – Tax Allocation Bonds**
- **Ratios of Outstanding Debt by Type – Revenue Bonds**
- **Direct and Overlapping Bonded Debt**
- **Legal Debt Margin Information – City**
- **Pledged Revenue Coverage – Storm Drain Revenue Bond**

Demographic and Economic Information

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

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

Operating Information

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

- **City Employees**
- **Operating Indicators by Function/Program**
- **Capital Assets Statistics by Function/Program**

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

NET ASSETS BY COMPONENT
LAST TEN YEARS
(accrual basis of accounting)
TABLE 1

	2003	2004	Fiscal year 2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 37,633,374	\$ 43,449,109	\$ 73,047,474	\$ 71,249,519	\$ 71,798,747
Restricted	14,660,715	15,511,704	37,805,217	22,581,484	15,758,071
Unrestricted	14,138,853	17,149,882	(31,565,173)	(21,829,910)	(18,088,878)
Total governmental activities net assets	<u>\$ 66,432,942</u>	<u>\$ 76,110,695</u>	<u>\$ 79,287,518</u>	<u>\$ 72,001,093</u>	<u>\$ 69,467,940</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 20,361,914	\$ 21,226,302	\$ 22,693,776	\$ 23,933,523	\$ 31,829,534
Restricted	882,084	884,424	304,409	309,028	312,313
Unrestricted	18,211,829	18,090,538	17,677,045	17,695,538	10,572,613
Total business-type activities net assets	<u>\$ 39,455,827</u>	<u>\$ 40,201,264</u>	<u>\$ 40,675,230</u>	<u>\$ 41,938,089</u>	<u>\$ 42,714,460</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 57,995,288	\$ 64,675,411	\$ 95,741,250	\$ 95,183,042	\$ 103,628,281
Restricted	15,542,799	16,396,128	38,109,626	22,890,512	16,070,384
Unrestricted	32,350,682	35,240,420	(13,888,128)	(4,134,372)	(7,516,265)
Total primary government net assets	<u>\$ 105,888,769</u>	<u>\$ 116,311,959</u>	<u>\$ 119,962,748</u>	<u>\$ 113,939,182</u>	<u>\$ 112,182,400</u>

NET ASSETS BY COMPONENT

TABLE 1
(Continued)

	2008	2009	Fiscal Year 2010	2011	2012
Governmental activities:					
Invested in capital assets, net of related debt	\$ 71,121,776	\$ 75,377,755	\$ 66,364,036	\$ 69,736,412	\$ 121,291,074
Restricted	21,179,344	25,039,493	19,798,356	17,354,463	13,896,922
Unrestricted	(6,332,886)	(9,434,601)	(5,577,020)	90,385	61,543,192
Total governmental activities net assets	<u>\$ 85,968,234</u>	<u>\$ 90,982,647</u>	<u>\$ 80,585,372</u>	<u>\$ 87,181,260</u>	<u>\$ 196,731,188</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 32,172,011	\$ 32,246,814	\$ 31,971,269	\$ 31,843,098	\$ 32,700,749
Restricted	309,386	308,257	309,924	370,501	370,500
Unrestricted	10,114,328	9,740,720	9,290,208	8,715,680	7,091,441
Total business-type activities net assets	<u>\$ 42,595,725</u>	<u>\$ 42,295,791</u>	<u>\$ 41,571,401</u>	<u>\$ 40,929,279</u>	<u>\$ 40,162,690</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 103,293,787	\$ 107,624,569	\$ 98,335,305	\$ 101,579,510	\$ 153,991,823
Restricted	21,488,730	25,347,750	20,108,280	17,724,964	14,267,422
Unrestricted	3,781,442	306,119	3,713,188	8,806,065	68,634,633
Total primary government net assets	<u>\$ 128,563,959</u>	<u>\$ 133,278,438</u>	<u>\$ 122,156,773</u>	<u>\$ 128,110,539</u>	<u>\$ 236,893,878</u>

