



CENTENNIAL YEAR

2011

# Solvang's Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011



**CITY OF SOLVANG, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**for the**  
**Fiscal Year Ended June 30, 2011**

*Prepared By the Department of Finance*

## **INTRODUCTORY SECTION**

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**Fiscal Year Ended June 30, 2011**

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December 1, 2011

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, 2011.

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, 2011. 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. Policy making 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.

This is the 100<sup>th</sup> year anniversary of the original settlement. As such the community has been celebrating all year long with Centennial related events and will conclude the year by installing a time capsule commemorating the 100 years of existence.

### ***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 slight decreases in both property tax and sales tax revenues. 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. We are projecting these revenue sources to stabilize in fiscal year 2012. Hotel taxes increase slightly this year as the occupancy rate and average daily rental rate both increased. We are projecting the revenues to be stable in fiscal year 2012.

While we have seen 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 about \$.75 million in capital projects. For fiscal year 2012 the City has budgeted \$4 million for capital projects, mostly for water and engineering. An additional \$22 million in capital projects are planned to be completed by the year 2021. These projects include about \$12.6 million in public works projects, \$575 thousand for parks and recreation, \$730 thousand for transit, \$4.2 million for water and \$3.3 million for wastewater system improvements.

While the general fund ended fiscal 2011 with approximately a \$5.2 million fund balance, \$2.8 million was committed for emergency reserves, and approximately \$2.1 million remained undesignated. There is \$3 million in Traffic Mitigation Impact Fees, Transportation Sales Tax Ballot Measures A & D, Alamo Pintado Creek Bridge 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 2010/11 marked the seventh 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 had not been evaluated for quite some time. In fiscal year 2011 the City underwent a study for water and sewer 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 and to ensure long term fiscal stability. The study was concluded in fiscal year 2011/12 and rate increases for a five year period were recommended and adopted by the City Council. The new rates are effective starting November 21, 2011 and will help the enterprise funds to be able to complete the necessary capital improvements.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awards Certificates of Achievement for Excellence in Financial Reporting for comprehensive annual financial reports (CAFR). The City had received this prestigious award every year for 17 years, but did not submit a CAFR for fiscal year 2010. This was due to a temporary staffing reduction in the Finance Department. In order to receive this award, the City must publish an easily readable and efficiently organized CAFR. The report must 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 meets the Certificate of Achievement Program's requirements and we plan to submit it to the GFOA 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,



Brad Vidro  
City Manager



Bruce Budman  
Interim Finance Director



**CITY OF SOLVANG PRINCIPAL OFFICIALS**

**MAYOR**

JIM RICHARDSON

**CITY COUNCIL MEMBERS**

TARA WOOD KENNETH PALMER  
JOAN JAMIESON HANS DUUS

**CITY MANAGER**

BRAD VIDRO

**CITY ATTORNEYS**

ROY HANLEY  
DAVID FLEISHMAN

**ADMINISTRATION**

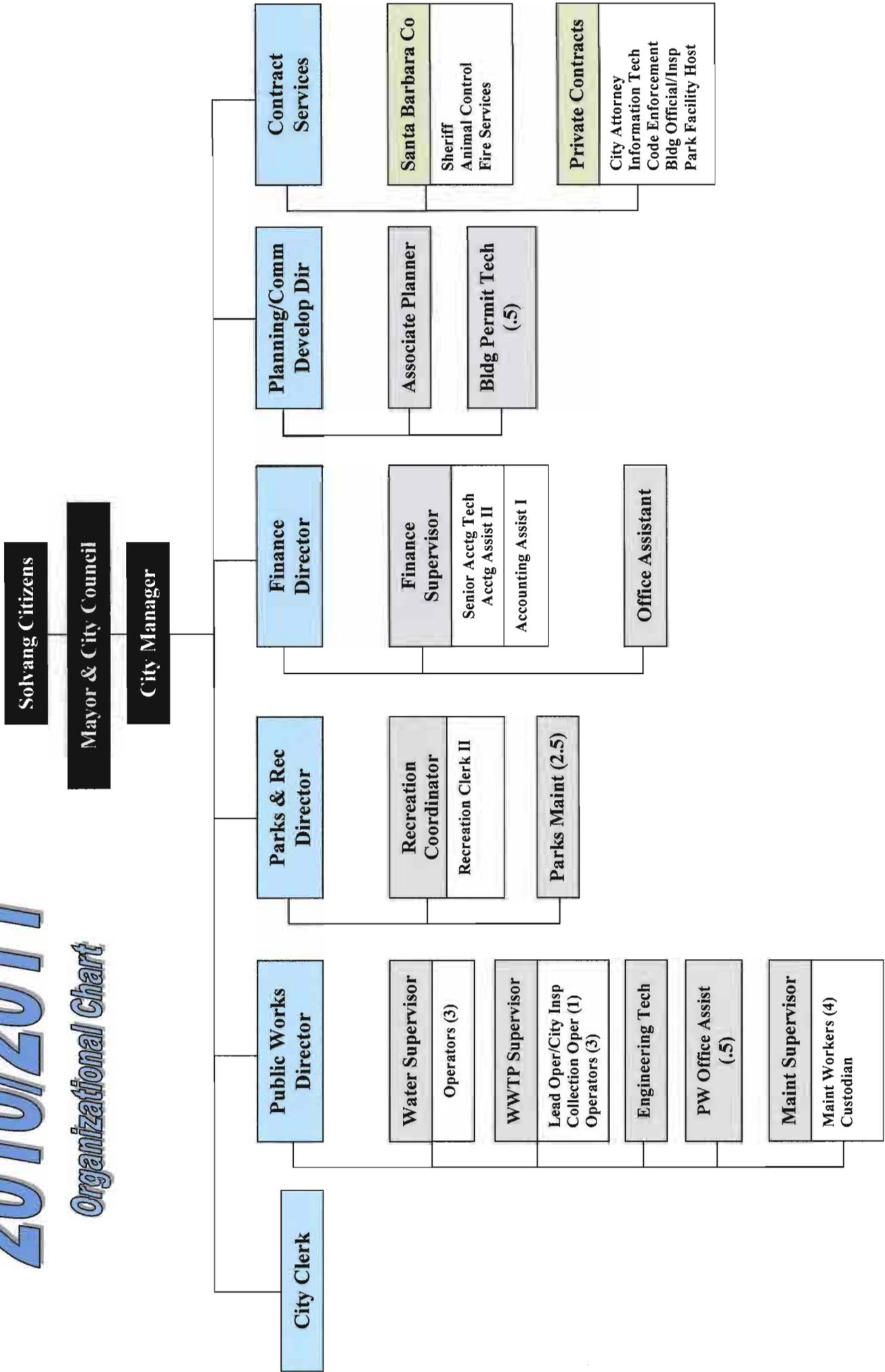
CITY CLERK, MARY ELLEN RIO  
ACTING FINANCE DIRECTOR, BRUCE BUDMAN  
PUBLIC WORKS/CITY ENGINEER, MATTHEW VAN DER LINDEN  
PLANNING/COMMUNITY DEVELOPMENT/BUILDING, ARLEEN PELSTER  
PARKS & RECREATION DIRECTOR, FRED LAGEMEN

**CONTRACT SERVICES**

LAW ENFORCEMENT, JULIE McCAMMON  
CODE ENFORCEMENT, JOSEPH BAILEY  
BUILDING, CALIFORNIA CODE CHECK  
ANIMAL CONTROL, JAN GLICK  
FIRE SERVICE, COUNTY OF SANTA BARBARA

# 2010/2011

## Organizational Chart



**FINANCIAL SECTION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS,**  
**BASIC FINANCIAL STATEMENTS**  
**AND**  
**NOTES TO THE FINANCIAL STATEMENTS**



# 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, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Solvang, California, (the City) as of and for the year ended June 30, 2011 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 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 opinions.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Solvang, California, as of June 30, 2011, 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.

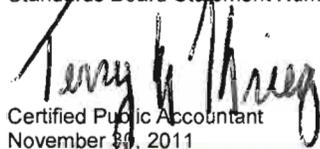
In accordance with Government Auditing Standards, I have also issued my report dated November 30, 2011 on my consideration of the City of Solvang's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 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.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress on pages 2 through 14 and pages 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying combining nonmajor fund financial statements, individual fund schedules, and schedules of capital assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Solvang's basic financial statements. The accompanying introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

As discussed in note 5-G to these financial statements, the City in fiscal year 2011, implemented the provisions of Governmental Accounting Standards Board Statement Number 54, and titled, Fund Balance Reporting and Governmental Fund Type Definitions.

  
Certified Public Accountant  
November 30, 2011

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## Management's Discussion and Analysis

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This section presents management's analysis of the City of Solvang's financial condition for the fiscal year ended June 30, 2011. 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 \$316.1 thousand or 0.81% more than 2009-2010 after conducting all operations and programs. The net assets totaled \$38.9 million dollars at year-end. Of that amount, \$14.8 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 \$21.9 million dollars. Of the \$21.9 million dollars, \$6.7 million remains unrestricted and available.
- Overall, Citywide revenues from all governmental and business-type activities, grants and taxes increased by about \$812 thousand or 6.5% compared to the 2010 fiscal year. This net increase is primarily due to an increase in transient occupancy tax revenues, charges for services relating to recreation, community development and public works and operating and capital grants for transit.
- The general fund reported a fund balance of \$5.2 million at the end of the 2011 fiscal year; an increase of \$193,229 or 3.8% over fiscal 2010.

Impact Fees ended 2011 with a fund balance of \$2.1 million; an increase of \$25,474 or 1.28% from 2010. The increase is the result of additional impact fees collected during the year.

- The Proprietary Enterprise funds ended the fiscal year with \$17 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 \$93,783 or 0.6% increase from fiscal year 2010.
- The City's other non-major governmental funds ended 2011 with a \$952 thousand dollar fund balance. The decrease of just over \$422 thousand or 31% is primarily caused by the spend down of Measure D funds in the amount of \$286 thousand and \$197,588 of transfers out from various funds for project funding.



# 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 on the next page, 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.



## Management's Discussion and Analysis

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.

### **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.

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.

The City has two major governmental funds, the General Fund and the Impact Fees Fund. In addition the City has several special revenue funds that hold restricted resources and one capital project fund for the Alamo Pintado Creek Project.

- ***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 \$300 thousand between fiscal years 2010 and 2011. (See Table A-1)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percent age Change 2010- 2011</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	
Current and other Assets	\$ 10.9	\$ 10.6	\$ 7.5	\$ 7.5	\$ 18.4	\$ 18.1	-2%
Capital Assets	\$ 11.4	\$ 12.0	\$ 11.6	\$ 11.3	\$ 23.0	\$ 23.3	1%
<b>Total Assets</b>	<b>\$ 22.3</b>	<b>\$ 22.6</b>	<b>\$ 19.1</b>	<b>\$ 18.8</b>	<b>\$ 41.4</b>	<b>\$ 41.4</b>	<b>0%</b>
Long-term debt outstanding	\$ 0.1	\$ 0.4	\$ 1.4	1.2	\$ 1.5	\$ 1.6	7%
Other liabilities	\$ 0.6	\$ 0.3	\$ 0.7	0.6	\$ 1.3	\$ 0.9	-31%
<b>Total Liabilities</b>	<b>\$ 0.7</b>	<b>0.7</b>	<b>\$ 2.1</b>	<b>\$ 1.8</b>	<b>\$ 2.8</b>	<b>\$ 2.5</b>	<b>-11%</b>
<b>Net Assets:</b>							
Invested in capital assets	\$ 12.3	\$ 12.7	\$ 8.8	\$ 8.7	\$ 21.1	\$ 21.4	1%
Restricted	\$ 2.8	\$ 2.5	\$ 0.2	\$ 0.2	\$ 3.0	\$ 2.7	-10%
Unrestricted	\$ 6.5	\$ 6.7	\$ 8.0	\$ 8.1	\$ 14.5	\$ 14.8	2%
<b>Total Net Assets</b>	<b>\$ 21.6</b>	<b>\$ 21.9</b>	<b>\$ 17.0</b>	<b>\$ 17.0</b>	<b>\$ 38.6</b>	<b>\$ 38.9</b>	<b>1%</b>

Net assets of the City's governmental and business-type activities increased slightly to 38.9 million. About 55% 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 45%. 58% of the City's total liabilities are represented by long-term obligations including, installment agreement, other post employment benefit obligations, and employee compensated absences.

#### Changes in Net Assets

The City's 2011 total revenues of \$13.4 million were approximately \$.8 million greater than in 2010; equating to a 6.4% increase. (See Table A-2). This majority of this increase is explained as follows:

- **Charges for services** saw a 34% increase due in large part to Governmental activity increases. Public Works, Cultural and Recreation and Community Development had increasing revenues. The enterprise funds had steady revenue in this area. Citywide, charges for services increased \$261,795 from 2009/10.
- **Transient Occupancy Taxes** increased \$135,519 or 5.7% from 2009/10.



