

# SOLVANG

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2009

# 2008/2009





**CITY OF SOLVANG, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**for the**  
**Fiscal Year Ended June 30, 2009**

*Prepared By the Department of Finance*



Introductory Section

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December 1, 2009

The Honorable Mayor, Members of the City Council  
And Citizens of the City of Solvang

The City follows a policy of preparing a complete set of financial statements in conformity with U.S. generally accepted accounting principles after the end of each fiscal year. This report is published to fulfill that policy for the fiscal year ended June 30, 2009.

Management of the City of Solvang assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that the City has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the City's financial statements are free of material misstatements.

The firm of Terry E. Krieg, Certified Public Accountant, has issued an unqualified independent auditor's report on the City of Solvang's financial statements for the fiscal year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

### **PROFILE OF THE CITY AND ITS OPERATIONS**

Solvang meaning "Sunny Field", was founded in 1911 by a group of Danish Educators from the Midwest who were in search of a site for a Danish-type folk school. They liked what they saw and envisioned the location of the potential town, nestled between the Santa Ynez and San Rafael mountain ranges as an ideal place to launch the school and where settlers could develop a Danish Colony that we now know as Solvang. Although Solvang has since developed into one of California's main tourist attractions, its many Danish-American residents continue to perpetuate their Danish heritage as seen by the architectural style in the downtown tourist area. The City is located inland along the Central Coast, some 45 miles north of Santa Barbara, in the historic Santa Ynez Valley.

The City was incorporated on May 1, 1985. It subsequently transitioned from a General Law City to a Charter City in November 2006. Becoming a "Charter City" means we have more "Local home rule" authority than cities that incorporate under the "general laws" of the State of California. The Charter is the City's "Constitution", and any changes must be approved by the voters.

The City operates under the "Council-Mayor-Manager" form of government. Policymaking and legislative authority are vested in the City Council consisting of the Mayor and four other elected Council members. The Council is responsible, among other matters, for passing ordinances, adopting the City Budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the daily operations of the City, and for appointing other employees and otherwise managing daily operations of the City. The Council members are elected to four year staggered terms and with the election of 2008 we transitioned from an appointed Mayor to an elected Mayor with a two-year term, who serves as an equal member of the Council.

The City of Solvang provided a full range of municipal services, including contracted police and fire protection, the construction and maintenance of City streets, storm drains, bridges and similar infrastructure type assets, park maintenance and community recreation activities. Water, Wastewater and Transit services are provided through the use of an enterprise fund or business-type fund structure.

### ***BUDGETARY POLICY AND CONTROL***

The annual budget serves as the foundation for the City of Solvang's financial planning and control system. All departments of the City submit requests for appropriations to the Finance Director each year. The Finance Director and City Manager use these requests as a starting point for developing a proposed budget. Together, they present a proposed budget to the Finance Committee, which consists of two appointed members of the City Council. Once a final draft budget is achieved, it is presented to the City Council. The Council holds public hearings on the proposed budget and ultimately adopts a formal budget. The budget is adopted by fund, function, department and object. The Council periodically reviews during the fiscal year the City's actual financial activity in relationship to the original budget, and as necessary amends the original budget to reflect changing conditions.

The general fund's budgetary results comparison, deemed a major fund under the new reporting standards, is presented as required supplementary information in a separate section of this report immediately following the notes to the financial statements. For the City's other governmental-type funds with adopted budgets, a budget to actual comparison schedule is presented as optional information in the section of this report containing combining financial statements and individual fund schedules.

### ***LOCAL ECONOMY***

The City's economy largely depends on tourism, which generates a large portion of the City sales tax and all of the transient occupancy tax revenues that account for a major part of the City's revenue stream. Property tax revenues are another large source of revenue for the City. Major attractions for visitors to the City include the City's Danish theme village, with unique shops, inns, bakeries, European style streets and architecture, cafes, local wineries, art galleries, golf courses, equestrian and other livestock production, the Santa Ines Mission, and the Elverhoj Museum.

This year the City saw decreases in both hotel tax and sales tax sources. Sales tax has become more diverse over the years in terms of its origin, however, our top three sales tax categories remain as food products, general retail and construction, in that order. These revenues are expected to continue to decline as the economy struggles into the next fiscal year. While hotel taxes were on a decline this year, a portion of this can be attributed to the closure and remodeling of a major hotel during a four month period. Hotel taxes and sales tax, as a part of the tourism industry, fell victim to the economy and are projected to decline again in 2009/10. Property taxes increased slightly due to the fact that this area did not suffer the foreclosure rates that many of our neighboring cities did. We have been fortunate in that our property values have remained strong.

While we are seeing some declining trends in revenues, the City does not expect any major changes in our financial future and continues to spend within its means. While the economy is suffering, we remain hopeful that we can ride out this tough time, as we have taken a very conservative approach in the budgeting process. We strive to operate within current revenue streams and are careful not to use reserves. Staff has an awareness of the challenges we face and continues to be conservative in their spending.

### ***LONG TERM FINANCIAL PLANNING***

This year the City completed \$2 million in capital projects and has identified some \$19 million in capital projects to be completed by the year 2018. These projects include about \$5 million for street improvements, \$4 million for Traffic Mitigation, \$10 million for water and wastewater system improvements.

While the general fund ended fiscal 2009 with approximately a \$5.4 million fund balance, \$2.4 million was designated for the purpose of Capital Improvements, \$2 million was designated for emergency reserves, and approximately \$1 million remained undesignated. There is \$4.0 million in Traffic Mitigation Impact

Fees, Measure D and Local Transportation Reserves, which will specifically be used for future projects; mainly street infrastructure, street improvements and sidewalk projects.

The City expects to be able to finance the water and wastewater projects with existing resources held by these enterprises. The Water fund has struggled to keep up with expenditures since the inception of State Water and has had to regularly increase water rates since 1990 in order to secure the financial stability and ensure the fiscal health of this fund. Fiscal year 2008/09 marked the fifth time since 1990 that the City did not need to raise rates in order to meet all of its financial obligations.

Water and sewer rates and fees have not been evaluated for quite some time. The City will undergo a study for water and sewer in 2009/10 to evaluate the utility rates and connection fees in an effort to ensure that we will be able to sustain the maintenance, capital infrastructure and required reserve levels for these funds to ensure long term fiscal stability.

#### **AWARDS AND ACKNOWLEDGEMENTS**

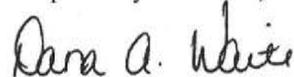
The Government Finance Officers Association (GFOA) awarded Certificates of Achievement for Excellence in Financial Reporting to the City of Solvang for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. The City has received this prestigious award every year for the past 16 years. In order to receive this award, the City must publish an easily readable and efficiently organized CAFR. This report satisfied both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a one-year period only and represents the highest award in government financial reporting. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we plan to submit it to the GFOA again, to determine its eligibility for another certificate.

There are a number of benefits from participating in this program beyond simply gaining recognition for our efforts. We believe that by continually striving for excellence in meeting program standards and goals, we have the ability to produce quality reports as well as receive comments for improvements from other municipal finance professionals. This allows us to gain a "fresh" perspective and continually improve in our reporting for the benefit of the City and the public at large.

#### **ACKNOWLEDGEMENTS**

The preparation of this report would not have been possible without the efficient and dedicated services of the *entire staff* of the finance department. We are very proud of our teamwork here and would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report and their effort throughout the year to insure the integrity of the financial records. A special "Thank You" to Fred Lageman, Parks and Recreation Director, for your outstanding report cover this year and for the many years prior. Credit must also be given to the Mayor and the Members of the City Council, and the City Manager for their continued support for maintaining the highest standards of professionalism in the management of the City of Solvang's financial affairs.

Respectfully submitted,



Dana Waite  
Finance Director

**CITY OF SOLVANG PRINCIPAL OFFICIALS**

**MAYOR**

JIM RICHARDSON

**CITY COUNCIL MEMBERS**

JOAN JAMIESON EDWIN SKYTT  
KENNETH PALMER HANS DUUS

**CITY MANAGER**

BRAD VIDRO

**CITY ATTORNEYS**

ROY HANLEY  
DAVID FLEISHMAN

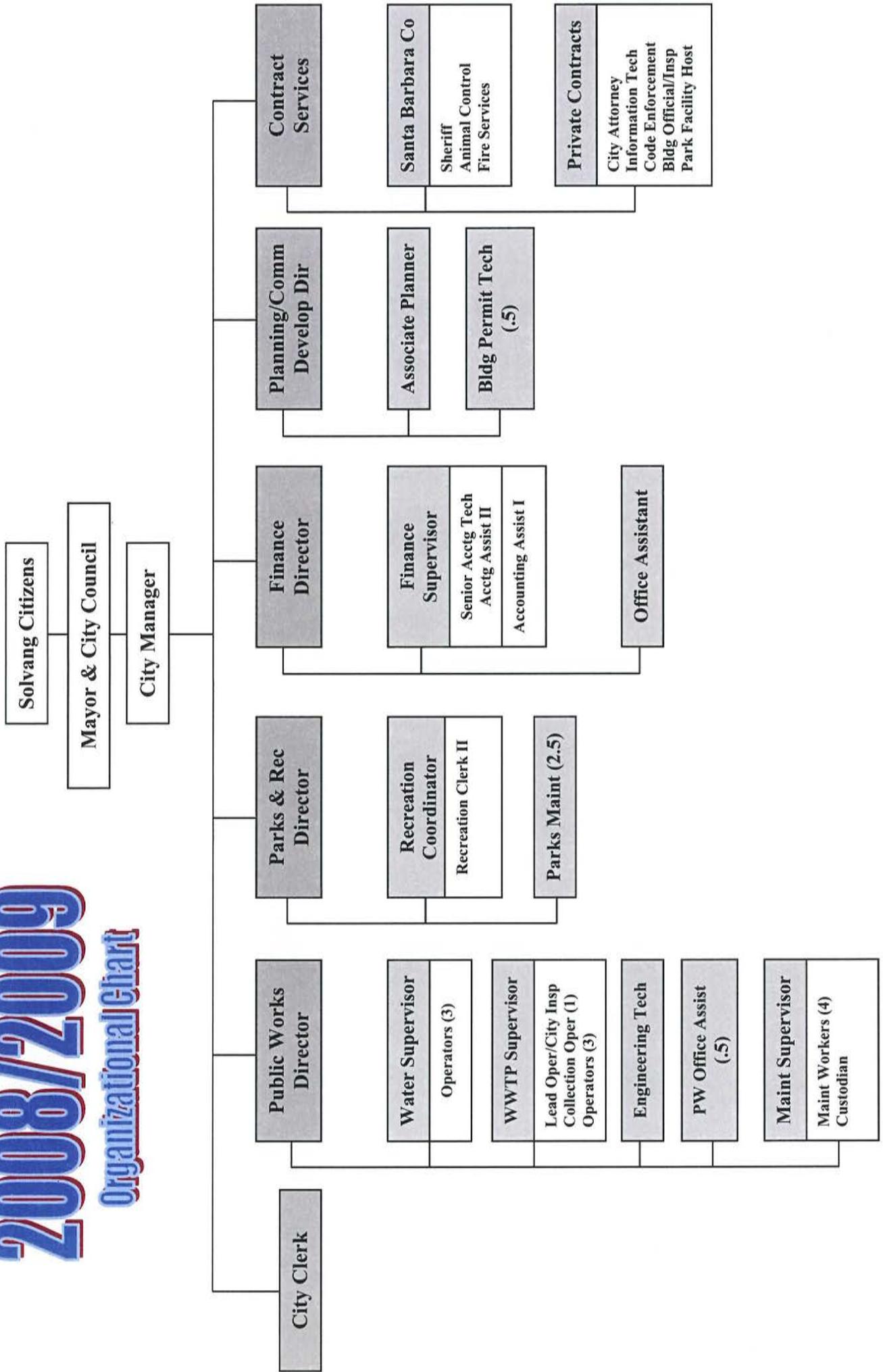
**ADMINISTRATION**

CITY CLERK, MARY ELLEN RIO  
FINANCE DIRECTOR, DANA WAITE  
PUBLIC WORKS/CITY ENGINEER, TULLY CLIFFORD  
PLANNING/COMMUNITY DEVELOPMENT/BUILDING, SHELLEY STAHL  
PARKS & RECREATION DIRECTOR, FRED LAGEMEN

**CONTRACT SERVICES**

LAW ENFORCEMENT, MARK LIDDI  
CODE ENFORCEMENT, DALE SCHADE  
BUILDING, CA CODE CHECK  
ANIMAL CONTROL, JAN GLICK  
FIRE SERVICE, COUNTY OF SANTA BARBARA

# 2008/2009 Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Solvang  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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



President

Executive Director

**Financial Section**  
Management's Discussion and Analysis,  
Basic Financial Statements,  
and Notes to the Financial Statements

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**Terry E. Krieg, CPA**

Certified Public Accountant

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Solvang  
Solvang, California

I 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 Solvang, California, (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Solvang's management. My responsibility is to express an opinion on these financial statements based on my audit.

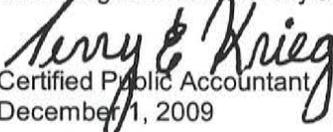
I conducted my audit in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solvang, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 2 through 12 and pages 37 through 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Solvang's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements and schedules, and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

In accordance with Government Auditing Standards, I have also issued my report dated December 1, 2009 on my consideration of the City of Solvang's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

  
Certified Public Accountant  
December 1, 2009

## Management's Discussion and Analysis

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This section of the City of Solvang's annual financial report provides a narrative overview and analysis of the financial activities of the City. It should be read in conjunction with the accompanying transmittal memorandum and the City's audited financial statements, which follow this section.

### **Financial Highlights**

The following information is intended to highlight the financial information for the year:

- Citywide, the total net assets increased by \$2.18 million or 6% over 2007-2008 after conducting all operations and programs. The net assets totaled \$39 million dollars at year end. Of that amount, \$14.2 million (the unrestricted net assets) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year.
- The City's Governmental activities reported net assets of \$21 million dollars. Of the \$21 million dollars, \$5.8 million remains unrestricted and available.
- Overall, Citywide revenues from all governmental and business-type activities, grants and taxes decreased by about \$350,000 or 4% compared to the 2008 fiscal year. This net decrease is primarily due to the lack of roads revenues as proposition 1B funding ceased. These revenues amounted to \$400,000 in fiscal year 2008.
- The general fund reported a fund balance of \$5.4 million at the end of the 2009 fiscal year; an increase of \$84,406 or 1.6% over fiscal 2008. This minor increase is primarily the result of unspent funds allocated for several small projects.
- Impact Fees ended 2009 with a fund balance of \$2.3 million; and increase of \$81,759 or 4% from 2008. This increase the result of developer contributions.
- Enterprise or proprietary funds ended the fiscal year with \$17.4 million in net assets (the amount of net assets available for use both restricted and unrestricted including the investment in capital assets net of related debt); a \$505,000 or 3.0% increase over fiscal year 2008.
- The City's other non-major governmental funds ended 2009 with a \$1.6 million dollar fund balance. \$1.2 million designated for roads and capital projects and \$442 thousand available for debt service and other purposes.

# Management's Discussion and Analysis

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## **Overview of the Financial Statements**

This annual report consists of four parts – a Management's Discussion and Analysis (this section), the Basic Financial Statements and Notes to the Financial Statements, Required Supplementary Information, and an optional section that presents Combining Statements for non-major Governmental Funds and Schedules of Capital Assets used in Governmental Activities.

The Basic Financial Statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-side statements.
  - The *governmental funds* statements tell how general government services such as public safety, general government, community services, public works and streets were financed in the short term as well as what remains for future spending.
  - *Proprietary fund* statements offer short and long-term financial information about the activities the government operates like businesses, such as the City's water, wastewater, and transit systems.

As required by U.S. generally accepted accounting principles, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. The Solvang Conference and Visitors Bureau is reported as a discretely presented component unit in these statements due to its financial interdependency on the City of Solvang who provides over 80% of its funding annually.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 below, summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

# Management's Discussion and Analysis

Figure A-1  
Major Features of City of Solvang's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
<u>Scope</u>	Entire City Government	The activities of the City that are not proprietary or fiduciary, such as police, fire, streets, general government, and community services	Activities the City operates similar to private businesses: the water, wastewater, and transit systems
<u>Required financial statements</u>	* Statement of Net Assets  * Statement of Activities	* Balance Sheet  * Statement of revenues, expenditures, and changes in fund balances	* Statement of Net Assets  * Statement of revenues, expenses, and changes in net assets  * Statement of cash flows
<u>Accounting Basis and measurement focus</u>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
<u>Type of asset/liability information</u>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<u>Type of inflow/outflow information</u>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## **Government-Wide Financial Statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, an increase or decrease in the City's net assets can be an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City are reported in two categories:

- *Governmental Activities* – All of the City's basic services are included here, such as general government, sheriff, fire, streets, public works, and community development. Property taxes, sales taxes, transient occupancy taxes, special and other taxes, user charges and fees and state, local and federal grants help to finance these activities.
- *Business-type activities* – The City charges fees to customers to help cover the costs of certain services. The City's water, wastewater, and transit enterprises are reported here.

# Management's Discussion and Analysis

## Government-wide Financial Statements-(Cont'd)

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Funds such as the State Gas Tax Fund and Traffic Mitigation Fee Funds are required by state law.
- The City Council establishes other funds to control and manage money for particular purposes (such as the City's Local Transportation Fund).
- Some funds are maintained to demonstrate that the City is properly using certain specific revenues for their intended purpose (such as the City's Measure D Fund).
- Other funds are maintained for similar purposes, but in addition, demonstrate the City's ability to repay its long-term debt obligations such as capital leases and special assessment bonds.