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)
TABLE 2**

	Fiscal Year				
	2003	2004	2005	2006	2007
EXPENSES:					
Governmental activities:					
General Government	\$ 4,937,347	\$ 5,963,977	\$ 5,217,559	\$ 6,358,297	\$ 6,287,909
Public Safety	10,429,159	10,735,603	11,894,643	13,114,599	13,450,560
Construction and Maintenance	8,176,500	7,380,021	6,602,598	6,929,368	8,282,074
Planning and Building Services	2,280,055	1,971,400	2,061,681	2,337,615	3,768,864
Housing	-	-	-	-	-
Culture and Leisure	5,067,302	3,854,449	4,314,871	7,617,924	7,631,552
Redevelopment	-	7,478,528	9,790,175	24,078,289	18,617,465
Transportation	1,313,079	449,326	206,461	524,613	180,282
Interest on long-term debt	3,186,976	4,363,166	4,309,549	6,698,240	7,985,746
Total governmental activities expenses	<u>35,390,418</u>	<u>42,196,470</u>	<u>44,397,537</u>	<u>67,658,945</u>	<u>66,204,452</u>
Business-type activities:					
Wastewater	4,221,831	4,099,110	4,329,390	3,554,338	4,131,862
Golf	3,239,321	3,348,217	3,425,174	3,027,773	2,463,820
Storm Drain	767,153	853,795	815,698	861,386	919,911
Total business-type activities expenses	<u>8,228,305</u>	<u>8,301,122</u>	<u>8,570,262</u>	<u>7,443,497</u>	<u>7,515,593</u>
Total primary government expenses	<u>43,618,723</u>	<u>50,497,592</u>	<u>52,967,799</u>	<u>75,102,442</u>	<u>73,720,045</u>
PROGRAM REVENUES:					
Governmental activities:					
Charges for services:					
General government	959,612	1,010,170	1,022,446	1,031,836	1,013,988
Public safety	1,551,593	1,356,615	1,725,873	1,475,156	1,494,310
Construction and maintenance	1,072,108	993,287	974,406	1,324,375	2,284,943
Planning and building services	178,066	147,895	290,591	517,703	631,907
Housing	-	-	-	-	-
Culture and leisure	765,718	731,861	814,741	2,084,209	2,852,174
Transportation	34,897	21,030	21,656	35,495	11,209
Operating grants and contributions	266,183	326,544	294,732	572,498	722,894
Capital grants and contributions	1,957,651	9,374,751	1,384,919	4,734,728	4,340,274
Total governmental activities program revenues	<u>6,785,828</u>	<u>13,962,153</u>	<u>6,529,364</u>	<u>11,776,000</u>	<u>13,351,699</u>
Business type activities:					
Charges for services:					
Wastewater	4,567,467	4,547,990	4,590,704	4,514,016	4,464,624
Golf	3,119,175	3,227,716	3,460,510	3,074,764	2,403,365
Storm Drain	593,951	567,939	572,962	599,276	551,951
Capital grants and contributions	572,565	427,435	-	-	-
Total business type activities program revenues	<u>8,853,158</u>	<u>8,771,080</u>	<u>8,624,176</u>	<u>8,188,056</u>	<u>7,419,940</u>
Total primary government program revenues	<u>15,638,986</u>	<u>22,733,233</u>	<u>15,153,540</u>	<u>19,964,056</u>	<u>20,771,639</u>
Net revenues (expenses):					
Governmental activities	(28,604,590)	(28,234,317)	(37,868,173)	(55,882,945)	(52,852,753)
Business-type activities	<u>624,853</u>	<u>469,958</u>	<u>53,914</u>	<u>744,559</u>	<u>(95,653)</u>
Total net revenue (expenses)	<u>(27,979,737)</u>	<u>(27,764,359)</u>	<u>(37,814,259)</u>	<u>(55,138,386)</u>	<u>(52,948,406)</u>

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)
TABLE 2**

	Fiscal Year				
	2003	2004	2005	2006	2007
GENERAL REVENUE AND OTHER CHANGES IN NET ASSETS:					
Governmental Activities:					
Taxes:					
Property Taxes	10,533,612	11,397,178	13,574,826	15,486,986	17,270,604
Sales and use taxes	2,282,341	2,239,102	2,459,031	2,473,995	2,733,353
Transient occupancy taxes	7,816,922	8,129,385	8,408,996	8,714,097	9,066,467
Tax increment	7,917,743	8,727,964	9,961,932	11,310,899	12,550,252
Franchise & Other taxes	2,333,417	2,299,423	1,633,234	1,971,631	1,388,420
Use of Money and Property	2,649,551	2,348,148	2,889,879	3,949,255	5,908,480
Gain on disposal of capital assets	-	-	-	5,427,747	-
Other	1,734,935	1,071,244	2,117,098	1,328,072	1,402,024
Extraordinary gain	-	-	-	-	-
Total governmental activities	35,268,521	36,212,444	41,044,996	50,662,682	50,319,600
Business type activities:					
Use of Money and Property	527,918	149,845	420,052	518,300	872,024
Gain on sale of capital assets	-	-	-	-	-
Other	-	-	-	-	-
Total business type activities	527,918	149,845	420,052	518,300	872,024
Total primary government	35,796,439	36,362,289	41,465,048	51,180,982	51,191,624
Changes in net assets					
Government activities	6,663,931	7,978,127	3,176,823	(5,220,263)	(2,533,153)
Business-type activities	624,853	469,958	53,914	744,559	(95,653)
Total primary government	\$ 7,288,784	\$ 8,448,085	\$ 3,230,737	\$ (4,475,704)	\$ (2,628,806)

CHANGES IN NET ASSETS

TABLE 2
(Continued)