# Management's Discussion and Analysis

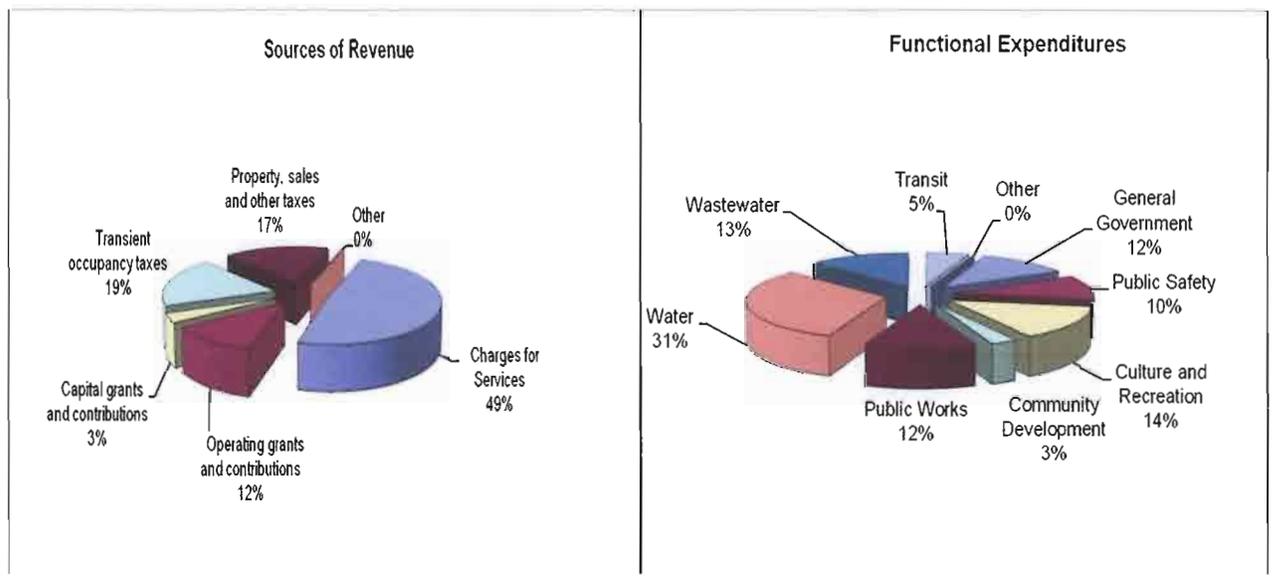
## Financial Analysis of the City as a Whole (cont.)

The City's most significant source of revenue was charges for services, accounting for 49% of the total. An additional 36% 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 2011 was approximately \$13.1 million and includes a wide range of services such as police 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:

### 2010/2011



## Governmental Activities

Taxes are the primary source of revenue for governmental activities and account for 70% 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 37% of all governmental-type revenues. In 2011, hotel tax increased \$135,519 or 6% from 2009/10. Occupancy of rooms went up slightly to 63% from 62% in 2010.



## Management's Discussion and Analysis

The City's governmental-type operating expenses were incurred to provide police protection, Culture and Recreation, Public Works and General Government. These costs made up 21%, 28%, 23%, and 23% respectively of the City's total 2011 governmental operating expenses. The remaining 5% was spent on Community Development related expenses.

When all operations were concluded, the governmental activities function generated \$.222 million in net assets, a \$120 thousand decrease compared to \$343 thousand increase in 2010. The increase in net assets for 2010 and 2011 was relatively stable.

**Table A-3**  
**Changes in the City of Solvang's Net Assets**  
 (in millions of dollars)

	Governmental I Activities		Business- type Activities		Total		% Change 2010-2011
	2010	2011	2010	2011	2010	2011	
<b>Revenues:</b>							
Program Revenues							
Charges for Services	\$ 0.75	\$ 1.00	\$ 5.53	\$ 5.53	\$ 6.28	\$ 6.53	4%
Operating grants and contributions	0.73	0.84	0.51	0.71	1.24	1.55	25%
Capital grants and contributions	0.16	0.11	0.11	0.35	0.27	0.46	70%
General Revenues							
Transient occupancy taxes	2.37	2.51			2.37	2.51	6%
Property, sales and other taxes	2.09	2.28			2.09	2.28	9%
Other	0.33	0.05			0.33	0.05	-85%
<b>Total Revenues</b>	<b>\$ 6.43</b>	<b>\$ 6.79</b>	<b>\$ 6.15</b>	<b>\$ 6.59</b>	<b>\$ 12.58</b>	<b>13.38</b>	<b>6%</b>
<b>Expenses</b>							
General Government	\$ 1.37	\$ 1.52			\$ 1.37	\$ 1.52	11%
Public Safety	1.33	1.36			1.33	1.36	2%
Culture and Recreation	1.41	1.82			1.41	1.82	29%
Community Development	0.40	0.36			0.40	0.36	-10%
Public Works	1.58	1.51			1.58	1.51	-4%
Water			4.16	4.08	4.16	4.08	-2%
Wastewater			1.70	1.71	1.70	1.71	1%
Transit			0.70	0.71	0.70	0.71	1%
Other	0.02				0.02		-100%
<b>Total Expenses</b>	<b>\$ 6.11</b>	<b>\$ 6.57</b>	<b>\$ 6.56</b>	<b>\$ 6.50</b>	<b>\$ 12.67</b>	<b>13.07</b>	<b>3%</b>
Excess (deficiency) before transfers	\$ 0.32	\$ 0.22	\$ -0.51	\$ 0.09	\$ -0.09	\$ 0.31	433%
Transfers	\$ .02		\$ -0.02				
<b>Increase (decrease) in net assets</b>	<b>\$ 0.34</b>	<b>\$ 0.22</b>	<b>\$ -0.43</b>	<b>\$ 0.09</b>	<b>\$ 0.09</b>	<b>0.31</b>	<b>433%</b>

- While users and contributors funded about \$2 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 \$4.6 million.



## Management's Discussion and Analysis

- Major sources of program revenues were:
  - Those who directly benefited from or used the programs (\$1 million), or
  - Other governments and organizations that subsidized certain programs with grants and contributions (about \$.84 million).
  - The City funded the \$4.6 million “public benefit” portion with the \$4.8 million in general revenues such as property taxes, transient occupancy taxes, sales taxes, and with other tax revenues and investment earnings.

Table A-4 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.

Total Cost of Services			Percentage Change
	2010	2011	2010-2011
General Government	\$ 1.36	1.52	12%
Public Safety	1.33	1.36	2%
Culture and Recreation	1.41	1.82	29%
Community Development	0.40	0.36	-10%
Public Works	1.58	1.51	-4%
Other	0.03	0	-100%
<b>Total Expenses</b>	<b>\$ 6.11</b>	<b>\$6.57</b>	<b>8%</b>

\* The cost of all programs this year was 6.57 million, compared to 6.11 million in fiscal 2010.

Expenses in the General Government functions are up 12% mostly due to leave accruals and a decrease in internal service fund costs. Cultural and recreation costs are up 29% and is due to the Amgen Tour of California and Centennial expenses and also the Centennial Plaza project. The decrease of 10% in Community development costs are related to salary and benefit savings relating to an open position. Overall Government Activities costs increased about \$400 thousand over last year or by 8%.

### Business Type Activities

Water, Wastewater and Transit Funds were responsible for \$93,783 increase in net assets of the business type activities of the City in 2011.

Water lost	\$87,134 in 2011.
Sewer lost	\$148,555 while
Transit gained	\$329,472



## Management's Discussion and Analysis

User fees were down slightly in Water in 2011 compared to 2010 but up slightly in Wastewater and Transit. Operational costs were up slightly in Wastewater and Transit in 2011 compared to 2010, but down slightly in Water. Operating subsidies in the transit fund were substantially higher in 2011 from 2010 while only slightly higher in wastewater and slightly lower in water. The City did not raise rates in fiscal year 2010/2011.

As the City completed the year, its governmental funds reported a combined fund balance of \$8.3 million, \$203,130 less than the last fiscal year. The City's general fund operations reported an increase of \$193,229. These funds are carried into the 2011/12 fiscal budget and increase the unassigned fund balance. Other governmental funds suffered a \$421,833 loss as a result of spending on street related projects. The Impact Fee Fund increased by \$25,474 as a result of fees collected during the year.

At year-end, the City's general fund had a fund balance of \$5.2 million, of which \$3 million remains committed for future use such as unanticipated emergencies or debt and \$2.2 million is left unassigned.

In addition, the City's non-major governmental funds ended the 2011 fiscal year with a combined fund balance of \$952,189 all of which is restricted for local transportation projects. The Impact Fee fund ended 2011 with \$2.1 million, with the entire amount restricted for other developer impact purposes.

### **General Fund Budgetary 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 were \$1,563,770 less than final budget amounts. 69% of this amount was due to our Mission and Alamo Pintado Intersection project and other public works maintenance and engineering projects not seeing completion. A detailed budgetary comparison schedule is presented for the year ended June 30, 2011 on page 41 of this report.

This budgetary comparison indicates the following:

#### **Budgetary Comparison-General Fund Summary-Fiscal Year Ended June 30, 2011**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Fund Balance July 1</b>	\$ 5,647,142	\$ 5,647,142	\$ 5,030,159	(\$ 616,983)
<b>Revenues</b>	\$ 5,953,467	\$ 6,157,622	\$ 6,208,823	\$ 51,201
<b>Expenditures</b>	\$ 7,153,467	\$ 7,579,364	\$ 6,015,594	\$1,563,770
<b>Fund Balance June 30</b>	\$ 4,447,142	\$ 4,225,400	\$ 5,223,388	\$ 997,988



## Management's Discussion and Analysis

General Fund revenues realized were \$51,201 higher than projections overall. The largest variances were in transient occupancy taxes, charges for services and miscellaneous revenues relating to Centennial receipts. These came in \$149,162, \$83,915 and \$178,098 higher than anticipated, respectively. Grant revenues we not realized in the amount of \$493,427 as the ADA Access and Alisal Bridge projects we not done or progress as anticipated for reimbursement. We also over budgeted the revenue amount for the emergency preparedness grant. The \$616,983 variance in beginning fund balance relates to accumulated dollars for the Alamo Pintado Creek Bridge Project being set up as its own fund in fiscal year 2011.

Expenditures were \$1,563,770 under budget. This was mainly the result of the Mission-Alamo Pintado Intersection and Alisal Road projects not being done and also other public works and engineering projects. In addition the document imaging equipment and service acquisition was carried over to 2012 in the amount of \$100,000. These savings were reduced by expenditures in excess of budgeted amounts relating to Centennial activities.

### Capital Asset and Debt Administration

#### Capital Assets

At the end of 2011, 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-5). This amount including net additions and deductions and depreciation is the same as last year.

**Table A-5**  
**City of Solvang Capital Assets**  
**Net of Depreciation, In millions of dollars**

	Governmental Activities		Business-type Activities		Total		Total % Change 2010-2011
	2010	2011	2010	2011	2010	2011	
Land	\$ 1.94	\$ 1.94	\$ 0.11	\$ 0.11	\$ 2.05	\$ 2.05	0%
Construction in progress	1.48	1.02	0.10	0.22	\$ 1.58	\$ 1.24	-21.52%
Buildings	3.36	3.36	7.56	7.56	\$ 10.92	\$ 10.92	0%
Machinery and equipment	0.62	0.62	1.57	1.67	\$ 2.19	\$ 2.29	4.57%
Vehicles	0.73	0.73	0.33	0.32	\$ 1.06	\$ 1.05	-.94%
Improvements	3.74	4.04			\$ 3.74	\$ 4.04	8.02%
Pipelines\collection system			8.52	8.55	\$ 8.52	\$ 8.55	0.35%
Infrastructure	4.37	5.59	3.58	3.58	\$ 7.95	\$ 9.17	15.35%
Accumulated depreciation	(3.94)	(4.60)	(11.35)	(12.00)	\$(15.29)	\$(16.60)	8.57%
<b>Total Expenses</b>	<b>\$ 12.30</b>	<b>\$ 12.70</b>	<b>\$ 10.42</b>	<b>\$ 10.02</b>	<b>\$ 22.72</b>	<b>\$ 22.72</b>	<b>0.0%</b>



## Management's Discussion and Analysis

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### **This Year's Major Capital Asset Additions included:**

In fiscal year 2011, the City added about \$400 thousand in net capital assets for governmental operational purposes and decreased about \$400 thousand for business type activities, mostly due to depreciation. The most significant additions citywide included:

<b>Fredensborg Canyon Road Creek Culvert</b>	<b>\$132,672</b>
<b>Transit Buses &amp; Radios</b>	<b>\$ 71,063</b>
<b>Tennis Court Resurface</b>	<b>\$ 27,039</b>
<b>Pavement Overlay</b>	<b>\$ 83,525</b>
<b>Sidewalk Improvements</b>	<b>\$250,002</b>

Additional information on capital assets of the City can be found starting on page 33 of the notes to the financial statements.