The City has two types of funds:

- **Governmental funds** – The City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term view* that helps you in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds** - The City of Solvang maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements; the City's water, wastewater, and transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Solvang's various functions. The City of Solvang uses internal service funds to account for its fleet of vehicles. Because this fund's services predominantly benefit governmental, rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the City's water and sewer operations, both of which are considered to be major funds of the City of Solvang. The vehicle internal service fund is presented in a separate column alongside the totals for the City's proprietary enterprise funds.

# Management's Discussion and Analysis

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Assets:

The City's combined net assets increased approximately \$2.2 million between fiscal years 2008 and 2009. (See Table A-1)

**Table A-1**  
**City of Solvang's Net Assets**  
(in millions of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u> <u>2008-2009</u>
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	
Current and other Assets	\$ 10.7	\$ 10.7	\$ 8.8	\$ 7.7	\$ 19.5	\$ 18.4	-6%
Capital Assets	\$ 10.3	\$ 11.5	\$ 11.1	\$ 12.2	\$ 21.4	\$ 23.7	11%
<b>Total Assets</b>	<b>\$ 21.0</b>	<b>\$ 22.2</b>	<b>\$ 19.9</b>	<b>\$ 19.9</b>	<b>\$ 40.9</b>	<b>\$ 42.1</b>	<b>3%</b>
Long-term debt outstanding	\$ 0.5	\$ 0.0	1.9	1.6	\$ 2.4	\$ 1.6	-33%
Other liabilities	\$ 0.9	\$ 0.9	1.2	.9	\$ 2.1	\$ 1.8	15%
<b>Total Liabilities</b>	<b>\$ 1.4</b>	<b>\$ .9</b>	<b>\$ 3.1</b>	<b>\$ 2.5</b>	<b>\$ 4.5</b>	<b>\$ 3.4</b>	<b>-24%</b>
<b>Net Assets:</b>							
Invested in capital assets	\$ 9.5	\$ 11.1	9.0	9.2	\$ 18.5	\$ 20.3	10%
Restricted	\$ 4.2	\$ 4.0	0.2	0.2	\$ 4.4	\$ 4.2	-5%
Unrestricted	\$ 5.9	\$ 6.2	7.7	8.0	\$ 13.6	\$ 14.2	4%
<b>Total Net Assets</b>	<b>\$ 19.6</b>	<b>\$ 21.3</b>	<b>\$ 16.9</b>	<b>\$ 17.4</b>	<b>\$ 36.5</b>	<b>\$ 38.7</b>	<b>6%</b>

Net assets of the City's governmental and business-type activities increased 6% to \$38.7 million. About 52% of the net assets of the City are represented by the City's net investment in its capital assets, such as buildings, land, equipment, street systems and facilities. Cash, investments and receivables essentially represent the remaining 48%. 47% of the City's total liabilities are represented by long-term obligations including assessment bonds, a capital lease, installment agreement, employee compensated absences, and self-insured portions of claims.

### Changes in Net Assets

The City's 2009 total revenues of \$14.7 million were approximately \$ 800,000 less than in 2008; equating to a 5% decrease. (See Table A-2). This majority of this decrease is explained as follows:

- **Charges for services** saw a 7% decline due in large part to Governmental activity decline. Public Works had a large decrease in revenues over the previous year due to a lack of proposition 1B revenues. The Planning and Building departments had little activity as the economy continued to spiral downward. This downward turn also had a large impact on our interest income as rates continued to decline. The enterprise funds also contributed to the decline in charges for services as customers began to conserve their utilities. Citywide, charges for services declined \$560,000 from 2007/08.
- **Transient Occupancy Taxes** dropped \$181,000 or 7% from 2007/08. Solvang had one of its biggest hotels close down for a period of 4 months for remodeling and while that contributed to the decline in taxes, the state of the economy contributed as well.

# Management's Discussion and Analysis

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE-(Cont'd)

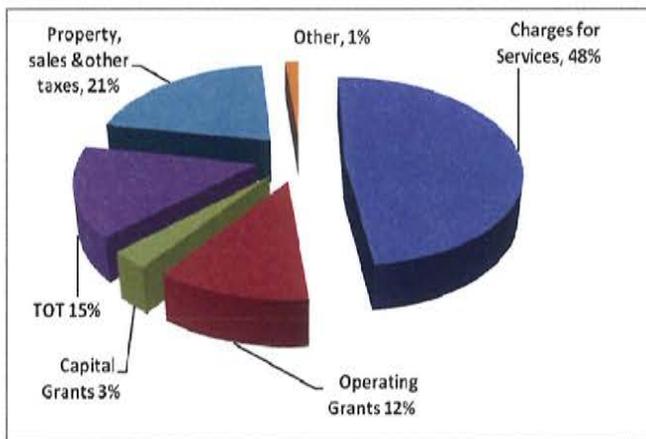
The City's most significant source of revenue was charges for services, accounting for 48% of the total. An additional 37% of revenue comes from some type of taxes, including property, sales, transient occupancy taxes (hotel tax) and other taxes. The remaining 15% comes from state, local and federal aid, and contributions.

The total cost of all programs and services in 2009 was approximately \$12.5 million and includes a wide range of services such as police and fire protection, streets, public works, general administration, community services, water, wastewater and transit operations.

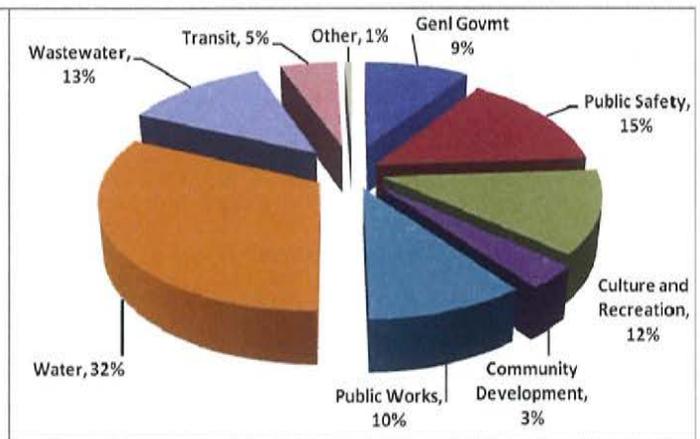
The sources of the City's major types of revenue by source and expenditures by function are below in summary graphic form:

### 2008/2009

#### Sources of Revenue



#### Functional Expenditures



#### Governmental Activities

Taxes are the primary source of revenue for governmental activities and account for 66% of all these revenues. The tax category includes property tax, sales tax, transient occupancy tax and other taxes.

Solvang is a tourist community and the largest portion of its tax revenues come from local hotel tax. These taxes generate 28% of all governmental-type revenues. In 2009, hotel tax declined \$180,000 or 7%. Occupancy of rooms also fell from 64.13% in 2008 to 62.16% in 2009. One of our largest hotels closed for four months for a remodel which contributed to this decline in revenues, however, once re-opened, the occupancy rates are still slightly lower than the previous year indicating that the economy is also to blame.

The majority of the City's governmental-type operating expenses were incurred to provide police protection and fire protection services with these two departments accounting for 29% of the City's total 2009 governmental operating expenses. 25% of expenses were incurred from providing a variety of cultural and recreational services, and the remaining 46% was spent on general administration, public works and streets incurred expenses.

When all operations were concluded, the governmental activities function generated \$ 1.6 million in net assets, an \$800,000 decrease compared to \$2.4 million in 2008. The primary reason for the decrease in assets from 2008 to 2009 was related to decreased Transient Occupancy Tax revenues, declining interest income, lack of Proposition 1B revenues compared to the previous year and a decline in planning and building operations.

# Management's Discussion and Analysis

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE-(Cont'd)

**Table A-2**  
**Changes in the City of Solvang's Net Assets**  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		% Change
	2008	2009	2008	2009	2008	2009	2008-2009
<b>Revenues:</b>							
Program Revenues							
Charges for Services	\$ 1.34	\$ 1.10	\$ 6.29	\$ 5.98	\$ 7.63	\$ 7.08	-7%
Operating grants and contributions	1.28	1.00	0.52	0.69	1.80	1.69	-6%
Capital grants and contributions	0.04	0.35	0.12	0.09	0.16	0.44	175%
General Revenues							
Transient occupancy taxes	2.42	2.24			2.42	2.24	-7%
Property, sales and other taxes	3.04	3.01			3.04	3.01	-1%
Other	0.37	0.20			0.37	0.20	-46%
<b>Total Revenues</b>	<b>\$ 8.49</b>	<b>\$ 7.90</b>	<b>\$ 6.93</b>	<b>\$ 6.76</b>	<b>\$ 15.42</b>	<b>\$ 14.66</b>	<b>-5%</b>

**Table A-2 (Continued)**  
**Changes in the City of Solvang's Net Assets**  
(in millions of dollars)

	Governmental Type Activities		Business-Type Activities		Total		% Change
	2008	2009	2008	2009	2008	2009	2008-2009
<b>Expenses</b>							
General Government	\$ 1.28	\$ 1.16			\$ 1.28	\$ 1.16	-9%
Public Safety	1.85	1.84			1.85	1.84	-1%
Culture and Recreation	1.51	1.55			1.51	1.55	3%
Community Development	0.49	0.43			0.49	0.43	-12%
Public Works	0.90	1.25			0.90	1.25	39%
Water			3.79	3.99	3.79	3.99	5%
Wastewater			1.55	1.58	1.55	1.58	2%
Transit			0.56	0.64	0.56	0.64	14%
Other	0.10	0.07			0.10	0.07	-30%
<b>Total Expenses</b>	<b>\$ 6.13</b>	<b>\$ 6.30</b>	<b>\$ 5.90</b>	<b>\$ 6.21</b>	<b>\$ 12.03</b>	<b>\$ 12.51</b>	<b>4%</b>
Excess (deficiency) before transfers	\$ 2.36	\$ 1.60	\$ 1.03	\$ 0.55	\$ 3.39	\$ 2.15	-37%
Transfers	\$ .07	\$ .07	\$ -.07	\$ -.07			
<b>Increase (decrease) in net assets</b>	<b>\$ 2.43</b>	<b>\$ 1.67</b>	<b>\$ .96</b>	<b>\$ 0.48</b>	<b>\$ 3.39</b>	<b>\$ 2.15</b>	<b>-37%</b>

Table A-3 presents the cost of each of the City's governmental-activities largest programs- administration or general government, public safety, culture and recreation, public works, and community development.

\* The cost of all programs this year was 6.3 million, compared to 6.13 million in fiscal 2008.

- While users and contributors funded about \$2.5 million of the costs of the City's governmental activity programs through related program revenues, the City still had to make up the short fall from general revenues such as taxes. This short fall was \$3.8 million. Major sources of program revenues were:

# Management's Discussion and Analysis

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE GOVERNMENTAL ACTIVITIES-CONT'D

- Those who directly benefited from or used the programs (\$1.1 million), or
- Other governments and organizations that subsidized certain programs with grants and contributions (about \$1.4 million).
- The City funded the \$3.8 million “public benefit” portion with the \$5.5 million in general revenues such as property taxes, transient occupancy taxes, sales taxes, and with other tax revenues and investment earnings.

**Table A-3**  
**Cost of City of Solvang's Programs**

	<b>Total Cost of Services</b>		<b>Percentage Change</b>
	<b>2008</b>	<b>2009</b>	<b>2008-2009</b>
General Government	\$ 1.28	1.16	-9%
Public Safety	1.85	1.84	-1%
Culture and Recreation	1.51	1.55	3%
Community Development	0.49	0.43	-12%
Public Works	0.90	1.25	39%
Other	0.10	0.07	-30%
<b>Total Expenses</b>	<b>\$ 6.13</b>	<b>\$ 6.30</b>	<b>3%</b>

Expenses in the General Government functions remained very similar to last year's total except for a minor increase in Public Works. This increase was the result of road projects that were completed; including slurry seal, sidewalk improvements and new tree grates. Overall General Government functions increased over last year by just 3%.

### BUSINESS TYPE ACTIVITIES

Water, Wastewater and Transit Funds were responsible for \$505,000 increase in net assets of the business type activities of the City in 2009.

Water gained \$251,000 in 2009.  
Sewer gained \$118,000 and  
Transit gained \$136,000.

These revenues were not generated from rate increases as we did not raise rates again this year. Water and Sewer show slight operational increases, while Transit had larger governmental operating subsidies this year to be used for operational and capital purposes next year and beyond.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$9.4 million, just \$40,647 more than the last fiscal year. The City's general fund operations reported an increase of \$84,406. These funds were authorized by the City Council to be carried into the 2009/10 fiscal budget for unfinished projects. Other governmental funds suffered a \$125,518 loss as a result of spending on street related projects. The Impact Fee Fund increased by \$82,000 due to developer fee deposits including parking in-lieu, traffic mitigation, affordable housing and park development fees.

# Management's Discussion and Analysis

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE-(Cont'd)

At year-end, the City's general fund had a fund balance of \$5.4 million, of which \$4.7 million remains designated or reserved for future use such as capital projects, unanticipated emergencies or debt and \$773,000 dollars is left undesignated.

In addition, the City's non-major governmental funds ended the 2009 fiscal year with a combined fund balance of \$1.7 million. Of this \$1.7 million, approximately \$300,000 is in debt service funds used to pay principal and interest on the capital lease, and \$1.2 million is designated street related projects. The Impact Fee fund ended 2009 with \$2.3 million, with \$1.5 million designated for traffic mitigation purposes and the remaining balance designated for other developer impact purposes.

## GENERAL FUND BUDGTARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into two categories: changes made at the midyear budget review for unanticipated revenues and costs; and increases in appropriations to prevent budget overruns. Even with these adjustments, actual general fund expenditures (exclusive of transfers out) were \$891,000 less than final budget amounts. 83% of this amount was due to our Mission and Alamo Pintado Intersection project not seeing completion. A detailed budgetary comparison schedule is presented for the year ended June 30, 2009 on page 37 of this report.

This budgetary comparison indicates the following:

### **Budgetary Comparison-General Fund Summary-Fiscal Year Ended June 30, 2009**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Fund Balance July 1</b>	\$ 5,339,749	\$ 5,339,749	\$ 5,339,749	\$ -
<b>Revenues</b>	\$ 6,267,054	\$ 6,774,511	\$ 6,841,759	\$ 67,248
<b>Expenditures</b>	\$ 7,141,059	\$ 7,648,516	\$ 6,757,353	\$ 891,163
<b>Fund Balance June 30</b>	\$ 4,465,744	\$ 4,465,744	\$ 5,424,155	\$ 958,411

Revenue actuals came in slightly higher than projections overall, however we saw the largest variances in property taxes which came in \$65,000 higher than anticipated and charges for services were \$89,000 higher than estimated. We did not anticipate much activity in things such as community development and recreational activities so we budgeted conservatively in anticipation of a continued struggling economy but were pleasantly surprised to see numbers in excess of our estimates.

Expenditures came in considerably under budget almost entirely due to the fact that our Mission and Alamo Pintado Intersection project did not see completion and had \$736,000 remaining at year end, representing 83% of the unspent appropriations.

# Management's Discussion and Analysis

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, the City had invested \$22.7 million in a broad range of capital assets, including land, buildings, vehicles, equipment, water and wastewater systems, streets, and other capital assets. (See Table A-4). This amount represents a net increase (including net additions and deductions of \$2 million, or 10% percent, over last year.

**Table A-4**  
**City of Solvang Capital Assets**  
**Net of Depreciation, In millions of dollars**

	Governmental Activities		Business-type Activities		Total		Total % Change
	2008	2009	2008	2009	2008	2009	
Land	\$ 1.94	\$ 1.94	\$ 0.11	\$ 0.11	\$ 2.05	\$ 2.05	0%
Construction in progress	0.48	0.70		0.15	\$ 0.48	\$ 0.85	77%
Buildings	3.35	3.36	7.48	7.56	\$ 10.83	\$ 10.92	1%
Machinery and equipment	0.63	0.64	1.18	1.53	\$ 1.81	\$ 2.17	20%
Vehicles	0.57	0.70	0.39	0.5	\$ 0.96	\$ 1.20	25%
Improvements	2.98	3.67			\$ 2.98	\$ 3.67	23%
Pipelines\collection system			8.5	8.5	\$ 8.50	\$ 8.50	0%
Infrastructure	3.34	3.92	2.13	3.55	\$ 5.47	\$ 7.47	37%
Accumulated depreciation	(2.94)	(3.37)	(9.46)	(10.78)	\$(12.40)	\$(14.15)	14%
<b>Total Expenses</b>	<b>\$ 10.35</b>	<b>\$ 11.56</b>	<b>\$ 10.33</b>	<b>\$ 11.12</b>	<b>\$ 20.68</b>	<b>\$ 22.68</b>	<b>10%</b>

### This Years Major Capital Asset Additions Included:

In fiscal year 2009, the City added about \$1.2 million in capital assets for governmental operational purposes and about \$800,000 in water, wastewater and transit improvements. The most significant additions citywide included:

Street Imp Projects	\$362,000	2 New Vehicles	\$89,000
Transit Bus Shelters	\$22,000	Sewer Force Main Crossing	\$152,580
Copenhagen Tree Grates	\$94,500	Sunny Fields Landscaping	\$564,000
Sidewalks	\$128,450	Lift Station Pump Replacement	\$64,644
Fire Station Remodel	\$108,100	Screenings Compactor	\$94,100

Additional information on capital assets of the City can be found starting on page 29 of the notes to the financial statements.