	2008	2009	2010	2011	2012
EXPENSES:					
Governmental activities:					
General Government	\$ 7,487,938	\$ 7,106,835	\$ 6,254,738	\$ 7,275,657	\$ 8,681,035
Public Safety	15,379,868	15,900,846	16,852,105	17,770,095	17,295,703
Construction and Maintenance	8,335,927	7,431,491	7,621,963	6,891,876	7,978,819
Planning and Building Services	2,327,450	2,350,733	2,396,214	2,785,408	1,477,242
Housing	-	-	-	-	937,088
Culture and Leisure	6,760,715	7,210,351	7,828,714	7,712,588	10,392,899
Redevelopment	5,951,373	12,868,307	7,749,621	7,709,241	2,086,220
Transportation	166,203	257,578	1,119,770	365,972	166,989
Interest on long-term debt	9,209,339	8,834,971	8,739,545	8,754,047	3,268,671
Total governmental activities expenses	55,618,813	61,961,112	58,562,670	59,264,884	52,284,666
Business-type activities:					
Wastewater	4,822,978	4,329,311	5,293,312	4,897,242	4,713,603
Golf	2,535,984	2,652,380	2,615,495	2,721,296	2,781,782
Storm Drain	1,092,367	1,084,267	978,258	1,144,343	1,184,354
Total business-type activities expenses	8,451,329	8,065,958	8,887,065	8,762,881	8,679,739
Total primary government expenses	64,070,142	70,027,070	67,449,735	68,027,765	60,964,405
PROGRAM REVENUES:					
Governmental activities:					
Charges for services:					
General government	1,913,061	2,737,294	1,212,868	1,273,611	1,433,633
Public safety	1,979,241	1,848,608	1,986,739	1,812,612	1,946,631
Construction and maintenance	1,509,316	68,757	80,376	67,294	57,346
Planning and building services	1,297,633	1,240,777	954,580	1,107,328	840,636
Housing	-	-	-	-	454,523
Culture and leisure	2,484,032	2,588,212	2,692,236	3,336,808	3,117,628
Transportation	56,692	246,927	245,138	76,783	48,814
Operating grants and contributions	3,530,617	1,517,919	1,996,763	6,493,025	2,412,854
Capital grants and contributions	4,931,335	3,188,897	1,228,833	884,371	3,229,148
Total governmental activities program revenues	17,701,927	13,437,391	10,397,533	15,051,832	13,541,213
Business type activities:					
Charges for services:					
Wastewater	4,599,167	4,500,736	4,852,703	4,408,455	4,393,139
Golf	2,453,314	2,322,614	2,485,668	2,690,413	2,710,735
Storm Drain	561,545	558,728	554,394	552,798	551,665
Capital grants and contributions	-	-	-	-	-
Total business type activities program revenues	7,614,026	7,382,078	7,892,765	7,651,666	7,655,539
Total primary government program revenues	25,315,953	20,819,469	18,290,298	22,703,498	21,196,752
Net revenues (expenses):					
Governmental activities	(37,916,886)	(48,523,721)	(48,165,137)	(44,213,052)	(38,743,453)
Business-type activities	(837,303)	(683,880)	(994,300)	(1,111,215)	(1,024,200)
Total net revenue (expenses)	(38,754,189)	(49,207,601)	(49,159,437)	(45,324,267)	(39,767,653)

CHANGES IN NET ASSETS

TABLE 2
(Continued)

	2008	2009	2010	2011	2012
GENERAL REVENUE AND OTHER CHANGES IN NET ASSETS:					
Governmental Activities:					
Taxes:					
Property Taxes	18,721,615	19,890,646	20,388,360	20,399,652	21,081,690
Sales and use taxes	2,718,146	2,671,278	2,434,673	2,651,969	2,746,600
Transient occupancy taxes	10,175,686	8,492,359	7,623,458	8,320,109	8,902,884
Tax increment	13,865,003	15,285,226	10,700,033	14,735,901	8,182,488
Franchise & Other taxes	1,320,879	1,264,916	1,283,177	1,591,312	1,255,747
Use of Money and Property	7,396,574	5,629,071	3,396,954	3,191,902	2,912,378
Gain on disposal of capital assets	-	-	-	-	-
Other	219,277	304,638	771,260	200,236	233,311
Extraordinary gain	-	-	-	-	109,238,474
Total governmental activities	<u>54,417,180</u>	<u>53,538,134</u>	<u>46,597,915</u>	<u>51,091,081</u>	<u>154,553,572</u>
Business type activities:					
Use of Money and Property	704,160	449,513	176,885	143,371	86,264
Gain on sale of capital assets	-	805	-	2,671	8,508
Other	37,577	-	93,025	323,051	162,839
Total business type activities	<u>741,737</u>	<u>450,318</u>	<u>269,910</u>	<u>469,093</u>	<u>257,611</u>
Total primary government	<u>55,158,917</u>	<u>53,988,452</u>	<u>46,867,825</u>	<u>51,560,174</u>	<u>154,811,183</u>
Changes in net assets					
Government activities	16,500,294	5,014,413	(1,567,222)	6,878,029	115,810,119
Business-type activities	(95,566)	(233,562)	(724,390)	(642,122)	(766,589)
Total primary government	<u>\$ 16,404,728</u>	<u>\$ 4,780,851</u>	<u>\$ (2,291,612)</u>	<u>\$ 6,235,907</u>	<u>\$ 115,043,530</u>

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GOVERNMENT ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)
TABLE 3

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales and Use Taxes</u>	<u>Transient Occupancy Taxes</u>	<u>Tax Increment</u>	<u>Franchise & Other Taxes</u>	<u>Totals</u>
2002-2003	10,533,612	2,282,341	7,816,922	7,917,743	2,333,417	30,884,035
2003-2004	11,397,178	2,239,102	8,129,385	8,727,964	2,299,423	32,793,052
2004-2005	13,574,826	2,459,031	8,408,996	9,961,932	1,633,234	36,038,019
2005-2006	15,486,986	2,473,995	8,714,097	11,310,899	1,971,631	39,957,608
2006-2007	17,270,604	2,733,353	9,066,467	12,550,252	1,388,420	43,009,096
2007-2008	18,721,615	2,718,146	10,175,686	13,865,003	1,320,879	46,801,329
2008-2009	19,890,646	2,671,278	8,492,359	15,285,226	1,264,916	47,604,425
2009-2010	20,388,360	2,434,673	7,623,458	10,700,033	1,283,177	42,429,701
2010-2011	20,399,652	2,651,969	8,320,109	14,735,901	1,591,312	47,698,943
2011-2012	21,081,690	2,746,600	8,902,884	8,182,488	1,255,747	42,169,409