### **Long Term Debt**

At the end of fiscal year 2011, the City had \$1,366,332 in an installment agreement payable outstanding. This debt relates to \$3 million borrowed in 2001 for water system improvements for transporting State water to the City of Solvang. Debt outstanding on this issue was reduced by \$210,612 during the fiscal year. The note shown in 2010 for \$25,451 was paid in full during 2011.

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 2011 for estimated claim obligations and has no current obligation for 2011. This liability was fully funded and paid in 2011, and there were no pending claims at the end of the fiscal year. The City's general fund pays all insurance related costs.

The City has a long term debt obligation through its contractual obligation with the Santa Ynez River Water Conservation District, Improvement District No. 1 for State Water Project water. The City has a take or pay water purchase agreement where the City must make annual payments for the water whether or not it takes a single drop. The Water District has pledged its water sale revenue from Solvang for repayment of its long-term debt. Solvang has an ongoing commitment to buy water from District 1, but the bonded debt is that of the District and not the City of Solvang. The agreement requires annual payments until 2035.

Additional information on the City's long-term debt can be found starting on page 35 of the notes to the financial statements.



## Management's Discussion and Analysis

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

For the 2012 fiscal year, general fund revenue projections for sales tax were again conservative. Our top three general fund revenues remain as Transient Occupancy Tax, Sales Tax, and Property Taxes. These three revenues make up approximately 70 percent of the general fund total revenues and are highly dependent on the economy and tourism, both of which are still unpredictable.

Overall general fund revenues are projected to increase by \$335,000 dollars over fiscal year 2011. This anticipated increase is the result of change in the way transportation funding will be included in the budget. But also an estimated increase in the Transient Occupancy Tax of \$140,000 based on a continued increase of receipts.

In June 2011 the City adopted a balanced budget with adequate resources available to fund proposed expenditures. We do not anticipate the reduction of any public services or staff in the coming year. We are meeting our reserve level and anticipate only utilizing reserves for those projects included in the Capital Improvement Program.

Our local economy continues to feel the impacts of the economic downturn, however, not as drastically as most communities. We see a declining sales tax, but increasing hotel tax revenue. Property tax remains steady after large decreases in prior years. Solvang did not experience the high foreclosure rates of other local communities.

It is anticipated that water and sewer funds will see an increase in revenues when new rates become effective starting with the November/December billing cycle. The City has established rates that will insure that our citizens pay an equitable 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.



## Management's Discussion and Analysis

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### **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, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Solvang Conference & Visitors Bureau
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 10,079,537	\$ 6,848,731	\$ 16,928,268	\$ 30,621
Net receivables	488,354	664,027	1,152,381	1,680
Prepayments	700	525	1,225	-
Total current assets	<u>10,568,591</u>	<u>7,513,283</u>	<u>18,081,874</u>	<u>32,301</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	245,848	245,848	-
Internal balances	(975,510)	975,510	-	-
Debt issuance costs	-	21,756	21,756	-
Receivables-long-term	295,353	-	295,353	-
Capital assets not being depreciated	2,959,399	332,368	3,291,767	-
Capital assets being depreciated, net	9,736,804	9,684,956	19,421,760	-
Total noncurrent assets	<u>12,016,046</u>	<u>11,260,438</u>	<u>23,276,484</u>	<u>-</u>
Total assets	<u>\$ 22,584,637</u>	<u>\$ 18,773,721</u>	<u>\$ 41,358,358</u>	<u>\$ 32,301</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 212,399	\$ 113,526	\$ 325,925	\$ 3,295
Accrued liabilities	62,166	34,941	97,107	7,218
Due to other governments	33,632	-	33,632	-
Compensated absences	60,000	35,150	95,150	-
Deposits	64,461	1,000	65,461	-
Accrued interest payable	-	10,208	10,208	-
Unearned revenue	-	177,069	177,069	-
Installment agreement	-	221,383	221,383	-
Total current liabilities	<u>432,658</u>	<u>593,277</u>	<u>1,025,935</u>	<u>10,513</u>
Noncurrent liabilities:				
Compensated absences	34,357	5,107	39,464	-
Installment agreement	-	1,144,949	1,144,949	-
Net other post employment benefit obligation	259,785	-	259,785	-
Total noncurrent liabilities	<u>294,142</u>	<u>1,150,056</u>	<u>1,444,198</u>	<u>-</u>
Total liabilities	<u>726,800</u>	<u>1,743,333</u>	<u>2,470,133</u>	<u>10,513</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12,696,203	8,672,748	21,368,951	-
Restricted for:				
Highways and streets	1,994,581	-	1,994,581	-
Capital improvements	495,007	245,848	740,855	-
Unrestricted	6,672,046	8,111,792	14,783,838	21,788
Total net assets	<u>21,857,837</u>	<u>17,030,388</u>	<u>38,888,225</u>	<u>21,788</u>
Total liabilities and net assets	<u>\$ 22,584,637</u>	<u>\$ 18,773,721</u>	<u>\$ 41,358,358</u>	<u>\$ 32,301</u>

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2011**

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			
					Governmental Activities	Business-type Activities	Total	
<b>City government</b>								
<b>Governmental activities:</b>								
General government	\$ 1,517,579	\$ 432,056	\$ -	\$ -	\$ (1,085,523)	\$ -	\$ (1,085,523)	\$ -
Public safety	1,359,241	31,832	114,172	-	(1,213,237)	-	(1,213,237)	-
Culture and recreation	1,819,964	361,251	167,187	-	(1,291,526)	-	(1,291,526)	-
Community development	363,259	106,020	-	-	(257,239)	-	(257,239)	-
Public works	1,508,809	81,662	561,610	105,883	(759,654)	-	(759,654)	-
Interest on long-term debt	7,244	-	-	-	(7,244)	-	(7,244)	-
<b>Total governmental activities</b>	<b>6,576,096</b>	<b>1,012,821</b>	<b>842,969</b>	<b>105,883</b>	<b>(4,614,423)</b>	<b>-</b>	<b>(4,614,423)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water	4,082,761	3,973,351	-	22,276	-	(87,134)	(87,134)	-
Wastewater	1,709,935	1,474,723	-	86,657	-	(148,555)	(148,555)	-
Transit	713,694	82,522	714,796	245,848	-	329,472	329,472	-
<b>Total business-type activities</b>	<b>6,506,390</b>	<b>5,530,596</b>	<b>714,796</b>	<b>354,781</b>	<b>-</b>	<b>93,783</b>	<b>93,783</b>	<b>-</b>
<b>Total Primary government</b>	<b>\$ 13,082,486</b>	<b>\$ 6,543,417</b>	<b>\$ 1,557,765</b>	<b>\$ 460,664</b>	<b>(4,614,423)</b>	<b>93,783</b>	<b>(4,520,640)</b>	<b>-</b>
<b>Component Unit:</b>								
Solvang Conference & Visitors Bureau	\$ 572,428	\$ 70,140	\$ 460,000	\$ -	-	-	-	\$ (42,288)
<b>General revenues:</b>								
<b>Taxes:</b>								
Property taxes					1,039,634	-	1,039,634	-
Sales taxes					972,838	-	972,838	-
Transient occupancy taxes					2,507,857	-	2,507,857	-
Other taxes					269,238	-	269,238	-
Interest					47,258	-	47,258	-
<b>Total general revenues</b>					<b>4,836,825</b>	<b>-</b>	<b>4,836,825</b>	<b>-</b>
<b>Change in net assets</b>					<b>222,402</b>	<b>93,783</b>	<b>316,185</b>	<b>(42,288)</b>
Net assets, beginning					21,635,435	16,936,605	38,572,040	64,076
Net assets, ending					\$ 21,857,837	\$ 17,030,388	\$ 38,888,225	\$ 21,788

See accompanying notes to the basic financial statements

**CITY OF SOLVANG**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 6,059,298	\$ 2,110,441	\$ 979,119	\$ 9,148,858
Taxes receivable	410,755	-	-	410,755
Accounts receivable	30,107	-	-	30,107
Due from other governments	14,427	-	20,757	35,184
Accrued interest receivable	7,848	2,592	734	11,174
Prepayments	700	-	-	700
Notes receivable	-	88,438	-	88,438
Due from other governments- long term	206,915	-	-	206,915
Total assets	<u>\$ 6,730,050</u>	<u>\$ 2,201,471</u>	<u>\$ 1,000,610</u>	<u>\$ 9,932,131</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 197,610	\$ -	\$ 14,789	\$ 212,399
Due to other governments	-	-	33,632	33,632
Accrued liabilities	62,166	-	-	62,166
Advances from other funds	975,510	-	-	975,510
Deposits	64,461	-	-	64,461
Deferred revenue	206,915	88,438	-	295,353
Total liabilities	<u>1,506,662</u>	<u>88,438</u>	<u>48,421</u>	<u>1,643,521</u>
Fund balances:				
Nonspendable	700	-	-	700
Restricted for:				
Highways and streets	-	1,618,026	952,189	2,570,215
Parking	-	284,810	-	284,810
Park improvements	-	14,368	-	14,368
Affordable housing	-	195,829	-	195,829
Committed to:				
Emergencies	2,838,543	-	-	2,838,543
Other Post Employment Benefits	130,000	-	-	130,000
Museum	75,000	-	-	75,000
Unassigned	2,179,145	-	-	2,179,145
Total fund balances	<u>5,223,388</u>	<u>2,113,033</u>	<u>952,189</u>	<u>8,288,610</u>
Total liabilities and fund balances	<u>\$ 6,730,050</u>	<u>\$ 2,201,471</u>	<u>\$ 1,000,610</u>	<u>\$ 9,932,131</u>

Total Governmental Fund Balances	\$ 8,288,610
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	12,488,547
Long-term receivables used in governmental activities are not current financial resources and, therefore, are deferred in the funds	295,353
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets	1,139,469
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	<u>(354,142)</u>
Net Assets of Governmental Activities	<u>\$ 21,857,837</u>

**CITY OF SOLVANG**  
**Statements of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30,2011**

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 1,039,634	\$ -	\$ -	\$ 1,039,634
Sales taxes	972,838	-	-	972,838
Transient occupancy taxes	2,507,857	-	-	2,507,857
Other taxes	241,094	-	-	241,094
Special assessments	-	-	35,793	35,793
Licenses and permits	76,815	-	-	76,815
Fines and forfeits	-	-	27,005	27,005
Intergovernmental	104,573	-	659,301	763,874
Interest	47,258	(6,656)	3,225	43,827
Charges for services	812,367	32,130	-	844,497
Miscellaneous	208,798	-	304	209,102
	-	-	-	-
Total revenues	<u>6,011,234</u>	<u>25,474</u>	<u>725,628</u>	<u>6,762,336</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,293,901	-	-	1,293,901
Public safety	1,350,173	-	-	1,350,173
Culture and recreation	1,685,071	-	-	1,685,071
Community development	363,259	-	-	363,259
Public works	985,165	-	701,168	1,686,333
Debt service:				
Principal	25,451	-	-	25,451
Interest	7,244	-	-	7,244
Capital outlay	305,330	-	248,704	554,034
	-	-	-	-
Total expenditures	<u>6,015,594</u>	<u>-</u>	<u>949,872</u>	<u>6,965,466</u>
Excess (deficiency) of revenues over expenditures	<u>(4,360)</u>	<u>25,474</u>	<u>(224,244)</u>	<u>(203,130)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	197,589	-	-	197,589
Transfers out	-	-	(197,589)	(197,589)
	-	-	-	-
Total other financing sources (uses)	<u>197,589</u>	<u>-</u>	<u>(197,589)</u>	<u>-</u>
Net change in fund balances	193,229	25,474	(421,833)	(203,130)
Fund balances, July 1	5,030,159	2,087,559	1,374,022	8,491,740
Fund balances, June 30	<u>\$ 5,223,388</u>	<u>\$ 2,113,033</u>	<u>\$ 952,189</u>	<u>\$ 8,288,610</u>

**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, 2011**

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (203,130)</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 \$1,078,101 exceed depreciation (\$618,218) in the current period.	
	459,883
Increases in liabilities for other post employment benefits (OPEB) do not require the use of current financial resources and are therefore not reported in the funds	
	(134,447)
Some expenses in the statement of activities for noncurrent liabilities such as long-term compensated absences do not require the use of or provide current financial resources and, therefore, are not reported as expenditures or revenues in the governmental funds.	
	12,027
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.	
	51,907
Certain revenues are deferred in the funds until collected and available, and are reported as revenues in the statement of activities when earned.	
	<u>36,162</u>
Net differences	<u>425,532</u>
Change in Net Assets of Governmental Activities	<u>\$ 222,402</u>