### LONG TERM DEBT

At the end of fiscal year 2009, the City had \$390,000 in a capital lease, \$1,777,310 in an installment agreement payable, \$65,000 in special assessment bonds and a note payable for \$65,451 outstanding. Debt outstanding on these four issues was reduced by \$625,619 during the fiscal year. The capital lease is being retired from general fund revenues, Measure D revenues, and by the wastewater and water funds. This capital lease began as a \$4.5 million debt in 1990 and will finally be paid off in 2009/10, relieving these funds of some \$300 thousand annually in allotted expenditures.

Additional information on the City's long-term debt can be found starting on page 32 of the notes to the financial statements.

# Management's Discussion and Analysis

## LONG TERM DEBT CONT'D

Under insurance arrangements, the City is self-insured for the first \$50,000 for each workers compensation claim and \$20,000 for each general liability claim and \$5,000 for property damage. The statement of net assets also shows no liability for 2009 for estimated claim obligations and has no current obligation for 2009. This liability was fully funded and paid in 2009, and there were no pending claims at the end of the fiscal year. The City's general fund pays all insurance related costs.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the 2010 fiscal year, general fund revenue projections were again conservative. Our top three general fund revenues remain as Sales Tax, Transient Occupancy Tax and Property Taxes. These three revenues make up approximately 66 percent of the general fund total revenues and are highly dependent on the economy and tourism, both of which are unpredictable. Due to the nature of their uncertainty, we have chosen to continue a conservative approach in our revenue projections.

Overall general fund revenues are projected to decrease by a net 8 percent or \$491,000 dollars over fiscal year 2009. This anticipated decrease is the result of declining development in the city and conservative budgeting in the general fund due to the state of the economy. We remain hopeful that a portion of this overall decrease will be recovered by conservative revenue estimates and be able to regain a more insightful projection by the time midyear budgeting takes effect.

In June 2009 the City adopted a balanced budget with adequate resources available to fund proposed expenditures. The budget reflects state property tax borrowing of \$160,000 and remains balanced. We do not anticipate the reduction of any public services or staff in the coming year. We are meeting our reserve level and do not anticipate the need to utilize these resources to meet expenditures.

Our local economy continues to feel the impacts of the economic downturn, however, not as drastically as most communities. Although declining, our hotel tax and sales tax remain stable. Property tax remains strong as Solvang did not experience the high foreclosure rates of other local communities. Our general fund is highly reliant on these three taxes and has been very fortunate to have been able to address our operating needs with our current operating revenues thus far.

Our water and sewer funds will undergo a rate study in 2009/10, in an effort to evaluate our rate structure. The City wants to ensure that our citizens receive a fair rate and that our infrastructure will have the required funding to ensure maintenance and capital replacement costs, as well as adequate funding of reserves.

The State's budget woes remain a source of concern as it is always surrounded by uncertainty. They often resolve their budget issues with loans, transfers or takeaways from City agencies. We do not foresee this threat going away any time soon and will continue our goal to absorb any cutbacks without borrowing or the usage of reserves to the best of our ability.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, City of Solvang, 1644 Oak Street, Solvang, California 93463. (805) 688-5575

**CITY OF SOLVANG**  
**Statement of Net Assets**  
**June 30, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Solvang Conference & Visitors Bureau
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 10,335,084	\$ 6,607,487	\$ 16,942,571	\$ 77,615
Net receivables	992,633	864,065	1,856,698	-
Prepayments	99,655	61,525	161,180	-
Deposits	397,853	-	397,853	-
Total current assets	<u>11,825,225</u>	<u>7,533,077</u>	<u>19,358,302</u>	<u>77,615</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	1,075	1,075	-
Internal balances	(1,300,680)	1,300,680	-	-
Debt issuance costs	-	21,756	21,756	-
Receivables-long-term	175,604	-	175,604	-
Capital assets not being depreciated	2,648,092	132,666	2,780,758	-
Capital assets being depreciated, net	8,899,087	10,876,009	19,775,096	-
Total noncurrent assets	<u>10,422,103</u>	<u>12,332,186</u>	<u>22,754,289</u>	<u>-</u>
Total assets	<u>\$ 22,247,328</u>	<u>\$ 19,865,263</u>	<u>\$ 42,112,591</u>	<u>\$ 77,615</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 240,201	\$ 161,209	\$ 401,410	\$ -
Accrued liabilities	47,087	37,154	84,241	3,969
Due to other governments	-	-	-	-
Compensated absences	62,399	25,245	87,644	-
Deposits	136,698	2,000	138,698	-
Accrued interest payable	7,319	14,896	22,215	-
Unearned revenue	-	398,436	398,436	-
Bonds, leases and notes	367,000	275,666	642,666	-
Total current liabilities	<u>860,704</u>	<u>914,606</u>	<u>1,775,310</u>	<u>3,969</u>
Noncurrent liabilities:				
Compensated absences	21,412	4,429	25,841	-
Installment agreement	-	1,576,944	1,576,944	-
Capital lease obligations	11,871	5,829	17,700	-
Bond and notes	60,451	-	60,451	-
Total noncurrent liabilities	<u>93,734</u>	<u>1,587,202</u>	<u>1,680,936</u>	<u>-</u>
Total liabilities	<u>954,438</u>	<u>2,501,808</u>	<u>3,456,246</u>	<u>3,969</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,107,857	9,171,992	20,279,849	-
Restricted for:				
Debt service	298,270	-	298,270	-
Highways and streets	3,680,914	-	3,680,914	-
Transit	-	197,168	197,168	-
Capital improvements	-	1,075	1,075	-
Unrestricted	6,205,849	7,993,220	14,199,069	73,646
Total net assets	<u>21,292,890</u>	<u>17,363,455</u>	<u>38,656,345</u>	<u>73,646</u>
Total liabilities and net assets	<u>\$ 22,247,328</u>	<u>\$ 19,865,263</u>	<u>\$ 42,112,591</u>	<u>\$ 77,615</u>

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
City government								
Governmental activities:								
General government	\$ 1,161,056	\$ 444,771	\$ -	\$ -	\$ (716,285)	\$ -	\$ (716,285)	\$ -
Public safety	1,844,664	30,249	-	-	(1,814,415)	-	(1,814,415)	-
Culture and recreation	1,549,866	335,088	109,175	156,496	(949,107)	-	(949,107)	-
Community development	431,801	164,365	-	-	(267,436)	-	(267,436)	-
Public works	1,246,541	126,495	905,095	193,373	(21,578)	-	(21,578)	-
Interest on long-term debt	65,151	-	-	-	(65,151)	-	(65,151)	-
Total governmental activities	6,299,079	1,100,968	1,014,270	349,869	(3,833,972)	-	(3,833,972)	-
Business-Type Activities:								
Water	3,985,638	4,199,436	-	40,385	-	254,183	254,183	-
Wastewater	1,583,351	1,711,831	-	53,020	-	181,500	181,500	-
Transit	640,800	78,102	698,434	-	-	135,736	135,736	-
Total business-type activities	6,209,789	5,989,369	698,434	93,405	-	571,419	571,419	-
Total Primary government	\$ 12,508,868	\$ 7,090,337	\$ 1,712,704	\$ 443,274	(3,833,972)	571,419	(3,262,553)	-
Component Unit:								
Solvang Conference & Visitors Bureau	\$ 465,403	\$ 79,669	\$ 410,000	\$ -	-	-	-	\$ 24,266
<b>General revenues and transfers:</b>								
<b>General revenues:</b>								
Taxes:								
Property taxes					1,730,139	-	1,730,139	-
Sales taxes					1,072,646	-	1,072,646	-
Transient occupancy taxes					2,239,260	-	2,239,260	-
Other taxes					209,149	-	209,149	-
Interest					195,003	-	195,003	-
<b>Transfers</b>					66,285	(66,285)	-	-
Total general revenues and transfers					5,512,482	(66,285)	5,446,197	-
<b>Change in net assets</b>					1,678,510	505,134	2,183,644	24,266
Net assets, beginning					19,614,380	16,858,321	36,472,701	49,380
Net assets, ending					\$ 21,292,890	\$ 17,363,455	\$ 38,656,345	\$ 73,646

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General Fund	Impact Fee Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 6,325,213	\$ 2,305,109	\$ 1,011,821	\$ 9,642,143
Taxes receivable	314,835	-	-	314,835
Accounts receivable	15,506	-	-	15,506
Due from other governments	158,496	-	466,148	622,644
Accrued interest receivable	23,366	9,061	4,450	36,877
Prepayments	99,655	-	-	99,655
Deposits	-	-	397,853	397,853
Internal balances-due from other funds	109,360	-	-	109,360
Notes receivable	-	110,604	-	110,604
Special assessments receivable	-	-	65,000	65,000
<b>Total assets</b>	<b>\$ 7,044,431</b>	<b>\$ 2,424,774</b>	<b>\$ 1,945,272</b>	<b>\$ 11,414,477</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 135,811	\$ -	\$ 104,305	\$ 240,116
Accrued liabilities	47,087	-	-	47,087
Internal balances-due to other funds	1,300,680	-	109,360	1,410,040
Deposits	136,698	-	-	136,698
Deferred revenue	-	110,604	65,000	175,604
<b>Total liabilities</b>	<b>1,620,276</b>	<b>110,604</b>	<b>278,665</b>	<b>2,009,545</b>
<b>Fund balances:</b>				
Reserved	209,015	-	-	209,015
Unreserved, designated for:				
Other purposes	4,441,723	2,314,170	-	6,755,893
Other purposes and reported in nonmajor special revenue funds	-	-	1,224,651	1,224,651
Unreserved, undesignated	773,417	-	-	773,417
Unreserved, undesignated and reported in nonmajor:				
Special revenue funds	-	-	143,686	143,686
Debt service funds	-	-	298,270	298,270
<b>Total fund balances</b>	<b>5,424,155</b>	<b>2,314,170</b>	<b>1,666,607</b>	<b>9,404,932</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,044,431</b>	<b>\$ 2,424,774</b>	<b>\$ 1,945,272</b>	<b>\$ 11,414,477</b>

<b>Total Governmental Fund Balances</b>	<b>\$ 9,404,932</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,263,186
Long-term receivables used in governmental activities are not current financial resources and, therefore, are deferred in the funds	175,604
Interest in governmental activities for long-term is not a use of current financial resources until it is due and, therefore, is not reported in the funds as a liability	(7,319)
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets	979,620
Some liabilities, including bonds, leases, compensated absences, claims and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds	(523,133)
<b>Net Assets of Governmental Activities</b>	<b>\$ 21,292,890</b>

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Statements of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30,2009**

	General Fund	Impact Fee Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 1,730,139	\$ -	\$ -	\$ 1,730,139
Sales taxes	1,072,646	-	-	1,072,646
Transient occupancy taxes	2,239,260	-	-	2,239,260
Other taxes	209,149	-	-	209,149
Special assessments	-	-	69,036	69,036
Licenses and permits	115,311	-	-	115,311
Fines and forfeits	-	-	30,228	30,228
Intergovernmental	334,777	-	874,516	1,209,293
Interest	195,003	49,536	33,917	278,456
Charges for services	750,854	33,593	-	784,447
Miscellaneous	194,620	-	-	194,620
	-	-	-	-
Total revenues	<u>6,841,759</u>	<u>83,129</u>	<u>1,007,697</u>	<u>7,932,585</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,244,152	-	-	1,244,152
Public safety	1,835,596	-	-	1,835,596
Culture and recreation	1,421,976	-	-	1,421,976
Community development	431,801	-	-	431,801
Public works	796,749	-	246,776	1,043,525
Debt service:				
Principal	40,000	-	319,120	359,120
Interest	40,781	-	29,924	70,705
Capital outlay	666,711	1,370	883,267	1,551,348
	-	-	-	-
Total expenditures	<u>6,477,766</u>	<u>1,370</u>	<u>1,479,087</u>	<u>7,958,223</u>
Excess (deficiency) of revenues over expenditures	<u>363,993</u>	<u>81,759</u>	<u>(471,390)</u>	<u>(25,638)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	387,610	387,610
Transfers out	(279,587)	-	(41,738)	(321,325)
	-	-	-	-
Total other financing sources (uses)	<u>(279,587)</u>	<u>-</u>	<u>345,872</u>	<u>66,285</u>
Net change in fund balances	84,406	81,759	(125,518)	40,647
Fund balances, July 1	<u>5,339,749</u>	<u>2,232,411</u>	<u>1,792,125</u>	<u>9,364,285</u>
Fund balances, June 30	<u>\$ 5,424,155</u>	<u>\$ 2,314,170</u>	<u>\$ 1,666,607</u>	<u>\$ 9,404,932</u>

See accompanying notes to the basic financial statements

**CITY of SOLVANG**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 40,647</u>
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 cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$1,512,170 exceed depreciation (\$418,807) in the current period.	
	1,093,363
Losses on the disposal of capital assets used in governmental activities do not require the use of current financial resources and are therefore not recorded in the funds.	
	(9,703)
Proceeds of long-term debt provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets. This is the amount of debt repayments during the period on the bonds and leases.	
	359,120
Some expenses in the statement of activities for noncurrent liabilities such as long-term compensated absences and accrued interest do not require the use of or provide current financial resources and, therefore, are not reported as expenditures or revenues in the governmental funds.	
	1,940
Internal service funds are closed by charging additional amounts or reducing charges to participating governmental activities to completely cover the internal service fund's costs for the year.	
	214,424
Certain revenues are deferred in the funds until collected and available, and are reported as revenues in the statement of activities when earned.	
	<u>(21,281)</u>
Net differences	<u>1,637,863</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,678,510</u>

See accompanying notes to the basic financial statements

**CITY OF SLOVANG**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

	Enterprise Funds				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,025,320	\$ 3,020,140	\$ 562,027	\$ 6,607,487	\$ 692,941
Receivables(net)	572,809	198,395	92,861	864,065	2,771
Prepayments	17,000	44,000	525	61,525	-
<b>Total current assets</b>	<u>3,615,129</u>	<u>3,262,535</u>	<u>655,413</u>	<u>7,533,077</u>	<u>695,712</u>
Noncurrent assets:					
Other assets:					
Internal balances	-	1,300,680	-	1,300,680	-
Restricted cash and cash equivalents	1,075	-	-	1,075	-
Debt issuance costs, net	21,756	-	-	21,756	-
<b>Total other noncurrent assets</b>	<u>22,831</u>	<u>1,300,680</u>	<u>-</u>	<u>1,323,511</u>	<u>-</u>
Capital assets:					
Capital assets not being depreciated:					
Land	64,099	48,720	-	112,819	-
Construction in progress	11,447	8,400	-	19,847	-
<b>Total</b>	<u>75,546</u>	<u>57,120</u>	<u>-</u>	<u>132,666</u>	<u>-</u>
Capital assets being depreciated:					
Buildings	784,721	6,694,013	85,098	7,563,832	-
Distribution and collection systems	4,845,910	3,651,839	-	8,497,749	-
Infrastructure	1,243,851	2,287,651	19,547	3,551,049	-
Vehicles	-	-	505,146	505,146	521,586
Equipment	193,787	1,340,588	-	1,534,375	176,345
Less accumulated depreciation	(3,060,591)	(7,471,234)	(244,317)	(10,776,142)	(413,938)
Net capital assets being depreciated	<u>4,007,678</u>	<u>6,502,857</u>	<u>365,474</u>	<u>10,876,009</u>	<u>283,993</u>
Net capital assets	<u>4,083,224</u>	<u>6,559,977</u>	<u>365,474</u>	<u>11,008,675</u>	<u>283,993</u>
<b>Total noncurrent assets</b>	<u>4,106,055</u>	<u>7,860,657</u>	<u>365,474</u>	<u>12,332,186</u>	<u>283,993</u>
<b>Total assets</b>	<u>\$ 7,721,184</u>	<u>\$ 11,123,192</u>	<u>\$ 1,020,887</u>	<u>\$ 19,865,263</u>	<u>\$ 979,705</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 71,809	\$ 29,591	\$ 59,809	\$ 161,209	\$ 85
Compensated absences	9,691	15,554	-	25,245	-
Accrued interest payable	13,242	1,654	-	14,896	-
Deposits	-	2,000	-	2,000	-
Other current liabilities	12,419	24,735	-	37,154	-
Deferred revenue	-	-	398,436	398,436	-
Capital lease and agreements	200,666	75,000	-	275,666	-
<b>Total current liabilities</b>	<u>307,827</u>	<u>148,534</u>	<u>458,245</u>	<u>914,606</u>	<u>85</u>
Noncurrent liabilities:					
Compensated absences	1,193	3,236	-	4,429	-
Installment agreement	1,576,944	-	-	1,576,944	-
Capital lease obligations	3,006	2,823	-	5,829	-
<b>Total noncurrent liabilities</b>	<u>1,581,143</u>	<u>6,059</u>	<u>-</u>	<u>1,587,202</u>	<u>-</u>
<b>Total liabilities</b>	<u>1,888,970</u>	<u>154,593</u>	<u>458,245</u>	<u>2,501,808</u>	<u>85</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,324,364	6,482,154	365,474	9,171,992	283,993
Restricted for transit system	-	-	197,168	197,168	-
Restricted for capital improvements	1,075	-	-	1,075	-
Unrestricted	3,506,775	4,486,445	-	7,993,220	695,627
<b>Total net assets</b>	<u>\$ 5,832,214</u>	<u>\$ 10,968,599</u>	<u>\$ 562,642</u>	<u>\$ 17,363,455</u>	<u>\$ 979,620</u>