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
TABLE 4

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund:					
Reserved	\$ 28,313,801	\$ 28,463,618	\$ 30,944,146	\$ 33,722,809	\$ 78,471,611
Unreserved	19,498,459	22,888,430	26,514,761	37,124,818	416,333
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>47,812,260</u>	<u>51,352,048</u>	<u>57,458,907</u>	<u>70,847,627</u>	<u>78,887,944</u>
All other governmental funds:					
Reserved	48,244,327	39,536,686	45,846,471	60,419,490	44,501,696
Unreserved, reported in:					
Special revenue funds	2,598,924	2,706,188	2,928,478	5,009,361	(3,330,452)
Debt service funds	-	-	(23,532,787)	(33,188,560)	(26,575,033)
Capital projects funds	-	-	(16,514,235)	(421,859)	11,058
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>50,843,251</u>	<u>42,242,874</u>	<u>8,727,927</u>	<u>31,818,432</u>	<u>14,607,269</u>
Total Governmental funds	<u>\$ 98,655,511</u>	<u>\$ 93,594,922</u>	<u>\$ 66,186,834</u>	<u>\$ 102,666,059</u>	<u>\$ 93,495,213</u>

FUND BALANCES OF GOVERNMENTAL FUNDS

TABLE 4
(Continued)

	2008	2009	Fiscal Year 2010	2011	2012
General fund:					
Reserved	\$ 37,782,769	\$ 43,393,993	\$ 48,573,793	\$ -	\$ -
Unreserved	47,538,127	45,090,732	43,477,872	-	-
Nonspendable	-	-	-	43,657,114	6,377,975
Restricted	-	-	-	241,117	210,848
Committed	-	-	-	10,076,000	10,316,000
Assigned	-	-	-	6,603,730	12,582,155
Unassigned	-	-	-	32,788,055	36,879,125
Total general fund	<u>85,320,896</u>	<u>88,484,725</u>	<u>92,051,665</u>	<u>93,366,016</u>	<u>66,366,103</u>
All other governmental funds:					
Reserved	11,155,472	12,501,722	8,923,606	-	-
Unreserved, reported in:					
Special revenue funds	2,407,040	3,065,909	3,229,110	-	-
Debt service funds	(14,979,005)	(16,914,603)	(22,766,802)	-	-
Capital projects funds	23,142,957	12,472,063	9,743,488	-	-
Nonspendable	-	-	-	6,461	3,461
Restricted	-	-	-	17,109,885	13,716,648
Committed	-	-	-	3,452,907	-
Assigned	-	-	-	(29,309,906)	2,614,073
Total all other governmental funds	<u>21,726,464</u>	<u>11,125,091</u>	<u>(870,598)</u>	<u>(8,740,653)</u>	<u>16,334,182</u>
Total Governmental funds	<u>\$ 107,047,360</u>	<u>\$ 99,609,816</u>	<u>\$ 91,181,067</u>	<u>\$ 84,625,363</u>	<u>\$ 82,700,285</u>

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
TABLE 5

	Fiscal Year				
	2003	2004	2005	2006	2007
REVENUES:					
Taxes	\$ 29,530,355	\$ 31,829,556	\$ 35,650,520	\$ 39,479,106	\$ 42,871,094
Licenses and permits	722,917	686,308	737,250	948,078	773,324
Intergovernmental	4,293,338	11,287,772	2,491,930	5,281,701	5,567,247
Charges for current services	2,416,323	2,555,748	2,558,577	2,810,246	3,190,973
In lieu fees	203,005	168,000	133,036	280,000	343,000
Fines and forfeits	354,735	388,192	397,308	448,996	418,679
Revenues from use of money	2,637,232	2,334,989	2,689,657	4,983,579	7,045,755
Other revenue	1,201,055	265,628	455,414	6,266,773	315,946
Reimbursements	683,070	645,271	2,326,258	8,947,991	5,952,313
Total revenues	<u>42,042,030</u>	<u>50,161,464</u>	<u>47,439,950</u>	<u>69,446,470</u>	<u>66,478,331</u>
EXPENDITURES:					
Current:					
General government	4,309,657	4,703,353	4,479,716	4,313,448	5,252,850
Public safety	9,106,877	10,483,736	11,517,050	12,735,420	13,351,847
Construction and maintenance	7,138,748	6,756,925	6,369,159	6,682,660	6,843,054
Planning and building services	1,988,819	1,967,696	2,032,558	2,311,968	3,621,709
Housing	-	-	-	-	-
Culture and leisure	4,424,833	3,681,152	4,100,851	5,293,139	6,168,911
Transportation	1,146,598	435,530	188,106	506,852	354,581
Capital outlay	11,826,371	21,777,895	40,629,073	55,331,767	33,436,246
Debt service:					
Bond issue costs	1,050,360	1,610	-	2,446,350	46,413
Principal retirement	1,030,000	1,080,000	1,130,000	2,298,160	453,046
Interest and fiscal charges	3,111,227	4,177,883	4,550,398	6,514,696	7,944,520
Total Expenditures	<u>45,133,490</u>	<u>55,065,780</u>	<u>74,996,911</u>	<u>98,434,460</u>	<u>77,473,177</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	<u>(3,091,460)</u>	<u>(4,904,316)</u>	<u>(27,556,961)</u>	<u>(28,987,990)</u>	<u>(10,994,846)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	28,902,279	1,751,524	13,490,159	66,482,892	27,584,445
Operating transfers out	(28,902,279)	(1,751,524)	(13,490,159)	(66,482,892)	(27,584,445)
Bond proceeds	31,597,998	-	241,654	101,597,999	-
Payment on partial defeasement of bonds	-	-	-	(39,010,784)	-
Proceeds from promissory note	-	-	-	2,880,000	1,824,000
Proceeds from sale of capital asset	-	-	-	-	-
Total Other financing sources (uses)	<u>31,597,998</u>	<u>-</u>	<u>241,654</u>	<u>65,467,215</u>	<u>1,824,000</u>
Extraordinary gain/(loss)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>\$ 28,506,538</u>	<u>\$ (4,904,316)</u>	<u>\$ (27,315,307)</u>	<u>\$ 36,479,225</u>	<u>\$ (9,170,846)</u>
Debt service as a percentage of noncapital expenditures	15.59%	15.80%	16.53%	26.12%	19.17%