See accompanying notes to the basic financial statements

**City of Solvang  
Statement of Fiduciary Net Assets  
June 30, 2011**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 76,663
Assessments receivable	<u>76,314</u>
Total assets	<u><u>\$ 152,977</u></u>
<b>LIABILITIES</b>	
Deposits payable to Santa Ynez Valley Tourism Business Improvement District	<u>\$ 152,977</u>
Total liabilities	<u><u>\$ 152,977</u></u>

See accompanying notes to the basic financial statements

**CITY OF SLOVANG**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Enterprise Funds				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,695,118	\$ 3,689,148	\$ 464,465	\$ 6,848,731	\$ 930,679
Receivables(net)	494,405	168,744	878	664,027	1,134
Prepayments	-	-	525	525	-
<b>Total current assets</b>	<b>3,189,523</b>	<b>3,857,892</b>	<b>465,868</b>	<b>7,513,283</b>	<b>931,813</b>
Noncurrent assets:					
Other assets:					
Advances to other funds	-	975,510	-	975,510	-
Restricted cash and cash equivalents	-	-	245,848	245,848	-
Debt issuance costs, net	21,756	-	-	21,756	-
<b>Total other noncurrent assets</b>	<b>21,756</b>	<b>975,510</b>	<b>245,848</b>	<b>1,243,114</b>	<b>-</b>
Capital assets:					
Capital assets not being depreciated:					
Land	64,099	48,720	-	112,819	-
Construction in progress	112,205	107,344	-	219,549	-
<b>Total</b>	<b>176,304</b>	<b>156,064</b>	<b>-</b>	<b>332,368</b>	<b>-</b>
Capital assets being depreciated:					
Buildings	784,721	6,694,013	85,098	7,563,832	-
Distribution and collection systems	4,845,910	3,703,546	-	8,549,456	-
Infrastructure	1,272,105	2,287,651	19,547	3,579,303	-
Vehicles	-	-	320,706	320,706	548,415
Equipment	258,608	1,362,739	51,564	1,672,911	176,345
Less accumulated depreciation	(3,469,944)	(8,332,229)	(199,079)	(12,001,252)	(517,104)
Net capital assets being depreciated	3,691,400	5,715,720	277,836	9,684,956	207,656
Net capital assets	3,867,704	5,871,784	277,836	10,017,324	207,656
<b>Total noncurrent assets</b>	<b>3,889,460</b>	<b>6,847,294</b>	<b>523,684</b>	<b>11,260,438</b>	<b>207,656</b>
<b>Total assets</b>	<b>\$ 7,078,983</b>	<b>\$ 10,705,186</b>	<b>\$ 989,552</b>	<b>\$ 18,773,721</b>	<b>\$ 1,139,469</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 43,753	\$ 30,891	\$ 38,882	\$ 113,526	\$ -
Other current liabilities	14,577	20,364	-	34,941	-
Compensated absences	18,330	16,820	-	35,150	-
Accrued interest payable	10,208	-	-	10,208	-
Deposits	-	1,000	-	1,000	-
Deferred revenue	-	-	177,069	177,069	-
Installment agreement due in one year	221,383	-	-	221,383	-
<b>Total current liabilities</b>	<b>308,251</b>	<b>69,075</b>	<b>215,951</b>	<b>593,277</b>	<b>-</b>
Noncurrent liabilities:					
Compensated absences	732	4,375	-	5,107	-
Installment agreement	1,144,949	-	-	1,144,949	-
<b>Total noncurrent liabilities</b>	<b>1,145,681</b>	<b>4,375</b>	<b>-</b>	<b>1,150,056</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,453,932</b>	<b>73,450</b>	<b>215,951</b>	<b>1,743,333</b>	<b>-</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,523,128	5,871,784	277,836	8,672,748	207,656
Restricted for capital assets	-	-	245,848	245,848	-
Unrestricted	3,101,923	4,759,952	249,917	8,111,792	931,813
<b>Total net assets</b>	<b>\$ 5,625,051</b>	<b>\$ 10,631,736</b>	<b>\$ 773,601</b>	<b>\$ 17,030,388</b>	<b>\$ 1,139,469</b>

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, 2011**

	Enterprise Funds				Governmental Activities Internal- Service Fund
	Water	Wastewater	Transit	Totals	
<b>OPERATING REVENUES</b>					
Sales of water	\$ 3,927,817	\$ -	\$ -	\$ 3,927,817	\$ -
Service fees	-	1,445,286	79,899	1,525,185	117,492
Miscellaneous	27,836	4,285	-	32,121	-
Total operating revenues	<u>3,955,653</u>	<u>1,449,571</u>	<u>79,899</u>	<u>5,485,123</u>	<u>117,492</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	480,821	631,641	-	1,112,462	-
Purchased power	87,630	116,318	-	203,948	-
Transit operator	-	-	440,857	440,857	-
Services and supplies	520,117	523,531	208,172	1,251,820	4,997
Joint operating expenses	2,713,697	-	-	2,713,697	-
Depreciation and amortization	206,520	438,445	40,606	685,571	64,676
Total operating expenses	<u>4,008,785</u>	<u>1,709,935</u>	<u>689,635</u>	<u>6,408,355</u>	<u>69,673</u>
Operating income (loss)	<u>(53,132)</u>	<u>(260,364)</u>	<u>(609,736)</u>	<u>(923,232)</u>	<u>47,819</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Operating subsidies	-	-	714,796	714,796	-
Gain (loss) on sale of capital assets	-	1,828	(24,059)	(22,231)	-
Interest and investment revenue	17,698	23,324	2,623	43,645	4,088
Interest expense	(73,976)	-	-	(73,976)	-
Net nonoperating revenues (expenses)	<u>(56,278)</u>	<u>25,152</u>	<u>693,360</u>	<u>662,234</u>	<u>4,088</u>
Income (loss) before contributions and transfers	<u>(109,410)</u>	<u>(235,212)</u>	<u>83,624</u>	<u>(260,998)</u>	<u>51,907</u>
Contributions and transfers:					
Capital contributions	<u>22,276</u>	<u>86,657</u>	<u>245,848</u>	<u>354,781</u>	<u>-</u>
Net contributions and transfers	<u>22,276</u>	<u>86,657</u>	<u>245,848</u>	<u>354,781</u>	<u>-</u>
Change in net assets	<u>(87,134)</u>	<u>(148,555)</u>	<u>329,472</u>	<u>93,783</u>	<u>51,907</u>
Total net assets, July 1	<u>5,712,185</u>	<u>10,780,291</u>	<u>444,129</u>	<u>16,936,605</u>	<u>1,087,562</u>
Total net assets, June 30	<u><u>\$ 5,625,051</u></u>	<u><u>\$ 10,631,736</u></u>	<u><u>\$ 773,601</u></u>	<u><u>\$ 17,030,388</u></u>	<u><u>\$ 1,139,469</u></u>

**CITY OF SOLVANG**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2011**

	Enterprise Funds				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 3,986,335	\$ 1,449,481	\$ 79,887	\$ 5,515,703	\$ -
Payments to suppliers	(3,070,785)	(489,723)	(602,960)	(4,163,468)	(4,997)
Payments to other funds for services	(228,055)	(141,884)	(48,021)	(417,960)	-
Payments from other funds for services	-	-	-	-	117,492
Payments to employees	(475,788)	(632,176)	-	(1,107,964)	-
Net cash provided by (used for) operating activities	<u>211,707</u>	<u>185,698</u>	<u>(571,094)</u>	<u>(173,689)</u>	<u>112,495</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating subsidies	-	-	643,780	643,780	-
Receipt of internal balances	-	162,585	-	162,585	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>162,585</u>	<u>643,780</u>	<u>806,365</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	22,276	86,657	245,848	354,781	-
Payments on long-term debt principal	(210,612)	-	-	(210,612)	-
Interest paid on long-term debt	(77,010)	-	-	(77,010)	-
Proceeds from sale capital assets	-	1,828	6,190	8,018	-
Purchases of capital assets	(129,573)	(72,005)	(105,080)	(306,658)	-
Net cash provided by (used for) capital and related financing activities	<u>(394,919)</u>	<u>16,480</u>	<u>146,958</u>	<u>(231,481)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest receipts	18,654	23,707	2,442	44,803	4,169
Net cash provided by investing activities	<u>18,654</u>	<u>23,707</u>	<u>2,442</u>	<u>44,803</u>	<u>4,169</u>
Net increase (decrease) in cash and cash equivalents	(164,558)	388,470	222,086	445,998	116,664
Balances-beginning of the year	<u>2,859,676</u>	<u>3,300,678</u>	<u>488,227</u>	<u>6,648,581</u>	<u>814,015</u>
Balances-end of the year	<u><u>\$ 2,695,118</u></u>	<u><u>\$ 3,689,148</u></u>	<u><u>\$ 710,313</u></u>	<u><u>\$ 7,094,579</u></u>	<u><u>\$ 930,679</u></u>

**CITY OF SOLVANG**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	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)	\$ (53,132)	\$ (260,364)	\$ (609,736)	\$ (923,232)	\$ 47,819
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	206,520	438,445	40,606	685,571	64,676
Change in assets and liabilities:					
Decrease (increase) in prepayments	2,820	2,820	-	5,640	-
Decrease (increase) in accounts receivable	30,712	(90)	(12)	30,610	-
Increase (decrease) in other liabilities	5,032	(535)	-	4,497	-
Increase (decrease) in accounts payable	19,755	5,422	(1,952)	23,225	-
Net cash provided by (used for) operating activities	<u>\$ 211,707</u>	<u>\$ 185,698</u>	<u>\$ (571,094)</u>	<u>\$ (173,689)</u>	<u>\$ 112,495</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, 2011**

**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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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, 2011**

**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, 2011**

**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, banker's 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, 2011**

**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 are 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 and Other Post Employment Benefits**

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. The City accrues each year as a liability in the government-wide financial statements a liability for the difference between the actuarially determined annual required contribution to its OPEB Plan and the amounts actually contributed by the City for each fiscal year.

**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 Balances – Governmental Funds**

Fund balances for governmental funds are reported in classifications based primarily on the extent to which the City is bound to honor constraints about the specific purposes for which amounts in those funds can be spent. These classifications include (1) nonspendable, (2) restricted, (3) committed, (4) assigned and (5) unassigned amounts.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

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

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

**7. Fund Balances – Governmental Funds (Continued)**

Nonspendable amounts generally are items not expected to be converted into cash such as inventories, prepaid items and long-term receivables not offset by deferred revenue accounts. Restricted amounts include those where constraints placed on the uses of the resources are externally imposed by grantors, contributors, other governments or by laws or regulations. Committed amounts are those that can only be used for a specific purpose as determined by the City Council. Such committed amounts may be redeployed for other uses only by the direction of the City Council. Assigned amounts are fund balance amounts constrained by the City's intent to be used for specific purposes as determined by the City Manager or City finance Director. Unassigned fund balance amounts are the residual amounts reported in only the general fund.

When expenditures are incurred for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, the City considers restricted amounts to have been spent first. When expenditures are incurred for which any class of unrestricted fund balance could be used, the City considers committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

**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 \$12,488,547 difference are as follows:

Capital assets	\$ 16,575,560
Less: Accumulated depreciation	<u>(4,087,013)</u>

Net adjustment to increase *fund balance – total governmental funds* to arrive at *net assets – governmental activities*    \$ 12,488,547

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 \$354,142 difference are as follows:

Long-Term Obligations:	
Net OPEB Obligation	\$ (259,785)
Compensated absences payable	<u>(94,357)</u>

Net adjustment to decrease fund balance total governmental Funds to arrive at *net assets – governmental activities*    \$ ( 354,142)

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

**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 \$ 425,532 difference and other significant components of the difference are as follows:

Capital outlay	\$ 1,078,101
Depreciation expense	(618,218)
Repayment of long-term debt principal	25,451
Other post employment benefit expense	(134,447)
Other items	<u>74,645</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 425,532</u>

**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 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.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**4. Detailed Notes on All Funds**

**A. Deposits and Investments**

Deposits and investments at June 30, 2011 consisted of the following:

Pooled demand deposits	\$ 687,333
Pooled investments (including \$76,663 in fiduciary funds)	<u>16,563,446</u>
 Total deposits and investments	 <u>\$ 17,250,779</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, 2011, \$898,219 of the City's bank balances of \$ 1,162,698 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 898,219</u>
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Of the discretely presented component unit's bank balance of \$62,635, \$62,635 was insured and not exposed to credit risk.

Investments - At June 30, 2011, the City had the following investments.