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2009**

	Enterprise Funds				Governmental Activities Internal- Service Fund
	Water	Wastewater	Transit	Totals	
<b>OPERATING REVENUES</b>					
Sales of water	\$ 4,085,678	\$ -	\$ -	\$ 4,085,678	\$ -
Service fees	-	1,527,223	63,694	1,590,917	251,743
Miscellaneous	28,888	78,843	-	107,731	-
Total operating revenues	<u>4,114,566</u>	<u>1,606,066</u>	<u>63,694</u>	<u>5,784,326</u>	<u>251,743</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	450,490	600,357	-	1,050,847	-
Purchased power	105,410	91,509	-	196,919	-
Transit operator	-	-	376,403	376,403	-
Services and supplies	499,122	466,334	210,993	1,176,449	-
Joint operating expenses	2,629,090	-	-	2,629,090	-
Depreciation and amortization	203,010	425,151	53,404	681,565	56,240
Total operating expenses	<u>3,887,122</u>	<u>1,583,351</u>	<u>640,800</u>	<u>6,111,273</u>	<u>56,240</u>
Operating income (loss)	<u>227,444</u>	<u>22,715</u>	<u>(577,106)</u>	<u>(326,947)</u>	<u>195,503</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Operating subsidies	-	-	698,434	698,434	-
Gain on sale of capital assets	-	-	-	-	5,433
Interest and investment revenue	84,870	105,765	14,408	205,043	13,488
Interest expense	(98,516)	-	-	(98,516)	-
Net nonoperating revenues (expenses)	<u>(13,646)</u>	<u>105,765</u>	<u>712,842</u>	<u>804,961</u>	<u>18,921</u>
Income (loss) before contributions and transfers	<u>213,798</u>	<u>128,480</u>	<u>135,736</u>	<u>478,014</u>	<u>214,424</u>
Contributions and transfers:					
Capital contributions	40,385	53,020	-	93,405	-
Transfers out	(2,680)	(63,605)	-	(66,285)	-
Net contributions and transfers	<u>37,705</u>	<u>(10,585)</u>	<u>-</u>	<u>27,120</u>	<u>-</u>
Change in net assets	251,503	117,895	135,736	505,134	214,424
Total net assets, July 1	<u>5,580,711</u>	<u>10,850,704</u>	<u>426,906</u>	<u>16,858,321</u>	<u>765,196</u>
Total net assets, June 30	<u>\$ 5,832,214</u>	<u>\$ 10,968,599</u>	<u>\$ 562,642</u>	<u>\$ 17,363,455</u>	<u>\$ 979,620</u>

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2009**

Enterprise Funds

	Water	Wastewater	Transit	Totals	Governmental Activities-Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 4,123,815	\$ 1,621,195	\$ 63,694	\$ 5,808,704	\$ -
Payments to suppliers	(2,950,312)	(545,765)	(513,313)	(4,009,390)	-
Payments to other funds for services	(222,493)	(138,424)	(46,850)	(407,767)	-
Payments from other funds for services	-	-	-	-	251,743
Payments to employees	(446,930)	(597,435)	-	(1,044,365)	-
Net cash provided by (used for) operating activities	504,080	339,571	(496,469)	347,182	251,743
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating subsidies	-	-	448,944	448,944	-
Transfers to other funds	(2,680)	(63,605)	-	(66,285)	-
Receipt of internal balances	-	162,585	-	162,585	-
Net cash provided by (used for) noncapital financing activities	(2,680)	98,980	448,944	545,244	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	40,385	53,020	-	93,405	-
Payments on long-term debt principal	(193,705)	(72,793)	-	(266,498)	-
Interest paid on long-term debt	(99,937)	(1,141)	-	(101,078)	-
Proceeds from sale capital assets	-	-	-	-	9,051
Purchases of capital assets	(31,430)	(361,770)	(271,349)	(664,549)	(173,493)
Net cash provided by (used for) capital and related financing activities	(284,687)	(382,684)	(271,349)	(938,720)	(164,442)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest receipts	94,750	118,127	19,068	231,945	15,652
Net cash provided by investing activities	94,750	118,127	19,068	231,945	15,652
Net increase (decrease) in cash and cash equivalents	311,463	173,994	(299,806)	185,651	102,953
Balances-beginning of the year	2,714,932	2,846,146	861,833	6,422,911	589,988
Balances-end of the year	<u>\$ 3,026,395</u>	<u>\$ 3,020,140</u>	<u>\$ 562,027</u>	<u>\$ 6,608,562</u>	<u>\$ 692,941</u>

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	Enterprise Funds				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 227,444	\$ 22,715	\$ (577,106)	\$ (326,947)	\$ 195,503
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	203,010	425,151	53,404	681,565	56,240
Change in assets and liabilities:					
Decrease (increase) in prepayments	10,821	(467)	-	10,354	-
Decrease (increase) in accounts receivable	9,248	4,877	-	14,125	-
Increase (decrease) in other liabilities	7,158	13,173	-	20,331	-
Increase (decrease) in accounts payable	46,399	(125,878)	27,233	(52,246)	-
Net cash provided by (used for) operating activities	<u>\$ 504,080</u>	<u>\$ 339,571</u>	<u>\$ (496,469)</u>	<u>\$ 347,182</u>	<u>\$ 251,743</u>

**Noncash capital financing activities:**

During the fiscal year, there were none.

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Solvang is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government, its component units, entities for which the government is considered to be financially accountable. The Solvang Joint Powers Financing Authority is a legally separate Corporate entity for which the City is financially accountable and is governed by the elected City Council. The Authority was formed to provide a method of financing public improvements. The financial activities of the Authority are blended with those of the City and are reported in the City's governmental funds, and as capital assets of the City and debt obligations of the City. The Solvang Conference and Visitors Bureau is a nonprofit benefit corporation established to promote tourism within the city; and it is reported as a discretely presented component unit because of its financial interdependency with the City of Solvang. The City provides over 80 percent of the financial resources of the Conference and Visitors Bureau, and the City Council appoints all members of the governing body of the Bureau. Separate financial statements are not available for these component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the *proprietary fund financial statements*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims are recorded only when payment is due.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

Property taxes, sales taxes, transient occupancy taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period are considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *Impact Fee Fund* is a special revenue fund used to account for impact fees restricted by law to use only for traffic and street related purposes.

The City reports the following major proprietary funds:

The *water fund* accounts for the operations of the City's water treatment and distribution system.

The *wastewater fund* accounts for the operation of the City's wastewater treatment plant and collection facilities.

Additionally, the City reports the following fund type:

The internal service fund is used to account for the City's vehicle fleet, major equipment and services provided to other City departments on a cost reimbursement basis.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the costs of sales and services, administration costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

The City is authorized by its most recent investment policy to invest in the State of California Local Agency Investment Fund, U.S. Treasury bonds, bills, and notes, obligations issued by U.S. Government agencies, bankers acceptances, repurchase agreements, commercial paper, money market funds, time deposits and demand accounts.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value. The State Local Agency Investment Fund is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. Receivables and Payables**

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Santa Barbara collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

**3. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Such prepayments are accounted for using the consumption method in the governmental funds.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

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

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**4. Capital Assets**

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). They are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Under the GASB 34 Implementation Rules, the City is a Phase 3 entity and was not required to record infrastructure assets existing or acquired prior to July 1, 2002 at the date these new financial reporting standards were implemented. The City has not recorded such assets. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7 - 50
Public domain infrastructure	50
System infrastructure	50
Vehicles and equipment	5 - 10

**5. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when employees separate from service with the City. All vacation pay and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**6. Long-term Obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

**7. Fund Equity**

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**8. Comparative Data**

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in net assets. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current years' presentation.

**2. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$11,263,186 difference are as follows:

Capital assets	\$ 14,219,837
Less: Accumulated depreciation	<u>(2,956,651)</u>

Net adjustment to increase *fund balance – total governmental funds* to arrive at *net assets – governmental activities* \$ 11,263,186

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$523,133 difference are as follows:

Long-Term Debt Obligations and Related Interest	
Capital lease obligation	\$ (308,871)
Notes	(65,451)
Special assessment bonds	(65,000)
Compensated absences payable	<u>(83,811)</u>

Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities \$ ( 523,133)

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$ 1,637,863 difference and other significant components of the difference are as follows:

Capital outlay	\$ 1,512,170
Depreciation expense	(418,807)
Repayment of long-term debt principal	359,120
Deferred revenues	(21,281)
Other items	<u>206,661</u>

Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* \$ 1,637,863

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**3. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except budgets are not adopted for the debt service funds, traffic congestion, impact fees or street lighting funds. Appropriations lapse at fiscal year end. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds. The budgets were exceeded by the traffic safety fund (\$2,656) and the gas tax fund (\$5,625). These excess expenditures were funded by available resources.

**4. Detailed Notes on All Funds**

**A. Deposits and Investments**

Deposits and investments at June 30, 2009 consisted of the following:

Pooled demand deposits	\$ 246,768
Pooled investments	<u>16,696,878</u>
Total deposits and investments	<u>\$ 16,943,646</u>

*Custodial Credit Risk* - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than three years. At June 30, 2009, \$17,741 of the City's bank balances of \$ 274,100 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 17,741</u>
--------------------------------------------------------------------------------------	------------------

Of the discretely presented component unit's bank balance of \$121,456, \$121,456 was insured and not exposed to credit risk.

Investments - At June 30, 2009, the City had the following investments.

Type Investment	Average Maturity	Fair Value
State Investment Pool (LAIF)	235 Days	<u>\$ 16,696,878</u>
		<u>\$ 16,696,878</u>

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of five years or less.

*Credit Risk* - State law limits investments in various securities to certain level of risk ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with State law as regards securities ratings. The City's investment in the State Investment Pool is unrated.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**4. Detailed Notes on All Funds (Continued)**

**A. Deposits and Investments(Continued)**

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy specifies that securities are to be held by a third party, other than the counterparty, in the City's name, whenever possible. The investment in the LAIF is not subject to custodial credit risk.

**B. Receivables**

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	General Fund and Internal Service	Impact Fee Fund	Nonmajor Funds	Total Governmental	Water Wastewater	Nonmajor Proprietary
Accounts	\$ 18,277	\$ -	\$ -	\$ 18,277	\$ 746,385	\$ -
Taxes	314,835	-	-	314,835	-	-
Interest	23,366	9,061	4,450	36,877	24,819	2,248
Governments	156,496	-	466,148	622,644	-	90,613
Assessments	-	-	65,000	65,000	-	-
Notes	-	110,604	-	110,604	-	-
<b>Totals</b>	<b>\$ 512,974</b>	<b>\$119,665</b>	<b>\$ 535,598</b>	<b>\$ 1,168,237</b>	<b>\$ 771,204</b>	<b>\$ 92,861</b>

**C. Interfund Transfers, Receivables and Payables**

1. The composition of interfund transfers of June 30, 2009 is as follows:

	General Fund	Non-Major Funds	Impact Fee Fund	Water Enterprise Fund	Wastewater Enterprise Fund	Total Transfers
<b>Transfers In:</b>						
<b>Transfers Out:</b>						
General fund	\$ -	\$ 279,587	\$ -	\$ -	\$ -	\$ 279,587
Nonmajor funds	-	41,738	-	-	-	41,738
Water/wastewater	-	66,285	-	-	-	66,285
<b>Totals</b>	<b>\$ -</b>	<b>\$ 387,610</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 387,610</b>

The primary purpose of the transfers out of the general fund were to provide \$279,587 for debt service.

2. The composition of internal balances was:

Receivable Fund	Payable Fund	Amount
<b>General:</b>		
For cash flow needs:	Traffic safety fund	\$ 2,360
	Capital lease	107,000
<b>Wastewater enterprise:</b>		
Loan to general fund for capital project financing	General fund	1,300,680
	<b>Total</b>	<b>\$ 1,410,040</b>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**4. Detailed Notes on All Funds (Continued)**

**D. Capital Assets**

Capital asset activity relating to governmental activities for the year ended June 30, 2009 was as follows:

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated</b>				
Land	\$ 1,943,104	\$ -	\$ -	\$ 1,943,104
Construction in progress	<u>480,196</u>	<u>332,877</u>	<u>(108,085)</u>	<u>704,988</u>
Total capital assets, not being depreciated	<u>2,423,300</u>	<u>332,877</u>	<u>(108,085)</u>	<u>2,648,092</u>
<b>Capital assets, being depreciated:</b>				
Buildings	3,347,754	21,477	(11,415)	3,357,816
Machinery and equipment	635,363	-	-	635,363
Internal service fund – vehicles/equipment	573,664	171,734	(47,467)	697,931
Improvements	2,976,517	686,602	-	3,663,119
Infrastructure-street system	<u>3,336,148</u>	<u>579,299</u>	<u>                    </u>	<u>3,915,447</u>
Total capital assets being depreciated	<u>10,869,446</u>	<u>1,459,112</u>	<u>(58,882)</u>	<u>12,269,676</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(883,796)	(86,934)	1,712	(969,018)
Machinery and equipment	(362,921)	(57,227)	-	(420,148)
Internal service fund	(403,391)	(56,240)	45,693	(413,938)
Improvements	(1,190,662)	(117,667)	-	(1,308,329)
Infrastructure-street system	<u>(102,177)</u>	<u>(156,979)</u>	<u>                    </u>	<u>(259,156)</u>
Total accumulated depreciation	<u>(2,942,947)</u>	<u>(475,047)</u>	<u>47,405</u>	<u>(3,370,589)</u>
Total capital assets, being depreciated, net	<u>7,926,499</u>	<u>984,065</u>	<u>(11,477)</u>	<u>8,899,087</u>
Governmental activities capital assets, net	<u>\$ 10,349,799</u>	<u>\$ 1,316,942</u>	<u>\$ (119,562)</u>	<u>\$ 11,547,179</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**4. Detailed Notes on All Funds (Continued)**

**D. Capital Assets (Continued)**

Capital asset activity relating to business-type activities for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 112,819	\$ -	\$ -	\$ 112,819
Construction in progress	-	19,847	-	19,847
Total capital assets, not being depreciated	112,819	19,847	-	132,666
Capital assets, being depreciated:				
Buildings	7,478,734	85,098	-	7,563,832
Distribution and collection systems	8,497,749	-	-	8,497,749
Infrastructure	3,329,381	221,668	-	3,551,049
Vehicles	445,836	59,310	-	505,146
Equipment	1,363,144	171,231	-	1,534,375
Total capital assets being depreciated	21,114,844	537,307	-	21,652,151
Less accumulated depreciation for:				
Buildings	(4,059,522)	(238,828)	-	(4,298,350)
Distribution and collection systems	(4,726,568)	(197,842)	-	(4,924,410)
Infrastructure	(240,856)	(113,179)	-	(354,035)
Vehicles	(190,913)	(53,404)	-	(244,317)
Equipment	(876,718)	(78,312)	-	(955,030)
Total accumulated depreciation	(10,094,577)	(681,565)	-	(10,776,142)
Total capital assets, being depreciated, net	11,020,267	(144,258)	-	10,876,009
Business-type activities capital assets, net	<u>\$ 11,133,086</u>	<u>\$ (124,411)</u>	<u>\$ -</u>	<u>\$ 11,008,675</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**4. Detailed Notes on All Funds (Continued)**

**D. Capital Assets (Continued)**

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

<b>Governmental activities:</b>		
General government	\$	127,714
Public safety		9,068
Culture and recreation		134,893
Infrastructure streets		147,132
Vehicles- internal service fund		<u>56,240</u>
Total depreciation expense-governmental activities	<u>\$</u>	<u>475,047</u>
 <b>Business-type activities:</b>		
Water	\$	203,010
Wastewater		425,151
Transit		<u>53,404</u>
Total depreciation expense-governmental activities	<u>\$</u>	<u>681,565</u>

**E. Capital Lease**

The City has entered into lease agreement for \$2,015,000 as lessee for financing the refunding of its 1996 Certificates of Participation and for paying certain judgments pertaining to the Santa Ynez River Water Conservation District. The lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The assets have been capitalized in the respective funds and the related accumulated depreciation is recorded. The lease bears interest at 3.95 percent per annum. The City's general and Measure D funds are used to pay the governmental activities share, and the wastewater fund pays the majority of the business type activities share. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

	<u>Fiscal Year Ending June 30</u>	<u>Governmental Type Activities</u>	<u>Business Type Activities</u>
	2010	\$ 301,995	\$ 81,004
	2011	<u>12,060</u>	<u>3,236</u>
Total minimum lease payments		314,055	84,240
Less amounts representing interest		<u>(5,184)</u>	<u>(3,111)</u>
Net present value of minimum lease payments		<u>\$ 308,871</u>	<u>\$ 81,129</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**4. Detailed Notes on All Funds (Continued)**

**F. Long-Term Debt**

***Installment Agreement***

The City has pledged future water system revenues, net of specified operating expenses, to repay \$3 million borrowed in 2001 under an installment agreement. The proceeds from the agreement provided financing for the construction of system improvements related to transporting State water to the City of Solvang. The agreement is payable solely from water system net revenues and repayments continue through 2017, bear interest at 5.05 percent, and are payable in semi-annual installments of \$143,811 each May and November. Annual principal and interest payments on the agreement are expected to require less than 55 percent of net system revenues. The total principal and interest remaining to be paid on the agreement is \$2,167,165. Principal and interest paid for the current year and total system net revenues as defined were \$287,622 and \$553,029 respectively. Future debt service is:

Fiscal Year	Principal	Interest	Total
2010	\$ 200,366	\$ 87,256	\$ 287,622
2011	210,611	77,011	287,622
2012	221,382	66,240	287,622
2013	232,704	54,918	287,622
2014	244,603	43,019	287,622
2015-2017	667,644	61,411	729,055
<b>Totals</b>	<b>\$ 1,777,310</b>	<b>\$ 389,855</b>	<b>\$ 2,167,165</b>

**Special Assessment Bonds**

The special assessment bonds, originally issued for \$371,466 are payable from assessments levied against property owners within the assessment district. The bonds consist of the obligations related to the Assessment District Number 90-1 area, bear interest at rates of 6.2 to 7.5 percent and are payable each April 1 and October 1 through 2010. Future debt service is:

Fiscal Year	Principal	Interest	Total
2010	\$ 30,000	\$ 3,751	\$ 33,751
2011	35,000	1,313	36,313
<b>Totals</b>	<b>\$ 65,000</b>	<b>\$ 5,064</b>	<b>\$ 70,064</b>

The City has indicated that it is not required to fund debt service deficiencies on these special assessment bonds, but the City has also indicated that it may, in its sole discretion, fund debt service deficiencies on these special assessment bonds should the special assessment collections be insufficient to pay the required debt service.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**4. Detailed Notes on All Funds (Continued)**

**F. Long-Term Debt (Continued)**

**Note Payable – Property Taxes**

The City of Solvang was over allocated \$585,451 in property taxes by Santa Barbara County. The City is to make annual repayments of \$40,000 with no interest through 2011. Future repayments are:

Fiscal Year	Principal	Total Repayment
2010	\$ 40,000	\$ 40,000
2011	25,451	25,451
<b>Totals</b>	<b>\$ 65,451</b>	<b>\$ 65,451</b>

*Changes in Long-term liabilities*

Long-term debt activity for the 2009 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease	\$ 597,991	\$ -	\$ 289,120	\$ 308,871	\$ 297,000
Note	105,451	-	40,000	65,451	40,000
Special assessment bonds	95,000	-	30,000	65,000	30,000
Compensated absences	80,198	61,336	57,723	83,811	62,399
<b>Total</b>	<b>\$ 878,640</b>	<b>\$ 61,336</b>	<b>\$ 416,843</b>	<b>\$ 523,133</b>	<b>\$ 429,399</b>
<b>Business-type Activities:</b>					
Installment agreement	\$ 1,967,928	\$ -	\$ 190,618	\$ 1,777,310	\$ 200,366
Capital lease	157,010	-	75,881	81,129	75,300
Compensated absences	29,167	29,674	29,167	29,674	25,245
<b>Total</b>	<b>\$ 2,154,105</b>	<b>\$ 29,674</b>	<b>\$ 295,666</b>	<b>\$ 1,888,113</b>	<b>\$ 300,911</b>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**5. Other Information**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City is a member of the California Joint Powers Insurance Authority (California JPIA). The California JPIA provides general liability insurance to the City with a \$50 million per occurrence and \$50 million per year aggregate limit. The City also participates in the Insurance Authority's workers compensation insurance program. The risk of loss is transferred to the California JPIA. The City is subject to retrospective premium adjustments under the arrangement.

The uninsured risk retained by the City is \$50,000 per incident for workers compensation claims, \$20,000 per incident for general liability claims, and \$ 5,000 per property damage claim. The Insurance Authority purchases commercial insurance for claims in excess of its deductible amounts which is \$5 million for liability and \$500,000 for workers compensation. Insurance transactions are accounted for in the general fund.

Liabilities of the City are reported in the statement of net assets for the governmental activities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverage for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended <u>6/30/2009</u>	Year Ended <u>6/30/2008</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	-	-
Claim payments	-	-
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

**B. Contingencies and Commitments**

*Litigation.* The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

*Grants and allocations.* Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**5. Other Information (Continued)**

**C. Operating Agreements**

*Water Supply Agreement.* The City has an agreement with the Santa Ynez River Water Conservation District, Improvement District One, wherein the District and The Central Coast Water Authority constructed and operate a joint water treatment facility and water conveyance system. The Authority financed the plant and system by selling revenue bonds, and in 1997, issued \$ 198 million in refunding revenue bonds. The agreement is a take-or-pay obligation, and the City is obligated to pay amounts specified in the agreement whether or not water is treated or delivered. The amounts paid by the City are pledged by the Authority for repayment of the Authority's debt obligations. The City records these payments as operating expenses in its water enterprise fund.

*Museum Agreement.* The City has an agreement to provide financial support for a now privately owned non-profit museum. The City's commitment is to provide \$200,000 for operating cost from 2007 through 2015. The maximum support in any one year is \$25,000.

**D. Public Employees Retirement System**

*Plan Description.* The City of Solvang contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer, public employee, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the State statute and City ordinance. The PERS issues publicly available financial report that includes the financial statements and required supplementary information for the PERS Copies of the PERS annual financial report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

*Funding Policy and Annual Pension Cost.* The contribution requirements of plan members and the City are established by and may be amended by PERS. Regular plan members are required to contribute 7.0 percent of their annual covered salary and safety members are required to contribute 9.0 percent. The City is required to contribute at an actuarially determined rate. The current rate for regular employees is 12.826 percent of covered payroll.

The City's annual pension cost for the most recent year three fiscal years for each plan is as follows

**Three-Year Trend Information**

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
<i>Regular employees</i>	6/30/07	\$ 198,842	100%	\$ -
	6/30/08	\$ 223,456	100%	\$ -
	6/30/09	\$ 206,974	100%	\$ -
<i>Safety employees</i>	6/30/07	\$ 21,851	100%	\$ -
	6/30/08	\$ -	100%	\$ -
	6/30/09	\$ -	100%	\$ -

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2009**

**5. Other Information (Continued)**

**E. Restricted Net Assets and Designated Fund Balances**

The \$ 3,979,184 restricted amount in the governmental activities and the \$198,243 in the business-type activities statement net assets represent amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments.

Reserved fund balances consisted of the following:

Purpose	General Fund	Nonmajor Funds
Prepayments (primarily insurance)	\$ 96,655	\$ -
Internal balances due from other funds	109,360	-
	<u>\$ 209,015</u>	<u>\$ -</u>

Portions of unreserved fund balances in the fund financial statements may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans are subject to change, have not been legally authorized, and may not result in expenditures. Unreserved designated fund balances were:

Purpose	General Fund	Impact Fee Fund	Nonmajor Funds
Museum funding	\$ 125,000	\$ -	\$ -
Future capital projects	2,316,723	2,314,170	1,224,651
Emergencies and contingencies	2,000,000	-	-
Totals	<u>\$ 4,441,723</u>	<u>\$ 2,314,170</u>	<u>\$ 1,224,651</u>

**F. Other Post Employment Benefits**

The City provides post employment health and dental insurance benefits in accordance with the requirements of a local resolution for certain full time employees that retire from City service. Currently, there are 12 retirees receiving medical insurance benefits and seven receiving dental benefits. The City funds these cost on a pay as you go basis. For the fiscal year ended June 30, 2009, the City paid \$68,071 for such benefits.

Required  
Supplementary  
Information Section

2009

2009

2009

2009

2009

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2009



**Required Supplementary Information**  
**CITY OF SOLVANG**  
**Budgetary Comparison Schedule - General Fund**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Fund Balance, July 1</b>	\$ 5,339,749	\$ 5,339,749	\$ 5,339,749	\$ -
Resources (inflows):				
Property taxes	1,047,000	1,665,000	1,730,139	65,139
Sales taxes	1,100,000	1,085,000	1,072,646	(12,354)
Transient occupancy taxes	2,400,000	2,344,175	2,239,260	(104,915)
Other taxes	193,000	197,791	209,149	11,358
License and permits	125,000	121,000	115,311	(5,689)
Interest	402,500	192,700	195,003	2,303
Intergovernmental	169,000	342,821	334,777	(8,044)
Charges for services	755,505	661,032	750,854	89,822
Miscellaneous	51,049	140,992	194,620	53,628
Transfers in	24,000	24,000	-	(24,000)
	<u>11,606,803</u>	<u>12,114,260</u>	<u>12,181,508</u>	<u>67,248</u>
Amounts available for charges to appropriations				
<b>Charges to appropriations:</b>				
<i>General Government:</i>				
Nondepartmental:				
City council	24,000	21,000	17,700	3,300
Other	120,650	122,400	103,202	19,198
Community resources	82,500	82,500	82,500	-
Debt service	40,000	40,000	40,000	-
Administration:				
Legal	100,000	85,000	86,716	(1,716)
General administration	1,007,273	967,894	954,034	13,860
<i>Public Safety:</i>				
Sheriff contract	1,198,687	1,198,687	1,190,276	8,411
Fire	-	611,000	611,000	-
Animal control	34,240	32,640	32,640	-
MHAT	-	1,600	1,680	(80)
<i>Culture and Recreation:</i>				
Conference and Visitors Bureau	410,000	410,000	410,000	-
Other tourism	129,955	215,455	201,061	14,394
Parks	402,266	391,965	368,926	23,039
Recreation	297,815	259,979	248,037	11,942
Buelton recreation	140,000	140,000	193,952	(53,952)
Capital outlay	6,000	6,000	-	6,000
Sunny field park project	560,000	571,925	568,228	3,697
<i>Community Development:</i>				
City planning	504,576	461,315	431,801	29,514
<i>Public works:</i>				
Maintenance and engineering	816,886	786,817	771,749	15,068
Projects - Mission AP intersection	638,450	796,431	59,931	736,500
Projects - Museum subsidies	25,000	25,000	25,000	-
Projects - Fire station remodel	61,000	40,400	23,492	16,908
Projects - Restroom #1	25,000	24,100	15,060	9,040
<i>Debt service:</i>				
Principal	162,585	-	-	-
Interest	76,821	76,821	40,781	36,040
Transfers out	277,355	279,587	279,587	-
	<u>7,141,059</u>	<u>7,648,516</u>	<u>6,757,353</u>	<u>891,163</u>
Total charges to appropriations				
Fund Balance, June 30	<u>\$ 4,465,744</u>	<u>\$ 4,465,744</u>	<u>\$ 5,424,155</u>	<u>\$ 958,411</u>

CITY OF SOLVANG

Budgetary Comparison Schedule - General Fund  
Note to RSI  
For the Fiscal Year Ended June 30, 2009

**Note A. Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:**

**Sources/inflows resources:**

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 12,181,508
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(5,339,749)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 6,841,759</u>
-------------------------------------------------------------------------------------------------------------------------	---------------------

**Uses/outflows of resources:**

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 6,757,353
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(279,587)</u>

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 6,477,766</u>
-----------------------------------------------------------------------------------------------------------------------------	---------------------

The City adopts revenue and expenditure budgets for all governmental funds except that no budgets are adopted for the two debt service funds, the traffic congestion fund, and the Skytt Mesa landscaping and lighting, and the impact fee fund.

Optional  
Supplementary  
Information Section

Nonmajor Funds' Combining  
Financial Statements and Schedules  
and Schedules of Capital Assets  
Used in Governmental Activities

2009

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CITY OF SOLVANG  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

	Special Revenue							Debt Service			Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure D	Traffic Congestion	Skytt Mesa Landscape and Lighting	Special Assessment Bonds	Capital Lease			
<b>Assets</b>											
Cash and investments	\$ 1,530	\$ 1,843	\$ 629,888	\$ 238,330	\$ 12,720	\$ 120,669	\$ 4,990	\$ 1,851	\$ 1,011,821		
Receivables:											
Interest	-	-	2,546	953	25	350	-	576	4,450		
Intergovernmental Assessments	2,537	8,875	418,553	25,208	10,975	-	-	-	466,148		
Deposits	-	-	-	-	-	-	65,000	-	65,000		
<b>Total assets</b>	<b>\$ 4,067</b>	<b>\$ 10,718</b>	<b>\$ 1,050,987</b>	<b>\$ 264,491</b>	<b>\$ 23,720</b>	<b>\$ 121,019</b>	<b>\$ 69,990</b>	<b>\$ 400,280</b>	<b>\$ 1,945,272</b>		
<b>Liabilities and Fund Balances</b>											
Liabilities:											
Accounts payable	\$ 114	\$ 10,718	\$ 90,827	\$ -	\$ 238	\$ 2,408	\$ -	\$ -	\$ 104,305		
Due to other funds	2,360	-	-	-	-	-	-	107,000	109,360		
Deferred revenue	-	-	-	-	-	-	65,000	-	65,000		
<b>Total liabilities</b>	<b>2,474</b>	<b>10,718</b>	<b>90,827</b>	<b>-</b>	<b>238</b>	<b>2,408</b>	<b>65,000</b>	<b>107,000</b>	<b>278,665</b>		
Fund balances:											
Unreserved:											
Designated	-	-	960,160	264,491	-	-	-	-	1,224,651		
Undesignated	1,593	-	-	-	23,482	118,611	4,990	293,280	441,956		
<b>Total fund balances</b>	<b>1,593</b>	<b>-</b>	<b>960,160</b>	<b>264,491</b>	<b>23,482</b>	<b>118,611</b>	<b>4,990</b>	<b>293,280</b>	<b>1,666,607</b>		
<b>Total liabilities and fund balances</b>	<b>\$ 4,067</b>	<b>\$ 10,718</b>	<b>\$ 1,050,987</b>	<b>\$ 264,491</b>	<b>\$ 23,720</b>	<b>\$ 121,019</b>	<b>\$ 69,990</b>	<b>\$ 400,280</b>	<b>\$ 1,945,272</b>		

**CITY OF SOLVANG**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2009**

	Special Revenue						Debt Service		Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure D	Traffic Congestion	Skytt Mesa Landscape and Lighting	Special Assessment Bonds	Capital Lease	
Revenues:									
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,944	\$ 20,092	\$ -	\$ 69,036
Intergovernmental	-	92,430	421,818	313,486	46,782	-	-	-	874,516
Fines and forfeitures	30,228	-	-	-	-	-	-	-	30,228
Interest	21	166	17,922	7,015	476	2,070	-	6,247	33,917
Total revenues	30,249	92,596	439,740	320,501	47,258	51,014	20,092	6,247	1,007,697
Expenditures:									
Current:									
Public safety:									
Public works:									
Highways and streets	28,656	62,012	46,402	-	23,776	41,667	-	-	202,513
Street lighting	-	44,263	-	-	-	-	-	-	44,263
Capital outlay	-	-	350,823	532,444	-	-	-	-	883,267
Debt service:									
Principal	-	-	-	-	-	-	30,000	289,120	319,120
Interest	-	-	-	-	-	-	7,312	22,612	29,924
Total expenditures	28,656	106,275	397,225	532,444	23,776	41,667	37,312	311,732	1,479,087
Excess (deficiency) of revenues over expenditures	1,593	(13,679)	42,515	(211,943)	23,482	9,347	(17,220)	(305,485)	(471,390)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	387,610	387,610
Transfers out	-	-	-	(41,738)	-	-	-	-	(41,738)
Total other financing sources (uses)	-	-	-	(41,738)	-	-	-	387,610	345,872
Net change in fund balances	1,593	(13,679)	42,515	(253,681)	23,482	9,347	(17,220)	82,125	(125,518)
Fund balances, July 1	-	13,679	917,645	518,172	-	109,264	22,210	211,155	1,792,125
Fund balances, June 30	\$ 1,593	\$ -	\$ 960,160	\$ 264,491	\$ 23,482	\$ 118,611	\$ 4,990	\$ 293,280	\$ 1,666,607

**CITY OF SOLVANG**  
**Traffic Safety Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive(Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 30,228	\$ 5,228
Interest	1,000	1,000	21	(979)
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>30,249</u>	<u>4,249</u>
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	<u>26,000</u>	<u>26,000</u>	<u>28,656</u>	<u>(2,656)</u>
Total expenditures	<u>26,000</u>	<u>26,000</u>	<u>28,656</u>	<u>(2,656)</u>
Net change in fund balance	-	-	1,593	1,593
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,593</u>	<u>\$ 1,593</u>

**CITY OF SOLVANG**  
**Gas Tax Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 100,500	\$ 100,500	\$ 92,430	\$ (8,070)
Interest	1,000	150	166	16
Miscellaneous	-	-	-	-
Total revenues	<u>101,500</u>	<u>100,650</u>	<u>92,596</u>	<u>(8,054)</u>
Expenditures:				
Current:				
Highways and streets:				
Street light utilities	45,000	45,000	44,263	737
Street sweeping	38,000	38,000	36,342	1,658
Street maintenance	18,500	17,650	25,670	(8,020)
Capital outlay	-	-	-	-
Total expenditures	<u>101,500</u>	<u>100,650</u>	<u>106,275</u>	<u>(5,625)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(13,679)</u>	<u>(13,679)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(13,679)	(13,679)
Fund balance, July 1	<u>13,679</u>	<u>13,679</u>	<u>13,679</u>	<u>-</u>
Fund balance, June 30	<u>\$ 13,679</u>	<u>\$ 13,679</u>	<u>\$ -</u>	<u>\$ (13,679)</u>