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS

TABLE 5
(Continued)

	Fiscal Year				
	2008	2009	2010	2011	2012
REVENUES:					
Taxes	\$ 46,703,352	\$ 47,520,599	\$ 42,253,794	\$ 47,560,389	\$ 42,196,478
Licenses and permits	912,230	735,650	725,780	822,253	934,905
Intergovernmental	7,576,879	2,599,632	2,313,021	2,086,995	1,576,582
Charges for current services	3,411,428	4,118,352	3,846,050	4,379,927	6,167,130
In lieu fees	97,977	83,827	73,869	136,826	13,827
Fines and forfeitures	464,459	415,125	418,210	366,149	383,248
Revenues from use of money & property	7,056,277	5,301,481	3,069,683	2,715,191	1,985,988
Other revenue	507,831	436,101	582,407	4,951,353	761,152
Reimbursements	4,463,487	3,963,999	1,705,449	1,122,103	2,421,424
Total revenues	<u>71,193,920</u>	<u>65,174,766</u>	<u>54,988,263</u>	<u>64,141,186</u>	<u>56,440,734</u>
EXPENDITURES:					
Current:					
General government	6,061,859	5,633,280	4,848,985	5,925,435	6,963,814
Public safety	14,512,463	14,922,767	15,869,549	23,076,457	16,241,268
Construction and maintenance	8,847,490	7,814,503	7,418,371	6,812,318	6,914,294
Planning and building services	7,456,240	14,280,442	9,351,113	10,026,834	3,606,323
Housing	-	-	-	-	808,126
Culture and leisure	5,512,926	5,926,166	6,417,267	6,236,505	6,352,874
Transportation	148,203	239,578	1,110,590	365,972	143,343
Capital outlay	4,839,270	12,635,667	7,119,740	6,884,183	5,953,244
Debt service:					
Bond issue costs	-	-	-	-	-
Principal retirement	2,499,858	2,660,403	2,893,552	2,988,030	3,091,769
Interest and fiscal charges	8,564,314	8,499,504	8,387,845	8,381,156	5,077,407
Total Expenditures	<u>58,442,623</u>	<u>72,612,310</u>	<u>63,417,012</u>	<u>70,696,890</u>	<u>55,152,462</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,751,297</u>	<u>(7,437,544)</u>	<u>(8,428,749)</u>	<u>(6,555,704)</u>	<u>1,288,272</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	6,436,520	7,712,320	2,917,177	3,747,804	9,671,623
Operating transfers out	(6,436,520)	(7,712,320)	(2,917,177)	(3,747,804)	(9,671,623)
Bond proceeds	-	-	-	-	-
Payment on partial defeasement of bonds	-	-	-	-	-
Proceeds from promissory note	-	-	-	-	-
Proceeds from sale of capital asset	800,850	-	-	-	-
Total Other financing sources (uses)	<u>800,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary gain/(loss)	-	-	-	-	(3,213,350)
NET CHANGE IN FUND BALANCES	<u>\$ 13,552,147</u>	<u>\$ (7,437,544)</u>	<u>\$ (8,428,749)</u>	<u>\$ (6,555,704)</u>	<u>\$ (1,925,078)</u>
Debt service as a percentage of noncapital expenditures	20.64%	18.61%	20.04%	17.82%	16.60%

**ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
TABLE 6**

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Government</u>	<u>Institutional</u>	<u>Recreational</u>
2003	2,933,229,168	564,740,149	14,296,306	0	8,355,099	22,825,356
2004	3,182,052,829	570,961,736	14,809,501	0	8,531,391	21,293,327
2005	3,436,573,133	625,557,413	14,027,740	0	8,592,090	15,245,740
2006	3,844,855,909	647,014,980	14,066,304	0	8,763,927	15,549,222
2007	4,266,135,322	677,832,046	11,778,165	0	8,939,197	17,229,999
2008	4,646,145,960	742,475,862	12,190,153	0	9,035,580	20,056,489
2009	4,990,884,122	873,643,119	12,433,952	0	9,301,391	21,688,925
2010	5,266,255,573	893,416,843	12,682,627	0	9,487,415	28,114,698
2011	5,315,567,267	892,258,375	12,652,565	0	9,364,109	34,212,600
2012	5,439,624,267	830,189,531	13,506,317	0	9,265,806	37,280,122

Source: HdL Coren & Cone, San Diego County Assessor Combined Tax Rolls

ASSESSED VALUE OF TAXABLE PROPERTY

TABLE 6
(Continued)

<u>Fiscal Year</u>	<u>Vacant Land</u>	<u>SBE</u> <u>Nonunitary</u>	<u>Unsecured</u>	<u>Totals</u>	<u>Total</u> <u>Direct Rate</u>
2003	21,245,462	2,291	103,933,339	3,668,627,170	0.80%
2004	23,492,290	2,505	93,724,328	3,914,867,907	0.82%
2005	29,413,696	2,514	102,183,310	4,231,595,636	0.83%
2006	32,107,491	2,808	114,666,381	4,677,027,022	0.85%
2007	33,081,935	3,761	115,988,155	5,130,988,580	0.86%
2008	37,470,660	0	103,332,001	5,570,706,705	0.87%
2009	25,971,342	0	115,715,895	6,049,638,746	0.88%
2010	27,981,395	0	117,619,267	6,355,557,818	0.89%
2011	23,584,213	0	134,156,701	6,421,795,830	0.89%
2012	37,400,515	0	142,877,174	6,510,143,732	0.89%