Type Investment	Average Maturity	Fair Value
State Investment Pool (LAIF)	237 Days	<u>\$ 16,563,446</u>
		<u>\$ 16,563,446</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.

*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.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

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

**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	\$ 26,241	\$ -	\$ -	\$ 26,241	\$ 655,367	\$ -
Taxes	410,755	-	-	410,755	-	-
Interest	7,848	2,592	734	11,174	7,782	878
Governments	63,480	-	20,757	84,237	-	-
Notes	162,862	88,438	-	251,300	-	-
<b>Totals</b>	<b>\$ 671,186</b>	<b>\$91,030</b>	<b>\$ 21,491</b>	<b>\$ 783,707</b>	<b>\$ 663,149</b>	<b>\$ 878</b>

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

1. The composition of interfund transfers of June 30, 2011 is as follows:

Transfers In:	General Fund	Non-Major Funds	Impact Fee Fund	Water Enterprise Fund	Wastewater Enterprise Fund	Total Transfers
Transfers Out:						
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonmajor funds	197,589	-	-	-	-	197,589
Water/wastewater	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 197,589</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 197,589</b>

The primary purpose of the transfers out of the nonmajor funds were to provide \$197,589 for projects being conducted by the general fund.

2. The composition of internal balances was:

Receivable Fund	Payable Fund	Amount
Wastewater enterprise:		
Loan to general fund for capital project financing	General fund	\$ 975,510
	<b>Total</b>	<b>\$ 975,510</b>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

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

**D. Capital Assets**

Capital asset activity relating to governmental activities for the year ended June 30, 2011 was as follows:

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 1,943,104	\$ -	\$ -	\$ 1,943,104
Construction in progress	<u>1,481,917</u>	<u>520,295</u>	<u>(985,917)</u>	<u>1,016,295</u>
Total capital assets, not being depreciated	<u>3,425,021</u>	<u>520,295</u>	<u>(985,917)</u>	<u>2,959,399</u>
Capital assets, being depreciated:				
Buildings	3,357,816	-	-	3,357,816
Machinery and equipment	623,069	21,140	(19,390)	624,819
Internal service fund – vehicles/equipment	724,760	-	-	724,760
Improvements	3,741,317	298,726	-	4,040,043
Infrastructure-street system	<u>4,369,626</u>	<u>1,223,857</u>	<u>                    </u>	<u>5,593,483</u>
Total capital assets being depreciated	<u>12,816,588</u>	<u>1,543,723</u>	<u>(19,390)</u>	<u>14,340,921</u>
Less accumulated depreciation for:				
Buildings	(1,054,125)	(85,107)		(1,139,232)
Machinery and equipment	(459,237)	(49,384)	19,390	(489,231)
Internal service fund	(452,428)	(64,676)		(517,104)
Improvements	(1,484,556)	(196,591)	-	(1,681,147)
Infrastructure-street system	<u>(490,267)</u>	<u>(287,136)</u>	<u>                    </u>	<u>(777,405)</u>
Total accumulated depreciation	<u>(3,940,613)</u>	<u>(682,894)</u>	<u>19,390</u>	<u>(4,604,117)</u>
Total capital assets, being depreciated, net	<u>8,875,975</u>	<u>860,829</u>	<u>-</u>	<u>9,736,804</u>
Governmental activities capital assets, net	<u>\$ 12,300,996</u>	<u>\$ 1,381,124</u>	<u>\$ (985,917)</u>	<u>\$ 12,696,203</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**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, 2011 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	104,471	115,078	-	219,549
Total capital assets, not being depreciated	217,290	115,078	-	332,368
Capital assets, being depreciated:				
Buildings	7,563,832	-	-	7,563,832
Distribution and collection systems	8,517,554	31,902	-	8,549,456
Infrastructure	3,577,935	1,368	-	3,579,303
Vehicles	332,361	53,496	(65,151)	320,706
Equipment	1,568,114	104,797	-	1,672,911
Total capital assets being depreciated	21,559,796	191,563	(65,151)	21,686,208
Less accumulated depreciation for:				
Buildings	(4,537,178)	(250,984)	-	(4,788,162)
Distribution and collection systems	(5,122,252)	(197,842)	-	(5,320,094)
Infrastructure	(474,754)	(124,847)	-	(599,601)
Vehicles	(193,375)	(25,175)	34,902	(183,648)
Equipment	(1,023,024)	(86,723)	-	(1,109,747)
Total accumulated depreciation	(11,350,583)	(685,571)	34,902	(12,001,252)
Total capital assets, being depreciated, net	10,209,213	(494,008)	(30,249)	9,684,956
Business-type activities capital assets, net	\$ 10,426,503	\$ (378,930)	\$ (30,249)	\$ 10,017,324

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**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	346,543
Vehicles- internal service fund	64,676
Total depreciation expense-governmental activities	\$ 682,894
 <b>Business-type activities:</b>	
Water	\$ 206,520
Wastewater	438,445
Transit	40,606
Total depreciation expense-governmental activities	\$ 685,571

**E 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 \$1,581,921. Principal and interest paid for the current year and total system net revenues as defined were \$287,622 and \$193,365 respectively. Future debt service is:

Fiscal Year	Principal	Interest	Total
2012	\$ 221,383	\$ 66,239	\$ 287,622
2013	232,704	54,918	287,622
2014	244,603	43,019	287,622
2015	257,111	30,511	287,622
2016	270,260	17,362	287,622
2017	140,272	3,539	143,811
Totals	\$ 1,366,332	\$ 215,589	\$ 1,581,921

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

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

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

*Changes in Long-term liabilities*

Long-term debt activity for the 2011 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental</b>					
<b>Activities:</b>					
Note	\$ 25,451	\$ -	\$ 25,451	\$ -	\$ -
Compensated absences	80,933	94,357	80,933	94,357	60,000
<b>Total</b>	<b>\$ 106,384</b>	<b>\$ 94,357</b>	<b>\$ 106,384</b>	<b>\$ 94,357</b>	<b>\$ 60,000</b>
<b>Business-type</b>					
<b>Activities:</b>					
Installment agreement	\$ 1,576,944	\$ -	\$ 210,612	\$ 1,366,332	\$ 221,383
Compensated absences	34,726	40,257	34,726	40,257	35,150
<b>Total</b>	<b>\$ 1,611,670</b>	<b>\$ 40,257</b>	<b>\$ 245,338</b>	<b>\$ 1,406,589</b>	<b>\$ 256,533</b>

**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. There were no changes in the balances of claims liabilities during the past two years.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**5. Other Information (Continued)**

**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.

**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 14.018 percent of covered payroll.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**5. Other Information (Continued)**

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>	6/30/09	\$ 206,974	100%	\$ -
	6/30/10	\$ 261,697	100%	\$ -
	6/30/11	\$ 263,507	100%	\$ -
<i>Safety employees</i>	6/30/09	\$ -	100%	\$ -
	6/30/10	\$ -	100%	\$ -
	6/30/11	\$ -	100%	\$ -

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

The \$ 2,489,588 restricted amount in the governmental activities and the \$245,848 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.

**F. Other Post Employment Benefits**

*Plan Description.* The city administers the City's retired employee's healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired employees and their beneficiaries. The City's plan is affiliated with the State of California PERS in so far as the City's health insurance premium payments are paid to the PERS. The PERS through an aggregation of single employer plans pools administrative functions in regard to purchases of commercial health insurance policies and coverage. City resolutions and regulations assign the authority to establish and amend benefit provisions to the City. A separate OPEB trust fund has not been established by the City.

*Funding Policy.* The contribution requirements of plan members and the City are established and may be amended by the City. The required contribution is based on a projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the City Council. For the fiscal year ended June 30, 2011, the City contributed \$72,733 of current year premiums (100% of total premiums) and zero to prefund benefits. Plan members receiving benefits contributed no amounts of the total premiums.

*Annual OPEB Costs and the NET OPEB Obligation.* The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amounts actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**5. Other Information (Continued)**

**F. Other Post Employment Benefits (Continued)**

Annual required contribution (ARC)	\$197,314
Interest on net OPEB obligation	9,866
Adjustments to the ARC	-
Annual OPEB expense	207,180
Contributions made	(72,733)
Change in net OPEB obligation	134,447
Net OPEB Obligation, beginning of year	125,338
Net OPEB Obligation, end of year	\$259,785

The City's annual OPEB Cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 (the first year of implementation) was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2011	\$207,180	35.1%	\$259,785

*Funding Status and Funding Progress.* As of June 1, 2009, the most recent actuarial valuation date, the plan was zero funded. The actuarial accrued liability for benefits was \$1,918,713. And the actuarial value of plan assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$1,918,713. The covered payroll (annual payroll of active employees covered by the plan) was \$2,175,329 and the ratio of the UAAL to the covered payroll was 88.2 percent.

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

The schedule of funding progress, presented as required supplemental information, following the notes to these financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations. In the June 1, 2009 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 5 percent investment rate of return based on assumed long-term return on plan assets or employer assets, as appropriate. This is based on the long-term historical returns for surplus funds invested pursuant to the California Government Code. An annual health care trend rate of 4 percent was also used in the valuation. There were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of payroll over 30 years, the remaining amortization period at June 30, 2011.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2011**

**5. Other Information (Continued)**

**G. Change in Accounting Principle**

The city as required by Governmental Accounting Standards Board Statement Number 54, titled, Fund Balance Reporting and Governmental Fund Type Definitions, implemented in fiscal 2011 the provisions of the standard that requires the classification of governmental fund type fund balances into various categories and defined special revenue funds as funds used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. Capital project funds were defined as funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As a result of the implementation of the new standard of financial reporting, the city reclassified funds, held in its general fund and restricted for capital infrastructure type assets, into a capital projects fund. The impact of this change in accounting principle was:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Totals</u>
Fund balances as originally reported June 30, 2010	\$5,647,142	\$ -	\$5,647,142
Change to reclassify restricted capital project funds	<u>(616,983)</u>	<u>616,983</u>	<u>-</u>
Fund balances, June 30, 2010 As restated	<u>\$5,030,159</u>	<u>\$616,983</u>	<u>\$5,647,142</u>

**H. Proposition 1A Property Tax Receivable.**

Under the provision of Proposition 1A and as part of the 2009-10 budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in lieu motor license fee, the triple flip in lieu sales tax, and the supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 20, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The initial amount of the borrowing pertaining to the City was \$159,669.

The borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal 2012-2013). In the government wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

**REQUIRED SUPPLEMENTARY INFORMATION**

**Required Supplementary Information**  
**CITY OF SOLVANG**  
**Budgetary Comparison Schedule - General Fund**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budgetary Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<b>Fund Balance, July 1</b>	\$ 5,647,142	\$ 5,647,142	\$ 5,030,159	\$ (616,983)
Resources (inflows):				
Property taxes	1,050,000	1,050,000	1,039,634	(10,366)
Sales taxes	975,000	925,000	972,838	47,838
Transient occupancy taxes	2,250,000	2,358,695	2,507,857	149,162
Other taxes	220,000	224,000	241,094	17,094
License and permits	64,500	65,500	76,815	11,315
Interest	40,000	40,000	47,258	7,258
Intergovernmental	598,000	598,000	104,573	(493,427)
Charges for services	597,992	728,452	812,367	83,915
Miscellaneous	20,700	30,700	208,798	178,098
Transfers in	137,275	137,275	197,589	60,314
Amounts available for charges to appropriations	<u>11,600,609</u>	<u>11,804,764</u>	<u>11,238,982</u>	<u>(565,782)</u>
<b>Charges to appropriations:</b>				
<i>General Government:</i>				
<i>Nondepartmental:</i>				
City council	18,000	3,000	3,000	-
Other	43,150	59,450	51,500	7,950
OPEB	205,000	205,000	72,733	132,267
Community resources	86,000	86,000	83,000	3,000
Debt service	25,451	25,451	25,451	-
<i>Administration:</i>				
Legal	95,000	110,000	113,794	(3,794)
General administration	922,869	964,016	869,541	94,475
Emergency training	213,000	213,000	100,333	112,667
Capital outlay	107,000	107,000	7,000	100,000
<i>Public Safety:</i>				
Sheriff contract	1,336,993	1,320,993	1,314,543	6,450
Animal control	33,886	33,886	33,886	-
MHAT	1,750	1,750	1,744	6
<i>Culture and Recreation:</i>				
Conference and Visitors Bureau	460,000	460,000	460,000	-
Other tourism	94,500	98,200	94,468	3,732
Parks	455,075	499,128	479,954	19,174
Recreation	261,144	285,508	280,108	5,400
Buelton recreation	-	-	41,737	(41,737)
Capital outlay	27,000	27,000	13,400	13,600
Centennial Plaza project	245,000	303,319	284,930	18,389
Events	42,850	171,500	328,804	(157,304)
<i>Community Development:</i>				
City planning	421,138	447,221	363,259	83,962
<i>Public works:</i>				
Maintenance and engineering	1,089,661	1,188,942	960,165	228,777
Projects - Mission AP intersection	675,000	675,000	-	675,000
Projects - Alisal Road	260,000	260,000	-	260,000
Projects - Museum subsidies	25,000	25,000	25,000	-
Debt service:				
Interest	9,000	9,000	7,244	1,756
Total charges to appropriations	<u>7,153,467</u>	<u>7,579,364</u>	<u>6,015,594</u>	<u>1,563,770</u>
Fund Balance, June 30	<u>\$ 4,447,142</u>	<u>\$ 4,225,400</u>	<u>\$ 5,223,388</u>	<u>\$ 997,988</u>

**CITY OF SOLVANG**

**Budgetary Comparison Schedule - General Fund  
Note to RSI  
For the Fiscal Year Ended June 30, 2011**

**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:	\$ 11,238,982
Differences - budget to GAAP:	
Transfers in are a budgetary resource but are not revenues for financial reporting purposes	(197,589)
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>(5,030,159)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 6,011,234</u></u>
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**Uses/outflows of resources:**

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 6,015,594
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>-</u>

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 6,015,594</u></u>
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The City adopts revenue and expenditure budgets for all governmental funds except that no budgets are adopted for the traffic congestion, Skytt Mesa, Impact Fee or Capital Project Funds.