**CITY OF SOLVANG**  
**Local Transportation Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
TDA bike path allocation	\$ 4,068	\$ 4,068	\$ 3,567	\$ (501)
LSTP allocation	80,000	80,000	80,000	-
RSTP allocation	-	259,000	338,251	79,251
Interest	18,000	18,000	17,922	-78
Total revenues	<u>102,068</u>	<u>361,068</u>	<u>439,740</u>	<u>78,672</u>
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	2,000	12,000	8,648	3,352
Sidewalks	30,000	20,000	19,994	6
Professional services	50,500	50,500	17,760	32,740
Capital outlay	999,000	1,043,272	350,823	692,449
Total expenditures	<u>1,081,500</u>	<u>1,125,772</u>	<u>397,225</u>	<u>728,547</u>
Excess(deficiency) of revenues over expenditures	<u>(979,432)</u>	<u>(764,704)</u>	<u>42,515</u>	<u>807,219</u>
Other financing sources:				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(979,432)	(764,704)	42,515	807,219
Fund balance, July 1	<u>917,645</u>	<u>917,645</u>	<u>917,645</u>	<u>-</u>
Fund balance, June 30	<u>\$ (61,787)</u>	<u>\$ 152,941</u>	<u>\$ 960,160</u>	<u>\$ 807,219</u>

**CITY OF SOLVANG**  
**MEASURE D Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Allocations from Santa Barbara County	\$ 346,816	\$ 346,816	\$ 313,486	\$ (33,330)
Interest earnings	13,000	13,000	7,015	(5,985)
Total revenues	<u>359,816</u>	<u>359,816</u>	<u>320,501</u>	<u>(39,315)</u>
Expenditures:				
Current:				
Highways and streets:				
Street overlays	280,000	225,876	178,521	47,355
Village collection rehabilitation	300,000	354,124	353,923	201
Total expenditures	<u>580,000</u>	<u>580,000</u>	<u>532,444</u>	<u>47,556</u>
Excess(deficiency) of revenues over expenditures	<u>(220,184)</u>	<u>(220,184)</u>	<u>(211,943)</u>	<u>8,241</u>
Other financing sources:				
Transfers out to debt service	(41,738)	(41,738)	(41,738)	-
Transfers in	-	-	-	-
Total other financing sources(uses)	<u>(41,738)</u>	<u>(41,738)</u>	<u>(41,738)</u>	<u>-</u>
Net change in fund balances	(261,922)	(261,922)	(253,681)	8,241
Fund balance, July 1	<u>518,172</u>	<u>518,172</u>	<u>518,172</u>	<u>-</u>
Fund balance, June 30	<u>\$ 256,250</u>	<u>\$ 256,250</u>	<u>\$ 264,491</u>	<u>\$ 8,241</u>

**CITY OF SOLVANG**  
**Comparative Schedule of Capital Assets Used In Governmental Activities**  
**By Source**

	June 30	
	2009	2008
Capital assets used in governmental activities:		
Land	\$ 1,943,104	\$ 1,943,104
Buildings	3,357,816	3,347,754
Improvements	3,663,119	2,976,517
Infrastructure - street system	3,915,447	3,336,148
Equipment	635,363	635,363
Construction in progress	704,988	480,196
Equipment-internal service operations	697,931	573,664
	<b>\$ 14,917,768</b>	<b>\$ 13,292,746</b>
Investment in capital assets from:		
General fund	\$ 10,775,696	\$ 10,120,201
Contributions from developers	710,214	710,214
Special revenue funds	2,733,927	1,888,667
Internal service	697,931	573,664
	<b>\$ 14,917,768</b>	<b>\$ 13,292,746</b>
Total investment in capital assets used in governmental activities	<b>\$ 14,917,768</b>	<b>\$ 13,292,746</b>

**CITY OF SOLVANG**  
**Schedule of Changes in Capital Assets Used In Governmental Activities**  
**By Source**  
**For the Fiscal Year Ended June 30, 2009**

	Land	Buildings	Improvements and Infrastructure	Equipment	Construction in Progress	Total Cost
General capital assets June 30, 2008	\$ 1,943,104	\$ 3,347,754	\$ 6,312,665	\$ 1,209,027	\$ 480,196	\$ 13,292,746
Add:						
Expenditures from:						
General fund	-	21,477	578,516	-	83,423	683,416
Special revenue funds	-	-	579,300	-	249,454	828,754
Internal service	-	-		171,734	-	171,734
Deduct:						
Transfers	-	-	108,085	-	(108,085)	-
Retirements and contributions	-	(11,415)	-	(47,467)	-	(58,882)
General capital assets June 30, 2009	<u>\$ 1,943,104</u>	<u>\$ 3,357,816</u>	<u>\$ 7,578,566</u>	<u>\$ 1,333,294</u>	<u>\$ 704,988</u>	<u>\$ 14,917,768</u>

**CITY OF SOLVANG**  
**Schedule of Capital Assets Used in Governmental Activities**  
**By Function and Activity**  
**June 30, 2009**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements and Infrastructure</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total Cost</u>
General government:						
Parks	\$ 708,021	\$ 80,336	\$ 1,875,206	\$ 59,504	\$ 48,700	\$ 2,771,767
Roads	-	-	4,295,439	80,093	656,288	5,031,820
Recreation	-	1,265,098	57,065	2,602	-	1,324,765
Administration	89,850	599,174	724,063	432,831	-	1,845,918
Total general government	<u>797,871</u>	<u>1,944,608</u>	<u>6,951,773</u>	<u>575,030</u>	<u>704,988</u>	<u>10,974,270</u>
Internal Service:						
Vehicle operations	-	-	-	697,931	-	697,931
Public safety:						
Emergency services	-	-	-	28,158	-	28,158
Fire protection	-	195,802	215,544	26,175	-	437,521
Total public safety	<u>-</u>	<u>195,802</u>	<u>215,544</u>	<u>54,333</u>	<u>-</u>	<u>465,679</u>
Veterans building	63,483	1,193,406	- 352,109	6,000	-	1,614,998
Parking district	1,081,750	24,000	59,140	-	-	1,164,890
Total general fixed assets	<u>\$ 1,943,104</u>	<u>\$ 3,357,816</u>	<u>\$ 7,578,566</u>	<u>\$ 1,333,294</u>	<u>\$ 704,988</u>	<u>\$ 14,917,768</u>

**CITY OF SOLVANG**  
**Schedule of Changes in Capital Assets Used In Governmental Activities**  
**By Function and Activity**  
**For the Fiscal Year Ended June 30, 2009**

<u>Function and Activity</u>	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
General government:				
Parks	\$ 2,144,550	\$ 627,217	\$ -	\$ 2,771,767
Roads	4,191,836	839,984	-	5,031,820
Recreation	1,314,703	10,062	-	1,324,765
Administration	1,845,918	-	-	1,845,918
Total general government	<u>9,497,007</u>	<u>1,477,263</u>	<u>-</u>	<u>10,974,270</u>
Internal service:				
Vehicle operations	573,664	171,734	(47,467)	697,931
Public safety:				
Emergency services	28,158	-	-	28,158
Fire protection	414,029	23,492	-	437,521
Total public safety	<u>442,187</u>	<u>23,492</u>	<u>-</u>	<u>465,679</u>
Museums	-	-	-	-
Veterans building	1,614,998	-	-	1,614,998
Parking district	1,164,890	-	-	1,164,890
Total general capital assets	<u>\$ 13,292,746</u>	<u>\$ 1,672,489</u>	<u>\$ (47,467)</u>	<u>\$ 14,917,768</u>

Statistical Section

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## STATISTICAL SECTION

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

<b>Financial Trends</b>	<b>Schedules 1-4</b>
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These schedules contain trend information to help understand how the City's financial performance and well-being have changed over time.

<b>Revenue Capacity</b>	<b>Schedules 5-12</b>
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These schedules contain information to help assess the City's most significant local revenue source, the revenues realized from the sale of water.

<b>Debt Capacity</b>	<b>Schedules 13-16</b>
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These schedules present information to help assess the affordability the City's current levels of outstanding debt and the city's ability to issue additional debt in the future.

<b>Demographic and Economic Information</b>	<b>Schedules 17-18</b>
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These schedules offer demographic and economic indicators to help understand the environment within which the City's financial activities take place.

<b>Operating Information</b>	<b>Schedules 19-21</b>
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These schedules contain service and infrastructure data to help understand how the information in the City's financial report relates to services the City provides and the activities it performs.

**Schedule 1**  
**City of Solvang**  
**Net Assets by Component**  
**Last Seven Fiscal Years**  
**(Accrual basis of accounting)**

	For The Fiscal Years Ended June 30						
	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities:</b>							
Invested in capital assets, net of related debt	\$ 6,891,951	\$ 5,440,990	\$ 4,355,503	\$ 5,167,411	\$ 7,734,628	\$ 9,551,357	\$ 11,107,857
Restricted	232,963	896,185	1,819,000	3,386,034	2,898,401	4,186,813	3,979,184
Unrestricted	11,330,875	7,873,609	9,728,300	6,055,631	6,546,525	5,876,210	6,205,849
<b>Total governmental activities net asset:</b>	<u>\$ 18,455,789</u>	<u>\$ 14,210,784</u>	<u>\$ 15,902,803</u>	<u>\$ 14,609,076</u>	<u>\$ 17,179,554</u>	<u>\$ 19,614,380</u>	<u>\$ 21,292,890</u>
<b>Business-type activities:</b>							
Invested in capital assets, net of related debt	\$ 5,348,363	\$ 7,505,885	\$ 5,353,554	\$ 7,847,182	\$ 7,975,169	\$ 8,984,117	\$ 9,170,992
Restricted			332,843	221,848	238,062	173,052	198,243
Unrestricted	2,851,474	1,117,167	3,465,174	6,493,534	7,677,129	7,701,152	7,994,220
<b>Total business-type activities:</b>	<u>\$ 8,199,837</u>	<u>\$ 8,623,052</u>	<u>\$ 9,151,571</u>	<u>\$ 14,562,564</u>	<u>\$ 15,890,360</u>	<u>\$ 16,858,321</u>	<u>\$ 17,363,455</u>
<b>Primary government (City wide totals)</b>							
Invested in capital assets, net of related debt	\$ 12,240,314	\$ 12,946,875	\$ 9,709,057	\$ 13,014,593	\$ 15,709,797	\$ 18,535,474	\$ 20,278,849
Restricted	232,963	896,185	2,151,843	3,607,882	3,136,463	4,359,865	4,177,427
Unrestricted	14,182,349	8,990,776	13,193,474	12,549,165	14,223,654	13,577,362	14,200,069
<b>Total primary government net asset:</b>	<u>\$ 26,655,626</u>	<u>\$ 22,833,836</u>	<u>\$ 25,054,374</u>	<u>\$ 29,171,640</u>	<u>\$ 33,069,914</u>	<u>\$ 36,472,701</u>	<u>\$ 38,656,345</u>

**Note:** The City implemented GASB Statement Number 34 in the 2003 fiscal year.  
The information in this schedule is therefore set forth prospectively from the year of implementation.

**Schedule 2**  
**City of Solvang**  
**Changes in Net Assets, Last Seven Fiscal Years**  
**(Accrual Basis of Accounting)**

For The Fiscal Years Ended June 30

	2003	2004	2005	2006	2007	2008	2009
<b>Expenses:</b>							
Governmental activities:							
General government	\$ 857,181	\$ 767,715	\$ 871,918	\$ 1,217,976	\$ 1,047,370	\$ 1,281,938	\$ 1,161,056
Public Safety	1,379,483	1,429,371	1,588,840	1,688,592	1,884,612	1,846,271	1,844,664
Public works	697,178	672,467	654,172	1,286,304	1,334,696	898,366	1,246,541
Planning	311,563	782,614	231,980	349,513	404,963	491,168	431,801
Culture and Recreation	995,566	780,938	1,053,554	1,278,400	1,478,007	1,505,286	1,549,866
Interest on long-term debt	222,029	144,880	80,366	113,878	134,427	105,365	65,151
<b>Total governmental activities expenses</b>	<b>4,463,000</b>	<b>4,577,985</b>	<b>4,480,830</b>	<b>5,934,663</b>	<b>6,284,075</b>	<b>6,128,394</b>	<b>6,299,079</b>
Business-type activities:							
Water	3,179,108	3,150,047	3,055,154	3,333,290	3,604,158	3,786,981	3,985,638
Wastewater	1,125,631	1,388,334	1,322,729	1,393,923	1,422,398	1,554,414	1,583,351
Transit	414,405	438,373	496,249	462,318	559,059	558,479	640,800
<b>Total business-type activities expenses</b>	<b>4,719,144</b>	<b>4,976,754</b>	<b>4,874,132</b>	<b>5,189,531</b>	<b>5,585,615</b>	<b>5,899,874</b>	<b>6,209,789</b>
<b>Total City government expense</b>	<b>\$ 9,182,144</b>	<b>\$ 9,554,739</b>	<b>\$ 9,354,962</b>	<b>\$ 11,124,194</b>	<b>\$ 11,869,690</b>	<b>\$ 12,028,268</b>	<b>\$ 12,508,868</b>
<b>Program Revenues:</b>							
Governmental activities:							
Charges for services:							
General government	\$ 127,226	\$ 17,050	\$ 25,823	\$ 400,041	\$ 397,820	\$ 397,820	\$ 444,771
Public Safety	6,632	27,562	42,910	130,085	193,061	29,575	30,249
Public works	73,281	6,052	3,167	469,601	444,722	509,233	126,495
Planning	52,988	28,847	81,188	210,553	368,443	219,205	164,365
Parks and recreation	77,599	145,845	138,806	227,040	296,594	192,162	335,088
Operating grants and contributions	44,359	489,353	625,275	605,753	586,519	1,278,091	1,014,270
Capital grants and contributions	-	14,569	636,746	1,085,736	792,944	37,902	349,869
<b>Total governmental activities program revenues</b>	<b>382,085</b>	<b>729,278</b>	<b>1,553,915</b>	<b>3,128,809</b>	<b>3,080,103</b>	<b>2,663,988</b>	<b>2,465,107</b>
Business-type activities:							
Charges for services:							
Water	2,929,186	3,286,624	3,271,353	3,628,170	4,146,380	4,340,564	4,199,436
Wastewater	1,294,662	1,559,774	1,543,163	1,629,620	1,683,943	1,854,815	1,711,831
Transit	42,143	47,815	41,871	52,345	99,544	91,387	78,102
Operating grants and contributions	11,296	135	-	538,702	553,978	523,305	698,434
Capital grants and contributions	519,817	464,290	415,558	1,468,671	493,676	121,479	93,405
<b>Total business-type activities programs revenues</b>	<b>4,797,104</b>	<b>5,358,638</b>	<b>5,271,945</b>	<b>7,317,508</b>	<b>6,977,521</b>	<b>6,931,550</b>	<b>6,781,208</b>
<b>Total City government program revenue</b>	<b>\$ 5,179,189</b>	<b>\$ 6,087,916</b>	<b>\$ 6,825,860</b>	<b>\$ 10,446,317</b>	<b>\$ 10,057,624</b>	<b>\$ 9,595,538</b>	<b>\$ 9,246,315</b>

**Schedule 2 -Continued**  
**City of Solvang**  
**Changes in Net Assets, Last Seven Fiscal Years**  
**(Accrual Basis of Accounting)**

For The Fiscal Years Ended June 30

	2003	2004	2005	2006	2007	2008	2009
<b>Net(Expense)Revenue:</b>							
Governmental activities	\$ (4,080,915)	\$ (3,848,707)	\$ (2,926,915)	\$ (2,805,854)	\$ (3,203,972)	\$ (3,464,406)	\$ (3,833,972)
Business-type activities	77,960	381,884	397,813	2,127,977	1,391,906	1,031,676	571,419
<b>Total City government</b>	<b>\$ (4,002,955)</b>	<b>\$ (3,466,823)</b>	<b>\$ (2,529,102)</b>	<b>\$ (677,877)</b>	<b>\$ (1,812,066)</b>	<b>\$ (2,432,730)</b>	<b>\$ (3,262,553)</b>
<b>General Revenues and Other Changes in in Net Assets:</b>							
Governmental activities:							
Taxes:							
Property taxes	\$ 869,447	\$ 958,999	\$ 1,090,893	\$ 1,175,334	\$ 1,623,746	\$ 1,689,397	\$ 1,730,139
Transient Occupancy Taxes	1,679,660	1,759,647	1,856,693	2,198,064	2,405,993	2,419,606	2,239,260
Sales taxes	967,286	959,548	1,006,688	904,610	988,280	1,148,040	1,072,646
Other taxes	355,927	162,789	156,040	193,764	196,535	199,237	209,149
Motor Vehicle in Lieu-not restricted to a specific program	311,931	246,129	418,356	394,199			
Investment earnings	182,238	90,212	-	242,253	460,688	324,048	195,003
Miscellaneous	12,268	129,739	133,487	24,569	35,098	53,636	1,017
Transfers	(524,816)		(43,223)	(3,620,666)	64,110	65,268	65,268
<b>Total governmental activities</b>	<b>3,853,941</b>	<b>4,307,063</b>	<b>4,618,934</b>	<b>1,512,127</b>	<b>5,774,450</b>	<b>5,899,232</b>	<b>5,512,482</b>
Business-type activities							
Investment earnings	\$ 70,670	\$ 41,331	\$ 72,732				
Miscellaneous			14,751			1,553	
Transfers			43,223	3,620,666	(64,110)	(65,268)	(66,285)
<b>Total business-type activities</b>	<b>70,670</b>	<b>41,331</b>	<b>130,706</b>	<b>3,620,666</b>	<b>(64,110)</b>	<b>(63,715)</b>	<b>(66,285)</b>
<b>Total City government</b>	<b>\$ 3,924,611</b>	<b>\$ 4,348,394</b>	<b>\$ 4,749,640</b>	<b>\$ 5,132,793</b>	<b>\$ 5,710,340</b>	<b>\$ 5,835,517</b>	<b>\$ 5,446,197</b>
<b>Change in net assets:</b>							
Governmental activities	\$ (226,974)	\$ 458,356	\$ 1,692,019	\$ (1,293,727)	\$ 2,570,478	\$ 2,434,826	\$ 1,678,510
Business-type activities	148,630	423,215	528,519	5,748,643	1,327,796	967,961	505,134
<b>Total City government</b>	<b>\$ (78,344)</b>	<b>\$ 881,571</b>	<b>\$ 2,220,538</b>	<b>\$ 4,454,916</b>	<b>\$ 3,898,274</b>	<b>\$ 3,402,787</b>	<b>\$ 2,183,644</b>

**Note:**The city implemented GASB Statement Number 34 in the 2003 fiscal year.  
The information in this schedule is therefore set forth prospectively from the year of implementation.