Source: HdL Coren & Cone, San Diego County Assessor Combined Tax Rolls

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE) LAST TEN FISCAL YEARS
TABLE 7**

<u>Fiscal Year</u>	<u>County Base</u>	<u>City</u>	<u>School District</u>	<u>Community College District</u>	<u>Other Districts</u>	<u>Total</u>
2003	1.00000	0.00000	0.02806	0.01304	0.00000	1.04110
2004	1.00000	0.00000	0.02632	0.00727	0.00000	1.03359
2005	1.00000	0.00000	0.02431	0.01301	0.00000	1.03732
2006	1.00000	0.00000	0.02109	0.01505	0.00000	1.03614
2007	1.00000	0.00000	0.01921	0.01405	0.00000	1.03326
2008	1.00000	0.00000	0.01801	0.01253	0.00000	1.03054
2009	1.00000	0.00000	0.01657	0.01320	0.00000	1.02977
2010	1.00000	0.00000	0.01668	0.03635	0.00000	1.05303
2011	1.00000	0.00000	0.01692	0.03308	0.00000	1.05000
2012	1.00000	0.00000	0.01206	0.03753	0.00000	1.04959

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

**PRINCIPAL PROPERTY TAXPAYERS BASED ON GROSS ASSESSED VALUES
CURRENT YEAR AND TEN YEARS AGO
TABLE 8**

Taxpayer	2012		2003	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
BSK Del Partners LLC	\$ 367,219,261	5.64%	\$ -	0.00%
L-O Coronado Holding II Inc	-	0.00%	301,244,148	8.21%
Rodes Realty LLC	85,838,594	1.32%	-	0.00%
Host Hotels and Resorts LP	85,100,075	1.31%	-	0.00%
51st ST and 8th Avenue Corporation	72,204,224	1.11%	76,371,486	2.08%
Coronado Commonwealth Apartments Inc	-	0.00%	76,268,027	2.08%
Host Marriott LP	-	0.00%	65,000,000	1.77%
San Diego Family Housing LLC	43,942,176	0.67%	30,600,000	0.83%
Jeff and Sharon Stevens	23,647,032	0.36%	-	0.00%
Hotel del Partners LP	20,021,619	0.31%	-	0.00%
SCP Coronado LLC	19,240,206	0.30%	-	0.00%
L-O Coronado Hotel Inc	-	0.00%	18,456,363	0.50%
James T. and Tally J. Nathan	14,846,080	0.23%	-	0.00%
Boden Family Investments	13,232,943	0.20%	-	0.00%
Prudential Company-Generation Capital	-	0.00%	13,136,000	0.36%
G and L Coronado 1998 LLC	-	0.00%	9,839,996	0.27%
Port Coronado Associates	-	0.00%	9,500,000	0.26%
Hartwell Properties LP	-	0.00%	6,838,483	0.19%
Principal Taxpayers' Totals	<u>\$ 745,292,210</u>	<u>11.45%</u>	<u>\$ 607,254,503</u>	<u>16.55%</u>
City Totals	\$ 6,510,143,732		\$ 3,668,627,170	

The amounts shown above include assessed value data for both the City and the Community Development Successor Agency.

Source: HdL Coren & Cone, San Diego County Assessor Combined Tax Rolls

GENERAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
TABLE 9

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
2003	\$9,411,416	\$9,403,881	99.9%	\$3,886	\$9,407,767	100.0%
2004	\$10,172,080	\$10,165,575	99.9%	\$5,924	\$10,171,499	100.0%
2005	\$11,198,404	\$11,191,193	99.9%	\$4,604	\$11,195,797	100.0%
2006	\$12,561,220	\$12,555,098	100.0%	\$7,589	\$12,562,687	100.0%
2007	\$13,966,540	\$13,957,726	99.9%	\$8,057	\$13,965,783	100.0%
2008	\$15,328,002	\$15,311,418	99.9%	\$8,346	\$15,319,764	99.9%
2009	\$16,730,260	\$16,716,905	99.9%	(\$68)	\$16,716,836	99.9%
2010	\$17,531,382	\$17,451,205	99.5%	\$11,830	\$17,463,035	99.6%
2011	\$17,658,242	\$17,618,795	99.8%	\$17,154	\$17,635,949	99.9%
2012	\$17,890,381	\$17,857,090	99.8%	\$15,481	\$17,872,571	99.9%

Source: Finance Section, City of Coronado Administrative Services

**SCHEDULE OF DEBT RATIOS REVENUE BONDS
LAST TEN FISCAL YEARS
TABLE 10**

<u>Fiscal Year</u>	<u>Revenue Bond Debt</u>	<u>Population (1)</u>	<u>Debt per Capita</u>	<u>Number of Units (2)</u>	<u>Debt per Unit</u>
2003	4,800,000	26,427	182	11,581	414
2004	4,695,000	23,065	204	11,540	407
2005	4,870,000	23,567	207	11,609	420
2006	4,715,000	22,898	206	11,600	406
2007	4,555,000	22,957	198	11,613	392
2008	4,390,000	23,101	190	11,669	376
2009	4,220,000	23,028	183	11,737	360
2010	4,045,000	23,916	169	11,760	344
2011	3,860,000	23,011	168	11,760	328
2012	3,675,000	23,187	158	11,786	312

Source: (1) State Department of Finance, Demographics Unit
(2) City of Coronado Public Services Department