**Required Supplementary Information**  
**City of Solvang**  
**Other Post Employment Benefits (OPEB)**  
**Schedule of Funding Progress**  
**June 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/1/2009	\$ -	\$ 1,918,713	\$ 1,918,713	0.00%	\$ 2,175,329	88.20%

**OPTIONAL SUPPLEMENTARY INFORMATION**

*NONMAJOR FUNDS' COMBINING FINANCIAL STATEMENTS AND SCHEDULES  
AND SCHEDULES OF CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES*

**CITY OF SOLVANG**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

	Special Revenue							Capital Projects	Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure D	Traffic Congestion	Measure A	Skyft Mesa Landscape and Lighting	Alamo Pintado Creek Bridge	
<b>Assets</b>									
Cash and investments	\$ -	\$ -	\$ 168,238	\$ 117,682	\$ 33,632	\$ 15,673	\$ 63,503	\$ 580,391	\$ 979,119
Receivables:									
Interest	9	61	242	192	54	92	84	-	734
Intergovernmental	2,522	17,952	-	-	-	283	-	-	20,757
<b>Total assets</b>	<u>\$ 2,531</u>	<u>\$ 18,013</u>	<u>\$ 168,480</u>	<u>\$ 117,874</u>	<u>\$ 33,686</u>	<u>\$ 16,048</u>	<u>\$ 63,587</u>	<u>\$ 580,391</u>	<u>\$ 1,000,610</u>
<b>Liabilities and Fund Balances</b>									
Liabilities:									
Accounts payable	\$ 1,146	\$ 3,718	\$ 3,161	\$ -	\$ -	\$ 1,866	\$ 141	\$ 4,757	\$ 14,789
Due to other governments	-	-	-	-	33,632	-	-	-	33,632
Total liabilities	<u>1,146</u>	<u>3,718</u>	<u>3,161</u>	<u>-</u>	<u>33,632</u>	<u>1,866</u>	<u>141</u>	<u>4,757</u>	<u>48,421</u>
Fund balances:									
Restricted for highways and streets	1,385	14,295	165,319	117,874	54	14,182	63,446	575,634	952,189
Total fund balances	<u>1,385</u>	<u>14,295</u>	<u>165,319</u>	<u>117,874</u>	<u>54</u>	<u>14,182</u>	<u>63,446</u>	<u>575,634</u>	<u>952,189</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,531</u>	<u>\$ 18,013</u>	<u>\$ 168,480</u>	<u>\$ 117,874</u>	<u>\$ 33,686</u>	<u>\$ 16,048</u>	<u>\$ 63,587</u>	<u>\$ 580,391</u>	<u>\$ 1,000,610</u>

**CITY OF SOLVANG**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2011**

	Special Revenue							Capital Projects	
	Traffic Safety	Gas Tax	Local Transportation	Measure D	Traffic Congestion	Measure A	Skytt Mesa Landscape and Lighting	Alamo Pintado Creek Bridge	Totals
<b>Revenues:</b>									
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,793	\$ -	\$ 35,793
Intergovernmental	-	141,026	93,791	31	4,881	313,689	-	105,883	659,301
Fines and forfeitures	27,005	-	-	-	-	-	-	-	27,005
Interest	9	61	1,089	1,418	198	122	328	-	3,225
Miscellaneous	-	-	304	-	-	-	-	-	304
<b>Total revenues</b>	<b>27,014</b>	<b>141,087</b>	<b>95,184</b>	<b>1,449</b>	<b>5,079</b>	<b>313,811</b>	<b>36,121</b>	<b>105,883</b>	<b>725,628</b>
<b>Expenditures:</b>									
Current:									
Public works:									
Highways and streets	18,798	41,489	45,268	247,571	5,548	239,785	57,480	-	655,939
Street lighting	-	45,229	-	-	-	-	-	-	45,229
Capital outlay	-	-	101,472	-	-	-	-	147,232	248,704
<b>Total expenditures</b>	<b>18,798</b>	<b>86,718</b>	<b>146,740</b>	<b>247,571</b>	<b>5,548</b>	<b>239,785</b>	<b>57,480</b>	<b>147,232</b>	<b>949,872</b>
Excess (deficiency) of revenues over expenditures	8,216	54,369	(51,556)	(246,122)	(469)	74,026	(21,359)	(41,349)	(224,244)
Other financing sources (uses):									
Transfers out	(6,831)	(50,039)	(30,275)	(40,156)	(10,444)	(59,844)	-	-	(197,589)
Total other financing sources (uses)	(6,831)	(50,039)	(30,275)	(40,156)	(10,444)	(59,844)	-	-	(197,589)
<b>Net change in fund balances</b>	<b>1,385</b>	<b>4,330</b>	<b>(81,831)</b>	<b>(286,278)</b>	<b>(10,913)</b>	<b>14,182</b>	<b>(21,359)</b>	<b>(41,349)</b>	<b>(421,833)</b>
Fund balances, July 1	-	9,965	247,150	404,152	10,967	-	84,805	616,983	1,374,022
<b>Fund balances, June 30</b>	<b>\$ 1,385</b>	<b>\$ 14,295</b>	<b>\$ 165,319</b>	<b>\$ 117,874</b>	<b>\$ 54</b>	<b>\$ 14,182</b>	<b>\$ 63,446</b>	<b>\$ 575,634</b>	<b>\$ 952,189</b>

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 27,005	\$ 7,005
Interest	-	-	9	9
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>27,014</u>	<u>7,014</u>
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	<u>20,000</u>	<u>20,000</u>	<u>18,798</u>	<u>1,202</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>18,798</u>	<u>1,202</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	8,216	8,216
Other financing uses:				
Transfers out	-	-	(6,831)	(6,831)
Net change in fund balances	-	-	1,385	1,385
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,385</u>	<u>\$ 1,385</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 91,644	\$ 91,644	\$ 141,026	\$ 49,382
Interest	-	-	61	61
Miscellaneous	-	-	-	-
Total revenues	<u>91,644</u>	<u>91,644</u>	<u>141,087</u>	<u>49,443</u>
Expenditures:				
Current:				
Highways and streets:				
Street light utilities	45,000	45,000	45,229	(229)
Street sweeping	38,000	38,000	36,000	2,000
Street maintenance	9,000	9,000	5,489	3,511
Capital outlay	-	-	-	-
Total expenditures	<u>92,000</u>	<u>92,000</u>	<u>86,718</u>	<u>5,282</u>
Excess (deficiency) of revenues over expenditures	<u>(356)</u>	<u>(356)</u>	<u>54,369</u>	<u>54,725</u>
Other financing sources (uses):				
Transfers out	-	-	(50,039)	(50,039)
Net change in fund balances	(356)	(356)	4,330	4,686
Fund balance, July 1	<u>9,965</u>	<u>9,965</u>	<u>9,965</u>	<u>-</u>
Fund balance, June 30	<u>\$ 9,609</u>	<u>\$ 9,609</u>	<u>\$ 14,295</u>	<u>\$ 4,686</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, 2011**

	<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	\$ 3,275	\$ 3,275	\$ 2,978	\$ (297)
LSTP allocation	81,500	81,500	81,832	332
RSTP allocation	-	-	8,981	8,981
Miscellaneous	-	-	304	304
Interest	5,000	500	1,089	589
Total revenues	<u>89,775</u>	<u>85,275</u>	<u>95,184</u>	<u>9,909</u>
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	4,500	4,500	4,428	72
Sidewalks	30,000	30,000	29,173	827
Road overlay	-	-	-	-
Professional services	25,000	24,500	11,667	12,833
Capital outlay	-	101,000	101,472	(472)
Total expenditures	<u>59,500</u>	<u>160,000</u>	<u>146,740</u>	<u>13,260</u>
Excess(deficiency) of revenues over expenditures	<u>30,275</u>	<u>(74,725)</u>	<u>(51,556)</u>	<u>23,169</u>
Other financing sources:				
Transfers out	(30,275)	(30,275)	(30,275)	-
Transfers in	-	-	-	-
Total other financing sources(uses)	<u>(30,275)</u>	<u>(30,275)</u>	<u>(30,275)</u>	<u>-</u>
Net change in fund balances	-	(105,000)	(81,831)	23,169
Fund balance, July 1	<u>247,150</u>	<u>247,150</u>	<u>247,150</u>	<u>-</u>
Fund balance, June 30	<u>\$ 247,150</u>	<u>\$ 142,150</u>	<u>\$ 165,319</u>	<u>\$ 23,169</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, 2011**

	<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	\$ -	\$ -	\$ 31	\$ 31
Interest earnings	2,000	2,000	1,418	(582)
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>1,449</u>	<u>(551)</u>
Expenditures:				
Current:				
Highways and streets:				
Street overlays	60,000	60,000	60,000	-
Street rehabilitation	-	305,996	187,571	118,425
Total expenditures	<u>60,000</u>	<u>365,996</u>	<u>247,571</u>	<u>118,425</u>
Excess(deficiency) of revenues over expenditures	<u>(58,000)</u>	<u>(363,996)</u>	<u>(246,122)</u>	<u>117,874</u>
Other financing sources:				
Transfers out	(40,156)	(40,156)	(40,156)	-
Transfers in	-	-	-	-
Total other financing sources(uses)	<u>(40,156)</u>	<u>(40,156)</u>	<u>(40,156)</u>	<u>-</u>
Net change in fund balances	(98,156)	(404,152)	(286,278)	117,874
Fund balance, July 1	<u>404,152</u>	<u>404,152</u>	<u>404,152</u>	<u>-</u>
Fund balance, June 30	<u>\$ 305,996</u>	<u>\$ -</u>	<u>\$ 117,874</u>	<u>\$ 117,874</u>

**CITY OF SOLVANG**  
**MEASURE A Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year June 30, 2011**

	<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	\$ 326,844	\$ 327,744	\$ 313,689	\$ (14,055)
Interest earnings	1,000	100	122	22
Total revenues	<u>327,844</u>	<u>327,844</u>	<u>313,811</u>	<u>(14,033)</u>
Expenditures:				
Current:				
Highways and streets:				
Street overlays	o0	-	-	-
Village collection rehabilitation	268,000	268,000	239,785	28,215
Total expenditures	<u>268,000</u>	<u>268,000</u>	<u>239,785</u>	<u>28,215</u>
Excess(deficiency) of revenues over expenditures	<u>59,844</u>	<u>59,844</u>	<u>74,026</u>	<u>14,182</u>
Other financing sources:				
Transfers out	(59,844)	(59,844)	(59,844)	-
Transfers in	-	-	-	-
Total other financing sources(uses)	<u>(59,844)</u>	<u>(59,844)</u>	<u>(59,844)</u>	<u>-</u>
Net change in fund balances	-	-	14,182	14,182
Fund balance, July 1	-	-	-	-
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,182</u>	<u>\$ 14,182</u>

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

	June 30	
	2011	2010
Capital assets used in governmental activities:		
Land	\$ 1,943,104	\$ 1,943,104
Buildings	3,357,816	3,357,816
Improvements	4,040,043	3,741,317
Infrastructure - street system	5,593,483	4,369,626
Equipment	624,819	623,069
Construction in progress	1,016,295	1,481,917
Equipment-internal service operations	724,760	724,760
Total capital assets	\$ 17,300,320	\$ 16,241,609
Investment in capital assets from:		
General fund	\$ 11,384,166	\$ 10,883,562
Contributions from developers	710,214	710,214
Special revenue funds	4,481,180	3,923,073
Internal service	724,760	724,760
Total investment in capital assets used in governmental activities	\$ 17,300,320	\$ 16,241,609