**Schedule 3  
City of Solvang  
Fund Balances, Governmental Funds  
Last Seven Fiscal Years**

Fiscal Year	General Fund			All Other Governmental Funds				
	Reserved	Unreserved	Total General Fund	Unreserved, reported in				
				Reserved	Special Revenue	Capital Projects	Other Purposes	Total
2009	\$ 209,015	\$ 5,215,140	\$ 5,424,155		\$ 441,956	\$ 2,314,170	\$ 1,224,651	\$ 3,980,777
2008	\$ 391,545	\$ 4,948,204	\$ 5,339,749		\$ 501,736	\$ 2,232,411	\$ 1,357,645	\$ 4,091,792
2007	\$ 29,487	\$ 5,875,624	\$ 5,905,111		\$ 317,717	\$ 1,822,347	\$ 726,827	\$ 2,866,891
2006	\$ 528,711	\$ 5,240,494	\$ 5,769,205		\$ 875,993	\$ 1,462,674	\$ 884,054	\$ 3,222,721
2005	\$ 2,000,000	\$ 6,345,047	\$ 8,345,047		\$ 1,114,761			\$ 1,114,761
2004	\$ 2,215,335	\$ 5,671,015	\$ 7,886,350		\$ 868,436			\$ 868,436
2003	\$ 2,322,605	\$ 5,583,469	\$ 7,906,074	\$ 319,912	\$ 2,500,475			\$ 2,820,387

**Source:** City of Solvang Finance Department

**Note:** The City implemented GASB statement Number 34 in the 2003 fiscal year.

The information in this schedule is therefore set forth prospectively from the year of implementation.

**Schedule 4**  
**City of Solvang**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(In Rounded Thousands of Dollars)**  
**(Modified accrual basis of accounting)**

Fiscal Years Ended June 30

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues:</b>										
Taxes	\$ 3,728	3,877	\$ 3,930	\$ 3,958	\$ 4,282	\$ 4,571	\$ 4,471	\$ 5,214	\$ 5,457	\$ 5,252
Licenses and permits	242	237	276	356	-	-	85	138	93	115
Fines and forfeits	24	14	28	18	-	-	23	26	28	30
Charges for services	299	143	355	382	543	292	1,097	1,311	1,079	784
Special assessments	-	-	-	-	-	-	127	47	69	69
Intergovernmental	310	1,236	628	425	329	679	1,334	1,282	1,149	1,209
Investment earnings	449	531	341	241	85	196	335	603	464	279
Other revenues	35	9	30	12	130	133	333	265	146	195
<b>Total revenues</b>	<b>5,087</b>	<b>6,047</b>	<b>5,588</b>	<b>5,392</b>	<b>5,369</b>	<b>5,871</b>	<b>7,805</b>	<b>8,886</b>	<b>8,485</b>	<b>7,933</b>
<b>Expenditures:</b>										
General government	744	692	821	857	1,052	963	1,148	1,020	1,136	1,244
Public safety	892	1,033	1,295	1,463	1,410	1,521	1,680	1,876	1,859	1,836
Parks and Recreation	539	253	272	482	700	633	943	1,441	1,331	1,422
Public works	491	1,665	1,557	1,849	616	689	1,286	1,218	784	1,044
Community Development	380	247	375	312	782	665	700	405	491	432
Capital outlay	290	798	310	522	390	442	265	2,604	1,584	1,551
Transportation	80	15	67	188	69	195	31	140	298	
<b>Debt service:</b>										
Payment to escrow agent		4								
Costs of issuance		185			60					
Principal	315	245	210	173	1,351	286	307	322	343	359
Interest	133	90	110	76	83	79	75	144	132	71
<b>Total expenditures</b>	<b>3,864</b>	<b>5,227</b>	<b>5,017</b>	<b>5,922</b>	<b>6,513</b>	<b>5,473</b>	<b>6,435</b>	<b>9,170</b>	<b>7,958</b>	<b>7,959</b>
<b>Excess of revenues over(under) expenditures</b>	<b>1,223</b>	<b>820</b>	<b>571</b>	<b>(530)</b>	<b>(1,144)</b>	<b>398</b>	<b>1,370</b>	<b>(284)</b>	<b>527</b>	<b>(26)</b>
<b>Other Financing Sources(Uses)</b>										
Proceeds from borrowing										
Payments to escrow agent										
Transfers in							1,693	984	406	388
Transfers out							(5,314)	(920)	(341)	(321)
<b>Total other financing sources(uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,621)</b>	<b>64</b>	<b>65</b>	<b>67</b>
<b>Net change in fund balances</b>	<b>1,223</b>	<b>820</b>	<b>571</b>	<b>\$ (530)</b>	<b>\$ (1,144)</b>	<b>\$ 398</b>	<b>\$ (2,251)</b>	<b>\$ (220)</b>	<b>\$ 592</b>	<b>\$ 41</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>14.33%</b>	<b>13.42%</b>	<b>7.43%</b>	<b>4.83%</b>	<b>32.27%</b>	<b>7.82%</b>	<b>6.60%</b>	<b>7.64%</b>	<b>7.64%</b>	<b>7.19%</b>

**Schedule 5**  
**City of Solvang**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

Fiscal Year	Assessed Taxable Values			Total Direct Tax Rate
	Real Property	Personal Property	Totals	
1999-2000	542,200	19,846	\$ 562,046	1.00%
2000-2001	570,109	18,207	\$ 588,316	1.00%
2001-2002	603,534	19,583	\$ 623,117	1.00%
2002-2003	655,486	17,438	\$ 672,924	1.00%
2003-2004	725,774	18,469	\$ 744,243	1.00%
2004-2005	905,897	17,777	\$ 923,674	1.00%
2005-2006	990,496	17,824	\$1,008,320	1.00%
2006-2007	1,081,379	18,040	\$1,099,419	1.00%
2007-2008	950,539	19,265	\$ 931,274	1.00%
2008-2009	964,774	17,767	\$ 982,541	1.00%

Source: County of Santa Barbara Assessor's Office

Note: In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an inflation factor (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above (in our reports) represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

**Schedule 6  
City of Solvang  
Direct and Overlapping Property Tax Rates  
For The Last Ten Fiscal Years  
(Rates per \$100 of assessed value)**

Fiscal Year	City Direct Rate			Overlapping Rates	
	Basic Rate	General Obligation Debt Rate	Total	School Districts	Special Districts
1999-2000	1.00%	0.00%	1.00%	0.06225%	0.11080%
2000-2001	1.00%	0.00%	1.00%	0.04446%	0.11080%
2001-2002	1.00%	0.00%	1.00%	0.04446%	0.11080%
2002-2003	1.00%	0.00%	1.00%	0.04446%	0.11080%
2003-2004	1.00%	0.00%	1.00%	0.04446%	0.11080%
2004-2005	1.00%	0.00%	1.00%	0.04446%	0.11080%
2005-2006	1.13%	0.00%	1.13%	0.40000%	0.07000%
2006-2007	1.00%	0.00%	1.00%	0.41900%	0.93612%
2007-2008	1.00%	0.00%	1.00%	0.39641%	0.86455%
2008-2009	1.00%	0.00%	1.00%	0.3389%	0.8175%

Note: The City's direct property tax rates can only be changed with specific voter approval

**Schedule 7**  
**City of Solvang**  
**Principal Property Tax Payers - Top Ten Payers**  
**Last Ten Fiscal Years**  
**(Dollar Amounts in Thousands)**

2009				2008			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Solvang Mesa LLC	\$ 24,719	1	2.52%	Solvang Mesa LLC	\$ 21,827	1	2.34%
Worldmark, The Club	16,428	2	1.67%	Worldmark, The Club	16,122	2	1.73%
Alisal Guest Ranch	12,020	3	1.22%	RSI Partners, LP	12,431	3	1.33%
Solvang Hotels Group, LLC	11,203	4	1.14%	Alisal Properties	12,380	4	1.33%
Wine Valley Inn	8,331	5	0.85%	Alisal Guest Ranch	11,221	5	1.20%
Alisal Oaks LLC	6,674	6	0.68%	Alisal Oaks LLC	6,544	6	0.70%
FPA Old Mill Associates, LP	5,586	7	0.57%	Santa Maria Hospitality Investors LP	6,210	7	0.67%
Alisal Properties	5,433	8	0.55%	AFTC-Solvang, LLC	5,810	8	0.62%
Petersen Village Inn	4,818	9	0.47%	Chimney Sweep	5,696	9	0.61%
MP Paso, LLC	4,565	10	0.46%	FPA Old Mission Associates, LP	5,477	10	0.59%
<b>Total</b>	<b>\$ 99,577</b>		<b>10.13%</b>	<b>Total</b>	<b>\$ 103,718</b>		<b>11.14%</b>

2007				2006			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Solvang Lutheran Home	\$ 22,873	1	2.06%	Solvang Mesa LLC	\$ 19,528	1	2.37%
Solvang Mesa LLC	21,827	2	1.99%	Worldmark the Club	14,986	2	1.82%
RSI Partners	15,552	3	1.41%	Alisal Properties	14,490	3	1.76%
Alisal Properties	12,450	4	1.13%	RSI Partners	14,386	4	1.75%
Alisal Guest Ranch	11,163	5	1.02%	Solvang Lutheran Home	8,959	5	1.09%
Cottage Hospital	7,884	6	0.72%	Alisal Guest Ranch	7,021	6	0.85%
Alisal Oaks	6,544	7	0.60%	Frieda Cook	5,553	7	0.68%
Fredericks Court LLC	6,155	8	0.56%	Fredericks Court LLC	5,017	8	0.61%
Frieda Cook	5,700	9	0.52%	Richman West Investments	4,302	9	0.52%
Chimney Sweep	5,696	10	0.52%	Petersen Village Inn	4,289	10	0.52%
<b>Total</b>	<b>\$ 115,644</b>		<b>10.52%</b>	<b>Total</b>	<b>\$ 98,531</b>		<b>11.97%</b>

2005				2004			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Alisal Properties	\$ 20,360	1	2.50%	Alisal Properties	\$ 20,514	1	2.80%
Solvang Mesa, LLC	18,770	2	2.30%	Solvang Mesa, LLC	18,770	2	2.50%
Alisal Guest Ranch	10,216	3	1.25%	Alisal Guest Ranch	10,216	3	1.40%
National Hospitality, LLC	7,972	4	0.98%	National Hospitality, LLC	7,972	4	1.10%
N & G Investments	6,194	5	0.76%	N & G Investments	6,515	5	0.90%
Santa Maria Hospitality Investments	5,900	6	0.72%	Santa Maria Hospitality Investments	6,194	6	0.80%
Richman West Investments	5,331	7	0.65%	Richman West Investments	5,331	7	0.70%
Frederik's Court Holdings, LLC	4,882	8	0.60%	Frederik's Court Holdings, LLC	4,882	8	0.70%
Frontier Insurance Company	4,000	9	0.49%	Frontier Insurance Company	4,000	9	0.50%
Solvang Hospitality Investments, LP	3,810	10	0.47%	Solvang Hospitality Investments, LP	3,810	10	0.50%
<b>Total</b>	<b>\$ 87,435</b>		<b>10.72%</b>	<b>Total</b>	<b>\$ 88,204</b>		<b>11.90%</b>

2003				2002			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Alisal Properties	32,459	1	4.80%	Alisal Properties	45,476	1	7.30%
Robert Strong	19,184	2	2.90%	Earl & Dolores Petersen	8,149	2	1.30%
Solvang Lutheran Home	7,127	3	1.10%	Solvang Lutheran Home	7,601	3	1.20%
Hindler Herbert/Cynthia Wood	6,399	4	1.00%	National Hospitality, LLC	6,814	4	1.20%
Frontier Insurance Company	5,900	5	0.90%	N & G Investments	6,787	5	1.10%
N & G Investments	5,558	6	0.80%	Frontier Insurance Company	6,261	6	1.00%
Santa Ines Mission	4,847	7	0.70%	Frida Cook	5,002	7	0.80%
RIM Pacific Properties	4,785	8	0.70%	Richman West Investments	4,772	8	0.70%
Frida Cook	4,714	9	0.70%	Chimney Sweep Hotel	4,572	9	0.70%
Earl & Dolores Petersen	4,341	10	0.60%	Robert Strong	4,400	10	0.70%
<b>Total</b>	<b>\$ 95,314</b>		<b>14.20%</b>	<b>Total</b>	<b>\$ 99,831</b>		<b>16.00%</b>

2001				2000			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Alisal Properties	45,923	1	7.80%	Alisal Properties	41,368	1	7.40%
National Hospitality, LLC	7,332	2	1.30%	Robert Strong	10,038	2	1.80%
Solvang Lutheran Home	7,282	3	1.20%	National Hospitality, LLC	7,488	3	1.30%
N & G Investments	6,694	4	1.10%	Solvang Lutheran Home	7,282	4	1.30%
Earl & Dolores Petersen	6,069	5	1.00%	N & G Investments	6,523	5	1.10%
RIM Pacific Properties	5,241	6	0.90%	Earl & Dolores Petersen	6,104	6	1.00%
Frida Cook	4,933	7	0.90%	RIM Pacific Properties	4,881	7	0.90%
Chimney Sweep Hotel	4,901	8	0.80%	Donald Cook	4,818	8	0.90%
Robert Strong	4,507	9	0.80%	Skytt Family	3,891	9	0.70%
Lester Richman	4,452	10	0.70%	Lester Richman	3,825	10	0.70%
<b>Total</b>	<b>\$ 97,334</b>		<b>16.50%</b>	<b>Total</b>	<b>\$ 96,218</b>		<b>17.10%</b>

**Schedule 8  
City of Solvang  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of The Levy	
		Amount	Percentage of Levy
2000	664,335	661,260	99.5%
2001	675,683	674,348	99.8%
2002	733,248	731,804	99.8%
2003	740,666	738,263	99.7%
2004	846,779	845,042	99.8%
2005	932,231	930,806	99.8%
2006	1,008,320	995,212	98.7%
2007	1,099,419	1,082,928	98.5%
2008	1,167,033	1,142,525	97.9%
2009	1,002,939	982,541	98.0%

Note: Source is City of Solvang Tax Collection records and Santa Barbara County Assessor records. Property taxes are levied and collected pursuant to an arrangement commonly referred to as the Teeter Plan. Under the Teeter Plan, the County allocates and remits to the City the full amount of each years tax levy, and the County then retains any delinquencies as collected by the County.

**Schedule 9**  
**City of Solvang**  
**Transient Occupancy Tax - Principal Payers and Other Data**  
**Last Four Fiscal Years**

Fiscal Year	City-Wide Occupancy Rate	Average Daily Room Rates	Transient Occupancy Tax Revenues In Dollars	
			Concentration By Hotel Size Based on Number of Rooms	
			Number Hotels 50 or More Rooms	Number Hotels Under 50 Rooms
2006	61%	\$ 126.88	\$ 1,420,423	\$ 777,641
			6	10
2007	60%	\$ 131.31	\$ 1,599,003	\$ 809,150
			6	10
2008	64%	\$ 129.19	\$ 1,643,591	\$ 774,804
			6	10
2009	62%	\$ 133.33	\$ 1,524,991	\$ 710,441
			6	10

Source: Finance Department

**Note:** The City implemented GASB Statement Number 44 in the 2006 fiscal year, and therefore, information in this schedule is being provided prospectively from the year of implementation.