CITY OF CORONADO

COMPUTATION OF OVERLAPPING BONDED DEBT JUNE 30, 2012 TABLE 11

	Total Debt 6/30/12	% Applicable (1)	City's Share of Debt 6/30/12
<u>Direct Debt:</u>			
City of Coronado	\$ 0	100.000%	\$ 0 (2)
<u>Overlapping Tax And Assessment Debt:</u>			
Southwestern Community College District	240,489,345	17.284%	41,566,178
Coronado Unified School District	12,305,000	100.000%	12,305,000
Sweetwater Union High School District	334,479,415	0.030%	100,344
South Bay Union School District	19,326,364	0.363%	70,155
Total Overlapping Tax and Assessment Debt			54,041,677
<u>Overlapping General Fund Debt:</u>			
San Diego County General Fund Obligations	395,115,000	1.889%	7,463,722
San Diego County Pension Obligations	787,112,618	1.889%	14,868,557
San Diego County Superintendent of Schools Obligations	189,750,000	1.889%	3,584,377
Southwestern Community College District Certificates of Participation	1,330,000	17.284%	229,877
Coronado Unified School District Certificates of Participation	9,725,000	100.000%	9,725,000
Sweetwater Union High School District Certificates of Participation	11,325,000	0.030%	3,398
Total Overlapping General Fund Debt			35,874,931
COMBINED TOTAL DEBT			\$ 89,916,608(2)

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

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

Source: California Municipal Statistics, Inc.

SCHEDULE OF LEGAL DEBT MARGIN
JUNE 30, 2012
TABLE 12

Net assessed value of all taxable property	\$ 6,510,143,732
Conversion percentage	<u>25.00%</u>
Adjusted assessed valuation	1,627,535,933
Debt limit percentage	<u>15.00%</u>
Debt limit	244,130,390
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 244,130,390</u></u>

The City of Coronado has had no indebtedness applicable to the limit during the past ten fiscal years.

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with 1981-82 fiscal year, each parcel is now assessed at 100% 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 from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt was enacted by the State of California for local governments located within the state.

Source: City of Coronado Administrative Services Department

**PLEDGED REVENUE COVERAGE
STORM DRAIN REVENUE BONDS
LAST TEN FISCAL YEARS
TABLE 13**

<u>Fiscal Year Ended June 30</u>	<u>Storm Drain User Charges</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2003	524,157	100,000	288,545	1.35
2004	525,369	105,000	283,045	1.35
2005	528,750	250,000	115,957	1.44
2006	528,240	155,000	209,920	1.45
2007	529,534	160,000	205,270	1.45
2008	534,106	165,000	198,870	1.47
2009	537,267	170,000	193,920	1.48
2010	537,014	175,000	187,970	1.48
2011	536,266	185,000	182,720	1.46
2012	538,696	185,000	176,245	1.49

Source: City of Coronado Administrative Services Department

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
TABLE 14

Calendar Year	Population (1)	% Increase	Per Capita Personal Income (2)	Labor Force (3)	Unemployment Rate (4)
2003	26,427	1.8%	35,620	8,300	3.3%
2004	23,065	-12.7%	37,965	8,500	3.0%
2005	23,567	2.2%	N/A	8,500	2.7%
2006	22,898	-2.8%	N/A	8,600	2.5%
2007	22,957	0.3%	N/A	8,700	3.0%
2008	23,101	0.6%	N/A	8,800	4.0%
2009	23,028	-0.3%	N/A	8,800	3.8%
2010	23,916	3.9%	N/A	8,700	6.8%
2011	23,011	-3.8%	N/A	8,700	6.2%
2012	23,187	0.8%	N/A	8,800	6.1%

Sources: (1) State Department of Finance, Demographics Unit
(2) U.S. Dept. of Commerce, Bureau of Economic Analysis. Data is not available for the City of Coronado. Chart represents Per Capital Income for San Diego County as a whole.
(3) State of California Employment Development

City population fluctuates annually due to change in numbers of military personnel living on military installations at time of report. Prior to 2000, the U.S. Navy was reporting population living on ships in San Diego/National City military installations as attributable to City of Coronado. Beginning in 2000, this was corrected, which accounts for the 15% drop in population. There was also a large drop in population from 2003 due to three aircraft carriers being in port at time of report which was not repeated in 2004.

**PRINCIPAL EMPLOYERS
FISCAL YEAR 2011-12
TABLE 15**

Taxpayer	2012 Number of Employees
U.S.Navy (North Island Naval Air Station, et al) Military & Civilian	11,000 - 14,999
Hotel Del Coronado	1,000 - 4,999
Loews Hotels Coronado Bay Resort	500 - 999
Sharp Coronado Hospital	500 - 999
City of Coronado	250 - 499
Coronado Unified School District	250 - 499
Marriott-Coronado Island	250 - 499
BAE Systems (marine equip. & supplies)	100 - 249
Peohe's Restaurant	100 - 249
Realty Executives Dillon	50-99

Source: City of Coronado and InfoUSA

**FULL-TIME AND PART-TIME CITY EMPLOYEES
LAST TEN FISCAL YEARS
TABLE 16**

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government	19	19	19	19	20	21	21	19	19	21
Planning & Building Services	10	10	10	10	10	10	10	11	11	11
Public safety	97	98	100	100	100	100	100	100	100	100
Culture and Leisure	38	38	39	39	39	40	40	40	40	42
Construction & Maintenance	<u>53</u>	<u>52</u>	<u>52</u>	<u>53</u>	<u>53</u>	<u>53</u>	<u>53</u>	<u>53</u>	<u>53</u>	<u>52</u>
Total	217	217	220	221	222	224	224	223	223	226