**CITY OF SOLVANG**  
**Schedule of Changes in Capital Assets Used In Governmental Activities**  
**By Source**  
**For the Fiscal Year Ended June 30, 2011**

	Land	Buildings	Improvements and Infrastructure	Equipment	Construction in Progress	Total Cost
General capital assets June 30, 2010	\$ 1,943,104	\$ 3,357,816	\$ 8,110,943	\$ 1,347,829	\$ 1,481,917	\$ 16,241,609
Add:						
Expenditures from:						
General fund	-	-	-	21,140	520,294	541,434
Special revenue funds	-	-	536,667	-	-	536,667
Internal service	-	-	-	-	-	-
Deduct:						
Transfers	-	-	985,916	-	(985,916)	-
Retirements and contributions	-	-	-	(19,390)	-	(19,390)
General capital assets June 30, 2011	<u>\$ 1,943,104</u>	<u>\$ 3,357,816</u>	<u>\$ 9,633,526</u>	<u>\$ 1,349,579</u>	<u>\$ 1,016,295</u>	<u>\$ 17,300,320</u>

**CITY OF SOLVANG**  
**Schedule of Capital Assets Used in Governmental Activities**  
**By Function and Activity**  
**June 30, 2011**

<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	\$ 2,173,931	\$ 59,504	\$ 48,700	\$ 3,070,492
Roads	-	-	6,051,674	80,093	661,931	6,793,698
Recreation	-	1,265,098	57,065	2,602	305,664	1,630,429
Administration	89,850	599,174	724,063	422,287	-	1,835,374
<b>Total general government</b>	<b>797,871</b>	<b>1,944,608</b>	<b>9,006,733</b>	<b>564,486</b>	<b>1,016,295</b>	<b>13,329,993</b>
Internal Service:						
Vehicle operations	-	-	-	724,760	-	724,760
Public safety:						
Emergency services	-	-	-	28,158	-	28,158
Fire protection	-	195,802	215,544	26,175	-	437,521
<b>Total public safety</b>	<b>-</b>	<b>195,802</b>	<b>215,544</b>	<b>54,333</b>	<b>-</b>	<b>465,679</b>
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
<b>Total general fixed assets</b>	<b>\$ 1,943,104</b>	<b>\$ 3,357,816</b>	<b>\$ 9,633,526</b>	<b>\$ 1,349,579</b>	<b>\$ 1,016,295</b>	<b>\$ 17,300,320</b>

**CITY OF SOLVANG**  
**Schedule of Changes in Capital Assets Used In Governmental Activities**  
**By Function and Activity**  
**For the Fiscal Year Ended June 30, 2011**

<u>Function and Activity</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
General government:				
Parks	\$ 2,771,767	\$ -	\$ 298,725	\$ 3,070,492
Roads	6,341,126	452,572	-	6,793,698
Recreation	1,324,765	305,664	-	1,630,429
Administration	1,833,624	21,140	(19,390)	1,835,374
Total general government	<u>12,271,282</u>	<u>779,376</u>	<u>279,335</u>	<u>13,329,993</u>
Internal service:				
Vehicle operations	<u>724,760</u>	<u>-</u>	<u>-</u>	<u>724,760</u>
Public safety:				
Emergency services	28,158	-	-	28,158
Fire protection	<u>437,521</u>	<u>-</u>	<u>-</u>	<u>437,521</u>
Total public safety	<u>465,679</u>	<u>-</u>	<u>-</u>	<u>465,679</u>
Museums	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Veterans building	<u>1,614,998</u>	<u>-</u>	<u>-</u>	<u>1,614,998</u>
Parking district	<u>1,164,890</u>	<u>-</u>	<u>-</u>	<u>1,164,890</u>
Total general capital assets	<u>\$ 16,241,609</u>	<u>\$ 779,376</u>	<u>\$ 279,335</u>	<u>\$ 17,300,320</u>

## STATISTICAL SECTION

## 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 5-8</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 9-12</b>
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These schedules present information to help assess the afford ability of 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 13-14</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 15-17</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 Nine Fiscal Years  
(Accrual basis of accounting)

	For The Fiscal Years Ended June 30								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	\$ 12,300,996	\$ 12,696,203
Restricted	232,963	896,185	1,819,000	3,386,034	2,898,401	4,186,813	3,979,184	2,844,598	\$ 2,489,588
Unrestricted	11,330,875	7,873,609	9,728,300	6,055,631	6,546,525	5,876,210	6,205,849	6,489,841	\$ 6,672,046
<b>Total governmental activities net assets</b>	<b>\$ 18,455,789</b>	<b>\$ 14,210,784</b>	<b>\$ 15,902,803</b>	<b>\$ 14,609,076</b>	<b>\$ 17,179,554</b>	<b>\$ 19,614,380</b>	<b>\$ 21,292,890</b>	<b>\$ 21,635,435</b>	<b>\$ 21,857,837</b>
<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	\$ 8,849,559	\$ 8,672,748
Restricted			332,843	221,848	238,062	173,052	198,243	201,773	\$ 245,848
Unrestricted	2,851,474	1,117,167	3,465,174	6,493,534	7,677,129	7,701,152	7,994,220	7,885,273	\$ 8,111,792
<b>Total business-type activities</b>	<b>\$ 8,199,837</b>	<b>\$ 8,623,052</b>	<b>\$ 9,151,571</b>	<b>\$ 14,562,564</b>	<b>\$ 15,890,360</b>	<b>\$ 16,858,321</b>	<b>\$ 17,363,455</b>	<b>\$ 16,936,605</b>	<b>\$ 17,030,388</b>
<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	\$ 21,150,555	\$ 21,368,951
Restricted	232,963	896,185	2,151,843	3,607,882	3,136,463	4,359,865	4,177,427	3,046,371	\$ 2,747,116
Unrestricted	14,182,349	8,990,776	13,193,474	12,549,165	14,223,654	13,577,362	14,200,069	14,375,114	\$ 14,772,158
<b>Total primary government net assets</b>	<b>\$ 26,655,626</b>	<b>\$ 22,833,836</b>	<b>\$ 25,054,374</b>	<b>\$ 29,171,640</b>	<b>\$ 33,069,914</b>	<b>\$ 36,472,701</b>	<b>\$ 38,656,345</b>	<b>\$ 38,572,040</b>	<b>\$ 38,888,225</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 2**  
**City of Solvang**  
**Changes in Net Assets, Last Nine Fiscal Years**  
**(Accrual Basis of Accounting)**

For The Fiscal Years Ended June 30

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	\$ 1,365,736	\$ 1,517,579
Public Safety	1,379,483	1,429,371	1,588,840	1,688,592	1,884,612	1,846,271	1,844,664	1,331,385	1,359,241
Public works	697,178	672,467	654,172	1,286,304	1,334,696	898,366	1,246,541	1,582,810	1,508,809
Planning	311,563	782,614	231,980	349,513	404,963	491,168	431,801	397,297	363,259
Culture and Recreation	995,566	780,938	1,053,554	1,278,400	1,478,007	1,505,286	1,549,866	1,408,087	1,819,964
Interest on long-term debt	222,029	144,880	80,366	113,878	134,427	105,365	65,151	25,657	7,244
<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>	<b>6,110,972</b>	<b>6,576,096</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	4,162,536	4,082,761
Wastewater	1,125,631	1,388,334	1,322,729	1,393,923	1,422,398	1,554,414	1,583,351	1,701,547	1,709,935
Transit	414,405	438,373	496,249	462,318	559,059	558,479	640,800	695,584	713,694
<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>6,559,667</b>	<b>6,506,390</b>
<b>Total City government expenses</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>\$ 12,670,639</b>	<b>\$ 13,082,486</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	\$ 443,583	432,056
Public Safety	6,632	27,562	42,910	130,085	193,061	29,575	30,249	26,241	31,832
Public works	73,281	6,052	3,167	469,601	444,722	509,233	126,495	32,719	81,662
Planning	52,988	28,847	81,188	210,553	368,443	219,205	164,365	86,313	106,020
Parks and recreation	77,599	145,845	138,806	227,040	296,594	192,162	335,088	164,675	361,251
Operating grants and contributions	44,359	489,353	625,275	605,753	586,519	1,278,091	1,014,270	733,592	842,969
Capital grants and contributions	-	14,569	636,746	1,085,736	792,944	37,902	349,869	162,635	105,883
<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>	<b>1,649,758</b>	<b>1,961,673</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	3,998,259	3,973,351
Wastewater	1,294,662	1,559,774	1,543,163	1,629,620	1,683,943	1,854,815	1,711,831	1,464,254	1,474,723
Transit	42,143	47,815	41,871	52,345	99,544	91,387	78,102	65,578	82,522
Operating grants and contributions	11,296	135	-	538,702	553,978	523,305	698,434	511,493	714,796
Capital grants and contributions	519,817	464,290	415,558	1,468,671	493,676	121,479	93,405	108,328	354,781
<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>6,147,912</b>	<b>6,600,173</b>
<b>Total City government program revenues</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>	<b>\$ 7,797,670</b>	<b>\$ 8,561,846</b>

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

For The Fiscal Years Ended June 30

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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)	\$ (4,461,214)	\$ (4,614,423)
Business-type activities	77,960	381,884	397,813	2,127,977	1,391,906	1,031,676	571,419	(411,755)	93783
<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>\$ (4,872,969)</b>	<b>\$ (4,520,640)</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	\$ 1,086,849	\$ 1,039,634
Transient Occupancy Taxes	1,679,660	1,759,647	1,856,693	2,198,064	2,405,993	2,419,606	2,239,260	2,372,338	2,507,857
Sales taxes	967,286	959,548	1,006,688	904,610	988,280	1,148,040	1,072,646	1,000,325	972,838
Other taxes	355,927	162,789	156,040	193,764	196,535	199,237	209,149	238,163	269,238
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	90,989	47,258
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	15,095	
<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>	<b>4,803,759</b>	<b>4,836,825</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)	(15,095)	
<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>(15,095)</b>	<b>-</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>\$ 4,788,664</b>	<b>\$ 4,836,825</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	\$ 342,545	\$ 222,402
Business-type activities	148,630	423,215	528,519	5,748,643	1,327,796	967,961	505,134	(426,850)	93,783
<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>	<b>\$ (84,305)</b>	<b>\$ 316,185</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 Nine Fiscal Years**

Fiscal Year	General Fund			All Other Governmental Funds				
	Reserved	Unreserved	Total General Fund	Reserved	Unreserved, reported in			
					Special Revenue	Capital Projects	Other Purposes	Total
2011	\$ 3,055,923	\$ 2,167,465	\$ 5,223,388		\$ 952,189	\$ 2,113,033		\$ 3,065,222
2010	\$ 14,556	\$ 5,632,586	\$ 5,647,142		\$ 757,039	\$ 2,087,559		\$ 2,844,598
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 the provisions of GASB Statement Number 54 prospectively in the 2011 fiscal year.