**Schedule 10  
City of Solvang  
Water Rates  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Monthly Base Rate</b>	<b>Rate Per CCF (748 Gallons)</b>	<b>Outside Users Rate per CCF</b>
2000	31.52	2.22	3.33
2001	34.24	2.22	3.33
2002	34.24	2.22	3.33
2003	44.48	2.44	3.66
2004	47.76	2.62	3.93
2005	52.20	2.87	4.31
2006	55.48	3.05	4.58
2007	55.48	3.05	4.58
2008	55.48	3.05	4.58
2009	55.48	3.05	4.58

Source: City Finance Department

**Schedule 11  
City of Solvang  
Water Revenue Concentration Data  
Last Seven Fiscal Years**

**Water Revenue Concentration Data**

<b>Fiscal Year</b>	<b>Class of Customer</b>				<b>Totals</b>
	<b>Single Family Residential</b>	<b>Multi Family Residential</b>	<b>Commercial</b>	<b>Other</b>	
	<b>Revenue in Dollars and Number of Customers</b>				
<b>2003</b>	\$ 1,651,299 1,561	\$ 428,581 87	\$ 510,590 214	\$ 246,316 39	\$ 2,836,786 1,901
<b>2004</b>	\$ 1,461,820 1,561	\$ 505,103 87	\$ 851,567 214	\$ 404,603 39	\$ 3,223,093 1,901
<b>2005</b>	\$ 1,868,540 1,566	\$ 416,368 87	\$ 630,284 214	\$ 314,308 50	\$ 3,229,500 1,917
<b>2006</b>	\$ 1,849,229 1,566	\$ 607,218 87	\$ 882,845 214	\$ 203,384 36	\$ 3,542,676 1,903
<b>2007</b>	\$ 2,092,395 1,593	\$ 684,052 85	\$ 1,005,959 213	\$ 241,431 50	\$ 4,023,837 1,941
<b>2008</b>	\$ 2,184,126 1,612	\$ 593,629 87	\$ 1,007,392 213	\$ 299,301 52	\$ 4,084,448 1,964
<b>2009</b>	\$ 2,084,406 1,650	\$ 426,468 85	\$ 799,330 214	\$ 267,447 56	\$ 3,577,681 2,005

Source: City Finance Department

**Note:** The City implemented GASB Statement Number 34 in the 2003 fiscal year. The information in this schedule is therefore set forth prospectively from the year of implementation.

**Schedule 12**  
**City of Solvang**  
**Principal Water Sale Purchasers - Top Ten**  
**Last Ten Fiscal Years**  
**(In Alphabetical Order)**

Fiscal Years Ended June 30

2009	2008	2007	2006
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Chumash Casino Resort	Chumash Resort	Chumash Casino Resort	City of Solvang
City of Solvang	City of Solvang	City of Solvang	Mission Oaks
Mission Oaks	Mission Oaks	Mission Oaks	Mission Ready Mix
Petersen Inn	Mission Ready Mix	Mission Ready Mix	Nyborg Estates Master Assoc.
Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates	Petersen Village Inn
Solvang Lutheran Home	Solvang Lutheran Home	Solvang Lutheran Home	Rancho S.Y. Mobile Estates
Solvang School	Solvang Mesa LLC	Solvang Mesa LLC	Solvang Lutheran Home
Wine Valley Inn	Solvang School	Solvang School	Solvang School
Worldmark Solvang	Worldmark Resort	Worldmark Resort	Wine Valley Inn

Fiscal Years Ended June 30

2005	2004	2003	2002
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Golf Course
City of Solvang	Hans Christian Andersen Park	Country Inn & Suites	Alisal Guest Ranch
Cottage Hospital	Inns of California	Inns of California	Alisal Oak Apartments
Inns of California	Mission Oaks	Mission Oaks	Danish Country Inn
Mission Oaks	Mission Ready Mix	Mission Ready Mix	Oak Park Apartments
Mission Ready Mix	Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates	Quality Inn
Petersen Village Inn	Royal Scandinavian Inn	Royal Scandinavian Inn	Rancho S.Y. Mobile Estates
Rancho S.Y. Mobile Estates	Solvang Lutheran Home	Solvang Lutheran Home	Royal Scandinavian Inn
Solvang Lutheran Home	Solvang School	Solvang School	Solvang Lutheran Home
Solvang School	Solvang Transit Mix	Solvang Transit Mix	Solvang School

Fiscal Years Ended June 30

2001	2000
Alisal Golf Course	**
Alisal Guest Ranch	
Alisal Oak Apartments	
Danish Country Inn	
Oak Park Apartments	
Quality Inn	
Rancho S.Y. Mobile Estates	
Royal Scandinavian Inn	
Solvang Lutheran Home	
Solvang School	

Source: City of Solvang Finance Department

\*\* Note: Data not available prior to fiscal year ended June 30, 2001

**Schedule 13**  
**City of Solvang**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Dollars in Thousands except for Per Capita)

Fiscal Year	Governmental Activities				Business-type Activities			Total City Debt	Total City Debt as Percentage of Personal Income	Total City Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Special Assessment Bonds	Notes	Capital Lease Obligations	Capital Lease Obligations	Installment Agreement			
2000			265	425	1,526	639		2,855	9.04%	\$ 530.37
2001			250	385	1,336	559		2,530	7.82%	\$ 464.65
2002			235	345	1,230	515	3,000	5,325	16.15%	\$ 977.06
2003			215	305	1,117	468	2,791	4,896	14.29%	\$ 900.33
2004			195	265	1,596	419	2,642	5,117	14.14%	\$ 941.66
2005			175	225	1,370	360	2,486	4,616	12.15%	\$ 851.19
2006			150	185	1,129	296	2,322	4,082	10.21%	\$ 765.57
2007			125	145	871	228	2,149	3,518	8.18%	\$ 648.00
2008			95	105	598	157	1,968	2,923	6.50%	\$ 548.20
2009			65	65	309	81	1,777	2,297	5.22%	\$ 421.78

Source: City of Solvang Finance Department

**Schedule 14  
City of Solvang  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2009**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes:</b>			
Santa Barbara County Certificates of Participation	\$ 73,315,000	1.761%	\$ 1,291,077
Allan Hancock Joint Community College District & COP	6,795,000	4.823%	327,723
Santa Ynez Valley Union High School District COP	3,780,000	18.090%	683,802
Buellton Union School District Cert of Participation	2,325,000	1.226%	28,505
Solvang School District Certificate of Participation	1,305,000	81.904%	1,068,847
Subtotal overlapping debt			\$ 3,399,954
<b>City of Solvang Certificates of Participation-Direct Debt</b>			<b>390,000</b>
<b>Total direct and overlapping debt</b>			<b>\$ 3,789,954</b>

**Direct and Overlapping Debt Method of Calculation**

(1) Percentages were determined by dividing the share of overlapping debt for the City located within the boundaries of the County, by the total assessed valuation of the political subdivisions of the County.

(2) Debt outstanding for School Districts is shown as of June 30, 2009.

Source: California Municipal Statistics, Inc.

**Schedule 15  
City of Solvang  
Legal Debt Margin Information  
Last Ten Fiscal Years**

Fiscal Year	Debt Limit	Total Debt Applicable To Limit	Total Debt Applicable To Limit as Percentage of Debt Limit
2000	\$ 84,306,900	0	0.00%
2001	\$ 88,247,400	0	0.00%
2002	\$ 93,467,700	0	0.00%
2003	\$ 100,938,600	0	0.00%
2004	\$ 111,181,500	0	0.00%
2005	\$ 112,799,700	0	0.00%
2006	\$ 123,371,132	0	0.00%
2007	\$ 164,912,850	0	0.00%
2008	\$ 142,580,884	0	0.00%
2009	\$ 147,381,177	0	0.00%

**Legal Debt Margin Calculation for Fiscal Year 2008**

Assessed Value	\$ 982,541,179
Debt Limit (15% of assessed value)	147,381,177
Less debt applicable to limit:	
General Obligation bonds	<u>0</u>
Total debt applicable to limit	<u>0</u>
Legal Debt Margin	<u><u>\$ 147,381,177</u></u>

Under state finance law, the city's outstanding general obligation bonded debt should not exceed 15 percent of total assessed property value.

**Schedule 16  
City of Solvang  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

**Special Assessment Bonds**

Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
2000	35,059	15,000	19,938	1.00
2001	38,921	15,000	18,865	1.15
2002	37,541	20,000	18,145	0.98
2003	35,997	20,000	16,700	0.98
2004	34,569	20,000	15,245	0.98
2005	38,099	20,000	13,045	1.15
2006	36,249	25,000	12,120	0.98
2007	39,374	25,000	10,270	1.12
2008	37,152	30,000	8,228	0.97
2009	20,093	30,000	5,993	0.56

**Water Installment Agreement and Capital Lease**

	Water Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2000	2,241,697	89,736	2,695,511	\$ (364,078)	3,120	1,410	(80.37)
2001	2,717,895	77,010	2,639,649	\$ 155,256	22,740	569	6.66
2002	3,173,366	117,450	2,835,898	\$ 454,918	143,241	25,779	2.69
2003	2,769,964	81,152	2,816,477	\$ 34,639	142,696	149,057	0.12
2004	3,151,538	49,947	2,817,338	\$ 384,147	150,451	140,313	1.32
2005	3,153,819	29,060	2,729,098	\$ 453,781	155,611	135,695	1.56
2006	3,628,170	221,599	3,015,648	\$ 834,121	166,729	123,493	2.87
2007	4,023,837	262,037	3,491,089	\$ 794,785	172,523	115,099	2.76
2008	4,180,995	61,224	3,679,908	\$ 562,311	181,345	106,277	1.96
2009	4,085,678	40,385	3,887,122	\$ 238,941	193,705	99,937	0.81

**Wastewater Capital Lease Obligation**

	Wastewater Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2000	1,194,701	91,170	637,023	\$ 557,678	74,100	31,936	5.26
2001	2,255,759	60,725	661,194	\$ 1,594,565	53,629	13,516	23.75
2002	1,150,770	61,730	818,182	\$ 332,588	49,383	26,082	4.41
2003	1,283,169	69,795	801,784	\$ 481,385	45,280	24,401	6.91
2004	1,535,770	71,720	947,381	\$ 588,389	46,695	10,915	10.21
2005	1,598,026	16,500	931,981	\$ 666,045	56,800	7,959	10.28
2006	1,629,620	401,622	1,005,316	\$ 1,025,926	60,800	-	16.87
2007	1,357,783	231,639	1,422,398	\$ 167,024	64,816	-	2.58
2008	1,610,699	60,550	1,554,414	\$ 116,835	68,828	1,265	1.67
2009	1,527,223	53,020	1,583,351	\$ (3,108)	72,793	1,141	(0.04)

Note: Water and wastewater revenues include operating revenues, interest revenues, and capital impact fees.

Operating Expenses exclude depreciation and amortization

**Schedule 17  
City of Solvang  
Demographic and Economic Statistics  
For The Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2000	5383	169,995,140	31,580	1.20%
2001	5445	176,113,080	32,344	1.20%
2002	5450	179,675,600	32,968	1.50%
2003	5438	186,349,384	34,268	1.40%
2004	5434	196,667,328	36,192	1.30%
2005	5423	205,011,092	37,804	1.20%
2006	5332	204,540,852	38,361	1.10%
2007	5429	171,822,421	31,649	1.20%
2008	5495	175,911,435	32,013	5.00%
2009	5555	185,636,990	33,418	8.20%

Schedule 18  
City of Solvang  
Ten Largest Principal Employers  
Last Four Fiscal Years

Fiscal Year Ended June 30, 2009			Fiscal Year Ended June 30, 2008		
Employer	Number Of Employees	Percentage of Total City Employment	Employer	Number Of Employees	Percentage of Total City Employment
Alisal Guest Ranch	280	9.33%	Alisal Guest Ranch	276	9.20%
Solvang Lutheran Home	125	4.17%	MedSeek	160	5.33%
Santa Ynez Valley Cottage Hospital	85	2.83%	Solvang Lutheran Home	130	4.33%
Route 246	70	2.33%	Santa Ynez Valley Cottage Hospital	85	2.83%
Nielsens Market	65	2.17%	Royal Scandinavian Inn (Chumash)	76	2.53%
New Frontiers Market	60	2.00%	Santa Ynez YMCA	73	2.43%
Hotel Corque	54	1.80%	New Frontiers Market	67	2.23%
Solvang Unified School District	54	1.80%	Solvang Unified School District	60	2.00%
City of Solvang	35	1.17%	Nielsens Market	55	1.83%
Worldmark Trendwest	30	1.00%	City of Solvang	35	1.17%
Totals	858	28.60%	Totals	1017	33.88%
Fiscal Year Ended June 30, 2007			Fiscal Year Ended June 30, 2006		
Employer	Number Of Employees	Percentage of Total City Employment	Employer	Number Of Employees	Percentage of Total City Employment
Alisal Guest Ranch	278	9.27%	Alisal Guest Ranch	270	9.00%
Lutheran Home	130	4.33%	Lutheran Home	125	4.17%
Chumash Casino Resort	97	3.23%	Solvang Royal Scandinavian Inn	89	2.97%
Santa Ynez Valley Cottage Hospital	86	2.87%	Santa Ynez Valley Cottage Hospital	80	2.67%
New Frontiers Market	70	2.33%	Nielsens Market	72	2.40%
Solvang Unified School District	60	2.00%	Solvang Unified School District	55	1.83%
Nielsens Market	55	1.83%	New Frontiers Market	45	1.50%
City of Solvang	35	1.17%	Worldmark Trendwest Hotel	40	1.33%
Worldmark Trendwest Hotel	30	1.00%	City of Solvang	35	1.17%
Petersen Inn Hotel	28	0.93%	Petersen Inn Hotel	33	1.10%
Totals	869	28.97%	Totals	844	28.13%

**Note:** Information about principal employers was not previously provided by the City in the statistical section of its Comprehensive Annual Financial Report. The City implemented GASB Statement Number 44 in the 2006 fiscal year, and therefore information in this schedule is being provided prospectively from the year of implementation.

**Schedule 19**  
**City of Solvang**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

Full-Time Equivalent Employees as of June 30

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General government:</b>										
City Council (Stipend)	-	-	-	-	-	-	-	-	-	-
City clerk	1	1	1	1	1	1	1	1	1	1
City attorney (Contract)	-	-	-	-	-	-	-	-	-	-
City manager	1	1	1	1	1	1	1	1	1	1
Economic development	1	1	1	1	1	1	1	-	-	-
Finance	4	4	4	4	4	4	4	4	5	5
<b>Public safety:</b>										
Police (Contract)	-	-	-	-	-	-	-	-	-	-
Fire	1	1	1	1	1	2	2	2	-	-
<b>Planning:</b>										
Planning	2	2	2	2	2	2	2	2	2	2
Building and safety	-	-	-	-	-	1	1	0.5	0.5	0.5
<b>Public works:</b>										
Engineering	-	1	1	2	2	2	2	3.5	2.5	2.5
Roads and streets	1	1	1	1	1	1	1	2	2.35	2.5
Maintenance	3	3	3	4	4	4	4	3	3.65	3.65
<b>Parks:</b>										
Parks and recreation	7	5	5	5	5	5	5	7	5.5	5.8
<b>Water:</b>										
Treatment and distribution	3	3	3	4	4	4	4	4	4	4
<b>Wastewater:</b>										
Collection and treatment	5	5	5	5	6	6	6	6	6	6
<b>Totals</b>	<b>29</b>	<b>28</b>	<b>28</b>	<b>31</b>	<b>32</b>	<b>34</b>	<b>34</b>	<b>36</b>	<b>34.5</b>	<b>34.0</b>

Note: No full-time equivalent employees are shown for police, fire, City Attorney and previous years of Public Works Engineering and Building Services due to the fact that the City had contracts for such services. City Council are elected officials, not employees and therefore not represented.

**Schedule 20  
City of Solvang  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Police:</b>										
Physical arrest	130	158	115	186	242	311	365	265	299	269
Traffic violations	270	324	419	506	687	651	583	737	610	707
<b>Fire:</b>										
Emergency responses			348	373	388	435	424	486	510	498
Fires extinguished			37	36	41	35	30	18	16	18
<b>Planning:</b>										
Building permits issued	38	106	85	57	128	162	151	223	299	141
<b>Public works:</b>										
Miles streets resurfaced	2.14	3.47	0.00	7.15	0.00	1.81	1.13	0.25	2.27	4.37
<b>Parks:</b>										
Community events held	7	6	7	9	9	7	5	14	22	17
Swimming pool admissions	-	-	-	-	-	-	-	-	-	-
<b>Water:</b>										
Number new connections	0	0	0	0	7	24	10	36	9	7
Daily average water production in MGD	1.41	1.35	1.36	1.32	1.43	1.32	1.02	1.46	1.48	1.38
Daily average water consumption in MGD	1.45	1.45	1.31	1.31	1.31	1.12	1.30	1.34	1.37	1.33
<b>Wastewater:</b>										
Number new connections	0	0	0	0	0	0	6	36	9	7
Daily average treatment in millions gallons(MGD)	0.87	0.92	0.86	0.88	0.82	0.75	0.82	0.60	0.60	0.69

Note: Fire Statistics were not available prior to 2002

**Schedule 21  
City of Solvang  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Fire</b>										
Stations	1	1	1	1	1	1	1	1	-	-
Engines	5	5	5	5	5	5	5	5	-	-
<b>Public works:</b>										
Miles of streets	21	21	21	21	21	21	22	22	22	22
Streetlights	6	6	6	6	6	6	7	7	7	7
Traffic signals	-	-	-	-	-	-	-	-	-	-
<b>Parks and recreation:</b>										
Community centers	3	3	3	3	3	3	3	3	3	3
Parks	3	3	3	3	3	3	4	4	4	4
Park acreage	56	56	56	56	56	56	63	63	63	63
<b>Water:</b>										
Miles of mains	32	32	32	32	32	32	32	35	35	35
Number connections	2,005	2,005	1,906	1,906	1,899	1,923	1,953	1,989	1,964	2,017
<b>Wastewater:</b>										
Miles of sewers	40	40	40	40	40	40	40	40	40	42
Number connections	1,745	1,745	1,806	1,806	1,805	1,793	1,771	1,989	1,964	2,017
Maximum plant capacity in millions gallons	1.2	1.2	1.2	1.2	1.2	1.5	1.5	1.5	1.5	1.5

\*\* Police & Fire services are run by the County of Santa Barbara