Source: City Personnel Authorization and Compensation Plan

OPERATING INDICATORS BY FUNCTION
LAST SEVEN FISCAL YEARS
TABLE 17

	Fiscal Year				
	2006	2007	2008	2009	2010
Public Safety:					
Felony arrests made	127	135	176	147	117
Misdemeanor arrests made	1,141	1,101	1,362	1,390	952
Parking citations issued	10,467	10,773	8,164	7,741	7,688
Fire emergency responses	1,793	1,858	1,874	1,960	1,778
Building safety inspections	546	546	625	459	412
Beach lifeguard rescues	283	363	684	346	506
Construction and Maintenance (a):					
Roads re-surfaced (miles)	0.00	1.18	0.41	1.92	0.00
Sidewalks re-surfaced (miles)	0.00	0.80	0.89	0.03	0.00
Alleys re-surfaced (miles)	0.60	0.20	0.30	0.95	0.00
Roads slurry sealed (miles)	6.78	5.98	5.99	0.00	0.00
Planning and Building:					
Building permits issued	1,133	1,012	1,023	930	1,083
Building inspections	5,555	5,894	5,337	5,026	3,617
Culture and Leisure:					
Library volumes in collection	168,573	169,409	154,741	157,903	161,048
Library audio-visual items in collection	(b)	(b)	29,036	35,024	44,920
Library items loaned	(b)	(b)	332,507	357,841	372,182
Library user traffic	(b)	(b)	356,934	377,602	384,288
Recreation classes/activities held	797	750	779	696	776
Pool admissions	44,250	40,373	38,337	42,586	38,932
Facility rentals	442	643	633	651	654
Golf rounds played	103,213	103,376	102,809	100,768	98,271
Wastewater/Storm Drain:					
Residential units	11,030	11,043	11,099	11,167	11,190
Commercial units	570	570	570	570	570
Average daily treatment, estimated (millions/gallons)	2.4	2.4	2.4	3.0	2.7

(a) Projects completed and capitalized during the fiscal year

(b) Data not available prior to FY 2007-08

Source: City of Coronado Operating Departments

TABLE 17
(Continued)

	Fiscal Year	
	2011	2012
Public Safety:		
Felony arrests made	84	93
Misdemeanor arrests made	808	617
Parking citations issued	5,897	7,910
Fire emergency responses	1,908	1,781
Building safety inspections	339	298
Beach lifeguard rescues	232	186
Construction and Maintenance (a):		
Roads re-surfaced (miles)	0.00	2.00
Sidewalks re-surfaced (miles)	0.10	0.10
Alleys re-surfaced (miles)	0.40	0.00
Roads slurry sealed (miles)	0.00	12.00
Planning and Building:		
Building permits issued	1,043	921
Building inspections	4,393	5,071
Culture and Leisure:		
Library volumes in collection	162,725	165,067
Library audio-visual items in collection	25,041	26,244
Library items loaned	356,278	352,261
Library user traffic	368,117	368,226
Recreation classes/activities held	802	742
Pool admissions	34,841	41,382
Facility rentals	762	821
Golf rounds played	94,023	96,141
Wastewater/Storm Drain:		
Residential units	11,190	11,190
Commercial units	570	570
Average daily treatment, estimated (millions/gallons)	2.7	2.7

(a) Projects completed and capitalized during the fiscal year

(b) Data not available prior to FY 2007-08

Source: City of Coronado Operating Departments

CAPITAL ASSET STATISTICS BY FUNCTION
LAST SEVEN FISCAL YEARS
TABLE 18

	2006	2007	Fiscal Year 2008	2009	2010
Public Safety:					
Number of police stations	1	1	1	1	1
Number of fire stations	2	2	2	2	2
Construction and Maintenance:					
Streets (miles)	40.3	40.3	40.3	40.3	40.3
Sidewalks (miles)	34.3	34.3	34.3	34.3	34.4
Alleys (miles)	9.9	9.9	9.9	9.9	9.9
Streetlights	300	300	348	348	348
Culture and Leisure:					
Number of parks	18	18	18	18	18
Acres of parks	46.9	46.9	46.9	46.9	46.9
Community centers	1	1	1	1	1
Municipal pools	2	2	2	2	2
Municipal golf course	1	1	1	1	1
Public library	1	1	1	1	1
Tennis center	1	1	1	1	1
Senior center	1	1	1	1	1
Bike path (miles)	7.5	7.5	7.8	9.8	9.8
Skatepark	1.0	1.0	1.0	1.0	1.0
Wastewater:					
Sanitary sewers (miles)	45.2	45.8	45.8	45.8	45.8
Storm drains (miles)	8.5	8.5	8.5	8.5	8.5

Source: City of Coronado Capital Asset Records, Administrative Services Department

TABLE 18
(Continued)

		Fiscal Year	
		2011	2012
Public Safety:			
Number of police stations		1	1
Number of fire stations		2	2
Construction and Maintenance:			
Streets (miles)		40.3	40.3
Sidewalks (miles)		34.3	34.3
Alleys (miles)		9.9	9.9
Streetlights		348	348
Culture and Leisure:			
Number of parks		18	18
Acres of parks		46.9	46.9
Community centers		1	1
Municipal pools		2	2
Municipal golf course		1	1
Public library		1	1
Tennis center		1	1
Senior center		1	1
Bike path (miles)		9.8	9.8
Skatepark		1.0	1.0
Wastewater:			
Sanitary sewers (miles)		45.8	45.8
Storm drains (miles)		8.5	8.5

Source: City of Coronado Capital Asset Records, Administrative Services Department

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