**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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>										
Taxes	\$ 3,930	\$ 3,958	\$ 4,282	\$ 4,571	\$ 4,471	\$ 5,214	\$ 5,457	\$ 5,252	\$ 4,538	\$ 4,761
Licenses and permits	276	356	-	-	85	138	93	115	75	77
Fines and forfeits	28	18	-	-	23	26	28	30	26	27
Charges for services	355	382	543	292	1,097	1,311	1,079	784	629	844
Special assessments	-	-	-	-	127	47	69	69	72	36
Intergovernmental	628	425	329	679	1,334	1,282	1,149	1,209	877	764
Investment earnings	341	241	85	196	335	603	464	279	113	44
Other revenues	30	12	130	133	333	265	146	195	25	209
<b>Total revenues</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>6,355</b>	<b>6,762</b>
<b>Expenditures:</b>										
General government	821	857	1,052	963	1,148	1,020	1,136	1,244	1,231	1,294
Public safety	1,295	1,463	1,410	1,521	1,680	1,876	1,859	1,836	1,305	1,350
Parks and Recreation	272	482	700	633	943	1,441	1,331	1,422	1,273	1,685
Public works	1,557	1,849	616	689	1,286	1,218	784	1,044	1,404	1,687
Community Development	375	312	782	665	700	405	491	432	397	363
Capital outlay	310	522	390	442	265	2,604	1,584	1,551	1,194	554
Transportation	67	188	69	195	31	140	298			
Intergovernmental									39	
<b>Debt service:</b>										
Payment to escrow agent										
Costs of issuance			60							
Principal	210	173	1,351	286	307	322	343	359	414	25
Interest	110	76	83	79	75	144	132	71	26	7
<b>Total expenditures</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>7,283</b>	<b>6,965</b>
<b>Excess of revenues over (under) expenditures</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>(928)</b>	<b>(203)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing					1,693	984	406	388	50	198
Payments to escrow agent										
Transfers in					(5,314)	(920)	(341)	(321)	(35)	-198
Transfers out										
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,621)</b>	<b>64</b>	<b>65</b>	<b>67</b>	<b>15</b>	<b>-</b>
<b>Net change in fund balances</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>\$ (913)</b>	<b>\$ (203)</b>
<b>Debt service as a percentage of noncapital expenditures</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>	<b>7.79%</b>	<b>7.79%</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	
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%
2009-2010	970,504	34,529	\$ 1,005,033	1.00%
2010-2011	932,954	32,484	\$ 965,438	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
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%	0.05410%	0.06576%
2007-2008	1.00%	0.00%	1.00%	0.04975%	0.06435%
2008-2009	1.00%	0.00%	1.00%	0.05000%	0.06108%
2009-2010	1.00%	0.00%	1.00%	0.05000%	0.06068%
2010-2011	1.00%	0.00%	1.00%	0.05000%	0.06187%

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)**

2011				2010			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 25,030	1	2.59%	Santa Ynez Band of Mission Indians	\$ 23,611	1	2.43%
Worldmark, The Club	16,702	2	1.73%	Solvang Mesa, LLC	17,189	2	1.77%
Solvang Mesa, LLC	14,273	3	1.48%	Worldmark, The Club	16,740	3	1.72%
Alisal Guest Ranch	12,680	4	1.31%	Alisal Guest Ranch	12,780	4	1.31%
Solvang Hotel Group, LP	10,077	5	1.04%	Solvang Hotel Group, LP	10,100	5	1.04%
AFTC-Solvang LLC	9,292	6	0.96%	AFTC-Solvang LLC	9,310	6	0.96%
Wine Valley Inn, LLC	8,865	7	0.92%	Wine Valley Inn, LLC	8,885	7	0.91%
Alisal Oaks, LLC	6,790	8	0.70%	Alisal Oaks, LLC	6,806	8	0.70%
Frederik's Court LLC	6,429	9	0.67%	Frederik's Court LLC	6,444	9	0.66%
Cook, Frieda Survivors Trust	5,754	10	0.60%	Cook, Frieda Survivors Trust	5,768	10	0.59%
<b>Total</b>	<b>\$ 115,892</b>		<b>12.00%</b>	<b>Total</b>	<b>\$ 117,633</b>		<b>12.10%</b>

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	4,618	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	\$ 22,673	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 Investor	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, L	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	6,811	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>

**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
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%
2010	627,546	626,517	99.8%
2011	622,043	621,107	99.8%

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 Six 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 6	\$ 777,641 10
2007	60%	\$ 131.31	\$ 1,599,003 6	\$ 809,150 10
2008	63%	\$ 127.01	\$ 1,643,591 6	\$ 774,804 10
2009	62%	\$ 115.36	\$ 1,525,979 6	\$ 709,924 10
2010	62%	\$ 113.94	\$ 1,658,127 6	\$ 630,028 10
2011	63%	\$ 122.52	\$ 1,840,846 6	\$ 667,602 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>
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
2010	55.48	3.05	4.58
2011	55.48	3.05	4.58

Source: City Finance Department

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

**Water Revenue Concentration Data**

Fiscal Year	Class of Customer				Totals
	Single Family Residential	Multi Family Residential	Commercial	Other	
	<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
<b>2010</b>	\$ 1,974,510 1,650	\$ 421,805 85	\$ 965,034 217	\$ 227,364 56	\$ 3,588,713 2,016
<b>2011</b>	1,908,615 1,660	427,580 85	957,825 231	225,957 57	3,519,977 2,033

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

2011	2010	2009	2008
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Atterdag Village	Chumash Casino Resort	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	Rancho S.Y. Mobile Estates	Petersen Inn	Mission Ready Mix
Rancho S.Y. Mobile Estates	Solvang LLM	Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates
Solvang LLM	Solvang Lutheran Home	Solvang Lutheran Home	Solvang Lutheran Home
Solvang School	Solvang School	Solvang School	Solvang Mesa LLC
Wine Valley Inn	Wine Valley Inn	Wine Valley Inn	Solvang School
Worldmark Solvang	Worldmark Solvang	Worldmark Solvang	Worldmark Resort

Fiscal Years Ended June 30

2007	2006	2005	2004
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Chumash Casino Resort	City of Solvang	City of Solvang	Hans Christian Andersen Park
City of Solvang	Mission Oaks	Cottage Hospital	Inns of California
Mission Oaks	Mission Ready Mix	Inns of California	Mission Oaks
Mission Ready Mix	Nyborg Estates Master Assoc.	Mission Oaks	Mission Ready Mix
Rancho S.Y. Mobile Estates	Petersen Village Inn	Mission Ready Mix	Rancho S.Y. Mobile Estates
Solvang Lutheran Home	Rancho S.Y. Mobile Estates	Petersen Village Inn	Royal Scandinavian Inn
Solvang Mesa LLC	Solvang Lutheran Home	Rancho S.Y. Mobile Estates	Solvang Lutheran Home
Solvang School	Solvang School	Solvang Lutheran Home	Solvang School
Worldmark Resort	Wine Valley Inn	Solvang School	Solvang Transit Mix

Fiscal Years Ended June 30

2003	2002
Alisal Guest Ranch	Alisal Golf Course
Country Inn & Suites	Alisal Guest Ranch
Inns of California	Alisal Oak Apartments
Mission Oaks	Danish Country Inn
Mission Ready Mix	Oak Park Apartments
Rancho S.Y. Mobile Estates	Quality Inn
Royal Scandinavian Inn	Rancho S.Y. Mobile Estates
Solvang Lutheran Home	Royal Scandinavian Inn
Solvang School	Solvang Lutheran Home
Solvang Transit Mix	Solvang School

Source: City of Solvang Finance Department

**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			
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
2010				25			1,577	1,602	3.56%	\$ 304.45
2011							1,366	1,366	2.96%	\$ 258.27

**Source:** City of Solvang Finance Department

**Schedule 14  
City of Solvang  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2011**

<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	\$ 77,830,000	1.689%	\$ 1,314,549
Santa Ynez Valley Union High School District COP	3,480,000	17.272%	\$ 601,066
Buellton Union School District Cert of Participation	2,160,000	1.229%	\$ 26,546
Solvang School District Certificate of Participation	720,000	80.580%	\$ 580,176
<b>Total direct and overlapping debt</b>			<u><u>\$ 2,522,337</u></u>

Source: California Municipal Statistics, Inc. and City of Solvang Finance Department

**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
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%
2010	\$ 145,560,815	0	0.00%
2011	\$ 144,815,718	0	0.00%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Assessed Value	\$ 965,438,122
Debt Limit (15% of assessed value)	144,815,718
Less debt applicable to limit:	
General Obligation bonds	<u>0</u>
Total debt applicable to limit	<u>0</u>
Legal Debt Margin	<u><u>\$ 144,815,718</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		
		Principal	Interest	Coverage
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
2010	52,458	65,000	2,437	0.78
2011	-	-	-	-

**Water Installment Agreement and Capital Lease**

	Water Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		
					Principal	Interest	Coverage
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
2010	3,972,347	44,858	3,872,448	\$ 144,757	200,366	87,256	0.50
2011	3,973,351	22,276	3,876,241	\$ 119,386	210,612	77,010	0.42

**Wastewater Capital Lease Obligation**

	Wastewater Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		
					Principal	Interest	Coverage
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)
2010	1,429,716	63,470	1,263,965	\$ 229,221	81,129	3,111	2.72
2011					-	-	

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>
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%
2010	5262	186,787,939	35,498	8.80%
2011	5289	191,476,316	36,203	3.70%

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

Fiscal Year Ended June 30, 2011			Fiscal Year Ended June 30, 2010		
Employer	Number Of Employees	Percentage of Total City Employment	Employer	Number Of Employees	Percentage of Total City Employment
Alisal Guest Ranch	270	9.00%	Alisal Guest Ranch	280	9.33%
Solvang Lutheran Home	120	4.00%	Solvang Lutheran Home	125	4.17%
Santa Ynez Valley Cottage Hospital	82	2.73%	Santa Ynez Valley Cottage Hospital	85	2.83%
Route 246	67	2.23%	Route 246	70	2.33%
Nielsens Market	63	2.10%	Nielsens Market	65	2.17%
New Frontiers Market	58	1.93%	New Frontiers Market	60	2.00%
Hotel Corque	52	1.73%	Hotel Corque	54	1.80%
Solvang Unified School District	52	1.73%	Solvang Unified School District	54	1.80%
City of Solvang	35	1.17%	City of Solvang	35	1.17%
Worldmark Trendwest	29	0.97%	Worldmark Trendwest	30	1.00%
<b>Totals</b>	<b>828</b>	<b>27.60%</b>	<b>Totals</b>	<b>858</b>	<b>28.60%</b>

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%
<b>Totals</b>	<b>858</b>	<b>28.60%</b>	<b>Totals</b>	<b>1017</b>	<b>33.88%</b>

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%
<b>Totals</b>	<b>869</b>	<b>28.97%</b>	<b>Totals</b>	<b>844</b>	<b>28.13%</b>

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	-	-	-	-	-
Finance	4	4	4	4	4	4	5	5	5	5
<b>Public safety:</b>										
Police (Contract)	-	-	-	-	-	-	-	-	-	-
Fire	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	0.5	0.5
<b>Public works:</b>										
Engineering	1	2	2	2	2	3.5	2.5	2.5	2.5	2.5
Roads and streets	1	1	1	1	1	2	2.35	2.35	2.35	2.35
Maintenance	3	4	4	4	4	3	3.65	3.65	3.65	3.65
<b>Parks:</b>										
Parks and recreation	5	5	5	5	5	7	5.5	5.8	6.5	6.5
<b>Water:</b>										
Treatment and distribution	3	4	4	4	4	4	4	4	4	4
<b>Wastewater:</b>										
Collection and treatment	5	5	6	6	6	6	6	6	6	6
<b>Totals</b>	<u>28</u>	<u>31</u>	<u>32</u>	<u>34</u>	<u>34</u>	<u>36</u>	<u>34.5</u>	<u>33.8</u>	<u>34.5</u>	<u>34.5</u>

Note: No full-time equivalent employees are shown for police, fire, City Attorney and previous years of 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police:</b>										
Physical arrest	115	186	242	311	365	265	299	269	353	127
Traffic violations	419	506	687	651	583	737	610	707	548	266
<b>Fire:</b>										
Emergency responses	348	373	388	435	424	486	510	498	484	589
Fires extinguished	37	36	41	35	30	18	16	18	16	15
<b>Planning:</b>										
Building permits issued	85	57	128	162	151	223	299	141	124	151
<b>Public works:</b>										
Miles streets resurfaced	0.00	7.15	0.00	1.81	1.13	0.25	2.27	4.37	1.15	0.25
<b>Parks:</b>										
Community events held	7	9	9	7	5	14	22	17	17	18
Swimming pool admissions	-	-	-	-	-	-	-	-	-	-
<b>Water:</b>										
Number new connections	0	0	7	24	10	36	9	7	2	2
Daily average water production in MGD	1.36	1.32	1.43	1.32	1.02	1.46	1.48	1.38	1.15	1.31
Daily average water consumption in MGD	1.31	1.31	1.31	1.12	1.30	1.34	1.37	1.33	1.25	1.20
<b>Wastewater:</b>										
Number new connections	0	0	0	0	6	36	9	7	2	2
Daily average treatment in millions gallons(MGD)	0.86	0.88	0.82	0.75	0.82	0.60	0.60	0.69	0.73	0.72

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Fire</b>										
Stations	1	1	1	1	1	1	-	-	-	-
Engines	5	5	5	5	5	5	-	-	-	-
<b>Public works:</b>										
Miles of streets	21	21	21	21	22	22	22	22	25	25
Streetlights	6	6	6	6	7	7	7	7	12	12
Traffic signals	-	-	-	-	-	-	-	-	-	-
<b>Parks and recreation:</b>										
Community centers	3	3	3	3	3	3	3	3	3	2
Parks	3	3	3	3	4	4	4	4	4	4
Park acreage	56	56	56	56	63	63	63	63	63	63
<b>Water:</b>										
Miles of mains	32	32	32	32	32	35	35	35	35	35
Number connections	1,906	1,906	1,899	1,923	1,953	1,989	1,964	2,017	2,017	2,019
<b>Wastewater:</b>										
Miles of sewers	40	40	40	40	40	40	40	42	42	42
Number connections	1,806	1,806	1,805	1,793	1,771	1,989	1,964	2,017	1,981	1,985
Maximum plant capacity in millions gallons	1.2	1.2	1.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5

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